Public Document Pack

Charlie Adan
Chief Executive
Babergh District Council
Corks Lane, Hadleigh, Ipswich IP7 6SJ

DX NO: 85055 Exchange: Babergh
Website: www.babergh.gov.uk

TO: THE CHAIRMAN AND MEMBERS OF
BABERGH DISTRICT COUNCIL

15 February 2016

PLEASE NOTE TIME OF MEETING

Dear Sir/Madam

A meeting of the Babergh District Council will be held in the Council Chamber, Council Offices, Corks Lane, Hadleigh on **Tuesday, 23 February 2016 at 5:30 p.m.**

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

Yours faithfully

C R Adan

Chief Executive

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

Any member of the public who attends a meeting and objects to being filmed should advise the Committee Clerk who will instruct that they are not included in the filming.

ITEM	BUSINESS

PART I

1 PUBLIC PARTICIPATION SESSION

Members of the public are able to ask a question or make a statement during this item – please refer to the 'Guide to the Procedure' (copy available on request) which can also be found in Appendix 2 of Part 7 in the Council's Constitution.

Prior written notice of the intention to speak must be given to the Monitoring Officer by no later than 5 p.m. on Thursday 18 February 2016, two clear working days before the meeting.

2 MINUTES

To confirm and sign the Minutes of the meeting held on 20 January 2016 as a correct record (copy attached).

3 DECLARATION OF INTERESTS

Members to declare any interests as appropriate in respect of items to be considered at this meeting.

4 APOLOGIES FOR ABSENCE

To receive apologies for absence.

5 CHAIRMAN'S ANNOUNCEMENTS

Paper R101

In addition to any announcements made at the meeting, please see Paper R101 attached, detailing events attended by the Chairman and Vice-Chairman.

6 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH COUNCIL PROCEDURE RULE NO. 14

In accordance with Council Procedure Rules, the Chief Executive will report the receipt of any petitions. There can be no debate or comment upon these matters at the Council meeting.

7 RECOMMENDATIONS AND REPORTS FROM COMMITTEES

(a) Joint Treasury Management Strategy 2016/17 (Joint Audit and Standards Committee - 22 January and Strategy Committee – 4 February 2016)

Paper JAC65R (as amended)

The Strategy Committee accepted recommendations 2.1 and 2.2 of Paper JAC65R from the Joint Audit and Standards Committee following its consideration of that report.

Since the report was presented to Strategy Committee, there has been a change in the reserves figures as a result of the final Local Government Finance settlement. This has changed two figures in paragraph 10.9 in the main report and some figures in the tables in paragraph 1.4 in Appendix D. The changes have been highlighted in yellow.

RECOMMENDED TO COUNCIL

(1) That the key factors and information relating to and affecting treasury management activities set out in Appendices A and B be noted.

(2) That the following be approved:

(a) The Treasury Management Policy Statement set out in Appendix C
(b) The Treasury Management Strategy for 2016/17, incorporating the proposed changes referred to in sections 10.15 and 10.16 of the report and including the Annual Investment Strategy as set out in Appendix D
(c) The Prudential Indicators and Minimum Revenue Provision Statement set out in Appendices G and H.

(b) Joint Strategic Plan Refresh 2016-2020 (Strategy Committee – 4 February 2016)

Paper R89

At its meeting on 4 February, the Committee considered Paper R89 which contained a summary document, a 'Plan on a Page', that encapsulates all of the key strategic outcomes and the outputs needed to deliver these outcomes. The Committee resolved to authorise the Strategic Director to make any minor changes to the document as may be necessary (recommendation 2.2 of the report).

RECOMMENDED TO COUNCIL

That the Babergh District Council and Mid Suffolk District Council Joint Strategic Plan Refresh 2016-2020 'Plan on a Page' (Appendix A to Paper R89) be approved.

8 JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2016/17 BUDGET

In accordance with Council Procedure Rule 23.3, immediately after any vote is taken at a budget decision meeting of the Council the names of Members who cast a vote for the decision or against the decision or who abstained from voting shall be recorded in the Minutes of that meeting.

Paper R102

Report from Management Board attached.

At its meeting on 4 February 2016, Strategy Committee considered Paper R90, together with amendments to the HRA Budget and Appendices B, E and G.

Paper R102 now includes all the relevant updated information including the final Local Government Finance Settlement, together with the necessary recommendations, with the exception of one Parish precept notification which remains outstanding. Further details will be reported at the meeting.

9 QUESTIONS FROM THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULE NO. 15

The Chairmen of Committees to answer any questions from the public of which notice has been given no later than midday two clear working days before the day of the meeting in accordance with Council Procedure Rules.

10 QUESTIONS FROM MEMBERS IN ACCORDANCE WITH COUNCIL PROCEDURE RULE NO. 16

The Chairman of the Council, the Chairmen of Committees and Sub-Committees and Lead Members to answer any questions on any matters in relation to which the Council has powers or duties or which affect the District of which due notice has been given in accordance with Council Procedure Rules.

11 PAY POLICY STATEMENT 2015/16

Paper R103 — Report by the Head of Corporate Resources attached.

