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COMMITTEE: **BABERGH CABINET**

VENUE: **Elisabeth ROOM, ENDEAVOUR HOUSE, RUSSELL ROAD, IPSWICH**

DATE: **Thursday, 18 JANUARY 2018
5.30 PM**

REVISED AGENDA

Members

John Ward
Jan Osborne
Tina Campbell
Margaret Maybury

Lee Parker
Peter Patrick
Nick Ridley

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AGENDA

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DATE AND TIME OF NEXT MEETING

Please note that the next meeting is scheduled for 8 February 2018 commencing at 5:30pm in the Britten Room, Endeavour House.

Introduction to Public Meetings

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Agenda Item 3

BABERGH DISTRICT COUNCIL

BABERGH CABINET

MINUTES OF THE MEETING OF THE BABERGH CABINET HELD IN THE BRITTEN ROOM, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH ON THURSDAY, 7 DECEMBER 2017 AT 5:30PM

PRESENT: Jennie Jenkins - Chairman
Margaret Maybury
Peter Patrick
Jan Osborne
John Ward

In attendance:

Councillor Tony Bavington
Councillor David Busby
Councillor Luke Cresswell
Councillor John Hinton
Councillor Alastair McCraw

Chief Executive (AC)
Corporate Business Improvement Manager (KC)
Economic Development Officer (DC)
Corporate Manager – Finance (ME)
Assistant Director - Environment and Commercial Partnerships (CF)
Corporate Business Coordinator (SM)
Corporate Manager – Democratic Services (JR)
Project and Research Officer (JS)
Assistant Director – Finance (KS)
Strategic Director (JS)

62 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Campbell and Parker.

63 DECLARATION OF INTEREST BY COUNCILLORS

There were none.

64 BCA/17/30 - TO CONFIRM THE MINUTES OF THE MEETING HELD ON 9 NOVEMBER 2017

- 64.1 The minutes of the meeting held on 9 November 2017 were confirmed as a correct record subject to Councillor Patrick being included in the apologies, within minute number 60.3 the sentence be amended to read “the aim for void times be **reduced** by 10 days and within minute number 58 it be amended as follows:
- 64.2 “Cabinet fully accepted the resolution made by the Overview and Scrutiny Committee. It was proposed by Councillor Osborne and seconded by Councillor Ward that it be:

RESOLVED:

The proposal from the Overview and Scrutiny Committee be accepted.”

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

None received.

66 QUESTIONS BY COUNCILLORS

None received.

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

No matters had been referred from the Overview and Scrutiny Committee.

68 BCA/17/31 FORTHCOMING DECISIONS LIST

That the Forthcoming Decisions List be noted subject to the following amendments:

- Leisure Strategy should be amended to read Leisure, Sport and Physical Activity Strategy.
- Local Tourism Strategy Review Cabinet Members responsible should be John Ward and Gerard Brewster.

69 BCA/17/32 - LEISURE, SPORT AND PHYSICAL ACTIVITY STRATEGY

69.1 Councillor Maybury, the Cabinet Member with responsibility for Communities introduced report BCa/17/32 and proposed the recommendation which was seconded by Councillor Patrick.

69.2 Cabinet felt although the report had been delayed it was welcomed. It was noted specific details and how the Strategy would be moved forward in the future would be brought forward in a later paper.

By an unanimous vote.

It was RESOLVED:-

- (1) That the Leisure, Sport and Physical Activity Strategy be endorsed.

Reason for decision: To enable the Councils' to adopt a strategic approach towards the provision of Leisure, Sport and Physical Activity.

70 BCA/17/33 - BABERGH ENTERPRISE ZONE SITE - SPACE TO INNOVATE - DISCRETIONARY BUSINESS RATES RELIEF POLICY - MEMORANDUM OF UNDERSTANDING - SPROUGHTON ENTERPRISE PARK

- 70.1 Councillor Ward, the Cabinet Member for Economy, introduced report BCa/17/33 and moved the recommendation which was seconded by Councillor Osborne.
- 70.2 In response to questions the Cabinet Member for Economy, with the help from the Economic Development Officer, explained the reason why Ipswich Borough Council had requested a Memorandum of Understanding was because of the large amount of money being invested. This was standard practice and a breakdown of business rates could be provided. There would be an opportunity to bid for additional funds in the future.

By an unanimous vote.

It was RESOLVED: -

- (1) The Babergh District Council Discretionary Business Rates Relief Policy for Sproughton Enterprise Park (Enterprise Zone site) be approved.
- (2) That the Assistant Directors as alternative delegation for signature on legal documentation in respect of Enterprise Zone site delivery within the Districts be approved.
- (3) That continued negotiations between BDC and IBC to agree Memorandum of Understanding regarding passporting of Fund B monies in respect of Sproughton Enterprise Park (Enterprise Zone Site) be approved.

Reason for Decisions: To encourage the development of employment sites and other business growth in appropriate locations. To encourage investment in infrastructure.

71 BCA/17/34 - HALF YEARLY PERFORMANCE REPORTING (APRIL TO SEPTEMBER 2017)

- 71.1 Councillor Patrick, the Cabinet Member with responsibility for Organisational Delivery, introduced report BCa/17/34 and moved the recommendation which was seconded by Councillor Osborne.
- 71.2 Members gave thanks to the Corporate Business Improvement Manager and her team for all their hard work and reiterated there was slippage it should be brought straight back for their attention.
- 71.3 It was noted Human Resources had been monitoring staff leavers and from these 16 had stated the move to Endeavour House as a reason to leave.

By an unanimous vote.

It was RESOLVED: -

- (1) The performance report and the performance outcome information tabled at Appendices A to E adequately reflected Babergh's performance for the half year April to September 2017.
- (2) Any actions required were considered where performance improvement

was needed.

Reason for Decisions: To agree the Council's performance adequately demonstrates delivery of the Joint Strategic Plan.

72 BCA/17/35 - FINANCIAL MONITORING 2017/2018 - QUARTER TWO

- 72.1 Councillor Patrick, the Cabinet Member with responsibility for Finance, introduced report BCa/17/35 and moved the recommendation which was seconded by Councillor Ward.
- 72.2 Members noted the document was still "work in progress" whilst moving through the financial year and gave thanks to the finance team.
- 72.3 Overview and Scrutiny had been monitoring BMBS property services and improvements implemented. Regular meetings were now being held and the Assistant Director for Housing would bring to Cabinets attention when something was amiss.
- 72.4 In response to a question on the Transformation Fund, the Cabinet Member for Finance, with assistance from the Chief Executive explained this did not make monies unusable and funds could be moved but it recognised the different cost pressures.

By an unanimous vote.

It was RESOLVED: -

- (1) The potential or likely variations in relation to the General Fund, Housing Revenue Account and Capital Programme compared to the Budget be noted.
- (2) That, subject to any further budget variations that arise during the rest of the financial year, the following net transfers of £831k be noted.
 - a) The balance of the General Fund surplus of £258k referred to in section 11.8 of the report be transferred to the Transformation Fund;
 - b) Transfer of £102k, being the favourable variance for the Materials Recycling Facility (MRF) to a new earmarked Waste reserve, referred to in section 11.8 of the report;
 - c) Transfer of £89k, being the favourable variance for Homelessness to the earmarked grants reserve, referred to in section 11.8 of the report;
 - d) Transfer of £45k, being the favourable variance for Planning legal costs to the earmarked reserve, referred to in section 11.8 of the report;
 - e) Transfer of £337k, being the 2016/17 surplus on the Business Rates Collection Fund to the Business Rates Equalisation reserve, referred

to in section 11.8 of the report.

Reason for Decisions: To ensure that Members were kept informed of the current budgetary position for both the General Fund and HRA.

73 BCA/17/36 - 2018/19 GENERAL FUND BUDGET - EARLY INDICATION

73.1 Councillor Patrick, the Cabinet Member for Finance, introduced report BCa/17/36 and moved the recommendation which was seconded by Councillor Osborne.

73.2 Members noted work was ongoing.

By an unanimous vote.

It was RESOLVED: -

(1)That the progress on developing the General Fund Budget for the period 2018/19 to 2021/22 and the intention to increase Council Tax in 2018/19 be noted.

Reason for Decisions: To ensure that Members were aware of the progress being made to set the 2018/19 budgets.

74 BCA/17/37 - LIVING WAGE MOTION TO COUNCIL

74.1 **The following Motion was put to the meeting from Councillor Cresswell:**

74.2 *“That this Council resolves to establish, without undue delay, a timetable for ensuring that the employees of all its contractors are paid at least the Living Wage in order that Babergh is in a position to declare itself a Living Wage employer by no later than one year from today.”*

74.3 Written notice of the motion was given in accordance with Council Procedure Rule (CPR) No 13.1, signed by Councillors Cresswell and Bavington. This was moved and seconded at the Council meeting on 24 October 2017.

74.4 Councillor Patrick, the Cabinet Member with responsibility for Finance, introduced report BCa/17/37 and moved the recommendation which was seconded by Councillor Maybury.

74.5 Members had carefully considered the motion put forward and agreed they were not against the concept. However, in terms of Contractors employed it was felt the Council could only encourage and cajole. The viability of obtaining accreditation was questioned and Babergh District Council being a living wage employer to its own employees was noted.

74.6 Cabinet fully supported the concept of earning a living wage but recognised it would both be a costly and timely exercise to obtain accreditation.

74.7 The Council would, however, continue to speak with contractors.

By a unanimous vote.

It was RESOLVED: -

- (1) That the Council did not pursue the option of working towards accreditation as a Real Living Wage Employer.

Reason for Decision: Due to the cost and resource implications associated with becoming an accredited employer.

75 BCA/17/38 - FUTURE OPTIONS FOR WORKING TOGETHER BETWEEN BABERGH AND MID SUFFOLK DISTRICT COUNCILS

- 75.1 The Leader of the Council introduced the report BCa/17/38 and read out the resolution made at the Simultaneous Cabinet meeting of the 13 October 2017. She moved the recommendation which was seconded by Councillor
- 75.2 The Chief Executive set out that Cabinet should consider the revised report which detailed the additional financial information and the engagement process.
- 75.3 If the recommendation was endorsed then the public engagement programme would commence on 11 December 2017 and would run until 5 February 2018. The conclusions from this and the draft business case would be submitted in March 2018 to firstly be considered by a joint Overview and Scrutiny Committee, then both Councils and finally to a Simultaneous Cabinet meeting in April 2018.
- 75.4 Following a conversation with the Department for Communities and Local Government (DCLG) it would be unlikely implementation could take place prior to May 2020. Cabinet should consider the issues presented and were not to predetermine the business case.
- 75.5 Following questions as to whether the business case should come first prior to public consultation the Chief Executive explained public engagement would form part of the production of the business case.
- 75.6 Members considered the idea of pooling resources with Mid Suffolk District Council would help the financial position. Public Engagement should take place and then it could be decided from the results how best to move forward. It was considered that a referendum was a blunt instrument whereas a telephone poll would ask detailed probing questions. The questions which were to be asked as part of the telephone poll had been available since the 13 October 2017 and would be from an independent source. The telephone poll was one single element of the whole public engagement process.
- 75.7 The Cabinet were satisfied they had fully looked at the additional financial information as presented in report BCa/17/38 as well as the minutes from previous meetings and the proposed public engagement programme.

By an unanimous vote

It was RESOLVED: -

(1) That after careful consideration of the debate of Full Council on 21 November 2017 and Appendices A and B within report BCa/17/38, Cabinet reconfirms the decisions made by Cabinet on 13 October 2017.

Reason for Decision: To ensure that the two districts were in the best possible position to respond to, and take advantage of, the emerging opportunities and challenges within Local Government and Suffolk.

The business of the meeting was concluded at 7:46pm.

