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COMMITTEE:	**BABERGH CABINET**
VENUE:	**BRITTEN ROOM, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH**
DATE:	**THURSDAY, 8 FEBRUARY 2018 5.30 PM**

Members

Tina Campbell	Peter Patrick
Margaret Maybury	John Ward
Jan Osborne	Nick Ridley
Lee Parker	

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A G E N D A

PART 1

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8	BCa/17/46 JOINT TREASURY MANAGEMENT STRATEGY 2018/19	13 - 66
	At its meeting on 15 January 2018, the Joint Audit and Standards Committee (JAC) scrutinised Paper JAC/17/15 – a link to the report is provided for Members' information. However, a revised version of the report is attached as Paper BCa/17/46 which reflects changes to the numbers since the meeting due to amendments to the capital programme as part of the Budget process. JAC agreed the recommendations to Cabinet and Council as set out in Paper JAC/17/15, subject to an amendment to correct the figures in the Capital Financing – General Fund for Mid Suffolk in Appendix F, paragraph 2.4, to reflect an error identified by the Committee. The draft JAC Minute is attached as Appendix K. A list of the changes is attached as Appendix J and the changes are highlighted within the text and tables of Paper BCa/17/46. Revised Appendices A, C, E, F, G and I replace those attached to the original report.	
9	BCa/17/47 JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2018/19 BUDGET	67 - 148
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14	EXCLUSION OF THE PUBLIC (WHICH TERM INCLUDES THE PRESS)	
	To consider whether, pursuant to Part 1 of Schedule 12A of the Local Government Act 1972, the public should be excluded from the meeting for the business specified below on the grounds that if the public were present during this/these item(s), it is likely that there would be the disclosure to them of exempt information as indicated against the/each item. The author(s) of the report(s) proposed to be considered in Part II of the Agenda is/are satisfied that the public interest in maintaining the exemption outweighs the public interest in disclosing the	

DATE AND TIME OF NEXT MEETING

Please note that the next meeting is scheduled for 8 March 2018 commencing at 9.30 a.m.

For further information on any of the Part 1 items listed above, please contact Sophie Moy on 01449 724682 or via e-mail at sophie.moy@baberghmidsuffolk.gov.uk.

Introduction to Public Meetings

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BABERGH DISTRICT COUNCIL BABERGH CABINET

MINUTES OF THE MEETING OF THE BABERGH CABINET HELD IN ELISABETH ROOM, ENDEAVOUR HOUSE, RUSSELL ROAD, IPSWICH ON THURSDAY, 18 JANUARY 2018 AT 5:30PM

PRESENT: John Ward - Chairman

Jan Osborne	Tina Campbell
Lee Parker	Peter Patrick

In attendance:

Councillor Clive Arthey
Councillor Tony Bavington
Councillor John Hinton

Chief Executive (AC)
HRA Accountant (TA)
Corporate Manager – Finance (ME)
Assistant Director – Housing (GF)
Corporate Business Co-ordinator (SM – notes)
Interim Strategic Director (KN)
Assistant Director – Finance (KS)
Strategic Director (JS)
Assistant Director – Law and Governance (EY)

Councillor Ward, gave a brief introduction as his first meeting as Leader. He explained Councillor Ridley had taken on the Portfolio for Assets and Investments. For the interim Councillor Maybury would take on the Portfolio for Communications on a part time basis until a permanent member could be appointed and he was also looking to make an appointment to the Portfolio for Organisational Delivery. He hoped to make an appointment in next two to three days.

77 APOLOGIES FOR ABSENCE

Apologies were received from Councillors Maybury and Ridley.

78 DECLARATION OF INTERESTS BY COUNCILLORS

There were none.

79 BCA/17/40 - TO CONFIRM THE MINUTES OF THE MEETING HELD ON 7 DECEMBER 2017

79.1 The minutes of the meeting held on 7 December 2017 were confirmed as a correct record subject to the following amendment to minute number 74.6 by adding in the following comment:

79.2 “Councillor Bavington wished it noted there were two paragraphs within report BCa/17/37 which he objected to. The first was the statement in 10.1 which he felt referred to the motion being a Labour party stunt which was incorrect and the other, paragraph 11, were the options given as, in his view, they were not options at all, they merely stated whether to pursue the motion put or not.”

80 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME

None received.

81 QUESTIONS BY COUNCILLORS

There were none.

82 MATTERS REFERRED BY THE OVERVIEW AND SCRUTINY OR JOINT AUDIT AND STANDARDS COMMITTEES

No matters had been referred by either the Overview and Scrutiny or Joint Audit and Standards Committees.

83 BCA/17/41 FORTHCOMING DECISIONS LIST

83.1 The Forthcoming Decisions List was noted and the following comments made:

- BMS Invest – to be updated to Councillor Ward as the Cabinet Member.
- Public Realm – noted the Task Group looked at the contract element only and not whether any areas could be transferred to Parish Councils. It was noted this would be the next step.
- The Provision of Homelessness Accommodation in Stowmarket – why was Councillor Osborne listed? This was because it could provide accommodation for residents in both Babergh District Council and Mid Suffolk District Council areas.
- The number of confidential items listed – further information was required in order to make the list more transparent. More detail would be provided in the future.
- Why Mid Suffolk District Council reports were shown on the list? It was understood this was to provide visibility and greater understanding across both districts.

84 BCA/17/42 DRAFT JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2018/19 BUDGET

84.1 Councillor Patrick, the Cabinet Member with responsibility for Finance, introduced report BCa/17/42 and moved the recommendation, with the addition in 2.9 of the words “subject to further consideration at the February Cabinet meeting for recommendation to Council”. This was seconded by Councillor Osborne.

84.2 Members noted the following:

- There had been an omission in minimum revenue provision – ie PV Panel costs had not been included.
- In paragraph 12.5 it was clarified the additional £546k would be split over the next four years.
- It was planned to build and acquire a total of 210 homes for the Council's housing stock. Some members raised the point if you did not build houses the actual housing stock would not increase.
- Local Members were to be involved in the assessment of the use of underutilised space in relation to garage sites, severed gardens and open spaces.
- Some Members asked whether the Joint Housing Board could be allocated a budget for repairs and maintenance in order to further tenant involvement.
- The footnote at the bottom of the HRA Business Plan on page 36 gave an explanation into the drop of funds. This was due to a predicted additional payment on the loan.
- It was noted on page 46, Organisational Development, the net expenditure figure related to employee costs.

84.3 After a lengthy discussion the following amendments were **AGREED** and would be applied to the report before the final version was tabled at the February Cabinet meeting:-

- Further explanation would be given in terms of Babergh District Council's liability for the South Suffolk Leisure Contract
- There would be a new description of the Transformation fund indicating specific purposes. It was felt this would be an opportune moment to assess projects.
- The Appendices would be updated.
- The graphs on page 63 would be updated, showing New Homes. On page 78, three different scenarios were shown, based on growth assumptions. The graph on page 63 would show the worst case scenario. Some Members wished to see all three different scenarios shown in graph form as easier to read. It was thought it would be more prudent to use the smaller figure in graph form as the Government had changed the goal posts in the past.

By an unanimous vote

84.4 **It was RESOLVED:-**

1.1 That the draft Joint Medium Term Financial Strategy (MTFS) and Budget proposals set out in the report be endorsed, subject to further consideration at the February meeting for recommendation to Council.

1.2 That the final General Fund Budget for 2018/19 be based on an increase to Council Tax of £5 per annum (10p per week) for a Band D property, which is equivalent to 3.25%, to support the Council's overall financial position, which will be considered further at the February Cabinet meeting.

1.3 That the draft Housing Revenue Account (HRA) Investment Strategy 2018/19 to 2022/23 and draft HRA Budget for 2018/19 be agreed, subject to further consideration at the February Cabinet meeting.

1.4 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.90 a week as required by the Welfare Reform and Work Act be implemented.

1.5 Sheltered Housing Supported people cost of £3 per week to be removed. Service charges to be increased by £5 per week for each scheme (set at £4 cap per week last year) meaning a net increase of £2 per week to tenants. This will reduce the subsidy by £30k.

1.6 Sheltered Housing utility charges are kept at the same level.

1.7 That in principle, Right to Buy receipts should be retained to enable continued development and acquisition of new council dwellings.

1.8 That garage rents are kept at the same level.

1.9 That the revised HRA Business Plan in Appendix D be noted.

1.10 That the proposed Capital Programme in Appendix C be agreed, subject to further consideration at the February Cabinet meeting for recommendation to Council.

1.11 The Medium Term Financial Strategy (MTFS) and Budget will be subject to final determination by Cabinet and Council in February 2018.

Reason for Decisions: To ensure that Members were aware of the draft budget proposals for 2018/19 and Medium Term Financial Strategy.

Alternative Options Considered and Rejected: The options considered were as detailed in the report.

The business of the meeting was concluded at 6:45pm.

……………………………………..

Chair (date)

DRAFT

Agenda Item 6

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Joint Overview and Scrutiny Committee	**Report Number: BCa/17/44**
To: Mid Suffolk Cabinet Babergh Cabinet	**Date of meeting: 5 February 2018 8 February 2018**

CABINET ARE ASKED TO CONSIDER THE RECOMMENDATION BELOW FROM THE JOINT OVERVIEW AND SCRUTINY COMMITTEE HELD ON 18 DECEMBER 2017

1. Recommendation to both Cabinets

1.1 **That prior to any future shared services or partnership working arrangements, a full and proper business case be prepared and be presented to the Overview and Scrutiny Committees for pre-scrutiny.**

Appendices

Title	Location
Appendix A – Draft JOS Minute relating to the Review of the Shared Legal Services (JOS/17/2)	Attached

Authorship:
Henriette Holloway 01449 724681
Governance Support Officer henriette.holloway@baberghmidsuffolk.gov.uk

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APPENDIX A

JOINT OVERVIEW AND SCRUTINY COMMITTEE 18 DECEMBER 2017

DRAFT MINUTE – REVIEW OF THE SHARED LEGAL SERVICES

5 **JOS/17/2 REVIEW OF THE SHARED LEGAL SERVICES**

5.1 The Assistant Director of Law and Governance began by introducing Theresa Halliday, Service Manager for the Shared Legal Service. She explained the staff structure for the service and the financial breakdown and the cost implications for Babergh and Mid Suffolk District Councils for the year 2016/17.

5.2 Members' attention was drawn to the underspend of £41,899.88.

5.3 In terms of caseloads and open cases, there had been no comparable data available before the Shared Legal Service was established. Currently there were 477 open cases, and of these 116 were in the process of being dealt with. A large number of existing open cases from Babergh and Mid Suffolk Councils had been taken into the Shared Legal Service when it was established.

5.4 The Service Manager then outlined how the lack of a hand-over had hindered the initial setting-up of the Shared Legal Service. She also said that training of new legal and administrative staff had taken time and impacted on the service.

5.5 Councillor Derek Davis, who had been invited by the Committee to present evidence as a witness, then recounted his experience as a Councillor dealing with the Shared Legal Service including:

- In one instance the Shared Legal Service has acted promptly;
- That in the case of the unlawful use of a caravan site, the Shared Legal Service's advice had been conflicting, and the service had taken too long to catch up with the legal implications of the case and it was felt this could damage the reputation of the Council;
- Generally, the Councillor felt that the Service was providing an inconsistent service and that advice was at times confusing.

5.6 Some Members reported that it had been difficult to get hold of the correct contact person within the Shared Legal Service and that staff were busy and at times unable to provide detailed legal advice. It was also reported that there was an impression that Members were not able to contact the service directly.

5.7 Officers responded that the first point of call was the Client Officer, but this did not prevent Members from contacting the Shared Legal Service directly. However, the Shared Legal Service was not insured to give legal advice on parish matters and could only provide advice on Babergh and Mid Suffolk Council matters.

5.8 Members felt that a review of the communication process would be beneficial.

5.9 The Corporate Manager for Strategic Asset Management explained the relationship between her team and Shared Legal Service. She said that at first the working relationship had been difficult until good procedures and processes had been established. For her, as a client of the Shared Legal Services, the current process was working effectively and satisfactorily.

5.10 The Service Manager informed Members that a new Case Management System was currently being launched, which would enable staff to direct calls to the legal person responsible and that, if the lead officer wasn't available, any staff member would be able to provide up to date information to clients. The system also had a client portal which allowed clients to follow the progress of the individual cases.

5.11 Members requested that a list be made available of officers who could instruct Shared Legal Service in each client department in the Councils.

5.12 Some Members felt that in the case of the Shared Legal Service and some of the Councils' other partnership working arrangements a detailed and sound business case was lacking. Members strongly recommended that in the future proper business cases should be undertaken before any change was made to Councils' services to ensure that the impact and success of that change could be monitored effectively.

5.13 The Committee was concerned that there did not exist enough information from the former legal department to compare the service level with Shared Legal Service.

By a unanimous vote

It was RESOLVED:-

1.1 That the Joint Overview and Scrutiny Committee concluded that further improvements in the performance of Shared Legal Service are required, specifically around communication and the understanding of which officer within the client department is able to give instructions.

1.2 That the Shared Legal Service be reviewed by Overview and Scrutiny Committee again in six months' time and that this review include updates on case management and the information previously presented to the Committee.

1.3 That the Joint Overview and Scrutiny Committee recommend to Cabinet that prior to any future shared services or partnership working arrangements that a full and proper business case is prepared and that the business case will be presented to the Overview and Scrutiny Committees for pre-scrutiny.

DRAFT

Forthcoming Decisions list (KEY, EXEMPT AND OTHER EXECUTIVE DECISIONS)

February to August 2018 (Published 20 January 2018 – Version 7)

Unique Ref No:	Decision Maker & Decision Date	Subject	Summary	Contacts: Cabinet Member(s)/MSR	Contacts: Officer(s)	Key Decision?/Exempt?
CAB01	Cabinet 8 February 2018	Gainsborough Chamber – Transfer of Asset	To ask Members to approve the transfer of an asset.	John Ward	Jill Pearmain 01449 724802 Jill.pearmain@babergh midsuffolk.gov.uk	Yes *CONFIDENTIAL Part of the report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions*
CAB02	Cabinet 5/8 February 2018	2018/19 Budget and Medium Term Financial Position	To approve the Budget and Medium Term Financial Position	Peter Patrick John Whitehead	Katherine Steel 01449 724806 Katherine.steel@baber ghmidsuffolk.gov.uk	Yes
CAB03	Cabinet 5 February 2018	Regal Theatre (Stowmarket) Redevelopment	The purpose is to seek Cabinet approval, to agree funding, to support the redevelopment of the Regal Theatre and the regeneration of Stowmarket	John Whitehead	Jonathan Stephenson 01449 724704 jonathan.stephenson@b aberghmidsuffolk.gov.uk	Yes *CONFIDENTIAL Part of the report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions*
CAB04	Cabinet 5/8 February 2018	Community Infrastructure Levy – Framework for Expenditure	To obtain approval to the appointment of a Panel of Members from Cabinet of both Councils to assist with the shaping of current thinking and the development of detail such that a fully worked up CIL expenditure framework is achieved for re-presentation and consideration by Cabinet for both Councils	David Whybrow/ Lee Parker	Christine Thurlow 07702996261 christine.thurlow@baberg hmidsuffolk.gov.uk	No

CAB05	Cabinet 5 February 2018	Wingfield Barns Community Interest Company Update Report	To provide an update on the activity of the Wingfield Barns Community Interest Company	Julie Flatman	Jonathan Free 01449 724859 Jonathan.free@midsuffolk.gov.uk	Yes
CAB06	Cabinet 5/8 February 2018	Joint Babergh and Mid Suffolk Economic “Open for Business” Strategy	To approve the Joint Babergh Mid Suffolk Economic “Open for Business Strategy”	John Ward Gerard Brewster	Lee Carvell 01449 724685 lee.carvell@baberghmidsuffolk.gov.uk	Yes
CAB07	Cabinet 5/8 February 2018	Treasury Management Strategy	To approve the Treasury Management Strategy	Peter Patrick John Whitehead	Katherine Steel 01449 724806 Katherine.steel@baberghmidsuffolk.gov.uk	Yes
CAB08	Cabinet 5/8 February 2018	Local Tourism Strategy Review	To approve the Local Tourism Strategy Review	John Ward Gerard Brewster	Lee Carvell 01449 724685 lee.carvell@baberghmidsuffolk.gov.uk	Yes *CONFIDENTIAL* *This report will be heard in private as per Paragraph 3,4, 6 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions*
CAB09	Cabinet 8 February 2018	Leisure Investment Options	To seek approval for refurbishment and redevelopment of the Hadleigh Leisure and Kingfisher Leisure Centres	Margaret Maybury	Chris Fry 01449 724805 Chris.fry@baberghmidsuffolk.gov.uk	Yes
CAB10	Cabinet 5/8 March 2018	Public Realm Transformation Project	To consider and agree the Public Realm Transformation Project following the outcomes from the review of the Task and Finish Panel.	David Burn/ Margaret Maybury	Peter Garrett 01449 724944 Peter.garrett@baberghmidsuffolk.gov.uk	Yes

CAB11	Council March 2018 Cabinet March 2018 (dates to be scheduled)	Regeneration Proposal – Former Mid Suffolk District Council Headquarters Site, Hurstlea Road, Needham Market	For debate by Council, determination by Cabinet	Nick Gowrley	Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	*CONFIDENTIAL This report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions.*
CAB12	Council 20 February 2018 Cabinet 8 March 2018	Regeneration Proposal – Former Babergh District Council Headquarters Site, Corks Lane, Hadleigh	For debate by Council, determination by Cabinet	John Ward	Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	*CONFIDENTIAL This report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions*
CAB13	Cabinet 5/8 March 2018 Council 20/22 March 2018	BMS Invest – Consolidated Performance and Risk Report	To approve the BMS Invest – Consolidated Performance and Risk Report	Nick Gowrley John Ward	Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk	Yes
CAB15	Cabinet 5/8 March 2018	Quarter Three Budgetary Control	To approve the Quarter Three Budgetary Control	Peter Patrick/John Whitehead	Katherine Steel 01449 724806 Katherine.steel@baberghmidsuffolk.gov.uk	Yes
CAB16	Cabinet 5/8 March 2018	CIL Expenditure Framework	To approve the CIL Expenditure Framework	David Whybrow/Lee Parker	Christine Thurlow 07702996261 christine.thurlow@baberghmidsuffolk.gov.uk	Yes
CAB17	Cabinet 5 March	The acquisition of accommodation within Stowmarket to provide additional temporary accommodation units	To approve the acquisition of accommodation.	Jill Wilshaw	Heather Sparrow 01449 724767 Heather.sparrow@baberghmidsuffolk.gov.uk	Yes *CONFIDENTIAL This report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions*

CAB18	Cabinet 9/12 April	To consider Battery Storage at all the Leisure Sites	To approve the Battery Storage at the Council's Leisure Facilities	David Burn Tina Campbell	Chris Fry 01449 724805 Chris.fry@baberghmidsuffolk.gov.uk	Yes
CAB19	Cabinet 9/12 April	Review of Statement of Community Involvement	To review the Statement of Community Involvement	David Whybrow Lee Parker	Andrea McMillan 07860826983 Andrea.mcmillan@baberghmidsuffolk.gov.uk	
CAB14	Cabinet 6/9 August 2018	Review of Housing Allocations Policy	To gain approval for changes to the Housing Allocations Policy	Jan Osborne Jill Wilshaw	Sue Lister 01449 724758 Sue.lister@baberghmidsuffolk.gov.uk	Yes

If you have any queries regarding this Forward Plan, please contact Sophie Moy on 01449 724682 or Email: Sophie.moy@baberghmidsuffolk.gov.uk

If you wish to make any representations as to why you feel an item that is marked as an "exempt" or confidential item should instead be open to the public, please contact the Monitoring Officer on 01449 724694 or Email: emily.yule@baberghmidsuffolk.gov.uk. Any such representations must be received at least 10 working days before the expected date of the decision.

Arthur Charvonia

Chief Executive

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Cabinet Members for Finance	**Report Number: BCa/17/46**
To: Mid Suffolk Cabinet Babergh Cabinet	**Date of meeting: 5 February 2018 8 February 2018**

JOINT TREASURY MANAGEMENT STRATEGY 2018/19

1. Purpose of Report

1.1 This report presents the proposed Treasury Management Strategy Statement (which includes the Annual Investment Strategy for managing surplus funds and borrowing strategy). These are in accordance with the CIPFA Treasury Management Code. The Prudential Indicators and Minimum Revenue Provision (MRP) Statement are linked to the Budget report that will be presented to Cabinet and the full Council meetings in February 2018.

1.2 The Code of Practice recommends that the strategy is subject to scrutiny before it is presented to Council, which falls within the remit of the Joint Audit and Standards Committee.

2. Recommendations to both Councils

2.1 That the following be approved:

(a) The Treasury Management Strategy for 2018/19, including the Annual Investment Strategy as set out in Appendix A.

(b) The Treasury Management Policy Statement set out in Appendix B.

(c) The Treasury Management Indicators set out in Appendix E.

(d) The Prudential Indicators and Minimum Revenue Provision Statement set out in Appendices F and G.

2.2 That the key factors and information relating to and affecting treasury management activities set out in Appendices C, D and H be noted.

3. Financial Implications

3.1 As outlined in this report.

4. Legal Implications

4.1 Section 15 of the Local Government Act 2003 obliges the Councils to approve a Treasury Management Strategy.

5. Risk Management

5.1 This report is not directly linked with any of the Councils' Corporate / Significant Business Risks, but it should be noted that changes in funding requirements, interest rates and other external factors can impact on the Medium Term Financial Strategy and future budgets (Risk 5f – failure of the Councils to become financially sustainable in response to funding changes). Key risks around treasury management, however, are set out below:

Risk description	Likelihood	Impact	Mitigation measures
If the Councils lose the investment this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.
If the Councils receive a poor return on investments, there will be fewer resources available to deliver services.	Highly Probable (4)	Noticeable (2)	Focus is on security and liquidity, therefore, careful cashflow management in accordance with the Treasury Management Strategy is undertaken throughout the year.
If the Councils have liquidity problems, they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.
If the Councils incur higher than expected borrowing costs, there will be fewer resources available to deliver services.	Unlikely (2)	Noticeable (2)	Benchmark is to borrow from the Public Works Loan Board whose rates are very low and can be on a fixed or variable basis. Research lowest rates available within borrowing boundaries and use other sources of funding and internal surplus funds temporarily.

6. Consultations

6.1 Regular meetings have taken place with our Treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

7. Equality Analysis

7.1 There are no equality and diversity implications, as the contents and recommendations of this report do not impact on those with protected characteristics.

8. Shared Service / Partnership Implications

8.1 This is a joint report for both Councils on the proposed Treasury Management Strategy for 2018/19, although its application will differ due to the different financial position of each Council.

8.2 The in-house finance team handle both Councils' treasury management strategy and operations.

9. Links to Joint Strategic Plan

9.1 Ensuring that the Council has the resources available is what underpins the ability to achieve the priorities set out in the Joint Strategic Plan.

10. Key Information

10.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require local authorities to determine their Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis before the start of each financial year. The TMSS also includes the Annual Investment Strategy (AIS).

10.2 The CIPFA Treasury Management and Prudential Codes have been adopted by both Councils. There is also a Treasury Management Policy Statement, which underpins the TMSS.

10.3 Babergh and Mid Suffolk invest surplus funds and both Councils borrow to fund capital investment and manage cash flows. Both Councils are therefore exposed to financial risks including the loss of invested funds and the revenue effect of interest rate changes.

10.4 The identification, monitoring and control of risk are central to the treasury management strategy.

10.5 In addition, treasury activities need to comply with relevant statutes, guidance and accounting standards.

<u>Borrowing and Investments</u>

10.6 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with usable reserves, is one of the core drivers of both Councils' treasury management activities.

10.7 Councils are able to borrow funds up to their CFR to finance capital expenditure. Both Councils will not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. These needs are determined by the CFR. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Councils can ensure the security of such funds.

10.8 The forecast movement in the CFR in coming years is one of the Prudential Indicators. The movement in actual external debt and usable reserves combine to identify the Councils' borrowing requirement and potential investment strategy in the current and future years.

10.9 As indicated in the tables in Appendix A, paragraph 3.1, Babergh has a maximum borrowing requirement of around £50.44million for 2018/19 rising to £58.88million by 2020/21 to fund the indicative capital programme. Mid Suffolk has a maximum borrowing requirement of around £80.52million for 2018/19 rising to £86.06million by 2020/21 to fund the indicative capital programme.

10.10 The current level of debt and investments for Babergh and Mid Suffolk is set out in Appendix C.

The 2018/19 Strategy

10.11 The Prudential Indicators (to be presented with the Budget and Capital Programme to Cabinet in February 2018) illustrate the affordability and impact of capital expenditure decisions and set out both Councils overall capital and treasury framework.

10.12 Effective management and decisions on funding ensure both Councils comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget. Using borrowing powers to undertake investment in line with the Joint Strategic Plan priority outcomes and generate a rate of return to produce additional income is a key part of the Medium Term Financial Strategy (MTFS) in order to address the funding gaps that both Councils face over the next 4 years.

10.13 Key documents relating to treasury management operations in terms of the annual investment and borrowing strategy proposed for 2018/19 are set out in the supporting appendices. Factors affecting the strategy are detailed in the Treasury Management Strategy for the year (Appendix A), the Treasury Management Policy Statement (Appendix B) and the Economic Outlook (Appendix D).

10.14 The proposed investment strategy for 2018/19 continues to focus primarily on the effective management and control of risk, giving priority to security and liquidity when investing funds. Investment returns remain an important but secondary consideration.

10.15 The minimum proposed investment criteria for UK counterparties in the 2018/19 Strategy remains at A-. (Note: This would be the lowest credit rating determined by credit rating agencies Moody's, Fitch and Standard & Poors).

10.16 In line with advice received from Arlingclose (the Councils' treasury advisors) the maximum investment limit per institution is £2m for unsecured specified investments for both Councils. The limit for pooled funds is £5m. Investments with the UK Government (including the Government's Debt Management Agency Deposit Facility (DMADF) and Treasury Bills (T-Bills)), have no limit on the amount invested.

10.17 A list of the banks and building societies that both Councils can lend to (based on information on credit risk and credit ratings as at November 2017) is provided in Appendix H. This will be continuously monitored as the position changes throughout the year as credit ratings are reviewed and additional market information is evaluated.

10.18 The Councils will continue to:

- Make use of call accounts, if necessary
- Use the strongest/lowest risk non-credit rated building societies
- Use covered bonds (secured against assets) for longer term investments
- Consider longer term investments in property or other funds.

10.19 The period for which a 'specified' investment is made will continue to be a key aspect of the investment strategy. The criterion for this is set out in Appendix A. The maximum period of any investment will be on the advice of Arlingclose. Investments in excess of 364 days are classified as 'non-specified' investments and will only be undertaken with the prior approval of the S151 Officer.

10.20 In terms of borrowing, consideration will be given to all forms of borrowing/financing in relation to any future capital investment plans. This is most likely to be via the Public Works Loan Board (PWLB) but consideration will also be given to borrowing from other sources such as other local authorities, commercial banks, the European Investment Bank (EIB), money markets, capital markets (stock issues, commercial paper and bills) and leasing.

10.21 In conjunction with advice from Arlingclose, both Councils will keep these sources of finance under review.

10.22 After using surplus internal funds temporarily, the PWLB remains the most likely source of new external long term borrowing whilst short or longer-term borrowing would be from money market institutions and other local authorities. The Councils will receive the "certainty rate" discount of 0.2% on PWLB loans.

10.23 Officers will take advice on the optimum time to undertake additional borrowing and will adopt a flexible approach in consultation with their treasury advisors, after consideration of the following:

- Affordability
- Maturity profile of existing debt
- Interest rate and refinancing risks
- Borrowing source.

As clearly highlighted by the Prudential Indicators, the level and ratio of General Fund borrowing costs will increase over the next few years to finance the potential capital programme. The Councils revenue budgets will be reviewed as part of the ongoing budget monitoring process against the Medium Term Financial Strategy.

10.24 The revenue cost of borrowing in 2018/19 and subsequent years in relation to the capital programme will be minimised by borrowing on the most beneficial basis at the most appropriate time of the year, based on advice from our treasury advisors, Arlingclose.

10.25 The General Fund revenue budget for 2018/19 will include provision for interest payments relating to external borrowing and the statutory Minimum Revenue Provision (MRP) to ensure the principal is repaid. Different arrangements apply to the Housing Revenue Account (Council Housing) in that there is no MRP. The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the year.

10.26 In accordance with the Department for Communities and Local Government (CLG) Guidance, the Councils will be asked to approve a revised Treasury Management Strategy Statement if the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Councils capital programmes or in the level of investment balances.

10.27 This Treasury Management Strategy does not include the proposed changes to the Prudential Code upon which both CIPFA and CLG consulted on in November and December, nor to any possible changes to MRP Guidance. Arlingclose's advice is to continue to follow existing processes until the new codes and guidance are published.

Appendices

Title	Location
A: Treasury Management Strategy Statement 2018/19	Attached
B: Treasury Management Policy Statement	Attached
C: Existing Investment and Debt Portfolio Position	Attached
D: Economic Outlook and Interest Rate Forecast	Attached
E: Treasury Management Indicators	Attached
F: Prudential Indicators	Attached
G: Annual MRP Statement 2018/19	Attached
H: Institutions meeting high credit ratings criteria (as at end of November 2017)	Attached
I: Glossary of Terms	Attached
J: Summary of changes to Paper JAC/17/15	Attached
K: Draft JAC Minute	Attached

Background Documents

CIPFA Treasury Management in the Public Services – 2011

The Prudential Code for Capital Finance in Local Authorities – 2011

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Appendix A Revised

TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19

1. Introduction and Background

1.1 The Councils adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 Edition (the CIPFA Code) which requires the Councils to approve a Treasury Management Strategy before the start of each financial year. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised Code.

1.2 In addition, the Department for Communities and Local Government (CLG) issued revised Guidance on Local Authority Investments in March 2010 that requires the Councils to approve an Investment Strategy before the start of each financial year.

1.3 This report fulfils the Councils legal obligations under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

1.4 Effective management and decisions on funding ensure the Councils comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

1.5 The Councils borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Councils treasury management strategy.

1.6 In accordance with the CLG Guidance, the Councils will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, a large unexpected change in interest rates, changes to the Councils capital programmes or level of their investment balances as well as evolving economic or political events.

2. External Context

Economic background

2.1. The major external influence on the Councils Treasury Management Strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

2.2 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.

2.3 In contrast, the US economy is performing well, and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook

2.4 High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

2.5 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

2.6 The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Councils; returns from cash deposits however remain very low.

Interest rate forecast

2.7 At its meeting on 1 November 2017, the Monetary Policy Committee (MPC) voted by a majority of 7-2 to increase Bank Rate by 0.25% to 0.5%. This was the first increase since August 2016. In the MPC’s central forecast, it implies a gently rising bank rate.

2.8 Longer-term interest rates have risen in the past year, reflecting the possibility of increasing short-term rates. Arlingclose forecasts these to remain broadly constant during 2018/19, but with some volatility as interest rate expectations wax and wane with press reports on the progress of EU exit negotiations.

2.9 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix D.

3. Local Context

3.1 On 31 March 2017 Babergh had net investments of £10m and Mid Suffolk had £21.3m of net borrowing. Forecast changes in these sums are shown in table 1 below.

Table 1: Capital Financing Requirement Summary and forecast

Babergh	**2016/17 Actual £m**	**2017/18 Estimate £m**	**2018/19 Forecast £m**	**2019/20 Forecast £m**	**2020/21 Forecast £m**
General Fund CFR	18.609	31.564	48.617	54.246	57.058
HRA CFR	86.253	88.119	87.619	87.119	86.719
Total CFR	**104.862**	**119.683**	**136.236**	**141.365**	**143.777**
Less: Existing profile of Borrowing*	(86.797)	(86.297)	(85.797)	(85.297)	(84.897)
Cumulative Maximum External Borrowing Requirement	**18.065**	**33.386**	**50.439**	**56.068**	**58.880**
Less: Balances & Reserves -General Fund	(3.480)	(4.130)	(4.330)	(4.405)	(4.385)
Less: Balances & Reserves HRA	(18.774)	(17.276)	(18.006)	(18.132)	(18.257)
Less: Working capital	(5.869)	(6.000)	(6.000)	(6.000)	(6.000)
Cumulative Net Borrowing Requirement / (Investments)	**(10.058)**	**5.980**	**22.102**	**27.531**	**30.238**

Mid Suffolk	**2016/17 Actual £m**	**2017/18 Estimate £m**	**2018/19 Forecast £m**	**2019/20 Forecast £m**	**2020/21 Forecast £m**
General Fund CFR	22.241	52.964	67.550	69.479	71.146
HRA CFR	86.759	86.759	86.759	86.759	88.107
Total CFR	**109.000**	**139.723**	**154.309**	**156.238**	**159.253**
Less: Existing profile of Borrowing*	(74.887)	(74.087)	(73.787)	(73.487)	(73.187)
Cumulative Maximum External Borrowing Requirement	**34.113**	**65.636**	**80.521**	**82.750**	**86.065**
Less: Balances & Reserves - General Fund	(12.728)	(14.303)	(13.892)	(14.245)	(14.475)
Less: Balances & Reserves HRA	(9.994)	(11.363)	(11.446)	(12.167)	(11.232)
Less: Working capital	9.958	9.958	9.958	9.958	9.958
Cumulative Net Borrowing Requirement / (Investments)	**21.349**	**49.928**	**65.142**	**66.297**	**70.316**

* shows only loans to which the Councils are committed and excludes optional refinancing

3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

3.3 The Councils strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

3.4 The Councils have increasing CFRs due to the capital programmes, but limited investments and will therefore be required to borrow up to £58.88million for Babergh and £86.06million for Mid Suffolk over the forecast period.

3.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that both Councils' total debt should be lower than their highest forecast CFR over the next three years. Table 1 shows that the Councils expect to comply with this recommendation during 2018/19.

4. Borrowing Strategy

Overview

4.1 At 31 October 2017 Babergh held loans of £86.5million, and Mid Suffolk £88.2million. These have decreased by £6.25million for Babergh and £9.15million for Mid Suffolk on the previous year, as part of the strategy for funding the previous years' capital programmes. The capital financing requirement forecasts in table 1 (paragraph 3.1 above) show that Babergh expects to borrow up to £17.05million and Mid Suffolk £14.89million in 2018/19. The Councils cannot exceed the Authorised Limit (as shown in Appendix F, paragraph 6.2) for borrowing of £148million for Babergh and £166million for Mid Suffolk.

Objectives

4.2 The chief objective of both Councils when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Councils long-term plans change is a secondary objective.

Strategy

4.3. Given the significant cuts to public expenditure and in particular to local government funding, the borrowing strategy of the Councils continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. This position will be monitored and evaluated on an ongoing basis to ensure both Councils achieve value for money.

4.4 By doing so, the Councils are able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Councils with this 'cost of carry' (the excess of interest payable on monies borrowed over interest received when the monies are invested) and breakeven analysis. Its output may determine whether the Councils borrow additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.5 Alternatively, the Councils may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

4.6 In addition, the Councils may borrow short-term loans to cover unexpected cash flow shortages.

Sources of borrowing

4.7 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institutions approved for investments (see paragraph 5.5 below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Suffolk County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance

4.8 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

4.9 The Councils have previously raised the majority of their long-term borrowing from the PWLB, but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

Municipal Bonds Agency

4.10 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons:

- borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason;

- there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

LOBOs

4.11 Mid Suffolk holds £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £4m of these LOBOS have options during 2018/19, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. Mid Suffolk will take the option to repay LOBO loans at no cost if it has opportunity to do so. Total borrowing via LOBO loans will be limited to £4m.

Short-term and variable rate loans

4.12 These loans leave the Councils exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators as shown in Appendix E, paragraph 2.1.

Debt rescheduling

4.13 The PWLB allows councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Councils may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

4.14 Borrowing and any rescheduling activity will be reported to the Joint Audit & Standards Committee as part of the mid-year and annual treasury management reports.

5. Annual Investment Strategy

5.1 The Councils hold significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past twelve months, Babergh's investment balances have ranged between £12.46m and £22.01m and those of Mid Suffolk between £8.37m and £22.56m, similar levels are expected to be maintained in the forthcoming year.

Objectives

5.2 Both the CIPFA Code and the CLG Guidance require the Councils to invest their funds prudently, and to have regard to the security and liquidity of their investments before seeking the highest rate of return, or yield. The Councils objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, both Councils will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates

5.3 If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

5.4 Given the increasing risk and very low returns from short-term unsecured bank investments, both Councils have diversified into higher yielding asset classes during 2017/18. This diversification will represent a continuation of the new strategy adopted in 2015/16.

Approved counterparties

5.5 The Councils may invest their surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown. The differing cash limits result in a similar spread of risk across the different counterparty types.

Table 2: Approved investment counterparties and limits for Babergh and Mid Suffolk

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£2m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£2m 5 years	£2m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£2 m 4 years	£2m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£2m 3 years	£2m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£2m 2 years	£2m 3 years	£2m 5 years	£1m 3 years	£1m 5 years
A	£2 m 13 months	£2m 2 years	£2m 5 years	£1 m 2 years	£1m 5 years
A-	£2m 6 months	£2m 13 months	£2m 5 years	£1m 13 months	£1m 5 years
None	£1m 6 months	n/a	£1m 25 years	£50,000 5 years	£1m 5 years
Pooled funds	£5m per fund				

This table should be read in conjunction with the following notes:

Credit rating

5.6 Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured

5.7 Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured

5.8 Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government

5.9 Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates

5.10 Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £50,000 per company as part of a diversified pool in order to spread the risk widely.

Registered providers

5.11 Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds

5.12 Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

5.13 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow councils to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting both Councils' investment objectives will be monitored regularly.

5.14 If the risks or returns of pooled funds change significantly enough over a period of time that they no longer meet the Councils' objectives, then funds will be withdrawn at the earliest opportunity. No new or re-investments will be made into those funds and alternatives will be considered. This will be applied to Funding Circle in 2018/19.

Operational bank accounts

5.15 The Councils may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2 million per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Councils maintaining operational continuity.

Risk assessment and credit ratings

5.16 Credit ratings are obtained and monitored by the Councils' treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

5.17 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

See the table in Appendix H for an explanation of the credit ratings issued by the main credit ratings agencies.

Other information on the security of investments

5.18 The Councils understand that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which they invest, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

5.19 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Councils will restrict their investments to those organisations of higher credit quality and reduce the maximum duration of their investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

5.20 If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Councils’ cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office (DMADF) or invested in government treasury bills (T-Bills) for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments

5.21 The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
  - the UK Government,
  - a UK local authority, parish council or community council, or
  - a body or investment scheme of “high credit quality”.

Both Councils define “high credit quality” organisations and securities as those having a credit rating of A- or A3 for UK banks and building societies, or a foreign country with a sovereign rating of AA+ or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified investments

5.22 Any investment not meeting the definition of a specified investment is classed as non-specified. The Councils do not intend to make any investments:

- denominated in foreign currencies, or
- defined as capital expenditure

5.23 Non-specified investments will therefore be limited to long-term investments, (those that are due to mature 12 months or longer from the date of arrangement), which are considered less liquid as the cash is not quickly realisable, to investments in unrated building societies, and investments with bodies and schemes not meeting the definition on high credit quality.

5.24 Investments of 12 months or over (longer than 364 days) are subject to the prior approval of the S151 officer.

5.25 Any institution can be suspended or removed from the list should any of the factors identified above give rise to concern. The institutions that currently meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts are shown in Appendix H.

5.26 It remains the Councils’ policies to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. Therefore, an institution that meets the criteria may be suspended, but institutions not meeting criteria will not be added.

5.27 Limits on non-specified investments are shown in table 3 following:

Table 3: Non-specified investment limits

	Cash Limit
Total long-term investments	£2m
Total investments without credit ratings or rated below A- (except UK Government and local authorities)	£10m
Total investments (except pooled funds) with institutions domiciled in foreign countries rated below AA+	£2m
Total non-specified investments	£14m

The Councils Banker

5.28 Both Councils bank with Lloyds Bank plc which currently has a credit rating of A+.

Investment limits

5.29 The Councils' revenue reserves available to cover investment losses are forecast to be £3.4million for Babergh and £14.3million for Mid Suffolk on 31 March 2018. In order to minimise the available reserves that would be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as stated in table 4 following. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment limits for Babergh and Mid Suffolk

Investment Limits		
	Babergh	**Mid Suffolk**
Any single organisation, except the UK Central Government	£2m each	£2m each
UK Central Government	Unlimited	Unlimited
Any group of organisations under the same ownership	£1m per group	£1m per group
Any group of pooled funds under the same management	£5m per manager	£5m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker	£10m per broker
Foreign countries	£2m per country	£2m per country
Registered Providers	£5m in total	£5m in total
Unsecured investments with building societies	£2m in total	£2m in total
Loans to unrated corporates	£1m in total	£1m in total
Money Market Funds	50% total Investments	50% total Investments

Liquidity management

5.30 The Councils use cash flow forecasts to determine the maximum period for which funds may prudently be committed. The forecasts are compiled on a prudent basis to minimise the risk of the Councils being forced to borrow on unfavourable terms to meet their financial commitments. Limits on long-term investments are set by reference to the Councils Medium Term Financial Strategy and cash flow forecasts.

6. Non-Treasury Investments

6.1 Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Councils may also purchase property for investment purposes and may also make loans and investments for service purposes, for example as equity investments and loans to the Councils' subsidiaries.

6.2 Such loans and investments will be subject to the Councils' normal approval processes for revenue and capital expenditure.

6.3 The Councils existing non-treasury investments are listed in Appendix C.

7. Other Items

There are a number of additional items that the Councils are obliged by CIPFA or CLG to include in their Treasury Management Strategy.

Policy on the use of financial derivatives

7.1 Some local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

7.2 The Councils will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Councils are exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria (See Appendix H). The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.4 The Councils will only use derivatives after seeking advice from their treasury advisors, a legal opinion and ensuring officers have the appropriate training for their use.

Policy on apportioning interest to the HRA

7.5 On 1st April 2012, the Councils notionally split each of their existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged / credited to the respective revenue account.

7.6 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured annually, and interest transferred between the General Fund and HRA at each Councils average interest rate on investments, adjusted for credit risk.

Investment training

7.7 The needs of the Councils treasury management staff for training in investment management are assessed regularly as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

7.8 Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA and other appropriate organisations.

Investment advisors

7.9 The Councils appointed Arlingclose Limited as treasury management advisors and receive specific advice and support on

- investment,
- debt management
- capital finance issues
- counterparty creditworthiness (credit ratings)
- economic updates and
- interest rates.