12 DATE AND TIME OF NEXT MEETING

Annual Meeting - Tuesday 26 April 2016 at **9.30 a.m.**

For further information on any of the Part 1 items listed above, please contact Linda Sheppard on 01473 826610 or via email at committee.services@baberghmidsuffolk.gov.uk

This page is intentionally left blank

BABERGH DISTRICT COUNCIL COUNCIL MEETING

MINUTES OF THE MEETING OF THE BABERGH DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, CORKS LANE, HADLEIGH ON WEDNESDAY, 20 JANUARY 2016

PRESENT: Nick Ridley – Chairman

Clive Arthey	Jennie Jenkins
Sue Ayres	Richard Kemp
Melanie Barrett	Frank Lawrenson
Simon Barrett	James Long
Peter Beer	Margaret Maybury
Peter Burgoyne	Alastair McCraw
Sue Burgoyne	Mark Newman
Tom Burrows	John Nunn
Dave Busby	Adrian Osborne
Tina Campbell	Jan Osborne
Michael Creffield	Lee Parker
Derek Davis	Peter Patrick
Siân Dawson	Stephen Plumb
Alan Ferguson	David Rose
Barry Gasper	William Shropshire
Kathryn Grandon	Ray Smith
John Hinton	Fenella Swan
David Holland	John Ward
Michael Holt	Stephen Williams
Bryn Hurren	

The following Members were unable to be present:-

Tony Bavington, Sue Carpendale and Harriet Steer.

67 PUBLIC PARTICIPATION SESSION

There were no questions or statements from the public.

68 MINUTES

RESOLVED

That the Minutes of the meeting held on 15 December 2015 be confirmed and signed as a correct record subject to the inclusion of the name as William Shropshire as being present.

69 DECLARATION OF INTERESTS

None declared.

70 PETITIONS

None received.

71 ADOPTION OF COMMUNITY INFRASTRUCTURE LEVY

Simon Barrett, Portfolio Holder for Growth and the Local Economy (including Planning) introduced Paper R85 which provided the Council with an update on the Community Infrastructure Levy (CIL) following Examination and sought approval for the Babergh Community Infrastructure Levy Charging Schedule in accordance with Section 213 (3B) of the Planning Act 2008 (as amended) and the supporting documentation in order to facilitate the implementation of CIL on all planning applications determined from 11 April 2016.

Lindsay Barker, Strategic Director extended her thanks to all involved and their hard work on the CIL project.

RESOLVED

(1) That the Charging Schedule (as detailed in Appendix B of Paper R85), which includes the modifications proposed by the Examiner, as summarised at paragraph 10.11, be adopted for implementation on 11th April 2016.

(2) That the Instalments Policy (as detailed in Appendix F of Paper R85) and Regulation 123 List (as detailed in Appendix E) be adopted and implemented alongside the Charging Schedule on 11th April 2016.

(3) That delegated authority is given to the Strategic Director to make changes to the Instalment Policy when necessary to ensure that it can respond to changing circumstances and remain relevant to the types of scheme coming forward in the district.

(4) That delegated authority is given to the Strategic Director to make changes to the Regulation 123 List when necessary to ensure the continued effective operation of the CIL and the Section 106 planning obligations regime.

72 QUESTIONS FROM THE PUBLIC

None received.

73 QUESTIONS FROM MEMBERS

None received.

74 STEVE ELLWOOD

Steve Ellwood was present at the meeting, which was his last before he leaves the Councils' employment. Jennie Jenkins, Leader of the Council, thanked Steve and Members showed their appreciation of his 35 years' service with a round of applause. Steve responded with his thanks, and gave his best wishes to all.

The business of the meeting was concluded at 6:00 p.m.

…………………………………………
Chairman

R101

CHAIRMAN'S ANNOUNCEMENTS - COUNCIL ON 23 FEBRUARY 2016

EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR
DECEMBER 2015				
Hadleigh Mayor's Festival of Carols & Readings	St Mary's Church, Hadleigh	20-Dec		✓
JANUARY 2016				
Chairman's Charity Presentatiion	Gainsborough's House, Sudbury	07-Jan	✓	
"Burns" Supper for Ipswich Mayor's Charities	Town Hall, Ipswich	24-Jan	✓	
FEBRUARY 2016				
Pride of Tendring Awards	Town Hall, Clacton on Sea	05-Feb		✓
St Edmundsbury Mayor - Chinese New Year Show & Buffet	The Apex, Bury St Edmunds	08-Feb	✓	
Sudbury Mayor's Charity Curry Evening	India Sudbury Restaurant, North Street, Sudbury	22-Feb	✓	

This page is intentionally left blank

Further amendments as detailed on the agenda are highlighted in yellow.

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Head of Corporate Resources	**Report Number: JAC65R**
To: Joint Audit and Standards Committee	**Date of meeting: 22 January 2016**

JOINT TREASURY MANAGEMENT STRATEGY 2016/17

1. Purpose of Report

1.1 This report presents the proposed Treasury Management Strategy Statement (which includes the Annual Investment Strategy for managing surplus funds and borrowing strategy). These are in accordance with the CIPFA Treasury Management Code. The Prudential Indicators and Minimum Revenue Provision (MRP) Statement are linked to the Budget report that will be presented to Executive/Strategy Committee and Council meetings in February 2016.

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

2. Recommendations to Executive and Strategy Committees and both Councils

2.1 That the key factors and information relating to and affecting treasury management activities set out in Appendix A and B be noted.

2.2 That the following be approved:

(a) The Treasury Management Policy Statement set out in Appendix C

(b) The Treasury Management Strategy for 2016/17, incorporating the proposed changes referred to in sections 10.15 and 10.16 of the report and including the Annual Investment Strategy as set out in Appendix D

(c) The Prudential Indicators and Minimum Revenue Provision Statement set out in Appendix G and H.

3. Financial Implications

3.1 The revenue cost of borrowing in 2016/17 and subsequent years in relation to the capital programme will be minimised by borrowing on the most beneficial basis at the most appropriate time of the year, based on advice from our treasury advisors, Arlingclose.