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Chairman

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

January to March 2018 (Published 9 January 2018)

Status	Subject	Summary	Decision Maker & Decision Date	Contacts:		Decision?
				Cabinet Member(s)	Officer(s)	
No change since last plan	2018/19 Budget and Medium Term Financial Position	For comment and agreement	Cabinet 8/11 January 2018	Peter Patrick John Whitehead	Katherine Steel 01449 724806 Katherine.steel@baberghmidsuffolk.gov.uk	Yes
New	Regal Theatre (Stowmarket) Redevelopment	The purpose is to seek Cabinet approval, to agree funding, to support the of the redevelopment of the Regal Theatre and the regeneration of Stowmarket	Cabinet 5 February 2018	John Whitehead	Jonathan Stephenson 01449 724704 jonathan.stephenson@baberghmidsuffolk.gov.uk	Yes
Page 9 New	Community Infrastructure Levy – Framework for Expenditure	To obtain approval to the appointment of a Panel of Members from Cabinet of both Councils to assist with the shaping of current thinking and the development of detail such that a fully worked up CIL expenditure framework is achieved for re-presentation and consideration by Cabinet for both Councils	Cabinet 5/8 February 2018	David Whybrow/ Lee Parker	Christine Thurlow 07702996261 christine.thurlow@baberghmidsuffolk.gov.uk	No
Amended	Wingfield Barns	To provide an update	Cabinet 5 February 2018	Julie Flatman Diana Kearsley	Jonathan Free 01449 724859 Jonathan.free@midsuffolk.gov.uk	Yes
No change since last plan	Joint Babergh and Mid Suffolk Economic “Open for Business” Strategy	For comment and agreement	Cabinet 5/8 February 2018	John Ward Gerard Brewster	Lee Carvell 01449 724685 lee.carvell@baberghmidsuffolk.gov.uk	Yes
No change since last plan	Treasury Management Strategy	For comment and agreement	Cabinet 5/8 February 2018	Peter Patrick John Whitehead	Katherine Steel 01449 724806 Katherine.steel@baberghmidsuffolk.gov.uk	Yes

Amended	Local Tourism Strategy Review	<p>CONFIDENTIAL This report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions</p>	Cabinet 5/8 February 2018	John Ward Gerard Brewster	<p>Lee Carvell 01449 724685 lee.carvell@baberghmidsuffolk.gov.uk</p>	Yes
No change since last plan	Leisure Investment Options	To comment and agree	Cabinet 8 February 2018	Margaret Maybury	<p>Chris Fry 01449 724805 Chris.fry@baberghmidsuffolk.gov.uk</p>	Yes
Amended	Public Realm Transformation Project	To go before a Task and Finish Panel in the first instance – then onto Cabinet	Cabinet 5/8 March 2018	David Burn/ Margaret Maybury	<p>Peter Garrett 01449 724944 Peter.garrett@baberghmidsuffolk.gov.uk</p>	Yes
No change since last plan	CONFIDENTIAL – Regeneration report	<p>CONFIDENTIAL This report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions.</p>	Council 22 February 2018 Cabinet 5 March 2018	Nick Gowrley	<p>Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk</p>	
No change since last plan	CONFIDENTIAL – Regeneration report	<p>CONFIDENTIAL This report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person</p>	Council 20 February 2018 Cabinet 8 March 2018	Jan Osborne	<p>Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@baberghmidsuffolk.gov.uk</p>	

		(including the Council) with regards to detailed financial information to enable negotiated acquisitions				
No change since last plan	BMS Invest – Consolidated Performance and Risk Report	For comment and agreement	Cabinet 5/8 March 2018 Council 20/22 March 2018	Nick Gowrley Jan Osborne	Ian Winslett Lou Rawsthorne 01449 724772 Louise.rawsthorne@babberghmidsuffolk.gov.uk	Yes
No change since last plan	Review of Housing Allocations Policy	To gain approval for changes to the Housing Allocations Policy	Cabinet 5/8 March 2018	Jan Osborne Jill Wilshaw	Sue Lister 01449 724758 Sue.lister@babberghmidsuffolk.gov.uk	Yes
No change since last plan	Quarter Three Budgetary Control	For comment and agreement	Cabinet 5/8 March 2018	Peter Patrick/John Whitehead	Katherine Steel 01449 724806 Katherine.steel@babberghmidsuffolk.gov.uk	Yes
Page 11 Amended	The acquisition of accommodation within Stowmarket to provide additional temporary accommodation units	CONFIDENTIAL This report will be heard in private as per Paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial or business affairs of any particular person (including the Council) with regards to detailed financial information to enable negotiated acquisitions	Cabinet Awaiting a new date	Jan Osborne Jill Wilshaw	Heather Sparrow 01449 724767 Heather.sparrow@babberghmidsuffolk.gov.uk	Yes
TO BE REMOVED ON 22 JANUARY	Neighbourhood Plan Update	To give an update on Neighbourhood plans	Cabinet TBA	David Whybrow/ Lee Parker	Paul Bryant/Paul Munson 01449 724771 Paul.bryant@babberghmidsuffolk.gov.uk	Yes
TO BE REMOVED ON 22 JANUARY	<i>Introduction of Fixed Term Tenancies</i>	<i>No date scheduled at present</i>	<i>Cabinet TBA</i>	<i>Jan Osborne/ Jill Wilshaw</i>	<i>Sue Lister 01449 724758 Sue.lister@babberghmidsuffolk.gov.uk</i>	

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Agenda Item 8

BABERGH DISTRICT COUNCIL

From: Cabinet Member - Finance	Report Number: BCa/17/42
To: Cabinet	Date of meeting: 11 January 2018

DRAFT JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2018/19 BUDGET

1. Purpose of Report

- 1.1 To consider the draft Joint Medium Term Financial Strategy (MTFS) and draft 2018/19 Budget, covering the General Fund, Council Housing and Capital Investment.
- 1.2 These reflect the challenges and opportunities facing the Council in the short and medium/long term, the business model that is being put in place to address these and an investment strategy to deliver the Council's strategic priority outcomes as set out in the Joint Strategic Plan.
- 1.3 This report sets out, therefore, how the Council intends to use its available resources and funding to not only achieve the agreed strategic priority outcomes but also realign resources to them and undertake a programme of transformational activities and projects over the medium term.
- 1.4 To enable Members to consider key aspects of the 2018/19 Budgets, including Council Tax and Council House rent levels.

2. Recommendations

- 2.1 That the draft Joint Medium Term Financial Strategy (MTFS) and Budget proposals set out in the report be endorsed, subject to further consideration at the February meeting for recommendation to Council.
- 2.2 That the final General Fund Budget for 2018/19 is based on an increase to Council Tax of £5 per annum (10p per week) for a Band D property, which is equivalent to 3.25%, to support the Council's overall financial position, which will be considered further at the February Cabinet meeting.
- 2.3 That the draft Housing Revenue Account (HRA) Investment Strategy 2018/19 to 2022/23 and draft HRA Budget for 2018/19 be agreed, subject to further consideration at the February Cabinet meeting.
- 2.4 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.90 a week as required by the Welfare Reform and Work Act be implemented
- 2.5 Sheltered Housing Supported people cost of £3 per week to be removed. Service charges to be increased by £5 per week for each scheme (set at £4 cap per week last year) meaning a net increase of £2 per week to tenants. This will reduce the subsidy by £30k.

- 2.6 Sheltered Housing utility charges are kept at the same level.
 - 2.7 That in principle, Right to Buy receipts should be retained to enable continued development and acquisition of new council dwellings.
 - 2.8 That garage rents are kept at the same level.
 - 2.8 That the revised HRA Business Plan in Appendix D be noted.
 - 2.9 That the proposed Capital Programme in Appendix C be agreed.
- The Medium Term Financial Strategy (MTFS) and Budget will be subject to final determination by Cabinet and Council in February 2018.

3. Financial Implications

- 3.1 These are detailed in the report.

4. Legal Implications

- 4.1 These are detailed in the report

5. Risk Management

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

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

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

- 5.2 A full risk assessment on the final Budget proposals will be included in the February report that will set out the key risk areas of expenditure and income that are reflected in the Council's Budget.

6. Consultations

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

7. Equality Analysis

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

8. Shared Service / Partnership Implications

- 8.1 The Joint Strategic Plan and MTFs determine and shape the Council's future plans and service provision, with regard to each Council's financial position.
- 8.2 The Budgets for 2018/19 reflect the estimated sharing of costs and savings between the two Councils. However, there are and will be ongoing differences in the detailed financial position of each Council's General Fund and HRA. There will be instances, therefore, when staff resources and money is focused on a specific priority in one Council.
- 8.3 Actual staffing and other costs will have to be reflected in the accounts year on year and funding adjusted accordingly to ensure that each Council's finances are accounted for separately and that costs and benefits from integration and shared services continue to be allocated appropriately to each Council.

9. Links to Joint Strategic Plan

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

10. STRATEGIC CONTEXT

- 10.1 In recent years the government policy frameworks have been reducing core funding for local government as part of its deficit reduction strategy and increasingly incentivising funding to councils to deliver local economic and housing growth and to facilitate the development of strong, safe, healthy and self-sufficient communities. This is continuing, so encouraging and supporting both business and housing growth is essential to the financial future of the Council.
- 10.2 The Government confirmed as part of the provisional finance settlement on 19 December, that they aim to increase business rates retention for all local authorities to 75% in 2020/21 to help meet the commitment to give local authorities more control over the money they raise locally. Babergh and Mid Suffolk along with the other five district councils in Suffolk and Suffolk County Council were one of the 10 new areas selected for the 100% business rates retention pilot in the 2018/2019.
- 10.3 The Fair Funding Review continues, with Government issuing a 12 week consultation that aims to implement a new system based on the consultation findings in 2020/21.
- 10.4 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The draft updated MTFS is attached at Appendix E and continues the direction of travel of the Councils in developing the business model to respond to the financial challenges.
- 10.5 The strategic response to those challenges, to ensure long term financial sustainability, is set out in seven key actions:
- (a) Aligning resources to the Councils' refreshed strategic plan and essential services.
 - (b) Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
 - (c) Behaving more commercially and generating additional income.
 - (d) Considering new funding models (e.g. acting as an investor).
 - (e) Encouraging the use of digital interaction and transforming our approach to customer access.
 - (f) Taking advantage of new forms of local government finance (e.g. New Homes Bonus, Business Rates Retention).
 - (g) Business and Housing growth

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

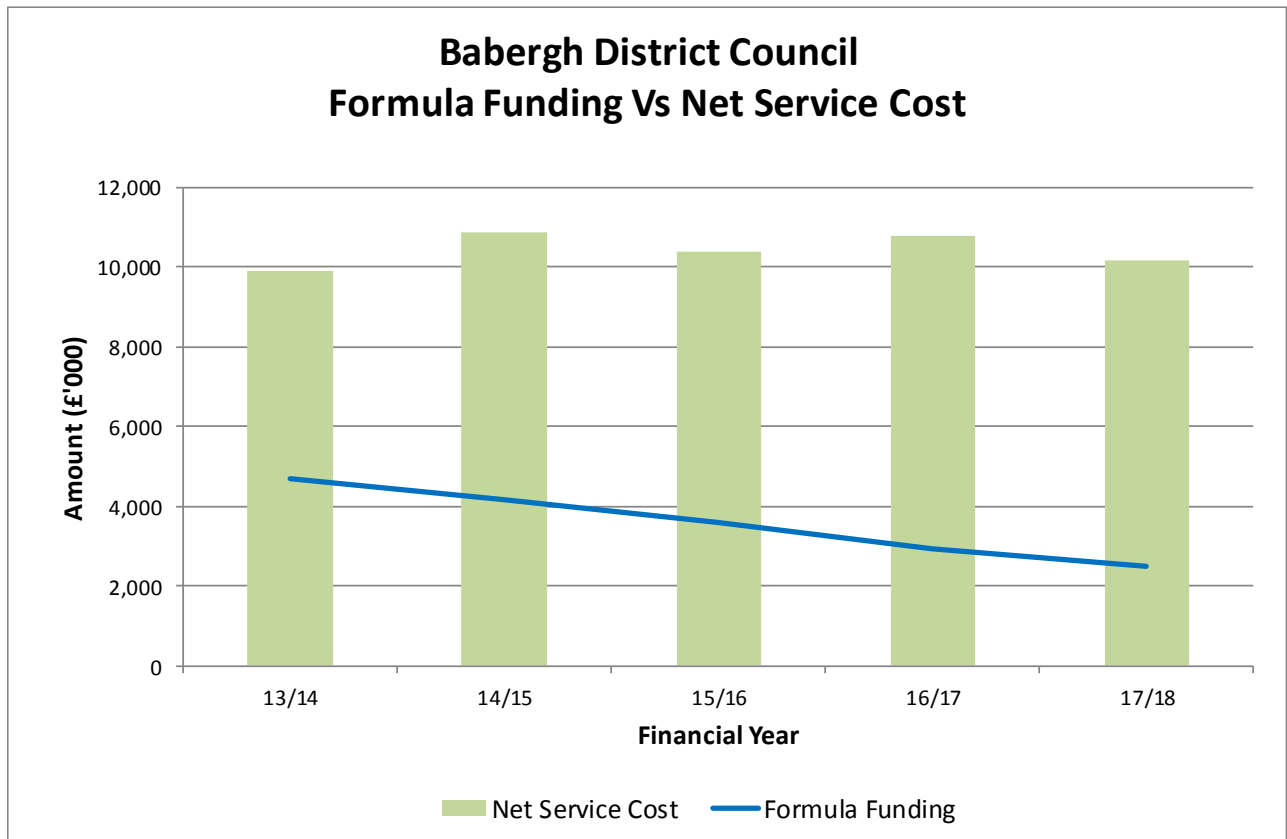
- 10.6 The future funding of New Homes Bonus continues to remain an uncertainty, with this in mind, the intention is to strive for a position where the Council is no longer reliant on New Homes Bonus to balance the core budget.

- 10.7 The details within the Joint MTFS shows a cumulative funding pressure over the three years 2019/20 to 2021/22, of £2.2m. This has been updated following the Local Government Finance Settlement announcement on 19 December.
- 10.8 Each Council is being asked to agree the key aspects of the proposed Budget for 2018/19 and endorse the draft Joint MTFS in order to achieve a sustainable financial basis in the medium term. Without this strategy, which focuses on achieving outcomes, invest to save and generating income, there is a significant risk that each Council will be unsustainable financially in the medium to longer term.

GENERAL FUND (GF)

11 GF Financial Position

- 11.1 Funding arrangements for councils have changed significantly, Babergh have seen a 65% cumulative cut in revenue support grant over the four years from 2013/14 to 2017/18. Under the business rates pilot scheme, the council will no longer receive the Revenue Support Grant and the Rural Services Delivery Grant. These have been rolled up in the baseline business rates figure. The government has pledged that no authority will be adversely affected by the pilot and will adjust the tariff/top ups to deal with this. Further work will be undertaken to understand the full financial impact of this change and will be updated in the final budget report presented to Cabinet in February.
- 11.2 As part of the four-year settlement in 2015, the government indicated that a tariff would be payable to central government of £131k in 2019/20 to redistribute the core funding and council tax generating capabilities to other councils across the country based on spending needs. The Secretary of State has confirmed that the government will be looking at options for dealing with this, and will be consulting on proposals before next year's settlement.
- 11.3 The Council's service cost budget has remained fairly static over the same period, as various budget saving and income generating initiatives have meant that service levels could be maintained. The Council has become reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus to support the Council's service cost budget. Since New Homes Bonus was introduced in 2011/12 the Council has received in total £7.6m, most of which has been used to balance the budget and the rest transferred to the Transformation Fund reserve.
- 11.4 The graph below shows the net service cost budget since 2013/14 and the Revenue Support Grant including the business rates element of the formula funding, over the same period.



