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TO: THE CHAIRMAN AND MEMBERS OF
BABERGH DISTRICT COUNCIL

10 July 2017

PLEASE NOTE TIME OF MEETING

Dear Sir/Madam

A Meeting of the Babergh District Council will be held in the Council Chamber, Council Offices, Corks Lane, Hadleigh on **Tuesday, 18 July 2017 at 5.30 pm**

For those wishing to attend, prayers will be said at 5:25 p.m. prior to the commencement of the Council meeting.

Yours faithfully

Arthur Charvonia
Chief Executive

The Council, members of the public and the press may record/film/photograph or broadcast this meeting when the public and the press are not lawfully excluded.

Any member of the public who attends a meeting and objects to being filmed should advise the Committee Clerk.

A G E N D A

PART 1

ITEM	BUSINESS	Page(s)
1	APOLOGIES FOR ABSENCE To receive apologies for absence.	
2	DECLARATION OF INTERESTS BY COUNCILLORS	
3	BC/17/7 - TO CONFIRM THE MINUTES OF THE ANNUAL MEETING HELD ON 23 MAY 2017	1 - 10
4	BC/17/8 - ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER In addition to any announcements made at the meeting, please see Paper BC/17/8 attached, detailing events attended by the Chairman and Vice-Chairman.	11 - 12
5	TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES In accordance with Council Procedure Rule No. 10, the Chief Executive will report the receipt of any petitions. There can be no debate or comment upon these matters at the Council meeting.	
6	QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES The Chairmen of Committees to answer any questions by the public of which notice has been given no later than midday three clear working days before the day of the meeting in accordance with Council Procedure Rule No. 11.	
7	QUESTIONS BY COUNCILLORS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES The Chairman of the Council, the Chairmen of Committees and Sub-Committees and Portfolio Holders to answer any questions on any matters in relation to which the Council has powers or duties or which affect the District of which due notice has been given in accordance with Council Procedure Rule No. 12.	

ITEM	BUSINESS	
		Page(s)
8	RECOMMENDATION FROM CABINET	
a	BCa/17/9 - HOUSING REVENUE ACCOUNT SUMMARY OF THE 30 YEAR BUSINESS AND FINANCIAL PLAN 2017 UPDATE (Pages 13 – 54) At its meeting on 13 July, Cabinet will consider the Housing Revenue Account Summary of the 30 Year Business and Financial Plan 2017 Update (Paper BCa/17/9). The deliberations of Cabinet will be reported at the Council meeting. **RECOMMENDED** **That the updated 30 year HRA Business and Financial Plan (Appendix A to Paper BC/17/9) be approved.**	
9	RECOMMENDATION FROM JOINT AUDIT AND STANDARDS COMMITTEE	
a	JAC/17/2 - JOINT ANNUAL TREASURY MANAGEMENT REPORT - 2016/17 (Pages 55 – 78) At its meeting on 17 July, the Joint Audit and Standards Committee will consider the Joint Annual Treasury Management Report for 2016/17 (Paper JAC/17/2). The deliberations of the Committee will be reported at the Council meeting. **RECOMMENDED** **That the Treasury Management activity for the year 2016/17 be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2016/17.** Note – It is a requirement of the legislation that the Annual Treasury Management Report is submitted to the Full Council for noting.	
10	BC/17/9 - CONSULTATION ON THE BABERGH AND MID SUFFOLK JOINT LOCAL PLAN Cabinet Member for Planning – Lee Parker	79 - 86
11	ELECTION OF VICE-CHAIRMAN OF OVERVIEW AND SCRUTINY COMMITTEE	

ITEM	BUSINESS	
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12	APPOINTMENT OF COUNCILLORS TO COMMITTEES AND OUTSIDE BODIES	

RECOMMENDED

That the following appointments are made to Committees and Outside Bodies:

Planning Committee
Kathryn Grandon (replacing Fenella Swan)

Overview and Scrutiny Committee
Fenella Swan (replacing Kathryn Grandon)

The Quay Theatre at Sudbury Ltd
Stephen Plumb (replacing Sue Ayres)

Dedham Vale AONB and Stour Valley Joint Advisory Committee (JAC)
Representative to be confirmed

Haven Gateway Partnership
Representative to be confirmed

Suffolk Joint Emergency Planning Policy Panel
Representative to be confirmed

Leader of the Council – Jennie Jenkins

Note: The date of the next Council meeting is Wednesday 9 August 2017 at 5.30 p.m.

For further information on any of the Part 1 items listed above, please contact Committee Services on 01473 826610 or via e-mail at Committees@baberghmidsuffolk.gov.uk.

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BABERGH DISTRICT COUNCIL

MINUTES OF THE ANNUAL MEETING OF THE BABERGH DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, CORKS LANE, HADLEIGH ON TUESDAY, 23 MAY 2017

PRESENT: Peter Burgoyne - Chairman

Clive Arthey	Sue Ayres
Tony Bavington	Sue Burgoyne
Tom Burrows	David Busby
Tina Campbell	Sue Carpendale
Michael Creffield	Derek Davis
Siân Dawson	Alan Ferguson
Barry Gasper	Kathryn Grandon
Michael Holt	Bryn Hurren
Jennie Jenkins	Richard Kemp
Frank Lawrenson	James Long
Margaret Maybury	Alastair McCraw
John Nunn	Adrian Osborne
Jan Osborne	Lee Parker
Peter Patrick	Stephen Plumb
Nick Ridley	David Rose
William Shropshire	Ray Smith
Harriett Steer	Fenella Swan
John Ward	

The following Councillors were unable to be present:

Melanie Barrett, Simon Barrett, Peter Beer, John Hinton, David Holland, Mark Newman and Stephen Williams.

COUNCILLOR COLIN LAW, LEADER OF WAVENEY DISTRICT COUNCIL

Councillor Burgoyne opened the meeting and asked Members to stand for a minute's silence in memory of Colin Law. Jennie Jenkins referred to her personal memories of Councillor Law over a number of years.

1 ELECTION OF CHAIRMAN

Prior to consideration of this item Councillor Burgoyne left the Chamber.

With the agreement of the Council, Tony Bavington took the chair and invited nominations for Chairman of the Council. It was proposed and seconded that Peter Burgoyne be elected.

RESOLVED

That Peter Burgoyne be elected Chairman of the Council for the ensuing year.

Peter Burgoyne thereupon returned to the Chamber. He made his Declaration of Office and presided over the meeting, following which he advised Council that his charities for the coming year would be announced shortly.

Members then stood for a minute's silence in memory of the victims of the Manchester terrorist attack.

2 ELECTION OF VICE-CHAIRMAN

It was proposed and seconded that Kathryn Grandon be elected Vice-Chairman of the Council.

RESOLVED

That Kathryn Grandon be elected Vice-Chairman of the Council for the ensuing year.

Kathryn Grandon thereupon made her Declaration of Acceptance of Office.

3 DECLARATION OF INTERESTS BY COUNCILLORS

None declared.

4 BC/17/1 - MINUTES OF THE MEETING HELD ON 25 APRIL 2017

RESOLVED

That the minutes of the meeting held on 25 April 2017 be confirmed and signed as a correct record.

The Chairman referred to a Councillor request for further information regarding Minute No 115, which would be the subject of a separate briefing note.

5 TO RECEIVE ANY ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER

There were no further announcements at this point.

6 ELECTION OF THE LEADER OF THE COUNCIL

RESOLVED

That Jennie Jenkins be elected Leader of the Council for the ensuing period of two years.

Councillor Jenkins then announced her Cabinet Member appointments, as follows:-

Jan Osborne – Deputy Leader and Housing
Lee Parker – Planning
John Ward – Economy
Tina Campbell – Environment
Margaret Maybury – Communities
Peter Patrick – Customers
Jennie Jenkins – Assets and Investments

7 APPOINTMENTS

Designation of Committees and Joint Committees

RESOLVED

That the following Committees and Joint Committees be appointed:-

Babergh Overview and Scrutiny Committee
Planning Committee
Babergh Licensing and Regulatory Committee
Joint Audit and Standards Committee
Joint Appointments Committee

BC/17/2 - Political balance and composition of Committees and Joint Committees (and appointment of Councillors to Committees and Joint Committees)

RESOLVED

(1) That the Committees' size and numerical allocation of seats be approved as detailed in Appendix 1 to Paper BC/17/2 – Allocation of Committee Placements 2017-18.

(2) That Committee seats be allocated as set out in Appendix 2 to Paper BC/17/2, as follows:-

OVERVIEW AND SCRUTINY COMMITTEE (8)

Clive Arthey
Melanie Barrett
Peter Burgoyne
Barry Gasper
Kathryn Grandon
David Holland
Bryn Hurren
Alastair McCraw

JOINT AUDIT AND STANDARDS COMMITTEE (8)

Tom Burrows
Michael Creffield
Frank Lawrenson
Alastair McCraw
Mark Newman
William Shropshire
Stephen Williams
1 Vacancy

PLANNING COMMITTEE (14)

Sue Ayres	**Michael Holt**
Peter Beer	**Adrian Osborne**
Sue Burgoyne	**Stephen Plumb**
David Busby	**Nick Ridley**
Derek Davis	**David Rose**
Alan Ferguson	**Ray Smith**
John Hinton	**Fenella Swan**

LICENSING AND REGULATORY COMMITTEE (10)

Sue Ayres	**Richard Kemp**
Tom Burrows	**John Nunn**
Sue Carpendale	**Nick Ridley**
Sian Dawson	**Ray Smith**
Kathryn Grandon	**Fenella Swan**

JOINT APPOINTMENTS COMMITTEE (3)

Jennie Jenkins
James Long
Jan Osborne

<u>Election of Chairmen and Vice-Chairmen of Committees</u>

RESOLVED

(1) That Barry Gasper and David Holland be elected Chairman and Vice-Chairman respectively of the Babergh Overview and Scrutiny Committee for the ensuing year.

(2) That Nick Ridley and Adrian Osborne be elected Chairman and Vice-Chairman respectively of the Planning Committee for the ensuing year.

(3) **That Nick Ridley and Ray Smith be elected Chairman and Vice-Chairman respectively of the Babergh Licensing and Regulatory Committee for the ensuing year.**

(4) **That Frank Lawrenson and William Shropshire be elected Chairman and Vice-Chairman respectively of the Joint Audit and Standards Committee for the ensuing year.**

(5) **That Jennie Jenkins be elected Chairman of the Joint Appointments Committee for the ensuing year.**

BC/17/3 - Appointment of Councillors to Outside Bodies

RESOLVED

That Councillors be appointed to Outside Bodies as detailed in the Appendix to Paper BC/17/3 (attached to these Minutes).

Appointment of Councillors to the Shared Revenues Partnership Committee

That the following Councillors be appointed to serve on the Shared Revenues Partnership Committee for the ensuing year:-

Jan Osborne
Peter Patrick
Substitute Members – Sue Ayres and Margaret Maybury

Appointments to the Suffolk Joint Standards Board

That the following Councillors be appointed to serve on the Suffolk Joint Standards Board for the ensuing year:-

Bryn Hurren
Adrian Osborne
David Rose

Appointments to the Joint Gypsy and Traveller Steering Group

That the following Councillors be appointed to serve on the Joint Gypsy and Traveller Steering Group for the ensuing year:-

Sue Ayres
Tony Bavington
Peter Burgoyne
Lee Parker

8 BC/17/4 - TIMETABLE OF MEETINGS 2017/18

RESOLVED

That the 2017/18 Timetable of Meetings as set out in Paper BC/17/4 be noted.

9 BC/17/5 - ANNUAL REPORT OF THE JOINT SCRUTINY COMMITTEE 2016/17

Kathryn Grandon, outgoing Vice-Chairman of the Joint Scrutiny Committee introduced the Committee's Annual Report outlining the Committee's main areas of work and achievements during the year.

RESOLVED

That the Annual Report of the Joint Audit and Scrutiny Committee and the Babergh Scrutiny Committee (Paper BC/17/5) be noted.

10 EXCLUSION OF THE PUBLIC (WHICH TERM INCLUDES THE PRESS)

RESOLVED

That pursuant to Part 1 of Schedule 12A of the Local Government Act 1972, the public be excluded from the meeting for the business specified below on the grounds that if the public were present during this item it is likely that there would be the disclosure to them of exempt information as indicated against the item.

That Council was also satisfied that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

11 BC/17/6 - CONFIDENTIAL MINUTE OF THE MEETING HELD ON 25 APRIL 2017 (Exempt information by virtue of Paragraph 3 of Part 1)

RESOLVED

That Confidential Minute No 115 of the Council Meeting held on 25 April 2017 be confirmed and signed as a correct record.

The business of the meeting was concluded at 10.30 a.m.

……………………………………..

Chairman

BABERGH DISTRICT COUNCIL **APPENDIX TO PAPER BC/17/3**
ANNUAL MEETING 23 MAY 2017 – Minute No 7 refers
APPOINTMENT OF REPRESENTATIVES ON OUTSIDE BODIES/PARTNERSHIPS

NAME OF BODY Frequency, time and venue of meetings	NUMBER OF REPRESENTATIVES TO BE APPOINTED	NAME OF MEMBER NOMINATED
ASSOCIATION FOR SUFFOLK MUSEUMS 3 x per annum weekday a.m. at Suffolk museums	1	John Nunn
BABERGH DOMESTIC VIOLENCE AND ABUSE FORUM (COMPASSION) 6 x per annum at Sudbury/BDC Council offices	1	Margaret Maybury
COUNTY DOMESTIC VIOLENCE FORUM 4 x per annum a.m. at various locations	1	Margaret Maybury
DEDHAM VALE AONB AND STOUR VALLEY JOINT ADVISORY COMMITTEE (JAC) 3 x per annum a.m./p.m. at Sudbury/Great Cornard	2	David Holland Peter Patrick
EAST OF ENGLAND ASSEMBLY OF LEADERS 4 per annum a.m./pm at local authority venues across the east of England	1 (Leader)	Jennie Jenkins
GAINSBOROUGH'S HOUSE SOCIETY Gainsborough's House	1	Nick Ridley
GREATER IPSWICH DEAL BOARD	1 member from MSDC 1 substitute	Gerard Brewster Sub: Lee Parker
GREENWAYS COUNTRYSIDE PROJECT JAC	2	Peter Burgoyne Dave Busby

NAME OF BODY Frequency, time and venue of meetings	NUMBER OF REPRESENTATIVES TO BE APPOINTED	NAME OF MEMBER NOMINATED
HAVEN GATEWAY PARTNERSHIP 5 x per annum daytime various/locations	1 (+ 1 substitute member)	David Holland Sub: Peter Patrick
IPSWICH AND DISTRICT CITIZENS ADVICE BUREAU 5 – 4 (evening) board meetings, 1 AGM – daytime p.m. at 19 Tower Street	1	Bryn Hurren
IPSWICH POLICY AREA BOARD 4 x per annum p.m. Ipswich	1 (+ 1 substitute member)	Lee Parker Sub: Nick Ridley
LOCAL GOVERNMENT ASSOCIATION – ASSEMBLY Annual meeting LOCAL GOVERNMENT ASSOCIATION – SPARSE 3 x per annum daytime LGA London and at Rural Conference Venues, 11.30 a.m. – 3 p.m.	1 Leader 1	Jennie Jenkins Richard Kemp
PIN MILL BAY MANAGEMENT COMMUNITY INTEREST COMPANY	1	Bryn Hurren
WESTERN AREA CRIME AND DISORDER REDUCTION PARTNERSHIP 4 x per annum a.m. at Mid Suffolk, Babergh, Forest Heath and St Eds on a rotational basis	2 Voting rights	Jan Osborne Sub: Sue Burgoyne
RAISING THE BAR SPONSORING GROUP 4 x per annum late p.m. various locations	1 (+1 substitute from MSDC)	Sue Carpendale Sub: Julie Flatman
SOUTH SUFFOLK LEISURE TRUST BOARD 7 x per annum late p.m Babergh Offices	2	Sue Ayres Tina Campbell

NAME OF BODY Frequency, time and venue of meetings	NUMBER OF REPRESENTATIVES TO BE APPOINTED	NAME OF MEMBER NOMINATED
SUDBURY AND DISTRICT CITIZENS ADVICE BUREAU 5 x per annum p.m. at Belle Vue Sudbury	1	Adrian Osborne
SUFFOLK COAST AND HEATHS AONB JOINT ADVISORY COMMITTEE (JAC) and PARTNERSHIP 4 per annum a.m. various locations in the AONB	2 1 – JAC and Partnership 1 – JAC only	David Rose Derek Davis (sub and JAC only)
SUFFOLK FLOOD RISK SCRUTINY SUB-COMMITTEE 2 x per annum, various locations	1 (+ 1 substitute member)	Barry Gasper Sub: Stephen Williams
SUFFOLK HEALTH AND WELLBEING BOARD 6 x per annum – Thursdays at Ipswich or Bury St Edmunds – formal meeting a.m. followed by optional informal session p.m.	1 (+ 1 substitute member) full voting rights	Nick Ridley as the joint member representative for 2017/18 with Diana Kearsley as substitute
SUFFOLK HEALTH SCRUTINY COMMITTEE	1 (+ 1 substitute member)	Margaret Maybury Sub: Sue Ayres
SUFFOLK JOINT EMERGENCY PLANNING POLICY PANEL 2 x per annum, Endeavour House	1 (+1 substitute Member)	David Holland Sub: Sue Carpendale
SUFFOLK POLICE AND CRIME PANEL	1 – *Note -* *Places are allocated by SCC County wide on political basis – BDC currently has to appoint an Independent*	David Rose Sub: Stephen Plumb
SUFFOLK RAIL POLICY GROUP 3 x per annum p.m. at SCC and District Council Offices	1	Alistair McCraw
SUFFOLK SPORT PARTNERSHIP FORUM 2 x per annum daytime various Suffolk locations	1	Derek Davis

NAME OF BODY Frequency, time and venue of meetings	NUMBER OF REPRESENTATIVES TO BE APPOINTED	NAME OF MEMBER NOMINATED
SUFFOLK WASTE PARTNERSHIP (SWP) 4 x per annum a.m. at MSDC Offices	1	Clive Arthey
THE QUAY THEATRE AT SUDBURY LIMITED – Management Board 6 x per annum evening Quay Theatre	1	Sue Ayres
JOINT WASTE MANAGEMENT BOARD	1 (+ 1 substitute Member)	Tina Campbell Sub: Fenella Swan

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				BC/17/8
BABERGH DISTRICT COUNCIL CHAIRMAN'S ANNOUNCEMENTS				
COUNCIL - 18 July 2017				
EVENT	**LOCATION**	**DATE**	**CHAIRMAN**	**VICE CHAIR**
JUNE 2017				
St Edmundsbury Mayor's Civic Service	St Edmundsbury Cathedral, Bury St Edmunds	04-Jun	✓	
Felixstowe Mayor's Civic Service	St John's Church, Felixstowe	18-Jun		✓
Shanties on the Shore Concert	Ipswich High School for Girls, Woolverstone	22-Jun	✓	
West Suffolk College, Celebration of Achievement Gala Dinner	West Suffolk College, Bury St Edmunds	30-Jun		✓
JULY 2017				
Berners' Day	Ipswich High School for Girls, Woolverstone	06-Jul		✓

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BABERGH DISTRICT COUNCIL

From: Cabinet Member for Housing – Jan Osborne	**Report Number: BCa/17/9**
To: BDC Cabinet	**Date of meeting: 13 July 2017**

HOUSING REVENUE ACCOUNT

SUMMARY OF THE 30 YEAR BUSINESS AND FINANCIAL PLAN

2017 UPDATE

1. Purpose of Report

1.1 To enable Members to approve changes to the 30 year Housing Revenue Account (HRA) business and financial plan for the district.