3.2 The General Fund revenue budget for 2016/17 will include provision for interest payments relating to external borrowing and the statutory Minimum Revenue Provision (MRP) to ensure the principal is repaid. Different arrangements apply to the Housing Revenue Account (Council Housing) – there is no MRP.

4. Legal Implications

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

5. Risk Management

5.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Loss of investment and/or liquidity problems	Unlikely	Bad	Strict lending criteria for highly credit rated institutions.
Poor return on investments	Probable	Noticeable	Focus is on security and liquidity. Careful cash flow management and budget monitoring in accordance with the strategy, is undertaken.
Higher than expected borrowing costs – interest rate increases and/or lower capital receipts than forecast	Depends on economic and market conditions	Noticeable	Benchmark is to borrow from the Public Works Loan Board (PWLB) whose rates are very low and can be on a fixed or variable basis or from other local authorities. Continue to use internal surplus funds temporarily. Capital receipts monitored.

6. Consultations

6.1 Advice on borrowing and the investment of surplus funds from our treasury advisors, Arlingclose, who also provide regular and important updates on treasury management issues as they arise.

7. Equality Analysis

7.1 An Equality Impact Assessment (EqIA) has not been completed because this is a technical report that does not have any impact on the equality groups.

8. Shared Service / Partnership Implications

8.1 This report and the proposed Treasury Management Strategy for 2016/17 relates to both Babergh and Mid Suffolk Councils although its application will differ due to the different financial position of each Council.

9. Links to Joint Strategic Plan

Treasury Management is an important part of the overall financial management of the Councils' affairs. It links to the Councils' Medium Term Financial Strategy (MTFS), the Joint Strategic Plan and our investment strategy e.g. prudential borrowing, Invest to Save and 'Profit for Purpose'.

10. Key Information

Background

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

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

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

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

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

Borrowing and Investments

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

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

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

10.9 As indicated in the tables in Appendix D, section 1.4, Babergh currently has a maximum borrowing requirement of around £17.0m and will have available investments of up to £11.2m by 2016/17 to fund the indicative capital programme. Mid Suffolk has a current maximum borrowing requirement of around £40.7m and will be required to borrow up to £36.7m by 2018/19 to fund the indicative capital programme.

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

The 2016/17 Strategy

10.11 The Prudential Indicators (to be presented with the Budget and Capital programme to Executive/Strategy Committee in February 2016) illustrate the affordability and impact of capital expenditure decisions and set out both Councils overall capital and treasury framework.

10.12 Effective management and decisions on funding ensure both Councils comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget. More importantly, using our borrowing powers to undertake investment in strategic plan priority outcomes and generate a rate of return to produce additional income is a key part of our MTFS in order to deal with the projected funding gap of £5.9m across both councils over the next 4 years.

10.13 Key documents relating to treasury management operations in terms of the annual investment and borrowing strategy proposed for 2016/17 are set out in the supporting appendices. Factors affecting the strategy are detailed in the Economic Outlook (Appendix B), the Policy Statement (Appendix C) and the proposed strategy for the year (Appendix D).

10.14 The proposed investment strategy for 2016/17 continues to focus primarily on the effective management and control of risk, giving priority to security and liquidity when investing funds. Investment returns remain an important but secondary consideration.

10.15 The minimum proposed investment criteria for UK counterparties in the 2016/17 Strategy remains at A-. (Note: This would be the lowest credit rating determined by credit rating agencies Moodys, Fitch and Standard & Poors).

10.16 In line with advice received from Arlingclose (the Councils' treasury advisors) the maximum investment limit per institution has been increased from £1m to £2m for unsecured specified investments for Babergh District Council but remains unchanged at £1m for Mid Suffolk District Council. This reflects the higher balances for investment held by Babergh compared with Mid Suffolk. The limit for pooled funds is £5m. An increase in the limit for pooled funds from £2m was agreed by members in June 2015 to enable investment in the CCLA and Funding Circle. Investments with the UK Government (including the Government's Debt Management Agency Deposit Facility (DMADF) and Treasury Bills (T-Bills)), have no limit on the amount invested.

10.17 A list of the banks and building societies that both Councils can lend to (based on information on credit risk and credit ratings as at December 2015) is provided in Appendix F. This will be continuously monitored as the position changes throughout the year as credit ratings are reviewed and additional market information is evaluated.

10.18 The Councils will continue to:

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

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

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

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

10.22 After using surplus internal funds temporarily, the PWLB remains the most likely source of new external long term borrowing whilst short or longer term borrowing would be from money market institutions and other local authorities. The Councils will receive the "certainty rate" discount of 0.2% on PWLB loans taken out between 1 November 2015 and 31 October 2016. It is unclear at the time of writing this report as to whether this will continue after 31 October 2016.

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

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

As clearly highlighted by the Prudential Indicators, the level and ratio of General Fund borrowing costs will increase over the next few years to finance the potential capital programme. Affordability in terms of future revenue budgets will need to be reviewed as part of the ongoing Priority Based Resourcing (PBR) work and in relation to individual business cases for specific projects that are developed.