11.5 New Homes Bonus (NHB) is reducing from £1.212m to £865k. Further details of the Government's provisional spending announcement on the 19 December 2017 are set out below:-

- The council tax referendum threshold has been increased from 2% to 3% for most authorities for 2018/19 and 2019/20;
- shire district councils will be allowed increases of less than 3%, or up to and including £5, whichever is higher in 2018-19 and 2019-20;
- Parish and town councils will continue to not be subject to the council tax referendum
- Continuation, and an increase for 2018/19 only of the rural (SPARSE) services delivery grant;

11.6 Councils are becoming reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus. Business rates and new homes growth will, therefore, be the main sources of income (plus other income generated locally) if we are to achieve a sustainable Budget in the years ahead. As indicated in paragraph 10.6 above the national total for NHB is reducing, so significant housing growth will need to be achieved to match historic income levels.

11.7 It must be emphasised that the Councils core funding is now predominantly business rates income, especially for Babergh, being part of the Suffolk pilot for 100% business rates retention in 2018/19. The Council now moves to a position where the estimated core funding for next year and future years is not a fixed guaranteed amount as it is now dependent on variations in business rates income. This is carefully monitored and the volatility and risks, for example the level of appeals, will

affect the amount of income received, but this is a complex area and difficult to predict with any degree of certainty.

- 11.8 Business rates and new homes growth will, therefore be the main sources of income (plus other income generated locally) if we are to achieve a sustainable budget in the years ahead.

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

- 12.1 In order to address the budget gap, both in the short and medium term the budget process for 2018/19 has involved several strands of work with the focus on maximising our income streams, continuing to make efficiencies and productivity savings and using new ways of working to work as cost effectively as possible.
- 12.2 Finance has worked closely with Corporate Managers and reviewed each budget in detail and taken a zero based budget approach again for each service, challenging budgets and focussing on the service needs.
- 12.3 The Deputy Chief Executive along with the Assistant Director for Corporate Resources undertook a piece of work throughout the summer where they reviewed every budget, line by line with the Corporate Manager for Finance and the Senior Business Partner, challenging the budget and exploring opportunities for savings or income generating ideas. Senior Leadership Team provided further challenge and review to these suggestions, and this work along with detailed budget discussions with the Corporate Managers delivered savings for the 2018/19 budget and for future years. However, this review has also identified some cost pressures, a full list of the current changes from the 2017/18 budget to the 2018/19 budget can be found at Appendix B.
- 12.4 Further work will continue on other initiatives during the year as set out in the draft Medium Term Financial Strategy (MTFS) at Appendix E, one of the strands that require further work at this stage is the Leisure Review.

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

- 12.5 During 2017/18 work has progressed with CIFCo Capital Ltd which has been trading since June 2017. The Company purchased their first property investment in December 2017, and the £25m approved fund will be fully invested by December 2018. It is estimated that this will generate an additional £546k over the next four years. The decision taken in February 2017 to increase the Council Tax by £5 has enabled the Council to maintain the range of services it delivers.
- 12.6 The draft budget models an increase in Council Tax of £5 in 2018/19, this would generate an additional £196k.

13. GF 2018/19 Draft Budget

- 13.1 The summary at Appendix B shows the key changes between the 2017/18 and 2018/19 and across the period of the MTFS. Additional cost pressures in 2018/19 are £333k, as well as net service cost pressures of £1.664m, this has been offset by the work set out above in identifying savings of £1.626m.
- 13.2 In order to achieve a balanced budget for 2018/19 Babergh have had to utilise all of the £865k of New Homes Bonus in 2018/19 and £422k of the Transformation Fund – a total of £1.287m compared to £1.362m required in 2017/18. This will leave a small balance of £126k in the Transformation Fund.
- 13.3 A number of key assumptions have been made in formulating the draft General Fund Budget proposals. The overall picture is set out in Appendix A with further detail in Appendix B of which some of the key aspects are outlined below:-
- A Council Tax increase in the Band D Council Tax of £5 per annum (10p per week) for a Band D property, which takes it to £158.86 and equates to a 3.25% increase.
 - Certain fees and charges e.g. rental income, water sampling have been increased by 3%.
 - For salaries we have assumed a 2% pay award and an increment for all staff that are eligible.
- 13.4 The figures relating to the draft Budget shown in Appendix A are provisional and are still being reviewed, they will be finalised for the February Budget report. In order to provide further details on the 2018/19 budget, a full breakdown can be found in the form of the Council's draft Budget Book attached at Appendix F.
- 13.5 In relation to earmarked reserves, the estimated balance of earmarked reserves at the end of 2018/19 is £1.3m, including the Transformation Fund balance of £126k. Further details of the earmarked reserves can be found in Appendix E. In addition to this there is £1.2m, the minimum approved level, in the General Fund reserve/working balance.

14 GF Capital Programme Investment

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

HOUSING REVENUE ACCOUNT (HRA)

15 HRA Financial Position

- 15.1 The HRA Business Plan has been updated to reflect the impact of an increase in rents from 2020/21 of Consumer Price Index CPI + 1%. This follows the current rent reduction, introduced by the Chancellor of the Exchequer in 2015/16. The Business Plan is attached at Appendix D and shows additional detail for years 1-10.
- 15.2 The self-financing regime replaced the old Housing Revenue Account subsidy system on 1 April 2012. Babergh's settlement payment was calculated at £83.6m based on projected income, expenditure and existing stock values. This took HRA long term borrowing to £89.6m.
- 15.3 HRA Capital Financing Requirement levels are predicted to be £86.6m at 31 March 2018 providing borrowing headroom of £11.2m. New build/acquisitions funding within the Capital Programme 2018 – 2022 totals £16m and HRA reserve balances 2018–2022 are forecast at £4.8m. This will provide a total HRA Investment Fund contribution of £32m to deliver Members strategic housing priorities and outcomes (or, in relation to the HRA reserve balances, to set aside provision for future maturity debt repayment).
- 15.4 The Joint Strategic Plan sets out clearly the Councils' aligned strategic priorities. The key housing projects supporting delivery of the priorities are outlined in the HRA Business Plan.
- 15.5 For example: The delivery of the Homes and Communities Agency (HCA) 27 new affordable homes between 2015/16 to 2017/18, and acquisition of 7 affordable homes (2016/17), which will become new HRA assets. These new homes will deliver New Homes Bonus for the Council, additional rent and council tax and local businesses will benefit. All these factors will bring growth to our local economy.

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

- 16.1 The Babergh HRA Business Plan presents a positive financial picture over the longer term (a thirty-year period as required under the self-financing regime) but there are short to medium term challenges. These challenges were exacerbated by the proposals announced in the Chancellor's July 2016 Budget:
- The Welfare Reform and Work Act includes a requirement for all social landlords to reduce their rents by 1% each year from 2016 to 2019. However, the recent Government announcement that rents can be increased by CPI +1% for five years from 2020/21 will reduce the impact of this on the 30-year plan.
 - This Act reduced the benefit cap for working age families from £23k to £20k
 - This Act also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government have not made it clear when the introduction of this levy may commence. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

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

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

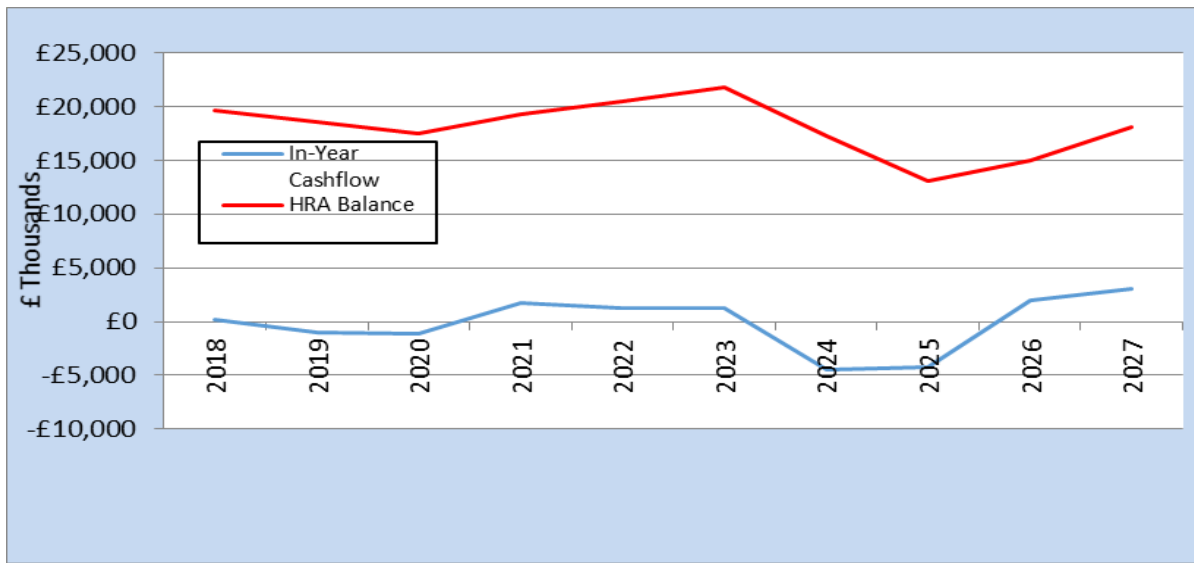
17. HRA Potential Resources Available for Investment

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

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

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

Graph A

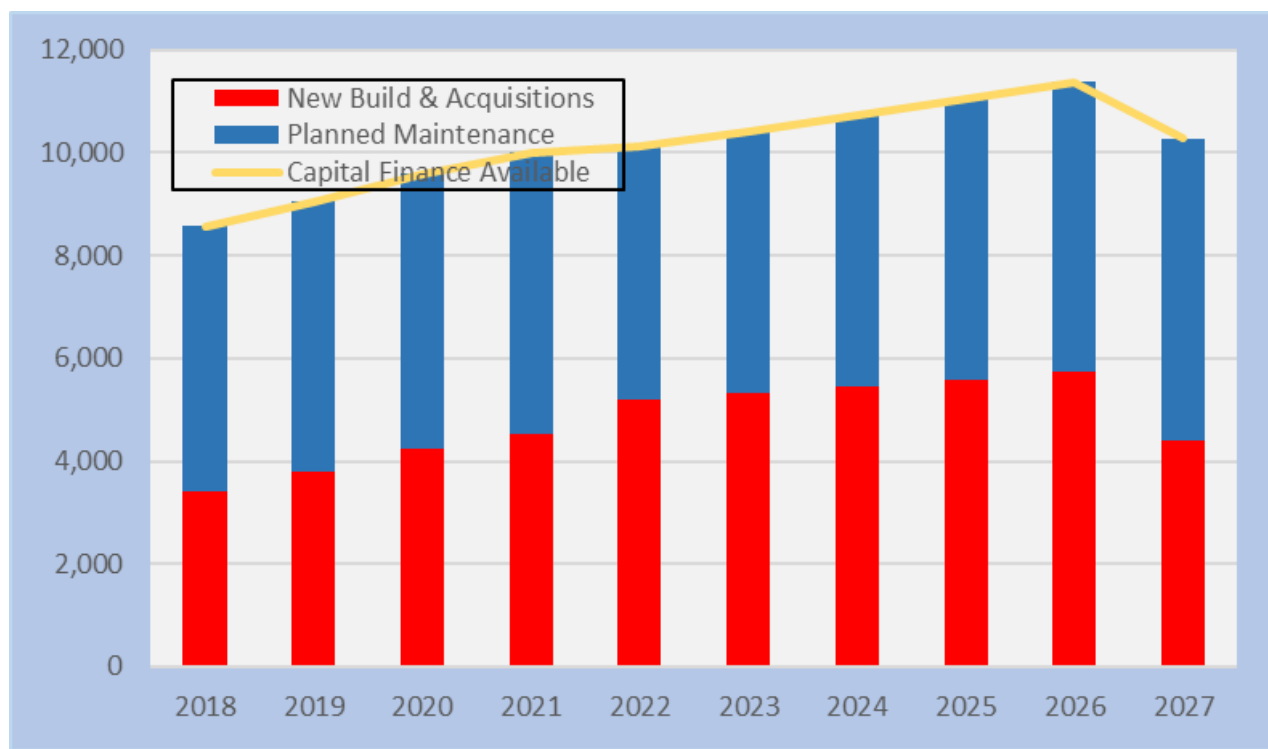


Graph B - Capital Programme from 2018/19 for 10 years (based on a 1% rent reduction in years 1 to 2 followed by a CPI +1% rent increase in years 3 to 10)

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

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

Graph B



18 HRA Key Challenges

- 18.1 HRA Self-financing has provided significant opportunities for Babergh. The development of 27 new council homes supported by Homes and Communities Agency Grant funding is a good example of how the funds available within the HRA are being used differently.
- 18.2 These opportunities, however, are threatened by the proposals described in paragraph 16.1. The table in paragraph 19.1 sets out the draft HRA budget for 2018/19 and highlights the variances from the current year as a result of a 1% rent reduction (an average rent reduction of 90 pence per week for Babergh tenants).
- 18.3 It is important to understand that the 30-year HRA business plan was predicated on an annual rent increase of CPI + 1%, the formula agreed by the government in 2014. In business planning terms the loss to the HRA was forecast to be £4.5m over years 2016/17 to 2019/20.