1.2 To appraise Members about changes made to the assumptions contained in the Housing Revenue Account financial plan, the reasons for these changes and the impact the changes have had on the 30 year financial position.

1.3 To inform Members how management of the HRA is being adapted to meet evolving needs and demands and to reflect legislative, financial and technological change.

1.4 To update Members on the development pipeline of new homes for the Babergh HRA.

1.5 To set out a roadmap for the transformation of the role of local authority housing and the HRAs in light of the significant financial challenges caused by changes to Government policy, the emerging Suffolk work on housing delivery and the Government's White Paper 'Fixing our Broken Housing Market' to create a sustainable and robust plan for the future.

2. Recommendation to Council

2.1 That the updated 30 year HRA business and financial plan be approved.

3. Financial Implications

3.1 Changes in national policy over the last few years have fundamentally impacted on HRA finance. In 2011, the Government introduced the 'self-financing' regime. As a result, Babergh took on an additional £83.6m of debt. A debt cap was also set at £97.9m by the Government. The Council must demonstrate that it can operate within this debt cap after having taken into account its anticipated operating environment over a 30 year period and its forecast financing requirements. The Council's current debt is £84.8m leaving a headroom of £13.1m available.

3.2 More recently, the Government has introduced further structural change. This includes, an annual 1% reduction in rents for the years up to 2019/20, an increase in Right to Buy discounts and welfare reform. These have all added significant extra pressure to the 30 year financial plan. More detail is included in section 10.

3.3 The previous Government's proposal to impose a high value asset levy would weaken the financial position of the HRA still further. The detailed regulations around this have not yet been released by the Government and so, on advice from the Chartered Institute of Housing (CiH), no related assumptions have been incorporated into the financial plan.

3.4 The position of the financial plan has deteriorated since the last review mostly due to increasing RTB sales and the resulting reduction in rental income. The capacity for Babergh's HRA to absorb the impact is challenging but manageable. Updating the assumptions used in constructing the HRA financial plan has been critical for the Council.

4. Legal Implications

4.1 The plans outlined in this report are designed to maintain legal compliance.

5. Risk Management

5.1 This report is most closely linked with the Council's Significant Business Risk No. 1a – Housing Delivery. Key risks are set out below:

The risk register identifies the following risks. New mitigations have been added.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to identify detailed housing requirements for the local area will undermine our ability to deliver the right homes in the right places.	2 (Unlikely)	2 (Noticeable)	Creation of joint housing strategy including strategy for HRA assets.
Failure to manage our corporate and housing assets effectively will result in diminishing value of the stock and ineffective delivery of JSP outcomes.	2 (Unlikely)	3 (Bad)	Ensure HRAs are robust and sustainable. Explore options for making most effective use of housing assets. Review housing management arrangements based on customer insight and on delivering JSP outcomes.

Failure of the Councils to respond to the external funding environment could result in the Councils' operations no longer being financially sustainable.	2 (Unlikely)	4 (Disaster)	Annual review of HRA financial plans incorporating necessary changes to key assumptions. Develop and deliver mitigation measures to sustain viability.
Staff within the organisation not having the right capacity and capability to deliver the strategic priorities of the councils and to work within the wider local government system	2 (Unlikely)	3 (Bad)	Developing our understanding of operational costs and customer value. Developing a staff culture that is customer focussed and drives delivery of JSP outcomes.

6. Consultations

6.1 The consultation and decision programme is as follows:

Cabinet pre-briefing	31 May 2017
Overview and Scrutiny	19 June 2017
Joint Housing Board	19 June 2017
Cabinet briefing	29 June 2017
Cabinet	13 July 2017
BDC Full Council	18 July 2017

7. Equality Analysis

7.1 There are no equality and diversity implications arising directly from this report. Thorough EIAs will be conducted on any substantial changes to our management service or asset management and investment plans.

8. Shared Service / Partnership Implications

8.1 Babergh and Mid Suffolk Councils currently operate with an integrated officer team. The radically different financial positions of the two Councils' HRAs will create challenges going forward. The options open to the Councils to deliver the best outcomes will be different and although these will be handled carefully, it will limit the extent to which future strategies can be replicated across both Councils.

9. Links to Joint Strategic Plan

9.1 Maintaining sustainable and compliant HRA financial plans is fundamental to delivery of the Joint Strategic plan. HRA financial planning has a key role to play in the delivery of four outcomes:

- Housing Delivery
- Community capacity and building engagement
- Assets and investment
- Enabled and efficient organisation

10. Key Information

10.1 The attached summary of the business and financial plan explains the assumptions that have changed since previous plans. It details the implications of the changes for the Council and how it is proposed to manage the impact. It includes a draft roadmap for a transformation of the role of the HRA which will be initiated by our response to the financial context, the Suffolk Housing work and the Government's white paper 'Fixing our broken housing market'.

10.2 In summary the key contextual changes that have impacted on the sustainability of the HRA are;

Localism Act 2011

Self-financing
The Act replaced the HRA subsidy system with a system of self-financing, the most radical changes for 30 years to the way in which Councils manage their Council housing finances. From April 2012, Babergh took on a share of the national housing debt calculated by the Government as its debt settlement.

Right to buy
The discount was increased to 70% of value or £77,900 whichever is the lower. This led to a substantial increase in the number of sales which will result in a significant reduction in the Council's future rental income.

New model of affordable housing
The affordable rent tenure regime sets maximum rents for this tenure at up to 80% of local market rents and applies to all new build schemes receiving grant from the Homes and Communities Agency including new housing being built by the Council.

Welfare Reform Act 2012

Social rent reduction
A reduction in rents by 1% a year for four years (until 2019/20). This has a major impact on long term HRA financial planning.

Universal credit
A replacement of six means tested benefits and tax credits with one universal payment. UC will be rolled out in Babergh in October 2017.

Spare room subsidy
A reduction in housing benefit for working age tenants who under occupy their homes. This has resulted in greater demand for one and two bedroom Council properties.

Benefit cap
A cap on the maximum households can receive in benefits to £20,000. For single people without children, the cap is £13,400.

Housing and Planning Act 2016

High income social tenants – mandatory rents (Pay to Stay)
The Act provides local authorities with the option to charge higher rents to tenants with a household income exceeding £60,000. The Council has decided not to adopt Pay to Stay, because it judged that the administration costs would outweigh the financial benefit.

High Value Asset Sales
The Act imposes a duty on local housing authorities to consider selling higher value homes when they become vacant. The definition of "higher value" will be clarified by regulations yet to be made. The payment will take the form of a levy, giving local authorities a choice in how they raise the funds. The money will fund housing association Right to Buy discounts and new house building. As the rules around this issue have yet to be published, the CiH's advice is to not include any financial assumptions in the business plan relating to it.

10.3 The work undertaken forecasts that the Babergh HRA will continue to operate within its debt cap throughout the life of the plan. The HRA maintains sufficient headroom to fund its forecast capital financing requirements including a significant programme of new build homes.

10.4 The Mid Suffolk HRA is not is a strong position and operational efficiencies are required. Although there is no compelling need to make such efficiencies for Babergh it is good business practice to make improvements where possible. Annual operational savings of £30,000 for 3 years from 2018/19 have been assumed. An explanation of how these savings will be achieved is contained in the Summary of the 30 Year Business and Financial Plan appendix.

10.5 Revised Babergh & Mid Suffolk Building Services (BMBS) financial forecasts have been included in the overall HRA financial plan. An initial review of the BMBS plan identified some areas of concern and work has now been completed to revisit and verify the costs and assumptions in the plan and its future business strategy.

10.6 A project team was established to understand HRA income and expenditure from an operational perspective and to establish an approach to assessing productivity. This work has produced the cost savings plan included in the report.

10.7 There is an absolute need for the Councils to develop an overall strategy for housing and within it the role of local authority housing going forward. This was identified during the development of the Joint Strategic Plan and continues to be a priority given the delivery of housing and the ability to meet need across existing and new housing remains a major challenge.

10.8 The Government's white paper provides a trigger for this work, building on our own housing strategy and alongside work already underway in the wider Suffolk space, including the Suffolk Strategic Planning and Infrastructure Framework, Suffolk Housing Proposal which will inform the NALEP new Economic Strategy and the Suffolk older persons housing strategy.

10.9 An initial roadmap for developing this approach is included in the attached summary report. As part of this work it will be vital to consider:

- the role of local authority housing in the overall housing market in meeting need
- the future possible necessity to consider cross subsidy with general fund housing to deliver a sustainable local authority model
- use of the Council's own housing assets
- investment in new housing
- developing new approaches to tenure so our assets are used to maximum effect
- our relationship with residents which focuses on increased independence and pathways to employment or care.

11. Appendices

Appendix A Housing Revenue Account Summary of the 30 year business financial plan 2017 Update	Attached

Kevin Jones
01449 724704
kevin.jones@baberghmidsuffolk.gov.uk

Babergh District Council Housing Revenue Account

Summary of the 30 Year Business and Financial Plans 2017 Update

Foreword

By Cllr Jan Osborne
Cabinet Member for Housing

We are pleased to introduce our 2017 update to the Babergh District Council 30 year Housing Revenue Account (HRA) Business Plan. Within this, we have set out how the HRA will be used to help deliver many of the strategic priorities outlined in the Mid Suffolk and Babergh Joint Strategic Plan (JSP).

The Babergh HRA is financially strong and the plan outlines exciting and ambitious plans to support tenants and deliver new homes. Indeed, work is already underway on a new development that will provide 27 new homes for shared ownership and rent by 2018. In addition to this, Babergh has plans to build a further 150 new homes for rent over the next 5 years.

Although this plan shows our financial position is strong, we are also keenly aware that the needs of our tenants and our diverse communities are changing, which means we must also adapt. Babergh recognises that housing is at the heart of communities well-being which is why we are committed to delivering good quality, sustainable homes which meet the needs of our diverse and dynamic communities.

The strength of this plan lies in its recognition and consideration of all the many factors which pose a risk, including the 1% rent reduction, increasing Right to Buy sales and welfare reform, but is still able to ensure our resources will be targeted to those most in need.

Table of contents

Executive summary

This narrative, in combination with the 30 year financial model, forms the Business Plan for the Housing Revenue Account (HRA). The plan examines various scenarios to assess the impact of a shifting financial landscape and changing government policy. It also identifies the risks to the financial strength of the HRA and how the Council will manage and mitigate those risks.

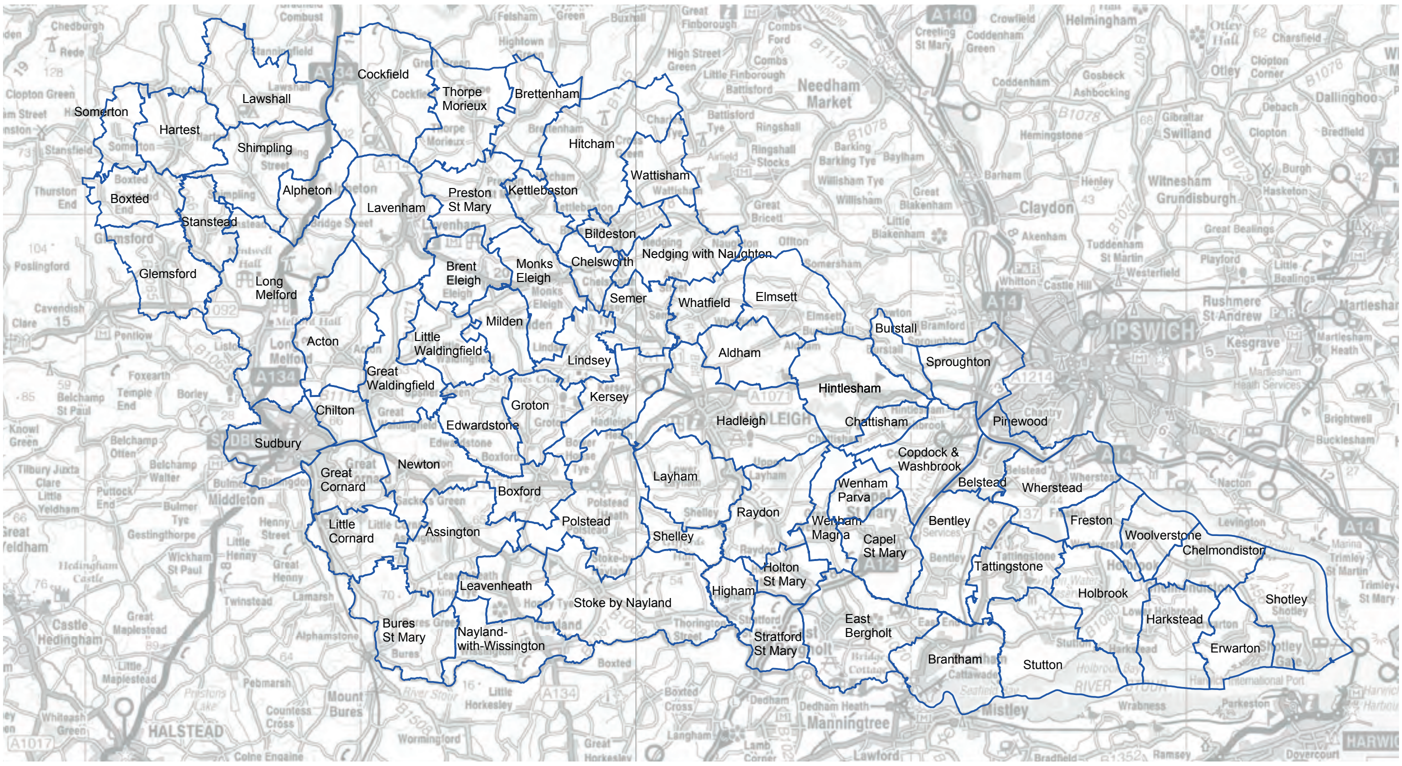
Babergh has ambitious plans to transform its role in meeting housing need, developing new homes, managing its existing housing assets and supporting its tenants. In summary:

- The Babergh HRA is in a strong position. Although financial analysis shows that it faces some substantial challenges in the coming years, the underlying strength of the HRA means the Council can maintain compliance and support new homes building.
- Although strong, the financial position in the plan has deteriorated since the last review mostly due to increasing predictions on Right To Buy (RTB) sales and the resulting reduction in rental income.
- Regardless of the financial position, the needs and aspirations of the district's diverse communities are changing and the way the Council operates and manages its HRA must adapt in order to deliver the outcomes agreed in the Joint Strategic Plan (JSP).
- The Council has already embarked on an ambitious grant funded new build programme that will deliver 27 new homes for rent and shared ownership by 2018. The Council has now approved a new joint affordable homes development strategy with Mid Suffolk which lays out a direction and methodology for the delivery of approximately 150 new build homes over the next five years. The majority of which will be for rent and managed within the HRA.
- The work that has been done to understand and measure risk and to stress test the underlying financial strength of the 30 year HRA business plan, indicates that despite the financial challenges of welfare reform and specifically Universal Credit (UC), the 1% rent reduction and increasing RTB sales, the Council's HRA is financially robust with the capacity to contribute to the delivery of several JSP outcomes.
- The previous Government indicated its intention, in the Housing and Planning Act 2016, to introduce a high value asset levy on local authorities. The expectation is that Councils will sell high value homes when they become vacant, although Councils would be able to raise funds to meet the levy in other ways. No detail on the levy had been announced prior to dissolution of parliament and on the advice of the Chartered Institute of Housing (CIH), no account has been taken of it in the financial plan. If the new Government proceeds with implementation it would significantly reduce HRA financial capacity.