7.10 The treasury management advisory service is subject to regular review to ensure compliance with the requirements of the Treasury Management Strategy and the Treasury Management Practices (TMP's) Use of External Service Providers.

7.11 The Councils maintain the quality of the service with their advisors by holding regular meetings. Whilst the advisors provide support to the treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Councils.

7.12 The Councils have regard to the requirements of the Bribery Act 2011 in their dealings with external advisors.

Investment of money borrowed in advance of need

7.13 The Councils may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Councils are aware that they will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Councils overall management of treasury risks.

7.14 The total amount borrowed will not exceed the authorised borrowing limit of £148million for Babergh and £166million for Mid Suffolk in 2018/19. (See Appendix F, paragraph 6.2). The maximum period between borrowing and expenditure is expected to be two years, although the Councils are not required to link particular loans with particular items of expenditure.

Financial Implications

7.15 The budget for investment income in 2018/19 is £1.5million for Babergh and £2.1million for Mid Suffolk, based on an average investment portfolio of £40.6million for Babergh and £57.2million for Mid Suffolk at an average interest rate of 3.7% for each Council.

7.16 The budget for debt interest paid in 2018/19 is £3.44million for Babergh and £3.82million for Mid Suffolk, based on an average debt portfolio of £132.3million for Babergh and £119.8million for Mid Suffolk at an average interest rate of 3% for each Council.

7.17 If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

Other Options Considered

7.18 The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table:

Alternative	**Impact on income and expenditure**	**Impact on risk management**
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain

7.19 Under the rules of MIFID II (Markets in Financial Instruments Directive 2014/65/EU) which are effective from 1 January 18, both Councils have met the conditions to opt up to professional status.

Appendix B

TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and Background

1.1 The Councils adopt the key recommendations of the CIPFA Code of Practice on Treasury Management in Public Services 2011 Edition (the Code) as described in Section 5 of the Code.

1.2 In addition, the Department for Communities and Local Government (CLG) issued revised guidance on Local Authority Investments in March 2010 that requires councils to approve an investment strategy before the start of each financial year.

1.3 Accordingly, the Councils will create and maintain the following as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.

- Suitable treasury management practices (TMPs), setting out the manner in which the Councils will seek to achieve those policies and objectives, and prescribing how they will manage and control those activities.

1.4 The full Council meeting for Babergh and Mid Suffolk will receive recommendations from Cabinet on their treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

1.5 The Councils delegate responsibility for the implementation of its treasury management policies and practices to the Cabinet, monitoring to the Joint Audit and Standards Committee and the execution and administration of treasury management decisions to the Section 151 Officer and/or Corporate Manager - Financial Services, who will act in accordance with the Councils policy statement, the TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.6 The Joint Audit and Standards Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. Policies and Objectives of Treasury Management Activities

2.1 The Councils define their treasury management activities in line with the CIPFA code definition as: “the management of the organisation’s investments and cash flows, it’s banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance associated with those risks.”

2.2 The Councils regard the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Councils.

2.3 The Councils recognise that effective treasury management will provide support towards the achievement of their business and service objectives. They are therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management.

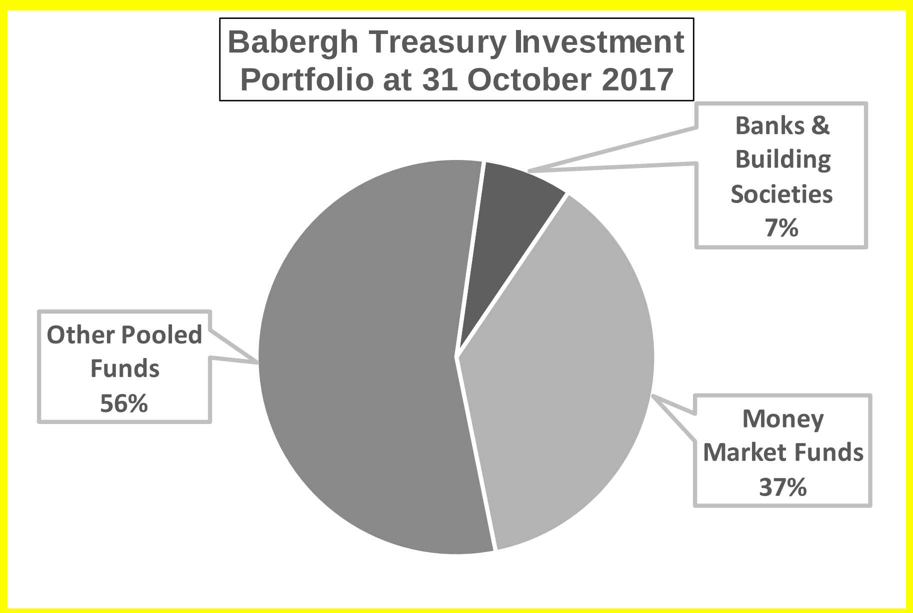
2.4 Both Councils borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Councils transparency and control over their debt.

2.5 Both Councils primary objectives in relation to investments remain the security of capital. The liquidity or accessibility of the Councils investments followed by the yield earned on investments remain important but are secondary considerations.

EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

Babergh	31.10.17 Actual Portfolio £m	Average Rate %
External Borrowing		
Public Works Loan Board	86.547	3.00%
Total External borrowing	**86.547**	**3.00%**
Treasury Investments		
Banks & Building Societies	1.262	0.14%
Money Market Funds	6.500	0.17%
Other Pooled Funds	9.638	5.91%
Total Treasury Investments	**17.400**	**3.28%**
Net Debt	**69.147**	

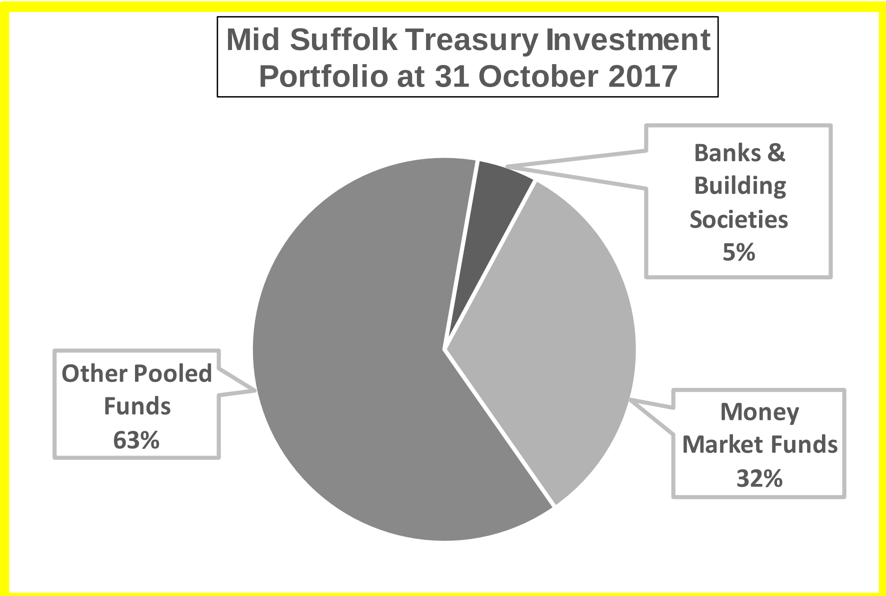
Non-treasury Investments:		
Investment property	3.560	
Loans to subsidiaries	0.030	
Total Non-treasury Investments	3.590	
Total Investments	**20.990**	



Appendix C Revised

Mid Suffolk	31.10.17 Actual Portfolio £m	Average Rate %
External Borrowing		
Public Works Loan Board	70.237	4.15%
Local Authorities	14.000	0.31%
LOBO loans from banks	4.000	4.21%
Total external borrowing	**88.237**	**3.03%**
Treasury Investments		
Banks & Building Societies	0.785	0.12%
Money Market Funds	5.000	0.21%
Other Pooled Funds	9.642	5.96%
Total Treasury Investments	**15.427**	**3.32%**
Net Debt	**72.810**	

Non-treasury Investments:		
Loans to subsidiaries	0.030	
Total Non-treasury Investments	0.030	
Total Investments	**15.457**	



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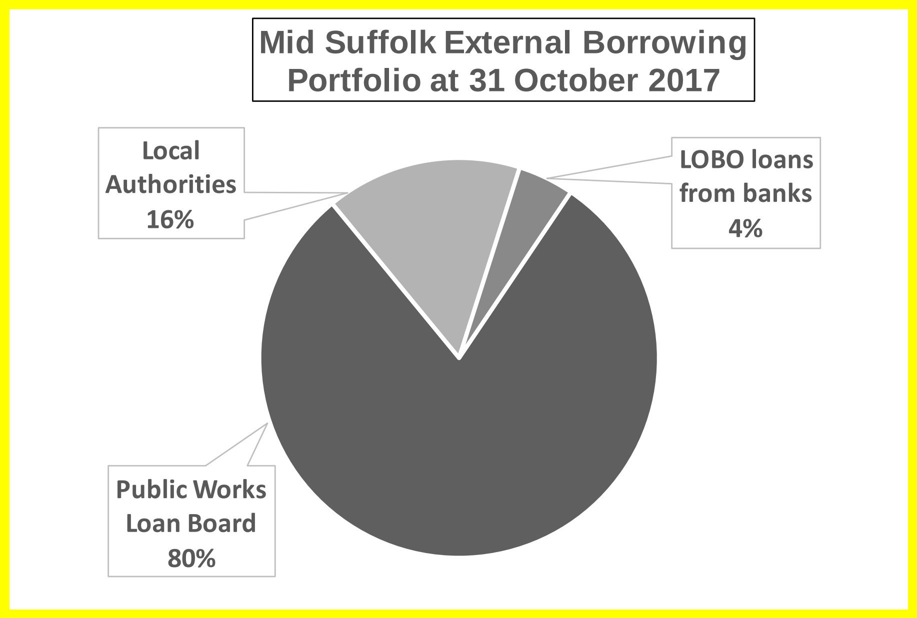


Appendix D

ECONOMIC & INTEREST RATE FORECAST

1 Underlying assumptions

1.1 In a 7-2 vote at its meeting in November, the MPC increased Bank Rate in line with market expectations to 0.5%. Dovish accompanying rhetoric prompted investors to lower the expected future path for interest rates. The minutes re-emphasised that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.

1.2 Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have downwardly assessed the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.

1.3 The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Quarter 3 2017 GDP growth was 0.4%, after a 0.3% expansion in Quarter 2. The initial expenditure breakdown showed weakness in consumption, business investment and net trade. Both consumer and business confidence remain subdued.

1.4 Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and credit consumer volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.

1.5 Some data has held up better than expected, with unemployment continuing to decline and house prices remaining relatively resilient. However, both factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis. Weaker long-term growth may prompt deterioration in the UK's fiscal position.

1.6 The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

1.7 Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

1.8 Geo-political risks remain elevated and helps to anchor safe-haven flows into the UK government bond (gilt) market.

2 Forecast

2.1 The MPC has increased Bank Rate, largely to meet expectations they themselves created. Future expectations for higher short-term interest rates are subdued.

2.2 On-going decisions remain data dependent and negotiations on exiting the EU cast a shadow over monetary policy decisions.

2.3 Arlingclose's central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.19**
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.15**
3-month LIBID rate														
Upside risk	0.10	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.22**
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	**-0.20**
1-yr LIBID rate														
Upside risk	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	**0.27**
Arlingclose Central Case	0.70	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.77
Downside risk	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	**-0.26**
5-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	0.89
Downside risk	-0.20	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
10-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.36
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	**-0.33**
20-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	1.93
Downside risk	-0.20	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.38**
50-yr gilt yield														
Upside risk	0.20	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	**0.32**
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	1.82
Downside risk	-0.30	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	**-0.39**

TREASURY MANAGEMENT INDICATORS

The Councils measure and manage their exposure to treasury management risks using the following indicators:

1. <u>Security</u>

1.1 The Councils have adopted a voluntary measure of their exposure to credit risk by monitoring the value-weighted average credit score of their investment portfolios. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

	Target
Portfolio average credit score	7.0

2. <u>Interest rate exposures</u>

2.1 This indicator is set to control the Councils exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as a proportion of net principal borrowed is shown in the following tables:

Babergh	**2018/19 Forecast £m**	**2019/20 Forecast £m**	**2020/21 Forecast £m**
Upper limit on fixed interest rate exposure	136	141	144
Upper limit on variable interest rate exposure	35	35	35

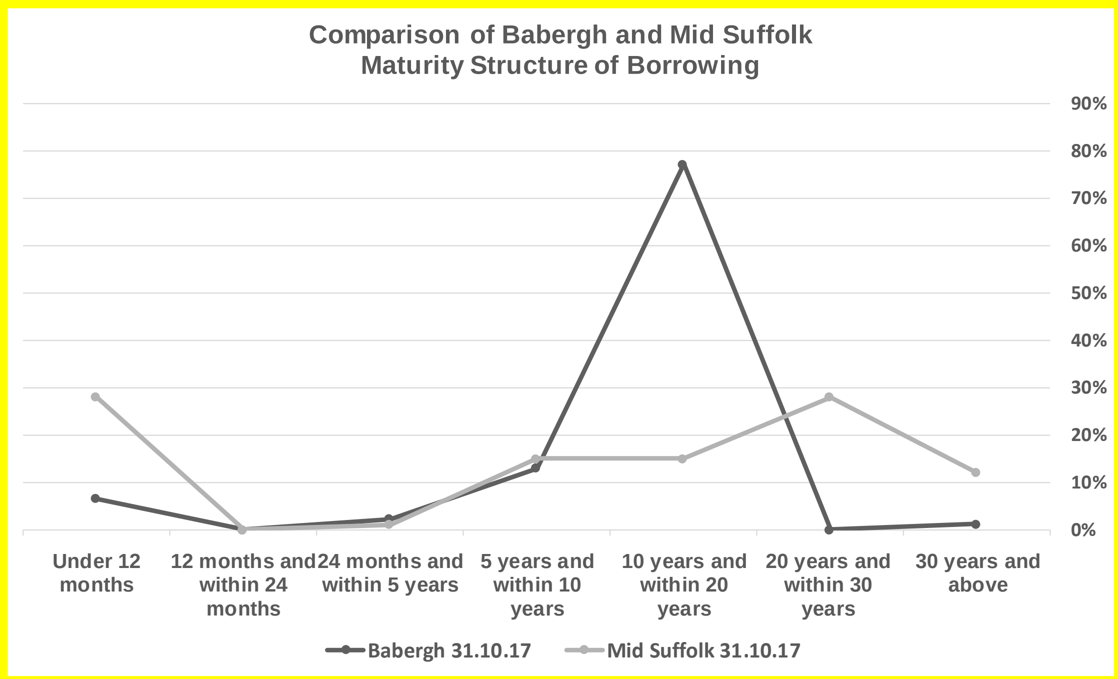
Mid Suffolk	**2018/19 Forecast £m**	**2019/20 Forecast £m**	**2020/21 Forecast £m**
Upper limit on fixed interest rate exposure	154	156	159
Upper limit on variable interest rate exposure	40	40	40

2.2 Fixed rate investments and borrowings are those where the rate of interest is fixed for at least 12 months, measured from the start of the financial year, or the transaction date, if later. All other instruments are classed as variable rate.

3. Maturity structure of borrowing

3.1 This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

% of total borrowing	Babergh 31.10.17	Mid Suffolk 31.10.17	Lower Limit	Upper Limit
Under 12 months	6.47%	28.00%	0%	50%
12 months and within 24 months	0.00%	0.00%	0%	50%
24 months and within 5 years	2.21%	1.00%	0%	50%
5 years and within 10 years	12.93%	15.00%	0%	100%
10 years and within 20 years	77.21%	15.00%	0%	100%
20 years and within 30 years	0.00%	28.00%	0%	100%
30 years and above	1.19%	12.00%	0%	100%



3.2 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

4. Principal sums invested for periods longer than 364 days

4.1 The purpose of this indicator is to control the Councils exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities over 364 days will be:

Babergh and Mid Suffolk	2017/18 Approved	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£2m	£2m	£2m	£2m

Appendix F Revised

PRUDENTIAL INDICATORS 2017/18 – 2020/21

1. Background

1.1 The Local Government Act 2003 requires the Councils to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "Prudential Code") when determining how much money they can afford to borrow.

1.2 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice.

1.3 To demonstrate that both Councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

2. Estimates of Capital Expenditure

2.4 The Councils planned capital expenditure and financing is summarised in the following table.

Babergh Capital Expenditure	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
General Fund	14.450	18.395	7.148	4.482
HRA	13.046	8.575	9.045	9.599
Total Expenditure	**27.496**	**26.970**	**16.193**	**14.081**

Babergh Capital Financing – General Fund	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
Capital Receipts	0.280	0.000	0.000	0.000
Government Grants	0.300	0.409	0.409	0.409
Revenue Contributions & Reserves	0.000	0.000	0.000	0.000
Total Financing	**0.580**	**0.409**	**0.409**	**0.409**
Unsupported Borrowing	13.870	17.986	6.739	4.073
Total Financing & Funding	**14.450**	**18.395**	**7.148**	**4.482**

Babergh Capital Financing – HRA	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
Capital Receipts	3.474	0.722	0.674	0.675
External Grant & Contributions	0.066	0.000	0.000	0.000
Major Repairs Allowance/Depreciation	2.735	2.721	1.439	1.321
Revenue Contributions & Reserves	4.405	5.132	6.932	7.603
Total Financing	**10.680**	**8.575**	**9.045**	**9.599**
Unsupported Borrowing	2.366	0.000	0.000	0.000
Total Financing & Funding	**13.046**	**8.575**	**9.045**	**9.599**

Mid Suffolk Capital Expenditure	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund	31.873	19.367	3.739	3.643
HRA	7.751	9.037	8.291	11.487
Total Expenditure	**39.624**	**28.404**	**12.030**	**15.130**

Mid Suffolk Capital Financing – General Fund	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital Receipts	0.073	0.024	0.023	0.023
Government Grants	0.376	0.772	0.376	0.376
Revenue Contributions & Reserves	0.044	2.775	0.000	0.000
Total Financing	**0.493**	**3.571**	**0.399**	**0.399**
Unsupported Borrowing	31.380	15.796	3.340	3.244
Total Financing & Funding	**31.873**	**19.367**	**3.739**	**3.643**

Mid Suffolk Capital Financing – HRA	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
Capital Receipts	1.929	2.498	2.103	3.061
External Grant & Contributions	0.030	0.000	0.000	0.000
Major Repairs Allowance/Depreciation	2.762	3.146	3.361	3.473
Revenue Contributions & Reserves	3.030	3.393	2.827	3.605
Total Financing	**7.751**	**9.037**	**8.291**	**10.139**
Unsupported Borrowing	0.000	0.000	0.000	1.348
Total Financing & Funding	**7.751**	**9.037**	**8.291**	**11.487**

3. Estimates of Capital Financing Requirement

3.1 The Capital Financing Requirement (CFR) measures the Councils underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held on the Balance Sheet relating to capital expenditure and it's financing.

Babergh Capital Financing Requirement	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund	31.564	48.617	54.246	57.058
HRA	88.119	87.619	87.119	86.719
Total CFR	**119.683**	**136.236**	**141.365**	**143.777**

Mid Suffolk Capital Financing Requirement	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund	52.964	67.550	69.479	71.146
HRA	86.759	86.759	86.759	88.107
Total CFR	**139.723**	**154.309**	**156.238**	**159.253**

3.2 The CFR is forecast to rise over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

4 Gross Debt and the Capital Financing Requirement

4.1 This is a key indicator of prudence. In order to ensure that over the medium-term debt will only be for a capital purpose, the Councils should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

4.2 If, in any of these years, there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.

4.3 The Section 151 Officer reports that the Councils will have no difficulty meeting this requirement in 2018/19, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Babergh – Gross Debt	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
Outstanding Borrowing (at nominal value)	109.03	127.02	133.76	137.83
	%	%	%	%
% Proportion of Authorised Limit	83.87	85.82	87.42	88.92

Mid Suffolk – Gross Debt	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
Outstanding Borrowing (at nominal value)	127.97	143.76	147.10	151.70
	%	%	%	%
% Proportion of Authorised Limit	85.31	86.60	87.56	88.71

4.4 Total debt is expected to remain below the CFR during the forecast period.

5 Operational Boundary for External Debt

5.1 The operational boundary is based on the Councils estimate of the most likely (i.e. prudent but not worst case) scenario for external debt, but does not have the additional headroom included in the Authorised Limit for External debt.

5.2 It links directly to the Councils estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring.

5.3 The Section 151 Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the Joint Audit and Standards Committee as part of the half yearly reports.

Babergh Operational Boundary	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
Borrowing	120	137	142	144
Other Long Term Liabilities	0	1	1	1
Total Debt	**120**	**138**	**143**	**145**

Mid Suffolk Operational Boundary	**2017/18 Revised £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**	**2020/21 Estimate £m**
Borrowing	**140**	**155**	**157**	**160**
Other Long Term Liabilities	**0**	**1**	**1**	**1**
Total Debt	**140**	**156**	**158**	**161**

6 <u>Authorised Limit for External Debt</u>

6.1 The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003, section 3(1), referred to in the legislation as the “Affordable Limit”.

6.2 It is the maximum amount of debt that the Councils can legally owe. The Authorised Limit provides headroom over and above the operational boundary to allow for unusual cash movements and is based on the estimate of the most likely (i.e. prudent but not worst case) scenario.

Babergh Authorised Limit	**2017/18 Limit £m**	**2018/19 Limit £m**	**2019/20 Limit £m**	**2020/21 Limit £m**
Borrowing	130	147	152	154
Other Long Term Liabilities	0	1	1	1
Total Borrowing	**130**	**148**	**153**	**155**

Mid Suffolk Authorised Limit	**2017/18 Limit £m**	**2018/19 Limit £m**	**2019/20 Limit £m**	**2020/21 Limit £m**
Borrowing	**150**	**165**	**167**	**170**
Other Long Term Liabilities	**0**	**1**	**1**	**1**
Total Borrowing	**150**	**166**	**168**	**171**

7 Ratio of Financing Costs to Net Revenue Stream

7.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

7.2 The definition of financing costs is set out in the Prudential Code and excludes revenue contributions to capital.

Babergh Ratio of Financing Costs to Net Revenue Stream	**2017/18 Revised %**	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**
General Fund	3.03%	-1.34%	-0.57%	0.68%
HRA	17.79%	17.88%	17.91%	17.19%

Mid Suffolk Ratio of Financing Costs to Net Revenue Stream	**2017/18 Revised %**	**2018/19 Estimate %**	**2019/20 Estimate %**	**2020/21 Estimate %**
General Fund	0.12%	-0.23%	-1.81%	-5.54%
HRA	19.28%	19.56%	19.45%	19.24%

8 Incremental Impact of Capital Investment Decisions

8.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Babergh Incremental Impact of Capital Investment Decisions	**2018/19 Estimate £**	**2019/20 Estimate £**	**2020/21 Estimate £**
General Fund - increase in annual Band D Council Tax	9.88	7.11	6.42
HRA - (decrease) / increase in average weekly rents	(1.59)	9.42	3.02

Mid Suffolk Incremental Impact of Capital Investment Decisions	**2018/19 Revised £**	**2019/20 Estimate £**	**2020/21 Estimate £**
General Fund - increase in annual Band D Council Tax	18.53	6.78	5.85
HRA - (decrease) / increase in average weekly rents	3.51	(3.30)	4.53

8.2 The movements in Band D council tax reflect the increases / decreases in the provision for Capital Financing Charges as a result of movements in borrowing undertaken to finance the proposed capital programme from 2018/19 to 2020/21.

9 <u>Adoption of the CIPFA Treasury Management Code</u>

9.1 The Councils adopted the CIPFA Treasury Management in the Public Services, Code of Practice 2011 (the "Treasury Management Code") in November 2011.

Appendix G Revised

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2018/19

1.1 Where the Councils finance their capital expenditure by debt, they must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Councils to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2012.

1.2 The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

1.3 The CLG Guidance requires the Councils to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following paragraph lists the options recommended in the Guidance.

1.4 The four MRP options available are:

- Option 1: Regulatory Method
- Option 2: CFR Method
- Option 3: Asset Life Method
- Option 4: Depreciation Method

1.5 For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £2.4m for Mid Suffolk (Option 1). Babergh does not have any capital expenditure incurred before 1st April 2008 on which to charge MRP.

1.6 For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis using an interest rate equivalent to the average PWLB annuity rate for the year of expenditure. MRP charges start in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (Option 3).

1.7 Where investments are made in the Councils' subsidiaries for the purpose of the companies purchasing land and buildings, MRP will be charged over 40 years.

1.8 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Councils will make no MRP charge, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

1.9 No MRP will be charged in respect of assets held within the Housing Revenue Account. However, voluntary MRP contributions from the HRA may be made.

1.10 Capital expenditure incurred during 2017/18 will not be subject to an MRP charge until 2018/19 and capital expenditure incurred during 2018/19 will not be subject to an MRP charge until 2019/20.

1.11 If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to full Councils at that time.

1.12 Based on the Councils latest estimate of their Capital Financing Requirement on 31st March 2018, the budget for MRP has been set as follows:

Babergh	**31/03/2018 Estimated CFR £m**	**2018/19 Estimated MRP £m**
Unsupported capital expenditure after 31/3/2008	20.17	0.933
Loans to other bodies repaid in instalments	11.39	0.000
Total General Fund	31.56	0.933
Assets in the Housing Revenue Account	2.37	0.000
HRA subsidy reform payment	85.75	0.000
Total Housing Revenue Account	88.12	0.000
Total	**119.68**	**0.933**

Mid Suffolk	**31/03/18 Estimated CFR £m**	**2018/19 Estimated MRP £m**
Capital expenditure before 01/04/2008	8.36	0.071
Unsupported capital expenditure after 31/03/2008	24.70	1.140
Loans to other bodies repaid in instalments	19.90	0.000
Total General Fund	**52.96**	**1.211**
Assets in the Housing Revenue Account	29.55	0.000
HRA subsidy reform payment	57.21	0.000
Total Housing Revenue Account	**86.76**	**0.000**
Total	**139.72**	**1.211**

Appendix H

INSTITUTIONS MEETING HIGH CREDIT RATINGS CRITERIA (AS AT END OF NOVEMBER 2017)

This is based on UK Banks and Building Societies A-, Money Market Funds, Foreign Banks AA-. Foreign banks must be in a country with a sovereign rating of AAA.

Counterparty	Long term rating - Fitch	Duration
UK BANKS		
Bank of Scotland PLC	A+	***
Barclays Bank PLC	A+	**
Close Brothers Limited	A	***
Goldman Sachs International Bank	A	**
HSBC Bank PLC	AA-	***
Lloyds Bank PLC	A+	***
Santander UK PLC	A+	***
Standard Chartered Bank	A+	**
UK BUILDING SOCIETIES		
Nationwide Building Society	A+	***
Leeds Building Society	A-	**
Coventry Building Society	A	***
FOREIGN BANKS		
Australia		
Australia and NZ Banking Group	AA-	***
Commonwealth Bank of Australia	AA-	***
National Australia Bank	AA-	***
Westpac Banking Group	AA-	***
Canada		
Bank of Montreal	AA-	***
Bank of Nova Scotia	AA-	***
Canadian Imperial Bank of Commerce	AA-	***
Royal Bank of Canada	AA	***
Toronto-Dominion Bank	AA-	***
Netherlands		
Cooperative Rabobank	AA-	****
Singapore		
DBS Bank Ltd	AA-	****
Oversea-Chinese Banking Corporation	AA-	****
United Overseas Bank	AA-	****
Sweden		
Nordea Bank AB	AA-	****
Svenska Handelsbanken	AA	****

Counterparty	Long term rating - Fitch	Duration
MONEY MARKET FUNDS (MMF)		
Standard life Investments Sterling Liquidity Fund	AAAmmf	*
Goldman Sterling Liquid Reserves Fund	AAAmmf	*
Insight Sterling Liquidity Fund	AAAmmf	*
Federated Investors (UK) Sterling Liquidity Fund	AAAmmf	*
Invesco AIM STUC Sterling Liquidity Portfolio	AAAmmf	*
Blackrock Institutional Sterling Liquidity Fund	*1	*

*	Overnight Limit
**	Maximum limit to maturity 100 days
***	Maximum limit to maturity 6 months
****	Maximum limit to maturity 13 months
*****	Maximum exposure limit 10% of total investments per fund
*1	Blackrock has withdrawn from Fitch Rating

MMFs – Federated is domiciled in the UK for tax and administration purposes, Standard Life, Goldman Sachs, BlackRock, Invesco and Insight are domiciled in Ireland for tax and administration purposes.

Long Term Investments Grades

Agency - Fitch	
Rating	**Definition**
AAA	Highest credit quality – ‘AAA’ ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality ‘AA’ ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality – ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

Long Term Investment Grades

Agency - Moody's	
Rating	**Definition**
Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa1	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
Aa2	
Aa3	
A1	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
A2	
A3	

Agency - Standard & Poor's	
Rating	**Definition**
AAA	An obligator rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard & Poor's.
AA	An obligator rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest rated obligators only to a small degree.
A	An obligator rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligators in higher rated categories.

Glossary of Terms

CCLA	Churches, Charities and Local Authority Property Fund
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CLG	Department for Communities and Local Government. This is a ministerial department.
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MIFID II	Markets in Financial Instruments Directive 2014/65/EU. Effective from 1 January 2018. The Councils have met the conditions to opt up to professional status. The Councils will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.
MPC	Monetary Policy Committee – A committee of the Bank of England which meets each month to decide the official interest in the UK. It is also responsible for other aspects of the Government's monetary policy framework such as quantitative easing and forward guidance.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.

QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) - a pooled fund

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Appendix J

Changes made since Joint Audit and Standards Committee 15 January 2018.

There have been some of changes to the numbers from the JASC 15 January 2018. These are due to changes to the capital programme as a result of the budget work undertaken.

Joint Treasury Management Strategy 2018/19 Report

Changes to numbers are:

Para 10.9 Babergh 2018/19 from £49.17m to £50.44m and 2020/21 from £55.06m to £58.88m

Mid Suffolk 2018/19 from £80.56m to £80.52m and 2020/21 from £86.18m to £86.06m

Appendix A

Para 3.1 - Table 1 – Babergh General Fund CFR and Balances & Reserves 2017/18, 2018/19, 2019/20 & 2020/21 updated

- Mid Suffolk General Fund CFR and Balances & Reserves 2017/18, 2018/19, 2019/20 & 2020/21 updated

Para 3.4 - Numbers updated –

Babergh from £55.06m to £58.88m
Mid Suffolk from £86.18m to £86.06m

Para 4.1 - Numbers updated –

Babergh's borrowing 2018/19 from £15.79m to £17.05m
Mid Suffolk's borrowing from £14.88m to £14.89m

Babergh's Authorised Borrowing Limit 2018/19 from £146m to £148m

Para 5.4 - "asset classes during 2018/19" changed to "asset classes during 2017/18"

Para 5.29 - Revenue reserves forecast at 31 March 2018 -

Babergh from £2.5m to £3.4m
Mid Suffolk from £15.25m to £14.3m

Para 7.14 - Numbers updated –

Babergh's Authorised Borrowing Limit 2018/19 from £146m to £148m

Para 7.16 - Numbers updated – Budget for Interest paid –

Babergh from £3.51m to £3.44m
Mid Suffolk from £3.74m to £3.82m

New Para 7.19 - Under the rules of MIFID II (Markets in Financial Instruments Directive 2014/65/EU) which are effective from 1 January 18, both Councils have met the conditions to opt up to professional status.

Appendix C

Pie Charts added

Appendix E

Para 2.1 Tables - Babergh Upper limit of fixed interest rate exposure 2018/19, 2019/20 & 2020/21 updated

Para 3.1 Chart added

Appendix F

Para 2.4 Table - Babergh Capital Expenditure General Fund 2018/19 & 2019/20 updated

- Babergh Capital Financing General Fund unsupported borrowing 2018/19 & 2019/20 updated

- Mid Suffolk Capital Expenditure General Fund 2018/19 updated

- Mid Suffolk Capital Financing General Fund Revenue Contributions and unsupported borrowing 2017/18 & 2018/19 updated

Para 3.1 Table - Babergh Capital Financing Requirement General Fund 2018/19, 2019/20 & 2020/21 updated

- Mid Suffolk Capital Financing Requirement General Fund 2017/18, 2018/19, 2019/20 & 2020/21 updated

Para 4.3 Table - Babergh Gross Debt – Outstanding Borrowing 2018/19, 2019/20 & 2020/21 updated

And Line added for % proportion of Authorised Limit

Mid Suffolk Gross Debt - Line added for % proportion of Authorised Limit

Para 5.3 Table - Babergh Operational Boundary – Borrowing 2018/19, 2019/20 & 2020/21 updated

Para 6.2 Table - Babergh Authorised Limit – Borrowing 2018/19, 2019/20 & 2020/21 updated

Para 7.2 Table - Babergh Ratio of Financing Costs to Net Revenue Stream – General Fund 2017/18, 2018/19, 2019/20 & 2020/21 updated

- Mid Suffolk Ratio of Financing Costs to Net Revenue Stream – General Fund 2017/18, 2018/19, 2019/20 & 2020/21 updated

Para 8.1 Table - Babergh Incremental Impact of Capital Investment Decisions - Band D Council Tax 2019/20 & 2020/21 updated

- Mid Suffolk Incremental Impact of Capital Investment Decisions - Band D Council Tax 2017/18, 2019/20 & 2020/21 updated

Appendix G

Para 1.12 Table - Babergh 31/3/18 estimated CFR – unsupported capital expenditure and loans to other bodies updated

- Mid Suffolk 31/3/18 estimated CFR – unsupported capital expenditure and related MRP updated

Appendix I

Glossary of Terms – Added explanation of MIFID II

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Appendix K

JOINT AUDIT AND STANDARDS COMMITTEE 15 JANUARY 2018

DRAFT MINUTE – JOINT TREASURY MANAGEMENT STRATEGY 2018/19

Sue Palmer, Senior Financial Services Officer, introduced Paper JAC/17/15 presenting the proposed Treasury Management Strategy Statement (which included the Annual Investment Strategy) for scrutiny by the Joint Committee before being presented to Council.

She gave a brief summary of Appendices A – I (attached to Paper JAC/17/15) together with an update regarding the new editions of the Treasury Management Code and Prudential Code 2017. Consideration is currently being given to the changes from the 2011 Code for incorporation into future Treasury Management Strategies and monitoring reports.

The key changes to both codes relate to the following four items:-

Definition of treasury management
The term 'investments' now covers both financial and non-financial assets which the Councils hold for financial return, including such assets as property portfolios, which are not managed as part of normal treasury management or under treasury management delegations.

Security of investments
Councils must ensure priority is given to security and portfolio liquidity when investing treasury management funds through robust due diligence procedures for all external investments.

Capital strategy
The first one will need to be produced in January 2019 for the financial year 2019/20, setting out capital expenditure and investment decisions and the associated risks and rewards together with how risk is managed for future financial sustainability.

Reference to be made to the rules under MIFID II (Markets in Financial Instruments Directive 2014/65/EU) effective from 1 January 2018
The TM Strategy must include a statement that the Councils have met the conditions to opt up to professional status, which means that they will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

Formal Notice is awaited from the DCLG of the regulatory changes to Investment Guidance and Minimum Revenue Provision (MRP) following recent consultations which closed on 22 December. Members were advised that the Strategy before them did not therefore reflect the regulatory changes.

The officers then responded to Members' questions about various aspects of Paper JAC/17/15 and its Appendices including the following:-

DRAFT

- Page 36, Appendix C – Why is there a difference between the Councils' Non-treasury investments as at 31 October 2017?
  This can be explained by the dates of completions – whereas there were some for BDC before that date, MSDC did not have any completions until after that date.

- Page 36, Appendix C – Why is there a difference in the PWLB rates between the Councils?
  This difference is explained by the MSDC loans being older and taken out at a higher rate (4.15%) whereas BDC loans are more recent, taken out when rates were lower (3%).

- What safeguards exist to protect the Councils from fraudulent activity such as money laundering?
  Members were referred to the Councils' Prevention of Crime Policy and to the vetting procedures carried out by our Treasury Management consultants, Arlingclose, who advise us on a regular basis.

- Performance of Funding Circle?
  As well as the lower than anticipated returns of which Members were aware, the hope that this investment would assist local businesses had not been realised, partly as a result of the changed criteria which Funding Circle is now operating.

- Discrepancy between the 2018/19 Estimate for the MSDC General Fund of £16.792m and the Total Financing and Funding figure of £16.592? (Table on page 42 of Appendix F).
  The difference of £200k is as a result of a late adjustment to the figures which should have been reflected in the Revenue Contributions and Reserves line and the Total – this will be corrected.

- Appendix F – pages 43/44 – What proportion is the gross debt of the Authorised Limit each year?
  The table will be adjusted to show this proportion.
- Presentation of financial information?
  Officers to liaise with Michael Burke who will provide examples for showing it in a more user-friendly way. Councillor Burke referred to a Kent council example which might prove helpful.

- Page 20 – it was requested that officers look at changes to separate out the different purposes of borrowing.
  This is likely to be required under the forthcoming disclosure changes so will be included next year. It was noted that there is no fixed term debt to finish in 2018/19 so average rates are likely to be similar to those shown for 2017/18.

- What is the profile of when existing debt matures?
  See page 40 – table in para 3.1. Majority of BDC debt is over 10-20 years, 10-30 years for MSDC.

- Page 39 – Portfolio average credit score of 7 looks high?
  This figure results from the combination of ratings in all organisations – we don't place funds with financial institutions lower than A rated. The target average score was 7 last year, and the actual figure is shown in the half yearly TM reports. The calculation will be provided to Members outside the meeting.

- Is there any opportunity for re-financing higher interest loans?
  This is kept under review by Arlingclose and with reference to the markets, but is generally not worthwhile because of penalties for early repayment.

As a result of their scrutiny, Members were in agreement with the recommendations in Paper JAC/17/15, subject to the correction of the figures in relation to the Capital Financing figures for MSDC.

RECOMMENDED TO BABERGH AND MID SUFFOLK CABINETS AND COUNCILS

(1) That the following be approved:

(a) The Treasury Management Strategy for 2018/19, including the Annual Investment Strategy set out in Appendix A to Paper JAC/17/15.

(b) The Treasury Management Policy Statement set out in Appendix B to Paper JAC/17/15.

(c) The Treasury Management Indicators set out in Appendix E to Paper JAC/17/15.

(d) The Prudential Indicators and Minimum Revenue Provision Statement set out in Appendix F (subject to an amendment to correct the figures in the Capital Financing – General Fund for Mid Suffolk to reflect the error identified by the Committee) and Appendix G to Paper JAC/17/15.

(2) That the key factors and information relating to and affecting Treasury Management activities set out in Appendices C, D and H to Paper JAC/17/15 be noted.

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Agenda Item 9

BABERGH DISTRICT COUNCIL

From: Cabinet Member - Finance	**Report Number: BCa/17/47**
To: BDC Cabinet	**Date of meeting: 8 February 2018**

JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2018/19 BUDGET

1. Purpose of Report

1.1 To consider the Joint Medium Term Financial Strategy (MTFS) and 2018/19 Budget, covering the General Fund, Council Housing and Capital Investment.

1.2 These reflect the challenges and opportunities facing the Council in the short and medium/long term, the business model that is being put in place to address these and an investment strategy to deliver the Council's strategic priority outcomes as set out in the Joint Strategic Plan.

1.3 This report sets out, therefore, how the Council intends to use its available resources and funding to not only achieve the agreed strategic priority outcomes but also realign resources to them and undertake a programme of transformational activities and projects over the medium term.

1.4 To enable Members to consider key aspects of the 2018/19 Budgets, including Council Tax and Council House rent levels.

2. Recommendations to Council

2.1 That the Joint Medium Term Financial Strategy (MTFS) and Budget proposals set out in the report be approved.

2.2 That the final General Fund Budget for 2018/19 is based on an increase to Council Tax of £5 per annum (10p per week) for a Band D property, which is equivalent to 3.25%, to support the Council's overall financial position, be.

2.3 That the Housing Revenue Account (HRA) Investment Strategy 2018/19 to 2022/23 and HRA Budget for 2018/19 be agreed.

2.4 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.90 a week as required by the Welfare Reform and Work Act be implemented

2.5 That Sheltered Housing Supported people cost of £3 per week be removed and Service charges be increased by £5 per week for each scheme (set at £4 cap per week last year) meaning a net increase of £2 per week to tenants. This will reduce the subsidy by £27k.

2.6 That Sheltered Housing utility charges are kept at the same level.

2.7 That in principle, Right to Buy receipts should be retained to enable continued development and acquisition of new council dwellings.

2.8 That garage rents are kept at the same level.

2.9 That the revised HRA Business Plan in Appendix E be noted.

2.10 That the Capital Programme in Appendix D be agreed.

2.11 That the offer to participate for Babergh in the Business Rate Pilot for 2018/19 as set out in paragraph 11.9 to 11.10 below be accepted.

3. Financial Implications

3.1 These are detailed in the report.

4. Legal Implications

4.1 These are detailed in the report

5. Risk Management

5.1 This report is most closely linked with the Councils' Significant Business Risks no. 5f. If we do not understand our financial position and respond in a timely and effective way, then we will be unable to deliver the entirety of the Joint Strategic Plan. The key risk at this stage is outlined below: -

GENERAL FUND			
Risk Description	**Likelihood**	**Impact**	**Mitigation Measures**
If the Council does not plan and identify options to meet the medium-term budget gap, then it will have a detrimental impact on the resources available to deliver services and the strategic priorities.	Unlikely - 2	Bad - 3	Clear priority outcomes and robust business cases for investment plus use of the Transformation Fund to support the MTFS and an Investment Strategy.
HRA			
If we do not consider the ongoing impacts of the Welfare and Funding Reforms then it could lead to unpreparedness for further changes.	Unlikely - 2	Bad - 3	Ensure adequate bad debt provision and that the Income Management Strategy seeks to mitigate the impact of the changes on residents, the Council's income streams and budgets.

If there are increases in inflation and other variables, then Council Housing self-financing could result in a greater risk to investment and service delivery plans.	Unlikely - 2	Noticeable - 2	Inflation and interest rate assumptions have been modelled in the HRA business plan. Capital receipts and capital programme funding reviewed.
If we fail to spend retained RTB receipts within 3 year period, then it will lead to requirement to repay to Government with an additional 4% interest.	Unlikely - 2	Bad - 3	Provision has been made in the updated HRA Investment Strategy to enable match funding and spend of RTB receipts, subject to the announcement of the details of the Housing & Planning Bill measures affecting council housing.