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

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

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

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

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

18.5 **Sheltered housing** - Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £400k each year. The new pressures of rent reduction and removal of the Housing Related Support Grant from Suffolk County Council of £42k from April 2018 make this subsidy unsustainable in the long term.

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

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

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

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

HRA New build programme and retention of Right to Buy receipts

18.7 Right to Buy (RTB) sales for both councils have been less than projections in business plans. In 2016/17 Babergh sold 26 against original projections of 24 sales.

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

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

19 HRA Draft Budget 2018/19

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

Description	2017/18 £000	2018/19 £000	Variance £000	Reason
Rent and other income	(16,717)	(16,645)	(72)	Based on a proposed average rent decrease of 1%. Offset by increase in number of affordable homes, and service charges
Bad Debt Provision	115	155	(40)	Universal Credit is being implemented during 2017/18, so the

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

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

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

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

19.4 The established rent formula empowers Government to restrict our ability to increase rents through applying a 'limit rent' this is the average rent level at which full housing benefit will be paid. If our average rent exceeds this amount then a payment has to be made to the Government to make up the difference. Limit rent figures will be

released at the end of January 2018. This could still have an impact on rent levels in addition to the -1% change required.

20 HRA Capital Programme Investment

20.1 The draft Capital Programme is attached at Appendix C.

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

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

21. Appendices

Title	Location
Appendix A – Draft General Fund Budget Summary 2018/19	Attached
Appendix B – Movement of service cost budget year on year	Attached
Appendix C – Draft Capital Programmes	Attached
Appendix D – Draft updated HRA Business Plan	Attached
Appendix E –Draft Joint Medium Term Financial Strategy	Attached
Appendix F – Draft Budget Book 2018/19	Attached

22. Background Documents

Local Government Finance Settlement.

Authorship:

Katherine Steel (01449) 724806
Assistant Director - Corporate Resources katherine.steel@baberghmidsuffolk.gov.uk

Melissa Evans (01473) 296320
Corporate Manager - Finance melissa.evans@baberghmidsuffolk.gov.uk

Sharon Bayliss (01473) 296316
Senior Finance Business Partner sharon.bayliss@baberghmidsuffolk.gov.uk

Gavin Fisk 07891 807490
Assistant Director – Housing gavin.fisk@baberghmidsuffolk.gov.uk

Tricia Anderson 07702 897095
HRA Accountant tricia.anderson@baberghmidsuffolk.gov.uk

Draft General Fund Budget Summary 2018/19**GENERAL FUND REVENUE BUDGET SUMMARY**

	2017/18	2018/19	Movement
	£'000	£'000	£'000
1 Employee Costs	8,027	8,032	6
2 Premises	851	825	(26)
3 Supplies & Services	3,441	3,492	51
4 Transport	182	278	96
5 Contracts	4,108	4,249	141
6 Third Party Payments	20,202	20,202	(0)
7 Income	(26,238)	(27,521)	(1,283)
8 Charge to HRA	(1,138)	(1,119)	19
9 Charge to Capital	(407)	(227)	180
10 Capital Financing Charges	920	1,561	641
11 Investment Income	(922)	(1,392)	(470)
12 <u>Transfers to Reserves</u>			
(a) New Homes Bonus	1,212	866	(346)
(b) S31 Business Rates Grant	650	797	147
(c) Other	23	27	4
Net Service Cost	10,913	10,071	(841)
13 Transformation Fund - Staffing (NHB)	(484)	(50)	434
14 Transformation Fund - Delivery Plan Projects (NHB)	-	-	-
15 Transfers from Reserves - earmarked		(432)	(432)
16 S31 Grant	(650)	(797)	(147)
17 New Homes Bonus remaining	(712)	-	712
18 Deficit / (Surplus) on Collection fund	(40)	(12)	28
19 Revenue Support Grant (RSG)	(504)	-	504
20 Baseline business rates	(1,997)	(2,443)	(446)
21 Business rates – growth/pooling benefit	(109)	(206)	(97)
22 Business rates – 17/18 collection fund deficit		371	371
23 Transition Grant	(22)	-	22
24 Rural Services Support Grant	(182)	-	182
25 Council Tax	(5,000)	(5,214)	(214)
Total Funding	(9,701)	(8,783)	917
26 Shortfall in funding / (Surplus Funds)	1,212	1,287	77
Minimum New Homes Bonus available	-	(866)	(866)
Council Tax Base	(32,489)	(32,822)	(333)
Council Tax for Band D Property	153.86	158.86	5.00
Council Tax	(4,999)	(5,214)	(215)

Movement of service cost budget year on year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000
Net Service Cost previous year	9,700
Cost Pressures	
<u>Inflation</u>	
Employees - 2% pay award	165
Employees - increments	102
Other Employee costs	1
Contracts	42
Supplies & Services	7
Insurance Premiums	5
Business Rates	12
Sub total cost pressure	333
<u>Other increases to net service cost</u>	
<u>BMS Invest</u>	
Staff costs	41
<u>Communities</u>	
Car Park income - revision of budgets (including ECNs)	58
Strong and Safe Communities - staff costs	37
Street and Major Road Cleanisng - recycling performance payments	26
Business Rates - car parks	15
Domestic Homicide Review	12
<u>Corporate Resources</u>	
Reduction to HB Admin Subsidy Grant	26
Organisational Development inc Health and Safety - staff costs	25
Phased reduction of general savings	20
Shared Revenues Partnership contract increase	20
Borehamgate - reduction in rental income (empty units)	14
Reduction to income received for Credit Card charges.	6
<u>Customer Services</u>	
Customer Services - staff costs	7
Contribution to Sudbury Customer Access Point	4
<u>Environment and Commercial Partnerships</u>	
Net reduction to Building Control Income	61
Waste - recycling performance payments	39
Trade Waste Income (net) including glass collection service cost	25
Environmental Protection - legal expenses	6
<u>Housing</u>	
Homelessness - staff costs (funded from grants)	115
<u>Law & Governance</u>	
Governance - staff costs (including Scanners)	44
Information Management - staff costs (re-allocation of time charged to Capital)	39
Shared Legal Services (net) including staff costs	35
Internal Audit - staff costs	6
<u>Planning for Growth</u>	
Community Housing Fund inc fixed term post for 2 years (funded from grant in earmarked reserves)	95
Development Management - staff costs (funded from 20% inc to planning fees)	95
<u>Property Services</u>	
Hadleigh HQ security costs	114
Belle Vue House - reduction in rental income	19
Wenham Depot - includes reduction to rental income	12
PV Panels - cleaning and repairs / maintenance	6
<u>Other Cost Pressures</u>	
Minimum Revenue Provision	322
Recharge to Capital (can be offset in part by capital projects - staff costs below)	180
Other items (net)	70
SLT staff costs	25
Recharge to HRA	19
Modern Apprentice Levy - net cost	14
Interest payable / receivable	6
Pooled Funds income (net of management fees)	6
Sub total other increases to net service cost	1,664

Appendix B

<u>Actions to offset increases to net service cost</u>	
Inflation - income	(23)
<u>Communities</u>	
Public Realm - staff costs	(25)
Increase to fees for dog & litter bin emptying	(2)
<u>Corporate Resources</u>	
Management Review Savings	(160)
Commissioning and Procurement - staff costs	(14)
External Audit Fees	(11)
Corporate Training	(10)
Stationery	(8)
I-Trent	(7)
Finance - staff costs	(5)
Contracted services (Vertas)	(3)
<u>Customer Services</u>	
ICT costs - server room, printers, general savings	(56)
ICT - staff costs	(30)
<u>Environment and Commercial Partnerships</u>	
Reduction of payments to third parties for Bring sites - Glass & Textile recycling	(20)
Building Control - staff costs	(18)
Garden Waste Income (net)	(12)
Energy Proficiency Certificates (SAPs) income	(4)
Income for Food Hygiene Rating System rescore visits	(1)
<u>Housing</u>	
Homelessness - flexible support and new burden grants	(191)
<u>Law and Governance</u>	
Alignment of Chairman's expenses	(7)
Course conference fees for members	(4)
Impact of the Boundary Review	
<u>Planning for Growth</u>	
Planning fee income - 20% price increase	(120)
Planning fee income - volume increase	(110)
Reduction of License costs for UNIFORM	(39)
CIL 5% to cover administration costs	(11)
<u>Property Services</u>	
Capital Projects - staff costs	(107)
East House running costs	(9)
<u>Other Savings</u>	
Removal of Transformation Funded Posts	(367)
CIFCO	(138)
Increase vacancy management contingency to 2.5%	(88)
Accommodation - All Together	(23)
Transfer to reserves	(5)
Sub total actions	(1,626)
Total Net Service Cost movement	371
New Net Service Cost	10,072

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000
Funding previous year	(9,700)
Cost Pressures	
Movement in Reserves	568
Removal of Revenue Support Grant (RSG) - now included within baseline Business Rates	504
Business Rates - collection fund deficit 2017/18	371
Removal of Rural Services Support Grant (RSDG) - now included within baseline Business Rates	182
Change to Council Tax Collection fund surplus	28
Removal of Transition Grant	22
Sub total cost pressure	1,675
Savings / Actions to increase funding	
Business Rates - baseline (now includes RSG & RSDG)	(446)
Business Rates - pooling benefit	(97)
RSG - tariff	-
Council Tax (£5 increase to Band D)	(196)
Growth in taxbase	(20)
Sub total savings /actions to increase funding	(758)
New Year Funding	(8,784)
Annual Budget (surplus)/deficit	1,288

DRAFT CAPITAL PROGRAMME FOR 2018/19 to 2021/22**General Fund**

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

DRAFT CAPITAL PROGRAMME FOR 2018/19 to 2020/21**General Fund**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Leisure Contracts												
Kingfisher Leisure Centre - plant and other capital	145	40	50	50	285						285	285
Hadleigh Sports & Swimming Pool - General	0	50	50	50	150						150	150
Total Leisure Contracts	145	90	100	100	435	0	0	0	0	0	435	435
Capital Projects												
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	192						192	192
Total Capital Projects	48	48	48	48	192	0	0	0	0	0	192	192
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	11,892						11,892	11,892
Total Investment and Commercial Delivery	2,973	2,973	2,973	2,973	11,892	0	0	0	0	0	11,892	11,892
Corporate Resources												
ICT - Hardware / Software costs	200	200	200	200	800						800	800
Total Corporate Resources	200	200	200	200	800	0	0	0	0	0	800	800
Total General Fund Capital Spend	4,528	4,475	4,482	4,297	17,783	0	0	0	1,637	0	16,146	17,783
Total Capital Spend	13,103	13,520	14,081	14,302	55,007	2,746	20,243	14,235	1,637	0	16,146	55,007

DRAFT CAPITAL PROGRAMME FOR 2018/19 to 2020/21**HRA**

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

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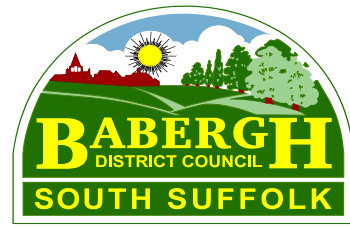
Note: the new build acquisitions and new build budgets for 2017-18 onwards will be set on the basis of what the business plan will allow when the other HRA capital budgets have been agreed.

HRA Business Plan updated 2018/19 – 2027/28

Appendix D

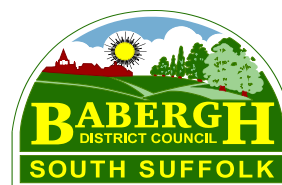
Year	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27	2027.28
£'000	1	2	3	4	5	6	7	8	9	10
INCOME:										
Rental Income	(15,986)	(15,855)	(16,405)	(17,001)	(17,649)	(18,351)	(19,080)	(19,644)	(20,225)	(20,794)
Void Losses	149	147	153	158	164	171	177	183	188	193
Service Charges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

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



Budget Book 2018/19





Budget Book 2018/19

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GENERAL FUND REVENUE BUDGET SUMMARY

	2017/18 £'000	2018/19 £'000	Movement £'000
1 Employee Costs	8,027	8,032	6
2 Premises	851	825	(26)
3 Supplies & Services	3,441	3,492	51
4 Transport	182	278	96
5 Contracts	4,108	4,249	141
6 Third Party Payments	20,202	20,202	(0)
7 Income	(26,238)	(27,521)	(1,283)
8 Charge to HRA	(1,138)	(1,119)	19
9 Charge to Capital	(407)	(227)	180
10 Capital Financing Charges	920	1,561	641
11 Investment Income	(922)	(1,392)	(470)
12 <u>Transfers to Reserves</u>			
(a) New Homes Bonus	1,212	866	(346)
(b) S31 Business Rates Grant	650	797	147
(c) Other	23	27	4
Net Service Cost	10,913	10,071	(841)
13 Transformation Fund - Staffing (NHB)	(484)	(50)	434
14 Transformation Fund - Delivery Plan Projects (NHB)	-	-	-
15 Transfers from Reserves - earmarked		(432)	(432)
16 S31 Grant	(650)	(797)	(147)
17 New Homes Bonus remaining	(712)	-	712
18 Deficit / (Surplus) on Collection fund	(40)	(12)	28
19 Revenue Support Grant (RSG)	(504)	-	504
20 Baseline business rates	(1,997)	(2,443)	(446)
21 Business rates – growth/pooling benefit	(109)	(206)	(97)
22 Business rates – 17/18 collection fund deficit		371	371
23 Transition Grant	(22)	-	22
24 Rural Services Support Grant	(182)	-	182
25 Council Tax	(5,000)	(5,214)	(214)
Total Funding	(9,701)	(8,783)	917
26 Shortfall in funding / (Surplus Funds)	1,212	1,287	77
Minimum New Homes Bonus available	-	(866)	(866)
Council Tax Base	(32,489)	(32,822)	(333)
Council Tax for Band D Property	153.86	158.86	5.00
Council Tax	(4,999)	(5,214)	(215)