1. Background

The district

Demographic information



Population

Babergh is a rural district with a population of approximately 88,840, with its main population areas being Sudbury, Cornard and Hadleigh. Since the publication of the last business plan (2012), there has been an increase in the population of the district of 2,840.

Suffolk's population is growing, but more slowly than regional and national trends. Since 2009, the rate of growth in Suffolk has slowed down and the county's population has increased by around 3 per cent compared with 4 per cent for England and 5 per cent for the East.

Across Suffolk's districts, population changes have been very different. For example, Babergh is growing particularly slowly and in contrast Mid Suffolk is growing faster than the average of England.

The latest population estimates for age composition in Babergh's Housing Market Area (Strategic Housing Market Assessment) shows that between 2005 and 2015 the number of people aged 60 or over markedly increased. In contrast, the number of people aged between 30 and 44 decreased.

Babergh's population is forecast to increase by 10% to 96,400 by 2035. According to this growth forecast figure, 12,927 people are expected to be aged over 80 (13.4%). This poses challenges for us in terms of how we adapt our services and work with our communities to meet the needs of an ageing population.

Rurality is pertinent to the issue of housing need because rural households are exposed to a series of additional challenges including extra transport costs, particular housing needs (such as higher domestic fuel costs) and access to essential services, educational choices and employment opportunities.

Research suggests that people living in rural villages and hamlets need to be able to spend between 15 and 25 per cent more than their urban counterparts in order to be able to afford the same, minimum socially acceptable standard of living. (Hidden Needs Report 2011-2016). This means that income deprivation in rural households has an even greater impact than it does in urban areas. For people living in poverty and hardship and for those on low income, difficulties are exacerbated by barriers to accessing services and the higher additional costs associated with living in the countryside.

Household size

The Census 2011 shows that the average household size has changed since 2001. In Babergh the average household size was 2.35 in 2001, dropping to 2.30 in 2011. The population has increased at a slower rate than the number of households between 2001 and 2011, resulting in a falling average household size.

Household composition

Figures taken from the Census 2011 indicate that there are more one person households than any other household type in the Babergh district. The overall household distribution does not differ notably from the regional and national averages.

Change in household types

The Census 2011 looks at the percentage change in household groups between 2001 and 2011 at district level. The figures show that lone parent households have increased most notably and that there has been a fall in the number of couple households.

Overall, in the Housing Market Area (Strategic House Market Assessment) it is interesting to note that households with non-dependent children have increased whilst the number of households with dependent children has decreased. This suggests that household formation rates amongst young adults may have reduced.

A resident moves into our new Unity Housing development, holding a memento of their previous home.

The housing market

Babergh is a relatively expensive place to live, partly because of the desirability of the area, and partly because the supply of new homes of all types has not kept pace with the demand over recent years. For many residents including young families, this makes owning their own property impossible in the short to medium term.

The high cost of housing in Babergh, together with relatively low average earnings suggests a strong and ongoing need for affordable housing. The median house price to salary ratio is 10.5. This is against a national average of 6.96.

In August 2016, the average price of a house in Babergh was £262,393, 10% higher than the national average of £235,573 and an increase of 11.6% from August 2015 when the average price was £235,183. The average first time buyer will pay around £231,323 for their first home. An average former owner occupier will pay around £311,280. The average private rent per calendar month is £635 in Babergh.

Many of the Council's tenants are facing hardship caused by the rising costs of basic goods and services in particular rising energy bills. The high cost of housing, together with relatively low earnings suggests a strong and ongoing need for affordable housing.

Economic factors

The district of Babergh has a small local economy with much of the workforce commuting outside Suffolk. Many local jobs are less skilled and lower waged than elsewhere in the country which has an effect on housing affordability. Babergh has an unemployment rate of 3.2%, below the UK average of 5.1%. Latest information (November 2016) shows there were approximately 4,020 (7.8%) benefit claimants in Babergh. The East has 9.6% and the Great Britain average is 11.8%. Babergh has 2048 recipients of part or full housing benefit and 455 (0.9%) out of work benefit claimants.

Council housing stock

Table 1 provides details of Babergh's current housing stock.

	Bungalow	Flat	House	Total
General needs	877	372	1795	**3044**
Sheltered	100	245	0	**345**
Shared ownership	0	3	0	**3**
Leasehold	0	97	0	**97**
Temporary accommodation	0	16	0	**16**
Total	**977**	**733**	**1795**	**3505**

Table 1

The Council also owns and manages 1,216 garages.

Total rental income receivable from houses and garages for 2016/17 was £16,996,226. This figure includes, rental income (including compulsory garage rent), garage income and service charges. The average rent for 2016/17 was £90.90 a week, equivalent to £393.90 a month.

Housing need

Table 2 provides details of the number of people on the Council's housing register. Vacant dwellings are allocated through a Choice Based Lettings system (Gateway to Home Choice) in partnership with seven other local authorities.

Number of people on waiting list (by need) at November 2016

Band	A	B	C	D	E	Total
1 bed	8	51	188	25	248	**520**
2 bed	41	59	86	8	173	**367**
3 bed	4	35	10	2	70	**121**
4 bed	1	6	1	1	4	**13**
5 bed	0	2	0	0	0	**2**
Total	**54**	**153**	**285**	**36**	**495**	**1023**

Table 2

Around 50% of those on the waiting list are in the lowest band (E) – these people are considered adequately housed, typically those in private rent, owner occupiers and those with an existing social housing tenancy which is deemed suitable. These people have no particular need to move.

The number of people on the Council's housing register has decreased since 2012. This may be attributed to the introduction of Choice Based Lettings (CBL). CBL is a more transparent way of advertising and allocating housing and allows applicants to see how likely it is that they will be housed by the Council – this may deter people from joining the register if they would be a low priority. On average, around 200 homes are relet each year.

Joint strategic plan

Through the Joint Strategic Plan, Babergh and Mid Suffolk District Councils' vision is to create an environment where individuals, families, communities and businesses can thrive and flourish. The plan aims to deliver five strategic outcomes. The HRAs will contribute to the following four JSP outcomes.

Home Delivery	Community Capacity Building and Engagement	Assets and Investments	Enabled and Efficient Organisation
Existing estate regeneration Homes for the ageing population Being clear about what housing is needed	Continued support for health and wellbeing outcomes that prevent interventions	Manage our housing assets effectively	Intelligence based community insight and outcome focussed performance management

HRA business planning has a key role to play in the delivery of all four outcomes but is particularly fundamental to the Housing Delivery and Assets and Investments outcomes.

The business plans sit very firmly in the wider businesses of both Councils and needs to be understood in the context of the Councils':

- Housing Delivery Strategy
- Joint Local Plan
- Assets and Investment Strategy
- Joint Affordable Homes Development Strategy
- Public Access and Accommodation Strategy (All Together programme)

And the:

- Suffolk Strategic Planning and Infrastructure Framework
- Suffolk Housing Proposal which will inform the New Anglia LEP (NALEP) new Economic Strategy
- Suffolk Older Persons Housing Strategy

2. Legislative framework

There have been several legislative changes in recent years that have had an impact on the sustainability of the Council's HRA business plan. The changes and the impacts are outlined below.

Localism Act 2011

Self-financing

The Act replaced the HRA subsidy system with a system of self-financing, the most radical changes for 30 years to the way in which Councils manage their Council housing finances. From April 2012, Babergh took on a share of the national housing debt calculated by the Government as its debt settlement. The self-financing debt settlement figure was £83.6m. Babergh's total maximum loan portfolio became £97.9m (the debt cap). The current debt is £84.8m leaving headroom of £13.1m.

The introduction of self-financing required the Council to take a long term strategic approach to its finances using a 30 year business plan. The plan must take into account the environment in which the Council is operating. It must be robust and sustainable over a 30 year period having taken into account reducing Government subsidy and its requirements to finance:

- The housing service
- Investment and maintenance of its existing assets
- New homes development

Right to Buy

The discount was increased to 70% of value or £77,900 - whichever is the lower. This led to a substantial increase in the number of sales which will result in a significant reduction in the Council's future rental income.

New model of affordable housing

The affordable rent tenure regime sets maximum rents for this tenure at up to 80% of local market rents and applies to all new build schemes receiving grant from the Homes and Communities Agency (HCA) including new council housing. The Council can increase rents on vacant homes when relet but only if the increased revenue contributes to development capacity. The Council will need to determine its policy on this point. This is noted at line M in the Improvement Plan in Appendix A.

Welfare Reform Act 2012

The Government's welfare reform measures are aimed at:

- Reducing the overall benefits bill
- Increasing incentives to work
- Promoting independence and self-reliance
- Creating greater fairness in the welfare system between those on out of work benefits and taxpayers in employment
- Reducing long term dependency on benefits

Social rent reduction

The reduction in rents by 1% a year for four years (until 2019/20). This has a major impact on long term HRA capacity.

Universal Credit (UC)

A replacement of six means tested benefits and tax credits with one universal payment. UC will be rolled out in Babergh in late 2017/early 2018. Based on evidence from pilot programmes, its introduction will substantially increase risks around rent arrears and bad debts.

Spare room subsidy

The reduction in housing benefit for working age tenants who under occupy their homes has resulted in greater demand for one and two bedroom Council properties.

The benefit cap

A cap on the maximum a household can receive in benefits to £20,000 per annum. For single people without children, the cap is £13,400.

Housing and Planning Act 2016

The Housing and Planning Act made widespread changes to housing policy and the planning system. The Act is intended to promote home ownership and boost levels of housebuilding in England. The key changes affecting Council housing are:

High income social tenants – mandatory rents (Pay to Stay)

The Act provides local authorities with the option to charge higher rents to tenants with a household income exceeding £60,000. The Council has decided not to adopt Pay to Stay.

High value asset sales

The Act imposes a duty on local housing authorities to consider selling higher value homes when they become vacant. The definition of 'higher value' will be clarified in regulations yet to be published. The payment will take the form of a levy, giving local authorities a choice in how they raise the funds. The money will fund housing association RTB discounts and new house building.

As the detail around this issue has yet to be published, and on advice from the CIH, we have not included anything in our financial assumptions relating to it. There is the potential for implementation to have a significant negative impact on the HRA.

Fixed term tenancies

Lifetime (secure) tenancies for Council houses will be replaced with finite or fixed term tenancies of up to ten years. All other tenancy rights, including the right to buy, will remain.

The Housing Minister reaffirmed the Government's commitment to these policies in a letter to local authorities in November 2016 and in the February 2017 White Paper 'Fixing our broken housing market'. Implementation appears likely to be April 2018 at the earliest.

Future vision for housing

The Government's white paper "Fixing our broken housing market" published in February 2017 evidenced the "broken" nature of the UK's housing market and identified the root cause as insufficient new home building over decades.

Although the White Paper was light on detail around substantial change to the housing market and did not, for example, modify the current approach to Council borrowing or rent setting, it does present an opportunity for the Councils to reconsider the long term role of the HRAs in delivering the outcomes described in the JSP.

This is timely given the work already underway in Suffolk around regional housing strategy, identifying the role local authorities will play in accelerating delivery as well as influencing what is delivered, and where Councils might reimagine the role their housing assets will play in meeting future need.

Whatever future strategy is adopted, we will need to test how far the Councils will want to continue being landlords and how the Councils will deliver the best service at the lowest cost, while managing within the statutory financial framework and maximising provision of new or reconfigured housing for future and existing residents. We must continue and strengthen the move away from a generic, paternalistic approach with our tenants to one that is much more closely aligned to delivery of JSP outcomes.

This means a renewed focus on the role of the Councils' housing, increasing income, and improving performance, efficiency, productivity and value for money.

The Councils recognise that council housing residents have individual needs and requirements and that this demands intelligent services tailored to different customer segments. Much good work is already underway, for example, in the way the Council deals with income management through use of customer insight to drive a resident focussed approach that is efficient and effective.

New ways of working will need to be devised that will enable us to target our limited resources at residents that need our help most at a particular point in their lives. We will need to extend use of new technology and financial tools to enable us to better understand our assets, and our residents and what they value, in order to make us more cost effective and create additional capacity to deliver Council priorities for the HRA.

There are a number of other emerging strategies and reviews that will either feed into or impact on the HRA Business Plan in the coming year, some directly, some indirectly. These are:

Item	Date
Babergh Mid Suffolk Building Services (BMBS) Review	May 2017
Babergh and Mid Suffolk housing strategy	May 2017
NALEP economic strategy (published)	September 2017
Suffolk housing proposal commences	May 2017
Government white paper response finalised	May 2017
Suffolk Strategic Planning and Infrastructure Framework	Summer 2017
Review of the role of the HRA	Autumn 2017
Babergh and Mid Suffolk Supported Living review	Winter 2017
Suffolk Older Persons Housing Strategy	Winter 2017

3. 30 year financial model

Assumptions

Since the previous iteration of the business plan, a range of assumptions have been adjusted to reflect the current operating environment, future pressures and capacity. Table 3 shows the previous assumptions in the plan as well as the new assumption, whilst Table 4 shows the assumptions that are unchanged.

Item	Current assumption	New assumption
Rent Increase	CPI+1% for the life of the plan after the 4 year rent reduction policy stops	CPI only for 2 years after the 4 year rent reduction policy stops, then CPI+1% for the remainder of the plan
Provision for Bad Debt	0.47% all years	0.25% increase each year for the next three years, plateau for two years followed by reduction by 0.25% for two years then fixed for the life of the plan
Right to Buy Sales	25 sales for all years	27 sales each year to year 11 then 20 each year for the remainder of the plan

Table 3

Description	Unchanged assumption
Basis for settlement	Potential to repay settlement loan by Year 25
Inflation and Interest rates	RPI - 2.5%, CPI – 1.5%
Management costs	Inflation long term at 2.5%
Voids – BDC/MSDC	0.93%/1.26%
Repairs costs	Inflation long term at 2.5%

Table 4

Rationale for assumption adjustments

Rent increase

Although difficult to predict, the assumption made on rent increases is that Government policy may not return directly to CPI+1% following 4 years of rent reduction. The assumption on rents is cautious but since the impact can be profound it is considered appropriate to model a small period at CPI only (1.5%) and then a return to CPI+1% for the remainder of the plan. The previous Government's white paper made it clear that the rent reduction regime would continue as planned (until 2020) but that this might be eased subsequently. In the absence of a firm commitment, a prudent approach is appropriate.

Bad debt

The assumption made on provision for Bad Debt has changed significantly and reflects the predicted impact of the roll-out of UC on arrears levels. The assumption is a sharp rise, a plateau as tenants become more familiar with the system then a reduction and further plateau marginally higher than the starting point for the reminder of the plan.

Right to buy

RTB sales have a significant impact on future rental streams and on capital 'match funding' where receipts are kept for future acquisitions or development. Babergh has seen an increase in sales at around 32 per year for the last two years. Given the impact, it is considered prudent to model this to year 11 followed by a tailing off of sales. The previous iteration of the plan had 4 sales per year for the final years of the plan. This has been adjusted to 20, a figure considered more realistic in light of current sales and government policy.

Babergh and Mid Suffolk Building Services (BMBS)

There was no specific identification of the new building company within the previous business plan. A new tab has now been added to the plans with predicted costs of the venture and its projected losses and surpluses apportioned across the two Council HRA financial plans. The BMBS business plan projections have undergone detailed review as there were concerns about the projections and costs and the reliability of those figures in the original plan. A summary of the key elements of this review can be found in Section 7.

4. 30 year financial plan

Financial analysis shows that the Babergh HRA has deteriorated slightly since previous iterations. Despite this the medium term projections remain strong. The projections indicate a long term closing balance position well above the minimum policy £1,000,000 baseline and then increasing in strength over time. No debt cap breach is projected and capital expenditure remains fully covered for the life of the plan.

It must be remembered that this is based upon revised and prudent assumptions, in reality the position is likely to improve slightly. No urgent action is required but normal good business practice is to require efficiencies to be identified continuously. The impact of these can be seen in the charts 1 and 2 below and include:

- A reduction of management and other overhead costs
- An improvement in performance especially in void management

Babergh specific efficiency savings

Beyond good business practice, no efficiency savings are required. Work has been focussed on directing resources within the HRA to build development capacity instead. In addition to existing known developments, the plan, at present, has the capacity for 30 new-build properties per year from 2018/19 and for a further 4 years; 150 additional new homes in total. Stress testing suggests that 40 per year over the same period break the plan and the debt cap is breached. Negotiation is already ongoing for 27 new homes in 2018/19 so the assumptions fit well with our emerging pipeline. A detailed analysis of the efficiency plan can be found in Section 6 below.