5.2 A full risk assessment by the Section 151 Officer on the General Fund Budget proposals and the adequacy of General Fund reserves, as required by statute is attached at Appendix C.

6. Consultations

6.1 Consultation has taken place with the Senior Leadership Team and Corporate Managers.

7. Equality Analysis

7.1 Equality Analyses will be undertaken for any service areas where significant changes are proposed as a result of the above process.

8. Shared Service / Partnership Implications

8.1 The Joint Strategic Plan and MTFS determine and shape the Council's future plans and service provision, with regard to each Council's financial position.

8.2 The Budgets for 2018/19 reflect the estimated sharing of costs and savings between the two Councils. However, there are and will be ongoing differences in the detailed financial position of each Council's General Fund and HRA. There will be instances, therefore, when staff resources and money is focused on a specific priority in one Council.

8.3 Actual staffing and other costs will have to be reflected in the accounts year on year and funding adjusted accordingly to ensure that each Council's finances are accounted for separately and that costs and benefits from integration and shared services continue to be allocated appropriately to each Council.

9. Links to Joint Strategic Plan

9.1 Ensuring that the Council has the resources available is what underpins the ability to achieve the priorities set out in the Joint Strategic Plan.

10. STRATEGIC CONTEXT

10.1 In recent years the government policy frameworks have been reducing core funding for local government as part of its deficit reduction strategy and increasingly incentivising funding to councils to deliver local economic and housing growth and to facilitate the development of strong, safe, healthy and self-sufficient communities. This is continuing, so encouraging and supporting both business and housing growth is essential to the financial future of the Council.

10.2 The Government confirmed as part of the provisional finance settlement on 19 December, that they aim to increase business rates retention for all local authorities to 75% in 2020/21 to help meet the commitment to give local authorities more control over the money they raise locally. Babergh and Mid Suffolk along with the other five district and borough councils in Suffolk and Suffolk County Council were one of the 10 new areas selected for the 100% business rates retention of growth pilots in the 2018/19.

10.3 The Fair Funding Review continues, with Government issuing a 12 week consultation that aims to implement a new system based on the consultation findings in 2020/21.

10.4 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The updated MTFS is attached at Appendix Fand continues the direction of travel of the Councils in developing the business model to respond to the financial challenges.

10.5 The strategic response to those challenges, to ensure long term financial sustainability, is set out in five key actions:

(1) Aligning resources to the Councils' refreshed strategic plan and essential services.

(2) Continuation of the shared service agenda, collaboration with others and transformation of service delivery.

(3) Behaving more commercially, generating additional income and considering new funding models (e.g. acting as an investor).

(4) Encouraging the use of digital interaction and transforming our approach to customer access.

(5) Taking advantage of various forms of local government finance (e.g. New Homes Bonus (NHB), Business Rates Retention) by enabling sustainable business and housing growth.

The actions that have been taken under the strategy since 2014/15 mean that the Council is in a better position to withstand the reduction in government funding and deal with the additional cost pressures. Further work is needed in order to address the budget gap over the medium term.

10.6 The future funding of New Homes Bonus continues to remain an uncertainty, with this in mind, the intention is to strive for a position over the period of the MTFS where the Council is no longer reliant on New Homes Bonus to balance the core budget.

10.7 The details within the Joint MTFS show a cumulative funding pressure over the three years 2019/20 to 2021/22, of £1.1m using all of the minimum New Homes Bonus allocation over the three years. This does not allow for any housing growth in future years. As shown in the MTFS, based on the projected completions the picture improves to a cumulative deficit of £379k by 2021/22. As mentioned in 10.6 above the intention is to move away from reliance on New Homes Bonus, if this reliance was removed, the cumulative funding pressure increases to £2m by 2021/22.

10.8 Each Council is being asked to agree the key aspects of the proposed Budget for 2018/19 and endorse the Joint MTFS in order to achieve a sustainable financial basis in the medium term. Without this strategy, which focuses on achieving outcomes, invest to save and generating income, there is a significant risk that each Council will be unsustainable financially in the medium to longer term.

GENERAL FUND (GF)

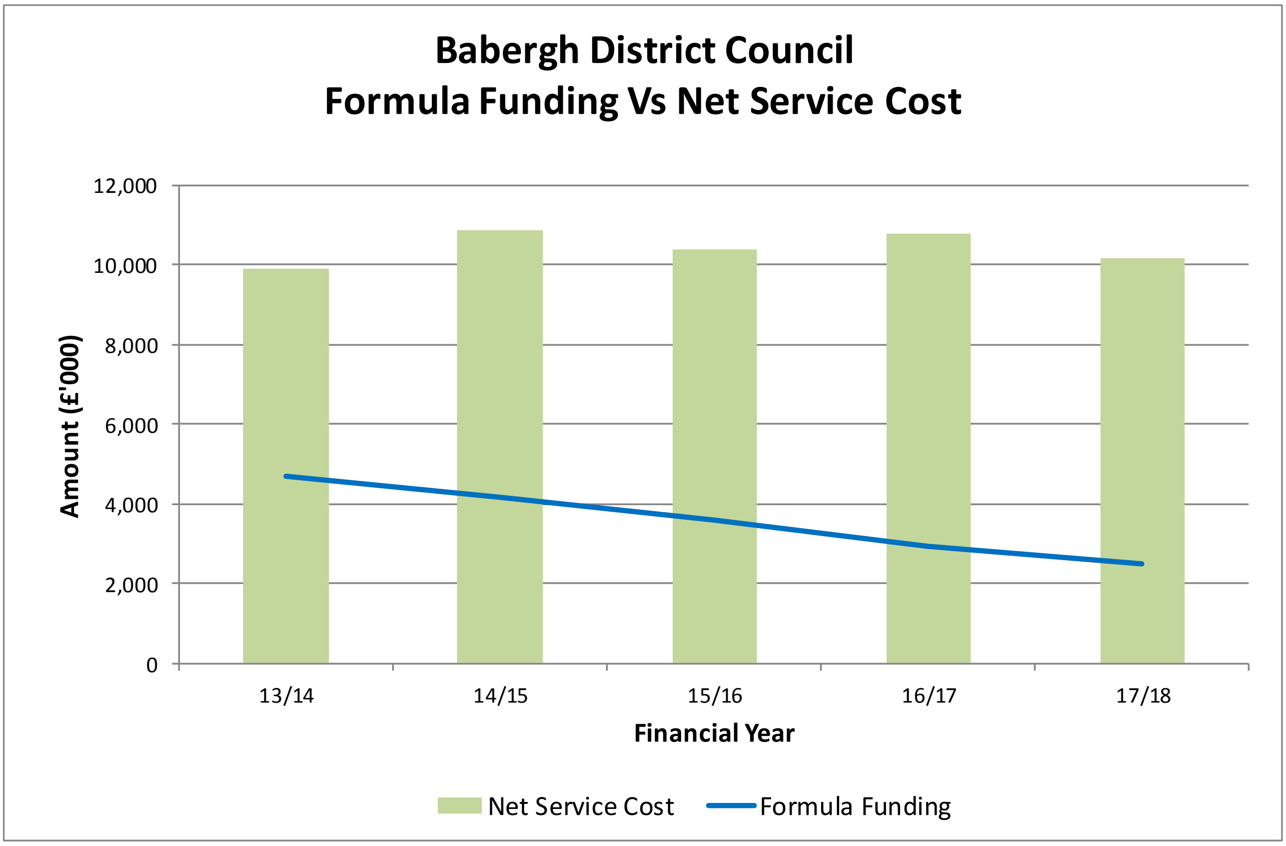
11 GF Financial Position

11.1 Funding arrangements for councils have changed significantly, Babergh has seen a 65% cumulative cut in revenue support grant over the four years from 2013/14 to 2017/18.

11.2 As part of the four-year settlement in 2015, the government indicated that a tariff would be payable to central government of £131k in 2019/20 to redistribute the core funding and council tax generating capabilities to other councils across the country based on spending needs. The Secretary of State has confirmed that the government will be looking at options for dealing with this, and will be consulting on proposals before next year's settlement.

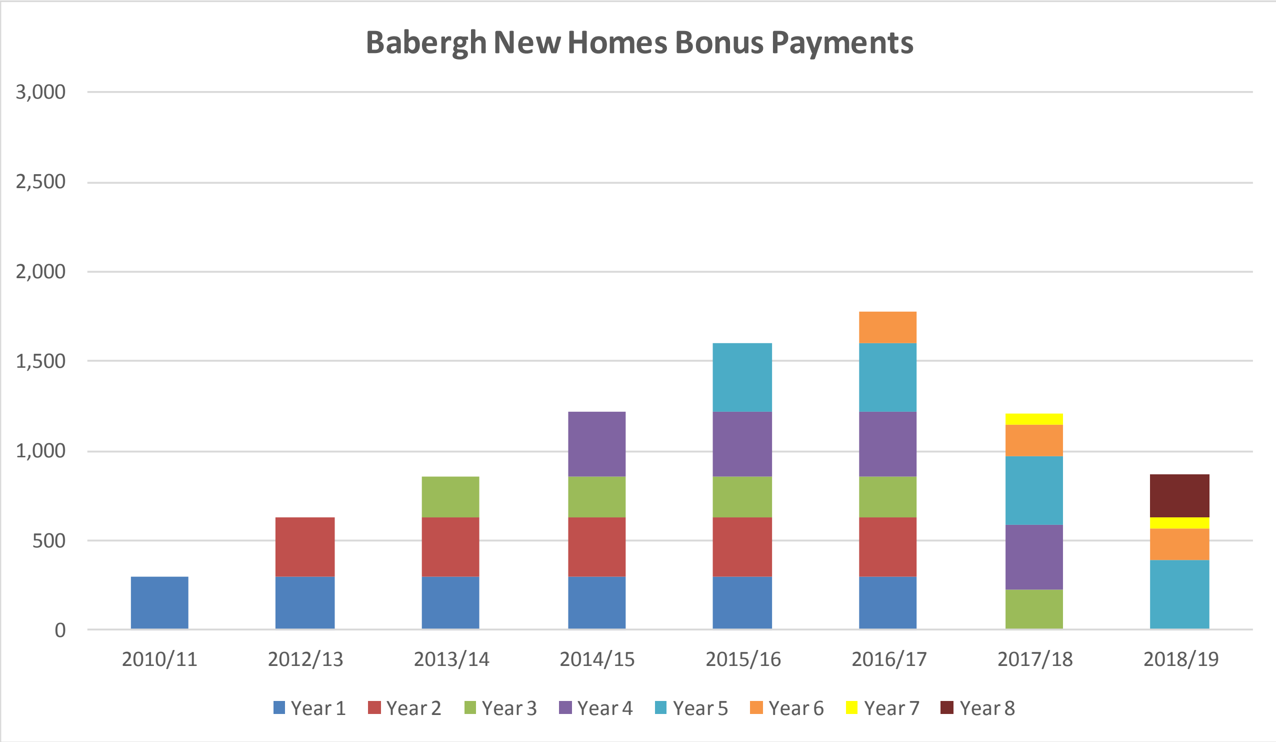
11.3 The Council's service cost budget has remained fairly static over the same period, as various budget saving and income generating initiatives have meant that service levels could be maintained.

11.4 The graph below shows the net service cost budget since 2013/14 and the Revenue Support Grant including the business rates element of the formula funding, over the same period.



11.5 The Council has become reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus to support the Council's service cost budget. Since New Homes Bonus was introduced in 2011/12 the Council has received in total £7.6m, most of which has been used to balance the budget and the rest transferred to the Transformation Fund reserve.

11.6 The table and graph below shows the New Homes Bonus received over the last seven years plus the 2018/19 allocation. This clearly shows how the NHB has declined over since the Government announced it would reduce the allocation from 6 years to 5 years in 2017/18 and to 4 years in 2018/19, as well as introducing 0.4% growth in 2017/18. For Babergh this means that the first 151 new homes built will receive no payment, so significant housing growth will need to be achieved to match historic income levels



Payments	2010/11	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Year 1	295	295	295	295	295	295		
Year 2		334	334	334	334	334		
Year 3			226	226	226	226	226	
Year 4				360	360	360	360	
Year 5					387	387	387	387
Year 6						177	177	177
Year 7							63	63
Year 8								239
Total	**295**	**630**	**856**	**1,215**	**1,602**	**1,779**	**1,212**	**866**

11.7 Further details of the Government's <u>provisional</u> spending announcement on the 19 December 2017 are set out below:-

- The council tax referendum threshold has been increased from 2% to 3% for most authorities for 2018/19 and 2019/20;

- shire district councils will be allowed increases of less than 3%, or up to and including £5, whichever is higher in 2018-19 and 2019-20;

- Parish and town councils will continue to not be subject to the council tax referendum

- Continuation, and an increase for 2018/19 only of the rural (SPARSE) services delivery grant; For Babergh, as a result of the 100% Business Rates pilot for 2018/19 this grant (£182k), along with the Revenue Support Grant (£204k), are to be funded from the 100% business rate growth retained.

11.8 It must be emphasised that the Councils core funding is now predominantly business rates and council tax income, especially for Babergh. The Council now moves to a position where the estimated core funding for next year and future years is not a fixed guaranteed amount as it is now dependent on variations in business rates income. Business rates and new homes growth will, therefore be the main sources of additional income (plus investment income) if we are to achieve a sustainable budget in the years ahead.

11.9 As mentioned in 10.2 above Suffolk has been awarded 100% retention of Business Rates growth pilot status for 2018/19 based on the proposal that was submitted in October last year. The proposal builds on the successful Suffolk pool which has been operating since 2013. As mentioned in 11.8 above in all pilot areas, the councils within the pool have to forego the funding streams of Revenue Support Grant and Rural Services Delivery Grant in return for retention of higher shares of business rates growth. Any additional business rates collected in Suffolk will be invested in inclusive growth. This is unique nationally and reflects our ‘place based’ way of working, supporting the urban and rural areas.

11.10 Based on the proposal submitted, Babergh is expecting to receive a one-off benefit in the region of £1m as a result of the pilot, however this will be reviewed once we have submitted our business rates NNDR1 return at the end of January. This has not been included within the numbers of this report as it will be placed in an earmarked reserve. The detailed agreement with the partners across Suffolk mean that the Leader will need to reach agreement on the activities to be funded from this reserve with the Leader from Suffolk County Council, but if agreement cannot be achieved then the District will retain 75% and 25% will go to the County.

11.11 Business Rates will need to be carefully monitored and the volatility and risks managed, for example the level of appeals, will affect the amount of income received, but this is a complex area and difficult to predict with any degree of certainty. However, we are working closely with our partners in the pool (pilot for 2018/19) to develop a robust modelling tool to assist with the monitoring and forecasting.

12. GF Overall Financial and Budget Strategy (short and medium term)

12.1 In order to address the budget gap, both in the short and medium term the budget process for 2018/19 has involved several strands of work with the focus on maximising our income streams, continuing to make efficiencies and productivity savings and using new ways of working to work as cost effectively as possible.

12.2 Finance has worked closely with Corporate Managers and reviewed each budget in detail and taken a zero based budget approach again for each service, challenging budgets and focussing on the service needs.

12.3 The Deputy Chief Executive along with the Assistant Director for Corporate Resources undertook a piece of work throughout the summer where they reviewed every budget, line by line with the Corporate Manager for Finance and the Senior Business Partner, challenging the budget and exploring opportunities for savings or income generating ideas. Senior Leadership Team provided further challenge and review to these suggestions, and this work along with detailed budget discussions with the Corporate Managers delivered savings for the 2018/19 budget and for future years. However, this review has also identified some cost pressures, a full list of the current changes from the 2017/18 budget to the 2018/19 budget can be found at Appendix B.

12.4 Further work will continue on other initiatives during the year as set out in the Medium Term Financial Strategy (MTFS) at Appendix F, one of the strands that require further work at this stage is the Leisure Review.

The Leisure, Sport and Physical Activity Strategy was adopted by the Council at the Cabinet meeting on 7 December 2017. Although no decision has been taken on additional financial implications two major investment projects will be considered by Babergh Cabinet early in 2018. If approved this could result in capital investment in 2018/19 and 2019/20 of approximately £3.2m. The proposals would see all capital repayments, principal and interest, being financed by South Suffolk Leisure Trust. In addition to the potential capital investment a further transformation bid for temporary resource to assist in implementing the LS&PA Strategy for 2018/19 of circa £60k across both Councils will be required.

12.5 During 2017/18 work has progressed with CIFCo Capital Ltd which has been trading since June 2017. The Company purchased their first property investment in December 2017, and the £25m approved fund should be fully invested by December 2018. It is estimated that this will generate an additional £546k over the next four years..

12.6 The budget models an increase in Council Tax of £5 in 2018/19, this would generate an additional £164k.

13. GF 2018/19 Budget

13.1 The summary at Appendix B shows the detailed key changes between the 2017/18 and 2018/19 and across the period of the MTFS. Additional cost pressures in 2018/19 are £333k, as well as net service cost pressures of £1.618m, this has been offset by the work set out above in identifying savings of £1.979m. A summary of the pressures and actions taken is set out below.

SUMMARY	
Budget Pressures	**£'000**
Funding - Business Rates Collection Fund Deficit	371
Minimum Revenue Provision	322
Employees - pay award and increments	267
Funding - Government Grants & Baseline Business Rates	262
Inflation (net)	43
Funding - Reduction in Council Tax Collection Fund Surplus	28
Funding - Tax base	(164)
Total Budget Pressures	**1,129**
Action Taken	
Employees - other	(320)
CIFCO	(157)
Service Area changes	(115)
Funding - Business Rates Pooling Benefit	(97)
Investment Income	(61)
Funding - Council Tax	(51)
Total Action Taken	**(801)**
Reserves	
New Homes Bonus Allocation	(866)
Movement in Reserves	563
Total Reserves	**(303)**
Budget deficit	**25**

13.2 A summary of the General Fund budget position is shown in Appendix A. A full breakdown can be found in the form of the Council's Budget Book attached at Appendix G.

13.3 In order to achieve a balanced budget for 2018/19 Babergh have had to utilise all of the £866k of New Homes Bonus in 2018/19 and £25k of the Transformation Fund – a total of £0.891m compared to £1.362m required in 2017/18. This will leave a balance of £523k in the Transformation Fund.

13.4 This is an improvement of £398k from the position reported in January 2018, the reason for the changes are set out in the table below:

BABERGH	**£'000**
Budget deficit - January Cabinet Report	**1,287**
New Homes Bonus (NHB)	**(866)**
Budget deficit (after NHB)	**422**
Changes	
Pre- app charges (net)	(88)
Leisure	(77)
Staff savings	(74)
CIFCO / Investment Income	(67)
MRP	(34)
ICT - corporate licenses	(18)
Other items (net)	(40)
BMS Invest	(15)
External Audit Fees	(4)
Charge to HRA	13
LCTS Admin grant reduction	5
Revised Deficit	**25**

13.5 A number of key assumptions have been made in formulating the General Fund Budget proposals. The overall picture is set out in Appendix A with further detail in Appendix B of which some of the key aspects are outlined below:-

- A Council Tax increase in the Band D Council Tax of £5 per annum (10p per week) for a Band D property, which takes it to £158.86 and equates to a 3.25% increase.

- Certain fees and charges e.g. rental income, water sampling have been increased by 3%.

- For salaries we have assumed a 2% pay award and an increment for all staff that are eligible.

13.6 In relation to earmarked reserves, the estimated balance of earmarked reserves at the end of 2018/19 is £2.4m, including the Transformation Fund balance of £523k. Further details of the earmarked reserves can be found in Appendix F, Attachment 5. In addition to this there is £1.2m, the minimum approved level, in the General Fund reserve/working balance.

14 GF Capital Programme Investment

14.1 The Capital Programme is attached at Appendix D.

14.2 A zero-based approach has been adopted for the preparation of the Capital Programme for 2018/19 to 2021/22, to ensure that resources are aimed at delivery of the Council's strategic priorities.

HOUSING REVENUE ACCOUNT (HRA)

15 HRA Financial Position

15.1 The HRA Business Plan has been updated to reflect the impact of an increase in rents from 2020/21 of Consumer Price Index CPI + 1%. This follows the current rent reduction, introduced by the Chancellor of the Exchequer in 2015/16. The Business Plan is attached at Appendix E and shows additional detail for years 1-10.

15.2 The self-financing regime replaced the old Housing Revenue Account subsidy system on 1 April 2012. Babergh's settlement payment was calculated at £83.6m based on projected income, expenditure and existing stock values. This took HRA long term borrowing to £89.6m.

15.3 HRA Capital Financing Requirement levels are predicted to be £86.6m at 31 March 2018 providing borrowing headroom of £11.2m. New build/acquisitions funding within the Capital Programme 2018 – 2022 totals £16m and HRA reserve balances 2018–2022 are forecast at £4.8m. This will provide a total HRA Investment Fund contribution of £32m to deliver Members strategic housing priorities and outcomes (or, in relation to the HRA reserve balances, to set aside provision for future maturity debt repayment).

15.4 The Joint Strategic Plan sets out clearly the Councils' aligned strategic priorities. The key housing projects supporting delivery of the priorities are outlined in the HRA Business Plan.

15.5 For example: The delivery of the Homes and Communities Agency (HCA) 27 new affordable homes between 2015/16 to 2017/18, and acquisition of 7 affordable homes (2016/17), which will become new HRA assets. These new homes will deliver New Homes Bonus for the Council, additional rent and council tax and local businesses will benefit. All these factors will bring growth to our local economy.

16 HRA Overall Financial and Budget Strategy (short and medium term)

16.1 The Babergh HRA Business Plan presents a positive financial picture over the longer term (a thirty-year period as required under the self-financing regime) but there are short to medium term challenges. These challenges were exacerbated by the proposals announced in the Chancellor's July 2016 Budget:

- The Welfare Reform and Work Act includes a requirement for all social landlords to reduce their rents by 1% each year from 2016 to 2019. However, the recent Government announcement that rents can be increased by CPI +1% for five years from 2020/21will reduce the impact of this on the 30-year plan.

- This Act reduced the benefit cap for working age families from £23k to £20k

- This Act also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government have not made it clear when the introduction of this levy may commence. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

- The impact of these measures and the action required to mitigate them are described in section 18.4 of this report

16.2 The Government proposal to cap housing benefit in the social housing sector at Local Housing Allowance (LHA) rates has been dropped. This is good news for our tenants, especially those under 35, as they would have been responsible to pay the difference between their rent and the LHA putting them at risk of rent arrears.

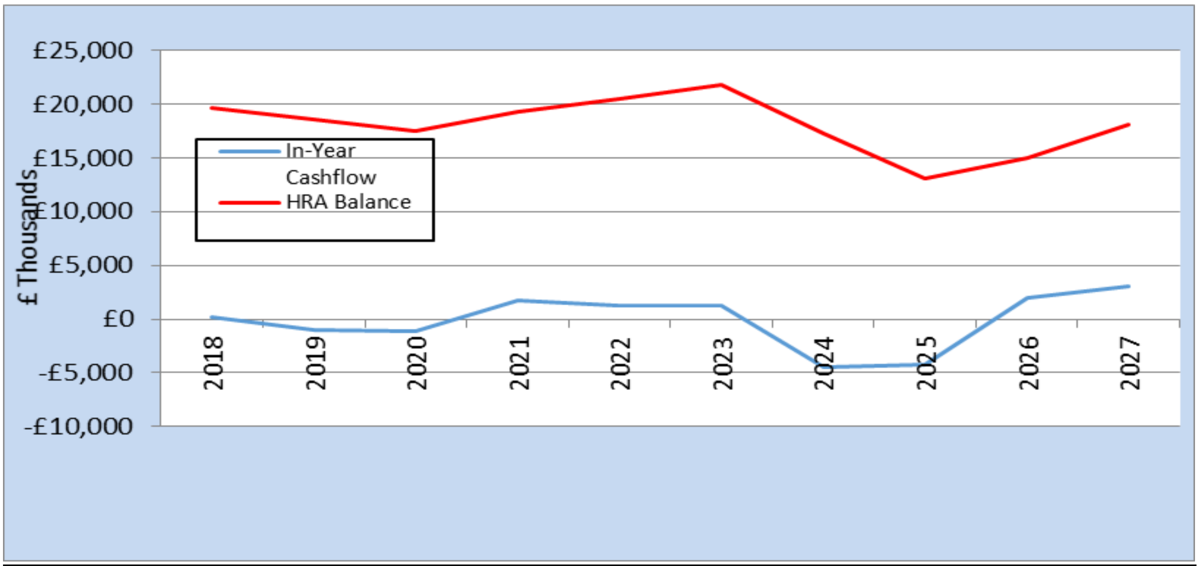
17. HRA Potential Resources Available for Investment

17.1 A key aspect of the business plan is the revenue cash flow predicted over the coming years. Another important feature is the amount available for building new homes. Both are illustrated in the following graphs:-

Graph A - Revenue cash flows from 2018/19 for 10 years

This graph shows reserve balances within the HRA increasing to approximately £18m by Year 10 (2027/28) based on annual rent reductions of 1% for the next two years followed by a rent increase of CPI +1% for five years from 2020/21.

Graph A

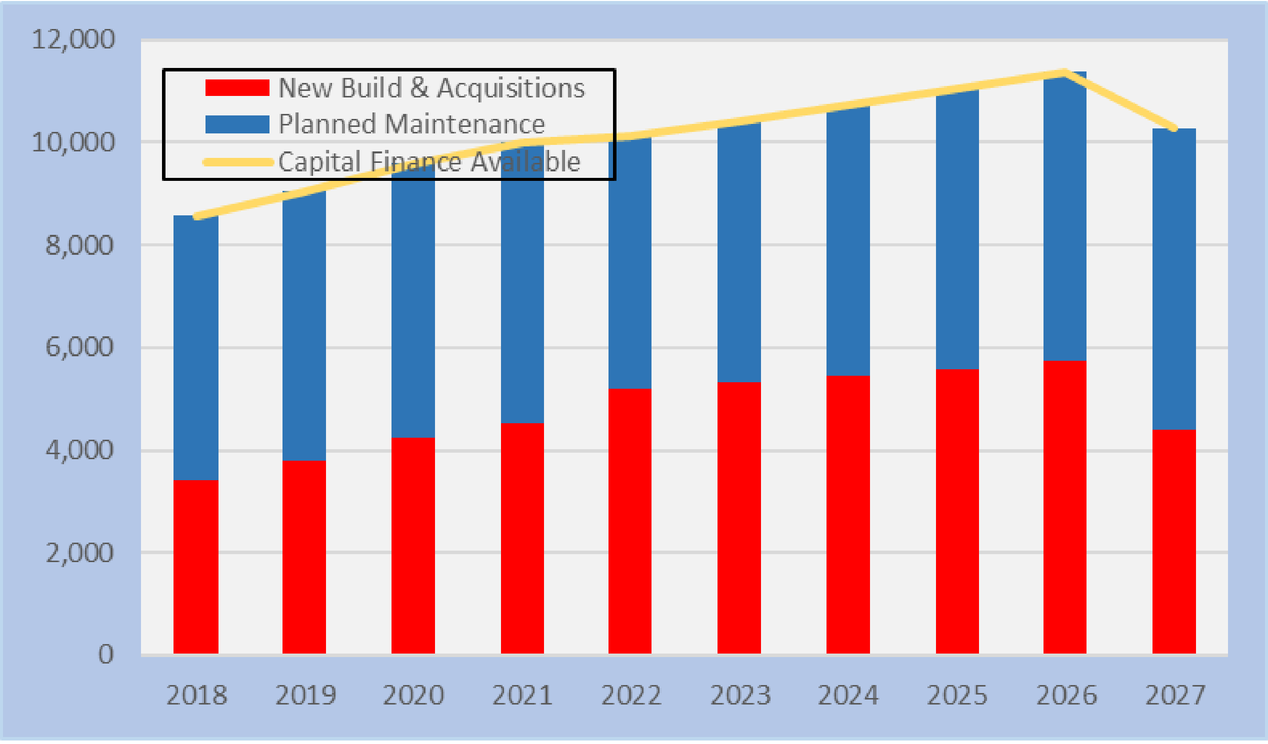


Graph B - Capital Programme from 2018/19 for 10 years (based on a 1% rent reduction in years 1 to 2 followed by a CPI +1% rent increase in years 3 to 10)

This graph shows proposed Capital Programme expenditure and debt cap levels within the HRA Business Plan up to Year 10 (2018/19 to 2027/28). The HCA new build programme does not extend beyond year 1, although significant investment continues through the Right to Buy replacement programme.

Graphs A and B are inter-dependent with revenue surpluses providing financial availability for investment in homes and improvement programmes.

<u>Graph B</u>



18 HRA Key Challenges

18.1 HRA Self-financing has provided significant opportunities for Babergh. The development of 27 new council homes supported by Homes and Communities Agency Grant funding is a good example of how the funds available within the HRA are being used differently.

18.2 These opportunities, however, are threatened by the proposals described in paragraph 16.1. The table in paragraph 19.1 sets out the HRA budget for 2018/19 and highlights the variances from the current year as a result of a 1% rent reduction (an average rent reduction of 90 pence per week for Babergh tenants).

18.3 It is important to understand that the 30-year HRA business plan was predicated on an annual rent increase of CPI + 1%, the formula agreed by the government in 2014. In business planning terms the loss to the HRA was forecast to be £4.5m over years 2016/17 to 2019/20.

However, the recent announcement that Local Authorities can increase their rents by up to CPI +1% for five years from 2020/2021 has resulted in an impact of greater than 1% per annum. The cumulative impact of the rent increase results in a higher income (against business plan projections 2017/18) to the HRA as follows:

Years	Babergh
1 to 5	£1.0m
1 to 10	£5.4m
1 to 15	£10.7m

This will increase the resources available to deliver services, to maintain and improve the existing housing stock and to develop new council housing.

18.4 A balanced budget has been achieved for 2018/19 by reducing both revenue and capital budgets (see table in 19.1). A fundamental review of the housing service has been undertaken during 2017/18 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review has examined:

- Performance management measures and complaints handling
- New build programme and retention of Right to Buy receipts. A back to back contract with Orbit Housing is about to been completed which will provide 15 affordable rental homes and 12 Shared ownership at a cost of £3.2m. Iceni Homes have been appointed to look into development opportunities to enable us to deliver our affordable housing programme.
- A number of Council landholdings such as underutilised open space, garage sites and severed gardens are currently being assessed by the Investment and Development Team and could be added to the pipeline subject to their suitability.
- Our approach to HRA business planning includes, reviewing and realigning housing stock condition data and capital programme expenditure. The data has been reviewed and Ridge have been appointed to carry out a stock condition survey on 24% of housing stock by the end of February 2018 to enable us to produce a robust 30-year capital programme. A contingency amount, based on £1,300 per property, has been put into the 2018/19 Budget and 4-year MTFS 2018/19. Once the capital programme is completed the budget will be allocated against the relevant areas of spend.
- The Sheltered Housing Review concluded that some schemes which are difficult to let would be ‘de-sheltered’ ahead of a predicted reduction in Housing Related Support funding, this work has now been completed. The business plan has been amended to reflect the reduction in expenses and service charge income following the de-sheltering of properties in April 2017, as well as the loss of the Supporting People Grant of £42k from Suffolk County Council (SCC) from April 2018.
- Councillors approved the formation of a new Babergh & Mid Suffolk Building Services (BMBS) team, which carries out responsive repairs and programmed works. The BMBS business plan forecasts a surplus within five years of its implementation.
- The HRA Accounting Team are implementing a robust budget setting and monitoring process together with financial controls.
- Leaseholders service charges have been reviewed to identify the gap between costs incurred and the amount recharged. Completion of this work allows us to increase income over the next three years to bring us to a cost neutral position.

18.5 **Sheltered housing** - Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £400k each year. However, following the de-sheltering of units and increase in service charges last year, the subsidy has now reduced to £260k.

The new pressures of rent reduction and removal of the Housing Related Support Grant from Suffolk County Council of £42k from April 2018 make this subsidy unsustainable in the long term.

To reduce the subsidy from the HRA, we propose the following:

- to increase service charges for sheltered residents, which are eligible for housing benefit, by £5 per week from April 2018,
- that the Housing Related Support charge of £3 per week, which is an ineligible cost for housing benefit purposes, is removed from April 2018.

This will mean that all residents, whether they be self-payers or not, will only see a net increase of £2 per week in 2018/19 in comparison to the £4 increase in 2017/18

18.6 **Garage rents** – It is proposed that following a number of significant increases in garages rents, it is not sustainable to continue with a further increase in 2018/19. This would make garages undesirable as a result we propose to maintain garage rents at current levels.

HRA New build programme and retention of Right to Buy receipts

18.7 Right to Buy (RTB) sales for Babergh were higher than projections in business plans. In 2016/17 Babergh sold 26 against original projections of 24 sales.

18.8 The money received from RTB sales can only be used as 30% towards the cost of a replacement home. The remaining 70% of the replacement cost has to be found from other HRA resources. As sales increase, it means that the level of match funding required (70%) increases. If the receipts are not spent within the 3-year period allowed, they have to be repaid to Government with 4% above the base rate interest added.

18.9 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are artificially restricted. The supported spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes is still achievable within current borrowing headroom. However, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable; although the announcement that we can increase rent by a maximum of CPI +1% for five years from 2020/21 will help to mitigate this risk.

19 HRA Budget 2018/19

19.1 The table below sets out the HRA budget for 2018/19, based on a 1% rent decrease, highlighting the variance from 2017/18.

Description	2017/18 £000	2018/19 £000	Variance £000	Reason
Rent and other income	(16,717)	(16,645)	(72)	Based on a proposed average rent decrease of 1%. Offset by increase in number of affordable homes, and service charges
Bad Debt Provision	115	155	(40)	Universal Credit is being implemented during 2017/18, so the provision has been increased to reflect the likelihood of additional rent arrears and bad debts.
Interest	(16)	(15)	(1)	
Total Net Income	**(16,618)**	**(16,504)**	**(114)**	
Repairs and Maintenance, Management and other costs	5,203	6,074	(571)	Reflects a review of all costs including BMBS following higher than expected increases in material costs.
Capital Charges	2,803	2,847	(44)	Reflects interest costs on fixed rate long term loans which has increased following a correction to the interest rates. This has been partially offset by the £500k paid against debt.
Revenue Contribution to Capital Programme	5,605	4,124	1,481	RCCO is used to cover capital spend once the Major Repairs Allowance has been used. As capital spend is budgeted to be lower in 2018/19 the RCCO requirement has also reduced.
Depreciation	2,735	2,721	14	
Debt Repayment	500	500	0	
Total Expenditure	**17,146**	**16,150**	**997**	
In-year operating (surplus)/deficit	527	(238)	(766)	Reflects reduction in Capital spend financing requirements which is offset by increases in Repairs and maintenance costs and reduction in rental income
Year-end transfer to/(from) reserves	(527)	238	766	
Total	**0**	**0**	**0**	

19.2 A revised and updated HRA Business Plan is attached at Appendix E, based on annual rent reduction of 1% until 2019/20 then increasing by CPI +1% from 2020/21 also reflecting;

- HCA scheme development costs;
- Funding to support spend of RTB receipts and capital programme expenditure.

19.3 HRA Business Plans are currently viable over the 30-year business plan with Treasury debt forecast to be reduce to £1.1m in year 19 before rising to £12.1m in year 25 after taking out a new Treasury loan of £11.1m.

19.4 The established rent formula empowers Government to restrict our ability to increase rents through applying a ‘limit rent’ this is the average rent level at which full housing benefit will be paid. If our average rent exceeds this amount then a payment has to be made to the Government to make up the difference. Limit rent figures will be released at the end of January 2018. This could still have an impact on rent levels in addition to the -1% change required.

20 HRA Capital Programme Investment

20.1 The Capital Programme is attached at Appendix D.

20.2 The proposed Capital Programme headlines for 2018 – 2021 are:-

Expenditure	**£m**
Housing Maintenance Programmes	**21.2**
New build (HCA programme)	**0.1**
RTB receipt funding	**15.9**
Total	**37.2**
Financing	
Capital receipts disposals and RTB receipts and HCA Grant	**17**
Revenue Contributions	**20.2**
Borrowing	**0**
Total	**37.2**
Remaining Borrowing Headroom available (31 March 2021)	**13.2**

21. Appendices

Title	**Location**
Appendix A – General Fund Budget Summary 2018/19	Attached
Appendix B – Movement of service cost budget year on year	Attached
Appendix C - Budget, Funding and Council Tax Requirements and Robustness of Estimates and Adequacy of Reserves	Attached
Appendix D – Capital Programmes	Attached
Appendix E – updated HRA Business Plan	Attached
Appendix F – Joint Medium Term Financial Strategy	Attached
Appendix G – Budget Book 2018/19	Attached

22. Background Documents

Local Government Finance Settlement.

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Appendix A

General Fund Budget Summary 2018/19

GENERAL FUND REVENUE BUDGET SUMMARY

		2017/18 £'000	2018/19 £'000	Movement £'000
1	Employee Costs	8,028	7,971	(57)
2	Premises	851	807	(45)
3	Supplies & Services	3,441	3,507	66
4	Transport	182	279	96
5	Contracts	4,108	4,244	136
6	Third Party Payments	20,202	20,202	(0)
7	Income	(27,450)	(27,738)	(289)
8	Charge to HRA	(1,138)	(1,106)	32
9	Charge to Capital	(407)	(227)	180
	Capital Financing Charges		-	
10	Debt Management Costs	25	3	(23)
11	Interest Payable (Pooled Funds)	8	9	0
12	Interest Payable (CIFCo)	242	594	352
13	MRP	645	933	288
	Investment Income			
14	Pooled Funds	(363)	(421)	(57)
15	Interest Receivable (Cash Surplus)	(4)	(8)	(4)
16	Interest Receivable (CIFCo)	(555)	(1,064)	(509)
	Transfers to Reserves			
17	(a) New Homes Bonus	1,212	866	(346)
18	(b) S31 Business Rates Grant	650	797	147
19	(c) Other	23	27	4
20	**Net Service Cost**	**9,700**	**9,674**	**(26)**
21	Transformation Fund - Staffing (NHB)	(484)	(50)	434
22	Transfers from Reserves - earmarked	-	(432)	(432)
23	S31 Grant	(650)	(797)	(147)
24	New Homes Bonus to balance the budget	(727)	(866)	(138)
25	Deficit / (Surplus) on Collection fund	(40)	(12)	28
26	Revenue Support Grant (RSG) - now included with Baseline business rates	(504)	-	504
27	Baseline business rates	(1,997)	(2,443)	(446)
28	Business rates – growth/pooling benefit	(109)	(206)	(97)
29	Business rates – 17/18 collection fund deficit	-	371	371
30	Transition Grant	(22)	-	22
31	Rural Services Delivery Grant - now included with Baseline business rates	(182)	-	182
32	Council Tax	(5,000)	(5,214)	(214)
33	**Total Funding**	**(9,715)**	**(9,649)**	**67**
34	Shortfall (Surplus) funding	(15)	25	40
35	Transfer to / (from) reserve	15	(25)	(40)
		-	-	-

	2017/18	2018/19	Movement
Council Tax Base	(32,489)	(32,822)	(333)
Council Tax for Band D Property	153.86	158.86	5.00
Council Tax	**(4,999)**	**(5,214)**	**(215)**

Movement of service cost budget year on year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000
Net Service Cost previous year	**9,700**
Cost Pressures	
Inflation	
Employees - 2% pay award	165
Employees - increments	102
Employees - deficit pension fund change (2.4% reduction in 19/20, 1% increase from 20/21)	-
Other Employee costs	1
Contracts	42
Supplies & Services	7
Insurance Premiums	5
Business Rates	12
Sub total cost pressure	**333**
Other increases to net service cost	
BMS Invest	
(net) expenditure	26
Communities	
Car Park income - revision of budgets (including ECNs)	58
Strong and Safe Communities - staff costs	37
Street and Major Road Cleanisng - recycling performance payments	26
Business Rates - car parks	15
Domestic Homicide Review	12
Corporate Resources	
Reduction to Housing Benefit and LCTS Admin Grants	31
Organisational Development inc Health and Safety - staff costs	25
Phased reduction of general savings	20
Shared Revenues Partnership contract increase	20
Borehamgate - reduction in rental income (empty units)	14
Reduction to income received for Credit Card charges.	6
Customer Services	
Contribution to Customer Access Point	4
Customer Services - staff costs	3
Environment and Commercial Partnerships	
Net reduction to Building Control Income	61
Waste - recycling performance payments	39
Trade Waste Income (net) including glass collection service cost	25
Environmental Protection - legal expenses	6

BABERGH - MOVEMENT YEAR ON YEAR	**17/18 to 18/19 £000**
Housing	
Homelessness - staff costs (funded from grants)	115
Law & Governance	
Governance - staff costs (including Scanners)	44
Information Management - staff costs (re-allocation of time chnarged to Capital)	39
Shared Legal Services (net) including staff costs	35
Internal Audit - staff costs	6
Planning for Growth	
Community Housing Fund inc fixed term post for 2 years (funded from grant in earmarked reserves)	95
Development Management - staff costs (funded from 20% inc to planning fees)	95
Property Services	
Hadleigh HQ security costs	114
Belle Vue House - reduction in rental income	19
Wenham Depot - includes reduction to rental income	12
PV Panels - cleaning and repairs / maintenance	6
Other Cost Pressures	
Minimum Revenue Provision	288
Recharge to Capital (can be offset in part by capital projects - staff costs below)	180
Other items (net)	96
Recharge to HRA	32
Modern Apprentice Levy - net cost	14
Sub total other increases to net service cost	**1,618**

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000
Actions to offset increases to net service cost	
Inflation - income	(23)
Communities	
Public Realm - staff costs	(25)
Increase to fees for dog & litter bin emptying	(2)
Corporate Resources	
Management Review Savings	(160)
Commissioning and Procurement - staff costs	(14)
External Audit Fees	(15)
Corporate Training	(10)
Stationery	(8)
I-Trent	(7)
Finance - staff costs	(5)
Contracted services (Vertas)	(3)
Customer Services	
ICT costs - server room, printers, general savings	(74)
ICT - staff costs	(30)
Environment and Commercial Partnerships	
Leisure Contract - repayment of borrowing costs (SSL)	(72)
Reduction of payments to third parties for Bring sites - Glass & Textile recycling	(20)
Building Control - staff costs	(18)
Garden Waste Income (net)	(12)
Leisure Contract - reduction in management fee	(5)
Energy Proficiency Certificates (SAPs) income	(4)
Income for Food Hygiene Rating System rescore visits	(1)
Housing	
Homelessness - flexible support and new burden grants	(191)
Law and Governance	
Alignment of Chairman's expenses	(7)
Course conference fees for members	(4)
Impact of the Boundary Review	
Planning for Growth	
Planning fee income - 20% price increase	(120)
Planning fee income - volume increase	(110)
Pre-application Charges	(88)
Reduction of License costs for UNIFORM	(39)
CIL 5% to cover administration costs	(11)
Property Services	
Capital Projects - staff costs	(107)
East House running costs	(9)
Other Savings	
Removal of Transformation Funded Posts	(367)
CIFCO	(157)
Increase vacancy management contingency to 2.5%	(86)
Pooled Funds income	(57)
SLT staff costs	(47)
Accommodation - All Together	(42)
Debt Management Fees	(23)
Reduction of Neighbourhood Planning Grants to earmarked reserve	(5)
Interest payable / receivable	(4)
Sub total actions	**(1,979)**
Total Net Service Cost movement	**(28)**
New Net Service Cost	**9,673**

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000
Funding previous year	**(9,700)**
Cost Pressures	
Movement in Reserves - NHB, Transformation Fund, S31 grant	(298)
Removal of Revenue Support Grant (RSG) - now included within baseline Business Rates	504
Business Rates - collection fund deficit 2017/18	371
Removal of Rural Services Support Grant (RSDG) - now included in Baseline Business Rates (18/19 only)	182
Change to Council Tax Collection fund surplus	28
Removal of Transition Grant	22
Sub total cost pressure	**809**
Savings / Actions to increase funding	
Business Rates - baseline (now includes RSG & RSDG)	(446)
Business Rates - pooling benefit	(97)
RSG - tariff	-
Council Tax (£5 increase to Band D)	(164)
Growth in taxbase	(51)
Sub total savings /actions to increase funding	**(758)**
New Year Funding	**(9,649)**
Annual Budget (surplus)/deficit	**25**

Budget, Funding and Council Tax Requirements

1. The precept requirements of Parish / Town Councils must be aggregated with the requirement of this authority to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence). A schedule of the precept requirements from Parish / Town Councils will be reported to Council on 20 February.