11. Appendices

Title	Location
A Existing Investment and Debt Portfolio Position	Attached
B Economic Outlook and Interest Rate Forecast	Attached
C Treasury Management Policy Statement	Attached
D Treasury Management Strategy 2016/17	Attached
E Treasury Management Indicators	Attached
F Institutions meeting high credit ratings criteria (as at end of December 2015)	Attached
G Prudential Indicators	Attached
H MRP Statement	Attached
I Glossary of Terms	Attached

12. Background Documents

CIPFA Treasury Management in the Public Services – 2011
The Prudential Code for Capital Finance in Local Authorities – 2011

Capital Investment Strategy – Report JAC54 15June 2015

Authorship:

Katherine Steel — 01449 724806
Head of Corporate Resource — katherine.steel@baberghmidsuffolk.gov.uk

Melissa Evans — 01473 825819
Corporate Manager – Financial Services — melissa.evans@baberghmidsuffolk.gov.uk

Caroline Pearce — 01473 825840
Financial Services Officer — caroline.pearce@baberghmidsuffolk.gov.uk

EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	31/12/2015 Actual Portfolio £m	
	Babergh District Council	**Mid Suffolk District Council**
External Borrowing:		
Fixed Rate – PWLB	87.6	71.8
Fixed Rate – Market	0	10.0
Variable Rate – PWLB	0	0
Variable Rate – Market	0	0
Total External Borrowing	87.6	81.8
Other Long Term Liabilities:		
- Private Finance Initiative	0	0
- Finance Leases	0	0
Total Gross External Debt (see note below)	87.6	81.8
Investments: *Managed in-house*		
- Short-term monies (Deposits/monies on call /MMFs)	14.8	4.3
- Short-term investments (including CCLA & UBS)	7.0	5.0
- Long-term investments	0	0
Total Investments	21.8	9.3

Note

The £87.6m and £81.8m relate entirely to the HRA - future borrowing is allocated specifically to the HRA or the General Fund based on the respective capital programmes.

ECONOMIC OUTLOOK AND INTEREST RATE FORECAST

1 Economic background

1.1 Domestic demand has grown robustly, supported by sustained real income growth and a gradual decline in private sector savings. Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation falling to 0.1% in October. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015. Although speeches by the Bank of England's Monetary Policy Committee (MPC) members sent signals that some were willing to countenance higher interest rates, the MPC held policy rates at 0.5% for the 81st consecutive month at its meeting in November 2015. Quantitative easing (QE) has been maintained at £375bn since July 2012.

1.2 The outcome of the UK general election, which was largely fought over the parties' approach to dealing with the deficit in the public finances, saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

1.3 China's growth has slowed and its economy is performing below expectations, reducing global demand for commodities and contributing to emerging market weakness. US domestic growth has accelerated but the globally sensitive sectors of the US economy have slowed. Strong US labour market data and other economic indicators however suggest recent global turbulence has not knocked the American recovery off course. The Federal Reserve did not raise policy rates at its meetings in October and November, but did in December 2015. In contrast, the European Central Bank finally embarked on QE in 2015 to counter the perils of deflation.

2 Credit outlook

2.1 The varying fortunes of different parts of the global economy are reflected in market indicators of credit risk. UK Banks operating in the Far East and parts of mainland Europe have seen their perceived risk increase, while those with a more domestic focus continue to show improvement. The sale of most of the government's stake in Lloyds and the first sale of its shares in RBS have generally been seen as credit positive.

2.2 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the UK, USA and Germany. The rest of the European Union will follow suit in January 2016, while Australia, Canada and Switzerland are well advanced with their own plans. Meanwhile, changes to the UK Financial Services Compensation Scheme and similar European schemes in July 2015 mean that most private sector investors are now partially or fully exempt from contributing to a bail-in. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Councils; returns from cash deposits however remain stubbornly low.

3 Interest rate forecast

3.1 The Councils' treasury advisor, Arlingclose, projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time. Persistently low inflation, subdued global growth and potential concerns over the UK's position in Europe mean that the risks to this forecast are weighted towards the downside.

3.2 A shallow upward path for medium term gilt yields is forecast, as continuing concerns about the Eurozone, emerging markets and other geo-political events weigh on risk appetite, while inflation expectations remain subdued. Arlingclose projects the 10 year gilt yield to rise from its current 2.0% level by around 0.3% a year. The uncertainties surrounding the timing of UK and US interest rate rises are likely to prompt short-term volatility in gilt yields.

3.3 A detailed economic and interest rate forecast is shown in the table below.

ECONOMIC AND INTEREST RATE FORECAST EX ARLINGCLOSE (DEC 2015)

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
Official Bank Rate														
Upside Risk	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.31
Arlingclose Central Case	**0.50**	**0.50**	**0.75**	**0.75**	**1.00**	**1.00**	**1.25**	**1.25**	**1.50**	**1.50**	**1.50**	**1.50**	**1.50**	**1.12**
Downside Risk				-0.25	-0.50	-0.50	-0.75	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-0.78

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
3-month LIBID rate														
Upside Risk	0.30	0.30	0.30	0.35	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.40	0.40	0.36
Arlingclose Central Case	**0.60**	**0.70**	**0.80**	**0.95**	**1.05**	**1.15**	**1.30**	**1.40**	**1.50**	**1.60**	**1.65**	**1.70**	**1.75**	**1.24**
Downside Risk		-0.30	-0.45	-0.55	-0.65	-0.80	-0.90	-1.05	-1.10	-1.20	-1.20	-1.20	-1.20	-0.88

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
1-yr LIBID rate														
Upside Risk	0.35	0.35	0.35	0.40	0.40	0.40	0.40	0.45	0.45	0.45	0.45	0.45	0.45	0.41
Arlingclose Central Case	**1.20**	**1.35**	**1.45**	**1.55**	**1.70**	**1.80**	**1.95**	**2.00**	**2.10**	**2.15**	**2.15**	**2.15**	**2.15**	**1.82**
Downside Risk	-0.25	-0.35	-0.50	-0.60	-0.70	-0.85	-0.95	-1.10	-1.15	-1.25	-1.25	-1.25	-1.25	-0.88