GENERAL FUND BUDGET - Services and Activities Summary

Planning for Growth	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Growth and Sustainable Planning	923	0	226	20	0	0	(758)	411
Business Improvement	33	0	0	1	0	0	0	34
Strategic Planning	491	0	211	3	0	0	(36)	669
Open for Business	291	5	96	6	0	0	(193)	205
Heritage and Conservation	115	0	14	5	0	0	(20)	114
TOTAL	1,852	5	547	36	0	0	(1,006)	1,433

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

Environment and Projects	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Building Control	361	3	10	21	0	0	(252)	143
Waste Services	220	66	644	7	1,915	0	(2,082)	769
Food and Safety	240	0	9	9	0	0	(11)	247
Leisure	0	54	0	0	233	0	(31)	257
Sustainable Environment	431	0	36	16	0	0	(5)	477
TOTAL	1,251	124	699	52	2,148	0	(2,381)	1,894

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

Customer Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Customer Services	436	0	41	2	0	0	0	479
Business Improvement (Corporate)	117	0	8	1	0	0	0	125
ICT	172	0	343	0	233	0	0	748
Communications	112	0	6	0	0	0	0	118
TOTAL	836	0	398	4	233	0	0	1,470

Corporate Resources	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
HR and Organisational Development	392	0	25	1	0	0	0	418
Financial Services	934	207	188	4	1,136	20,202	(22,359)	312
Commissioning and Procurement	126	0	3	1	0	0	0	130
Housing and Regeneration	101	118	150	102	0	0	(353)	119
Senior Leadership Team	618	0	33	10	0	0	0	661
Property Services	389	54	45	25	1	0	(549)	(35)
TOTAL	2,559	378	446	144	1,137	20,202	(23,260)	1,606

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

BMS Invest	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
BMS Invest	57	0	40	0	0	0	0	97
TOTAL	57	0	40	0	0	0	0	97

TOTAL	8,032	402	402	278	4,249	20,202	(27,521)	9,558
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GENERAL FUND BUDGET - Planning for Growth

Growth and Sustainable Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Development Management	923	0	139	20	0	0	(758)	324
Development Management - Appeals	0	0	88	0	0	0	0	88
	923	0	226	20	0	0	(758)	411

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

Strategic Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Infrastructure Team - CIL	54	0	0	0	0	0	(11)	43
Strategic Planning General	0	0	1	0	0	0	0	1
Development Policy and Local Plans	330	0	76	1	0	0	0	408
Local Plans	0	0	34	0	0	0	0	34
Housing Enabling	10	0	87	0	0	0	0	97
	491	0	211	3	0	0	(36)	669

Open for Business	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Alcohol, Entertainments and Late Night Refreshment	43	0	8	0	0	0	(78)	(26)
Economic Development	115	0	25	5	0	0	0	144
Economic Development - additional capacity (Transformation Funded)	26	0	0	0	0	0	0	26
Gambling and Small Lotteries	5	0	0	1	0	0	(8)	(2)
Lavenham Tourist Information Centre	64	5	13	0	0	0	(24)	57
Other Licences	4	0	0	0	0	0	0	4
Taxi and Private Hire Licensing	35	0	13	0	0	0	(79)	(32)
Tourism General	0	0	38	0	0	0	(5)	33
	291	5	96	6	0	0	(193)	205

Heritage and Conservation	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Conservation	115	0	1	5	0	0	0	122
Neighbourhood Plans	0	0	13	0	0	0	(20)	(7)
	115	0	14	5	0	0	(20)	114

TOTAL	1,852	5	547	36	0	0	(1,006)	1,433
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GENERAL FUND BUDGET - Supported Living

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

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

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

GENERAL FUND BUDGET - Environment and Commercial Partnerships

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

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

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

Leisure	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Hadleigh Pool	0	20	0	0	70	0	0	90
Kingfisher Leisure Centre	0	34	0	0	133	0	0	166
New Hadleigh Pool & Leisure	0	0	0	0	31	0	(31)	0
	0	54	0	0	233	0	(31)	257

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

TOTAL	1,251	124	699	52	2,148	0	(2,381)	1,897
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GENERAL FUND BUDGET - Communities and Public Access

Strong and Safe Communities	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
The Arts	22	0	8	1	0	0	0	30
Community Achievement Awards	0	0	3	0	0	0	0	3
Community Development	110	0	1	3	0	0	0	115
Grants and Contributions	33	0	172	1	0	0	0	206
Civil Protection and Emergency Planning	0	0	24	0	0	0	0	24
Community Safety-General	38	0	26	1	0	0	0	64
Village of the Year	0	0	1	0	0	0	0	1
	203	0	234	5	0	0	0	442

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

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

TOTAL	514	281	613	17	732	0	(241)	1,916
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GENERAL FUND BUDGET - Customer Services

Public Access	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Customer Services	436	0	41	2	0	0	0	479
	436	0	41	2	0	0	0	479

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

ICT	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
ICT	172	0	343	0	233	0	0	748
	172	0	343	0	233	0	0	748

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

TOTAL	836	0	398	4	233	0	0	1,470
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GENERAL FUND BUDGET - Corporate Resources

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

Financial Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Financial Resources	387	0	35	4	0	0	0	426
Treasury Management	0	0	16	0	0	0	0	16
Bank Charges	0	0	60	0	0	0	0	60
External Audit	0	0	63	0	0	0	0	63
Insurance Premiums	127	93	12	1	0	0	0	233
Pay Inflation and Increment Costs	(188)	0	0	0	0	0	0	(188)
Early Retirement Pension Direct Charges	38	0	0	0	0	0	0	38
Rent Allowances	0	0	0	0	0	11,453	(11,517)	(64)
Rent Rebates to HRA Dwellings	0	0	0	0	0	8,749	(8,859)	(110)
Council Tax Collection	0	0	2	0	0	0	(182)	(180)
NNDR Collection	0	0	0	0	0	0	(138)	(138)
Shared Revenues Partnership	0	0	0	0	1,136	0	0	1,136
Contingencies/Savings Adjustments	(60)	0	0	0	0	0	0	(60)
Unapportionable Central Overheads	629	114	0	0	0	0	0	743
New Homes Bonus	0	0	0	0	0	0	(866)	(866)
S31 Business Rates Grant	0	0	0	0	0	0	(797)	(797)
	934	207	188	4	1,136	20,202	(22,359)	312

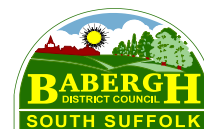
Commissioning and Procurement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Commissioning and Procurement	126	0	1	1	0	0	0	128
Central Stationery and Equipment	0	0	2	0	0	0	0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

Housing and Regeneration	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Asset Utilisation	101	2	4	1	0	0	0	108
Navigation House	0	11	5	0	0	0	(23)	(8)
Borehamgate Shopping Centre	0	16	5	0	0	0	(329)	(309)
Angel Court, Hadleigh	0	5	0	0	0	0	0	5
Endeavour House HQ	0	36	136	101	0	0	0	273
Stowmarket Customer Access Point	0	17	0	0	0	0	0	17
Sudbury Customer Access Point	0	19	0	0	0	0	0	19
Touch Down Points	0	13	0	0	0	0	0	13
	101	118	150	102	0	0	(353)	119

Senior Leadership Team	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Senior Leadership Team	600	0	33	10	0	0	0	643
Corporate Management	18	0	0	0	0	0	0	18
	618	0	33	10	0	0	0	661

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

TOTAL	2,559	378	446	144	1,137	20,202	(23,260)	1,606
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GENERAL FUND BUDGET - Law and Governance

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

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

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

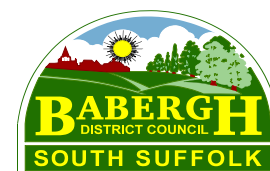
Shared Legal Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Shared Legal Services	206	0	236	0	0	0	(105)	338
	206	0	236	0	0	0	(105)	338

TOTAL	624	0	623	15	0	0	(332)	929
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GENERAL FUND BUDGET - BMS Invest

BMS Invest	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
BMS Invest	57	0	40	0	0	0	0	97
	57	0	40	0	0	0	0	97
TOTAL	57	0	40	0	0	0	0	97



HOUSING REVENUE ACCOUNT 2017/18

	2017/18 £'000	2018/19 £'000
Income		
Dwelling Rent and Other Income	(16,759)	(16,645)
Less Bad Debt Provision	115	155
Interest Income	(16)	(15)
Gross Income	(16,660)	(16,505)
	2017/18 £'000	2018/19 £'000
Expenditure		
Repairs, maintenance, management and other costs	5,558	6,074
Capital Charges (funding the capital programme)	2,803	2,847
Depreciation	2,721	2,721
Revenue Contribution to Capital Programme	5,605	4,124
Gross Expenditure	16,687	15,766
Net Operating Income	27	(739)
Net Transfer to Revenue Provision for Repayment of Borrowing	500	500
(Surplus)/Deficit for the Year	527	(239)



BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22	2018/19	2019/20	2020/21	2021/22	TOTAL BUDGET (over 4 years)	Capital Receipts	Revenue Contributions to Capital	Reserves	Government Grants	S106	Borrowing	Total Financing
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Supported Living												
Mandatory Disabled Facilities Grant	409	409	409	409	1,637				1,637			1,637
Discretionary Housing Grants	100	100	100	100	400						400	400
Empty Homes Grant	100	100	100	100	400						400	400
Total Supported Living	609	609	609	609	2,437	0	0	0	1,637	0	800	2,437

Strategic Housing												
Grants for Affordable Housing	100	100	100	100	400						400	400
Total Strategic Housing	100	100	100	100	400	0	0	0	0	0	400	400

Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	185	185	185	0	555						555	555
Recycling Bins	65	65	65	65	260						260	260
Total Environment and Projects	250	250	250	65	815	0	0	0	0	0	815	815

Communities and Public Access												
Community Development Grants	117	117	117	117	468						468	468
Play Equipment	50	50	50	50	200						200	200
Planned Maintenance / Enhancements - Car Parks	36	38	35	35	144						144	144
Total Community Services	203	205	202	202	812	0	0	0	0	0	812	812

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22	2018/19	2019/20	2020/21	2021/22	TOTAL BUDGET (over 4 years)	Capital Receipts	Revenue Contributions to Capital	Reserves	Government Grants	S106	Borrowing	Total Financing
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Leisure Contracts												
Kingfisher Leisure Centre - plant and other capital	145	40	50	50	285						285	285
Hadleigh Sports & Swimming Pool - General	0	50	50	50	150						150	150
Total Leisure Contracts	145	90	100	100	435	0	0	0	0	0	435	435

Capital Projects												
Planned Maint / Enhancements - Hadleigh HQ	0	0	0	0	0							0
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	192						192	192
Total Capital Projects	48	48	48	48	192	0	0	0	0	0	192	192
Total Investment and Commercial Delivery	2,973	2,973	2,973	2,973	11,892	0	0	0	0	0	11,892	11,892

Corporate Resources												
ICT - Hardware / Software costs	200	200	200	200	800						800	800
Total Corporate Resources	200	200	200	200	800	0	0	0	0	0	800	800

Total General Fund Capital Spend	4,528	4,475	4,482	4,297	17,783	0	0	0	1,637	0	16,146	17,783
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Total Capital Spend	4,528	4,475	4,482	4,297	17,783	0	0	0	1,637	0	16,146	17,783
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BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22	2018/19	2019/20	2020/21	2021/22	TOTAL BUDGET (over 4 years)	Capital Receipts	Revenue Contributions to Capital	Reserves	Government Grants	S106	Borrowing	Total Financing
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Housing Maintenance												
Planned maintenance	4,587	4,782	4,888	5,006	19,262		9,802	9,460				19,262
ICT Projects	300	200	200	200	900		900					900
Environmental Improvements	50	50	50	50	200		200					200
Disabled Facilities work	200	200	200	200	800		800					800
Horticulture and play equipment	23	23	23	23	92		92					92

New build programme inc acquisitions	3,415	3,791	4,239	4,526	15,970	2,746	8,449	4,775				15,970
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Total HRA Capital Spend	8,575	9,045	9,599	10,005	37,224	2,746	20,243	14,235	0	0	0	37,224
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RESERVES

GENERAL FUND

Estimated Balance 31 Mar 2018 £'000	2018/19		Estimated Balance 31 Mar 2019 £'000
	Transfer into reserves £'000	Use of reserves £'000	

Contingency Reserves

General Fund Working Balance / Reserve

(1,200)			(1,200)
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Government Grants

Personal Searches

Elections

Community Infrastructure Levy (CIL)

Growth and Sustainable Planning

Strategic Planning

Business Rates Equalisation

Waste - MRF

Section 106 (part only)

Planning Enforcement

Sub total

Transformation Fund

(353)			(353)
(54)			(54)
(50)	(20)		(70)
(67)			(67)
(65)			(65)
(298)		95	(203)
(337)		337	0
(102)			(102)
(232)			(232)
(20)			(20)
(1,578)	(20)	432	(1,166)
(598)	(1,592)	1,820	(370)

TOTAL GENERAL FUND RESERVES

(3,376)	(1,612)	2,252	(2,736)
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Joint Medium Term Financial Strategy (MTFS) and the Councils' Business Model

2018/19 to 2021/22

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Foreword from the Leaders of the Councils