Charts illustrating the Babergh HRA financial position before and after efficiencies and development are applied;

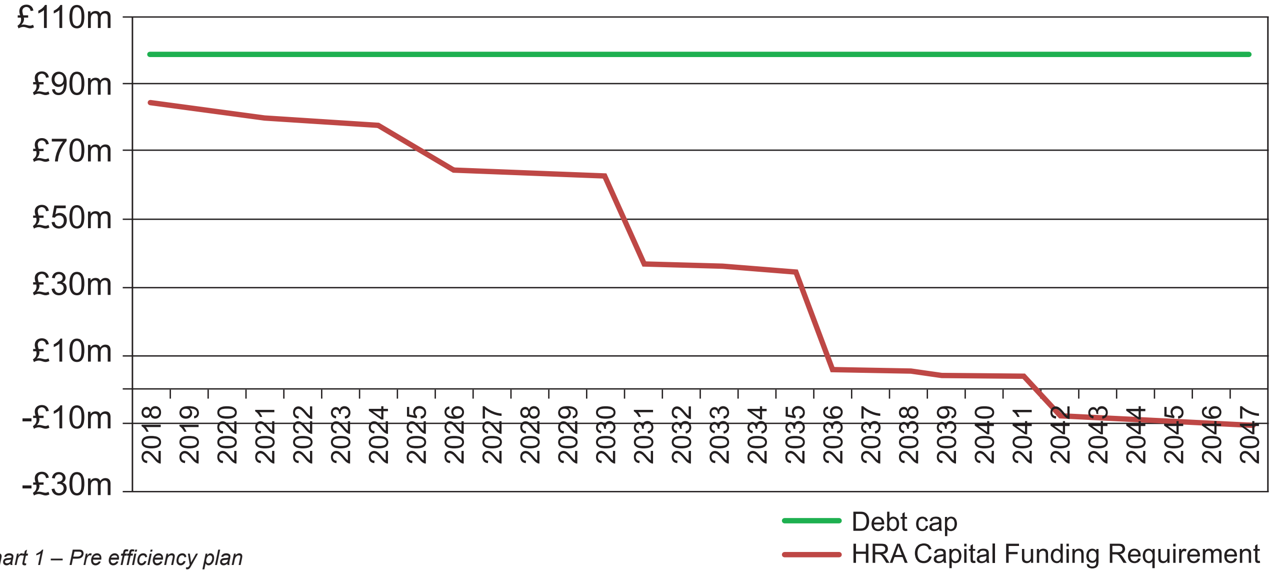


Chart 1 – Pre efficiency plan

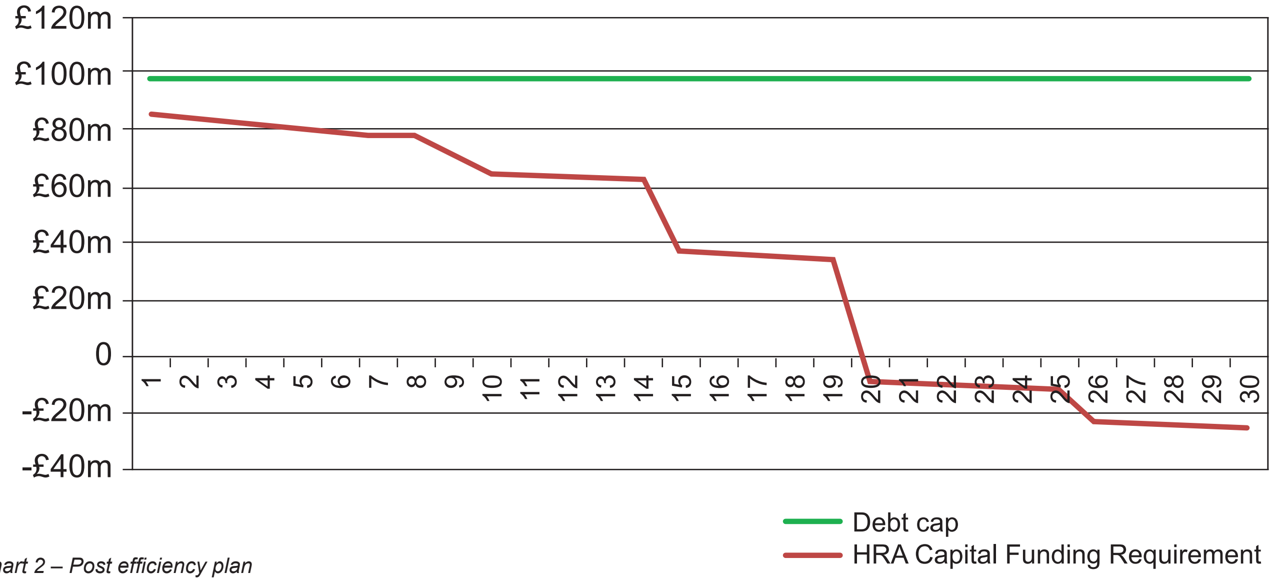


Chart 2 – Post efficiency plan

Housing revenue account 5 year projections

Babergh District Council

Year	2017.18	2018.19	2019.20	2020.21	2021.22
£'000	**1**	**2**	**3**	**4**	**5**
INCOME					
Rental Income	16,139	15,974	15,821	16,073	16,343
Void Losses	-150	-148	-147	-149	-151
Service Charges	540	540	540	540	540
Non-Dwelling Income	192	192	192	192	192
Grants & Other Income	38	38	36	37	38
Total Income	**16,760**	**16,597**	**16,444**	**16,693**	**16,962**
EXPENDITURE:					
General Management	-2,214	-2,026	-2,062	-2,078	-2,151
Special Management	-889	-916	-940	-968	-997
Other Management	-198	-188	-141	-84	28
Rent Rebates	0	0	0	0	0
Bad Debt Provision	-115	-154	-191	-194	-157
Responsive & Cyclical Repairs	-2,257	-2,186	-2,134	-2,168	-2,225
Total Revenue Expenditure	**-5,674**	**-5,470**	**-5,468**	**-5,493**	**-5,502**
Interest Paid	-2,803	-2,776	-2,727	-2,692	-2,662
Finance Administration	0	0	0	0	0
Interest Received	16	33	31	29	34
Depreciation	-2,721	-2,721	-2,721	-2,721	-2,789
Net Operating Income	**5,577**	**5,663**	**5,558**	**5,816**	**6,043**
APPROPRIATIONS:					
Revenue Provision (HRACFR)	-500	-500	0	0	0
Revenue Contribution to Capital	-5,605	-5,934	-5,796	-6,332	-3,294
Total Appropriations	**-6,105**	**-6,434**	**-5,796**	**-6,332**	**-3,294**
ANNUAL CASH FLOW	**-528**	**-771**	**-238**	**-517**	**2,749**
Opening Balance	7,536	7,008	6,237	5,999	5,483
Closing Balance	**7,008**	**6,237**	**5,999**	**5,483**	**8,232**

Table 5 ***(Some figures have been rounded)***

The HRA Business Plan model is used to forecast dwelling rent and other income, loan interest payments and Revenue Contributions to Capital. The budget for the current year has already been agreed. There is a negative position on cash flow each year in years 1 – 4 but the closing balance remains strong over the 5 year period.

A minimum closing balance of £1m is required. During the five year period, that is comfortably achieved, adding capacity to build the new homes mentioned in Section 5 of this report.

Housing’s 5 year capital projections

Babergh District Council

Year	2017.18	2018.19	2019.20	2020.21	2021.22
£’000	**1**	**2**	**3**	**4**	**5**
EXPENDITURE:					
Planned Variable Expenditure	0	0	0	0	-7
Planned Fixed Expenditure	-4,441	-6,228	-5,299	-5,764	-3,037
Disabled Adaptations	-200	-200	-200	-200	-200
Other Capital Expenditure	-4,540	-3,200	-3,520	-3,840	-4,000
New Build Expenditure	-469	-53	0	0	0
Total Capital Expenditure	**-9,651**	**-9,681**	**-9,019**	**-9,804**	**-7,245**
FUNDING:					
Major Repairs Reserve	3,001	2,721	2,101	2,253	2,684
Right to Buy Receipts	66	66	66	66	66
HRA CFR Borrowing	0	0	0	0	0
Other Receipts/Grants	66	0	0	0	0
HRA Reserves	912	960	1,056	1,152	1,200
Revenue Contributions	5,605	5,934	5,796	6,332	3,294
Total Capital Funding	**9,651**	**9,681**	**9,019**	**9,804**	**7,245**

Table 6 ***(Some figures have been rounded)***

Total capital spending remains constant through the first 4 years of this plan before dropping in year 5 following completion of anticipated planned works and the new build programme. This is mirrored in a reduction of the forecast revenue contribution required in year 5.

In the current year (2017/18), planned expenditure has been lowered pending the outcome of stock condition and asset appraisal work.

Scenario testing

The Business Plan financial model created and supported by the Chartered Institute of Housing enables us to forecast income and expenditure and their impacts on the financial health of the HRA over a 30 year period.

There are a number of factors which will have a significant impact on the HRA finances. Scenario Testing is important in order to assess the relative scale and impact of changes from the base assumptions in the HRA Business Plan financial model.

The greatest risk to the sustainability of the HRA at this time is the levy on the sale of high value assets (HVAs). In the autumn statement 2016 the Government announced that the levy would not be introduced in 2017/18. The size of the levy remains unclear at the time of writing and, because of this uncertainty, we have not built any assumptions into the financial plan relating to it, on advice from the CIH.

Sensitivity	Year 30 HRA Base Position £m	Year 30 (“Cost”) / Benefit to HRA £m
30 Year Base Position	130.2	-
High Value Asset Levy £750k	108.4	(21.8)
1% increase in CPI	183.2	53
1% reduction in CPI	89.6	(40.6)
1% annual increase in capital programme building costs	108.9	(21.3)
Rents increased only by CPI	64.3	(65.9)
2 extra RTB sales per year	126.2	(6)
5 fewer RTB sales per year for four years	140.4	10.2

Table 7 - Sensitivities against the base Business Plan

5. Growth and building new council homes

Babergh's HRA has headroom of £13.1million in 2017/18 rising to £18.9m in 2021/22, making a strong programme of new building and acquisition of council housing an option and a priority for the Council. The Council has already embarked on an ambitious grant funded new build programme that will deliver 27 new homes for rent and shared ownership by 2018. The Council has recently approved a new affordable homes development strategy which lays out a direction and methodology for the delivery of approximately 150 new build homes over the next five years.

While we build our intelligence base to inform longer term development plans, we have the following development and acquisition activity happening already:

- We have commissioned a desk top exercise which will identify all existing HRA land and potential regeneration opportunities. These opportunities will then be reviewed and appraised to create a pipeline of estate regeneration based delivery.
- We are working with private developers to secure direct purchase of new build homes to utilise RTB receipts and ensure the viability and sustainability of such acquisitions.
- We will work with agents to source land opportunities for development. The level of funding required will be dependent on opportunities but a fund will be set aside to support this.
- The existing HQ site in Hadleigh may, amongst other thing, provide opportunities for HRA investment in housing. Options for the site will be developed in late 2017.
- Increased income from new build has been factored into the business plan.

We are developing a pipeline of new HRA homes using HRA resources including: earmarked development funds; RTB receipts; Homes and Communities Agency Grant Funding; existing HRA owned land such as garage sites. Housing developments will also be brought forward by taking opportunities which arise within the HRA estate by making best use of our existing HRA assets to maximise development opportunities:

- Turnover of HRA homes – voids
- Garden severances and infill opportunities
- Garage site opportunities
- Review of existing housing that is no longer fit for purpose as a result of low demand or the asset is uneconomical to maintain or has a high value
- Joint ventures with neighbouring landowners

6. Increasing financial capacity and improving efficiency

HRA efficiency improvements

Unlike the Babergh HRA, the Mid Suffolk DC HRA needs to achieve efficiencies. The Mid Suffolk HRA is forecast to breach its debt cap in around 8 years' time if no corrective action is taken. There is no threat of the Babergh HRA breaching the debt cap.

Financial analysis shows that operational efficiency gains of £300,000 over a 3 year period starting from 2018/19 will prevent a breach of the debt cap in the Mid Suffolk HRA. The Supported Living team has developed an efficiency plan to deliver these savings.

There is no pressing financial need for the Babergh HRA to operate more efficiently and one approach could be to deliver different service level to residents in the two Councils based on what the HRA can afford. The approach being taken, however, is to avoid differential service level, because of the operational complexities and inefficiencies this would create. The aim instead is to maintain the same service levels across the two Councils and for Babergh to also benefit from any operational efficiencies achieved.

There will continue to be very different levels of new Council house building/acquisition across the two Councils because of the underlying differences in financial capacity.

In summary, the operational efficiencies that the Supported Living team have identified and plan to deliver over the 3 year period are:

Sheltered housing service charges

The recent review showed that existing sheltered housing service charges fell far short of recovering the cost of delivering sheltered services.

For 2017/18, a 30% increase with a £4 cap has been approved by the Council. The charges could be increased by the same amount in 2018/19. This will result in additional income to Babergh of £48,000 in 2017/18 and £60,000 in 2018/19.

Sheltered housing salary costs

A review of the staffing levels was also undertaken as part of the changes proposed to sheltered housing schemes. The approved changes will result in a reduction in staff numbers resulting in a saving of £17,000 in 2017/18.

BMBS/property services

Savings of around £100k per council for the 3 financial years 2018/19 to 2020/21 can be realistically achieved through improved procurement.

Lettable standard

The lettable standard for both councils has been aligned but is currently being value engineered as part of this review.

Rechargeable work and enforcement

An improved tenant recharge process will ensure that costs incurred through abuse of Council properties will be recovered whenever possible. An estimated additional income £7,500 per year is expected.

Introduction of service charges for general needs stock

The Councils do not currently charge for services provided over and above those required by statute. Costs incurred by the HRA for services such as grounds maintenance, cleaning, and communal utilities could be recovered from tenants in the form of a service charge. Additionally there are opportunities to consider the introduction of management or caretaking fees that could enhance the service offered to residents.

Further work is required to fully understand the steps and implications of this but there is the potential to recover significant costs from residents receiving services rather than being subsidised by the HRA as a whole.

Void turnaround improvement

On average, 200 Council properties are vacated and relet each year in Babergh. During the time they are untenanted, no rent is received and the councils are liable for council tax. Whilst the average time to relet properties has reduced over the last three years it remains higher than average for social landlords. The table below shows the relet time for all types of property from April 2014.

	2014/15	2015/16	2016/17
Babergh (days)	45	43	29

The table below shows the total lost rent due to void periods. These figures include rent loss relating to properties awaiting sale and those which are vacant pending demolition.

	2014/15	2015/16	2016/17
Babergh (£)	180,570	212,378	163,146

A reduction of 7 days in the average void time would reduce rent loss by around £16,000. It would also reduce the amount of council tax payable by the HRA by around £3,500, after having taken account of the 25% discount on short term voids.

Improvement plan

The relet process involves a number of different activities and members of staff in different teams and roles. It involves administrative tasks relating to the ending of one tenancy and the commencement of a new one, visiting the property prior to vacation, carrying out safety checks and bringing properties to the councils' agreed lettable standard and allocating to a new tenant.

Ensuring that the new process is lean and efficient and minimises delays is key to reducing the void time and is the first area of performance improvement focus following the launch of BMBS.