2. The County and the Police and Crime Commissioner's precept requirements are added to this.

3. The legally required calculation is set out below:

   1) The General Fund Budget requirement for the District Council purposes in 2018/19 will be £158.86, based on an increase to Council Tax of 10p per week for a Band D property which is the equivalent to 3.25%.

   2) The County Council precept requirement is still to be determined, but is likely to be £1,242.54 for a Band D property in 2018/19, an increase of 4.99%.

   3) The Police and Crime Commissioner's precept requirement is likely to increase by £12 or 6.8% to £188.88.

   4) At the time of preparing this report, not all Parish / Town Councils have supplied formal notification of their 2018/19 precept. The final figures will be reported to Council**.**

4. Babergh is a billing authority and collects council tax and non-domestic rates on behalf of the other precepting authorities i.e. Suffolk County Council, Suffolk Police and Crime Commissioner and Parish / Town Councils. The dates that monies collected are paid over to the County Council, and the Police and Crime Commissioner ("precept dates") need to be formally agreed under Regulation 5(i) of the Local Authorities (Funds) (England) Regulations 1992.

5. Established practice is for payments to be made in 12 equal instalments on the 15th of each month or the next banking day if the 15th falls on a weekend or bank holiday. Accordingly the precept dates applicable for 2018/19 are expected to be as follows:

16 April 2018	15 May 2018	15 June 2018	16 July 2018
15 August 2018	17 September 2018	15 October 2018	15 November 2018
17 December 2018	15 January 2019	15 February 2019	15 March 2019

Appendix C

Section 25 report on the robustness of estimates and adequacy of reserves

1. Background

1.1 Section 25 of the Local Government Act 2003 requires Councils, when setting its annual General Fund Budget and level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This report fulfils that requirement for the setting of the Budget and Council Tax for 2018/19.

1.2 This is to ensure that when deciding on its Budget for a financial year, Members are made aware of any issues of risk and uncertainty, or any other concerns by the Chief Financial Officer (CFO). The local authority is also expected to ensure that its budget provides for a prudent level of reserves to be maintained.

1.3 The CFO has assessed that the minimum safe contingency level of unearmarked General Fund working balance/general reserve is £1.05m (the same figure as 2017/18).

1.4 Section 26 of the Act empowers the Secretary of State to set a minimum level of reserves for which a local authority must provide in setting its budget. Section 26 would only be invoked as a fallback in circumstances in which a local authority does not act prudently, disregards the advice of its CFO and is heading for financial difficulty. The Section 151 Officer and Members, therefore have a responsibility to ensure in considering the Budget that:

- It is realistic and achievable and that appropriate arrangements have been adopted in formulating it
- It is based on clearly understood and sound assumptions and links to the delivery of the Council's strategic priorities
- It includes an appropriate statement on the use of reserves and the adequacy of these.

2. Basis of Advice for Section 25 Report

2.1 In forming the advice for this year's Section 25 report, the CFO has considered the following:

- The requirement established in the Council's Medium Term Financial Strategy (MTFS) to ensure that a safe contingency level of reserves is maintained
- The degree to which the Council's financial plans are aligned to the Council's statutory obligations, local priorities and policy objectives
- The adequacy of the information systems underpinning the Council's financial management processes
- Risks associated with the Council's activities, as identified within the Significant Business Risks Register

- The level of earmarked reserves and unearmarked reserves within the General Fund and the degree to which uncertainties exist within the proposed 2017/18 budget.

3. Robustness of Estimates

3.1 In terms of the overall approach to financial planning and setting the budget, the following aspects increase confidence in the robustness of estimates:

- Cost pressures and variations in key areas of income and expenditure have been carefully considered and reflected in the Budget
- Key assumptions have been made and updated during the Budget process to reflect the changing economic position and latest information
- Existing and new risks and uncertainties have been identified and carefully considered
- Detailed scrutiny, review and challenge of budgets by finance officers, Assistant Directors and Corporate Managers
- The Overview and Scrutiny Committee has reviewed the proposed Budget for 2018/19.

3.2 No Budget can, however, be completely free from risk and these are still prevalent in the ongoing financial climate. This means that the Budget will always have a certain amount of uncertainty. The following are the main areas identified:

- **Government Funding** - The Council's funding now includes a reliance on business rates income and other 'incentivised' funding such as the New Homes Bonus. As part of the 100% pilot for 2018/19 Babergh will retain 100% of the business rates growth and the Revenue Support grant and Rural Services Delivery grant will be funded from the increased retention of growth. The risks of bad debts and other losses on collection as well as the impact of rating appeals and revaluation from April 2017 may affect the Council's income. An allowance has been made for these, but the actual amount of income could be higher or lower than this. The Council has included the amount reflected in the Government's 'baseline assessment', plus an element from being part of the Suffolk Pool in the 2018/19 Budget, but the actual amount of income could be lower - or higher (High Risk)
- **Welfare Reforms, Benefits and Council Tax Reductions** –The Budget for 2018/19 assumes that current caseloads will continue throughout next year. Stowmarket job centre will go live with Universal Credit (UC) in May 2018. The impact of the introduction of Universal Credit on the Shared Revenues Partnership workload from the areas that have gone live to date remains low, with between 1.71% and 3.82% of Council Tax Reduction caseload in receipt of UC. (Medium Risk)
- **Capital Financing Costs** - These are influenced by variable factors such as cash flow, variations in the capital programme, interest rates, availability of capital receipts and other sources of capital funding and borrowing/financing costs. As the Council looks to undertake commercial property investment and development, as opportunities arise, then the level of capital financing costs could change considerably. (Medium Risk)
- **Income** - Whilst the Budget for 2018/19 has been prepared on the basis of trying to ensure that income estimates are realistic and achievable, with

specific allowances for increased or reduced income on specific services, it is unknown as to how the economy and customer demand will fare during next year. Income has been included from the Capital Investment Fund following agreement by Council to establish the company structure. The amounts included in the Budget are based on forecast investments and returns however variances may occur. The Council is awaiting further guidance on investment in commercial property following a consultation at the end of 2017. The outcome of this could affect the level of income received. (Medium Risk)

- **Growth** – Following recent trends in additional growth, a number of budgets have been introduced or increased e.g. pre-application charges, planning fees and business rates. Whilst the increases are prudent compared to previous years actuals, there is a risk that there will be a downtown in growth in 2018/19, which will affect the income received. (Medium Risk)
- **Inflation and Other Cost Pressures** – Allowances for inflation have been made on some budgets including major contracts, where there is a contractual requirement to do so. (Low Risk)

3.3 Taking all of the above into consideration, the Section 151 Officer's opinion is that the Council's Budget and estimates are reasonable but cannot be absolutely robust, so a full assurance cannot be given that there will be no unforeseen adverse variances. This is an expected and acceptable situation for any organisation that is dealing with a large number of variables. Also, the general economic situation continues to impact on expenditure and income. Provided that the minimum safe level of reserves is maintained, any variations arising as a result of lack of robustness in the estimates should be manageable.

4 Adequacy of Reserves

4.1 There is no available guidance on the minimum level of reserves that should be maintained. Each authority should determine a prudent level of reserves based upon their own circumstances, risk and uncertainties. Regard has been had to guidance that has been issued to CFO's and the risks and uncertainties faced.

4.2 The Medium Term Financial Strategy (MTFS) states that the Council is required to maintain adequate financial reserves to meet the needs of the authority. This is the General Reserve and provides a safe level of contingency.

4.3 The CFO's opinion is that the minimum level of unearmarked reserves should, for the time being, be maintained at the current level of £1.05m without increasing the risk to the Council. This represents 10% of the annual General Fund Budget, which is relatively low compared to a number of councils but is seen as acceptable, so no action is required as part of the 2018/19 Budget. This is partly based on the understanding that there are further sums available in earmarked reserves that will not be fully spent during 2018/19 as set out below.

4.4 Levels of earmarked reserves (excluding those relating to the Housing Revenue Account, but including the Transformation Fund) are forecast to be £12.8m as at 31 March 2019. The level of earmarked reserves as at the 31 March 2019 will depend on the extent to which the New Homes Bonus money that is transferred to the Transformation Fund is spent in 2018/19. The Transformation Fund is continuing to support the delivery of the Council's Joint Strategic Plan in 2018/19.

5. Background Documents

Local Government Act 2003; Guidance Note on Local Authority Reserves and Balances – CIPFA 2003; Medium Term Financial Strategy

Katherine Steel
Assistant Director, Corporate Resources
(Section 151 Officer)

Appendix D

CAPITAL PROGRAMME FOR 2018/19 to 2021/22

General Fund

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Supported Living												
Mandatory Disabled Facilities Grant	409	409	409	409	**1,637**				1,637			**1,637**
Discretionary Housing Grants	100	100	100	100	**400**						400	**400**
Empty Homes Grant	100	100	100	100	**400**						400	**400**
Total Supported Living	**609**	**609**	**609**	**609**	**2,437**	**0**	**0**	**0**	**1,637**	**0**	**800**	**2,437**
Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	185	185	185	0	**555**						555	**555**
Recycling Bins	65	65	65	65	**260**						260	**260**
Total Environment and Projects	**250**	**250**	**250**	**65**	**815**	**0**	**0**	**0**	**0**	**0**	**815**	**815**
Communities and Public Access												
Community Development Grants	117	117	117	117	**468**						468	**468**
Play Equipment	50	50	50	50	**200**						200	**200**
Planned Maintenance / Enhancements - Car Parks	36	38	35	35	**144**						144	**144**
Total Community Services	**203**	**205**	**202**	**202**	**812**	**0**	**0**	**0**	**0**	**0**	**812**	**812**

Appendix D

CAPITAL PROGRAMME FOR 2018/19 to 2020/21

General Fund

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Leisure Contracts												
Kingfisher Leisure Centre - plant and other capital	145	40	50	50	**285**						285	**285**
Kingfisher Leisure Centre - Planned Maintenance	246	289	0	0	**534**						534	**534**
Kingfisher Leisure Centre Refurbishment	627	627	0	0	**1,254**						1,254	**1,254**
Hadleigh Pool and Leisure Refurbishment	351	1,757	0	0	**2,109**						2,109	**2,109**
Hadleigh Pool and Leisure - Planned Maintenance	43	0	0	0	**43**						43	**43**
Hadleigh Sports & Swimming Pool - General	0	0	0	0	**0**						0	**0**
Total Leisure Contracts	**1,412**	**2,713**	**50**	**50**	**4,225**	**0**	**0**	**0**	**0**	**0**	**4,225**	**4,225**
Capital Projects												
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	**192**						192	**192**
Total Capital Projects	**48**	**48**	**48**	**48**	**192**	**0**	**0**	**0**	**0**	**0**	**192**	**192**
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	**11,892**						11,892	**11,892**
Total Investment and Commercial Delivery	**2,973**	**2,973**	**2,973**	**2,973**	**11,892**	**0**	**0**	**0**	**0**	**0**	**11,892**	**11,892**
Corporate Resources												
ICT - Hardware / Software costs	200	200	200	200	**800**						800	**800**
Total Corporate Resources	**200**	**200**	**200**	**200**	**800**	**0**	**0**	**0**	**0**	**0**	**800**	**800**
Total General Fund Capital Spend	**5,695**	**6,998**	**4,332**	**4,147**	**21,173**	**0**	**0**	**0**	**1,637**	**0**	**19,536**	**21,173**

Appendix D

CAPITAL PROGRAMME FOR 2018/19 to 2020/21

HRA

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 HOUSING REVENUE ACCOUNT	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Housing Maintenance												
Planned maintenance	4,587	4,782	4,888	5,006	**19,262**		9,802	9,460				**19,262**
ICT Projects	300	200	200	200	**900**		900					**900**
Environmental Improvements	50	50	50	50	**200**		200					**200**
Disabled Facilities work	200	200	200	200	**800**		800					**800**
Horticulture and play equipment	23	23	23	23	**92**		92					**92**
New build programme inc acquisitions	3,415	3,791	4,239	4,526	**15,970**	2,746	8,449	4,775				**15,970**
Total HRA Capital Spend	**8,575**	**9,045**	**9,599**	**10,005**	**37,224**	**2,746**	**20,243**	**14,235**	**0**	**0**	**0**	**37,224**

Note: the new build acquisitions and new build budgets for 2017-18 onwards will be set on the basis of what the business plan will allow when the other HRA capital budgets have been agreed.

HRA Business Plan updated 2018/19 – 2027/28

Appendix E

Year	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
£'000	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
INCOME:										
Rental Income	(15,986)	(15,855)	(16,405)	(17,001)	(17,649)	(18,351)	(19,080)	(19,644)	(20,225)	(20,794)
Void Losses	149	147	153	158	164	171	177	183	188	193
Service Charges	(585)	(585)	(585)	(585)	(604)	(624)	(645)	(666)	(688)	(711)
Non-Dwelling Income	(201)	(201)	(201)	(201)	(208)	(214)	(222)	(229)	(236)	(244)
Grants & Other Income	(22)	(39)	(39)	(39)	(41)	(42)	(43)	(45)	(46)	(48)
Total Income	**(16,645)**	**(16,532)**	**(17,077)**	**(17,668)**	**(18,338)**	**(19,061)**	**(19,812)**	**(20,401)**	**(21,007)**	**(21,604)**
EXPENDITURE:										
General Management	2,586	2,430	2,503	2,578	2,663	2,751	2,842	2,935	3,032	3,132
Special Management	935	907	937	969	1,001	1,034	1,068	1,103	1,140	1,177
Other Management	400	398	341	220	154	159	164	170	175	181
Bad Debt Provision	155	193	200	165	127	132	137	196	202	208
Responsive & Cyclical Repairs	2,153	2,326	2,329	2,396	2,482	2,564	2,649	2,736	2,826	2,919
Total Revenue Expenditure	**6,229**	**6,254**	**6,310**	**6,328**	**6,427**	**6,640**	**6,860**	**7,141**	**7,375**	**7,618**
Interest Paid	2,847	2,829	2,809	2,795	2,794	2,793	2,792	2,623	2,450	2,450
Interest Received	(15)	(14)	(14)	(14)	(20)	(21)	(20)	(15)	(14)	(17)
Depreciation	2,721	2,721	2,721	2,789	2,789	2,789	2,789	2,789	2,789	2,789
Net Operating Income	**(4,863)**	**(4,743)**	**(5,251)**	**(5,770)**	**(6,348)**	**(6,861)**	**(7,391)**	**(7,864)**	**(8,407)**	**(8,764)**
APPROPRIATIONS:										
Revenue Provision (HRACFR)	500	0	0	0	0	0	0	0	0	0
Revenue Contribution to Capital	4,124	5,796	6,332	3,991	5,090	5,603	11,876	12,085	6,448	5,735
Total Appropriations	**4,624**	**5,796**	**6,332**	**3,991**	**5,090**	**5,603**	**11,876**	**12,085**	**6,448**	**5,735**
ANNUAL CASHFLOW	**(239)**	**1,053**	**1,081**	**(1,779)**	**(1,258)**	**(1,258)**	**4,485**	**4,221**	**(1,959)**	**(3,029)**
Opening Balance	(7,306)	(7,545)	(6,492)	(5,411)	(7,191)	(8,449)	(9,706)	(5,221)	(1,000)	(2,960)
Closing Balance	**(7,545)**	**(6,492)**	**(5,411)**	**(7,191)**	**(8,449)**	**(9,706)**	**(5,221)**	**(1,000)**	**(2,960)**	**(5,989)**

Note: The £6m increase in RCCO in 2024.25 and 2025.26 is due to a predicted additional payment on the loan

Joint Medium Term Financial Strategy (MTFS) and the Councils' Business Model

2018/19 to 2021/22

Contents

Foreword from the Leaders of the Councils

We are delighted to introduce the Joint Medium Term Financial Strategy (MTFS) for Babergh and Mid Suffolk Councils, which covers the period 2018/19 to 2021/22 and builds on the work started in earlier years.

The strategy sets out the approach that each Council is taking to the delivery of its strategic priorities and the management of our finances over the next four years. Whilst we remain two sovereign councils, with two separate budgets and differences in our financial positions, there are many similarities in our approach to addressing the challenges we face and opportunities that exist.

We are working together to deliver common strategies and priorities and design new ways of working differently, although how these will apply to the different localities and communities may still vary. However, the councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending. At the same time though, there are also funding sources and opportunities that we must fully exploit as part of our business model.

In this context, and like many other councils, we have to make a number of sometimes difficult and complex financial decisions. We are both confident that the two councils' budgets and approaches we are adopting represent a sound platform for the medium term, whilst we go about prioritising our resources to essential services.

The key driver in previous years was the delivery of staff and service integration to serve both councils. This delivered significant savings across the two councils with the ongoing aim of designing services to maintain capacity and resilience to ensure that the need for budgetary savings does not dominate the agenda in a negative way.

However, the savings from integration could not meet all of the future financial challenges that we face, so we are adopting new ways of working that take advantage of the new forms of incentivised funding, new technologies and new opportunities that are available to councils and this approach is already providing financial benefits. We reviewed the priorities set out in our Joint Strategic Plan to ensure that they support our ambitions since the local election in May 2015, and now we are aligning our resources to deliver those ambitions.

The vision, priorities and outcomes set out in our refreshed Joint Strategic Plan are shaping and inform real choices about the allocation of resources and the structure and skills required for our Management Team. Some of the new ways of working will involve decisions about how our councils invest valuable resources (people, money and assets in particular) to aid sustainable economic growth.

We are also adopting a mixed approach whereby we deliver some things directly but also empower communities far more to do things for themselves and develop solutions with others. The key to this is to engage with communities more and work through solutions together rather than in opposition to each other.

We are also facing significant challenges in our role as a social housing landlord. We have reviewed our business model and plans during 2017/18 to ensure that it is fit to deliver a long-term sustainable service to some of the most vulnerable people in our districts.

As the vast majority of our core funding will be within our control from 2018/19 we will need to keep our financial strategy under constant review and adapt our business model to continue to respond to the challenges.

Everyone we work with and for should be aware of the councils' strategic plan and this strategy and that is why we are publishing it to inform our communities and partners of what the future holds.

Cllr. John Ward
Leader
Babergh District Council

Cllr. Nick Gowrley
Leader
Mid Suffolk District Council

1. Summary – Key Points

1.1 The way we operate, our priorities and resources are changing dramatically. As part of this, we have been and are developing:

- A business model that enables us to respond to changes in Government funding that will support the delivery of strategic priority outcomes and medium term financial sustainability
- An investment strategy that maximises incentivised and other funding streams e.g. New Homes Bonus and Business Rates and that delivers additional income and savings in the future e.g. doing things on an 'Invest to Save' or 'Profit for Purpose' basis
- Achieving efficiencies and cost reductions, through collaborative working and getting the basics right
- A clear financial strategy, including a revenue budget and capital investment strategy that supports the above and sets out how we aim to tackle the Budget gap over the next 4 years.
- A more commercial approach, including the establishment of holding companies and joint venture companies through which we can generate additional income from investment in property and deliver our key strategic objectives.

1.2 The main contents of this document and key aspects of the business model, investment strategy and financial strategy include:

- The financial outlook and picture for the next 4 years i.e. how the general economic context, public sector spending constraints and the local strategic context impacts on what we do and how we do it
- Current forecasts, which will inevitably change over time, of what savings and additional income will be needed
- Our response to this, including aligning resources to the Councils' strategic plan priorities and essential services
- How we are planning to transform service delivery, behave more commercially and adapt to the new funding arrangements and business model.

1.3 Key financial headlines:

- Both Councils are Part of the Suffolk pilot for retention of 100% Business Rates growth in 2018/19.
- New Homes Bonus (NHB) is decreasing from £1.212m to £866k for Babergh and from £2.028m to £1.463m for Mid Suffolk.

- Due to annual cost pressures and other things that impact on the Budget of each Council, we estimate for Babergh a shortfall of £1.1m by 2021/22. For Mid Suffolk, we estimate a shortfall of £0.9m by 2021/22. These figures exclude the use of New Homes Bonus, as the aim is to reduce reliance on this funding source over the life of the MTFS. The graphs in 3.19 show the position with the inclusion of three different assumptions about the level of New Homes Bonus to be received in coming years. On this basis, the shortfall varies between £0.25m and £0.9m for Mid Suffolk and between £0.4m and £1.6m for Babergh.
- Mid Suffolk's position historically has been less reliant on NHB than Babergh's. However, from 2019/20 and beyond the projected NHB numbers for both Councils are not large enough to cover the projected deficit. Therefore, more action and intervention is likely to be needed to achieve financial sustainability in the medium term and to move to a position where neither Council is reliant on NHB. Both Councils will, however, need to transform what they do as the funding change will bring challenges for both Councils.
- Mid Suffolk have a Growth and Efficiency Fund of around £9.9m and the equivalent Transformation Fund in Babergh is £0.6m, these funds are available currently to invest in changing our business model and generate sustainable economic growth. Some money has been used in the last three years to make the change in our business model, but more needs to be done.
- New homes and sustainable economic growth will be vital in making a significant contribution towards the Budget gap.
- Growth in Business Rates income and the Suffolk pilot for 100% retention of Business Rate growth could make an important contribution towards delivering the councils' strategic priorities and the financial strategy and investment in the wider Suffolk area.
- An Assets and Investment Strategy & Prudential Borrowing strategy which is based on 'Invest to Save' and 'Profit for Purpose' principles
- An overall strategy that focuses on providing new housing, jobs and sustainable economic growth by working with communities and other partners.
- Review of the Councils' assets to maximise social and financial return.

2. Purpose of the MTFS

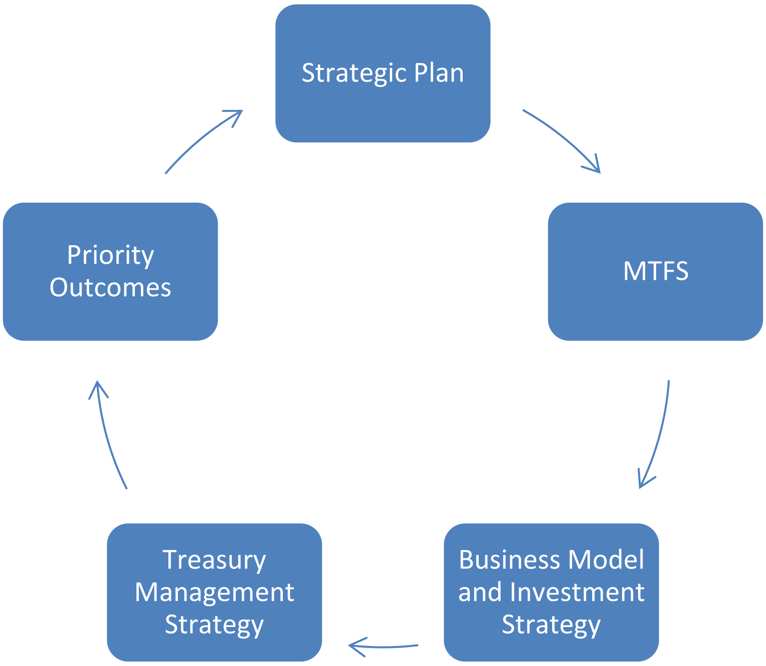
2.1 This Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver the Councils' strategic priorities and essential services over the next 4 years. It sets out how the Councils can generate and use these resources within the financial context and constraints likely to be faced.

2.2 Like all local authorities, Babergh and Mid Suffolk's MTFS is influenced by national government policy, funding changes and Government spending announcements.

2.3 It must be stressed that we are two sovereign councils, with two separate budgets - as shown in the 'summary of our financial position' section of this document. There are, however similarities in our approach to meeting the financial challenges, and one of the options we are looking at is whether we should establish one new council..

2.4 We are therefore working together to build common strategies, and to share learning from one another in designing new approaches, although how these approaches apply to the different localities and communities in Babergh and Mid Suffolk, may still vary.

2.5 There are key links between the MTFS and other plans and strategies and a coherent joined up approach to each of these is essential:



3. National Economic Context

The UK economy

3.1 The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, and transitional arrangements may prevent sharp changes, but will also extend the period of uncertainty for several years.

3.2 Consumer price inflation reached 3.0% in September 2017, and there was an increase in the base rate of 0.25% to 0.5% in November 2017

3.3 The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union and some data has held up better than expected, with unemployment falling to an all-time low and house prices remaining relatively resilient.

Government borrowing and spending

3.4 Public sector net debt (excluding both public sector banks and the Bank of England) at the end of November 2017, represented nearly 80% of GDP, 3.5% lower than November 2016 and the Government is determined to reduce this further.

3.5 This has meant that funding of areas of the public sector, not protected by 'ring-fencing', has been significantly reduced in the past few years. This has applied particularly to local government funding and there is no sign that the pressure will ease.

The changing landscape of local government funding

3.6 The way that local government is funded has changed. The Government has introduced:

- Incentivised Funding - New Homes Bonus introduced in 2011
- The Business Rates Retention Scheme and Local Council Tax Reduction Scheme introduced in April 2013
- Council Housing – the HRA self-financing regime, ending the housing subsidy system and giving more freedom and flexibilities to councils introduced in April 2012

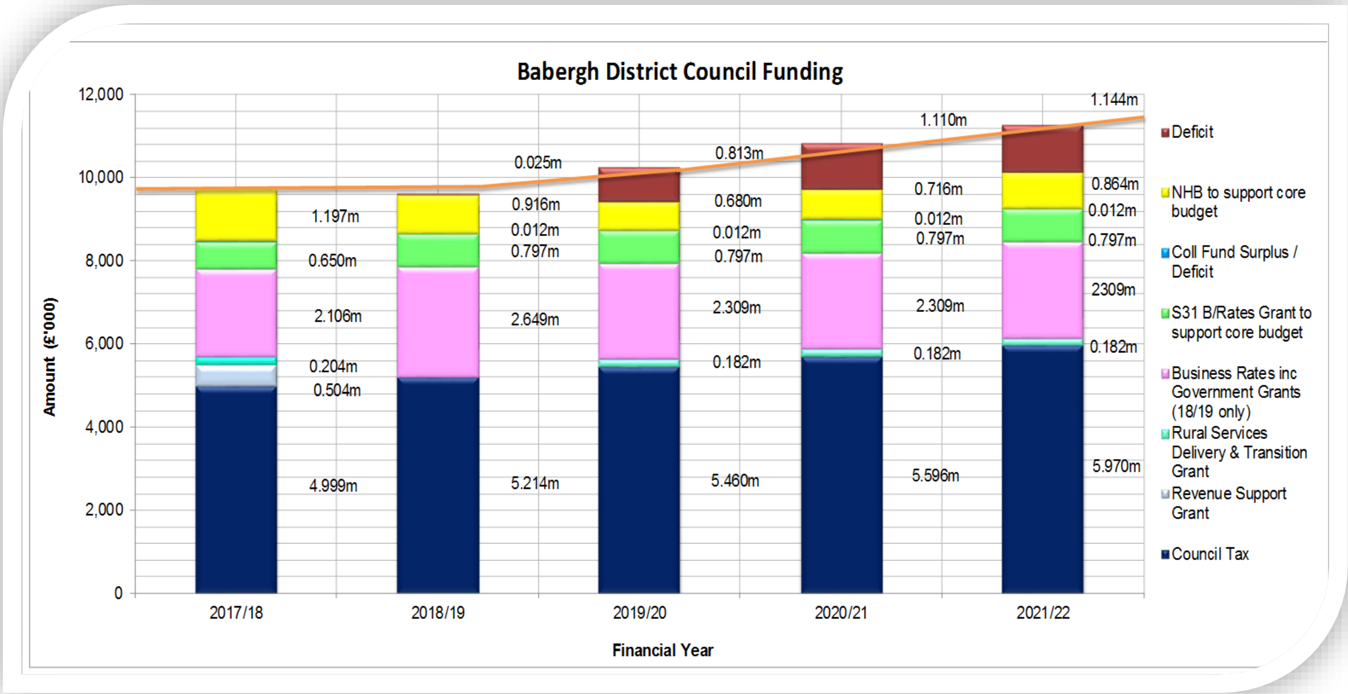
3.7 Core funding from Revenue Support Grant (RSG) has been reducing year on year and will disappear by 2019/20. Councils are, therefore, becoming reliant on locally generated income and incentivised funding.

3.8 Council tax income continues to be the main source of funding, in total value, for councils. Decisions around freezes or any annual increases are an important part of the financial strategy.

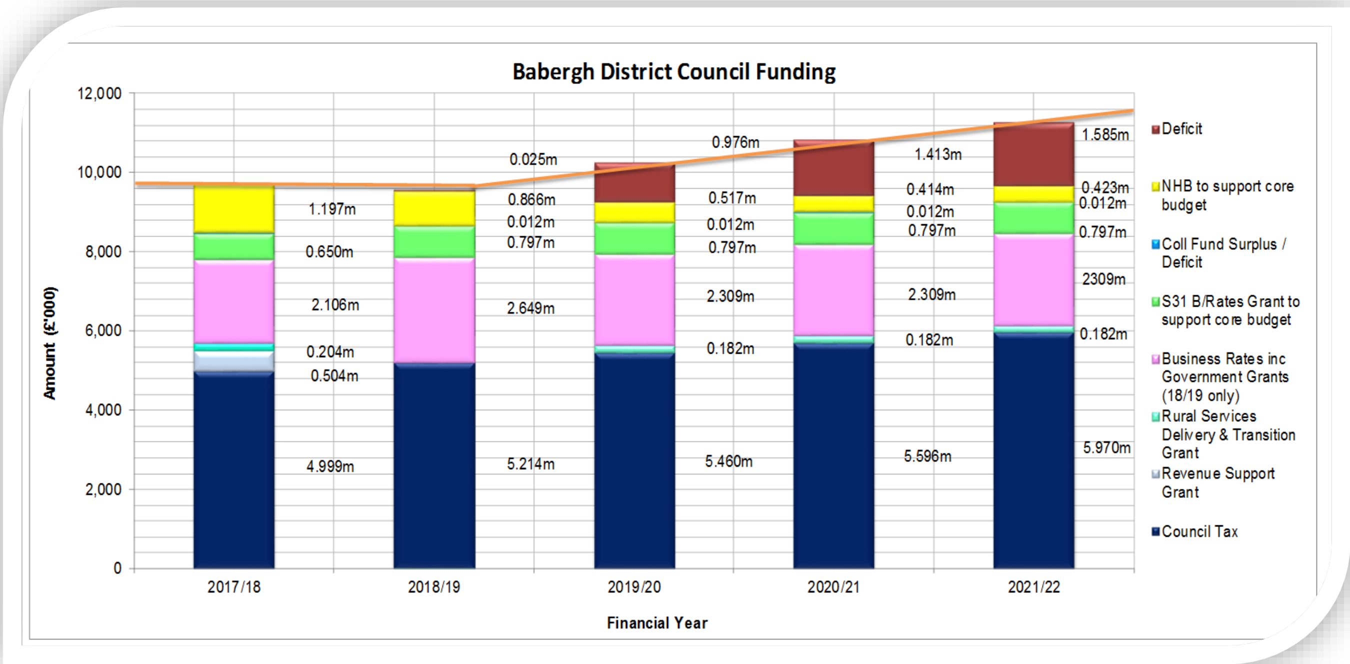
The Funding Gap

3.9 The graphs below show the funding position for the General Fund of the two Councils over the next 4 years and whether there is a forecast surplus or deficit in the funds available. Three scenarios are shown to illustrate what the position would look like with different assumptions about the level of New Homes Bonus received. Further steps to increase income and/or reduce costs will be needed in order to achieve medium term financial sustainability.

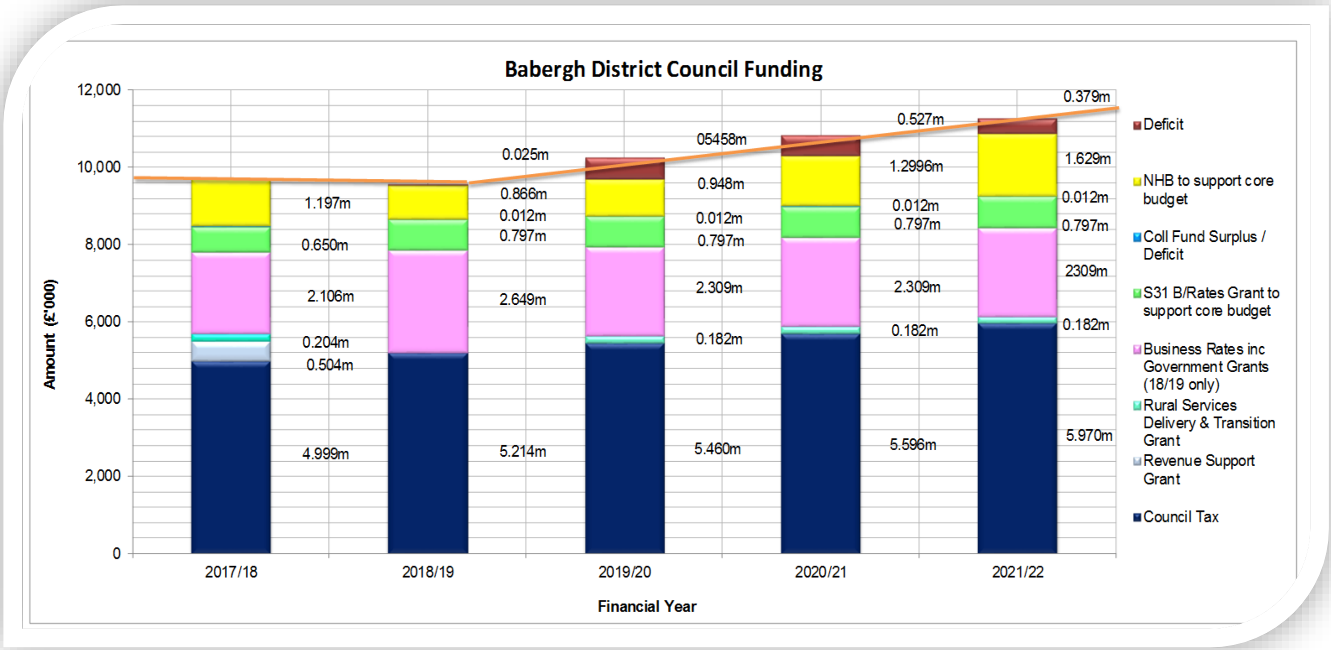
- Babergh New Homes Bonus – based on minimum level



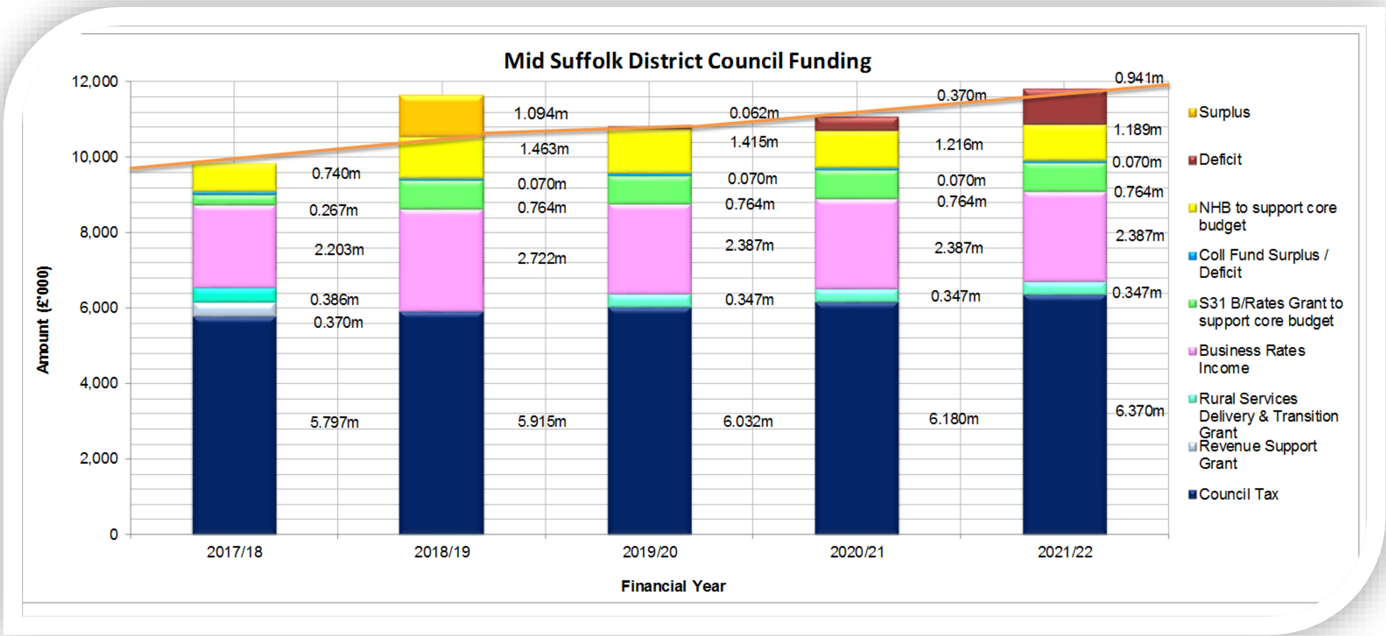
- Babergh New Homes Bonus - based on 5-year average of new homes built



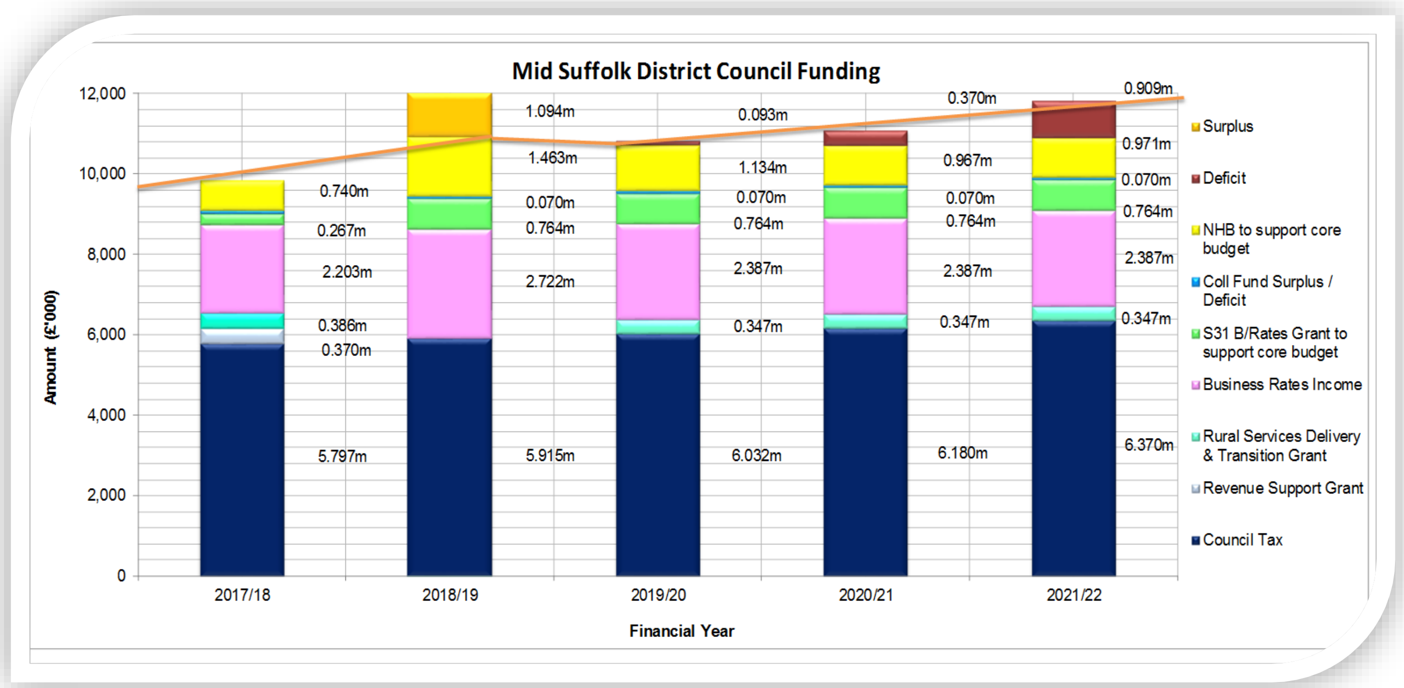
- Babergh New Homes Bonus – based on projected completions



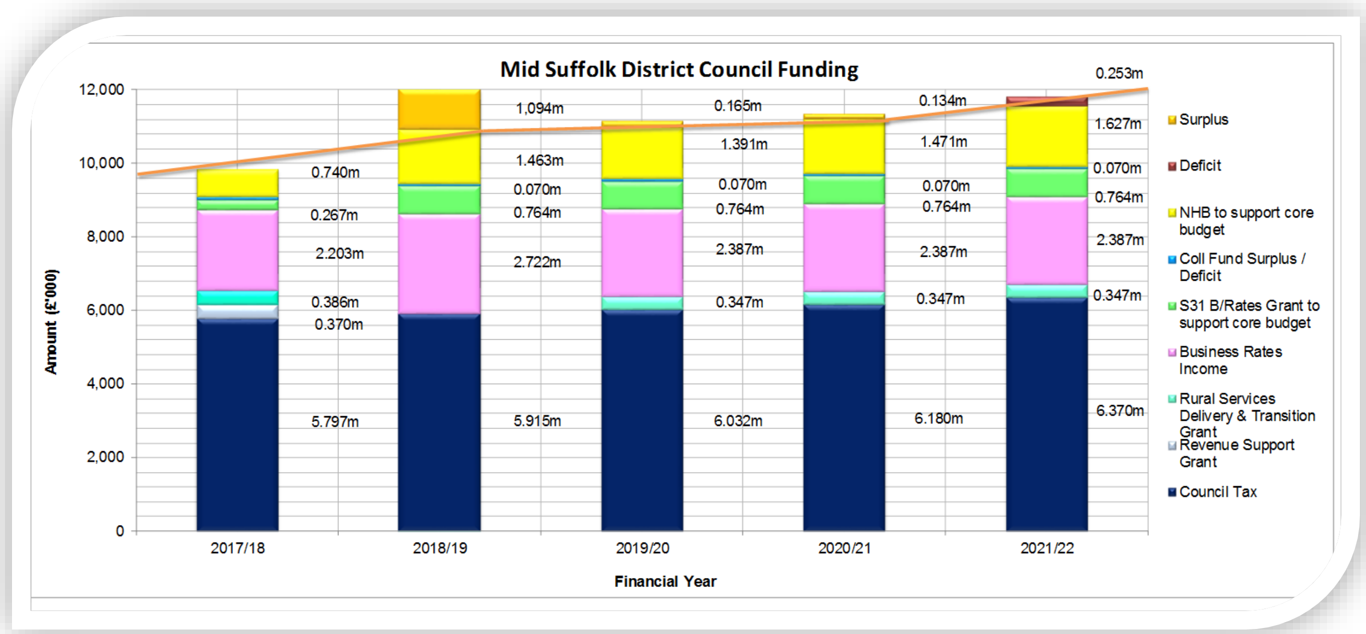
- Mid Suffolk New Homes Bonus – based on minimum level



- Mid Suffolk New Homes Bonus - based on 5-year average of new homes built



- Mid Suffolk New Homes Bonus – based on projected completions



4. A Business Model that responds to the financial challenges and opportunities

4.1 The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents Babergh and Mid Suffolk with both challenges and opportunities.