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

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

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

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

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

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

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

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

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

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

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

Cllr. Jan Osbourne
Leader
Babergh District Council

Cllr. Nick Gowrley
Leader
Mid Suffolk District Council

1. Summary – Key Points

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

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

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

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

1.3 Key financial headlines:

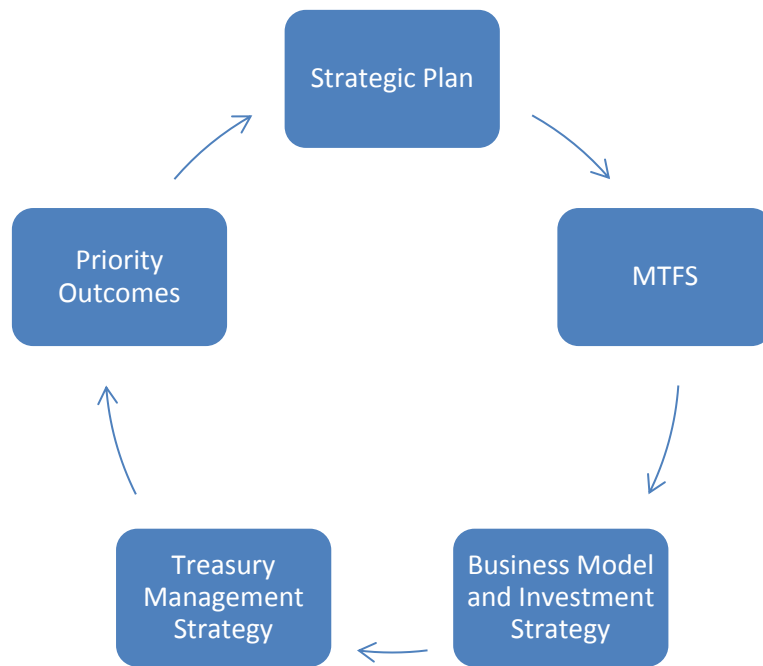
- Both Councils are Part of the Suffolk pilot for 100% Business Rates Retention
- New Homes Bonus (NHB) is decreasing from £1.212m to £865k for Babergh and from £2.028m to £1.463m for Mid Suffolk.
- Due to annual cost pressures and other things that impact on the Budget of each Council, we estimate for Babergh a shortfall of £2.2m by 2021/22. For Mid Suffolk, we estimate a shortfall of £2.5m by 2021/22. Further detail is provided at section 6.3.
- Mid Suffolk's position historically has been less reliant on NHB than Babergh's. However, from 2019/20 and beyond the projected NHB numbers for both Councils are not large enough to cover the projected

deficit. Therefore, more action and intervention is likely to be needed to achieve financial sustainability in the medium term and to move to a position where neither Council is reliant on NHB. Both Councils will, however, need to transform what they do as the funding change will bring challenges for both Councils.

- Transformation Funds of £0.6k for Babergh and £10.4m for Mid Suffolk are available currently to invest in changing our business model and generate sustainable economic growth. However, for Babergh with the 2018/19 budget shortfall, this fund could almost be wiped out depending on the 2017/18 outturn position. Some money has been used in the last three years to make the change in our business model, but more needs to be done.
- New homes and sustainable economic growth will be vital in making a significant contribution towards the Budget gap.
- Growth in Business Rates income and the Suffolk 100% Business Rate Retention pilot arrangements could make an important contribution towards delivering the councils' strategic priorities and the financial strategy and investment in the wider Suffolk area.
- An Assets and Investment Strategy & Prudential Borrowing strategy which is based on 'Invest to Save' and 'Profit for Purpose' principles
- An overall strategy that focuses on providing new housing, jobs and sustainable economic growth by working with communities and other partners.
- Review of the Councils' assets to maximise social and financial return.

2. Purpose of the MTFS

- 2.1 This Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver the Councils' strategic priorities and essential services over the next 4 years. It sets out how the Councils can generate and use these resources within the financial context and constraints likely to be faced.
- 2.2 Like all local authorities, Babergh and Mid Suffolk's MTFS is influenced by national government policy, funding changes and Government spending announcements.
- 2.3 It must be stressed that we are two sovereign councils, with two separate budgets - as shown in the 'summary of our financial position' section of this document. There are, however similarities in our approach to meeting the financial challenges.
- 2.4 We are therefore working together to build common strategies, and to share learning from one another in designing new approaches, although how these approaches apply to the different localities and communities in Babergh and Mid Suffolk, may still vary.
- 2.5 There are key links between the MTFS and other plans and strategies and a coherent joined up approach to each of these is essential:



3. National Economic Context

The UK economy

- 3.1 The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 3.2 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.
- 3.3 Two of the Bank of England's nine-member Monetary Policy Committee voted for an increase to 0.50% in September, and the decision was said to be finely balanced for others, although all agreed that any increases would be limited and gradual. But stilted progress in the EU exit negotiations, softening consumer spending and a tightening of consumer credit are expected to stay the Committee's hands. The risk of a cut to zero or negative rates has diminished and there is now a chance that rates will rise despite the economic fundamentals.
- 3.4 The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. UK Q2

2017 GDP growth was 0.3%, after a 0.2% expansion in Q1. The initial expenditure breakdown showed weakness in consumption, business investment and net trade. Both consumer and business confidence remain subdued.

- 3.5 Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low, with little scope for further reduction to smooth consumption. When inflation eventually eases, savings are likely to be replenished, further diverting money away from consumption.
- 3.6 Some data has held up better than expected, with unemployment falling to an all-time low and house prices remaining relatively resilient.
- 3.7 The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

Government borrowing and spending

- 3.8 Public sector net borrowing (excluding public sector banks) decreased by £3.1 billion to £48.1 billion in the current financial year-to-date (April 2017 to November 2017), compared with the same period in 2016; this is the lowest year-to-date net borrowing since 2007.
- 3.9 Public sector net borrowing (excluding public sector banks) decreased by £0.2 billion to £8.7 billion in November 2017, compared with November 2016; this is the lowest November net borrowing since 2007.
- 3.10 The Office for Budget Responsibility (OBR) forecast that public sector net borrowing (excluding public sector banks) will be £49.9 billion during the financial year ending March 2018, an increase of £4.4 billion on the outturn net borrowing in the financial year ending March 2017.
- 3.11 Public sector net debt (excluding public sector banks) was £1,734.8 billion at the end of November 2017, equivalent to 84.6% of gross domestic product (GDP), an increase of £72.2 billion (or 1.2 percentage points as a ratio of GDP) on November 2016.
- 3.12 Public sector net debt (excluding both public sector banks and Bank of England) was £1,574.5 billion at the end of November 2017, equivalent to 76.7% of GDP, a decrease of £23.5 billion (or 3.5 percentage points as a ratio of GDP) on November 2016.
- 3.13 Public sector net debt has been reduced by £65.5 billion in November 2017 due to the reclassification of English housing associations from the public to private sector.
- 3.14 Central government net cash requirement decreased by £30.6 billion to £30.7 billion in the current financial year-to-date (April 2017 to November 2017), compared with the same period in 2016; this is the lowest year-to-date central government net cash requirement since 2007.

The changing landscape of local government funding

- 3.15 The way that local government is funded has changed. The Government has introduced:
- Incentivised Funding - New Homes Bonus introduced in 2011
 - The Business Rates Retention Scheme and Local Council Tax Reduction Scheme in April 2013
 - Council Housing – the HRA self-financing regime, ending the housing subsidy system and giving more freedom and flexibilities to councils
- 3.16 Core funding from Revenue Support Grant (RSG) has been reducing year on year and will disappear by 2019/20. Councils are, therefore, becoming reliant on locally generated income and incentivised funding.
- 3.17 Council tax income continues to be the main source of funding, in total value, for councils. Decisions around freezes or any annual increases are an important part of the financial strategy.
- 3.18 Other key income sources are as follows, and these funds are predicated on the two Councils following through on their growth strategy and policies:
- Business Rates Retention

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

In order to help manage this risk, and to maximise the potential amount of business rates that are retained within Suffolk, Suffolk County Council and each Suffolk district/borough council submitted a bid, and were successful in becoming a pilot area for 100% Business Rates Retention in 2018/19. The financial benefits are shared between councils and a proportion used to support collaborative ventures that will achieve sustainable economic growth in the region.

- New Homes Bonus

The New Homes Bonus (NHB) scheme provides local councils with funding that can be used on any council activity or service (it is not ring-fenced for housing). Babergh has put some and Mid Suffolk most of the money received to date into a Transformation Fund, to deliver the outcomes and priorities set out in the Joint Strategic Plan and to change the business model.

Growth in the number of new homes built compared to the current/historic annual levels is one of the key drivers of the Councils' business model. The new Joint Local Plan and Strategic Planning and Infrastructure Framework will be key in delivering growth.

The current amount received is based on the national average council tax band on each additional property built in the Council's area, or on each long-term empty property that is brought back into use. In 2017/18 the Government introduced baseline for growth at 0.4%, so only growth above that figure will receive a NHB payment in future. New homes also increase the council tax base and hence the amount of council tax income received.

- **Additional Income**

We must, wherever possible, generate as much additional income as we can from our activities and 'Invest to Save' in our future in order to achieve funding levels that will deliver our strategic priorities and essential services.

We are already doing this through our Treasury Management Strategy and by using the Transformation Funds as one-off money to do things differently, better and enter into more commercial ventures e.g. building new homes, borrowing to invest to generate 'profit for purpose' and other new ways of doing business better.

In November 2016 both Councils approved a new Assets and Investment Strategy. The Strategy comprises of three strands, Investment (profit for purpose), Regeneration and Development and Assets.

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

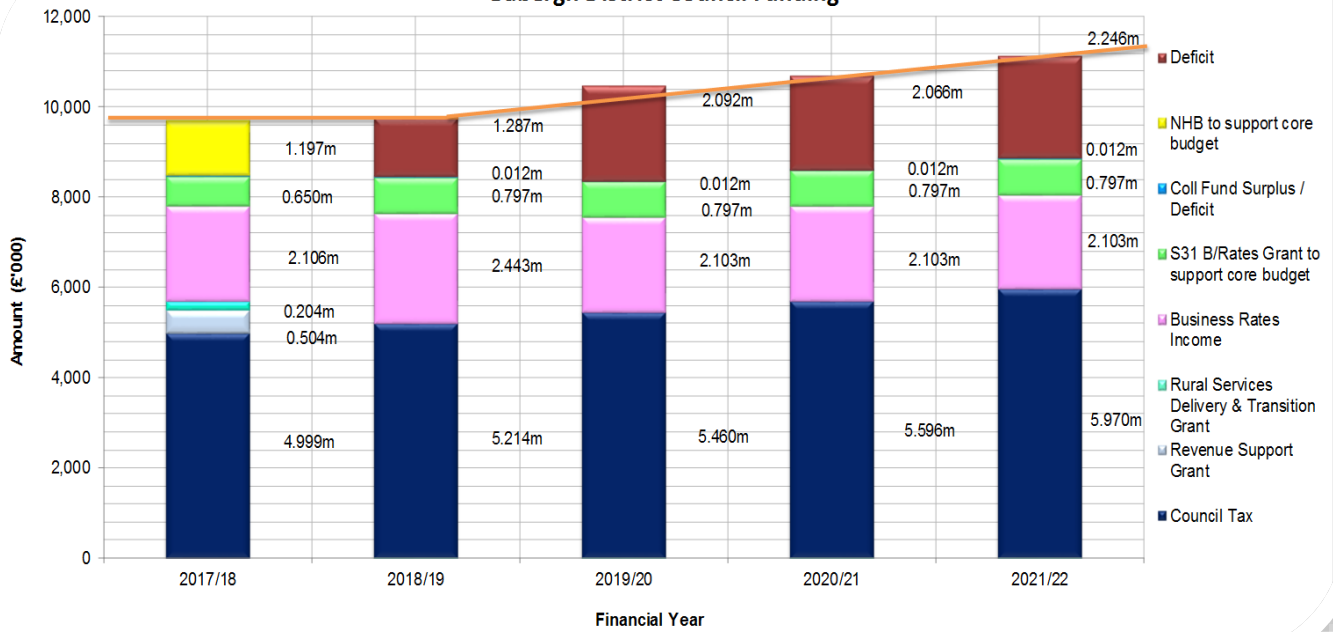
Each Council has also determined to use its prudential borrowing powers to invest in a way that will contribute towards our strategic priorities, but also deliver an investment return.

The success of this approach is paramount to future funding and service provision as, without this additional income, cuts to services or service standards will be needed over the next few years.