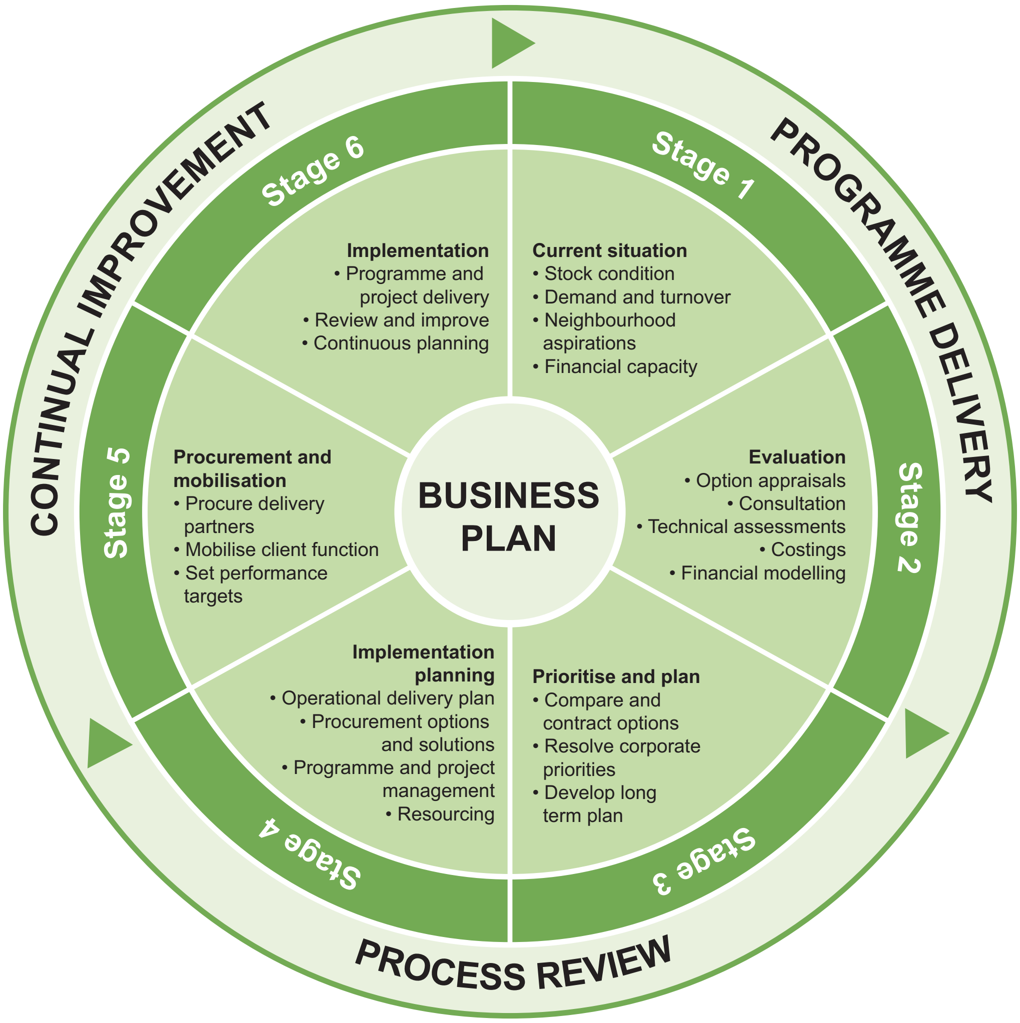
Target for reduction of void turnaround days

	2017/18	2018/19	2019/20
Babergh (days)	29	25	21

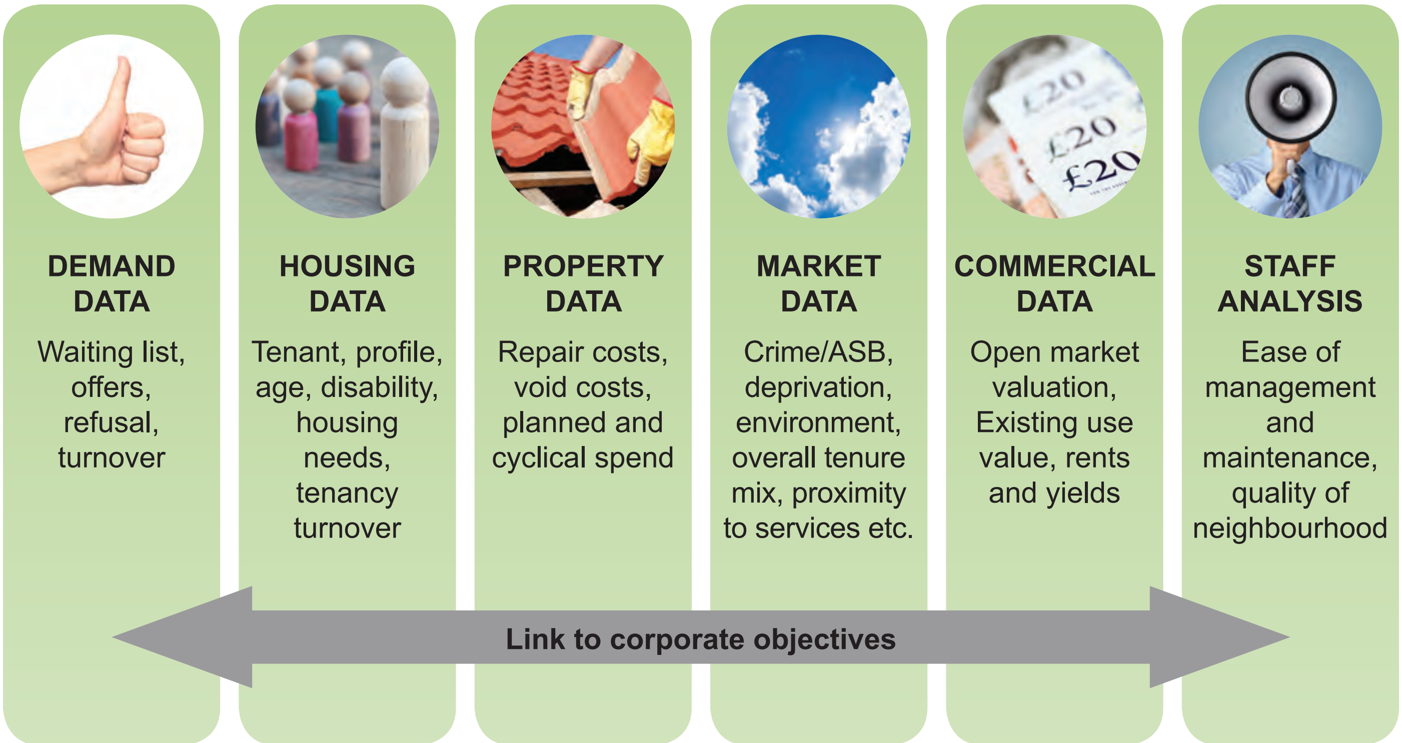
Understanding the contribution of individual assets

Currently we have no comprehensive HRA asset management strategy. We cannot determine where and how best to invest in our stock and although we are 'data rich' we are 'business intelligence poor'. Although it might be tempting to solve immediate funding issues with sales, selling the 'right' stock is the key to good asset management. Our proposed approach to asset management planning will be based around an asset management wheel (set out below). Simplistically, this requires that we:

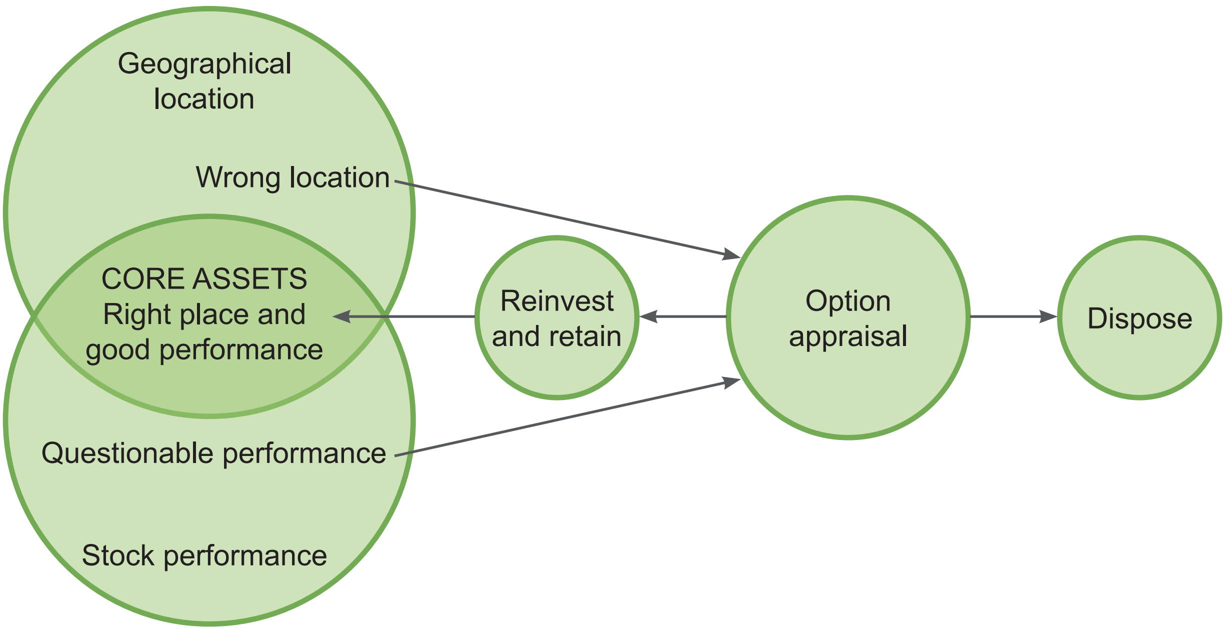
- Understand where we currently are with our assets
- Decide where we want to be
- Agree what resources are available
- Establish the options for moving from where we are to where we want to be
- Prioritise and plan (on the basis they will never have enough resources or time to do everything), and
- Implement agreed plans



All these activities must link back to the business plan, funding arrangements and strategic options appraisal. In order to start this planning process effectively, we need to have a detailed understanding as to how all our HRA assets perform. This mirrors the work that has been undertaken on the General Fund assets side. Such an assessment will need to draw data from different sources as shown in the diagram below:



The outcomes of this model will inform the strengths and weaknesses of the different stock groupings, using a series of Asset Strategic Efficiency Tests. Once the model is completed, it will provide us with a range of asset groupings, which will inform future option appraisals beyond this initial work. This is shown diagrammatically below:



Effective asset management requires a complete and thorough understanding of the contribution that each asset makes. It will be the case in any portfolio that some assets will contribute strongly financially, others on the margin of profitability and a smaller percentage will be loss making. We plan to grade our assets in the same way that we achieved with general fund assets and carry out options appraisals on those that are loss making. This may result in a re-configuration, regeneration, redevelopment or a disposals programme of assets once complete.

This work can be carried out in advance of new stock condition data being available since this data forms only a small element of the overall analysis. This work will be commenced in early summer 2017.

Improved ways of working

At the core of the All Together Project is an increased investment in technology to enable, over time:

- More efficient working practices
- Increased use of data
- Better customer insight
- Understanding what our customers value and what they do not
- More effective targeting of services
- More self-service for those that are able in order to free up resource to make savings or focus on those that really need our help.

We are already reviewing the way we are structured to deliver housing services. This includes a reassessment of:

- The way we handle reports of ASB
- Focussing our work on those that need us most by piloting an ‘Early Help Delivery Team’ comprising a multi-disciplinary, integrated approach.

This approach is in line with a move to more outcome focused working proposed in the future vision for housing.

Improved stock condition data

Robust stock condition data enables the Councils to plan and to budget for the work required to maintain the housing stock in a reasonable and lettable condition. Accurate data provides confidence that HRA funds are spent on the right work in the right places.

A project is underway to update the data to enable an evidence based programme of capital works to be designed for 2017/18 and the following two years. A fresh sample stock condition survey will be commissioned for Babergh in 2018/19.

Increasing rental income

Although rents are set at 80% of market for new builds, there are restrictions on rental income increases for existing stock and the current rent regime requires a 1% reduction in rent payable until 2019/2020. This may change with any new Government but cannot be guaranteed.

As with service charges, our processes for charging and collecting rent and the policy of increasing rental income needs improving. There may be opportunities with a strong new build programme to increase rental streams on wider stock as some Councils appear to have done. A review of the opportunity for this and the development of a comprehensive 'Rent and Service Charge Policy' will be undertaken in 2017.

In particular we will review the way in which void properties are treated and how and when rents can be raised on relet. This is linked to capacity and grant funding for new build homes and our development programme might facilitate that. It is not possible to simply raise all rents on relet to 80% of market rent without a link with capacity for new homes being established.

It will be possible to consider some homes for conversion to shared ownership where planning considerations and any historic covenant and funding considerations allow. Permission and guidance will be sought from Department for Communities and Local Government (DCLG) on larger scale transfer of stock into shared ownership to inform a policy discussion.

Summary HRA efficiency gains plan

Identified actions	17/18	18/19	19/20	20/21
Sheltered Housing				
Increase in Service charges as part of Budget setting process	(48)	(60)		
Reduction in salaries following sheltered scheme review	(17)			
Rents from GF for using Sheltered Housing Accommodation as Landing Points		(9)		
Leaseholders				
Increase in Service charges as part of leaseholder review		(8)		
General Service Charges Increase		(60)	(60)	(57)
Rechargeable works to be invoiced to private tenants		(8)		
Voids				
Reduction in number of void days to 21 over four years thereby increasing rental income		(3)	(4)	(4)
Assets earmarked for potential development are not void until absolutely necessary thereby increasing rental income				
Property Services				
Recharging Health and Safety employee costs when used by other ODT's		(7)		
Components costs reduction following tender coming up for renewal		(30)	(30)	(40)
Sub Total actions	**(65)**	**(185)**	**(94)**	**(101)**

7. Babergh and Mid Suffolk Building Services (BMBS)

The BMBS business plan and its operations have been the subject of a rigorous review and the financial projections originally reported have been revised and incorporated into the HRA financial plan. The revised projections can be found below and describe a more challenging position than that anticipated when agreed in June 2016.

BMBS, launched from April 2017, is in a state of transition bringing together, as it does, two different organisations with diverse operating practices. There was an implementation plan produced in advance of amalgamation, and the critical tasks in that plan are being worked through by the new Service Manager recently appointed. The team is aware that for BMBS to be successful, this plan will have to widened and re-visited regularly at a granular level with new tasks added and specific tasks allocated to named individuals.

The original financial projections have been reviewed by the Corporate Manager on joining the team and these updated predictions now push 'break-even' from the originally predicted trading year 2 to a revised year 4. This presents an undoubted challenge for the team but one that could still result in break-even being brought forward where there is strong leadership, commitment to change and commercial diligence.

The revised financial projection is as follows;

Type of Works	Year 1	Year 2	Year3	Year4	Year 5
Income					
Capital & Planned Maintenance	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920
Responsive	1,374,989	1,374,989	1,374,989	1,374,989	1,374,989
Voids	745,548	745,548	745,548	745,548	745,548
Other Housing Projects	75,000	82,500	90,750	99,825	109,808
Aids & Adaptations	100,000	110,000	121,000	133,100	146,410
Corporate works (General Fund)					50,000
External Income					50,000
Total	**3,495,537**	**3,633,037**	**3,784,287**	**3,950,662**	**4,233,675**
Expenditure					
Office Employee Costs	265,000	267,650	270,327	273,030	275,760
Manual Employee Costs	1,300,000	1,313,000	1,326,130	1,339,391	1,352,785
Other Employee Expenses	1,800	1,818	1,836	1,855	1,873
Premises	12,000	12,120	12,241	12,364	12,487
Transport	160,000	160,000	160,000	160,000	160,000
Materials External Purchase	1,400,000	1,470,000	1,543,500	1,620,675	1,701,709
Sub Contracted Services	463,526	417,173	375,456	337,910	304,119
Support Service charges	147,287	148,760	161,922	163,541	165,176
Other Supplies & Services	57,000	57,570	58,146	58,727	59,314
Training costs	5,255	5,308	5,361	5,414	5,468
Total	**3,811,868**	**3,853,399**	**3,914,918**	**3,972,907**	**4,038,693**
Surplus/(Deficit)	**-316,331**	**-220,362**	**-130,631**	**-22,245**	**194,982**

These projections have been revised for the latest predicted capital programme and other income including the removal of external income and a reduced pipeline of work on general fund assets as a result of the move to Endeavour House.

Bringing the service in-house offers more control over the quality of repairs and removes the risks associated with outsourcing. But given the geography and the number of properties, BMBS will require strong and detailed management and oversight. The throughput of planned works, a major component of turnover is of great importance. The plans for new stock condition surveys and the potential for a resulting strong planned programme of improvements will help with this viability.

There is a back-log of repairs to be tackled accounted for within the financial plan. The senior BMBS team are working with the in-house procurement team to set up framework agreements with Sub-Contractors, which when combined with the potential to increase efficiencies through the adoption of work scheduling software, will allow for the work to be completed more quickly.

The level of staff resources is appropriate to discharge the volume of work projected however extra admin, technical and strategic support might be required in the short term to deliver earlier successes. This extra support is allowed for within the plan and held currently as vacant posts. The new Corporate Manager will be exploring what this means practically and request support as the need emerges. The improvement in comprehensive performance and management information at both a commercial and operative level will also be necessary to achieve short term productivity improvements.

Other commercial decisions will have to be taken over the first few years of trading to support the business. Spend on materials is currently high and the differential salaries between the existing team and TUPE'd staff also has a significant impact. Reducing the impact of these overheads could see an earlier improvement in surplus and productivity. A summary list of actions to support BMBS trading is as follows:

1 .A major issue to consider is that, on the one hand, BMBS employ staff based upon Council Terms and Conditions whereas TUPE transfer staff are on quite different and less preferential terms. In addition to potential discontent that this might cause, this disparity over time will lead to increasing costs rather than a reduction. Terms and conditions will therefore need reviewing.

2. The cost of materials is currently budgeted at 38% which is high for an organisation of BMBS's size and scale of operation. Early consideration will be given to gaining access to a buying consortium to reduce the costs to a more industry standard 22-25%.

3. One of the key principles of establishing and running an efficient business surrounds the approach to management culture and how the business is managed and operated. It must have a commercial focus and this demands the introduction of a trading account and management information systems to ensure it is properly populated and interrogated.

4. In order that the organisation over time can take advantage of external business opportunities, consideration will be given to where the organisation 'sits' in the Councils' structures in future. The case for taking BMBS outside of the HRA will be considered within the first 3 years of trading as performance becomes understood. This will take the form of a full market assessment.

5. A number of operational issues will need to be reviewed to ensure that BMBS operates efficiently in early years of trading, in practice this will require an analysis and understanding of the geography of the operation, where subcontract work might be best deployed, an agreement on repairs processes, service agreements and the specification to be applied to activity such as voids and repairs.

6. Although the operational team is considered appropriate for the size of operation the Service Manager will need some additional support in the short term to deliver some of the key strategic, implementation and business planning outcomes required to make the operation a success. A recommendation for the extent of that support will come forward in the first 6 months of trading. In particular this support will help with points 9) and 10).