4.2 Each Council's financial position is based on their differing financial circumstances, local demand and opportunities. It is also all about our policies and strategies that affect growth, income, our approaches to service provision and a lot more.

4.3 We need to get these things right as part of our business model, plans and engagement with the communities we serve. Understanding and operating this business model is key to our future success and financial sustainability.

4.4 The 'Summary of our financial positions' section of this document details each Council's individual financial standing. The following section provides an overview of the local context in which both Councils need to operate.

A developing business model

4.5 In high level terms, this comprises:

- Maximising income and one-off/temporary/ongoing incentivised funding
- Using one off/temporary money to generate ongoing funding and income streams or to reduce our costs
- Exploring and seizing new opportunities and ventures that are innovative and will deliver a rate of return on investment that supports the MTFS
- Being more commercial, using prudential borrowing and other available funding to deliver 'profit for purpose' and new income streams.
- Ensuring that all our activities are cost-effective and efficient.

The business model requires a strong commitment and leadership and a change in thinking for councillors and officers. The development of the organisation will ensure that we have the right skills, capabilities and capacity in place to deliver.

4.6 In practical terms, this will mean achieving further efficiencies and making sure what we do is effective and has impact, managing demands on our services from residents (including a commitment to channel shift) and spending only on things that achieve our strategic priorities and essential services.

4.7 Use of capital and one off funds is critical and need to be linked into our future delivery plans. Mid Suffolk's Growth and Efficiency Fund must be used wisely to ensure it supports the shift in the business model and capacity to deliver within future resources. Babergh have limited resources to adopt the same strategy, therefore savings and income generation are key to achieve this.

Our Overall Strategic Response

4.8 Based on the issues and approaches set out in the previous section and whilst recognising that Babergh and Mid Suffolk are separate councils with their own individual budgets and requirements, the Councils' joint response to the challenges we face and the opportunities we need to grasp are based on five key actions:

1. Aligning resources to the Councils' refreshed strategic plan and essential services.
2. Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
3. Behaving more commercially and generating additional income and considering new funding models (e.g. acting as an investor).
4. Encouraging the use of digital interaction and transforming our approach to customer access.
5. Taking advantage of various forms of local government finance (e.g. new homes bonus, business rates retention) by enabling sustainable business and housing growth.

4.9 Further details on each key action are provided below:

Aligning resources to the Councils' strategic plan and essential services

So far both councils have addressed the need for financial savings by integrating services and meeting savings 'targets' for different parts of the council by reducing budgets (including 'salami slicing') cutting out waste, joint procurement and partnership work and reducing staff levels. The approach used for the 2018/19 budget has been to review each budget in detail and a zero based budget approach for each service, challenging budgets and focussing on the service needs.

Over this MTFS period, the Councils will continue to align and allocate their individual resources in line with the priorities set out in the Joint Strategic Plan and to essential services.

We will review all of the Councils' current activities, to ensure they are cost-effective and efficient and to see which could be approached differently and others that could be scaled back, stopped or provided by someone else. Fees and charges will cover the costs of those services where possible.

The MTFS links to the changing role of local government from direct provision and a reactive approach to an enabling and preventing one and also a change in emphasis from a paternalistic role to one of citizenship where people are assisted to help themselves. This will inform the allocation of each Council's available resources and the strategy is based on two key assumptions:

- Changing needs – challenging the presumption of public services' role as meeting needs rather than developing and working with people and assets within communities

- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

Continuation of the shared service agenda, collaboration with others and transformation of service delivery

Integration has already delivered significant savings for the two Councils, which is in addition to local savings made by each individual Council but sharing services has to be wider than just the two Councils. A key part in achieving the shift in thinking will be the importance of working differently across the whole of Suffolk with our partners (statutory, private, community, voluntary and not-for profit). We are building new working relationships where influence is more important than control.

Both Councils now share their headquarters with Suffolk County Council, so that they are co-located with key partners and have introduced an 'agile' way of working for staff. This will generate savings in the Councils overheads in the future and greatly increase our efficiencies. A shared legal service with West Suffolk was established in November 2016, and discussions are progressing in other areas.

Behaving more commercially, generating additional income and considering new funding models (e.g. acting as an investor)

A key theme running through the work needed to deliver our outcomes is behaving more commercially and the fact that this has a significant part to play in delivering a sustainable MTFS is important for us to understand.

We are identifying areas where there may be opportunities for the Councils to be able to generate additional income. We are already doing this through our Treasury Management Strategy. In 2016 the Councils completed a programme of installing photo-voltaic panels on council house roofs in order to generate income from the Feed in Tariff (FiT).

Having limited capital and revenue reserves and facing increased pressure on external funding, the Councils' focus is now on the use of prudential borrowing to secure a rate of return whilst also delivering the strategic priorities. The use of borrowing is both flexible and relatively straightforward.

The Councils have adopted an Asset and Investment Strategy in November 2016, to utilise the prudential borrowing facility available to them. The Strategy comprises of three strands, Investment, Regeneration and Development of Assets.

The Strategy provides the framework for the Councils to jointly invest in commercial assets to generate long term revenue income streams, invest independently or jointly to deliver new homes, jobs and regenerate local areas and make best use of our own and the wider public sector assets.

In October 2017, both Cabinets endorsed a new investment and commercial delivery business unit model, which will be called 'BMS Invest'.

Encouraging the use of digital interaction and transforming our approach to customer access

The traditional model of public sector service delivery is obsolete. The Joint Strategic Plan recognises this and contains a commitment to deliver more efficient Public Access arrangements. The aim of the Public Access Strategy is to support us to deliver these outcomes in the Joint Strategic Plan and to become enabled, efficient, flexible, agile, innovative, collaborative and accessible. It takes a whole system approach and supports collaborative work with partners in order to enable communities to do more for themselves, generating less demand on public services. Together with developing self-service options this will mean we can focus more attention on those that really need our help.

The Joint Strategic Plan sets out a new understanding of our purpose in the community, of how and where we can add most value.

A new Public Access Strategy is being implemented alongside the move of the two Councils to Endeavour House in Ipswich. Its focus is on improving access and contact to modernised local services for residents, and refining the way the organisations work

We know that there will always be some customers who need to speak to us because of the nature of their needs, so they will always be able to reach us in the traditional way. Our goal, though, is to design our services for those people who wish to and can do their business with us digitally.

Customer Services successfully opened in Stowmarket and Sudbury in September offering enhanced services such as providing assistance to customers to view planning applications on the Council's website, access land charge searches and receive assistance in photographing and printing documents.

Investment in new IT and telephony systems has included the launch of a new telephone number and single website for both Councils. There has been a steady increase in the number of daily visitors to the site. The functionality enables customers to access information on mobile devices as well as PC's and laptops and a steady increase in the number of sessions where mobile devices are used can be seen.

New software has been introduced, that will combine data across departments such as planning and building control. This will improve customer service, and the organisation's engagement with communities will be streamlined

Taking advantage of various forms of local government finance (e.g. New Homes Bonus, Business Rates Retention)) by enabling sustainable business and housing growth

These forms of local government finance have now become the key sources of income for councils.

Business rates retention affects councils, as future changes to the level of business rates yield directly impact on council funding levels, with both the risks and rewards of business rates growth (or contraction) being shared between central government and local authorities. 50% is retained by local authorities (40% to district councils and 10% to county councils) increasing to 75% in 2020/21.

The Suffolk Business Rates Pilot in 2018/19, for retention of 100% of growth means that this source of funding will become even more important. The financial benefits will be shared between the councils in Suffolk and a proportion used to achieve sustainable economic growth.

The New Homes Bonus (NHB) scheme provides local councils with funding that can be used on any council activity or service (it is not ring-fenced for housing).

The current amount received is based on the national average council tax band on each additional property built in the Council's area, or on each long-term property that is brought back into use. In 2017/18 the Government introduced baseline growth at 0.4%, so only growth above that figure will receive a NHB payment in order to transfer resources to social care authorities. This figure has not changed for 2018/19. New homes also increase the council tax base and hence the amount of council tax income received.

The Councils will therefore aim to grow their own funding through a strong, and growing, local economy alongside the skills, housing and infrastructure to sustain it.

Babergh and Mid Suffolk District Councils launched the consultation on a draft Joint Local Plan and have held events across the districts for Parish Councils, Neighbourhood Plan groups and the public. The Joint Local Plan will shape how development happens across both districts with the consultation providing an early and meaningful opportunity for communities to engage in the plan-making process and therefore influence the policy backdrop against which planning decisions are made

The Joint Local Plan and Strategic Planning and Infrastructure Framework will be key in delivering growth, with infrastructure being funded from sources such as the Community Infrastructure Levy (CIL) and the business rates pilot.

Links to our Joint Strategic Plan

4.10 The above actions are all synchronised with our refreshed Joint Strategic Plan, which is detailed across five key themes:

- **Housing delivery –** More of the right type of homes, of the right tenure in the right place
- **Business growth and increased productivity –** Encourage development of employment sites and other business growth, of the right type in the right places and encourage investment in skills and innovation in order to increase productivity
- **Community capacity building and engagement –** All communities are thriving, growing, healthy, active and self-sufficient
- **Assets and investment –** Improved achievement of strategic priorities and greater income generation through use of new and existing assets
- **An enabled and efficient organisation –** The right people are doing the right things, in the right way, at the right time, for the right reasons

5. Council Housing

5.1 The Babergh HRA Business Plan presents a positive financial picture over the longer term (a thirty-year period as required under the self-financing regime) but there are short to medium term challenges. These challenges have been exacerbated by the proposals announced in the Chancellor's July 2016 Budget:

- The Welfare Reform and Work Act includes a requirement for all social landlords to reduce rents by 1% each year from 2016 to 2019. However, the recent Government announcement that rents can be increased by CPI +1% for five years from 2020/21will reduce the impact of this on the 30-year plan.

- This Act reduced the benefit cap for working age families from £23k to £20k

- This Act also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government have not made it clear when the introduction of this levy may commence. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

5.2 The Government proposal to cap housing benefit in the social housing sector at Local Housing Allowance (LHA) rates has been dropped. This is good news for our tenants, especially those under 35, as they would have been responsible for paying the difference between their rent and the LHA putting them at risk of rent arrears.

5.3 HRA Self-financing has provided significant opportunities for both Councils. The development of 27 new council homes for Babergh and 38 for Mid Suffolk, supported by Homes and Communities Agency Grant funding is a good example of how the funds available within the HRA are being used differently. These opportunities, however, are threatened by rent reduction and requirement to sell off high value dwellings. The roll out of Universal Credit is also expected to impact upon our rental income collection as housing benefit becomes payable one month in arrears to the individual rather than directly to the landlord.

5.4 It is important to understand that the 30-year HRA business plan was predicated on an annual rent increase of CPI + 1%, the formula agreed by the government in 2014. In business planning terms, the loss to the HRA was forecast to be £4.5m for the years 2016/17 to 2019/20.

However, the recent announcement that Local Authorities can increase rents by up to CPI +1% for five years from 2020/2021 has resulted in an impact of greater than 1% per annum. The cumulative impact of the rent increase results in a higher income (against business plan projections) to the HRA as follows:

Years	**Babergh**	**Mid Suffolk**
1 to 5	£1.0m	£0.9m
1 to 10	£5.4m	£4.8m
1 to 15	£10.7m	£9.5m

5.5 This will increase the resources available to deliver services, to maintain and improve the existing housing stock and to develop new council housing.

5.6 A balanced budget has been achieved for 2018/19 by reducing both capital and revenue budgets – see table in Attachment 3. A fundamental review of the housing service has been undertaken during 2017/18 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review has examined:

- Performance management measures and complaints handling
- New build programme and retention of Right to Buy receipts. A back to back contract with Orbit Housing is about to been completed which will provide 15 affordable rental homes and 12 Shared ownership at a cost of £3.2m. Iceni Homes have been appointed to look into development opportunities to enable us to deliver our affordable housing programme.
- A number of Council landholdings such as underutilised open space, garage sites and severed gardens are currently being assessed by the Investment and Development Team and will be added to the pipeline subject to their suitability.
- Our approach to HRA business planning including, reviewing and realigning housing stock condition data and capital programme expenditure. The data has been reviewed and Ridge have been appointed to carry out a stock condition survey on 24% of housing stock by the end of February 2018 to enable us to produce a robust 30-year capital programme. A contingency amount, based on £1,300 per property, has been put into the 2018/19 Budget and 4-year MTFS. Once the capital programme review is completed the budget will be allocated against the relevant areas of spend.
- The Sheltered Housing Review concluded that some schemes which are difficult to let would be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding. This work has now been completed. The business plan has been amended to reflect the reduction in expenses and service charge income following the de-sheltering of properties in April 2017, as well as the loss of the Supporting People Grant of £42k from Suffolk County Council (SCC) from April 2018.
- Councillors approved the formation of a new Babergh & Mid Suffolk Building Services (BMBS) team, which carries out responsive repairs and programmed works. The BMBS business plan forecasts a surplus within five years of its implementation.
- The HRA Accounting Team is implementing a robust budget setting and monitoring process together with financial controls.

- Leaseholders service charges have been reviewed to identify the gap between costs incurred and the amount recharged. Completion of this work allows us to increase income over the next three years to bring us to a cost neutral position.

5.7 Garage rents – It is proposed that, following a number of significant increases in garage rents, it is not sustainable to continue with further increase in 2018/19. This would make garages undesirable as a result we propose to maintain garage rents at current levels.

5.8 Sheltered housing - Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £400k each year. However, following the de-sheltering of units and increase in service charges last year, the subsidy has now reduced to £260k.

The new pressures of rent reduction and removal of the Housing Related Support Grant from Suffolk County Council of £42k from April 2018 make this subsidy unsustainable in the long term.

To reduce the subsidy from the HRA, we propose the following:

- to increase service charges for sheltered residents, which are eligible for housing benefit, by £5 per week from April 2018.

- that the Housing Related Support charge of £3 per week, which is an ineligible cost for housing benefit purposes, is removed from April 2018.

This will mean that all residents, whether they be self-payers or not, will only see a net increase of £2 per week in 2018/19 in comparison to the £4 increase in 2017/18

New build programme and retention of Right to Buy receipts

5.9 Right to Buy (RTB) sales for 2016/17 in Babergh were 26 against original projections of 24 sales. Mid Suffolk sold 26 homes against original projections of 31 sales.

5.10 The money received from RTB sales can only be used as 30% towards the cost of a replacement home. The remaining 70% of the replacement cost has to be found from other HRA resources. As sales increase, it means that the level of match funding required (70%) increases. If the receipts are not spent within the 3-year period allowed, they have to be repaid to Government with 4% interest added.

5.11 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are artificially restricted. The supported spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes is still achievable within current borrowing headroom. However, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable; although the announcement that we can increase rent by a maximum of CPI +1% for five years from 2020/21 will help to mitigate this risk.

5.12 Currently, the estimated funds to support our Housing Investment Strategy are:

- Borrowing headroom within the Government's overall debt cap, which is higher for Babergh than Mid Suffolk (in 2017/18 Babergh £11.2m; Mid Suffolk £4.1m).
- Surplus annual funds from the HRA for investment in new and existing homes due to the new self-financing freedoms given to councils.

5.13 The forecast position on available investment funds (over the next 4 years) relating to the above is summarised below:

Year	Babergh £m	Mid Suffolk £m
2018/19	11.7	4.1
2019/20	12.5	4.5
2020/21	13.0	3.6
2021/22	13.2	3.8

5.14 Attachment 3 sets out further details of the current HRA Business Plan, with detailed figures for the next 5 years.

6. Summary of our financial positions

Revenue Budget Strategy

6.1 The approach taken to financial management over the period of the Medium Term Financial Strategy (MTFS) seeks to achieve the following objectives:

- council tax levels will be reviewed annually with the aim to minimise increases, but increases may be necessary to maintain services;
- deliver the necessary savings to continue to live within our means;
- continuously improve efficiency and cost-effectiveness by transforming the ways of working;
- ensure that the financial strategy is not reliant on contributions from minimum working balances; and
- maximising revenue from our assets and investment.

Key aspects of the funding position and the MTFS forecasts

6.2 There are limitations on the degree to which both Councils can produce medium term financial projections as there are always uncertainties.

6.3 It is important to remember that these financial forecasts have been produced within a dynamic financial environment, based on ever changing assumptions and that they will be subject to change over time.

6.4 Both Councils' medium term financial projections also include the following key budget assumptions, detailed below. Budget assumptions will continue to be reviewed and updated as economic indicators change.

Key assumptions in the MTFS:

Type of Expenditure	2018/19		2019/20		2020/21		2021/22	
	BDC	MSDC	BDC	MSDC	BDC	MSDC	BDC	MSDC
General Inflation/utilities	0%		0%		0%		0%	
Fees and Charges	3%		3%		3%		3%	
Employee pay increase	2%		2%		2%		2%	
Employer's pension contn. based on actuarial valuation	38.4%	35%	36%	36%	37%	37%	38%	38%
Vacancy Savings	2.5%		2.5%		2.5%		2.5%	
Transport Fuel	2%		2%		2%		2%	
Return on Investments	2.25%	2.5%	2.25%	2.5%	2.25%	2.5%	2.25%	2.5%
Grant reduction on RSG (reducing balance)	-£0.3m	-£0.4m	-£0.2m	-£0.04m	-	-	-	-

General Fund minimum working balance

6.5 Each Council is required to maintain adequate financial reserves to meet the needs of the authority. The reserves we hold can be classified as either working balances – known as the general fund balance, or as specific reserves which are earmarked for a particular purpose – known as earmarked reserves.

6.6 The Councils each hold General Fund balances as a contingency to cover the cost of unexpected expenditure or events during the year. The Councils' policies regarding the General Fund are as follows, to hold a balance of:

- £1.05m for Mid Suffolk and
- £1.2m for Babergh

6.7 These amounts equate to approx. 10% to 13% of net 'service cost' expenditure at the 2018/19 Budget level.

Capital Investment Strategy

6.8 Attachment 4 shows the current 4 year planned Capital Programme for 2018/19 to 2021/22, together with information on the funding of that expenditure (i.e. borrowing, grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).

6.9 Both Councils have a long tradition of investing in their communities. Having limited capital and revenue reserves and facing increased pressure on external funding, the Councils' focus is now on the use of prudential borrowing to secure a rate of return, whilst also delivering the strategic priorities.

6.10 The investment strategy will detail the parameters that will be operated for the fund including the anticipated return on investment and internal rate of return.

Council Housing

6.11 The proposed Capital Programme headlines for 2018/19 – 2021/22 are:

Expenditure	**Babergh £m**	**Mid Suffolk £m**
Housing Maintenance Programmes	21.2	15.9
New build (HCA programme)	0.1	0.1
New build (Additional Borrowing)	0	0
RTB receipt funding (to be used for new build or acquisitions)	15.9	22.3
Total	**37.2**	**38.3**
Financing		
Capital receipts disposals and RTB receipts and HCA Grant	17.0	23.3
Revenue Contributions	20.2	13.7
Borrowing	0	1.3
Total	**37.2**	**38.3**
Remaining Borrowing Headroom (31/03/22)	13.2	3.8

6.12 In relation to debt repayment set asides, the HRA business plans are currently based on not setting aside any capital receipts towards debt on sold council houses or for maturity debt repayment in the longer-term.

Treasury Management Strategy

6.13 Each Council's capital and revenue budget plans inform the development of their Treasury Management and Investment Strategies, which are agreed annually as part of its budget setting report. The Treasury Management Strategy sets out borrowing forecasts/limits and who the Council can invest with.

Managing Risks

6.14 In setting the revenue and capital budgets, both Councils take account of the key financial risks that may affect their plans, but there is increasing future uncertainty as a result of the changes that are taking place.

6.15 An awareness of the potential risks and the robustness of the budget estimates inform decisions about the level of working balances needed to provide assurance that the Councils have sufficient contingency reserves to meet unforeseen fluctuations and changes.

Capital Receipts

6.16 Part of the funding arrangements for the Capital Programme is the disposal of surplus assets to generate capital receipts. The focus of this MTFS is to review assets before they are sold to assess whether there are alternative uses that could generate additional income for the Councils e.g. whether there is a development opportunity instead.

Earmarked Reserves

6.17 The Councils each hold earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose.

6.18 The level of earmarked reserves at the end of 2017/18 (including the Growth and Efficiency Fund for Mid Suffolk, and the Transformation Fund for Babergh) is expected to be as follows:

- £13.3m for Mid Suffolk; and
- £2.2m for Babergh

The planned additions and use of these reserves over the period covered by this Strategy is shown in Attachment 5.

Appendix F

Attachment 1

General Fund Revenue Budget Summary/Forecasts - Babergh

(Note: the forecasts for 2019/20 onwards are illustrative and actual budgets will be reviewed and determined by the Council annually).

Line	Description	*2017/18* Budget £000	*2018/19* Budget £000	*2019/20* Forecast £000	*2020/21* Forecast £000	*2021/22* Forecast £000
1	Expenditure	36,811	37,009	37,220	37,611	38,079
2	Income (incl.S31 B/Rates Grant)	(26,238)	(26,873)	(26,627)	(26,657)	(26,663)
3	New Homes Bonus Income	(1,212)	(866)	(680)	(716)	(864)
	Capital Financing Charges					
4	Debt Management Costs	25	3	3	3	3
5	Interest Payable (Pooled Funds)	8	9	9	9	9
6	Interest Payable (CIFCo)	242	594	617	612	608
7	MRP	645	933	1,109	1,261	1,261
	Investment Income					
8	Pooled Funds	(363)	(421)	(416)	(411)	(406)
9	Interest Receivable (Cash Surplus)	(4)	(8)	(8)	(8)	(8)
10	Interest Receivable (CIFCo)	(555)	(1,064)	(1,147)	(1,143)	(1,139)
11	Charge to HRA	(1,138)	(1,106)	(1,128)	(1,150)	(1,173)
12	Charge to Capital	(407)	(227)	(232)	(237)	(241)
13	Transfers to Reserves					
14	New Homes Bonus	1,212	866	680	716	864
15	S31 Business Rates Grant	650	797	797	797	797
16	Other	23	27	20	20	20
17	**Net Service Cost**	**9,700**	**9,674**	**10,217**	**10,708**	**11,148**
18	**Funding:**					
19	Other Earmarked Reserves	-	(432)	(95)		
20	Transformation Fund - DP Project (Staffing)	(484)	(50)			
21	New Homes Bonus - to balance the budget	(728)	(866)	(680)	(716)	(864)
22	S31 Business Rates Grant	(650)	(797)	(797)	(797)	(797)
23	Government Support					
24	(a) Baseline business rates	(1,997)	(2,443)	(2,103)	(2,103)	(2,103)
25	(b) B/Rates – growth/pooling benefit	(109)	(206)	(206)	(206)	(206)
26	(d) B/Rates prior yr surplus/deficit					
27	(e) Revenue Support Grant	(504)	-	-	-	-
28	(f) RSG Tariff	-	-	131	131	131
29	(g) Rural Services Delivery Grant	(182)	0	(182)	(182)	(182)
30	(h) Transition Grant	(22)	-	-	-	-
31	(i) Business Rates Collection Fund deficit	-	371	-	-	-
27	Collection Fund surplus	(40)	(12)	(12)	(12)	(12)
28	Council Tax (£5 increase to Band D)	(4,929)	(5,125)	(5,381)	(5,630)	(5,885)
29	Growth in taxbase	(70)	(89)	(79)	(82)	(86)
30	**Total Funding**	**(9,715)**	**(9,649)**	**(9,404)**	**(9,597)**	**(10,004)**
31	2018/19	**(15)**	**25**	**25**	**25**	**25**
32	2019/20			**788**	**788**	**788**
33	2020/21				**297**	**297**
34	2021/22					**33**
35	**Shortfall in funding / (Surplus Funds) - cumulative**	**(15)**	**25**	**813**	**1,110**	**1,144**
36	Estimated New Homes Bonus (5 year average of No of houses built)		(843)	(517)	(414)	(423)
37	Estimated New Homes Bonus (projected completions)		(851)	(948)	(1,299)	(1,629)
38	Minimum New Homes Bonus		(866)	(680)	(716)	(864)
39	Council Taxbase	1.50%	1.03%	1.50%	1.50%	1.50%
40	Band D Council Tax	3.40%	3.25%	3.15%	3.05%	2.96%
41	**Band D Council Tax**	*£153.86*	*£158.86*	*£163.86*	*£168.86*	*£173.86*

Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000	20/21 to 21/22 £000
Net Service Cost previous year	**9,700**	**9,673**	**10,216**	**10,706**
Cost Pressures				
Inflation				
Employees - 2% pay award	165	147	153	159
Employees - increments	102	147	153	159
Employees - deficit pension fund change	-	-	-	-
Employees - deficit pension fund change (2.4% reduction in 19/20, 1% increase from 20/21)	-	(136)	58	60
Other Employee costs	1	1	1	1
Contracts	42	85	87	88
Premises	-	-	-	-
Supplies & Services	7	7	8	8
Insurance Premiums	5	5	5	5
Business Rates	12	12	13	13
Sub total cost pressure	**333**	**269**	**477**	**495**
Other increases to net service cost				
BMS Invest				
(net) expenditure	26			
Communities				
Car Park income - revision of budgets (including ECNs)	58			
Strong and Safe Communities - staff costs	37			
Street and Major Road Cleanisng - recycling performance payments	26			
Business Rates - car parks	15			
Domestic Homicide Review	12			
Corporate Resources				
Reduction to Housing Benefit and LCTS Admin Grants	31			
Organisational Development inc Health and Safety - staff costs	25	(13)		
Phased reduction of general savings	20	20	20	20
Shared Revenues Partnership contract increase	20			
Borehamgate - reduction in rental income (empty units)	14			
Reduction to income received for Credit Card charges.	6			
Customer Services				
Contribution to Customer Access Point	4			
Customer Services - staff costs	3			
Environment and Commercial Partnerships				
Net reduction to Building Control Income	61			
Waste - recycling performance payments	39	250		
Trade Waste Income (net) including glass collection service cost	25			
Environmental Protection - legal expenses	6			

Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000	20/21 to 21/22 £000
Housing				
Homelessness - staff costs (funded from grants)	115			
Law & Governance				
Governance - staff costs (including Scanners)	44			
Information Management - staff costs (re-allocation of time chnarged to Capital)	39			
Shared Legal Services (net) including staff costs	35			
Internal Audit - staff costs	6			
Planning for Growth				
Community Housing Fund inc fixed term post for 2 years (funded from grant in earmarked reserves)	95		(95)	
Development Management - staff costs (funded from 20% inc to planning fees)	95			
Property Services				
Hadleigh HQ security costs	114			
Belle Vue House - reduction in rental income	19			
Wenham Depot - includes reduction to rental income	12			
PV Panels - cleaning and repairs / maintenance	6			
Other Cost Pressures				
Minimum Revenue Provision	288	176	152	
Recharge to Capital (can be offset in part by capital projects - staff costs below)	180	(5)	(5)	(5)
Other items (net)	96			
Recharge to HRA	32	(22)	(23)	(23)
Modern Apprentice Levy - net cost	14	0	1	1
Sub total other increases to net service cost	**1,618**	**407**	**51**	**(7)**

Attachment 2 Cont'd

Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000	20/21 to 21/22 £000
Inflation - income	(23)	(61)	(63)	(65)
Communities				
Public Realm - staff costs	(25)			
Increase to fees for dog & litter bin emptying	(2)			
Corporate Resources				
Management Review Savings	(160)			
Commissioning and Procurement - staff costs	(14)			
External Audit Fees	(15)			
Corporate Training	(10)			
Stationery	(8)			
I-Trent	(7)			
Finance - staff costs	(5)			
Contracted services (Vertas)	(3)			
Customer Services				
ICT costs - server room, printers, general savings	(74)			
ICT - staff costs	(30)			
Environment and Commercial Partnerships				
Leisure Contract - repayment of borrowing costs (SSL)	(72)	(21)	(30)	3
Reduction of payments to third parties for Bring sites - Glass & Textile recycling	(20)			
Building Control - staff costs	(18)			
Garden Waste Income (net)	(12)			
Leisure Contract - reduction in management fee	(5)			
Energy Proficiency Certificates (SAPs) income	(4)			
Income for Food Hygiene Rating System rescore visits	(1)			
Housing				
Homelessness - flexible support and new burden grants	(191)			
Law and Governance				
Alignment of Chairman's expenses	(7)			
Course conference fees for members	(4)			
Impact of the Boundary Review		(20)		
Planning for Growth				
Planning fee income - 20% price increase	(120)			
Planning fee income - volume increase	(110)	72	65	58
Pre-application Charges	(88)			
Reduction of License costs for UNIFORM	(39)			
CIL 5% to cover administration costs	(11)	(1)	(2)	(2)
Property Services				
Capital Projects - staff costs	(107)			
East House running costs	(9)			
Other Savings				
Removal of Transformation Funded Posts	(367)	(50)		
CIFCO	(157)	(60)	(0)	0
Increase vacancy management contingency to 2.5%	(86)	(6)	(7)	(8)
Pooled Funds income	(57)	5	5	5
SLT staff costs	(47)			
Accommodation - All Together	(42)	11	(5)	(39)
Debt Management Fees	(23)	0	0	0
Reduction of Neighbourhood Planning Grants to earmarked reserve	(5)			
Interest payable / receivable	(4)	-	-	-
Sub total actions	**(1,979)**	**(132)**	**(38)**	**(48)**
Total Net Service Cost movement	**(28)**	**543**	**490**	**440**
New Net Service Cost	**9,673**	**10,216**	**10,706**	**11,146**

Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000	20/21 to 20/22 £000
Funding previous year	**(9,700)**	**(9,649)**	**(9,403)**	**(9,595)**
Cost Pressures				
Movement in Reserves - NHB, Transformation Fund, S31 grant	(298)	573	59	(148)
Removal of Revenue Support Grant (RSG) - now included within baseline Business Rates	504	-	-	-
Business Rates - collection fund deficit 2017/18	371	(371)		
Removal of Rural Services Support Grant (RSDG) - now included in Baseline Business Rates (18/19 only)	182	(182)	-	-
Change to Council Tax Collection fund surplus	28			
Removal of Transition Grant	22			
Sub total cost pressure	**809**	**20**	**59**	**(148)**
Savings / Actions to increase funding				
Business Rates - baseline (now includes RSG & RSDG)	(446)	340	-	-
Business Rates - pooling benefit	(97)	-	-	-
RSG - tariff	-	131	-	-
Council Tax (£5 increase to Band D)	(164)	(167)	(169)	(172)
Growth in taxbase	(51)	(78)	(82)	(86)
Sub total savings /actions to increase funding	**(758)**	**226**	**(251)**	**(257)**
New Year Funding	**(9,649)**	**(9,403)**	**(9,595)**	**(10,001)**
Annual Budget (surplus)/deficit	**25**	**788**	**297**	**34**
Total 4 year (surplus)/deficit				**1,144**

Attachment 3

Council Housing Revenue Account (HRA) Business Plan – Babergh

Year	**2018.19**	**2019.20**	**2020.21**	**2021.22**	**2022.23**
£'000	**1**	**2**	**3**	**4**	**5**
Total Income	**(16,645)**	**(16,532)**	**(17,077)**	**(17,668)**	**(18,338)**
EXPENDITURE:					
General Management	2,586	2,430	2,503	2,578	2,663
Special Management	935	907	937	969	1,001
Other Management	400	398	341	220	154
Bad Debt Provision	155	193	200	165	127
Responsive & Cyclical Repairs	2,153	2,326	2,329	2,396	2,482
Total Revenue Expenditure	**6,229**	**6,254**	**6,310**	**6,328**	**6,427**
Interest Paid	2,847	2,829	2,809	2,795	2,794
Interest Received	(15)	(14)	(14)	(14)	(20)
Depreciation	2,721	2,721	2,721	2,789	2,789
Net Operating Income	**(4,863)**	**(4,743)**	**(5,251)**	**(5,770)**	**(6,348)**
APPROPRIATIONS:					
Revenue Provision (HRACFR)	500	0	0	0	0
Revenue Contribution to Capital	4,124	5,796	6,332	3,991	5,090
Total Appropriations	**4,624**	**5,796**	**6,332**	**3,991**	**5,090**
ANNUAL CASHFLOW	**(239)**	**1,053**	**1,081**	**(1,779)**	**(1,258)**
Opening Balance	(7,306)	(7,545)	(6,492)	(5,411)	(7,191)
Closing Balance	**(7,545)**	**(6,492)**	**(5,411)**	**(7,191)**	**(8,449)**

Appendix F

Attachment 4

CAPITAL PROGRAMME FOR 2018/19 to 2021/22

General Fund

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Supported Living												
Mandatory Disabled Facilities Grant	409	409	409	409	**1,637**				1,637			**1,637**
Discretionary Housing Grants	100	100	100	100	**400**						400	**400**
Empty Homes Grant	100	100	100	100	**400**						400	**400**
Total Supported Living	**609**	**609**	**609**	**609**	**2,437**	**0**	**0**	**0**	**1,637**	**0**	**800**	**2,437**
Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	185	185	185	0	**555**						555	**555**
Recycling Bins	65	65	65	65	**260**						260	**260**
Total Environment and Projects	**250**	**250**	**250**	**65**	**815**	**0**	**0**	**0**	**0**	**0**	**815**	**815**
Communities and Public Access												
Community Development Grants	117	117	117	117	**468**						468	**468**
Play Equipment	50	50	50	50	**200**						200	**200**
Planned Maintenance / Enhancements - Car Parks	36	38	35	35	**144**						144	**144**
Total Community Services	**203**	**205**	**202**	**202**	**812**	**0**	**0**	**0**	**0**	**0**	**812**	**812**

Attachment 4 Cont'd

CAPITAL PROGRAMME FOR 2018/19 to 2021/22

General Fund

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Leisure Contracts												
Kingfisher Leisure Centre - plant and other capital	145	40	50	50	**285**						285	**285**
Kingfisher Leisure Centre - Planned Maintenance	246	289	0	0	**534**						534	**534**
Kingfisher Leisure Centre Refurbishment	627	627	0	0	**1,254**						1,254	**1,254**
Hadleigh Pool and Leisure Refurbishment	351	1,757	0	0	**2,109**						2,109	**2,109**
Hadleigh Pool and Leisure - Planned Maintenance	43	0	0	0	**43**						43	**43**
Hadleigh Sports & Swimming Pool - General	0	0	0	0	**0**						0	**0**
Total Leisure Contracts	**1,412**	**2,713**	**50**	**50**	**4,225**	**0**	**0**	**0**	**0**	**0**	**4,225**	**4,225**
Capital Projects												
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	**192**						192	**192**
Total Capital Projects	**48**	**48**	**48**	**48**	**192**	**0**	**0**	**0**	**0**	**0**	**192**	**192**
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	**11,892**						11,892	**11,892**
Total Investment and Commercial Delivery	**2,973**	**2,973**	**2,973**	**2,973**	**11,892**	**0**	**0**	**0**	**0**	**0**	**11,892**	**11,892**
Corporate Resources												
ICT - Hardware / Software costs	200	200	200	200	**800**						800	**800**
Total Corporate Resources	**200**	**200**	**200**	**200**	**800**	**0**	**0**	**0**	**0**	**0**	**800**	**800**
Total General Fund Capital Spend	**5,695**	**6,998**	**4,332**	**4,147**	**21,173**	**0**	**0**	**0**	**1,637**	**0**	**19,536**	**21,173**

Appendix F

Attachment 4 Cont'd

CAPITAL PROGRAMME FOR 2018/19 to 2021/22

HRA

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 HOUSING REVENUE ACCOUNT	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Housing Maintenance												
Planned maintenance	4,587	4,782	4,888	5,006	**19,262**		9,802	9,460				**19,262**
ICT Projects	300	200	200	200	**900**		900					**900**
Environmental Improvements	50	50	50	50	**200**		200					**200**
Disabled Facilities work	200	200	200	200	**800**		800					**800**
Horticulture and play equipment	23	23	23	23	**92**		92					**92**
New build programme inc acquisitions	3,415	3,791	4,239	4,526	**15,970**	2,746	8,449	4,775				**15,970**
Total HRA Capital Spend	**8,575**	**9,045**	**9,599**	**10,005**	**37,224**	**2,746**	**20,243**	**14,235**	**0**	**0**	**0**	**37,224**

Attachment 5

Earmarked Funds/Reserves – Babergh

Transfers to / from Earmarked Reserves	Balance 31 March 2017 £'000	Transfers 2017/18 Intra £'000	Transfers 2017/18 Out £'000	Transfers 2017/18 In £'000	Balance 31 March 2018 £'000	Transfers 2018/19 Intra £'000	Transfers 2018/19 Out £'000	Transfers 2018/19 In £'000	Balance 31 March 2019 £'000
General Fund									
Carry Forwards	(219)		219		-				-
Transformation Fund	(1,006)		2,587	(2,179)	(598)		1,738	(1,663)	(523)
Non Domestic Rates Equalisation	-			(337)	(337)		337		-
Government Grants	(265)			(88)	(353)				(353)
Waste - MRF	-			(102)	(102)				(102)
S.106 Agreements	(232)				(232)				(232)
Community Infrastructure Levy (CIL)	(67)				(67)				(67)
Growth and Sustainable Planning	(20)			(45)	(65)				(65)
Strategic Planning	(295)			(3)	(298)		95		(203)
Elections Fund	(30)			(20)	(50)			(20)	(70)
Planning Enforcement	(20)				(20)				(20)
Revocation of personal search fees	(54)				(54)				(54)
Total General Fund	(2,208)	-	2,806	(2,774)	(2,176)	-	2,169	(1,683)	(1,689)
Total General Fund excluding Transformation	(1,202)	-	219	(595)	(1,578)	-	432	(20)	(1,166)

Appendix G

Budget Book 2018/19

Budget Book 2018/19

Contents	Page

GENERAL FUND REVENUE BUDGET SUMMARY

		2017/18 £'000	2018/19 £'000	Movement £'000
1	Employee Costs	8,028	7,971	(57)
2	Premises	851	807	(45)
3	Supplies & Services	3,441	3,507	66
4	Transport	182	279	96
5	Contracts	4,108	4,244	136
6	Third Party Payments	20,202	20,202	(0)
7	Income	(27,450)	(27,738)	(289)
8	Charge to HRA	(1,138)	(1,106)	32
9	Charge to Capital	(407)	(227)	180
	Capital Financing Charges			
10	Debt Management Costs	25	3	(23)
11	Interest Payable (Pooled Funds)	8	9	0
12	Interest Payable (CIFCo)	242	594	352
13	MRP	645	933	288
	Investment Income			
14	Pooled Funds	(363)	(421)	(57)
15	Interest Receivable (Cash Surplus)	(4)	(8)	(4)
16	Interest Receivable (CIFCo)	(555)	(1,064)	(509)
	Transfers to Reserves			
17	(a) New Homes Bonus	1,212	866	(346)
18	(b) S31 Business Rates Grant	650	797	147
19	(c) Other	23	27	4
20	**Net Service Cost**	**9,700**	**9,674**	**(26)**
21	Transformation Fund - Staffing (NHB)	(484)	(50)	434
22	Transfers from Reserves - earmarked	-	(432)	(432)
23	S31 Grant	(650)	(797)	(147)
24	New Homes Bonus to balance the budget	(727)	(866)	(138)
25	Deficit / (Surplus) on Collection fund	(40)	(12)	28
26	Revenue Support Grant (RSG) - now included with Baseline business rates	(504)	-	504
27	Baseline business rates	(1,997)	(2,443)	(446)
28	Business rates – growth/pooling benefit	(109)	(206)	(97)
29	Business rates – 17/18 collection fund deficit	-	371	371
30	Transition Grant	(22)	-	22
31	Rural Services Delivery Grant - now included with Baseline business rates	(182)	-	182
32	Council Tax	(5,000)	(5,214)	(214)
33	**Total Funding**	**(9,715)**	**(9,649)**	**67**
34	Shortfall (Surplus) funding	(15)	25	40
35	Transfer to / (from) reserve	15	(25)	(40)
		-	-	-

Council Tax Base	(32,489)	(32,822)	(333)
Council Tax for Band D Property	153.86	158.86	5.00
Council Tax	**(4,999)**	**(5,214)**	**(215)**