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
5-yr gilt yield														
Upside Risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	**1.30**	**1.38**	**1.45**	**1.53**	**1.60**	**1.68**	**1.75**	**1.83**	**1.90**	**1.98**	**2.05**	**2.13**	**2.20**	**1.75**
Downside Risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
10-yr gilt yield														
Upside Risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	**1.90**	**1.95**	**2.00**	**2.05**	**2.10**	**2.15**	**2.20**	**2.25**	**2.30**	**2.35**	**2.40**	**2.45**	**2.50**	**2.20**
Downside Risk	-0.45	-0.55	-0.60	-0.70	-0.80	-0.90	-1.00	-1.10	-1.15	-1.20	-1.25	-1.25	-1.25	-0.94

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
20-yr gilt yield														
Upside Risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	**2.50**	**2.53**	**2.55**	**2.58**	**2.60**	**2.63**	**2.65**	**2.68**	**2.70**	**2.73**	**2.75**	**2.78**	**2.80**	**2.65**
Downside Risk	-0.40	-0.50	-0.55	-0.65	-0.75	-0.85	-0.95	-1.05	-1.10	-1.15	-1.20	-1.20	-1.20	-0.89

	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Average
50-yr gilt yield														
Upside Risk	0.50	0.50	0.50	0.55	0.55	0.55	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.56
Arlingclose Central Case	**2.50**	**2.55**	**2.60**	**2.63**	**2.65**	**2.68**	**2.70**	**2.73**	**2.75**	**2.78**	**2.80**	**2.83**	**2.85**	**2.70**
Downside Risk	-0.35	-0.45	-0.50	-0.60	-0.70	-0.80	-0.90	-1.00	-1.05	-1.10	-1.15	-1.15	-1.15	-0.84

APPENDIX C

TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and Background

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

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

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

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

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

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

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

2. Policies and Objectives of Treasury Management Activities

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

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

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

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

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

TREASURY MANAGEMENT STRATEGY 2016/17

1. Background

1.1 Treasury Management is strictly regulated by statutory requirements. The Local Government Act 2003 and supporting regulations requires each Council to have regard to the Prudential Code and set Prudential Indicators for the next three years to ensure that both Councils' capital investment plans are affordable, prudent and sustainable. The Act also requires each Council to set out annually their treasury strategy for borrowing and investment.

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

1.3 The Councils will reappraise their strategies from time to time in response to evolving economic, political and financial events.

1.4 The tables below show how the movement in actual external debt and usable reserves combine to identify the Councils' borrowing requirement and potential investment strategy in the current and future years. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment.

Babergh District Council	**Forecast 2015/16 £m**	**Estimate 2016/17 £m**	**Estimate 2017/18 £m**	**Estimate 2018/19 £m**
General Fund **Housing Revenue Account**	15.6 86.7	17.7 86.2	17.6 85.7	17.5 85.2
TOTAL CFR	**102.3**	**103.9**	**103.3**	**102.7**
Less: Existing Profile of Borrowing*	**(87.3)**	(86.8)	(86.3)	(85.8)
Cumulative Maximum External Borrowing Requirement	**15.0**	**17.1**	**17.0**	**16.9**
Less: Balances & Reserves General Fund Housing Revenue Account	 (7.0) (8.8)	 (5.8) (11.6)	 (6.3) (11.4)	 (6.6) (9.8)
Less: Working Capital – net assets	(10.5)	(10.5)	(10.5)	(10.5)
Cumulative Net Borrowing Requirement / (Investments)	**(11.3)**	**(10.8)**	**(11.2)**	**(10.0)**

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

Mid Suffolk District Council	Forecast 2015/16 £m	Estimate 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m
General Fund **Housing Revenue Account**	23.0 86.8	25.1 86.8	25.3 87.5	25.6 88.9
TOTAL CFR	**109.8**	**111.9**	**112.8**	**114.5**
Less: Existing Profile of Borrowing*	**(75.7)**	(74.9)	(74.1)	(73.8)
Cumulative Maximum External Borrowing Requirement	**34.1**	**37.0**	**38.7**	**40.7**
Less: Balances & Reserves General Fund Housing Revenue Account	 (10.3) (9.0)	 (10.6) (6.6)	 (10.6) (6.4)	 (10.4) (7.2)
Add: Working Capital – net liabilities	13.6	13.6	13.6	13.6
Cumulative Net Borrowing Requirement/(Investments)	**28.4**	**33.4**	**35.3**	**36.7**

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

2. Borrowing Strategy

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

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

2.3 By doing this, the Councils are able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Councils with this 'cost of carry' (the excess of interest payable on monies borrowed over interest received when the monies are invested) and breakeven analysis. Its output may determine whether the Councils borrow additional sums at long-term fixed rates in 2016/17 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

2.4 Alternatively, the Councils may arrange forward starting loans during 2016/17, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

2.5 In addition the councils may borrow short term loans to cover unexpected cash flow shortages.

3. Sources of Borrowing and Portfolio Implications

3.1 In conjunction with advice from treasury management advisors, the Councils will keep under review the following borrowing sources:

- Public Works Loan Board (PWLB) and any successor body
- Any institutions approved for investments (see section 7.4 below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Suffolk County Council Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

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

- Operating and finance leases
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

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

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

- borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans;
- there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

3.5 **LOBOs:** Mid Suffolk holds £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. There are no plans to use LOBO loans for future borrowing.