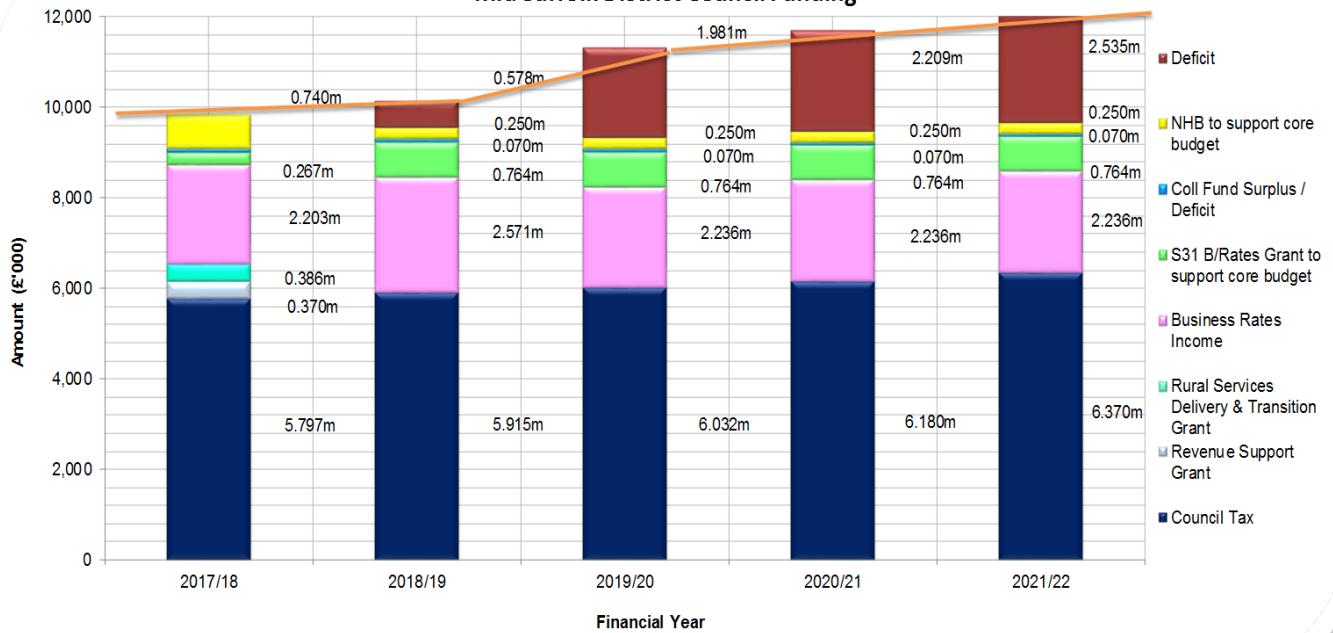
The Funding Gap

- 3.19 The graphs below show the funding position for the General Fund of the two Councils over the next 4 years and whether there is a surplus or deficit in the funds available. Further steps to increase income and/or reduce costs could still be needed in order to achieve medium term financial sustainability depending upon which assumptions becomes reality.

Babergh District Council Funding



Mid Suffolk District Council Funding



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

- 4.1 The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents Babergh and Mid Suffolk with both challenges and opportunities.
- 4.2 Each Council's financial position is based on their differing financial circumstances, local demand and opportunities. It is also all about our policies and strategies that affect growth, income, our approaches to service provision and a lot more.
- 4.3 We need to get these things right as part of our business model, plans and engagement with the communities we serve. Understanding and operating this business model is key to our future success and financial sustainability.
- 4.4 The 'Summary of our financial positions' section of this document details each Council's individual financial standing. The following section provides an overview of the local context in which both Councils need to operate.

A developing business model

- 4.5 In high level terms, this comprises:
- Maximising income and one-off/temporary/ongoing incentivised funding
 - Using one off/temporary money to generate ongoing funding and income streams or to reduce our costs
 - Not simply monitoring and managing resources and what we spend but 'resource weaving' to make sure that the funds that are available work together, complement each other and produce the maximum outcomes across different activities and with different partners. We need to ensure that our resources are being used to their optimum effect.
 - Exploring and seizing new opportunities and ventures that are innovative and will deliver a rate of return on investment that supports the MTFS
 - Being more commercial, using prudential borrowing and other available funding to deliver 'profit for purpose' and new income streams.
- 4.6 The business model requires a strong commitment and leadership to this new way of working and a change in thinking for councillors and officers. The management review and development of the organisation will ensure that we have the right skills, capabilities and capacity in place to deliver.

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

- 4.7 Use of capital and one off funds is critical and need to be linked into our future delivery plans. Mid Suffolk's Transformation Fund must be used wisely to ensure it supports the shift in the business model and capacity to deliver within future resources. Babergh have limited resources to adopt the same strategy, therefore savings and income generation are key to achieve this.
- 4.8 We are continuing to develop and use a Priority Based Resourcing (PBR) and zero based budgeting approach to aligning our resources to our key strategic objectives. As we evolve the PBR process we need to be able to demonstrate that all of our activity and resources are supporting the overall aims of the Councils. We will focus our efforts in the following areas:
1. Corporate core (the things we have to do/provide to just keep the Councils running) - which we will seek to minimise.
 2. Costs of things we must do – essential/statutory services which we will make more efficient and cost effective.
 3. Costs of things that achieve our priorities (some of which will generate new sources of funding e.g. growth).
 4. Pure income generating activities.

Our Overall Strategic Response

- 4.9 Based on the issues and approaches set out in the previous section and whilst recognising that Babergh and Mid Suffolk are separate councils with their own individual budgets and requirements, the Councils' joint response to the challenges we face and the opportunities we need to grasp are based on seven key actions:
1. Aligning resources to the Councils' refreshed strategic plan and essential services.
 2. Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
 3. Behaving more commercially and generating additional income.
 4. Considering new funding models (e.g. acting as an investor).
 5. Encouraging the use of digital interaction and transforming our approach to customer access.
 6. Taking advantage of new forms of local government finance (e.g. new homes bonus, business rates retention).
 7. Business and Housing growth.

4.10 Further details on each key action are provided below:

Aligning resources to the Councils' strategic plan and essential services

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

Over this MTFS period, the Councils will continue to align and allocate their individual resources in line with the priorities set out in the Joint Strategic Plan and to essential services. We will use what we call a 'Priority Based Resourcing' approach to do this.

We will review all of the Councils' current activities to see which could be approached differently and others that could be scaled back, stopped or provided by someone else. We will also focus on further opportunities for the generation of additional income.

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

- Changing needs – challenging the presumption of public services' role as meeting needs rather than developing and working with people and assets within communities
- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

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

Integration has already delivered significant savings for the two Councils, which is in addition to local savings made by each individual Council. There is now a need for a more radical transformation of how we operate and what we do (or don't do) across the public sector.

Sharing services has to be wider than just the two Councils. A key part in achieving the shift in thinking will be the importance of working differently not just across the whole of Suffolk but also our partners (statutory,

private, community, voluntary and not-for profit). We are building new working relationships where influence is more important than control.

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

Behaving more commercially and generating additional income

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

We are beginning to identify areas where there may be commercial opportunities for the Councils to be able to generate additional income. In October, both Cabinets endorsed a new investment and commercial delivery business unit model, which will be called 'BMS Invest'.

The holding companies will provide the focus for such commercial activities, separate from the core functions of the Councils. The holding companies are structured in such a way that should further opportunities arise, this will be a suitable vehicle to deliver other commercial areas.

This MTFs therefore relies far more on commercial behaviours being adopted in a number of areas of the Councils' business.

Considering new funding models (e.g. acting as an investor)

Both Councils have a long tradition of investing in their communities and look to continue to do so, to support the delivery of their shared strategic priorities, and in particular to aid sustainable economic growth across the two districts. Both have invested in opportunities during 2017/18 to promote housing and sustainable economic growth.

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

The Councils have adopted an asset and investment strategy utilising the prudential borrowing facility available to them. The return on this investment has already begun in 2017/18.

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

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

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

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

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

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

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

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

**Taking advantage of new forms of local government finance
(e.g. New Homes Bonus, Business Rates Retention)**

These new forms of local government finance have now become the key sources of income for councils. The Suffolk 100% Business Rates Retention Pilot in 2018/19 means that this source of funding will become even more important.

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

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

To ensure that communities are thriving, growing, healthy, active, and self-sufficient, it is vital that the Council builds and strengthens relationships, working together to understand what works best for them, being at the forefront of service design and to reduce demand, and prevent more costly interventions arising in the future.

Links to our Joint Strategic Plan

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

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

5. Investing in our Strategic Priorities and future

- 5.1 This is our key focus, to ensure the Councils and our communities thrive together. Linked to the business model, we will invest to deliver better outcomes and aim to generate additional income.

Funding and Investment Opportunities

- 5.2 We can do this both through prudential borrowing and using our Transformation Funds to support our delivery plans, new funding models and innovative/different ways of working. The Transformation Funds are increased by receiving the balance of New Homes Bonus funding that is not required to support the budget. We anticipate having £0.6k in the Transformation Fund for Babergh and £10.3m for Mid Suffolk in 2017/18.
- 5.3 As identified earlier in this document, the Government changed the way that New Homes Bonus is distributed to local authorities from 2016/17. With the aim of being able to transfer resources to support social care, councils receive less funding than they have in the past from this source for the same level of growth.
- 5.4 The level of growth will have to increase significantly to maintain the income that has been received in the past, but also to contribute towards future funding shortfalls.
- 5.5 Growing this funding is paramount, but is dependent on communities, the Councils and others working together. It also depends on the wider housing economy, developers, labour and material supply/shortages.
- 5.6 In relation to the potential for additional business rates income, this will depend on economic growth and the level of appeals. This would contribute towards the funding gap and depending upon the level achieved would also add to the amount of funding available for transformation and projects.
- 5.7 In relation to future prudential borrowing, our Capital Investment Strategy is expected to take 12-18 months from 2017/18 to be fully invested, this will deliver much needed additional income.

Council Housing

- 5.8 The Babergh HRA Business Plan presents a positive financial picture over the longer term (a thirty-year period as required under the self-financing regime) but there are short to medium term challenges. These challenges have been exacerbated by the proposals announced in the Chancellor's July 2016 Budget:
- The Welfare Reform and Work Act includes a requirement for all social landlords to reduce rents by 1% each year from 2016 to 2019. However, the recent Government announcement that rents can be increased by

CPI +1% for five years from 2020/21 will reduce the impact of this on the 30-year plan.

- This Act reduced the benefit cap for working age families from £23k to £20k
- This Act also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government has not made it clear when the introduction of this levy may commence. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

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

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

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

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

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

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

5.13 A balanced budget has been achieved for 2018/19 by reducing both capital and revenue budgets – see table in Attachment 3. A fundamental review of

the housing service has been undertaken during 2017/18 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review has examined:

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

5.14 Sheltered housing - Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £400k each year. The new pressures of rent reduction and removal of the Housing Related Support Grant from Suffolk County Council of £42k from April 2018 make this subsidy unsustainable in the long term.

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

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

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

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

New build programme and retention of Right to Buy receipts

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

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

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

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

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

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

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

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

Links to Our Overall Delivery Plans

5.22 We have developed an ambitious set of projects and an overall delivery plan to reflect our strategic priorities, investment and funding strategies. Some examples of the projects that link to Joint Strategic Plan and MTFS are provided below:

- Providing new homes, including delivering outcomes on strategic sites
- Regenerate the market town centres
- Review of grant funding to support building capacity in the community
- The decision has been made about the future location of the Councils' accommodation
- Investment in IT to drive efficiencies and support new ways of working
- Leisure Strategy

6. Summary of our financial positions

Revenue Budget Strategy

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

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

Key aspects of the funding position and the MTFs forecasts

- 6.2 There are limitations on the degree to which both Councils can produce medium term financial projections as there are always uncertainties.
- 6.3 It is important to remember that these financial forecasts have been produced within a dynamic financial environment, based on ever changing assumptions and that they will be subject to change over time.
- 6.4 Both Councils' medium term financial projections also include the following key budget assumptions, detailed below. Budget assumptions will continue to be reviewed and updated as economic indicators change.

Key assumptions in the MTFs:

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

General Fund minimum working balance

- 6.5 Each Council is required to maintain adequate financial reserves to meet the needs of the authority. The reserves we hold can be classified as either working balances – known as the general fund balance, or as specific reserves which are earmarked for a particular purpose – known as earmarked reserves.
- 6.6 The Councils each hold General Fund balances as a contingency to cover the cost of unexpected expenditure or events during the year. The Councils' policies regarding the General Fund are as follows, to hold a balance of:
- £1.05m for Mid Suffolk and
 - £1.2m for Babergh
- 6.7 These amounts equate to approx. 10% to 13% of net 'service cost' expenditure at the 2018/19 Budget level.

Capital Investment Strategy

- 6.8 Attachment 4 shows the current 4 year planned Capital Programme for 2018/19 to 2021/22, together with information on the funding of that expenditure (i.e. borrowing, grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).
- 6.9 Both Councils have a long tradition of investing in their communities. Having limited capital and revenue reserves and facing increased pressure on external funding, the Councils' focus is now on the use of prudential borrowing to secure a rate of return, whilst also delivering the strategic priorities.
- 6.10 The investment strategy will detail the parameters that will be operated for the fund including the anticipated return on investment and internal rate of return.

Council Housing

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

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

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

Treasury Management Strategy

- 6.14 Each Council's capital and revenue budget plans inform the development of their Treasury Management and Investment Strategies, which are agreed annually as part of its budget setting report. The Treasury

Management Strategy sets out borrowing forecasts/limits and who the Council can invest with.

- 6.15 We have reviewed the strategy to align to the refreshed Joint Strategic Plan, our delivery plans, this MTFS and the business model.

Prudential Borrowing

- 6.16 Councils can borrow to provide new assets, invest in community facilities and services and maintain assets. They can also borrow to invest in new funding models that will both provide new assets and deliver a rate of return. This is part of the business model that is being adopted. Investment will only be made where it delivers the Councils' Strategic Plan priority outcomes and an agreed rate of return.

Managing Risks

- 6.17 In setting the revenue and capital budgets, both Councils take account of the key financial risks that may affect their plans, but there is increasing future uncertainty as a result of the changes that are taking place and the new business model.
- 6.18 An awareness of the potential risks and the robustness of the budget estimates inform decisions about the level of working balances needed to provide assurance that the Councils have sufficient contingency reserves to meet unforeseen fluctuations and changes.