GENERAL FUND BUDGET - Services and Activities Summary

Planning for Growth	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Growth and Sustainable Planning	923	0	242	20	0	0	(858)	**327**
Business Improvement	33	0	0	1	0	0	0	**34**
Strategic Planning	491	0	214	3	0	0	(36)	**672**
Open for Business	291	5	93	6	0	0	(193)	**202**
Heritage and Conservation	115	0	14	5	0	0	(20)	**114**
TOTAL	**1,852**	**5**	**562**	**36**	**0**	**0**	**(1,106)**	**1,349**

Supported Living	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Private Sector Housing	62	0	22	4	0	0	(2)	**86**
Housing Options	52	0	0	0	0	0	0	**52**
Homelessness	225	38	104	6	0	0	(299)	**74**
TOTAL	**339**	**38**	**125**	**10**	**0**	**0**	**(301)**	**212**

Environment and Commercial Partnerships	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Building Control	361	3	10	21	0	0	(252)	**143**
Waste Services	220	66	644	7	1,915	0	(2,082)	**769**
Food and Safety	240	0	9	9	0	0	(11)	**247**
Leisure	0	54	0	0	228	0	(102)	**180**
Sustainable Environment	431	0	36	16	0	0	(5)	**477**
TOTAL	**1,251**	**124**	**699**	**52**	**2,143**	**0**	**(2,452)**	**1,817**

Communities	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Strong and Safe Communities	203	0	234	5	0	0	0	**442**
Countryside and Public Realm	214	281	347	8	732	0	(241)	**1,341**
Policy and Strategy (Health and Well Being)	97	0	33	4	0	0	0	**134**
TOTAL	**514**	**281**	**613**	**17**	**732**	**0**	**(241)**	**1,916**

Customer Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Customer Services	430	0	41	2	0	0	0	**474**
Business Improvement (Corporate)	117	0	8	1	0	0	0	**125**
ICT	172	0	326	0	233	0	0	**730**
Communications	112	0	6	0	0	0	0	**118**
TOTAL	**831**	**0**	**380**	**4**	**233**	**0**	**0**	**1,447**

Corporate Resources	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
HR and Organisational Development	392	0	25	1	0	0	0	**418**
Financial Services	936	207	184	4	1,136	20,202	(22,354)	**315**
Commissioning and Procurement	126	0	3	1	0	0	0	**130**
Housing and Regeneration	101	100	150	102	0	0	(353)	**101**
Senior Leadership Team	545	0	33	10	0	0	0	**589**
Property Services	389	54	45	25	1	0	(549)	**(35)**
TOTAL	**2,488**	**360**	**442**	**144**	**1,137**	**20,202**	**(23,255)**	**1,518**

Law and Governance	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Information Management	177	0	28	0	0	0	(220)	**(14)**
Internal Audit	82	0	1	0	0	0	0	**83**
Democratic Services	158	0	358	14	0	0	(7)	**524**
Shared Legal Services	206	0	236	0	0	0	(105)	**338**
TOTAL	**624**	**0**	**623**	**15**	**0**	**0**	**(332)**	**929**

BMS Invest	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
BMS Invest	71	0	62	1	0	0	(51)	**82**
TOTAL	**71**	**0**	**62**	**1**	**0**	**0**	**(51)**	**82**

	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
TOTAL	**7,970**	**807**	**3,507**	**279**	**4,244**	**20,202**	**(27,738)**	**9,271**

GENERAL FUND BUDGET - Planning for Growth

Growth and Sustainable Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Development Management	923	0	143	20	0	0	(758)	**327**
Development Management - Appeals	0	0	88	0	0	0	0	**88**
Development Management - pre application	0	0	12	0	0	0	(100)	**(88)**
	923	**0**	**242**	**20**	**0**	**0**	**(858)**	**327**

Business Improvement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Business Improvement	33	0	0	1	0	0	0	**34**
	33	**0**	**0**	**1**	**0**	**0**	**0**	**34**

Strategic Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Infrastructure Team - CIL	54	0	0	0	0	0	(11)	**43**
Strategic Planning General	0	0	1	0	0	0	0	**1**
Development Policy and Local Plans	330	0	76	1	0	0	0	**408**
Local Plans	0	0	34	0	0	0	0	**34**
Social Housing	97	0	5	1	0	0	(25)	**79**
Housing Enabling	10	0	95	0	0	0	0	**105**
Housing Strategy	0	0	3	0	0	0	0	**3**
	491	**0**	**214**	**3**	**0**	**0**	**(36)**	**672**

Open for Business	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Alcohol, Entertainments and Late Night Refreshment	43	0	8	0	0	0	(78)	**(26)**
Economic Development	115	0	25	5	0	0	0	**144**
Economic Development - additional capacity (Transformation Funded)	26	0	0	0	0	0	0	**26**
Gambling and Small Lotteries	5	0	0	1	0	0	(8)	**(2)**
Lavenham Tourist Information Centre	64	5	13	0	0	0	(24)	**57**
Other Licences	4	0	0	0	0	0	0	**4**
Taxi and Private Hire Licensing	35	0	13	0	0	0	(79)	**(32)**
Tourism General	0	0	35	0	0	0	(5)	**30**
	291	**5**	**93**	**6**	**0**	**0**	**(193)**	**202**

Heritage and Conservation								
Conservation	115	0	1	5	0	0	0	**122**
Neighbourhood Plans	0	0	13	0	0	0	(20)	**(7)**
	115	**0**	**14**	**5**	**0**	**0**	**(20)**	**114**

TOTAL	**1,852**	**5**	**562**	**36**	**0**	**0**	**(1,106)**	**1,349**

GENERAL FUND BUDGET - Supported Living

Private Sector Housing	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Housing Standards	62	0	0	4	0	0	0	**67**
Home Improvement Agency	0	0	16	0	0	0	0	**16**
Other Housing Matters	0	0	5	0	0	0	0	**5**
Other Housing Services	0	0	0	0	0	0	(2)	**(2)**
	62	**0**	**22**	**4**	**0**	**0**	**(2)**	**86**

Housing Options	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Housing Options	52	0	0	0	0	0	0	**52**
	52	**0**	**0**	**0**	**0**	**0**	**0**	**52**

Homelessness	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Homelessness Private Sector	13	18	95	3	0	0	(78)	**50**
Rent Deposit Scheme	0	20	9	3	0	0	(30)	**2**
Homeless Prevention Fund	212	0	0	0	0	0	0	**212**
Flexi Homeless Support Grant	0	0	0	0	0	0	(131)	**(131)**
New Burdens Grant	0	0	0	0	0	0	(60)	**(60)**
	225	**38**	**104**	**6**	**0**	**0**	**(299)**	**74**

GENERAL FUND BUDGET - Environment and Commercial Partnerships

Building Control	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Commercial Income	0	0	2	0	0	0	(6)	**0**
Building Regulations: chargeable service	250	0	4	14	0	0	(234)	**34**
Building Regulations: non-chargeable service	57	0	0	3	0	0	0	**60**
Building Regulations: other activities	35	0	1	2	0	0	0	**38**
Dangerous Structures	0	0	0	0	0	0	(0)	**(0)**
Street Naming and Numbering	20	3	3	1	0	0	(12)	**15**
	361	**3**	**10**	**21**	**0**	**0**	**(252)**	**147**

Waste Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Creeting Rd Depot	0	37	8	0	0	0	0	**45**
Chilton Depot	0	29	0	0	0	0	(2)	**27**
Joint Waste Contract	0	0	10	5	0	0	0	**15**
Domestic Waste	137	0	195	1	1,401	0	(392)	**1,342**
Bring Sites	11	0	53	0	0	0	(137)	**(72)**
Trade Waste	16	0	244	0	155	0	(576)	**(161)**
Garden Waste	55	0	134	0	359	0	(976)	**(427)**
	220	**66**	**644**	**7**	**1,915**	**0**	**(2,082)**	**769**

Food & Safety	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Food and Safety (General)	240	0	2	9	0	0	(1)	**249**
Food Hygiene Courses	0	0	0	0	0	0	(0)	**(0)**
Animal Welfare Licensing	0	0	1	0	0	0	(6)	**(5)**
Health and Safety Regulation	0	0	0	0	0	0	(0)	**(0)**
Food Safety	0	0	1	0	0	0	0	**1**
Water Sampling	0	0	3	0	0	0	(3)	**(0)**
Land Drainage	0	0	2	0	0	0	0	**2**
	240	**0**	**9**	**9**	**0**	**0**	**(11)**	**247**

Leisure	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Hadleigh Pool	0	20	0	0	68	0	(45)	**44**
Kingfisher Leisure Centre	0	34	0	0	129	0	(27)	**136**
New Hadleigh Pool & Leisure	0	0	0	0	31	0	(31)	**0**
	0	**54**	**0**	**0**	**228**	**0**	**(102)**	**180**

Sustainable Environment	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Planning Enforcement	153	0	6	6	0	0	0	**165**
Environmental Protection	275	0	13	10	0	0	(5)	**293**
Abandoned Vehicles	0	0	1	0	0	0	0	**1**
Other Public Health Matters	0	0	2	0	0	0	0	**2**
Climate Change and Sustainability	0	0	6	0	0	0	0	**6**
Dog Control	0	0	7	0	0	0	0	**7**
Planning Monitoring and Enforcement Officer (Transformation Funded)	3	0	0	0	0	0	0	**3**
	431	**0**	**36**	**16**	**0**	**0**	**(5)**	**477**

TOTAL	**1,251**	**124**	**699**	**52**	**2,143**	**0**	**(2,452)**	**1,820**

GENERAL FUND BUDGET - Communities

Strong and Safe Communities	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
The Arts	22	0	8	1	0	0	0	**30**
Community Achievement Awards	0	0	3	0	0	0	0	**3**
Community Development	92	0	1	3	0	0	0	**97**
Grants and Contributions	33	0	172	1	0	0	0	**206**
Civil Protection and Emergency Planning	0	0	24	0	0	0	0	**24**
Community Safety-General	56	0	26	1	0	0	0	**82**
Village of the Year	0	0	1	0	0	0	0	**1**
								0
	203	**0**	**234**	**5**	**0**	**0**	**0**	**442**

Countryside and Public Realm	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Comm Development - Countryside	28	0	0	0	0	0	0	**28**
Footpaths	22	0	2	1	0	0	(9)	**16**
Nayland Sports and Burial Ground	0	0	0	0	2	0	0	**2**
Public Conveniences	0	58	20	0	34	0	0	**112**
Street and Major Road Cleansing	6	0	67	1	382	0	(37)	**419**
Open Spaces	102	0	141	2	298	0	(38)	**506**
Public Tree Programme	47	22	0	4	0	0	0	**73**
Car Parks General	8	24	10	0	3	0	(22)	**24**
Pin Mill Car Park	0	1	8	0	0	0	(12)	**(3)**
Hadleigh car Parks	0	28	21	0	4	0	(24)	**29**
Sudbury Car Parks	0	148	41	0	8	0	(100)	**97**
The Greenways Project	0	0	6	0	0	0	0	**6**
AONB Contribution	0	0	32	0	0	0	0	**32**
	214	**281**	**347**	**8**	**732**	**0**	**(241)**	**1,341**

Policy and Strategy (Health & Well Being)	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Policy and Strategy (Health and Well Being)	97	0	33	4	0	0	0	**134**
	97	**0**	**33**	**4**	**0**	**0**	**0**	**134**

TOTAL	**514**	**281**	**613**	**17**	**732**	**0**	**(241)**	**1,916**

GENERAL FUND BUDGET - Customer Services

Public Access	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Customer Services	430	0	41	2	0	0	0	**474**
	430	**0**	**41**	**2**	**0**	**0**	**0**	**474**

Business Improvement Corporate	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Business Improvement Corporate	117	0	8	1	0	0	0	**125**
	117	**0**	**8**	**1**	**0**	**0**	**0**	**125**

ICT	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
ICT	172	0	326	0	233	0	0	**730**
	172	**0**	**326**	**0**	**233**	**0**	**0**	**730**

Communications	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Communications	112	0	6	0	0	0	0	**118**
	112	**0**	**6**	**0**	**0**	**0**	**0**	**118**

TOTAL	**831**	**0**	**380**	**4**	**233**	**0**	**0**	**1,447**

GENERAL FUND BUDGET - Corporate Resources

HR and Organisational Development	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
HR & Organisational Development	337	0	23	1	0	0	0	**361**
Health & Safety	55	0	2	0	0	0	0	**57**
	392	**0**	**25**	**1**	**0**	**0**	**0**	**418**

Financial Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Financial Resources	387	0	35	4	0	0	0	**426**
Treasury Management	0	0	16	0	0	0	0	**16**
Bank Charges	0	0	60	0	0	0	0	**60**
External Audit	0	0	59	0	0	0	0	**59**
Insurance Premiums	127	93	12	1	0	0	0	**233**
Pay Inflation and Increment Costs	(186)	0	0	0	0	0	0	**(186)**
Early Retirement Pension Direct Charges	38	0	0	0	0	0	0	**38**
Rent Allowances	0	0	0	0	0	11,453	(11,517)	**(64)**
Rent Rebates to HRA Dwellings	0	0	0	0	0	8,749	(8,859)	**(110)**
Council Tax Collection	0	0	2	0	0	0	(177)	**(175)**
NNDR Collection	0	0	0	0	0	0	(138)	**(138)**
Shared Revenues Partnership	0	0	0	0	1,136	0	0	**1,136**
Contingencies/Savings Adjustments	(60)	0	0	0	0	0	0	**(60)**
Unapportionable Central Overheads	629	114	0	0	0	0	0	**743**
New Homes Bonus	0	0	0	0	0	0	(866)	**(866)**
S31 Business Rates Grant	0	0	0	0	0	0	(797)	**(797)**
	936	**207**	**184**	**4**	**1,136**	**20,202**	**(22,354)**	**315**

Commissioning and Procurement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Commissioning and Procurement	126	0	1	1	0	0	0	128
Central Stationery and Equipment	0	0	2	0	0	0	0	2
	126	**0**	**3**	**1**	**0**	**0**	**0**	**130**

Asset Regeneration	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Asset Utilisation	101	2	4	1	0	0	0	**108**
Navigation House	0	11	5	0	0	0	(23)	**(8)**
Borehamgate Shopping Centre	0	16	5	0	0	0	(329)	**(309)**
Angel Court, Hadleigh	0	5	0	0	0	0	0	**5**
Endeavour House HQ	0	36	136	101	0	0	0	**273**
Stowmarket Customer Access Point	0	17	0	0	0	0	0	**17**
Touchdown Points	0	13	0	0	0	0	0	**13**
	101	**100**	**150**	**102**	**0**	**0**	**(353)**	**101**

Senior Leadership Team	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Senior Leadership Team	527	0	33	10	0	0	0	**571**
Corporate Management	18	0	0	0	0	0	0	**18**
	545	**0**	**33**	**10**	**0**	**0**	**0**	**589**

Property Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Asset Management	46	0	7	0	0	0	0	**53**
Industrial Estates	0	1	0	0	1	0	(69)	**(67)**
Belle Vue House	0	29	0	0	0	0	0	**29**
Hadleigh Market	0	1	0	0	0	0	(2)	**(1)**
Wenham Depot	0	4	0	0	0	0	0	**4**
Calais Street Depot	0	2	0	0	0	0	0	**2**
PV Panels	0	16	23	0	0	0	(478)	**(438)**
Capital Projects Tech Staff	329	0	0	25	0	0	0	**354**
Community Safety-CCTV	13	1	15	0	0	0	0	**29**
	389	**54**	**45**	**25**	**1**	**0**	**(549)**	**(35)**

TOTAL	**2,488**	**360**	**442**	**144**	**1,137**	**20,202**	**(23,255)**	**1,518**

GENERAL FUND BUDGET - Law and Governance

Information Management	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Information Management	177	0	5	0	0	0	0	**183**
Land Charges	0	0	23	0	0	0	(220)	**(197)**
	177	**0**	**28**	**0**	**0**	**0**	**(220)**	**(14)**

Internal Audit	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Internal Audit	82	0	1	0	0	0	0	**83**
	82	**0**	**1**	**0**	**0**	**0**	**0**	**83**

Democratic Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Electoral Registration	0	0	50	0	0	0	(2)	**48**
Elections	61	0	0	0	0	0	0	**61**
Governance	200	0	3	0	0	0	(0)	**203**
Cost of Democracy	(167)	0	228	14	0	0	(2)	**73**
Central Postal Services	65	0	51	0	0	0	0	**116**
Central Printing	0	0	27	0	0	0	(3)	**24**
	158	**0**	**358**	**14**	**0**	**0**	**(7)**	**524**

Shared Legal Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Shared Legal Services	206	0	236	0	0	0	(105)	**338**
	206	**0**	**236**	**0**	**0**	**0**	**(105)**	**338**

TOTAL	**624**	**0**	**623**	**15**	**0**	**0**	**(332)**	**929**

GENERAL FUND BUDGET - BMS Invest

BMS Invest	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
BMS Invest	71	0	62	1	0	0	(51)	**82**
	71	**0**	**62**	**1**	**0**	**0**	**(51)**	**82**

TOTAL	**71**	**0**	**62**	**1**	**0**	**0**	**(51)**	**82**

HOUSING REVENUE ACCOUNT 2017/18

Income	2017/18 £'000	2018/19 £'000
Dwelling Rent and Other Income	(16,759)	(16,645)
Less Bad Debt Provision	115	155
Interest Income	(16)	(15)
Gross Income	**(16,660)**	**(16,505)**

Expenditure	2017/18 £'000	2018/19 £'000
Repairs, maintenance, management and other costs	5,558	6,074
Capital Charges (funding the capital programme)	2,803	2,847
Depreciation	2,721	2,721
Revenue Contribution to Capital Programme	5,605	4,124
Gross Expenditure	**16,687**	**15,766**

Net Operating Income	**27**	**(739)**
Net Transfer to Revenue Provision for Repayment of Borrowing	**500**	**500**
(Surplus)/Deficit for the Year	**527**	**(239)**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19	2019/20	2020/21	2021/22	TOTAL BUDGET (over 4 years)	Capital Receipts	Revenue Contributions to Capital	Reserves	Government Grants	S106	Borrowing	Total Financing
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Supported Living												
Mandatory Disabled Facilities Grant	409	409	409	409	**1,637**				1,637			**1,637**
Discretionary Housing Grants	100	100	100	100	**400**						400	**400**
Empty Homes Grant	100	100	100	100	**400**						400	**400**
Total Supported Living	**609**	**609**	**609**	**609**	**2,437**	**0**	**0**	**0**	**1,637**	**0**	**800**	**2,437**
Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	185	185	185	0	**555**						555	**555**
Recycling Bins	65	65	65	65	**260**						260	**260**
Total Environment and Projects	**250**	**250**	**250**	**65**	**815**	**0**	**0**	**0**	**0**	**0**	**815**	**815**
Communities and Public Access												
Community Development Grants	117	117	117	117	**468**						468	**468**
Play Equipment	50	50	50	50	**200**						200	**200**
Planned Maintenance / Enhancements - Car Parks	36	38	35	35	**144**						144	**144**
Total Community Services	**203**	**205**	**202**	**202**	**812**	**0**	**0**	**0**	**0**	**0**	**812**	**812**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19	2019/20	2020/21	2021/22	TOTAL BUDGET (over 4 years)	Capital Receipts	Revenue Contributions to Capital	Reserves	Government Grants	S106	Borrowing	Total Financing
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leisure Contracts												
Kingfisher Leisure Centre - changing room replacement	0	0	0		**0**						550	**550**
Kingfisher Leisure Centre - plant and other capital	145	40	50	50	**285**						285	**285**
Kingfisher Leisure Centre - Planned Maintenance	246	289	0	0	**534**						534	**534**
Kingfisher Leisure Centre Refurbishment	627	627	0	0	**1,254**						1,254	**1,254**
Hadleigh Pool and Leisure Refurbishment	351	1,757	0	0	**2,109**						2,109	**2,109**
Hadleigh Pool and Leisure - Planned Maintenance	43	0	0	0	**43**						43	**43**
Total Leisure Contracts	**1,412**	**2,713**	**50**	**50**	**4,225**	**0**	**0**	**0**	**0**	**0**	**4,225**	**4,225**
Capital Projects												
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	**192**						192	**192**
Total Capital Projects	**48**	**48**	**48**	**48**	**192**	**0**	**0**	**0**	**0**	**0**	**192**	**192**
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	**11,892**						11,892	**11,892**
Total Investment and Commercial Delivery	**2,973**	**2,973**	**2,973**	**2,973**	**11,892**	**0**	**0**	**0**	**0**	**0**	**11,892**	**11,892**
Corporate Resources												
ICT - Hardware / Software costs	200	200	200	200	**800**						800	**800**
Total Corporate Resources	**200**	**200**	**200**	**200**	**800**	**0**	**0**	**0**	**0**	**0**	**800**	**800**
Total General Fund Capital Spend	**5,695**	**6,998**	**4,332**	**4,147**	**21,173**	**0**	**0**	**0**	**1,637**	**0**	**19,536**	**21,173**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 HOUSING REVENUE ACCOUNT	2018/19	2019/20	2020/21	2021/22	TOTAL BUDGET (over 4 years)	Capital Receipts	Revenue Contributions to Capital	Reserves	Government Grants	S106	Borrowing	Total Financing
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Maintenance												
Planned maintenance	4,587	4,782	4,888	5,006	**19,262**		9,802	9,460				**19,262**
ICT Projects	300	200	200	200	**900**		900					**900**
Environmental Improvements	50	50	50	50	**200**		200					**200**
Disabled Facilities work	200	200	200	200	**800**		800					**800**
Horticulture and play equipment	23	23	23	23	**92**		92					**92**
New build programme inc acquisitions	3,415	3,791	4,239	4,526	**15,970**	2,746	8,449	4,775				**15,970**
Total HRA Capital Spend	**8,575**	**9,045**	**9,599**	**10,005**	**37,224**	**2,746**	**20,243**	**14,235**	**0**	**0**	**0**	**37,224**

RESERVES

GENERAL FUND

	Estimated Balance 31 Mar 2018 £'000	2018/19 Transfer into reserves £'000	2018/19 Use of reserves £'000	Estimated Balance 31 Mar 2019 £'000
Contingency Reserves				
General Fund Working Balance / Reserve	**(1,200)**			**(1,200)**
Government Grants	**(353)**			**(353)**
Personal Searches	**(54)**			**(54)**
Elections	**(50)**	(20)		**(70)**
Community Infrastructure Levy (CIL)	**(67)**			**(67)**
Growth and Sustainable Planning	**(65)**			**(65)**
Strategic Planning	**(298)**		95	**(203)**
Business Rates Equalisation	**(337)**		(337)	**(674)**
Waste - MRF	**(102)**			**(102)**
Section 106 (part only)	**(232)**			**(232)**
Planning Enforcement	**(20)**			**(20)**
Sub total	**(1,578)**	**(20)**	**(242)**	**(1,840)**
Transformation Fund	**(598)**	**(1,663)**	**1,738**	**(523)**
TOTAL GENERAL FUND RESERVES	**(3,376)**	**(1,683)**	**1,495**	**(3,563)**

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Cabinet Member for Planning	**Report Number:** **BCa/17/48**
To: Mid Suffolk Cabinet Babergh Cabinet	**Date of meetings:** **5 February 2018 8 February 2018**

COMMUNITY INFRASTRUCTURE LEVY (CIL) - FRAMEWORK FOR CIL EXPENDITURE

1. Purpose of Report

1.1 To share current thinking regarding a proposed framework for the expenditure of the Community Infrastructure Levy (CIL) for both Councils

1.2 To obtain Cabinet approval to the appointment of a Panel of Members from both Councils to shape the development of a fully worked up CIL expenditure framework for adoption by each Council.

1.3 To encourage engagement with the wider Councillor body as part of developing the proposed framework ahead of its detailed consideration by Cabinet before being presented to full Council for approval as a key decision of both Councils.

1.4 A timetable for the approval and earliest implementation of the CIL framework to be devised and ultimately agreed by Cabinet and full Council for both Councils when the detailed scheme is considered.

2. Recommendations

2.1 That the current thinking around a framework for CIL expenditure be noted and used as a basis for development of a detailed CIL expenditure framework.

2.2 That Cabinet approve the creation of a Panel comprised of three Members from each Council to shape the development of a detailed CIL expenditure framework

2.3 That the framework be returned to Cabinet for consideration and agreement before being presented to Full Council as a key decision for both Councils.

Reason for Decision: To ensure member involvement in the development of the framework before this is presented to Full Council for approval.

3. Financial Implications

3.1 The development of a detailed framework for CIL expenditure for consideration and adoption by both Councils is required as there is no set prescriptive approach for CIL expenditure prescribed either by Central Government or through the CIL Regulations 2010 (as amended).

3.2 As such all Councils across the country where a CIL charging regime has been adopted and is being implemented have brought in their own schemes for how CIL monies are spent. Appendix a provides a summary of a Planning Advisory Service report on CIL expenditure which captures the wide divergence of CIL expenditure approaches across the country.

3.3 The CIL Regulations do stipulate however that CIL monies which are collected must be spent on Infrastructure. Each Council is required to publish a list of infrastructure that they will put the CIL towards. These lists, known as the "Regulation 123 lists", were adopted and published in January 2016. These documents (which are different for both Councils) constitute Appendix b) and c) to this report.

3.4 As such the development and adoption of a CIL expenditure framework is critical to the funding of infrastructure to support inclusive growth and sustainable development.

4. Legal Implications

4.1 Any framework for CIL expenditure will need to be legally sound and robust and thereby not at risk of challenge. It is therefore important that any CIL expenditure framework to be devised is endorsed as being sound and legally compliant by the Councils shared legal service prior to its consideration and adoption.

4.2 CIL is collected and allocated in accordance with the CIL Regulations 2010 (as amended). Each Council retains 5% of the total CIL income for administration of CIL. From the remainder, 15% is allocated to Parish or Town Councils but where there is a Neighbourhood Plan in place this figure rises to 25%. For those parishes where there is no Parish or Town Council in place the Council retains the monies and spends it through consultation with the Parish.

4.3 Since the implementation of CIL for both Councils on the 11th April 2016 there have been three payments to Parish Councils, in October 2016, April 2017, and October 2017 (http://www.babergh.gov.uk/planning/community-infrastructure-levy-and-section-106/community-infrastructure-levy-cil/cil-reporting/)

4.4 Regulation 62 of the CIL Regulations 2010 (as amended) requires CIL charging authorities to publish monitoring statistics for collection allocations and expenditure of CIL monies by the 31st of December for each year. The 2017 Monitoring Report for both Councils is published on our websites (see below).

http://www.babergh.gov.uk/assets/CIL-and-S106-Documents/Babergh-District-Council-CIL-Monitoring-Report-2016-17.pdf

http://www.babergh.gov.uk/assets/CIL-and-S106-Documents/Mid-Suffolk-District-Council-CIL-Monitoring-Report-2016-17.pdf

5. Risk Management

5.1 This report most closely links with Strategic Risk No.1d – Housing Delivery: If we do not secure investment in infrastructure (schools, health, broadband, transport etc.), then development is stifled and/or unsustainable.

5.2 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to allocate expenditure such that if we do not secure investment in infrastructure (schools, health, broadband, transport etc.), then development is stifled and/or unsustainable. CURRENT RISK SCORE: 6	Unlikely (2)	Bad (3)	Adopted Community Infrastructure Levy (CIL), secure investment on infrastructure via planning process (e.g. S106). Creating the Infrastructure Delivery Plan as part of the Strategic Plan, Joint Local Plan with associated Infrastructure Strategy will ensure that infrastructure across both Councils is

			addressed, New Anglia LEP Economic Strategy, draft created.
Failure to produce a Regulation 62 report would result in non-compliance with the CIL Regulations 2010 (as amended) and may mean that Members and the public are not aware of CIL income and expenditure activities.	Highly Unlikely (1)	Noticeable /Minor (2)	The Infrastructure Team produces the report which is checked and verified by Financial services/open to review by External Audit. Reminders are set to ensure the report is published by the statutory date. The format of the Regulation 62 Monitoring report is laid out in the CIL Regulations, so there is no risk in relation to the way the information is presented
Failure to monitor expenditure such that CIL expenditure is not effective.	Unlikely (2)	Bad (3)	The software which supports CIL collection will be used to support CIL expenditure. In addition it is envisaged that a yearly CIL Business plan (with a 6 month update) will be produced which will include details of all allocated and proposed CIL expenditure and this together with the software will be used for effective monitoring.

6. Consultations

6.1 To inform current thinking around a framework for CIL expenditure informal discussions continue with Officers of the Council, Infrastructure providers (including Suffolk County Council and Health) and some Parish Councils where questions have arisen.

6.2 There is no requirement upon the Council to formally consult on a detailed scheme of CIL expenditure although it may be appropriate to engage with infrastructure providers and Parish Councils as part of developing the framework.

Assurances (for collection of CIL monies)

6.3 As part of the initial Audit planning process for 2015/16 Internal Audit were invited to review the governance of the Community Infrastructure Levy processes.

6.4 The approach adopted for this governance review was to establish the current arrangements and comment/ evaluate on the robustness of those arrangements and make recommendations where necessary.

6.5 In September 2016 Internal Audit issued a report in relation to CIL governance processes. The Audit Opinion was High Standard and no recommendations for improvement to systems and processes were made. Table 5 provides a definition of this opinion:

Table 5

	Operation of controls	Recommended action
High standard	Systems described offer all necessary controls. Audit tests showed controls examined operating very effectively and where appropriate, in line with best practice.	Further improvement may not be cost effective.
Effective	Systems described offer most necessary controls. Audit tests showed controls examined operating effectively, with some improvements required.	Implementation of recommendations will further improve systems in line with best practice.
Ineffective	Systems described do not offer necessary controls. Audit tests showed key controls examined were operating ineffectively, with a number of improvements required.	Remedial action is required immediately to implement the recommendations made.
Poor	Systems described are largely uncontrolled, with complete absence of important controls. Most controls examined operate ineffectively with a large number of non-compliances and key improvements required.	A total review is urgently required .

6.6 On the 18th December 2018 Joint Overview and Scrutiny received a fact sheet on collection and current thinking on CIL expenditure and questions were answered in relation to it. Members of that Committee were advised of the route map towards getting a framework for CIL expenditure formally considered. Members were advised that this would be a key decision for both Councils and as such would need to go to Cabinet and then full Council.

6.7 It is likely that a further internal audit of CIL collection will occur January 2018 onwards

Assurances (for expenditure of CIL monies)

6.8 It is expected that internal audit will audit CIL expenditure processes and expenditure once any scheme is developed and look at it further once implemented.

7. Equality Analysis

7.1 There are no equality and diversity implications arising directly from the content of this report.

8. Shared Service / Partnership Implications

8.1 The CIL expenditure framework is being devised as a joint framework albeit the monies for each Council are collected and allocated according to where the development is being carried out. Expenditure of Council CIL monies would also be spent in accordance with that Councils Regulation 123 list (which are slightly different for both Councils -see Appendices b) and c).

9. Links to Joint Strategic Plan

9.1 The effective spending of CIL monies will contribute to all the three-main priority area that Councillors identified in the Joint Strategic Plan: Economy and Environment, Housing and Strong and Healthy Communities.

10. Key Information

10.1 Current thinking around a joint CIL expenditure framework is split into 5 main areas:

- Key Principles of any CIL Expenditure framework
- Processes for a Joint CIL Expenditure framework
- Assessment criteria and prioritisation for expenditure

- Governance of any such CIL expenditure framework

- Timetable for development and implementation of the CIL expenditure framework and any review.

10.2 These are addressed below.

Key Principles of a CIL Expenditure approach

10.3 Current thinking is as set out in Appendix (e) to this report.

Processes for a Joint CIL Expenditure framework

10.4 Current thinking is as set out in Appendix (f) to this report.

Assessment criteria and prioritisation for expenditure

10,5 Current thinking is as set out in Appendix (g) to this report.

Governance of any CIL expenditure framework

10.6 Current thinking is as set out in Appendix (h) to this report

Timetable for development and implementation of the CIL expenditure framework and any review

10.7 Current route map is as set out in Appendix (i) to this report. -

Conclusions of key information

10.8 These are as follows: -

- A Panel of Cabinet Members from both Councils to work alongside Officers to develop the joint CIL expenditure framework is recommended (see above) with reference to the development of the following matters

- Assessment and prioritisation criteria (including whether CIL expenditure should occur outside both Councils geographical boundaries and whether offers of spending on projects should be time limited) is required.

- Governance arrangements likely to require hybrid approach including for delegation

- A Communications plan on CIL collection and expenditure is required

- Timetable going forward and timescale of any Review is required

11. Appendices

Title	Location
(a) Summary of PAS report on different approaches to CIL expenditure across the county	Attached
(b) Regulation 123 list for Babergh District Council	Attached

(c) Regulation 123 list for Mid Suffolk District Council	Attached
(d) An indicative diagram - CIL expenditure being held in two pots – Local and Strategic Infrastructure	Attached
(e) Key principles of a CIL expenditure approach	Attached
(f) Processes for a CIL expenditure approach	Attached
(g) Assessment criteria and prioritisation for CIL expenditure	Attached
(h) Governance of any CIL expenditure framework	Attached
(i) Timetable for development and implementation of any CIL expenditure framework and any review	Attached

12. Background Documents

12.1 None

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Professional Lead Key Sites and Infrastructure

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Appendix A - Summary of Planning Advisory Service (PAS) report on CIL expenditure for a number of different Councils across the country

- **Bristol City Council** - use existing neighbourhood partnerships decision making powers
- **Elmbridge Borough Council –** is considering giving parishes 25% of the money whether they have a neighbourhood plan in place or not. It also sees CIL as a new opportunity to improve working between County and the District.
- **Havant Borough Council; -** The focus is not just on spending CIL but on delivery. The Borough Council will hand over money for ready to go schemes and for this evidence is key. This way the Borough say, "the decisions make themselves".
- **London Borough of Croydon** - Single tier authority where major infrastructure issue (local transport and education) are the responsibility of the Council. An internal group assigns CIL income to infrastructure projects Other organisations can make bids for funding and then attend the meeting where their bid is considered
- **London Borough of Redbridge** – Area Based Committees make decisions and have Ward Members on the Committees. Members take the lead in engaging with local community to decide on spending.
- **Shropshire Council -** has a number of market towns but few major developments where strategic growth is planned. There is no single infrastructure requirement which is expected to attract a large proportion of CIL monies.
- Shropshire has decided to spread the benefits of CIL monies. Spending is a combination of bottom up inputs from the towns themselves and top down inputs from the strategic providers. Priorities are agreed through a partnership approach.
- If the parish councils opt to accept development in Shropshire they can decide what the strategy should be. 90% of the net CIL revenue can be spent on what is on the local list the remainder is spent on strategic items.
- **Newark and Sherwood District Council –** CIL is only forecast to plug £40 million of the £210 million funding gap. The Council considers that "the knowledge that CIL income is going to come, gives us the confidence to invest more widely"
- **Wycombe District Council –** considering match funding opportunities improvements supported by the Parish Councils 15% provided that any projects are taken from the Councils 123 list. Wycombe also consider that if new schools are required it is much better if these are funded through s106.

COMMUNITY INFRASTRUCTURE LEVY
BABERGH DISTRICT COUNCIL

Regulation 123 Infrastructure list
January 2016

Regulation 122 and 123 of the Community Infrastructure Levy Regulations 2010 (as amended) places limitations on the Council's ability to use planning obligations to fund the provision of infrastructure across the district.

As a charging authority, **Babergh District Council** is required by Regulation 123(2) to publish a list of infrastructure projects or types of infrastructure that it intends will be, or may be, wholly or partly funded by CIL. The order of infrastructure items within the list do not imply or signify any order of preference or priority for CIL funding.

The CIL Regulation 123 List will be expected to be subject to review once a year, as part of the ongoing and continuous monitoring of CIL collection and spend.

Where site-specific exclusions are identified, they will be subject to statutory tests set out under Regulation 122 of the Community Infrastructure Levy Regulations 2010 (as amended), which stipulates:

"A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is:

a) Necessary to make the development acceptable in planning terms
b) Directly related to the development; and
c) Fairly and reasonably related in scale and kind to the development."

Infrastructure across the district that may be wholly or partly funded by Community Infrastructure Levy funds, except for the listed strategic sites
Provision of passenger transport
Provision of library facilities
Provision of additional pre-school places at existing establishments
Provision of primary school places at existing schools
Provision of secondary, sixth form and further education places
Provision of health facilities
Provision of leisure and community facilities
Provision of 'off site' open space
Strategic green infrastructure (excluding suitable alternative natural greenspace)
Maintenance of new and existing open space and strategic green infrastructure
Strategic flooding
Provision of waste infrastructure

It is expected that the proposed development of the strategic sites at Chilton Woods, Sudbury/Gt. Cornard; strategic broad location for growth - East of Sudbury / Gt Cornard; Lady Lane, Hadleigh; Babergh Ipswich Fringe; Brantham Regeneration Area will provide all the necessary infrastructure for each site through planning obligations (and not Community Infrastructure Levy) relating specifically to those development.

CIL funding will not be spent on specific planning obligations required with the following strategic sites:

- Chilton Woods, Sudbury
- Strategic broad location for growth - East of Sudbury / Gt Cornard
- Lady Lane, Hadleigh
- Babergh Ipswich Fringe
- Brantham Regeneration Area

Babergh District Council as Charging Authority is required to pass a set percentage (15% or 25%) of CIL funds generated onto local communities in line with the Regulations. The money passed onto local communities can be spent on a wider remit than detailed on the Regulation 123 List but must be used to support the development of the area.

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APPENDIX C

COMMUNITY INFRASTRUCTURE LEVY
MID SUFFOLK DISTRICT COUNCIL

Regulation 123 Infrastructure list
January 2016

Regulation 122 and 123 of the Community Infrastructure Levy Regulations 2010 (as amended) places limitations on the Council's ability to use planning obligations to fund the provision of infrastructure across the district.

As a charging authority, **Mid Suffolk District Council** is required by Regulation 123(2) to publish a list of infrastructure projects or types of infrastructure that it intends will be, or may be, wholly or partly funded by CIL. The order of infrastructure items within the list do not imply or signify any order of preference or priority for CIL funding.

The CIL Regulation 123 List will be subject to review at least once a year, as part of the ongoing and continuous monitoring of CIL collection and spend.

Where site-specific exclusions are identified, they will be subject to statutory tests set out under Regulation 122 of the Community Infrastructure Levy Regulations 2010 (as amended), which stipulates:

"A planning obligation may only constitute a reason for granting planning permission for the development if the obligation is:

a) Necessary to make the development acceptable in planning terms
b) Directly related to the development; and
c) Fairly and reasonably related in scale and kind to the development."

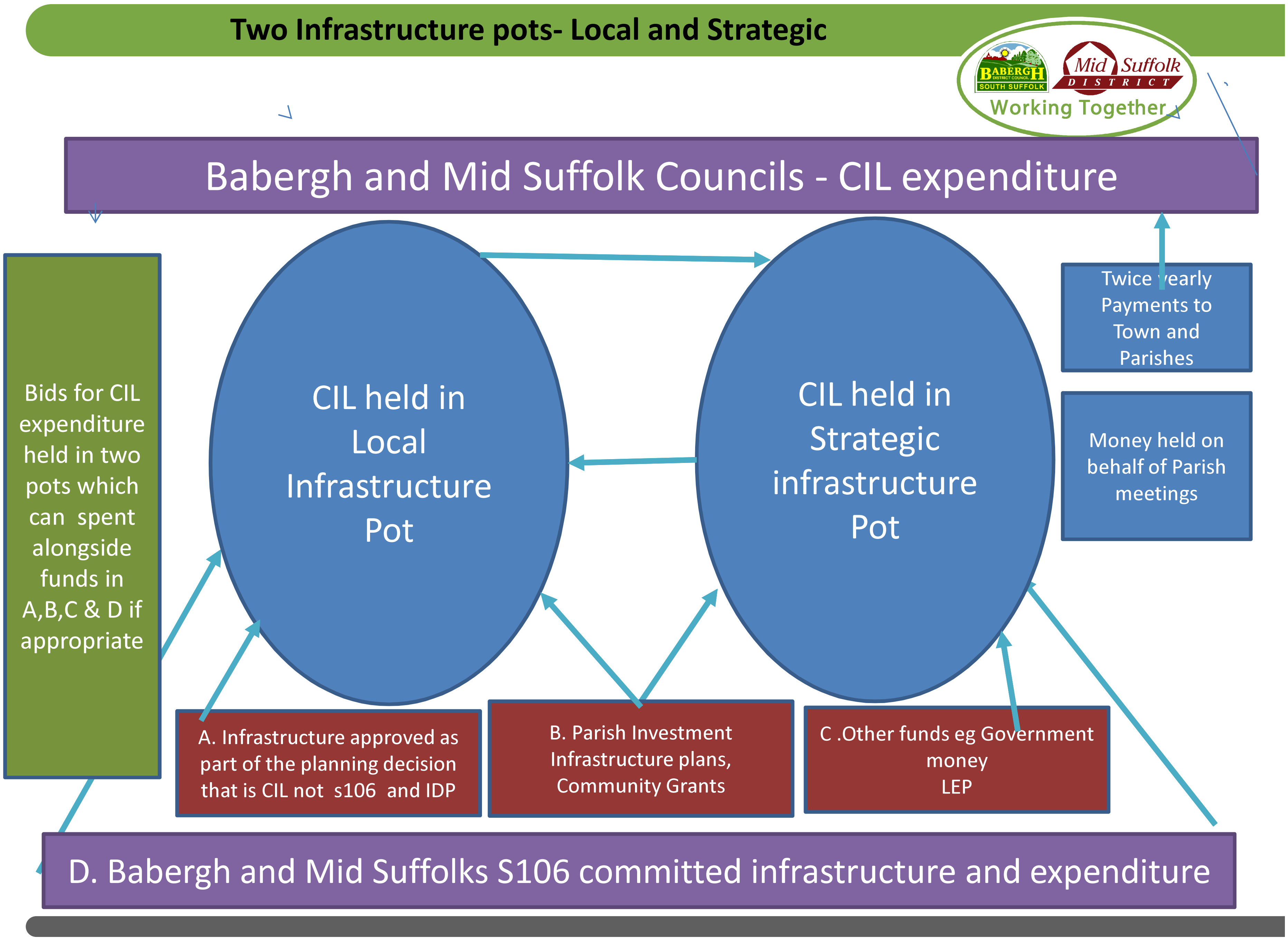
Infrastructure across the district that may be wholly or partly funded by Community Infrastructure Levy funds, except for the listed strategic sites
Public transport improvements
Provision of library facilities
Provision of additional pre-school places at existing establishments
Provision of primary school places at existing schools
Provision of secondary, sixth form and further education places
Provision of health facilities
Provision of leisure and community facilities
Provision of 'off site' open space
Strategic green infrastructure (excluding suitable alternative natural greenspace)
Maintenance of new and existing open space and strategic green infrastructure
Strategic flooding
Provision of waste infrastructure

It is expected that the proposed development of the strategic sites at Chilton Leys, Stowmarket; Ashes Farm, Stowmarket; Farriers Road, Stowmarket; Union Road, Stowmarket; Lake Park, Needham Market and Eye Airfield will provide all the necessary infrastructure for each site through planning obligations (and not Community Infrastructure Levy) relating specifically to those developments.