7. The BMBS team will work with the wider HRA team to develop a clear and appropriate pipeline of planned works for the years ahead. Not only is a strong planned programme important to maintain high quality homes but a well-defined 'order book' is essential to maintain the trading strength of BMBS and help it plan for its future. Stock condition surveys planned for 2017 and 2018 will inform these new programmes.

8. The BMBS team will in future work closely with the business and financial planning team to ensure that when the HRA plan is reviewed annually that all implications of BMBS can be taken into account in its development.

9. A rigorous external review has been undertaken of BMBS and the team will now develop an implementation plan to take the operational recommendations of that review forward in a planned way and developed within 6 months of trading.

10. All the above will need to be incorporated in a 5 year Business plan specifically for BMBS, reviewed annually and completed within year 1 of trading.

8. The housing service

Compliance

One of the key responsibilities and risks to any housing service is its compliance with regulation and standards across a range of technical and safety matters. These include gas safety, electrical safety, fire, passenger lift inspection and water quality. A review of current compliance and reporting processes including compliance with any relevant Homes England (formally HCA) standards has been commissioned and will report in July 2017.

Public access and accommodation – all together

The world of government and the public service sector is being transformed by technology, new ways of working, a severely constricting financial environment and public expectations. We have to enable our communities to become more resilient and to rely less heavily on public sector services and resources by being more efficient, flexible, agile, innovative, collaborative and accessible.

Our objective is for the Councils to have improved ways of working that are better for our residents, simpler for our staff and more cost effective for the tax payer, which make it easy for anyone to do business with the Councils, through channels that:

- Are effortless to navigate
- Promote individual and community self-service
- Are available when the customer requires them
- Make work more straightforward and enjoyable for our staff
- Reduce confusion for the public about who does what across the Suffolk System.

The Councils' Public Access Strategy gives more control to residents. It fosters community resilience and will enable us to learn from each interaction through utilisation of CRM software. It is customer focused, and promotes an evidenced understanding of the bespoke requirements of individuals, a culture of collaboration and continuous refinement of the way we do business. Together with developing self-service options, this will mean we can focus more attention on those that really need our help, be more productive, thereby increasing the financial capacity of the HRA.

Tenancy services review

We plan to review the way we are structured to deliver tenancy services. This will include a reassessment of:

- The way we handle reports of Anti Social Behaviour
- Focussing our work on those that need us most by piloting an 'Early Help Delivery Team' comprising a multi-disciplinary, integrated approach.

Home ownership project

The Home Ownership project will implement the recommendations of the Housing Quality Network (HQN) review of Leasehold and RTB services. The review recommends the alignment of processes across Babergh and Mid Suffolk, the introduction of clear performance measures and a refresh of leaseholder service charging to ensure that the Council's charge and collect the cost of works to leasehold flats. The anticipated deliverables are:

- Reduced costs
- Increased revenues
- Improved service delivery
- Mitigating risk through compliance with legislation

Older persons housing vision

The importance of appropriate and good quality housing to the short and long term health and wellbeing of individuals is widely acknowledged in Suffolk. The Suffolk Health and Wellbeing Board have formally launched a Housing and Health Charter recognising the importance of collaborative working between housing, health and social care, including a set of commitments that will inform and influence the future direction of all partners throughout the Suffolk System.

This collaborative approach is crucial to ensuring that future housing provision across all tenures meets the needs and aspirations of older people living in Suffolk. The recent strategic review of specialist housing in Suffolk drills down into variables that enable us to gain some understanding of which proportion of the current population of Suffolk are likely to be in need of the care and support services aligned to specialist housing. These variables have then been used to create projections as to how that level of need may change over time, which has also been compared and contrasted with more generalised population changes. The Review enables us to quantify likely demand over time broken down in relation to district and borough areas.

The review examines different models of housing to aid understanding of what currently works well in supported housing and will help the Councils to design future supply to meet the needs of those needing specialist/supported housing, including older people.

Babergh sheltered housing

The County wide Older Persons Housing Vision will guide future recommendations Members receive regarding its sheltered housing. In December 2016, the Councils approved a new strategy for sheltered housing. Key deliverables of the new strategy are:

- To withdraw sheltered services where there is no demand and convert to general needs housing
- A reduction in the number of schemes to 9 in Babergh, comprising 191 sheltered homes
- Providing independent living for the over-60s with minimum housing related support
- A cost effective service that remains within budget through a more robust service charging regime
- Where a scheme is identified as having potential for full or partial redevelopment, recommendations will be brought to members when a full appraisal has been undertaken

Fixed term tenancies

The Council currently offers new tenants a secure tenancy under the Housing Act 1985. The Localism Act gave local authorities the power to offer fixed term tenancies to new tenants. Subsequent provisions in the Housing and Planning Act will prevent local authorities in England from offering a secure tenancy to people of working age in most circumstances. Offering fixed term tenancies will require new ways of working. Changes include:

- An amended tenancy agreement
- New processes for carrying out reviews during the fixed term and an appeal procedure for challenges to decisions
- Provision/encouragement of a range of housing tenures including shared ownership, low cost home ownership and private affordable housing.

Mandatory fixed term tenancies are expected to be implemented in April 2018.

9. Business plan ownership and reporting

The Assistant Director (Supported Living) owns and is responsible for the HRA business plan. This involves:

- Maximising the contribution the HRA makes to delivery of the outputs in the JSP
- Producing the HRA business plan
- Keeping the business plan up to date with changes in the operating environment
- Identifying and mitigating new risks
- Engaging with and informing members, senior staff and residents on HRA performance and annual business plan reviews
- Reporting on HRA outputs to members and the senior leadership team as required
- Maintaining a knowledgeable and responsive HRA business plan team instigating training as required
- Engaging with internal and external advisors
- Benchmarking HRA business plan performance

Appendix A – summary delivery plan

Ref	Item	Details	Target Completion
1	Compliance	Undertake a review of all regulatory compliance within the HRA and develop a plan for improvement.	Jun-17
2	Development Pipeline	Work with the Investment and Commercial Delivery team to take results from HRA land assessment work and develop a pipeline for new home delivery.	Sep-17
3	Voids	Undertake a complete review of the voids process with a view to bringing achieve a maximum 21 day turnaround of all voids.	Sep-17
4	Asset Understanding	Complete a comprehensive asset grading exercise and understand the contribution that each asset makes to the overall portfolio in both financial and qualitative terms.	Sep-17
5	Stock Condition	Undertake a stock condition survey.	Sep-17
6	Resident Involvement	Commence work to respond to the HQN report.	Oct-17
7	Role of the HRA	Begin process of reviewing the future role of the HRA.	Oct-17
8	Lettable Standard	Complete a review of the 'lettable standard' and implement new standard.	Dec-17
9	Asset Options Appraisal	Undertake options appraisal on the bottom 10 worst performing assets and devise a strategy for each.	Dec-17
10	Asset Management Strategy	Develop and seek approval for a comprehensive HRA asset management strategy.	Dec-17
11	Rent and Service Charge Policy	Review of how and to what extent rents are set including following void periods. Develop and seek approval for a comprehensive rent and service charge setting policy. Assess the market and options to convert void homes to shared ownership.	Dec-17
12	Tenancy Services	Undertake a review of the way in which tenant services are delivered to include a review of costs and delivery mechanisms.	Dec-17
13	HRA Business Plan Assumptions	Review annually in light of the prevailing policy and market environments.	Jan-18
14	Scenario Test	Devise and test scenarios annually in light of the prevailing policy and market environments.	Jan-18
15	General Needs Service Charges	Undertake review of charges to GN tenants and develop a methodology for de-pooling rents and service charges.	Jan-18
16	Sheltered Housing Review	Deliver findings from December 2016 review.	Apr-18
17	Tenancy Agreement	Undertake a review with a view to moving towards fixed term tenancies for tenants. Develop new policy and implement.	Apr-18
18	Property Services/ BMBS materials procurement	Review local and regional opportunities for membership of buying consortia with the aim of making £100,000 of savings in materials costs each year for 3 consecutive years from April 2018.	Apr-21

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Leaflet updated June 2017

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

From: **Assistant Director - Corporate Resources**	**Report Number:** **JAC/17/2**
To: **Joint Audit and Standards Committee**	**Date of meeting:** **17 July 2017**

JOINT ANNUAL TREASURY MANAGEMENT REPORT - 2016/17

1. Purpose of Report

1.1 The report is part of the Councils' management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the year.

1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken and the transactions executed in the past year and any circumstances of non-compliance with the Councils' treasury management policy statement and treasury management practices.

1.3 The report also includes performance on Prudential Indicators which were set in the 2016/17 Treasury Management Strategy.

1.4 The figures contained in this report are subject to the external auditor's review which will conclude in September 2017.

2. Recommendation to both Councils

2.1 That the Treasury Management activity for the year 2016/17 be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2016/17.

3. Financial Implications

3.1 As detailed in the Report.

4. Legal Implications

4.1 None.

5. Risk Management

This report is linked to the Councils' Significant Risk Register risk 5(f) "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 risks 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 TM 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 None, although it should be noted that Babergh and Mid Suffolk have regular joint strategy meetings with the external treasury advisor, Arlingclose who provide updates and advice on treasury management issues as they arise.

7. Equality Analysis

7.1 None.

8. Shared Service / Partnership Implications

8.1 None directly related to this report.

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 2016/17 Treasury Management Strategy for both Councils was approved in January 2016.

10.2 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.

10.3 The following key points for the year are as follows:

- Interest rates continued at very low levels
- Economic conditions have improved but no real impact on the treasury activities for the year. Investment of surplus funds with banks and other financial institutions still operating in a 'tight' market.
- No new long term external borrowing was taken out by Babergh or Mid Suffolk to finance the 2016/17 capital programme. All the existing long term debt relates to the HRA for both Councils.

  Babergh increased its short term borrowing by £6million. Mid Suffolk increased its short term borrowing by £11.5million and reduced its long term borrowing by £0.8million (see Appendix B, Table 3).
- Investment activity was undertaken in accordance with the approved counterparty policy and investment limits (see Appendix C, Table 7)

10.4 Specific highlights relating to 2016/17 activity are provided below:

Area/Activity	**Babergh**	**Mid Suffolk**	**Comments**
Borrowing – average interest rate	3.28%	3.66%	All HRA and fixed rate
Short Term Investments – average interest rate	0.34%	0.39%	Exceeded 7 day LIBID benchmark
Credit Risk Scores during the year (value weighted average)	4.81 – 5.06	4.63 – 4.64	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	✓	✓	See Appendix D

10.5 There were no breaches of the strategy or policy for either Council during the year.

11. Appendices

Title	Location
(a) Regulatory Framework, External and Local Context	Attached
(b) Borrowing activities	Attached
(c) Investment activities	Attached
(d) Prudential Indicators	Attached
(e) Glossary of Terms	Attached

12. Background Documents

12.1 CIPFA's Code of Practice on Treasury Management ("the Code").

12.2 2016/17 Treasury Management Strategy

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Appendix A

Regulatory Framework

The Councils' treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. Scrutiny of treasury policy, strategy and activity is delegated to the Joint Audit and Standards Committee.

Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management strategy

External Context

Economic background:

Politically, 2016/17 was an extraordinary twelve-month period which defied expectations when the UK voted to leave the European Union and Donald Trump was elected the 45th President of the USA. Uncertainty over the outcome of the US presidential election, the UK's future relationship with the EU and the slowdown witnessed in the Chinese economy in early 2016 all resulted in significant market volatility during the year. Article 50 of the Lisbon Treaty, which sets in motion the 2-year exit period from the EU, was triggered on 29 March 2017.

UK inflation had been subdued in the first half of 2016 as a consequence of weak global price pressures, past movements in sterling and restrained domestic price growth. However, the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year on year in April 2016 to 2.3% year on year in March 2017.

In addition to the political fallout, the EU referendum's outcome also prompted a decline in household, business and investor sentiment. The repercussions on economic growth was judged by the Bank of England to be sufficiently severe to prompt its Monetary Policy Committee (MPC) to cut the Bank Rate to 0.25% in August and embark on further gilt and corporate bond purchases as well as provide cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.

Despite growth forecasts being downgraded, economic activity was fairly buoyant and GDP grew 0.6%, 0.5% and 0.7% in the second, third and fourth calendar quarters of 2016. The labour market also proved resilient, with the International Labour Organisation (ILO) unemployment rate dropping to 4.7% in February, its lowest level in 11 years.

Following a strengthening labour market, in moves that were largely anticipated, the US Federal Reserve increased rates at its meetings in December 2016 and March 2017, taking the target range for official interest rates to between 0.75% and 1.00%.

Financial markets:

Following the EU referendum result, gilt yields fell sharply across the maturity spectrum on the view that Bank Rate would remain extremely low for the foreseeable future. After September there was a reversal in longer-dated gilt yields which moved higher, largely due to the MPC revising its earlier forecast that Bank Rate would be dropping to near 0% by the end of 2016. The yield on the 10-year gilt rose from 0.75% at the end of September to 1.24% at the end of December, almost back at pre-referendum levels of 1.37% on 23rd June. 20- and 50-year gilt yields also rose in Q3 2017 to 1.76% and 1.70% respectively, however in Q4 yields remained flat at around 1.62% and 1.58% respectively.

After recovering from an initial sharp drop in Q2, equity markets rallied, although displaying some volatility at the beginning of November following the US presidential election result. The FTSE-100 and FTSE All Share indices closed at 7342 and 3996 respectively on 31 March, both up 18% over the year. Commercial property values fell around 5% after the EU referendum, but had mostly recovered by the end of March.

Money market rates for overnight and one week periods remained low since Bank Rate was cut in August. 1- and 3-month LIBID rates averaged 0.36% and 0.47% respectively during 2016/17. Rates for 6- and 12-months increased between August and November, only to gradually fall back to August levels in March, they averaged 0.6% and 0.79% respectively during 2016/17.

Credit background:

Various indicators of credit risk reacted negatively to the result of the referendum on the UK's membership of the European Union. UK bank credit default swaps saw a modest rise but bank share prices fell sharply, on average by 20%, with UK-focused banks experiencing the largest falls. Non-UK bank share prices were not immune, although the fall in their share prices was less pronounced.

Fitch and Standard & Poor's (S&P) downgraded the UK's sovereign rating to AA. Fitch, S&P and Moody's have a negative outlook on the UK. Moody's has a negative outlook on those banks and building societies that it perceives to be exposed to a more challenging operating environment arising from the 'leave' outcome.

None of the banks on the Councils' lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios, although Royal Bank of Scotland was one of the weaker banks in both tests. The tests were based on bank's financials as at 31 December 2015, 11 months out of date for most. As part of its creditworthiness research and advice, the Councils' treasury advisor Arlingclose regularly undertakes analysis of relevant ratios - "total loss absorbing capacity" (TLAC) or "minimum requirement for eligible liabilities" (MREL) - to determine whether there would be a bail-in of senior investors, such as a local council unsecured investments, in a stressed scenario.

On the advice of Arlingclose, new investments with Deutsche Bank and Standard Chartered Bank were suspended in March 2016 due to the banks' relatively higher credit default swap (CDS) levels and disappointing 2015 financial results. Standard Chartered was reintroduced to the counterparty list in March 2017 following its strengthening financial position, but Deutsche Bank was removed altogether from the list.

Local Context

On 31 March 2017, Babergh had net borrowing of £76.755m and Mid Suffolk had net borrowing of £96.251m arising from the revenue and capital income and expenditure activities. This is an increase of £6.538m for Babergh and £3.336m for Mid Suffolk from the 31 March 2016 position. 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. These factors and the year-on-year change are summarised in Table 1.

Table 1: Balance Sheet Summary

BDC	**31.3.16 Actual £m**	**2016/17 Movement £m**	**31.3.17 Actual £m**
General Fund CFR	12.624	5.948	18.572
HRA CFR	86.732	(0.474)	86.258
Total CFR	**99.356**	**5.474**	**104.830**
Less: Usable reserves	19.936	2.278	22.214
Less: Working capital	9.203	(3.342)	5.861
Net borrowing	**70.217**	**6.538**	**76.755**

MSDC	**31.3.16 Actual £m**	**2016/17 Movement £m**	**31.3.17 Actual £m**
General Fund CFR	20.024	2.185	22.209
HRA CFR	86.759	0.000	86.759
Total CFR	**106.783**	**2.185**	**108.968**
Less: Usable reserves	22.012	0.671	22.683
Less: Working capital	(8.144)	(1.822)	(9.966)
Net borrowing	**92.915**	**3.336**	**96.251**

Both Councils' net borrowing has increased due to a rise in the CFR as new capital expenditure was higher than the financing applied, including minimum revenue provision. This was offset by an increase in usable reserves and a decrease in working capital due to the timing of receipts and payments.

The current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

Table 2: Treasury Management Summary

The treasury management position as at 31 March 2017 and the year-on-year change is shown in Table 2 below.