3.6 **Short-term and Variable Rate loans:** These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators as shown in Appendix E paragraph 2.1.

4. Debt Rescheduling

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

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

5. Policy on Use of Financial Derivatives

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

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

5.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria (See Appendix D, Section 7.4). The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

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

6. Policy on Apportioning Interest to the HRA

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

6.2 Differences between the value of the HRA loans pools and the HRAs' underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured annually and interest transferred between the General Fund and HRA at the net average rate earned by the Council on the relevant portfolios of treasury investments and short-term borrowing.

7. Annual Investment Strategy

7.1 The Councils hold significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past twelve months Babergh's investment balances have ranged between £11.6m and £25.6m and those of Mid Suffolk between £0.4m and £13.9m

7.2 **Objectives:** In accordance with Investment Guidance issued by CLG and the CIPFA Code, the Councils are required to invest their funds prudently and to have regard to the security and liquidity of their investments before seeking the highest rate of return or yield. The Councils' objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

7.3 **Strategy:** Given the increasing risk and continued low returns from short-term unsecured bank investments, both Councils aim to further diversify into more secure and/or higher yielding asset classes during 2016/17. The majority of the Councils' surplus cash is currently invested in short-term unsecured bank deposits, money market funds and UBS. Surplus cash is also invested in funds managed by CCLA and Funding Circle. This diversification will therefore represent a continuation of the new strategy adopted in 2015/16.

7.4 **Approved Counterparties:** The Councils may invest their surplus funds with any of the counterparty types in the list below, subject to the cash limits (per counterparty) and the time limits shown. The higher cash limits for Babergh reflect the fact that the Council has higher balances available for investment than Mid Suffolk. The differing cash limits result in a similar spread of risk across the different counterparty types.

Approved Investment Counterparties and Limits:

Babergh District Council

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

Mid Suffolk District Council

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

These tables must be read in conjunction with the notes below:

Banks/Building Societies Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

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

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

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company becoming insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

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

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

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

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

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

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

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

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

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

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

7.5 **Specified and Non-Specified Investments:** Investments are categorised as "Specified" or Non-Specified" within the investment guidance issued by the CLG:

- **Specified investments** are sterling denominated investments with a maximum maturity of 364 days. They meet the definition of "high credit quality" as determined by the Councils (currently A- or A3 for UK banks, building societies, money market funds and other pooled funds; and AA- for foreign banks (AAA sovereign rating only)) and are not deemed capital expenditure investments under Statute. Specified investments may also be with the UK Government, a UK local authority, parish council or community council.

- **Non-Specified investments** are, effectively, everything else. The Councils may make investments in unrated building societies but do not intend to make any investments denominated in foreign currencies, any that are defined as capital expenditure by legislation, such as company shares, nor with bodies and schemes not meeting the definition of high credit quality. Non-specified investments will therefore be limited to long-term investments (those due to mature 12 months or longer from the date of arrangement) which are considered less liquid as the cash is not quickly realisable and to investments in unrated building societies.

Non-Specified Investment Limits

	Cash limit
Total long-term investments	£2m
Total investments without credit ratings	£10m
Total investments rated below A- (Lloyds Bank only see paragraph 8.2)	£1m
Total non-specified investments	£13m

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

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

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

8. Councils' Banker

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

8.2 Should the credit rating fall below A-, the Councils may continue to deposit surplus cash with Lloyds Bank plc providing that investments can be withdrawn on the next working day.

9. Investment Limits

9.1 The Councils' revenue reserves available to cover investment losses are forecast to be £8.9 million for Babergh and £12.1 million for Mid Suffolk on 31st March 2016. In order to minimise the available reserves that would be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £1 million for Mid Suffolk and £2 million for Babergh and £5 million for pooled funds. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

9.2 **Investment Limits**

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

10. Liquidity Management

10.1 The Councils use cash flow forecasts to determine the maximum period for which funds may prudently be committed. The forecasts are compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Councils being forced to borrow on unfavourable terms to meet their financial commitments. Limits on long-term investments are set by reference to the Councils' medium term financial plans and cash flow forecasts.

11. Investment Training

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

11.2 Staff attend training courses, seminars and conferences provided by Arlingclose, CIPFA and other relevant bodies.

12. Investment Advisors

12.1 The Councils' treasury management advisors are Arlingclose Ltd. The joint contract with Babergh and Mid Suffolk commenced on 1 June 2010 for 2 years, and has taken up an option to extend. The service from June 2016 will be market tested.

12.2 The advisors provide the following services:

- Investment advice
- Technical support
- Counterparty creditworthiness (credit ratings)
- Debt management advice
- Economic updates
- Interest rate forecasts

12.3 The treasury advisor service is subject to regular review to ensure compliance with the requirements of the Treasury Management Strategy and TMPs' Use of External Service Providers.

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

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

13. Investment of Money Borrowed in Advance of Need

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

13.2 The total amount borrowed in 2016/17 will not exceed the authorised borrowing limit (£107 million for Babergh and £115 million for Mid Suffolk). See Appendix G paragraph 7.4.

14. Other Options Considered

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

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

APPENDIX E

TREASURY MANAGEMENT INDICATORS

The Councils measure and manage their exposures to treasury management risks using the following indicators.