CIL funding will not be spent on specific planning obligations required with the following strategic sites:

- Chilton Leys, Stowmarket
- Ashes Farm, Stowmarket
- Farriers Road, Stowmarket
- Union Road, Stowmarket
- Lake Park, Needham Market
- Eye Airfield

Mid Suffolk District Council as Charging Authority is required to pass a set percentage (15% or 25%) of CIL funds generated onto local communities in line with the Regulations. The money passed onto local communities can be spent on a wider range of things than detailed on the Regulation 123 List but must be used to support the development of the area.


Two Infrastructure pots- Local and Strategic
BABERGH SOUTH SUFFOLK
Mid Suffolk DISTRICT
Working Together
Babergh and Mid Suffolk Councils - CIL expenditure
Bids for CIL expenditure held in two pots which can spent alongside funds in A,B,C & D if appropriate
CIL held in Local Infrastructure Pot
CIL held in Strategic infrastructure Pot
Twice yearly Payments to Town and Parishes
Money held on behalf of Parish meetings
A. Infrastructure approved as part of the planning decision that is CIL not s106 and IDP
B. Parish Investment Infrastructure plans, Community Grants
C .Other funds eg Government money LEP
D. Babergh and Mid Suffolks S106 committed infrastructure and expenditure

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Appendix E - Key Principles of a CIL Expenditure approach

- The process should encourage openness and transparency of decision taking
- CIL data must be 100% accurate and software database must have integrity and be “trusted”
- Decisions must be CIL Regulations compliant and follow the CIL 123 lists for each Council
- Expenditure approach must be legally sound
- Deliverability and Timeliness – a “can do” approach towards delivery of infrastructure to be employed
.
- CIL expenditure should support Joint Strategic Plan and Joint Local Plan objectives and link to other Council strategies including Infrastructure
- Publication of all expenditure on web site so information is readily accessible and transparent
- CIL expenditure framework and expenditure to be regularly audited
- Should develop a Communications Plan to engage effectively on development and implementation of the agreed approach
- Encourage a proactive Communications approach when projects are delivered to celebrate our successes including collaborative spend

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Appendix F - Processes for a Joint CIL Expenditure framework

- Use of existing software
- Process centred upon a bidding round process with consideration on a bi-annual basis with submission of bids by Infrastructure providers including Parishes
- Councils portion of CIL 123 monies to be held in two pots -Local Infrastructure and Strategic Infrastructure pot -% split to be determined – this would allow saving of some monies towards strategic schemes
- Current bi yearly pay outs to Parishes continue but where CIL is collected use a proactive approach to be taken to encourage collaborative spend through the use of Parish Infrastructure Investment Plans (PIIPs)
- Collaborative approach towards expenditure working with infrastructure providers and others to get projects delivered and to "add value"
- Explore and secure funding from other funding streams (LEP and Government funding) to spend alongside CIL where appropriate
- Funding bids must provide adequate evidence /information to provide necessary certainty on timely delivery
- The production and publication of an annual CIL Business Plan (with an update during the second 6 months)
- CIL monies can be spent flexibly alongside s106 monies but expenditure of s106 monies must be in accordance with the terms of the s106 agreement
- Tired approach to decision-taking involving some officer delegation, some delegation to Cabinet Member and larger decisions by Cabinet or, for example, Planning Committee
- Where any decisions on expenditure are made on a non-delegated basis there is an opportunity to consider benefits of public speaking by Infrastructure Bidder Parish/Town /Ward Members
- All decisions to be final.
- No appeals process
- Yearly Report on collections and expenditure required by Regulation 62 of the CIL Regulations 2010 (as amended) in addition to the yearly CIL Business Plan and 6 monthly up date
- Plan for a Review of the CIL expenditure framework going forward

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Appendix G - Assessment criteria and prioritisation for expenditure

In general: -

- Likely to be infrastructure led and based on the developing Infrastructure Delivery Plan which is currently being produced alongside the Joint Local Plan.
- Must respect approved development schemes containing CIL expected expenditure to ensure that committed infrastructure is delivered and development is sustainable
- Priorities and assessment criteria for CIL expenditure framework are being developed to prioritise bids but suggest that this development occurs with a Panel of Members from Cabinet.

Assessment criteria for CIL expenditure More **specifically: -**

- Must follow the CIL 123 list (type infrastructure)
- Must respect where appropriate infrastructure requirements of approved growth projects (those with planning permission) in order that the development carried out is sustainable
- Must be infrastructure/ community project led
- Must be in accordance with projects listed within the Infrastructure Delivery Plan – IDP - (unless unique circumstances dictate otherwise) including those of neighbouring or County authorities where key pieces of infrastructure are required which would benefit the Council and which may be achieved through match funding

Expenditure bids will be prioritised for CIL expenditure. More specifically

- The infrastructure/community project positively contributes towards the Joint Strategic Plan and Joint Local Plan Aims and Objectives
- By provision of key infrastructure, it would support other development, infrastructure or community projects and make these projects both deliverable and sustainable
- By provision of proposed infrastructure, it would unlock further opportunities within the Districts for housing and employment growth
- By releasing CIL money to match fund with other sources of income including other development partners / Local or Central Government departments or authorities and other external/internal financial sources including funds sent to Town or Parishes (under the CIL arrangements or otherwise) it would deliver either key infrastructure or deliver a key community project.

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Appendix H - Governance of any CIL expenditure framework

- Robust and sound governance arrangements for the framework – To be agreed by Cabinet and full Council (as a key decision)

- Governance is key and needs to be determined – hybrid approach likely with some delegation to allow us to be ‘fleet of foot’ and Member decisions through either Planning Committee or Cabinet on CIL spend likely

- Delegated powers may be an effective and efficient way to safeguard Planning Committee decisions on CIL spend that make planning decisions sustainable by ensuring the provision of necessary infrastructure. Officers are currently exploring how Recommendations in Planning Committee reports can support this process. Suggest scheme of delegation developed alongside a Panel of Cabinet Members for both Councils

- Joint framework for CIL expenditure to be “signed off “as legally sound and robust by the Councils shared legal team

- Accountability for all expenditure decisions

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Appendix I - Timetable for development and implementation of the CIL expenditure framework and any review

- Continued development of thinking and approach – November December 2017 January 2018 onwards
- Development of CIL Yearly Business Plan/Update and templates-January 2018 onwards
- SLT Briefed week beginning 4th December 2017
- Cabinet Member Briefings commencing week beginning 4th December 2017 onwards
- Corporate Manager Network meetings – updates on 7th December 3rd January 1st February 7th March 5th April 2018
- Overview and Scrutiny 18th December 2017
- Cabinet / Administration Briefing x January
- Member briefing session – 31st January 2018 5.30pm EH
- Cabinet meetings 5 / 8 February
- Development of Priorities/ Spending criteria Jan/Feb/March 2018 onwards
- Context/ current position of CIL expenditure framework to Cabinet seeking approval to Panel of Cabinet Member meetings to develop CIL expenditure framework – February 2018 onwards
- Development of Scheme of Delegation and Public speaking scheme if one required in January/February/March 2018
- Engagement with Infrastructure providers in January /February 2018 onwards
- Engagement with Parishes in January/February 2018 onwards
- Further Member session – 14th March 2018 – 5.30pm EH
- Scheme sign off by Councils shared legal team in March/ April 2018
- Completion of series of Panel of Cabinet Member meetings in February/ March/April and presentation of framework to Cabinet in April 2018
- Consideration of scheme in April 2018 by both full Councils
- Launch bidding process in April ready for May 2018 Bidding round to begin

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BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From:	**Corporate Manager - Open for Business**	**Report Number:**	**BCa/17/49**
To:	**MSDC Cabinet** **BDC Cabinet**	**Date of meeting:**	**5 February 2018** **8 February 2018**

JOINT BABERGH MID SUFFOLK ECONOMIC DEVELOPMENT 'OPEN FOR BUSINESS' STRATEGY

1. Purpose of Report

1.1 This report outlines information relating to the Joint Babergh Mid Suffolk (BMS) Economic Development 'Open for Business' Strategy, and seeks Cabinet endorsement of the core content attached as Appendix A.

2. Recommendations to Cabinet

2.1 That Cabinet endorse the Joint Babergh Mid Suffolk Economic Development 'Open for Business' Strategy attached as Appendix A (to follow).

Reason for decision: To accessibly set out the local strategic approach towards meeting and positively impacting upon district level and broader economic challenges, and expressing our offer to the business community.

3. Financial Implications

3.1 None directly as a result of this report. Delivery plan projects and activity will be subject to individual scoping assessment and any budgetary/resourcing parameters.

3.2 Subsequent monitoring and reporting will establish the importance and impact of the Strategy towards the longer-term financial sustainability of the Councils, including such issues as growth of the business rates base, demonstrable good outcomes for businesses, increased satisfaction of the business community with BMS support and a reduction in planning appeals.

3.3 The costs of developing and producing the Strategy have been absorbed within the relevant project and lead officer resources, and with firm focus on JSP outcomes. Significant background research/evidence has already funded by the Strategic Planning Team and we have used New Anglia LEP, Chamber of Commerce, Suffolk County Council and other partnering intelligence to efficiently and consistently influence the formulation of this work.

4. Legal Implications

4.1 None as a direct result of this report. Delivery plan projects and activity will be subject to individual scoping assessment including any legal parameters.

4.2 Legal services will be consulted on any relevant legal implications/advice arising from the implementation and use of the Strategy.

5. Risk Management

5.1 None as a direct result of this report, but broader risks associated with the Strategy are set out below:

Risk	Impact x Likelihood	RISK LEVEL	Mitigation
By not having an Economic Strategy the Councils jeopardise the ability to attract new business growth, and risk loss of employment land with consequential loss of business rate income. Failure to deliver JSP.	3 (bad) x 2 (unlikely)	MEDIUM	By adopting and implementing the Economic Strategy, the Councils have a coordinated cross-service aim to support business creation and retention and deliver the overall growth agenda.
By not having an endorsed Strategy we lack a consistent foundation for prioritising and taking difficult decisions, including within the broader organisation and with our partners, businesses and stakeholders.	3 (bad) x 2 (unlikely)	MEDIUM	The strategy, whilst expressed within a document, is a flexible approach and intended to evolve and be a focused local part of the broader growth framework. The document communicates our understanding and approach rather than setting out rigid or inflexible policy.
Without a local strategy we lack a committed response towards delivering the New Anglia Economic Strategy and showcasing the impact of our micro/SME business base core.	3 (bad) x 2 (unlikely)	MEDIUM	
Lack of alignment/conflict with other strategic strands with a stake in sustainable and inclusive growth agenda	3 (bad) x 2 (unlikely)	MEDIUM	Consultation and development work. Many stakeholder conversations and insights have informed the strategy. A specific Appendix will outline the broader context within which the strategy will function.
That it is too aspirational – overpromising and under-delivering. Impacting on our reputation and performance.	3 (bad) x 2 (unlikely)	MEDIUM	Extensive consultation and good focus of intelligence, embedding a flexible approach and carefully balancing short/medium and longer term challenges will help to manage this risk. Monitoring of impact and achievement.

5.2 Further risk analyses will be undertaken as the Strategy is implemented and feeds service planning/performance measures, and will be reported to Cabinet leads and future briefings as required.

6. Consultations

6.1 All elements of the Strategy have been informed at development stages by discussions with businesses, partner organisations and delivery colleagues and other stakeholders. This has included day-to-day operational intelligence as well as specific projects and commissioned work.

6.2 Specifically on the draft Strategy we conducted a short period of further consultation including with business sector representatives, external partners and colleagues across the organisation. Senior officers have steered the work and approach from early stages.

6.3 Scrutiny Committee also reviewed an earlier draft in terms of how the Strategy intends to support our micro and small business base. That process influenced some of the current content.

6.4 An internal working group across Housing, Infrastructure and Leisure has met and this continues. Regular cross-cut working with regulatory and environmental areas has also helped to shape the content – for example its cohesiveness with the 'New Anglia Better Business for All' initiative launched in November 2017.

6.5 As a local strategy we have no need for any formal process but have undertaken a broad and inclusive approach. Responses have been received from Planning Policy, Development Management, Suffolk Chamber of Commerce, Business Improvement, Suffolk County Council (several aspects), Audit as well as informal feedback. Generally the Strategy has been very well received which suggests it is meeting our objective for it to be accessible, flexible and easy to read.

7. Equality Analysis

7.1 No direct equality impacts arising for the content of this report.

8. Shared Service / Partnership Implications

8.1 Consultation and collaborative development work has taken place as outlined in this report.

9. Links to Joint Strategic Plan

9.1 This item most closely aligns with:

- Business Growth and Increased Productivity

The cross-cut nature of the strategy, and intended cohesion with other strategies, mean that this item impacts on most JSP outcomes.

This item also contributes towards the Industrial Strategy, Suffolk Framework for Growth, New Anglia Economic Strategy and other broader regional delivery work underway.

10. Key Information

10.1 Up until now, neither Council has had a strategic document or corporate economic reference of this kind. It will support working with our businesses and communities, our shorter term delivery actions and the longer term aspirations for local regional economic growth as expressed within the recently published New Anglia Economic Strategy (NAES). The NAES was endorsed by Babergh and Mid Suffolk District Councils simultaneously on 13 October 2017. The BMS Strategy should, going forward, be an accessible and useful organisational reference.

10.2 This item delivers on the Councils' earlier commitment, expressed in its Year End Report 16/17, "to make sure that the link between the Government's Industrial Strategy, the Suffolk Framework for Growth and delivery on the ground in our districts is clear, by developing a new Economic Strategy for Babergh and Mid Suffolk setting out how the Councils will prioritise resources to get the right conditions and support in place".

10.3 It should be noted that whilst the intention is to formally review the BMS strategy in 2022, the Strategy and supporting information are intended to be an evolving and evidence/precedent-led approach. This will support the organisation's economic development and business support work across the two districts, and scaling that up in terms of its contribution towards county and regional level work. The Strategy will integrate with and be applied alongside emerging Council strategies including Housing, Infrastructure, Investment and Regulatory/Environment to create a coherent and complementary approach towards delivering our Joint Strategic Priorities. Meaningful performance indicators and measures, including bridging and linking to the NAES, are now in development.

10.4 The documents supporting the Open for Business approach are intended to be multi-audience, and the Strategy will serve to support:

- a long-term vision and actions which deliver economic growth in our Districts
- inward investment – promotion of our area as an attractive place to invest and give confidence to business
- the Joint Local Plan
- service delivery actions and interventions, including 'how' we engage, deliver and facilitate our approach in being Open For Business (and 'All Together')
- organisational culture benefits to support and embed new ways of working
- how we will engage with and support businesses – whatever their scale or location
- our delivery partners and how we work together to achieve our objectives
- monitoring of both performance and economic conditions
- service planning and acknowledging achievements
- guidance around commercial, industrial and business premises: for use in planning application responses and influencing decision-making

10.5 The Strategy is informed by high-level information from planning consultants Nathaniel Lichfield & Partners, and previous information prepared by Ingham Pinnock Associates. The Strategy also includes its own background documents that are/will be published but not formally 'adopted' as such. This includes:

- BMS 2016 'Open for Business Survey' report of findings. This is a statistical and qualitative report of the information gathered in the summer of 2016. This will be a periodic (2-yearly) intelligence gathering exercise and link to performance measuring, economic health check and service planning. It will however need to be updated in response to General Data Protection Regulation changes.

- The 'Functional Clusters Economic Health Check 2017' presents third-party data and BMS OfB Survey findings at functional cluster level, with commentary around the economic health of our area.

- Visioning work outputs in relation to 'Greater' Stowmarket and 'Greater' Sudbury areas.

10.6 Branding, formatting, infographics, bite-sized case studies, relevant appendices and visual translation of evidence will enhance the final output significantly but for expediency and with an eye on future link up with other strategic work we have progressed core content only at this stage, seeking its endorsement.

11. Appendices

Title	Location
(a) BMS Economic Development 'Open For Business Strategy' to 2022	To follow

12. Background Documents

None.

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BABERGH DISTRICT COUNCIL

From: Leader of the Council	**Report Number: BCa/17/50**
To: BDC Cabinet	**Date of meeting: 8 February 2018**
Part 1	

GAINSBOROUGH'S CHAMBERS – TRANSFER OF OWNERSHIP

1. Recommendation

1.1 To endorse commitment to "*Reviving an Artist's Birthplace – a National Centre for Gainsborough*" by gifting Gainsborough's Chambers to the Gainsborough's House Society ie Option 3 in this report

The reason for this report is to establish whether Cabinet wishes to endorse the "minded to" letter from the Council or to consider alternative options in relation to Gainsborough's Chambers.

2. Financial Implications

2.1 The financial implications of the preferred option and alternative options are set out in Section 10 of this report.

3. Legal Implications

3.1 The current lease contains an option for the lessee to purchase the freehold of the Property, at any time during the term of the lease ie until April 2019; the sale price is already fixed at £235,000.

3.2 Shared Legal Services have identified capacity to process this conveyance if instructed and assuming no unexpected complications would expect to exchange contracts five weeks from instruction.

4. Risk Management

4.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 4c. If we do not manage our asset portfolio effectively it may result in: lost opportunity; loss of capital value; increased revenue costs and loss of public confidence. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
For Option 2 only: If a large proportion of the Capital Grant	3 – Probable	3 – Bad	Gift Gainsborough's chamber to the charity for use as part of the

Funding budget is allocated to support this project, grant funding for other projects across BDC will be limited.			"*Reviving an artist's birthplace*" project.
For Options 1 & 2 only: If BDC seeks payment for the transfer of the asset, Gainsborough's House Society will be required to raise an additional £235,000 by 14 March 2018 potentially resulting in the lost opportunity of £7.7m investment in Sudbury.	4 - Highly Probable	4 – Disaster	Cabinet resolves to transfer the asset at no cost before 14 March 2018.

5. Consultations

5.1 BDC has not carried out any formal consultations regarding the transfer of this asset, however, extensive consultations have been carried out by the Gainsborough's House Society regarding the "Reviving an Artist's Birthplace" project and details were submitted as part of its Heritage Lottery Fund (HLF) first stage bid. Colleagues in Economic Development, Tourism, Finance, Legal, Public Realm and Communities have also been consulted and contributed to the content of this report.

6. Equality Analysis

6.1 BDC has not conducted any equality analysis regarding the transfer of this asset, however the Gainsborough's House Society has assessed the equality impact of the project and submitted it as part of the HLF bid.

7. Shared Service / Partnership Implications

7.1 BDC has worked in partnership with the Gainsborough's House Society charity to bring the project to this stage and to continue to do so will contribute further to achievement of Joint Strategic Plan outcomes, bringing both tangible and reputational benefits for BDC.

8. Links to Joint Strategic Plan

8.1 The content of this report links most closely to two Joint Strategic Plan outcomes - Improved achievement of strategic priorities and greater income generation through use of new and existing assets, and All communities are thriving, growing, healthy, active and self-sufficient. *It also impacts on the strategic priorities to further develop the local economy and market towns to thrive and to develop and implement our Suffolk Tourism Strategy.*

9. Key Information

9.1 Gainsborough's Chambers (the old Labour Exchange adjacent to Gainsborough's House), Weavers Lane, Sudbury CO10 2EZ was purchased by BDC for £235,000 in March 2014 in order to support the ambition to extend the existing facility in Sudbury.

9.2 The purchase was considered and supported by the Political Leader Group at that time and the decision was made through an urgent action by the Chief Executive under delegated powers.

9.3 The site has been leased to the Gainsborough's House Society since April 2014 for use as a museum. The lease expires on 22 April 2019.

9.4 Annual rental income is £12,000.

9.5 BDC is responsible for the repairs and maintenance of the building.

9.6 The Gainsborough's House Society charity has embarked on an ambitious project – *"Reviving an Artist's Birthplace – A National Centre for Gainsborough"*, which aims to further develop the existing Gainsborough's House site and neighbouring Gainsborough's Chambers site to create a visitor centre and art gallery. More detail can be seen at Appendix (a) – Project position statement; and Confidential Appendix (d) – *"Reviving an Artist's Birthplace" – A National Centre for Gainsborough* - Project financial position.

9.7 The charity anticipates that this project will deliver significant benefits to the local area in terms of jobs, increased tourism and additional community facilities.

9.8 Predictions are for an additional 60 temporary FTE jobs, 9 permanent FTE jobs and 20 indirect FTE jobs. The overall economic impact is predicted to be an additional £2.9m per annum i.e. a 72% increase on 2015/16 once the project is completed. A detailed breakdown is shown at Appendix (b) – Economic impact assessment.

9.9 The total value of funding required for investment in the project is £7.7m.

9.10 The Gainsborough's House Society has the opportunity to lever in significant funding which is reliant upon it owning the Gainsborough's Chambers building by 14 March 2018.

9.11 The HLF is the key funding organisation and following a successful first round funding bid from the Gainsborough's House Society, has pledged £4,733,800. on the condition that the Society can raise the remainder of the £7.7m total project costs and own the freehold of Gainsborough's Chambers in time for the second round submission by 14th March 2018.

9.12 The HLF has confirmed that exchange of contracts between BDC and the Society by 14 March would satisfy the condition of ownership.

9.13 The Society has confirmation of £7,049,800 funding raised through pledges and donations and is awaiting results of applications to trusts, foundations and other sources in order to raise the remaining £689,799.

9.14 The project plan is for work to start in Autumn 2018 and for the new centre to be open by Autumn 2020.

9.15 Discussions between the charity and members and officers of BDC have been on going and although the original lease made provision for the charity to purchase Gainsborough's Chambers from BDC at a fixed price, the position now, is that the council is being asked to consider gifting the asset to the charity in support of the overall £7.7m investment in the regeneration of this central part of Sudbury. A letter of support indicating that BDC was minded to consider gifting the asset is attached at Appendix (c) – BDC "minded to" letter of support.

9.16 A decision is now required regarding the transfer of the legal title of Gainsborough's Chambers to the Gainsborough's House Society. Options are set out below.

<u>Options</u>

9.17 <u>Option 1</u>. Continue with existing lease arrangements until such time as the Gainsborough's House Society exercises its right to purchase the asset at the price agreed in the original lease.

9.18 This could happen immediately as the leasee has the option to purchase the landlord's interest for £235,000 at any time until the end of the current lease in April 2019.

9.19 The book value of the asset as listed in the council's accounts is £240,000. i.e. £5,000 more than the £235,000 that BDC is obliged to sell to the lessee for.

9.20 BDC has a minimum revenue provision (MRP) charge to the income and expenditure account in relation to this acquisition. Any sale proceeds can be used to offset the MRP charge.

9.21 BDC would either receive continued rental income of £12,000 per annum for the duration of the lease or a capital receipt of £235,000 upon sale of the asset.

9.22 Upon disposal of the asset BDC would be released from the associated liability of on-going maintenance of the building.

9.23 The associated risk would be the failure of the £7.7m investment and regeneration programme in the centre of BDC's largest market town, failure to achieve joint strategic outcomes and reputational risk.

9.24 <u>Option 2.</u> As above, sell the Chambers to the Gainsborough's House Society for £235,000 and commit to providing a level of grant funding to the Society for other activities in future years, which would allow the Society to restructure its finances to support its immediate requirements.

9.25 Unallocated Capital Grant funding remaining in the 2017/18 budget stands at £75,000. The base budget for 2018/19 and 2019/20 is £117,000 of which none has yet been allocated.

9.26 The key risk associated with this option is that capital grant funding to other organisations across Babergh would be either nil throughout 2018/19 and restricted in 2019/20; or less restricted but spread over a longer period.

9.27 Option 3. Gift the Chambers to the Society immediately in support of the wider £7.7m investment in the regeneration of the centre of Sudbury.

9.28 Following transfer of the asset, the council would continue to spread the MRP charge to the income and expenditure account. This would enable the council to distribute the cost of its contribution to this project over a number of years.

9.29 BDC would no longer receive £12,000 per annum rental income nor the potential one off capital receipt of £235,000.

9.30 Option three is officers' preferred option because it allows BDC to demonstrate its commitment to investing in Sudbury and to help secure significant external funding from the HLF.

10. Appendices

Title	Location
(a) Reviving an Artist's Birthplace – A National Centre for Gainsborough. Project position statement December 2017.	Attached
(b) Economic Impact report (Appendix 9 of first round HLF bid submitted by the Society)	Attached
(c) BDC "minded to" Letter of support	Attached

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REVIVING AN ARTIST'S BIRTHPLACE: A NATIONAL CENTRE FOR GAINSBOROUGH

THE PROJECT

'Reviving an Artist's Birthplace' is an ambitious project that aims to fascinate and inspire audiences to enjoy the art, life and passions of one of Britain's foremost artists, in the special setting of his childhood home. The project will comprehensively refurbish and redisplay the historic buildings and a create a major gallery extension with an exhibition programme that aims to put Gainsborough's House on the international art museum map. With audiences at the heart of the project, the museum will show more of Gainsborough's art, bringing out paintings that have never been on public show, and tell the story of his life, his family and his interests, while illuminating culture and social history of the 18th century.

The project will transform the museum's ability to develop a secure future by drawing twice as many visitors, encouraging a three-fold increase in dwell time and generating substantially more income. The project aims to spearhead the regeneration of the surrounding historic market town.

The project has four main elements:

1. HISTORIC HOUSE: the re-presentation of the current buildings and outside space,
2. VISITOR SERVICES: improving visitor services, café, toilets, shop, print workshop and education and events space;
3. NEW GALLERIES: a major gallery extension with four large exhibition and learning spaces;
4. AUDIENCE DEVELOPMENT & TRAINING: dynamic activities that create better public engagement; a centre for scholarship and a hub for training.

BABERGH DISTRICT COUNCIL

Gainsborough's House would not have been able to attract the interest in this £7.7m project without the early support of Babergh District Council in securing the former labour exchange building as a site for expansion. For this we remain hugely grateful. Indeed, Babergh District Council's pledge to gift the building was absolutely key in securing a £4.73m pledge from Heritage Lottery Fund. The HLF, and indeed several other large potential funders, have wanted to see to what extent the local authority was behind the project. To say this building has been pledged has been a powerful show of support, but we are now at a stage in the campaign where a pledge is not enough. Confirmation that Babergh will indeed fulfil it's pledge and gift the building is necessary to assure funders. More than £1m is at stake from national funders in a climate in which there are other projects elsewhere in the UK also strongly competing for the same funds. We need these funds and the gift in kind from Babergh to close the £1.4m shortfall we have on the project. If not, we are at serious risk of not being able to convert the £4.73m HLF pledge into a confirmed grant. Without HLF funds, the project will fail and Sudbury will not benefit from this £7.7m investment. We have only 4 months to go to raise the outstanding shortfall before we lodge a Stage Two application to HLF.

URGENCY

Our HLF case officer has wrote to me on Monday 13th November:
Dear Mark

I have spoken with a member of our legal team today. As the sites that you are acquiring will form part of the HLF project we will need to take a legal charge over them. It is therefore very important that you pursue this with some urgency as in my experience this can take some time anyway and if you do not have formal ownership the delays might become significant.

Best wishes
Deborah

Deborah Milligan
Senior Grants Officer
Heritage Lottery Fund East of England

It is important to note that the gift is contingent on the project going ahead and that the legal agreement would include a clause to the effect that the building would be immediately returned to BDC if the project did not raise all the funding required

SUMMARY OF COSTS

PROJECT BUDGET: Breakdown of Costs (excluding VAT, which will be claimed)

Phase 1 **Outline Feasibility**	**Cost (£)**		**Total (£)**
Professional fees	£160,000		
Other costs	£57,450		
Phase 1 Total			**£217,450**
Phase 2 **HLF Development Phase**			
Professional fees	£384,000		
Other costs	£40,425		
Contingency	£21,221		
Phase 2 Total			**£445, 646**
Phase 3 **HLF Delivery Phase**			
Gainsborough's Chambers Purchase	£ 235,000		
Repair, Conservation & Capital Improvements	£ 856,626		
New Building Work	£2,890,694		
Other Capital work	£ 82,823		
Professional Fees	£ 439,500		
Activity Costs	£ 963,860		
Other costs	£ 100,000		
Contingency	£ 780,000		
Inflation	£ 720,000		
Phase 3 Total			**£7,068,503**
Total Project Cost			**£7,731,599**

SUMMARY OF FUNDRAISING

SUMMARY FUNDING GIVEN OR PLEDGED TO DATE

Source	**Raised**
Heritage Lottery Fund	£ 4,733,800
Timothy and Mary Clode	£ 509,000

George John & Sheilah Livanos Charitable Trust	£	300,000
Linbury Trust	£	300,000
Wolfson Foundation	£	100,000
Foyle Foundation	£	150,000
Mr David Pike	£	100,000
Individual donatios	£	50,000
Andrew Lloyd Webber Trust	£	50,000
Lord Belstead Charitable Trust	£	100,000
Finnis Scott Foundation	£	90,000
Esmee Fairbairn (James Hughes-Hallett)	£	10,000
Lowell Libson Ltd	£	50,000
J Paul Getty Jnr Charitable Trust	£	45,000
John and Virginia Murray	£	30,000
Sir Siegmund Warburg's Charitable Settlement	£	25,000
The Band Trust	£	25,000
Sudbury Town Council	£	20,000
Graham Stirk, from Rogers, Stirk and Harbour Charitable Foundation	£	20,000
Maggi Hambling	£	17,000
Art Auction	£	115,000
Trustees	£	110,000
Others	£	100,000
TOTAL	**£**	**7,049,800**
CURRENT SHORTFALL	**£**	**689,799**

We have already submitted applications to Trusts and Foundations and other sources that amount to around £750,000 and we will have decisions before our March submission to the HLF

<u>TIMESCALE</u>
Submission to HLF stage **March 2017**
Demolition of Gainsborough Chambers begins **Autumn 2018**
The project is completed and the new Gainsborough's House opens **Autumn 2020**

<u>BENEFITS</u>
Benefits to Sudbury and the surrounding area:

- Makes Babergh District a more desirable place to visit
- Makes Babergh District a better place to live
- Benefits to local communities of the outreach and engagement programmes, serving mainstream and marginalised members of the community
- A centre for volunteering - currently we have 240 volunteers.
- Babergh hosting a National Centre puts it on the map in a national sphere - will be helpful for attracting other businesses and building prosperity.
- 60 temporary FTE 9 permanent FTE 20 indirect jobs FTE jobs are created
- The Project GVA (2016/17 to 2020/21) is £8,656,684 in total including £5.36m in visitor impact, £1.33m in employment impact; impact of spend on goods and services £1.02m.
- Once completed, the GVA of the expanded museum per annum will be £2.93m (£2.07m in visitor impact pa, employment impact of £425,920 and spend on goods and services £200,832. This is an overall increase of 72% on 2015/16.)

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Reviving an Artist's Birthplace

A NATIONAL CENTRE FOR GAINSBOROUGH

Appendix IX: Economic Impact

HLF First Round Application
June 2016

GAINSBOROUGH'S HOUSE

APPENDIX IX

THE ECONOMIC IMPACT

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1. William Kendall, The High Sheriff of Suffolk
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1. INTRODUCTION

It is one of the key outcomes of *Reviving an Artist's Birthplace: A National Centre for Gainsborough* to spearhead the regeneration of a market town. The increased visitors and increased profile that the project will deliver will encourage real growth within the town. Specifically it aims:

-To develop its role as a centre for Heritage in the town and region
(Current initiatives around cultural tourism for Sudbury led by Gainsborough's House, including the *Gainsborough's Sudbury* trail and marketing brochure have had a positive effect)

-To bring more people to Sudbury and to encourage use of the town and local businesses

-To instigate a greater sense of local pride

-To change negative perceptions.

-To make Sudbury a better place to live

-To be a positive economic model in a climate of reduced local authority funding

2. PROJECT ECONOMIC IMPACT SUMMARY

Reviving an Artist's Birthplace: A National Centre for Gainsborough will have a marked impact upon employment and economic benefit. Specifically:

2.1. Jobs Created

60 temporary FTE

9 permanent FTE

20 indirect jobs FTE

2.2. GVA (Gross value added)

Gainsborough's House has been keen to calculate the economic value of the project, both in terms of employment and its GVA (Gross value added which measures the contribution to an economy), based on Association of Independent Museums and ALMAUK (Archives, Libraries and Museums Alliance UK) economic value toolkits.

The Project GVA (2016/17 to 2020/21) is £8,656,684 in total including £5.36m in visitor impact, £1.33m in employment impact; impact of spend on goods and services £1.02m.

Once completed, the GVA of the expanded museum per annum will be £2.93m (£2.07m in visitor impact pa, employment impact of £425,920 and spend on goods and services £200,832. This is an overall increase of 72% on 2015/16.)

3. OUTPUTS

Outputs	When will these be achieved	Data Sources	How often would these be measured and by whom
Gainsborough's House currently employs and trains around 200 volunteers – following completion of this project, this number would increase to 250.	6 months after project completion	Gainsborough's House employment figures	Monthly by Gainsborough's House
During the development phase of the project, it is anticipated that around 60 temporary FTE jobs would be created.	From start of construction to end of construction	Project monitoring	Monthly by project manager
Currently Gainsborough's House employs a number of staff on temporary contracts. As a direct result of the project, 9 new permanent FTE jobs would be created, including 4 high level FTE jobs.	6 months after project completion	Staff employment figures	Monthly by Gainsborough's House
Increase in GVA – currently Gainsborough's House attracts around 22,500 visitors per annum bringing in an estimated £952,200 to the local economy every year. It is anticipated that visitor numbers will double following completion of this project bringing in around £2.07million per annum to the local economy. This, added with the impacts of employment and spend on goods and services,	One year after project completion	Calculation based on DC Research, Commissioned by the Association of Independent Museums.	Quarterly by Gainsborough's House

make a total GVA of £2.93m per annum.			
This project will enable Gainsborough's House to be a major hub for the region – encouraging visitors to explore West Suffolk and beyond, not just Sudbury. As a result of this project it is envisaged that jobs will also be created in the local area as a direct result of the increase in visitor numbers. To support this vision, Gainsborough's House is working closely with the Town Council and Local Authorities to develop a promotional campaign to encourage visitors to spend more time in the Sudbury area. Transport providers, local hotels, B&Bs, cafes and restaurants will benefit, and the retail operations of the local Silk Mills.	One year after project completion	Market Research and External Consultants advice	Sudbury Town Steering Committee
Community groups already hire facilities of Gainsborough's House. It is expected that the new landscape gallery will provide more opportunities to hire facilities to local community groups and also attract bookings from further afield.	First quarter after project completion	Market Research and External Consultants advice	Quarterly by Gainsborough's House
Gainsborough's House spends around 73% of its annual turnover within the region. The current turnover will be £546k, giving a regional spend of £400k. Turnover will increase to £722k per annum as a result of the project with £527k spent within the region.	One year after project completion	Gainsborough's House Finance Reports	Quarterly by Gainsborough's House and Project Manager
The project will create five apprenticeships per annum	During project and continuing after project completion	Staff records	Annually by Gainsborough's House
The project will create 20 indirect jobs in the surrounding town and to suppliers.	One year after project completion	Sudbury Chamber of Commerce and Sudbury Steering Committee, as well as suppliers to	Gainsborough's House

		Gainsborough's House	
Low carbon footprint, with a new building that has high insulation qualities and using low emissions power.	Upon completion	Project monitoring and Babergh Council inspections.	Annually by Gainsborough's House
Specialist skills in developing and running visitor attractions, as chargeable Business Consultancy.	During project and continued after completion	Gainsborough's House	Director, Gainsborough's House.

4. THE BACKGROUND

This project will be transformational not only to the museum, but will also be a catalyst for the regeneration of the market town of Sudbury, attracting significant levels of tourism and engendering a greater pride of place. It will be a major visitor attraction in East Anglia, providing a significant boost to the local and regional economy in terms of additional tourist spending and employment.

Sudbury is a special town with real assets to attract cultural tourism but it has not reached its potential. This is now key to the town's vision for future prosperity. Gainsborough is one of the greatest artists of all time, the landscape setting is supremely beautiful, there are historic churches and old wool mills in and around town and Sudbury has the only three commercial silk weaving factories in the country. Gainsborough's House is taking a lead role with Sudbury Town Steering Committee to be instrumental in drawing up a plan to maximise the heritage offer with a dynamic marketing strategy. This has already begun with billboard advertising at Liverpool Street Station and 'Gainsborough's Sudbury' leaflets, a promotion with Brewers Fare restaurants and plans for marketing to visitors to Constable Country and the Stour Valley.

The charitable trust was set up in 1959 to operate the childhood home of Thomas Gainsborough as a museum. Just recently, a neighbouring empty former labour exchange building became available for sale. Babergh District Council has got behind this vision for a National Centre in Sudbury by buying the building to give Gainsborough's House time to raise funds to purchase it. The offer is time-limited. The plan is to remove the building, and build an extension that is fit-for-purpose, with an estimated 526m sq.

Gainsborough is one of the most significant figures in British art. His portraiture and landscape painting were critical in developing the 'national school of British painting', later known as the Royal Academy. Gainsborough's House has the most extensive collection of his paintings, prints and drawings in the world. The museum is now at a critical moment in its history and has a rare chance to achieve its potential, to transform into the national centre for Thomas Gainsborough that the collection and place merits. The aim is for the museum to be on the international art museum map, attracting the sort of profile of its comparators - Rembrandt House in Amsterdam and Rubens House in Antwerp.

The Grade I-listed Georgian townhouse has been operating as a museum for more than 50 years. In 1977, the coach house was converted into a print workshop – Gainsborough was also an important early printmaker – and in 2004, two adjacent cottages were rebuilt to provide a new entrance, visitor facilities and the Hills Room education centre. However, it cannot display some of Gainsborough's finest full-length paintings in its confined space, there is no café and limited exhibition, learning and visitor facilities. A major expansion to increase the visitor offering and capacity will help the museum become more sustainable.

Gainsborough's House is unique in the area; there are no competitors. The expansion will create business for surrounding enterprises and will not detract from any current business offering. At present, 46% of visitors to Gainsborough's House are day visitors, 20% are overnight visitors and 34% are local visitors. Research published by the Association of Independent Museums suggests the spend per head of visitors is £30.36, and overnight visitors is an additional £60.02. Overall, the economic value to the area of Gainsborough's House at present is estimated at £952,200. We anticipate that this figure would more than double as a result of this project to £2.07m.

5. ALIGNMENT WITH LEP STRATEGIC ECONOMIC PLAN

This project supports the LEP through direct and indirect job creation, creation of apprenticeships and an increase in productivity (GVA).

It also supports skills development as Gainsborough's House works closely with schools in the local area and supports internships through Higher and Further Education providers across Suffolk and offers five apprenticeships a year.

The project creates business support by the senior management sharing experience through the project in supporting other audience reliant visitor venues in the region.

Sudbury is a growth location in New Anglia LEP.

6. ADDITIONAL BENEFITS FOR SUDBURY

Existing visitors to Gainsborough's House are 22,500 annually. Our business planning is based on marketing campaigns that will draw at least 50,000 visitors to an expanded museum, although we will be working to attract as many as 75,000 visitors, which will all lead to the regeneration of the surrounding town of Sudbury with job creation and increased spend into the local economy.

The project fits strategically within the plans for the region. Tourism is key to Babergh District Council's growth plans and a regenerated tourist offer in Sudbury will strengthen the West Suffolk tourist identity. Creating a more significant tourist attraction in Sudbury will encourage new visitors to explore West Suffolk and generate real interest in overnight and extended stays in the region, both in the town itself and in nearby towns and villages. It will add further interest to those already visiting historic Bury St Edmunds and Lavenham. '*Part of the Town Council's vision for the future of Sudbury is to encourage and promote tourism in order to promote the long term viability of the town and its economy. Gainsborough's House is a very important catalyst in future plans and any improvements to this nationally important site should be welcomed and supported.*' Mrs Jacqueline Howells, Town Clerk, Sudbury.

Suffolk is already a county famed for its associations with the arts and this project will build on this. This project will complement the already strong Suffolk Coast brand attracted by Pears/Britten at Aldeburgh and the surrounding coastal landscape and townscapes. The programme in the new galleries will have a strong music element, illuminating Gainsborough's passion for music, and appealing to those who already visit Snape Maltings to extend their stay in the county. It will encourage 250,000 visitors to Constable Country around Dedham and Flatford to explore further the Stour Valley, which extends the 11 miles to Sudbury, and extend and enrich their visit.

7. WIDER ECONOMIC IMPACT

Gainsborough's House will be a major visitor attraction in the East of England as a world-class museum, art gallery, arts and study centre. It will include four new exhibition galleries to display blockbuster historic and contemporary exhibitions, vastly expanding its ability to attract audiences regionally, nationally and internationally. They will provide a significant boost to the local and regional economy with additional employment, tourist income and the museum's spend on goods and services.

Museums have a major impact to local and national economies in the UK. A new report commissioned by Arts Council England found museums in England generate £2.64 billion in income, contribute £1.45 billion in economic output to the national economy, employ a minimum of 38,165 people and are estimated to generate £3 of income (including earned income, income from investments, grants from charities and foundations, and donations etc.) for each £1 of public sector grant.[1]

Museums are a core part of our cultural life. Figures from the Department for Culture, Media and Sport (DCMS) show that over half of adults (53%) had visited a museum or gallery in the last year, more than at any time since 2005. Data also show that overseas visitors increased from 13.9m in 2008/9 to 18.7m in 2011/129, further demonstrating the strong and continued demand for, and use of, our museums.

Oxford Economics research commissioned by the HLF found that 'for every £1 spent as part of a heritage visit, only 32p is spent on site. The remaining 68p is spent away from the attraction itself – but as a direct result of visiting heritage – in restaurants, cafes, hotels and shops, for example. This 'heritage motivator' is what produces the substantial economic-impact results that we find through the research. Overall, the total amount of money spent within the local economy, by all visitors to the funded heritage attractions in the research, was found to more than double following the completion of an HLF project.'[2]

Research published by the Association of Independent Museums[3] estimates that a day visitor in South East England is worth at least £30.80 to the local economy and if staying is worth an additional £60.02. The expectation is that overnight visitors are about 20% of the total number of visitors to Gainsborough's House. Applying these calculations, the economic benefit in terms of visitor spend of the expanded museum is £2.07m. Further to this, a significant amount of the £7.5m spend on the capital project will benefit the local economy, in terms of local employment the build itself generates and the project's spend on local goods and services as well as the employees spend locally. Furthermore, once the expanded museum is opened, it is anticipated that the annual value of employment and spend on goods and services would add a further £1.2m pa.