BDC	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Average Rate %
Long-term borrowing	87.297	(0.500)	86.797	3.28%
Short-term borrowing	0.000	6.000	6.000	0.45%
Total borrowing	**87.297**	**5.500**	**92.797**	
Long-term investments	6.906	2.535	9.441	5.07%
Short-term investments	2.700	0.000	2.700	0.34%
Cash and cash equivalents	2.791	0.598	3.389	0.31%
Total investments	**12.397**	**3.133**	**15.530**	
Net borrowing	**74.900**	**2.367**	**77.267**	

MSDC	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Average Rate %
Long-term borrowing	75.687	(0.800)	74.887	3.92%
Short-term borrowing	11.000	11.500	22.500	0.38%
Total borrowing	**86.687**	**10.700**	**97.387**	
Long-term investments	4.879	3.805	8.684	5.27%
Short-term investments	1.300	2.000	3.300	0.39%
Cash and cash equivalents	0.672	1.914	2.586	0.20%
Total investments	**6.851**	**7.719**	**14.570**	
Net borrowing	**79.836**	**2.981**	**82.817**	

The figures in Table 2 are from the balance sheet in the statement of accounts, adjusted to exclude operational cash, accrued interest and other accounting adjustments.

Babergh and Mid Suffolk have both increased net borrowing which has translated to a rise in investment balances. This strategy has generated additional returns instead of repaying long term borrowing early, due to the high costs of early repayment.

Appendix B

Borrowing Activity

At 31 March 2017, Babergh held £92.797million of loans an increase of £5.5million on the previous year. Mid Suffolk held £97.387million of loans and increase of 10.7million on the previous year. These increases are part of both councils' strategy for funding previous years' capital programmes. The year-end borrowing position and the year-on-year change in show in Table 3 below.

Table 3: Borrowing Position

BDC	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Average Rate %
Public Works loan Board	87.297	(0.500)	86.797	3.28%
Local authorities (short-term)	0.000	6.000	6.000	0.45%
Total borrowing	**87.297**	**5.500**	**92.797**	

MSDC	31.3.16 Balance £m	2016/17 Movement £m	31.3.17 Balance £m	31.3.17 Average Rate %
Public Works loan Board	71.687	(0.800)	70.887	3.62%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (short-term)	11.000	11.500	22.500	0.38%
Total borrowing	**86.687**	**10.700**	**97.387**	

The Councils' objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Councils' long-term plans change being a secondary objective.

All new loans for Babergh and Mid Suffolk were taken as short term local authority borrowing to take advantage of low interest rates in 2016/17. This strategy enabled the Councils' to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The "cost of carry" analysis performed by the Councils' treasury management advisor Arlingclose did not indicate any value in borrowing in advance for future years' planned expenditure and therefore none was taken.

Mid Suffolk continues to holds £4million of LOBO loans (Lender's Option Borrower's Option) where the lender has the option to propose an increase in the interest rate as set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during 2016/17.

Appendix C

Investment Activity

Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves. During 2016/17, Babergh's Investment balance ranged between £11.157million and £22.017million. Mid Suffolk's investment balance ranged between £6.385million and £16.892million. These movement are due to timing differences between income and expenditure. The year-end investment position and the year-on-year change are shown in Table 4 below.

Table 4: Investment Position

BDC	**31.3.16 Balance £m**	**2016/17 Movement £m**	**31.3.17 Balance £m**	**31.3.17 Average Rate %**
Banks & Building societies (unsecured)	2.789	(1.400)	1.389	0.47%
Government	0.000	2.000	2.000	0.15%
Money market funds	2.700	0.000	2.700	0.34%
Other Pooled Funds	7.100	2.538	9.638	5.07%
Total Investments	**12.589**	**3.138**	**15.727**	

MSDC	**31.3.16 Balance £m**	**2016/17 Movement £m**	**31.3.17 Balance £m**	**31.3.17 Average Rate %**
Banks & Building societies (unsecured)	0.646	(0.072)	0.574	0.23%
Government	0.000	2.000	2.000	0.16%
Money market funds	1.300	2.000	3.300	0.39%
Other Pooled Funds	5.100	4.542	9.642	5.27%
Total Investments	**7.046**	**8.470**	**15.516**	

Both the CIPFA Code and government guidance requires Local Authorities to invest their funds prudently, and to have regard to the security and liquidity of investments before seeking the highest rate of return, or yield. The Councils' objective 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.

Babergh and Mid Suffolk have both followed a treasury strategy to move investments into long term pooled funds. These funds have generated higher returns for the Councils in a period when interest rates are falling. The remaining investments are short term and highly liquid to ensure both Councils can meet their liabilities.

The £2.538m that was available for Babergh for longer-term investment was moved from bank and building society deposits. £2m into a pooled equity fund expecting a 6% return and £0.538m into funding circle expecting a 7% return.

The £4.542m that was available for Mid Suffolk for longer-term investment has been invested, £2m into a pooled equity fund expecting a 6% return, £0.542m into funding circle expecting a 7% return and £2m into a Pooled Multi Asset Income fund expecting a 3.5% return.

As a result, credit scores and Bail-in Exposure has lowered for both Councils, Bail in exposure is the percentage of our investments that could be lost if banks were to fail. while the average rate of return has increased from 0.24 to 3.69% for Babergh and from (0.72%) to 3.50% for Mid Suffolk respectively. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 below.

Table 5: Investment Benchmarking

BDC	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
31.03.2016	5.06	A+	100%	0.24%
31.03.2017	4.81	A+	61%	3.69%
Similar LAs	4.18	AA-	58%	1.68%
All LAs	4.30	AA-	60%	1.14%

MSDC	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
31.03.2016	4.64	A+	99%	(0.72%)
31.03.2017	4.63	A+	59%	3.50%
Similar LAs	4.18	AA-	58%	1.68%
All LAs	4.30	AA-	60%	1.14%

Babergh's best performing investments in 2016/17 were its £8.7m of externally managed pooled equity, property and multi asset funds. These generated an average total return on investment of 5.92% comprising of 6.44% income return used to support services in the year.

Mid Suffolk's best performing investments in 2016/17 were its £8.6m of externally managed pooled equity, property and multi asset funds. These generated an average total return on investment of 5.44% comprising of 6.72% income return used to support services in the year.

These funds have no defined maturity date but are available for withdrawal after a notice period Their performance and continued suitability in meeting the Councils' investment objectives is regularly reviewed. In light of their strong performance and the latest cash flow forecasts, investment in these funds has been maintained for the 2017/18 financial year.

Other Investment Activity

During 2016/17 Babergh District Council purchased Borehamgate Shopping centre in Sudbury for £3.56million. This has been classified as an investment property. Net Income, after direct costs were deducted, was £143k.

Performance Report

The Councils' measure the financial performance of treasury management activities in terms of their impact on the General Fund and HRA budgets as shown in Table 6 below.

Table 6: Performance

BDC	2016/17 Actual £m	2016/17 Budget £m	2016/17 Over/ (under) £m	2016/17 Actuals Compared to budget %	2016/17 Over/(under) Budget %
Interest receivable	0.370	0.317	0.053	116.7%	16.7%
GF Interest Payable	0.000	0.000	0.000	0.0%	0.0%
HRA Interest Payable	2.863	2.824	0.039	101.39%	1.39%

MSDC	2016/17 Actual £m	2016/17 Budget £m	2016/17 Over/ (under) £m	2016/17 Actuals Compared to budget %	2016/17 Over/(under) Budget %
Interest receivable	0.309	0.201	0.108	153.7%	53.7%
GF Interest Payable	0.031	0.067	(0.036)	46.3%	(53.7%)
HRA Interest Payable	2.770	3.017	(0.247)	91.82%	(8.18%)

The Interest receivable income for Both Babergh and Mid Suffolk were above budget by £53k and £108k respectively. This is due to the new investments and higher than expected returns from long term pooled funds in the CCLA, UBS, Funding Circle and Schroder Income Maximiser Fund.

The short term interest payable for the year was under budget by £36k for Mid Suffolk due to the decrease in bank interest rates in August. The budgets for the PWLB interest payable (HRA only) were slightly understated for Babergh and overstated for Mid Suffolk. These have been reviewed for 2017/18.

Long term investment returns

Babergh and Mid Suffolk both have investments in long term pooled funds, below are details of how these investments have performed from investment date to 31 March 2017.

CCLA	**Babergh District Council**	**Mid Suffolk District Council**
Amount Invested	£5,000,000	£5,000,000
Interest received	£401,544	£352,352
Management Expenses Paid	(£47,164)	(£41,670)
Net Interest received	**£354,380**	**£310,682**
Return 2016/17	**4.97%**	**4.87%**

Babergh and Mid Suffolk both invested into the Schroder Income maximiser fund on 10 February 2017.

Schroder Maximiser Fund	**Babergh District Council**	**Mid Suffolk District Council**
Amount Invested	£2,000,000	£2,000,000
Net Interest received	**£35,500**	**£35,500**
Return 2016/17	**5.95%**	**5.95%**

Babergh District Council invested into the UBS on 26 November 2015, whilst Mid Suffolk invested into the fund on 28 March 2017.

UBS	**Babergh District Council**	**Mid Suffolk District Council**
Amount Invested	£2,000,000	£2,000,000
Net Interest received	**£117,624**	**£21,598**
Return 2016/17	**4.19%**	**4.39%**

Funding Circle	**Babergh District Council**	**Mid Suffolk District Council**
Amount Invested - National	£638,000	£617,000
Amount Invested - Local	£25,000	£25,000
Bad debts	(£7,101)	(£8,580)
Net Investments	**£655,899**	**£633,420**
Income received	£37,996	£40,959
Cash back	£20	£20
Servicing costs	(£4,469)	(£4,843)
Net Income received	**£33,547**	**£36,136**
Invested but still Unallocated - National	£85,759	£31,213
Invested but still Unallocated - Local	£23,000	£23,000
Return 2016/17	**5.58%**	**5.70%**

Table 7: Investment Limits

Babergh District Council

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			

Mid Suffolk District Council

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£1m 5 years	£1m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£1m 5 years	£1m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£1 m 4 years	£1m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£1m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£1m 2 years	£1m 3 years	£1m 5 years	£1m 3 years	£1m 5 years
A	£1 m 13 months	£1m 2 years	£1m 5 years	£1 m 2 years	£1m 5 years
A-	£1m 6 months	£1 m 13 months	£1m 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			

Compliance Report

The Section 151 Officer is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice. The Council's approved Treasury Management Strategy Compliance with specific investment limits is demonstrated in Table 7 above.

Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 8 below.

Table 8: Debt Limits

	2016/17 Maximum	31.3.17 Actual	2016/17 Operational Boundary	2016/17 Authorised Limit	Complied
BDC Borrowing	£92.797m	£92.797m	£107m	£110m	✓
MSDC Borrowing	£97.387m	£97.387m	£111m	£114m	✓

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and is not counted as a compliance failure.

Treasury Management Indicators

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

Security: Babergh and Mid Suffolk have adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. 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.

Table 9: Credit Scores

	31.3.17 Actual	2016/17 Target	Complied
Babergh Portfolio average credit score	4.81	7.0	✓
Mid Suffolk Portfolio average credit score	4.63	7.0	✓

Interest Rate Exposures: 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 the proportion of net principal borrowed was:

Table 10: Fixed Interest rate exposure

	31.3.17 Actual	2016/17 Limit	Complied
BDC Upper limit on fixed interest rate exposure	£86.797m	£104m	✓
BDC Upper limit on variable interest rate exposure	£6.000m	£35m	✓
MSDC Upper limit on fixed interest rate exposure	£74.887m	£112m	✓
MSDC Upper limit on variable interest rate exposure	£22.500m	£40m	✓

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.

Maturity Structure of Borrowing: 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 were:

Table 11: Maturity Structures

Babergh District Council	31.3.17 Actual	Lower Limit	Upper Limit	Complied
under 12 months	7.00%	0%	50%	✓
12 months and within 24 months	0.54%	0%	50%	✓
24 months and within 5 years	1.13%	0%	50%	✓
5 years and within 10 years	12.93%	0%	100%	✓
10 years and within 20 years	77.21%	0%	100%	✓
20 years and within 30 years	0.00%	0%	100%	✓
30 years and above	1.19%	0%	100%	✓

Mid Suffolk District Council	31.3.17 Actual	Lower Limit	Upper Limit	Complied
under 12 months	23.93%	0%	50%	✓
12 months and within 24 months	0.31%	0%	50%	✓
24 months and within 5 years	0.77%	0%	50%	✓
5 years and within 10 years	15.40%	0%	100%	✓
10 years and within 20 years	15.40%	0%	100%	✓
20 years and within 30 years	27.94%	0%	100%	✓
30 years and above	16.26%	0%	100%	✓

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.

Principal Sums Invested for Periods Longer than 364 days: The purpose of this indicator is to control the 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 beyond the period end were:

Table 12: Principal Sums

	2016/17	**2017/18**	**2018/19**
	£m	**£m**	**£m**
BDC Actual principal invested beyond year end	0.000	0.000	0.000
MSDC Actual principal invested beyond year end	0.000	0.000	0.000
Limit on principal invested beyond year end	**2.000**	**2.000**	**2.000**
BDC Complied	✓	✓	✓
MSDC Complied	✓	✓	✓

Whilst the investments that have been made in CCLA, UBS, Schroder and Funding Circle are intended to benefit from longer term higher returns, they can be redeemed on a short term basis.

Appendix D

Prudential Indicators

Introduction

The Local Government Act 2003 requires the councils to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. 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. To demonstrate that councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

This report compares the approved indicators with the outturn position for 2016/17. Actual figures have been taken from or prepared on a basis consistent with, the Councils' statements of accounts.

1. Capital Expenditure

The Councils' capital expenditure and financing may be summarised as follows:

Babergh District Council		
Capital Expenditure and Financing	**2016/17 Estimate £m**	**2016/17 Actual £m**
General Fund	3.289	7.932
HRA	8.420	7.259
Total Expenditure	**11.709**	**15.191**
Capital Receipts	1.466	1.082
Grants and Contributions	0.707	0.925
Reserves	0.042	0.122
Revenue contributions including the Major Repairs Reserve	6.613	6.189
Borrowing	2.881	6.873
Total Financing	**11.709**	**15.191**

Mid Suffolk District Council		
Capital Expenditure and Financing	**2016/17 Estimate £m**	**2016/17 Actual £m**
General Fund	3.412	5.392
HRA	10.989	9.307
Total Expenditure	**14.401**	**14.699**
Capital Receipts	1.518	2.807
Grants and Contributions	0.711	0.574
Reserves	0.042	1.802
Revenue contributions including the Major Repairs Reserve	9.124	6.363
Borrowing	3.006	3.153
Total Financing	**14.401**	**14.699**

2. Prudential Indicator Compliance

(a) Capital Financing Requirement

The Capital Financing Requirement (CFR) measures the Councils' underlying need to borrow for a capital purpose.

Babergh District Council			
Capital Expenditure and Financing	**31.3.17 Estimate £m**	**31.3.17 Actual £m**	**Difference £m**
General Fund	20.938	18.572	(2.366)
HRA	86.258	86.258	0.000
Total CFR	**107.196**	**104.830**	**(2.366)**

Mid Suffolk District Council			
Capital Expenditure and Financing	**31.3.17 Estimate £m**	**31.3.17 Actual £m**	**Difference £m**
General Fund	22.710	22.209	(0.501)
HRA	86.759	86.759	0.000
Total CFR	**109.469**	**108.968**	**(0.501)**

As shown in Table 1 in appendix A, the CFR for Babergh increased during the year by £5.474m and the CFR for Mid Suffolk increased during the year by £2.185m as capital expenditure financed by debt outweighed resources put aside for debt repayment.

(b) Actual Debt

The Councils' actual debt at 31 March 2017 was as follows:

Babergh District Council			
Debt	**31.3.17 Estimate £m**	**31.3.17 Actual £m**	**Difference £m**
Borrowing	102.031	92.797	(9.234)
Total Debt	**102.031**	**92.797**	**(9.234)**

Mid Suffolk District Council			
Debt	**31.3.17 Estimate £m**	**31.3.17 Actual £m**	**Difference £m**
Borrowing	99.892	97.387	(2.505)
Total Debt	**99.892**	**97.387**	**(2.505)**

(c) Gross Debt and the Capital Financing Requirement

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. This is a key indicator of prudence.

Babergh District Council			
Debt and CFR	**31.3.17 Actual £m**	**31.3.18 Estimate £m**	**31.3.19 Estimate £m**
Total Debt	92.797	118.889	135.561
Capital financing requirement	104.830	122.654	137.814
Headroom	**12.033**	**3.765**	**2.253**

Mid Suffolk District Council			
Debt and CFR	**31.3.17 Actual £m**	**31.3.18 Estimate £m**	**31.3.19 Estimate £m**
Total Debt	97.387	117.118	133.505
Capital financing requirement	108.968	127.309	142.666
Headroom	**11.581**	**10.191**	**9.161**

The total debt remained below the CFR during the forecast period.

(d) Operational Boundary for External Debt

The operational boundary is based on the Councils' estimate of the most likely (i.e. prudent but not worst case) scenario for external debt. 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.