1 Security

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

	Target
Portfolio average credit score	7.0

2 Interest Rate Exposure

2.1 This indicator is set to control both Councils' exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as a proportion of net principal borrowed will be:

Babergh District Council **Interest Rate Exposures**	**2016/17** **£m**	**2017/18** **£m**	**2018/19** **£m**
Fixed			
Upper Limit on Fixed Interest Rate Exposure	104	103	103
Variable			
Upper Limit on Variable Interest Rate Exposure	35	35	35

Mid Suffolk District Council **Interest Rate Exposures**	**2016/17** **£m**	**2017/18** **£m**	**2018/19** **£m**
Fixed			
Upper Limit on Fixed Interest Rate Exposure	112	113	115
Variable			
Upper Limit on Variable Interest Rate Exposure	40	40	40

2.2 Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

2.3 These indicators allow the Councils to manage the extent to which they are exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Councils are not exposed to interest rate rises which could adversely impact on the revenue budgets. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

2.4 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements.

3 Maturity Structure of Borrowing

3.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

3.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. LOBO's are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment.

Babergh District Council **Maturity structure of fixed rate borrowing**	**Existing level at 31/12/15**	**Lower Limit for 2016/17**	**Upper Limit for 2016/17**
under 12 months	0.6%	0	50%
12 months and within 24 months	0.6%	0	50%
24 months and within 5 years	1.7%	0	50%
5 years and within 10 years	0.3%	0	100%
10 years and within 20 years	42.3%	0	100%
20 years and within 30 years	53.3%	0	100%
40 years and above	1.2%	0	100%

Mid Suffolk District Council **Maturity structure of fixed rate borrowing**	**Existing level at 31/12/15**	**Lower Limit for 2016/17**	**Upper Limit for 2016/17**
under 12 months	12.6%	0	50%
12 months and within 24 months	1.6%	0	50%
24 months and within 5 years	1.1%	0	50%
5 years and within 10 years	0.4%	0	100%
10 years and within 20 years	36.6%	0	100%
20 years and within 30 years	33.2%	0	100%
30 years and above	14.5%	0	100%

4 Upper Limit for total principal sums invested over 364 days

4.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Councils having to seek early repayment of the sums invested. The limits on the total principal sum invested for periods over 364 days will be:

Babergh and Mid Suffolk District Councils	**2015/16 Approved £m**	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**
Limit on principal invested beyond year end	2	2	2	2

APPENDIX F

INSTITUTIONS MEETING HIGH CREDIT RATINGS CRITERIA (AS AT END OF DECEMBER 2015)

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

Instrument	Long Term Rating Fitch		Counterparty
UK BANKS			
Term Deposits & Certificates of Deposit	AA-	****	HSBC Bank Plc
Term Deposits & Certificates of Deposit	A+	***	Standard Chartered Bank
Term Deposits & Certificates of Deposit	A	**	Barclays Bank
Term Deposits & Certificates of Deposit	A+	****	Bank of Scotland (Lloyds Banking Group)
Term Deposits & Certificates of Deposit	A+	****	Lloyds Bank (Lloyds Banking Group)
Term Deposits & Certificates of Deposit	A	***	Close Brothers Ltd
Term Deposits & Certificates of Deposit	A	**	Goldman Sachs International Bank
Term Deposits & Certificates of Deposit	A	***	Santander UK Plc
BUILDING SOCIETIES			
Term Deposits & Certificates of Deposit	A	***	Nationwide
Term Deposits & Certificates of Deposit	A-	**	Leeds Building Society
Term Deposits & Certificates of Deposit	A	***	Coventry Building Society
FOREIGN BANKS			
Australia			
Term Deposits & Certificates of Deposit	AA-	***	Australia & NZ Banking Group
Term Deposits & Certificates of Deposit	AA-	***	Commonwealth Bank of Australia
Term Deposits & Certificates of Deposit	AA-	***	National Australia Bank
Term Deposits & Certificates of Deposit	AA-	***	Westpac Banking Group
Canada			
Term Deposits & Certificates of Deposit	AA	****	Royal Bank of Canada

Instrument	Long Term Rating Fitch		Counterparty
Term Deposits & Certificates of Deposit	AA-	****	Bank of Montreal
Term Deposits & Certificates of Deposit	AA-	****	Bank of Nova Scotia
Term Deposits & Certificates of Deposit	AA-	****	Canadian Imperial Bank of Commerce
Term Deposits & Certificates of Deposit	AA-	****	Toronto-Dominion Bank
Netherlands			
Term Deposits & Certificates of Deposit	AA+	****	Bank Nederlandse Gemeenten NV (BNG)
Term Deposits & Certificates of Deposit	AA-	****	Rabobank
Singapore			
Term Deposits & Certificates of Deposit	AA-	****	Oversea-Chinese Banking Corporation
Term Deposits & Certificates of Deposit	AA-	****	DBS Bank Ltd
Term Deposits & Certificates of Deposit	AA-	****	United Overseas Bank
Sweden			
Term Deposits & Certificates of Deposit	AA-	****	Nordea Bank AB
Term Deposits & Certificates of Deposit	AA-	****	Svenska Handelsbanken
MONEY MARKET FUNDS (MMF)		*****	
Call Account	AAA	*	Standard life Investments Sterling Liquidity Fund (Formerly Ignis)
Call Account	AAA	*	Goldman Sterling Liquid Reserves Fund
Call Account	AAA	*	Insight Sterling Liquidity Fund
Call Account	AAA	*	Federated Investors (UK) Sterling Liquidity Fund (Formerly Prime rate)
Call Account	AAA	*	BlackRock Institutional Sterling Liquidity Fund

*	Overnight limit
**	Maximum limit to maturity 100 days
***	Maximum limit to maturity 6 months
****	Maximum limit to maturity 13 months
*****	Maximum exposure limit of 10% of total investments per fund

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

Long Term Investment Grades

Rating Agency	Rating	Definition
HIGHEST RATING		
Fitch	AAA	Highest credit quality – 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
Moody's	Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Standard & Poor's	AAA	An obligator rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard & Poor's.
NEXT HIGHEST RATING		
Fitch	AA+ AA AA-	Very high credit quality 'AA' ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
Moody's	Aa1 Aa2 Aa3	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
Standard & Poor's	AA+ AA AA-	An obligator rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest rated obligators only to a small degree.
THIRD HIGHEST RATING		
Fitch	A+ A A-	High credit quality – 'A' ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
Moody's	A1 A2 A3	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Standard & Poor's	A+ A A-	An obligator rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligators in higher rated categories.