Capital Receipts

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

Earmarked Reserves

- 6.20 The Councils each hold earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose.
- 6.21 The level of earmarked reserves at the end of 2017/18 (including the Transformation Fund) is expected to be as follows:
- £13.3m for Mid Suffolk; and
 - £2.2m for Babergh

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

General Fund Revenue Budget Summary/Forecasts - Babergh

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

Line	Description	2017/18	2018/19	2019/20	2020/21	2021/22
		Budget	Budget	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000
1	Expenditure	36,811	37,078	37,291	37,686	38,158
2	Income (incl.S31 B/Rates Grant)	(26,238)	(26,655)	(26,388)	(26,388)	(26,397)
3	New Homes Bonus Income	(1,212)				
4	Capital Financing Charges	920	1,561	1,758	1,861	1,858
5	Investment Income	(922)	(1,392)	(1,471)	(1,810)	(1,804)
6	Charge to HRA	(1,138)	(1,119)	(1,141)	(1,164)	(1,187)
7	Charge to Capital	(407)	(227)	(232)	(237)	(241)
8	Transfers to Reserves					
9	New Homes Bonus	1,212				
10	S31 Business Rates Grant	650	797	797	797	797
11	Other	23	27	20	20	20
12	Net Service Cost	9,700	10,071	10,634	10,766	11,204
13	Funding:					
14	Other Earmarked Reserves	-	(432)	(95)		
15	Transformation Fund - DP Project (Staffing)	(484)	(50)			
16	New Homes Bonus	(713)				
17	S31 Business Rates Grant	(650)	(797)	(797)	(797)	(797)
18	Government Support					
19	(a) Baseline business rates	(1,997)	(2,443)	(2,103)	(2,103)	(2,103)
20	(b) B/Rates – growth/pooling benefit	(109)	(206)	(206)	(206)	(206)
22	(e) Revenue Support Grant	(504)	-	-	-	-
23	(f) RSG Tariff	-	-	131	131	131
24	(g) Rural Services Delivery Grant	(182)	0	0	0	0
25	(h) Transition Grant	(22)	-	-	-	-
26	(i) Business Rates Collection Fund deficit	-	371	-	-	-
27	Collection Fund surplus	(40)	(12)	(12)	(12)	(12)
28	Council Tax (£5 increase to Band D)	(4,929)	(5,125)	(5,381)	(5,630)	(5,885)
29	Growth in taxbase	(70)	(89)	(79)	(82)	(86)
30	Total Funding	(9,700)	(8,783)	(8,542)	(8,699)	(8,958)
31	2018/19	0	1,287	1,287	1,287	1,287
32	2019/20			804	804	804
33	2020/21				(25)	(25)
34	2021/22					179
35	Shortfall in funding / (Surplus Funds) - cumulative	0	1,287	2,092	2,066	2,246
36	Estimated New Homes Bonus (5 year average of No of houses built)		(843)	(517)	(414)	(423)
37	Estimated New Homes Bonus (projected completions)		(851)	(948)	(1,299)	(1,629)
38	Minimum New Homes Bonus		(866)	(478)	(302)	(239)
39	Council Taxbase	1.50%	1.03%	1.50%	1.50%	1.50%
40	Band D Council Tax	3.40%	3.25%	3.15%	3.05%	2.96%
41	Band D Council Tax	£153.86	£158.86	£163.86	£168.86	£173.86

Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000	20/21 to 21/22 £000
Net Service Cost previous year	9,700	10,072	10,634	10,766
Cost Pressures				
Inflation				
Employees - 2% pay award	165	149	155	161
Employees - increments	102	149	155	161
Employees - deficit pension fund change (2.4% reduction in 19/20, 1% increase from 20/21)	-	(137)	59	61
Other Employee costs	1	1	1	1
Contracts	42	85	87	88
Supplies & Services	7	7	8	8
Insurance Premiums	5	5	5	5
Business Rates	12	12	13	13
Sub total cost pressure	333	271	481	499
Other increases to net service cost				
BMS Invest				
Staff costs	41			
Communities				
Car Park income - revision of budgets (including ECNs)	58			
Strong and Safe Communities - staff costs	37			
Street and Major Road Cleanisng - recycling performance payments	26			
Business Rates - car parks	15			
Domestic Homicide Review	12			
Corporate Resources				
Reduction to HB Admin Subsidy Grant	26			
Organisational Development inc Health and Safety - staff costs	25	(13)		
Phased reduction of general savings	20	20	20	20
Shared Revenues Partnership contract increase	20			
Borehamgate - reduction in rental income (empty units)	14			
Reduction to income received for Credit Card charges.	6			
Customer Services				
Customer Services - staff costs	7			
Contribution to Sudbury Customer Access Point	4			
Environment and Commercial Partnerships				
Net reduction to Building Control Income	61			
Waste - recycling performance payments	39	250		
Trade Waste Income (net) including glass collection service cost	25			
Environmental Protection - legal expenses	6			
Housing				
Homelessness - staff costs (funded from grants)	115			
Law & Governance				
Governance - staff costs (including Scanners)	44			
Information Management - staff costs (re-allocation of time chnarged to Capital)	39			
Shared Legal Services (net) including staff costs	35			
Internal Audit - staff costs	6			
Planning for Growth				
Community Housing Fund inc fixed term post for 2 years (funded from grant in earmarked reserves)	95		(95)	
Development Management - staff costs (funded from 20% inc to planning fees)	95			
Property Services				
Hadleigh HQ security costs	114			
Belle Vue House - reduction in rental income	19			
Wenham Depot - includes reduction to rental income	12			
PV Panels - cleaning and repairs / maintenance	6			
Other Cost Pressures				
Minimum Revenue Provision	322	174	107	
Recharge to Capital (can be offset in part by capital projects - staff costs below)	180	(5)	(5)	(5)
Other items (net)	70			
SLT staff costs	25			
Recharge to HRA	19	(22)	(23)	(23)
Modern Apprentice Levy - net cost	14	1	1	1
Interest payable / receivable	6	-	-	-
Pooled Funds income (net of management fees)	6	4	4	4
Sub total other increases to net service cost	1,664	409	10	(3)

Movement of Service Cost Budget Year on Year

<u>Actions to offset increases to net service cost</u>				
Inflation - income	(23)	(61)	(63)	(65)
<u>Communities</u>				
Public Realm - staff costs	(25)			
Increase to fees for dog & litter bin emptying	(2)			
<u>Corporate Resources</u>				
Management Review Savings	(160)			
Commissioning and Procurement - staff costs	(14)			
External Audit Fees	(11)			
Corporate Training	(10)			
Stationery	(8)			
I-Trent	(7)			
Finance - staff costs	(5)			
Contracted services (Vertas)	(3)			
<u>Customer Services</u>				
ICT costs - server room, printers, general savings	(56)			
ICT - staff costs	(30)			
<u>Environment and Commercial Partnerships</u>				
Reduction of payments to third parties for Bring sites - Glass & Textile recycling	(20)			
Building Control - staff costs	(18)			
Garden Waste Income (net)	(12)			
Energy Proficiency Certificates (SAPs) income	(4)			
Income for Food Hygiene Rating System rescore visits	(1)			
<u>Housing</u>				
Homelessness - flexible support and new burden grants	(191)			
<u>Law and Governance</u>				
Alignment of Chairman's expenses	(7)			
Course conference fees for members	(4)			
Impact of the Boundary Review		(20)		
<u>Planning for Growth</u>				
Planning fee income - 20% price increase	(120)			
Planning fee income - volume increase	(110)	72	65	58
Reduction of License costs for UNIFORM	(39)			
CIL 5% to cover administration costs	(11)	(1)	(2)	(2)
<u>Property Services</u>				
Capital Projects - staff costs	(107)			
East House running costs	(9)			
<u>Other Savings</u>				
Removal of Transformation Funded Posts	(367)	(50)		
CIFCO	(138)	(61)	(347)	(1)
Increase vacancy management contingency to 2.5%	(88)	(6)	(8)	(8)
Accommodation - All Together	(23)	11	(5)	(39)
Transfer to reserves	(5)			
Sub total actions	(1,626)	(117)	(359)	(56)
Total Net Service Cost movement	371	563	132	439
New Net Service Cost	10,072	10,634	10,766	11,205

Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000	20/21 to 20/22 £000
Funding previous year	(9,700)	(8,784)	(8,542)	(8,700)
Cost Pressures				
Movement in Reserves	568	387	95	-
Removal of Revenue Support Grant (RSG) - now included within baseline Business Rates	504	-	-	-
Business Rates - collection fund deficit 2017/18	371	(371)		
Removal of Rural Services Support Grant (RSDG) - now included within baseline Business Rates	182	-	-	-
Change to Council Tax Collection fund surplus	28			
Removal of Transition Grant	22			
Sub total cost pressure	1,675	16	95	-
Savings / Actions to increase funding				
Business Rates - baseline (now includes RSG & RSDG)	(446)	340	-	-
Business Rates - pooling benefit	(97)	-	-	-
RSG - tariff	-	131	-	-
Council Tax (£5 increase to Band D)	(196)	(257)	(248)	(255)
Growth in taxbase	(20)	11	(4)	(4)
Sub total savings /actions to increase funding	(758)	225	(252)	(258)
New Year Funding	(8,784)	(8,542)	(8,700)	(8,958)
Annual Budget (surplus)/deficit	1,288	804	(26)	181
Total 4 year (surplus)/deficit				2,247

Council Housing Revenue Account (HRA) Business Plan – Babergh

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

CAPITAL PROGRAMME FOR 2018/19 to 2021/22

General Fund

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

CAPITAL PROGRAMME FOR 2018/19 to 2021/22**General Fund**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Leisure Contracts												
Kingfisher Leisure Centre - plant and other capital	145	40	50	50	285						285	285
Hadleigh Sports & Swimming Pool - General	0	50	50	50	150						150	150
Total Leisure Contracts	145	90	100	100	435	0	0	0	0	0	435	435
Capital Projects												
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	192						192	192
Total Capital Projects	48	48	48	48	192	0	0	0	0	0	192	192
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	11,892						11,892	11,892
Total Investment and Commercial Delivery	2,973	2,973	2,973	2,973	11,892	0	0	0	0	0	11,892	11,892
Corporate Resources												
ICT - Hardware / Software costs	200	200	200	200	800						800	800
Total Corporate Resources	200	200	200	200	800	0	0	0	0	0	800	800
Total General Fund Capital Spend	4,528	4,475	4,482	4,297	17,783	0	0	0	1,637	0	16,146	17,783
Total Capital Spend	13,103	13,520	14,081	14,302	55,007	2,746	20,243	14,235	1,637	0	16,146	55,007

CAPITAL PROGRAMME FOR 2018/19 to 2021/22**HRA**

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

Earmarked Funds/Reserves – Babergh

Transfers to / from Earmarked Reserves	Balance 31 March 2017 £'000	Transfers 2017/18			Balance 31 March 2018 £'000	Transfers 2018/19			Balance 31 March 2019 £'000
		Intra £'000	Out £'000	In £'000		Intra £'000	Out £'000	In £'000	
General Fund									
Carry Forwards	(219)		219		-				-
Transformation Fund	(1,006)		2,587	(2,179)	(598)	2,134	(1,663)		(126)
Non Domestic Rates Equalisation	-			(337)	(337)	337			-
Government Grants	(265)			(88)	(353)				(353)
Waste - MRF	-			(102)	(102)				(102)
S.106 Agreements	(232)				(232)				(232)
Community Infrastructure Levy (CIL)	(67)				(67)				(67)
Growth and Sustainable Planning	(20)			(45)	(65)				(65)
Strategic Planning	(295)			(3)	(298)	95			(203)
Elections Fund	(30)			(20)	(50)		(20)		(70)
Planning Enforcement	(20)				(20)				(20)
Revocation of personal search fees	(54)				(54)				(54)
Total General Fund	(2,208)	-	2,806	(2,774)	(2,176)	-	2,566	(1,683)	(1,293)
Total General Fund excluding Transformation	(1,202)	-	219	(595)	(1,578)	-	432	(20)	(1,166)



GENERAL FUND REVENUE BUDGET SUMMARY

	2017/18 £'000	2018/19 £'000	Movement £'000
1 Employee Costs	8,028	8,033	5
2 Premises	851	825	(26)
3 Supplies & Services	3,441	3,492	51
4 Transport	182	278	96
5 Contracts	4,108	4,249	141
6 Third Party Payments	20,202	20,202	(0)
7 Income	(27,450)	(27,521)	(71)
8 Charge to HRA	(1,138)	(1,119)	19
9 Charge to Capital	(407)	(227)	180
10 Capital Financing Charges	920	1,561	641
11 Investment Income	(922)	(1,392)	(470)
12 <u>Transfers to Reserves</u>			
(a) New Homes Bonus	1,212	866	(346)
(b) S31 Business Rates Grant	650	797	147
(c) Other	23	27	4
Net Service Cost	9,700	10,071	371
13 Transformation Fund - Staffing (NHB)	(484)	(50)	434
14 Transformation Fund - Delivery Plan Projects (NHB)	-	-	-
15 Transfers from Reserves - earmarked		(432)	(432)
16 S31 Grant	(650)	(797)	(147)
17 New Homes Bonus to balance the budget	(712)	-	712
18 Deficit / (Surplus) on Collection fund	(40)	(12)	28
19 Revenue Support Grant (RSG)	(504)	-	504
20 Baseline business rates	(1,997)	(2,443)	(446)
21 Business rates – growth/pooling benefit	(109)	(206)	(97)
22 Business rates – 17/18 collection fund deficit		371	371
23 Transition Grant	(22)	-	22
24 Rural Services Support Grant	(182)	-	182
25 Council Tax	(5,000)	(5,214)	(214)
Total Funding	(9,700)	(8,783)	917
26 Shortfall in funding / (Surplus Funds)	(0)	1,287	1,287
Minimum New Homes Bonus available	-	(866)	(866)
Council Tax Base	(32,489)	(32,822)	(333)
Council Tax for Band D Property	153.86	158.86	5.00
Council Tax	(4,999)	(5,214)	(215)

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