Babergh District Council			
Operational Boundary and Total Debt	**31.3.17 Boundary £m**	**31.3.17 Actual Debt £m**	**Complied**
Borrowing	107.000	92.797	√
Total Debt	**107.000**	**92.797**	**√**

Mid Suffolk District Council			
Operational Boundary and Total Debt	**31.3.17 Boundary £m**	**31.3.17 Actual Debt £m**	**Complied**
Borrowing	111.000	97.387	√
Total Debt	**111.000**	**97.387**	**√**

(e) Authorised Limit for External Debt

The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Councils can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Babergh District Council			
Authorised Limit and Total Debt	**31.3.17 Limit £m**	**31.3.17 Actual Debt £m**	**Complied**
Borrowing	110.000	92.797	√
Total Debt	**110.000**	**92.797**	**√**

Mid Suffolk District Council			
Authorised Limit and Total Debt	**31.3.17 Limit £m**	**31.3.17 Actual Debt £m**	**Complied**
Borrowing	114.000	97.387	√
Total Debt	**114.000**	**97.387**	**√**

(f) Ratio of Financing Costs to Net Revenue Stream

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.

Babergh District Council			
Ratio of Financing Costs to Net Revenue Stream	**31.3.17 Estimate %**	**31.3.17 Actual %**	**Difference %**
General Fund	3.98%	4.08%	0.10%
HRA	17.50%	17.50%	0.00%

Mid Suffolk District Council			
Ratio of Financing Costs to Net Revenue Stream	**31.3.17 Estimate %**	**31.3.17 Actual %**	**Difference %**
General Fund	6.66%	4.67%	(1.99)%
HRA	21.15%	19.14%	(2.01)%

(g) Adoption of the CIPFA Treasury Management Code

The Councils adopted the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice 2011 Edition" in February 2012.

(h) HRA Limit on Indebtedness

The Councils' HRA CFRs should not exceed the limit imposed by the Department for Communities and Local Government.

Babergh District Council			
HRA CFR	**31.3.17 Limit £m**	**31.3.17 Actual £m**	**Complied**
HRA Capital Financing Requirement	97.849	86.258	√

Mid Suffolk District Council			
HRA CFR	**31.3.17 Limit £m**	**31.3.17 Actual £m**	**Complied**
HRA Capital Financing Requirement	90.851	86.759	√

Appendix E

Glossary of Terms

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.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CCLA	Churches, Charities and Local Authority Property Fund
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.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
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.
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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BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From:	**Corporate Manager – Strategic Planning**	**Report Number:**	**BC/17/9**
To:	**Babergh Council** **Mid Suffolk Council**	**Date of meeting:**	**18 July 2017** **20 July 2017**

CONSULTATION ON THE BABERGH AND MID SUFFOLK JOINT LOCAL PLAN

1. Purpose of Report

To approve the Babergh and Mid Suffolk Joint Local Plan: Consultation Document (July 2017).

2. Recommendations

2.1 That the Babergh and Mid Suffolk Joint Local Plan: Consultation Document (July 2017) appended to this report be approved.

2.2 That the Corporate Manager – Strategic Planning, in consultation with the Leader and Portfolio Holder for Planning, be authorised to make consequential amendments to the consultation document arising from:

(i) the outcomes of the Sustainability Appraisal of the document,

(ii) removal of drafting and technical errors and typing mistakes, and

(iii) improvements to the layout of the document necessitated by printing requirements.

2.3 That consultation on the Babergh and Mid Suffolk Joint Local Plan: Consultation Document (July 2017) be commenced.

3. Financial Implications

3.1 There are no direct financial implications arising from the immediate decisions involved in this report. However, the production of the Joint Local Plan commits the Councils to considerable ongoing expenditure, which is met from within existing service budgets for the production of technical evidence (especially through consultancy work) and for drafting of the Joint Local Plan documents. The combined total budget for the Joint Local Plan for the current financial year is £233,970 (exclusive of staffing and overheads).

3.2 There will be “one off” costs to be found particularly in connection with the submission of the Joint Local Plan for Examination. This is mainly incurred in publicity, printing the final documents and meeting the costs of the Inspector and the Programme Officer at the Examination.

3.3 It is estimated that most of the costs of producing the Joint Local Plan will be felt in the current financial year (2017/18) and the following financial year (2018/19). The costs associated with producing the Plan in the current year are mainly for completing the Councils' evidence base, drafting and consulting on the new document and testing of growth options, particularly through transport modelling and viability testing.

3.4 The expected costs in 2018/19 will be in consequence of printing the submission version of the Joint Local Plan and holding the independent Examination, including further modelling/testing and public consultation. These costs will be identified through the budget setting process.

4. Legal Implications

4.1 The Planning and Compulsory Purchase Act 2004 requires Local Planning Authorities to prepare Local Plans. The Town and Country Planning (Local Planning) (England) Regulations 2012 sets out the procedures to be followed in the preparation of such Plans. The Babergh and Mid Suffolk Joint Local Plan: Consultation Document (July 2017) is being consulted on under Regulation 18 of the Town and Country Planning (Local Planning) (England) Regulations 2012.

4.2 Planning law requires that where Development Plan policies are relevant to planning applications, decisions in determining these must be made in accordance with the adopted Plan, unless material considerations indicate otherwise. The legal planning decision framework therefore relies on Councils having a Development Plan in place.

5. Risk Management

5.1 This report relates to a number of risks on the Significant Risk Register which include 1a, 1b, 1c, 1d, 1e, 2d, 3a and 3b. The key risks related to production of the Joint Local Plan are described below:

Risk Description	Likelihood	Impact	Mitigation Measures
There are a number of factors that could delay production of the Local Plan, including changes to Government policy or the Councils not endorsing the proposed consultation. If production of the Local Plan is delayed then there are risks in relation to not having policies and allocations in place to deliver planned growth, lack of certainty to	Unlikely (2) – Delays can usually be predicted and mitigated.	Bad (3) – Impact would be likely to be long lasting, potentially involving production of the plan being removed from the Councils.	Robust project plan (LDS) produced (March 2017) and monitoring now introduced. Councils to endorse commencement of consultation as per this report.

Risk Description	Likelihood	Impact	Mitigation Measures
communities, lack of 5 year land supply and potential for CLG to intervene in production of the Local Plan.			
If there continues to be increased demand for Neighbourhood Plans there will be continuing demands on resources and increasing complexity with Local Plan production.	Probable (3) – significant increase in interest in function and requirements to produce Neighbourhood Plans over last year.	Noticeable (2) – Impact could become significant as coordination of increasing numbers of plans increases complexity and risk.	Implementation of measures recommended by Joint Scrutiny Committee.
If there is a poor consultation process then there could be a lack of effective engagement with communities.	Highly Unlikely (1) – consultation will be carried out in line with the Statement of Community Involvement.	Noticeable (2) – Impact could be significant if poor consultation leads to lack of confidence in the Councils or results in additional time/cost at Examination.	Consultation to be carried out in accordance with the Statement of Community Involvement – also see consultation section below.

6. Consultations

6.1 The new Joint Local Plan is being developed in an inclusive and collaborative way by officers working closely with Members, with communities and with adjacent Local Planning Authorities/statutory organisations/other relevant infrastructure providers, all of whom either must be engaged through the requirements of "Duty to Cooperate" under Section 110 of the Localism Act 2011 or who participate in the planning process as part of their core business.

6.2 In particular, officers and Members have been active over the last year in engaging with Neighbourhood Planning Groups to ensure that the relationship of the Joint Local Plan to emerging and prospective Neighbourhood Plans is understood. A programme of ongoing support is being developed to ensure that growing interest in this area of planning is being properly managed.

6.3 Officers will continue to work closely with Members and local communities when the consultation draft of the Joint Local Plan is published for consultation. All consultation will be carried out to comply with or exceed the requirements of the Statement of Community Involvement (SCI) and joint communications strategies.

6.4 Consultation and engagement on this version of the Joint local Plan is expected to include widespread publicity of the proposals to all sectors of the business and resident communities, a programme of briefings for groups of Town and Parish Councils, high levels of facilitation to engage in the consultation process through on line representations and interactive mapping functions allowing respondents to see specific proposals in better detail than printed. It is intended to hold the consultation over a period of time longer than 6 weeks and the consultation will begin in August 2017.

7. Equality Analysis

7.1 The Plan will be subject to an Equality Impact Assessment at the appropriate stage in the process.

8. Shared Service / Partnership Implications

8.1 The preparation of a Local Plan jointly across both councils reflects the well-developed and continuing service integration and transformation process between Babergh and Mid Suffolk District Councils.

8.2 The Joint Local Plan is also being developed alongside work around a broader, strategic planning and infrastructure approach to cover all of Suffolk, known as the Suffolk Strategic Planning and Infrastructure Framework (SPIF). Although the 2 processes are separate, as the Joint Local Plan progresses, there will be an increasing need to develop a high degree of coordination between the two. This interaction and relationship (together with other collaborative planning activity with adjacent Local Planning Authorities) is being planned to meet the requirements of the Localism Act, national planning policy and recent and anticipated planning guidance. The current Local Development Scheme (LDS) takes into account the need to have regard to work on the SPIF and this will likely need to be considered further in late autumn this year and will be reported on at the appropriate time.

9. Links to Joint Strategic Plan

9.1 The Joint Strategic Plan includes the following Priority Areas:

- Economy
- Environment
- Housing
- Strong and Healthy Communities

9.2 The Joint Local Plan reflects these priorities by including them as objectives to be achieved (in part) through new land use and planning strategies. The Babergh and Mid Suffolk Joint Local Plan: Consultation Document is attached as Appendix 1 to this report (known hereafter as the ‘consultation document’). In particular, the Joint Local Plan will help the Council to achieve its key priorities on:

- Housing delivery – The consultation document identifies how many homes are needed in the area and sets out options for an appropriate spatial distribution of homes. It also identifies the size, type and tenure of homes needed for the area. The new Plan will provide certainty about growth expectations and locations, and retaining or improving the vitality of communities will be a key consideration. The consultation document contains options around providing flexibility to manage growth and ensure that development is delivered.

- Business growth and increased productivity – The consultation document identifies how much employment land is needed in the Districts and considers what might form an appropriate approach to ensure jobs growth can come forward. Options are set out in relation to allocating more land than required to provide flexibility.

- Assets and investments – The Joint Local Plan will enable the delivery of housing and employment growth in the area which will attract income generation for the Councils such as New Homes Bonus, Council Tax and Business Rates. It will also attract investment for new infrastructure delivery and enhancement.

10. Key Information

Introduction

10.1 In June and July last year Members approved the commencement of the preparation of a new Joint Local Plan across both Districts, with a term lasting until 2036. Work has progressed well on a substantial updating of the Councils' evidence base in respect of needs and capacity, which now includes up to date evidence on Strategic Housing Market Assessment (from which Objectively Assessed Needs are derived), a Strategic Housing and Employment Land Availability Assessment (which identifies where sites are available within both districts for the delivery of housing, jobs and other requirements), Employment Needs Assessments (which consider land requirements in relation to employment growth) and a Town Centres and Retail study (which identifies retail capacity requirements).

10.2 Work is ongoing to complete evidence on heritage, leisure and infrastructure requirements, all of which will be completed prior to the drafting of the final version of the Plan.

10.3 The key milestones for the production of the Joint Local Plan (as adopted in March this year) are as follows:

• Draft Plan Consultation (Reg 18)	Summer 2017
• Proposed Plan Consultation (Reg 19)	Winter 2017/18
• Submission	Summer 2018
• Examination	Winter 2018
• Adoption	Spring 2019

Babergh and Mid Suffolk Joint Local Plan

10.4 The production of the new Joint Local Plan involves identifying the needs of the Districts together with the issues from meeting those needs. The consultation document presents the evidence and a series of options in relation to the quantum, distribution and delivery of growth, set out around topic areas. The document also includes consultation questions, along with an indication of the Councils' initial preference where appropriate.

10.5 After consultation, analysis of the responses together with considering the conclusions of the Sustainability Appraisal, viability testing, transport modelling and undertaking further updates to other evidence where necessary, will inform the drafting of the full version of the plan (the Regulation 19 version, sometimes known as the Submission Version). Assessment under the Habitats Directive, in terms of impacts upon internationally designated sites, will also be required.

10.6 The Joint Local Plan consists of 3 main sections, covering Strategic, Delivery and Places.

10.7 The Strategic section of the consultation document identifies key social, economic and environmental issues, provides a vision and identifies objectives in line with the objectives of the Councils' Joint Strategic Plan (Economy, Environment, Housing and Strong and Healthy Communities) and identifies those matters under which the Councils must cooperate with other bodies including adjacent Local Planning Authorities.

10.8 The Delivery section of the consultation document identifies a series of key issues and options for the growth of Babergh and Mid Suffolk Districts. These include:

- The housing requirement: As identified by the SHMA, the objectively assessed need (OAN) is 355 dwellings per annum for Babergh and 452 dwellings per annum for Mid Suffolk (over the period 2014-2036). Planning Practice Guidance requires Councils to consider an increase in the housing requirement where it could help to deliver the required number of affordable homes. The Strategic Housing Market Assessment concludes that the affordable housing needed appears achievable to deliver and that no adjustment to the housing figure is needed. This conclusion will need to be revisited throughout production of the plan and a Council decision will be required. The residual housing need to be 'found' through the Joint Local Plan is set out in the consultation document. Deliverability is identified as a key challenge and the document sets out proposals to implement a contingency or 'reserve site' approach;

- Settlement hierarchy: A review of the settlement hierarchy, identifying settlements by key services and facilities. An indicative preferred settlement hierarchy is identified using a weighting approach for key facilities;

- Distribution of growth: Options are set out in relation to the distribution of growth and these are: County town focused; Market town / rural area balance; Transport corridor focused and New settlement focused;

- Housing Mix and Affordable Housing: This section identifies the need for specific housing types and affordable housing, covering size, tenure, older persons' needs, specialist accommodation, starter homes, self and custom builds and affordable housing. Initial preferences, identifying a requirement for specific dwelling types and setting a requirement for affordable housing, are set out;

- Rural growth and development dealing with the approach to rural growth: This section identifies the difference in context and approach to growth in rural areas and considers the continuation of policy CS11 (of the Babergh Local Plan 2011-2031 – Core Strategy & Policies, 2014) or the use of specific allocations in towns and core villages alongside the revision of settlement boundaries in hinterland villages and hamlets;

- Gypsies and Travellers: Accommodation needs of gypsies and travellers are set out, being 1 permanent pitch in Babergh and either 9 or 30 (based on future availability of existing sites) permanent pitches in Mid Suffolk. Needs for transit sites and travelling showpeople's yards are also set out. An initial preference using a combination of allocations and criteria based policies is suggested to meet these requirements;

- Houseboats: Consideration of whether specific policies are required for houseboats;

- Economic needs: An approach to protecting existing employment areas is set out. Options are presented around allocating minimum levels of employment land or more land than is required to provide an element of flexibility. An approach to protecting existing employment areas is also set out;

- Town centres and retail: Capacity is identified for convenience and comparison floorspace requirements (of 2,548 sqm and 10,432 sqm for Babergh and 1,777 sqm and 3,152 sqm for Mid Suffolk respectively) based on the retail study carried out in 2015. The need to identify, update and protect town centres is also recognised through options either to restrict out of centre retail or to support the same in order to meet capacity requirements. The consultation plan also proposes amendments in relation to primary and secondary shopping frontages (and resultant changes in town centre boundaries), and associated thresholds for A1 retail uses, proposes thresholds for retail impact assessments, and includes consideration of protecting retail uses in core and hinterland villages;

- Biodiversity: The section recognises the wide diversity of habitats across both Districts, identifying whether to protect designated sites only or whether to protect and seek a collective inter authority approach to enhancement;

- Climate change: Accepting that global warming is increasing risk of flooding and coastal change, options for renewable energy and sustainable development are set out including around setting greater efficiency standards for energy and water use;

- Landscape and heritage: Options are presented around continuing to apply Special Landscape Areas, Visually Important Open Spaces and Areas of Visual and Recreational Amenity designations or applying a criteria based policy (to maintain the 16 character areas identified in the Councils' Landscape Guidance). In relation to heritage consideration is given to protection of non-designated heritage assets. In relation to design consideration is given to whether the Councils' own policies on design need reinforcing;

- Healthy communities: This section covers deprivation, green infrastructure, open spaces, sports and recreation by identifying options around prescriptive requirements for on-site provision (of open space) or relating requirements to identified needs. Options are also presented around considering contributions from non-residential uses and protecting existing open spaces, sports facilities and community facilities;

- Infrastructure: This section sets out an approach to identifying essential infrastructure (as defined in Infrastructure Delivery Plans) and the need for strategic infrastructure policies which relate growth to all infrastructure needs, including draft infrastructure policies for comment.

10.9 The final section of the consultation document deals with Place and covers the identification of functional clusters, the use of settlement boundaries and site allocations, the relationship of the Joint Local Plan to Neighbourhood Plans and identification of land for development through the Strategic Housing and Employment Land Availability Assessment (SHELAA). The SHELAA sites (sites which are considered to be technically suitable, available and achievable) are appended to the consultation document and views on the sites will be sought as part of the consultation. Over 300 housing and employment sites are identified in 198 settlements, all of which have been updated to a new baseline of 31 March 2017. Not all of these sites will be required to meet development needs and the selection of allocations will be informed by consultation outcomes, evidence and appraisals.

10.10 Sustainability Appraisal of each of the options is being carried out and the Sustainability Appraisal report will be published alongside the consultation document.

11. Appendices

Title	Location
1) Babergh and Mid Suffolk Joint Local Plan: Consultation Document (July 2017)	Enclosed

12. Background Documents

Babergh and Mid Suffolk Joint Local Development Scheme (March 2017)

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