NOTES

1. The Economic Impact of Museums in England for Arts Council England, Prepared by TBR's Creative & Cultural Team in partnership with Pomegranate LLP and Scott Dickinson & Partners Ltd.

2. Investing in Success, The Economic Impact of the UK Heritage Tourism Economy, Oxford Economics.

3. The Economic Value of the Independent Museum Sector, AIM/DC Research.

Appendix A Letters of support

The High Sheriff of Suffolk

Dear Sir Peter,

I would like to add my support to Gainsborough's House in Sudbury's application to the H.L.F. for a Major Project grant. I have been involved in a number of significant arts projects in recent years and this one seems to meet a larger number of expectations than most. Gainsborough has widespread, international appeal so creating an appropriate centre to celebrate his life and work seems timely in his home town. The developed house and galleries

William Kendall DL
By The Crossways, Kelsale, Saxmundham, Suffolk, IP17 2PL
Home: 01728 602044 • Mob: 07768 764941
Email: suffolkhighsheriff@gmail.com • william@bythecrossways.co.uk

Will deliver an asset which will provide an educational boost to the region for pre-school through to third age provision. I was most impressed by the near universal support for the project for the town of Sudbury and the wider community and region. An enhanced Gainsborough centre can hardly fail to bring in significant extra tourism to the area and to expand opportunities for the local economy well beyond the investment required.

I realise that you will be considering many excellent and competing applications but truly hope that this one is successful as, with its strong governance and economic potential, it will, in my view, represent an excellent investment.

Yours sincerely

Hilton Kendall

Stephan Shakespeare
Tanglewood
Lower Road, Borley
Sudbury CO10 7AB

23rd May 2016

To: Sir Peter Luff, Chairman
Heritage Lottery Fund

Dear Sir Peter,

I hope you are well!

I write to you as a strong supporter of Gainsborough House. I live near Sudbury and a visit to this lovely museum forms a pleasurable part of many a relaxed cultural weekend. In recent years it has become increasingly interesting and ambitious, and I am thrilled by the possibility of their big project to revive Gainsborough's birthplace.

Among the many reasons for HLF to support this project, I would highlight two:

1) Sudbury has been working hard to make itself more attractive to visitors, and this project would create a major cultural destination for the area.

2) The nation owns so many wonderful paintings by Gainsborough that are not accessible to the public – this would be a great way to bring them into the lights.

I love Gainsborough (and am myself the lucky owner of one of his beautiful Bath watercolours). Now, much as I love visiting Los Angeles, it's slightly sad that the Huntingdon Museum in Arcadia is currently the most atmospheric setting of a great Gainsborough collection anywhere in the world. His birthplace, housing a number of his best works currently in our national vaults and private collections (I will happily offer my own little gem), would surely become a serious rival!

This could be a really significant development and I commend it to the National Heritage Fund with all my heart.

Yours,

Stephan Shakespeare

Stephan Shakespeare
2 Wallside
London EC2Y 8BH

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Heritage Lottery Fund

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This could be a really significant development and I commend it to the National Heritage Fund with all my heart.

Yours,

Stephan

Stephan Shakespeare

James Cartlidge MP
Member of Parliament for South Suffolk

HOUSE OF COMMONS
LONDON SW1A 0AA

Sir Peter Luff, Chairman
Heritage Lottery Fund
7 Holbein Place
London
SW1W 8NR

26th November 2015

Dear Sir Peter,

RE: LETTER OF SUPPORT FOR GAINSBOROUGH'S HOUSE

I am writing to voice my full support for Gainsborough's House proposed major project: *Reviving an artist's birthplace: A National Centre for Thomas Gainsborough.* As the Member of Parliament for South Suffolk I would like to emphasise the importance of this project to my constituents.

Gainsborough's House is of utmost significance to Sudbury, the biggest town in my constituency. Sudbury has a rich heritage of which Thomas Gainsborough is a very important part. As a former resident, Gainsborough is already treasured by the local community and this major project could help to nurture the town's collective pride and identity. Sudbury has long been working towards a revival and I believe that this capital project would be an important catalyst for change within the town.

With Gainsborough as its inspiration, the project seeks to bring to life the art and ideals of the artist to inspire a new generation of visitors with enjoyment and learning. In addition to an exhibition gallery that will deliver large-scale exhibitions of national standing, the project includes plans for a community gallery. This space is where visitors can view a vibrant, contemporary response to Gainsborough, Sudbury and Suffolk, by artists in the region, created in the Gainsborough print studio and in outreach projects.

I hope that you will agree that the Gainsborough House project has the potential to make a significant contribution to the cultural life and community spirit of the town.

Yours sincerely,

James Cartlidge
Member of Parliament, South Suffolk

PS – your successor is doing an excellent job!

Telephone: 020 7219 4875
Email: james.cartlidge.mp@parliament.uk Website: www.jamescartlidge.com

Babergh District Council
Corks Lane
Hadleigh
Ipswich
Suffolk IP7 6SJ

Telephone: 01473 825811
Email:
jennifer.jenkins@babergh.gov.uk

15th February 2016

Sir Peter Luff
Chairman
Heritage Lottery Fund
7 Holbein Place
London
SW1W 8NR

Dear Sir Peter

Babergh District Council fully supports Gainsborough's House *Reviving an Artist's Birthplace: A National Centre for Thomas Gainsborough* and purchased Gainsborough's Chambers and the adjacent land with the sole intention of securing the site for the project. Furthermore, we have worked closely with Gainsborough's House from the beginning of their plans particularly through the Sudbury Town Steering Committee, of which the Director Mark Bills is a member.

We are, totally committed to this project because we can see its direct benefits to Sudbury, its communities and its significant role in the town's economic development and tourism offer. We are therefore looking at ways in which to maximise our support in any way we can.

Whilst Babergh District Council currently faces great financial challenges, we appreciate that the most significant way in which we could provide help to support the capital project is to consider gifting Gainsborough's Chamber to Gainsborough's House as match funding.

It is the intention of this letter to pledge our commitment to *Reviving an Artist's Birthplace,* and to confirm we are minded in principle to consider gifting the property which has an estimated value of £235,000 with the hope it could be used for match funding for the project.

Yours sincerely

Jennie Jenkins

Cllr Jennie Jenkins
Leader of the Council
Babergh District Council

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BABERGH DISTRICT COUNCIL

From: Cabinet Member for Communities	**Report Number: BCa/17/51**
To: Babergh Cabinet	**Date of meeting: 8 February 2018**
Part 1	

LEISURE INVESTMENT PROPOSALS KINGFISHER LEISURE CENTRE AND HADLEIGH POOL AND LEISURE

1. Purpose of Report

1.1 To seek Cabinet approval in principle for capital investment for the refurbishment and redevelopment of Kingfisher Leisure Centre and the replacement of the swimming pool at Hadleigh Pool and Leisure Centre.

1.2 To seek delegation of authority to the Assistant Director Environment and Commercial Partnerships to develop detailed costed proposals, to include obtaining planning permission and competitive tenders for the two schemes, and to report the outcome back to Cabinet for final approval before commencing work.

1.3 The refurbishment and redevelopment of Kingfisher Leisure Centre will double the size of the health and fitness facility, provide two new studios, new health and fitness changing facilities along with refurbished wet side changing facilities. This will provide state of the art modern facilities that meet the needs of the community now and for the foreseeable future.

1.4 The replacement of the swimming pool at Hadleigh Pool and Leisure will provide a new build modern accessible deck level 25m pool to replace the 47-year-old pool.

1.5 The total estimated capital cost of the two projects is £3.834m of which £577k is planned maintenance and £200k has been earmarked by Hadleigh Town Council towards the replacement of the swimming pool. South Suffolk Leisure (SSL) will meet the full repayment of the remaining capital investment, principle and interest, of £3.057m in addition to reducing the management fee they currently receive.

1.6 These projects will see an investment in the Council's two leisure facilities of circa £3.8m, providing state of the art facilities to meet the proven needs of the community, capital repayments met in full by South Suffolk Leisure through increased use and income generated and a reduction in the management fee of approximately £2.0m over a 20-year period.

2. Recommendations

2.1 That Cabinet approves, that the Assistant Director Environment and Commercial Partnerships be authorised to commission detailed design for the refurbishment and redevelopment of Kingfisher Leisure Centre and for the replacement of the Swimming Pool at Hadleigh Pool and Leisure. This to include obtaining planning permissions and competitive tenders for the two schemes.

2.2	That Cabinet approves, that the detailed designs and tenders received be reported back to Cabinet for final approval prior to works commencing.	
2.3	That Cabinet recommends to Full Council that additional funding of up to £3.4m is allocated to the capital programme to support the refurbishment and redevelopment of Kingfisher Leisure Centre and for the replacement of the Swimming Pool at Hadleigh Pool and Leisure (as per para 3.4). Reasons for recommendations To meet the outcomes of the adopted Leisure, Sport and Physical Activity Strategy.	

3. Financial Implications

3.1 The financial implications for this project falls into 2 stages. The Council has to date incurred costs of approximately £12k at Stage 1 (design) to develop the outline schemes, draft layouts and indicative costs of construction. The results of this work are the subject of this report.

3.2 Stage 2, (Detailed design) takes the project to a point where a decision can be taken on whether the project should proceed. The cost of this additional work has been included in the projected capital costs outlined in this report.

3.3 The outcomes of Stage 2 will be the subject of a future report and recommendation.

3.4 It is proposed that funding of up to £3.4m, which includes a 10% contingency, is incorporated in the capital programme for 2018/19 and 2019/20.

4. Legal Implications

4.1 Legal advice will be sought during Stage 2 to understand the most appropriate approach to delivery of the project. The legal advice will seek to set out any changes necessary with the Council's contractual relationship with South Suffolk Leisure Trust.

5. Risk Management

5.1 This report is most closely linked with the Council's Corporate / Significant Business Risks as set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If investment opportunities are not implemented there is a risk that the swimming pool tank at Hadleigh will fail resulting in the loss of a swimming facility, possible health and safety implications, loss of revenue and increased costs for the management of the facility.	Probable - 3	Bad - 3	Prioritise the development of investment opportunities. Close the pool.

If investment opportunities are not implemented, then additional resources will not be generated to reduce the cost of provision to the Council through a reduced management fee.	Probable - 3	Noticeable - 2	Ensure investment opportunities are prioritised and included in the budget.
If facilities are not improved or extended to meet the needs and demands of the public the current facilities will be overcrowded leading to poor customer experience and possible loss of trade.	Probable - 3	Bad - 3	Improve facilities to meet the demands of the community.
If SSL do not achieve the financial projections set out in the report, this could lead to failure to repay the capital investment.	Unlikely - 2	Noticeable - 2	SSL have a healthy balance sheet providing a cushion for variations in performance. BDC would have the option of testing the market if SSL did not meet the financial commitments.

6. Consultations

6.1 There have been detailed consultations between Officers, specialist consultants and South Suffolk Leisure. There has also been consultation with Sport England and other key stakeholders. Pre-application discussions have commenced with planners.

7. Equality Analysis

7.1 There are no equality and diversity implications arising directly from this report as the proposals being put forward are seeking an extension or replacement of what is already being provided. The replacement of the swimming pool at Hadleigh will require an area of the existing park behind the current facility. However, the existing swimming pool site will be returned to parkland resulting in no net loss of amenity.

8. Shared Service / Partnership Implications

8.1 The Leisure, Sport and Physical Activity Strategy is a joint strategy and the proposed outcomes of these leisure investment proposals will contribute towards the joint strategic priorities. However, the investment proposals in themselves are geographically specific.

9. Links to Joint Strategic Plan

9.1 The Leisure, Sport and Physical Activity Strategy makes specific reference to the Councils Joint Strategic Plan and the leisure investment proposals specifically relate to: continued support for Health and Wellbeing outcomes that prevent interventions; manage our corporate assets effectively.

10. Background Information supporting the proposed investments

10.1 Babergh District Council adopted its first joint Leisure, Sport and Physical Activity Strategy along with Mid Suffolk District Council in December 2017 (BDC Cabinet 7th December). The strategy was developed with the input of specialist leisure consultants through a cross party Task and Finish Panel and through consultation with key stakeholders.

10.2 In conjunction with developing the Leisure, Sport and Physical Activity Strategy, our specialist consultants undertook a strategic review of the Councils leisure facilities.

10.3 The leisure facilities review was developed concurrently with the new overarching Leisure, Sport and Physical Activity Strategy which provides the joint Councils with a set of strategic priorities for the future provision of Leisure, Sport and Physical Activity services.

10.4 The Councils' Vision for leisure, sport and physical activity seeks to provide guidance and inspiration as to what the Councils and our partners are focused on achieving up to 2030.

"Mid Suffolk and Babergh will support, encourage and inspire their communities to be more active and achieve a better quality of life."

10.5 The Councils' strategic aim is:

"To support and enable increased levels of sport and physical activity participation across Babergh and Mid Suffolk; to support the improvement of health and well-being within our communities, particularly those from disadvantaged groups."

10.6 Below are the top six Strategic Priorities for leisure, sport and physical developed through detailed consultation with elected Members and strategic partners.

1. Children and Young People - Increase the number and frequency of children, young people (1-18 years) and families across the district regularly taking part in traditional and non-traditional sport and physical activity.
2. Older People - Increase the number and frequency of older people regularly taking part in traditional and non-traditional sport and physical activity to reduce social isolation and to improve health and wellbeing.
3. Volunteers - Increase the volunteer base of sport and physical activity clubs and groups to build capacity, resilience and support growth in participation levels.
4. Mental Health - Increase active participation and benefits to participants with mental health issues through sport and physical activity.
5. Physical and Learning Disabilities - Improve the engagement and uptake of those with physical and learning disabilities into community and leisure facilities, ensuring that facilities are accessible and activities are available to all.

6. Sports and Leisure Infrastructure - Support the provision of sustainable community sport and leisure facilities and the spaces and infrastructure that individuals, clubs, schools and groups can access and use to take part.

10.7 Babergh District Councils leisure facilities are key physical assets that will play a critical role in the successful delivery of the Leisure, Sport and Physical Activity Strategy by providing facilities, activities and services to help get more people, more active, more often. All six Strategic Priorities of the Leisure, Sport and Physical Activity Strategy are to a varying degree, dependent upon the continued provision of publicly accessible and financially sustainable leisure facilities but the sports and leisure infrastructure priority is specifically relevant.

10.8 The strategic review of the leisure facilities was designed to identify current and future levels of supply and demand for public leisure facilities linked to projected population growth to identify gaps in provision. It also identifies opportunities to better meet demand and critically, to improve the Councils' revenue position.

10.9 The strategic review identified that in view of the projected population growth, the identified gaps in provision and latent demand for facilities identified, the core leisure facilities will continue to play a critical role over the next 20 years. This view is strengthened by the current absence of any major planned facility developments in neighbouring boroughs.

10.10 The aim of the strategic facilities review was to ensure that a planned, evidence based, strategic approach is taken for the provision and delivery of sports, recreational and leisure facilities. This has identified investment options which could improve the joint Council's overall revenue position, improve the quality of the facilities and better meet local need. These investment proposals are described in detail in this report.

10.11 The options of not undertaking the investments have been considered. If the pool is not replaced at Hadleigh then either it will continue to be operated until it fails, the existing pool is refurbished, or it is closed. If there was a decision to continue to use the pool until it fails, there is a growing health and safety risk that the failure could be significant and possibly harmful to users of the facility. The more prudent decision would be to close the pool. This would result in the loss of income and an increase in the management fee. The most cost-effective proposal is to replace the pool.

10.12 The option of not investing in the refurbishment and replacement of Kingfisher Leisure Centre would be that demand would not be met, the opportunity of reducing the financial cost to the Council would not be realised and that customer satisfaction would be materially impacted. Alternative investment options were considered as part of the leisure facilities review and the proposals in this report were the most cost effective to the Council whilst meeting the needs and demands of the community.

11. Leisure Provision – current and future needs

11.1 Detailed analysis was undertaken of Babergh's population and demographics to assess future needs. Babergh's population is predicted to grow from 89,521 (ONS 2015) to 93,432 in 2031. The overall population is forecast to make a substantive shift demographically towards the older age groups, over 65 will rise from 1 in 5 to 1 in 3 by 2031, this will have a significant impact on demand for leisure, sport and physical activity provision.

11.2 64.9% of adults in Babergh are classified as overweight or obese, compared to the national average of 64.8% and the regional average of 65.6%. Additionally, 15.1% of children in Babergh are obese. This compares to the national average of 19.1% and the regional average of 16.9%. Whilst the figures for children are lower than the national and regional figures, the number is still concerningly high, as is the proportion of overweight and obese adults.

11.3 The 2011 Census identified that there is very high car ownership in Babergh due to its rural nature. Only 13.4% of the population does not have access to private transport (Source: draft Built Facilities Strategy 2015-2031). As a result, it can be assumed that the population is relatively mobile and able to travel to access leisure provision.

11.4 Sport England's Active People Survey (APS) 2015/2016, indicates that Babergh has 33% of residents involved in at least 1 session a week of 30 minutes of moderate intensity sport. This compares to the national average of 36.1% and the East regional average 36.1%. This is an increase from the 2014/2015 figure of 31.6%. This suggests that only a third of the population are physically active at least once a week.

11.5 The top three sports in Babergh, in order of popularity, are cycling, swimming and gym session (Source: APS).

11.6 The APS details that 53.5% of adults (16+) in Babergh would like to do more sport. This breaks down to 34.7% of inactive adults and 18.8% of active adults want to do more sport. This adds weight to the proposals being presented.

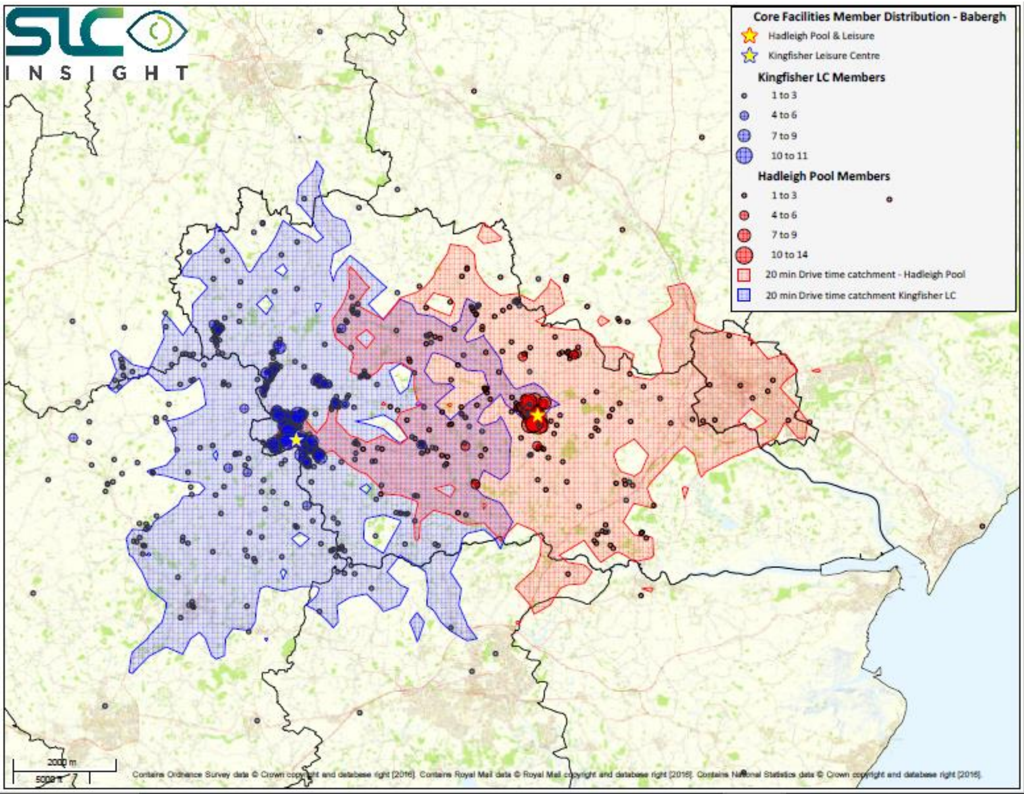
11.7 Volunteering in Babergh has significantly reduced, using statistics from the APS. For 2012-2016, 10.9% of Babergh residents did sports volunteering, which is a sharp decrease from the 17.1% in 2010-2012. Nonetheless, any leisure facility development should increase the opportunities for volunteering and improve the numbers of volunteers.

11.8 Figure 1 below shows the distribution of existing members of Babergh's two facilities in the context of a 20-minute drive time catchment. Whilst the core facilities' 20-minute drive time catchments cover most of the District, there are little or no members coming from the north and the south-eastern corner of the District. This is most likely due to their distance from the core facilities and/or availability of alternative facilities closer to them even if outside the district.

11.9 In the case of both facilities, there is a very heavy concentration of members from their very immediate catchments, and that membership is significantly less dense beyond that. Although one would expect to see a higher concentration of members in the immediate vicinity of the facility, this does appear to be especially marked in this instance.

11.10 It also demonstrates that the facilities serve very distinct physical catchments within Babergh, albeit there is some crossover shown where the drive time catchments overlap, and highlights the importance of the two facilities in serving as many of the District's residents as possible from a physical accessibility perspective.

Figure 1: Distribution of Members using Core Facilities - Babergh



11.11 Member distribution analysis demonstrates that Babergh's core facilities have good reach across the District, with only the south-east corner and small areas of the north-west boundary falling outside of the Centres' reach. It has also shown however, that although members are distributed across the District, there is a notably high density of members in the immediate proximity of the facilities themselves. This suggests that the facilities serve very distinct catchments from a physical accessibility perspective.

11.12 The consultants latent (or unmet) demand model assesses market potential based on a defined area and population. This analysis examines the likely total demand generated by a given population for key income generating areas of leisure provision; health and fitness, general swimming and swimming lessons. This is then modelled against the existing total provision and likely met demand. The latent / unmet demand for facilities is therefore the residual from the total demand less the likely met demand.

11.13 This model has been used to assess latent demand for health and fitness, general swimming and swimming lessons on the 2015 population (ONS 2015 mid-year population estimates) and 2031 population (ONS 2012-based sub national population projections). These latent demand assessments have been undertaken to support the development of specific facility development options.

11.14 Our specialist sports consultants and SSL have undertaken specific latent demand analysis for the individual investment proposals to ensure that there is sufficient latent demand to justify an increase in provision within a reasonable drive time catchment of the proposed development site. A high-level analysis of the latent demand for health and fitness was completed within a 12 and 20-minute drive time catchment of Kingfisher Leisure Centre.

11.15 Given the relatively small catchment area from which most existing members of Kingfisher Leisure Centre are currently drawn a sensitivity analysis was applied to the results. The analysis uses the FIA 'State of the Industry' (2016) report findings which indicate that 14.3% of the population nationally have a health and fitness membership. The assessment of latent demand for health and fitness uses population figures calculated based on the 2011 Census population for the area and an assumed rate of population growth to 2031.

11.16 Swimming lessons were also analysed as a potential area of growth. A high-level analysis of the overall demand for swimming lessons in the District was undertaken using participation rates for under 10's from Sport Industry Research Centre Sheffield Hallam University depending on age. The assessment of latent demand for swimming lessons in Babergh used the ONS 2015 Mid-Year Population Estimates for the District and assumed participation rates by age group.

11.17 The analysis is based on the number of existing participants for each facility in the area which currently runs lessons and actual current number of pupils at Kingfisher Leisure Centre and Hadleigh Pool & Leisure. The analysis demonstrated a potential unsatisfied demand of 149 swimmers.

11.18 In summary the analysis undertaken demonstrates that there is clearly a latent demand for the facilities that are being proposed.

12. South Suffolk Leisure Trust

12.1 South Suffolk Leisure Trust was set up as a charitable trust by Babergh District Council in April 2006 to manage the Council's leisure facilities. A lease was provided for 25 years for both sites and a separate management agreement was established to be reviewed every 5 years.

12.2 The current management fee paid to South Suffolk Leisure by Babergh is £200,640 per annum.

12.3 SSL have turned their financial position around in the last 5 years. The Council brought in independent consultants V4 in 2011/12 to independently review the Trust. The outcome of the review was to increase the management fee by £50k per year providing SSL with the opportunity investing and growing the business. This has proved very successful with turnover increasing from £1.4m in 2011/12 to £2.4m in 2016/17, reserves increased from £70k to more than £600k in addition to significant capital investment in the facilities.

12.4 Officers recently asked Sport England to undertake an independent review of the performance of the Trust using Sport England's National Benchmarking Service (NBS). The aim of the NBS is to provide local authorities with rigorous and robust information on the performance of their sports and leisure centres compared with that of equivalent family facilities elsewhere in the country.

12.5 The analysis reviewed areas such as access, utilisation performance, finance and customer satisfaction. The results demonstrated that the Trust is largely performing in the top quartile in most categories. The areas where performance was low was where investment is needed such as utilities and spend on maintenance. The proposals for Kingfisher will replace key pieces of plant e.g. air handling unit in addition to upgrading areas where significant maintenance is being incurred due to the age of some parts of the facility e.g. changing rooms. Similarly, the pool hall and plant at Hadleigh are inefficient and uneconomic.

12.6 The success of South Suffolk Leisure over the past 5 years, their current performance and their financially sustainability should give the Council a high degree of confidence that SSL are more than capable of succeeding and delivering the outcomes proposed in this report.

13. Investment proposals

Kingfisher Leisure Centre

13.1 The analysis undertaken in the review of the Council's leisure facilities set out in section 11 demonstrates that there is a current and future demand for health and fitness facilities in the Sudbury area. The health and fitness facilities at Kingfisher Leisure Pool are already operating well beyond capacity.

13.2 The wet side changing facilities were due for replacement several years ago and the work has been delayed in order to undertake the work as part of the redevelopment proposals to maximise efficiencies.

13.3 The proposed refurbishment and redevelopment of Kingfisher Leisure Centre includes:

- Refurbished wet changing facilities
  - Replace toilets and showers in male, female and disabled areas
  - Improve drainage
  - Replaced floor tiles
  - Replace wall tiles
  - New Air handling systems installed
  - New modern plant to support works
- New ground floor health and fitness changing rooms
  - Exclusive access to members only
- First floor development of the gym increasing the capacity from 40 exercise stations to 100 exercise stations.
- Two story extension incorporating ground floor studio/community room and first floor studio

13.4 This development at the Kingfisher Leisure Centre will provide state of the art modern facilities that meet the need of the community now and for the foreseeable future and due to the latent demand for health and fitness facilities in and around Sudbury it is very unlikely that a large private operator will come in to meet our future needs.

13.5 The proposed plans for the refurbishment and redevelopment of Kingfisher Leisure Centre are set out in Appendix 1.

Hadleigh Pool and Leisure

13.6 As for the Kingfisher proposals the analysis undertaken in the review of the Council's leisure facilities set out in section 11 demonstrates that there is a continued demand for swimming provision in the Hadleigh area.

13.7 Around 15 schools use Hadleigh Swimming Pool for their learn to swim programme each year. This accounts for around 10,000 swims each year. Swim England curriculum swimming and water safety statistics conducted in 2016 show that 31 per cent of Year 6 pupils leave primary school without the minimum swimming ability and water safety skills. Suffolk Norse's statistics for schools swimming at these primary school's report that above 87% of children by the end of year 6 (11years) can swim 25m unaided and 78% can pass their personal survival test. Suffolk as a county achieved 74% for 25metres and 58% for personal survival.

13.8 The swimming pool at Hadleigh is 47 years old, the pool tank is 25 metres x 9 metres with a shallow end of 1 metre water depth and deep end of 2 metres depth. The pool tank is not designed to comply with current standards and its construction is defective in several areas. The pool is not a deck level pool which makes access and egress from the pool more challenging. The mechanical and electrical services and filtration plant all require replacement, although external air conditioning plant has been renewed in recent years.

13.9 Health and fitness facilities were added to the pool in 2012 and the revenue growth has been significant, an increase of approximately 250%. Gross income for health and fitness is estimated to have grown to approximately £700k by March 2018. Hadleigh currently has 1029 members, 83% of which joined the centre for the new health and fitness facilities.

13.10 Options were considered for refurbishing the existing pool, but this would have resulted in closure of the pool to the public for approximately a year. Although this option is estimated to be £200k cheaper there were several key concerns. The loss of income and more importantly the loss of swimming lesson trade could take several years to recover as has been demonstrated in similar refurbishment projects. Also, due to the age and original construction of the facility the structural integrity could not be guaranteed which created unacceptable risks.

13.11 The proposal is to replace the existing pool to the rear of the building. The existing pool will be retained whilst construction of the new pool is completed and then a relatively seamless opening of the new facility whilst the old pool is demolished. This will result in no or little closure to the public and more importantly no loss of income or trade.

13.12 The proposed siting for the new pool building is owned by Babergh and the existing site will be returned to open space once demolition is complete resulting in no net loss of open space. Planners have also been provisionally consulted.

13.13 The proposed replacement pool would include:

- Single story structure incorporating 25 metre, five lanes, deck level, single depth swimming pool
- Spectator seating
- Sauna
- Steam Room
- Store Cupboard
- Supporting Plant

- Link corridor from existing changing rooms

13.14 Extensive work has been undertaken with architects and cost consultants in arriving at the proposed plans. The plans showing the proposed elevations of the new pool and the siting of the new pool are detailed in Appendix 2.

14. Financial information and management fee reduction plan

This section of the report is not open for public inspection as is contains exempt information by which the Council are likely to exclude the public during the discussion of the agenda item to which the report relates.

15. Additional Financial Information

15.1 The financial proposals set out in section 14 of this report are considered to be the worst-case scenario. They set out the total cost of the proposed developments and the income and expenditure directly associated with them. There are a number of other considerations that could improve the figures.

15.2 It has been assumed that all the capital borrowings will be from the Public Works Loan Board. If the Council were to use any capital receipts received, then this would reduce the cost of capital repayments.

15.3 A funding application will be submitted to Sport England's Community Asset Fund. The maximum grant is £150k.

15.4 There may be the opportunity to utilise some of the CIL income towards these projects that could reduce the borrowing costs.

15.5 All the above will be explored in more detail during phase 2 of the project.

16. Indicative Project Timescale

16.1 The indicative timeline for the two projects are set out below.

Kingfisher Leisure Centre

Action / Decision	**Date**
Cabinet	February 2018
Detailed plans, costings, tender documents, Planning permissions	February to May 2018 Planning Permission June/July 2018
Tenders returned	August 2018
Cabinet – Final approval	September 2018
Contract award and commencement	Late September/October 2018
Completion	Late August/September 2019

Hadleigh Pool and Leisure

Action / Decision	**Date**
Cabinet	February 2018
Detailed plans, costings, tender documents, Planning permissions	February to May 2018 Planning Permission September 2018
Tenders returned	December 2018
Cabinet – Final approval	January 2019
Contract award and commencement	February 2019
Completion	January 2020

17. Appendices

Title	Location
(a) Appendix 1 - Kingfisher Leisure Centre proposed plans (b) Appendix 2 – Hadleigh Pool proposed plans	Attached

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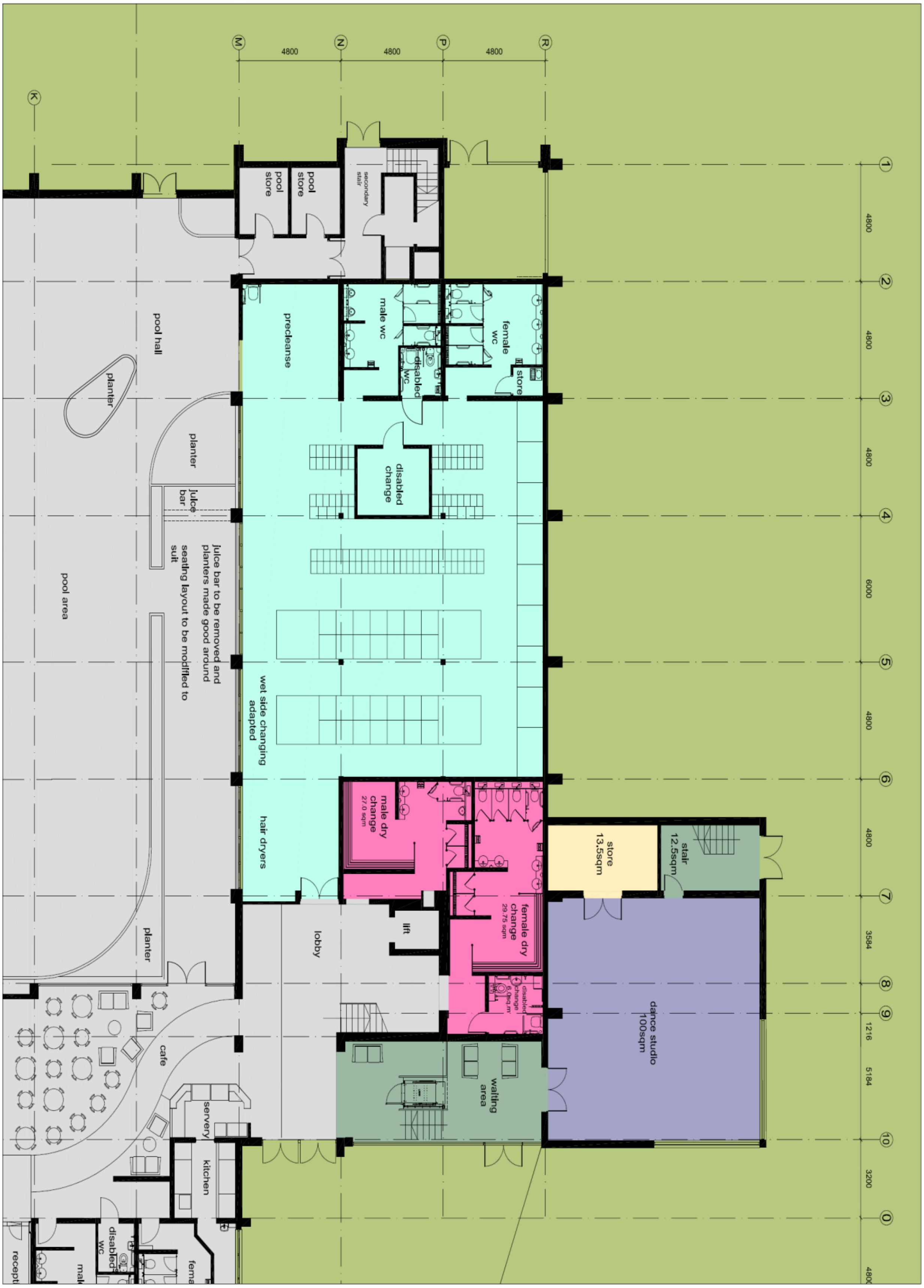
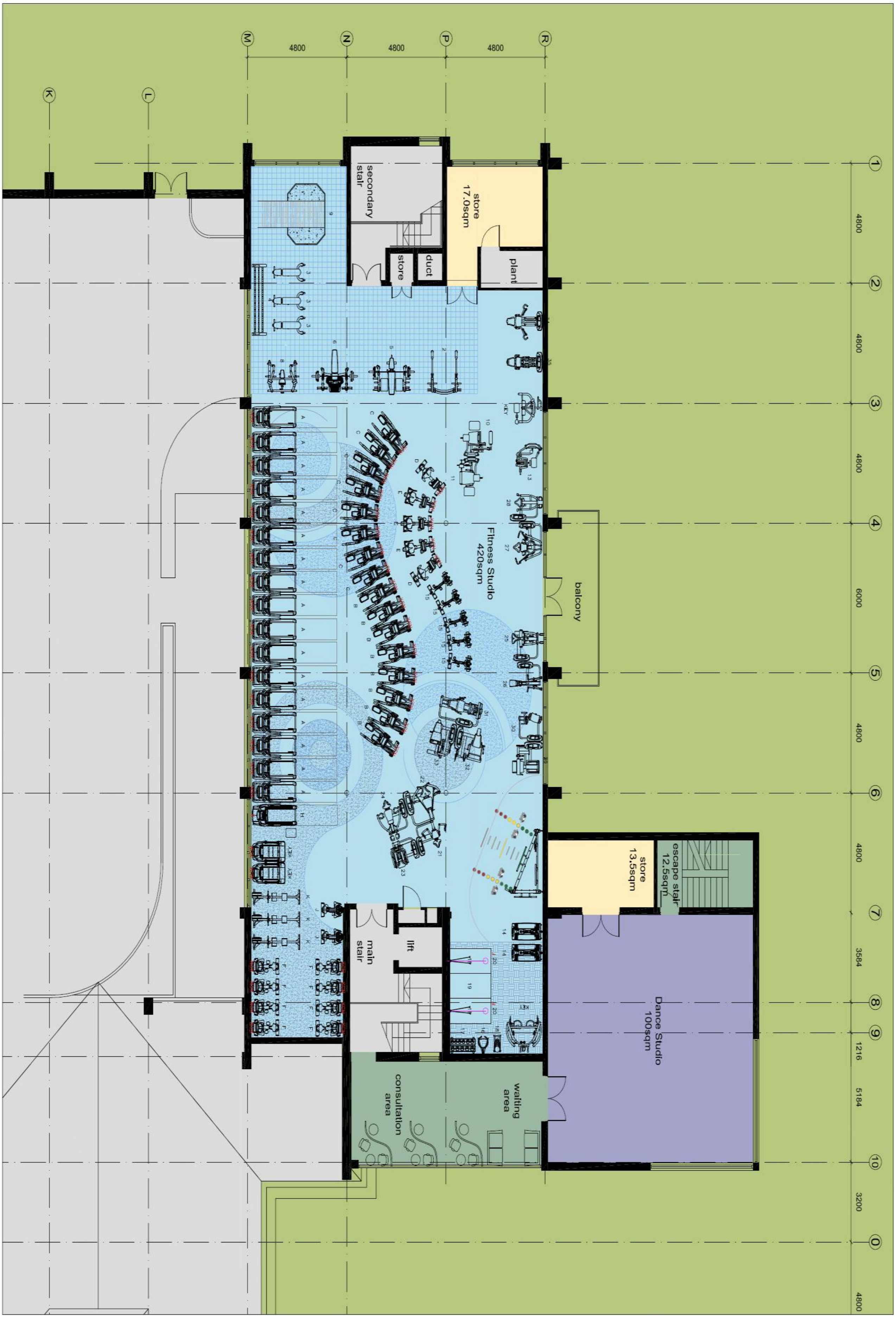
Appendix 1 – Plans for Kingfisher Leisure Centre

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escape stair 12.5sqm
main stair
lift
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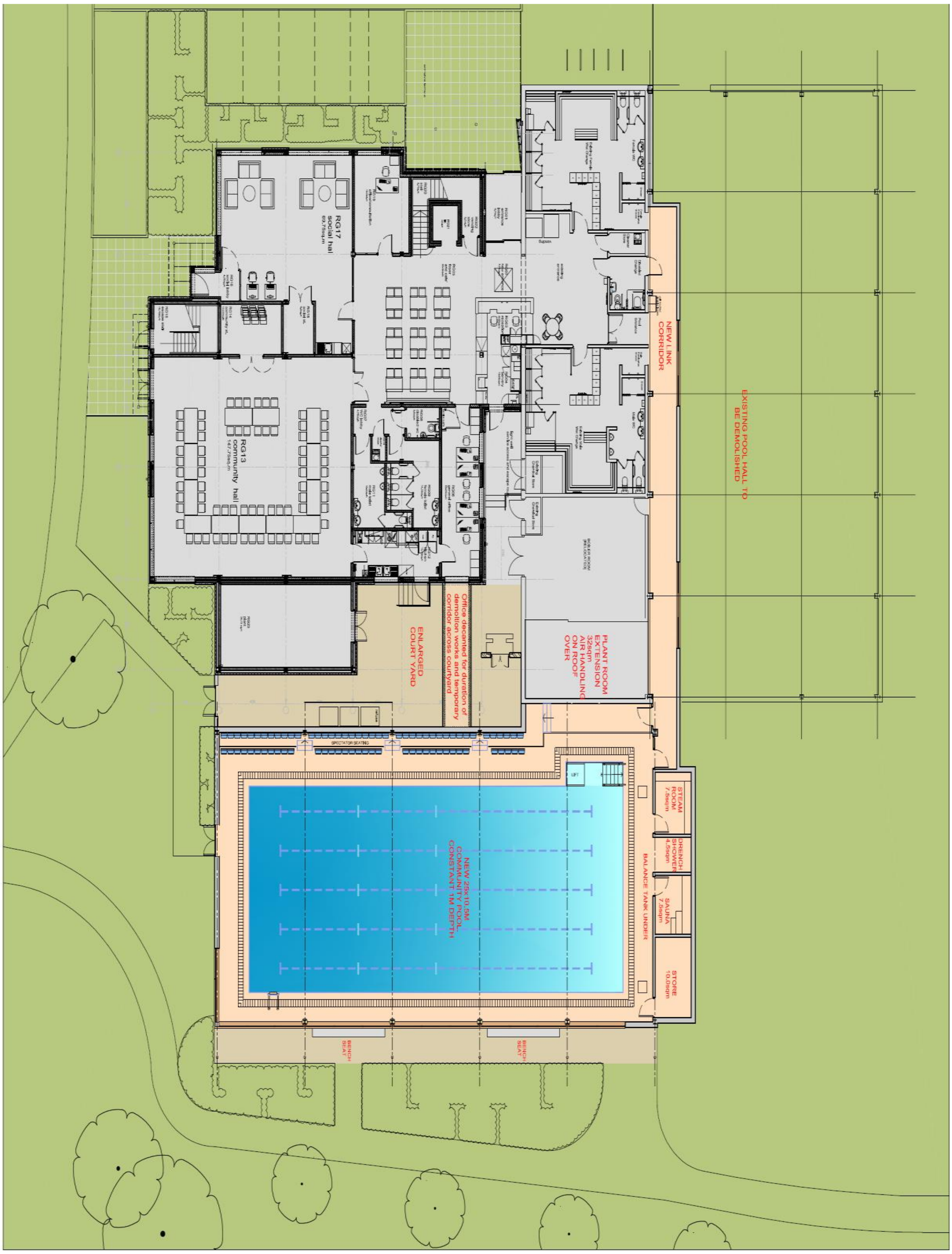
Appendix 2 - Hadleigh Pool elevations and plans


NEW LINK CORRIDOR
EXISTING POOL HALL TO BE DEMOLISHED
ENLARGED COURT YARD
RG17 social hall
RG13 community hall
BALANCE TANK UNDER
STEAM ROOM
SAUNA
STORE
BENCH SEAT
BENCH SEAT

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of the Local Government Act 1972.

Agenda Item 15

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Agenda Item 16

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of the Local Government Act 1972.

Agenda Item 17

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