PRUDENTIAL INDICATORS 2016/17 – 2018/19

1 Background

1.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objects of the Prudential Code are to ensure that the investment plans within the Councils are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

2 Gross Debt and the Capital Financing Requirement

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

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

2.3 The Section 151 Officer reports that the Councils will have no difficulty meeting this requirement in 2015/16, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Babergh District Council

Gross Debt	31/3/16 Revised £m	31/3/17 Estimate £m	31/3/18 Estimate £m	31/3/19 Estimate £m
Outstanding Borrowing (at nominal value)	87.297	90.178	91.090	91.995
Other Long-term Liabilities (at nominal value)	0	0	0	0
Gross Debt	**87.297**	**90.178**	**91.090**	**91.995**

Mid Suffolk District Council

Gross Debt	31/3/16 Revised £m	31/3/17 Estimate £m	31/3/18 Estimate £m	31/3/19 Estimate £m
Outstanding Borrowing (at nominal value)	75.687	74.887	74.087	73.787
Other Long-term Liabilities (at nominal value)	0	0	0	0
Gross Debt	**75.687**	**74.887**	**74.087**	**73.787**

3 Estimates of Capital Expenditure

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels. The table below shows planned capital expenditure up to 2018/19:

Babergh District Council

Capital Expenditure	**2015/16 Revised £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
General Fund	8.625	3.289	1.279	1.273
HRA	7.127	8.420	8.962	9.788
Total	**14.752**	**11.709**	**10.241**	**11.061**

Mid Suffolk District Council

Capital Expenditure	**2015/16 Revised £m**	**2016/17 Estimate £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**
General Fund	7.679	3.412	1.475	1.652
HRA	6.306	10.989	9.308	8.553
Total	**13.985**	**14.401**	**10.783**	**10.205**

3.2 Capital expenditure is expected to be financed for the General Fund and HRA as follows:

Babergh District Council

Capital Financing – GF	**2015/16 Revised**	**2016/17 Estimate**	**2017/18 Estimate**	**2018/19 Estimate**
	£m	**£m**	**£m**	**£m**
Capital receipts	0.216	0.066	0.067	0.068
Grants & Contributions	0.335	0.300	0.300	0.300
Revenue contributions	0	0	0	0
Reserves	0	0.042	0	0
Total Financing	**0.551**	**0.408**	**0.367**	**0.368**
Unsupported borrowing	8.074	2.881	0.912	0.905
Total Financing and Funding	**8.625**	**3.289**	**1.279**	**1.273**

Babergh District Council

Capital Financing - HRA	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m
Capital receipts	0.120	0.839	0.066	0
New build additional capital receipts	0.257	0.561	0.586	0.352
Grants & Contributions	0	0.407	0	0
Reserves	1.661	0	0	0
Revenue contributions including Major Repairs Reserve	5.089	6.613	8.310	9.436
Total Financing	**7.127**	**8.420**	**8.962**	**9.788**
Unsupported borrowing	0	0	0	0
Total Financing and Funding	**7.127**	**8.420**	**8.962**	**9.788**

Mid Suffolk District Council

Capital Financing – GF	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m
Capital receipts	0.370	0.064	0.065	0.065
Grants & Contributions	0.269	0.300	0.300	0.300
Reserves	0	0.042	0	0
Revenue contributions	0	0	0	0
Total Financing	**0.639**	**0.406**	**0.365**	**0.365**
Unsupported borrowing	7.040	3.006	1.110	1.287
Total Financing and Funding	**7.679**	**3.412**	**1.475**	**1.652**

Mid Suffolk District Council

Capital Financing - HRA	2015/16 Revised	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
	£m	£m	£m	£m
Capital receipts	1.571	0.519	0.270	0.207
New build additional capital receipts	0.336	0.935	1.160	1.089
Grants & Contributions	0.197	0.411	0.115	0
Reserves	1.415	5.391	3.460	3.517
Revenue contributions	2.787	3.733	3.558	2.331
Total Financing	**6.306**	**10.989**	**8.563**	**7.144**
Unsupported borrowing	0	0	0.745	1.409
Total Financing and Funding	**6.306**	**10.989**	**9.308**	**8.553**

4 Ratio of Financing Costs to Net Revenue Stream

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code and excludes revenue contributions to capital. The ratio is based on costs net of investment income.

Babergh District Council

Ratio of Financing Costs to Net Revenue Stream	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	8.64%	5.98%	8.89%	9.88%
HRA	17.44%	17.67%	16.88%	16.73%

Mid Suffolk District Council

Ratio of Financing Costs to Net Revenue Stream	2015/16 Revised %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %
General Fund	11.16%	8.96%	9.00%	9.70%
HRA	22.12%	21.14%	21.03%	22.47%

5 Capital Financing Requirement

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

Babergh District Council

Capital Financing Requirement	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	15.613	17.701	17.616	17.463
HRA	86.732	86.232	85.732	85.232
Total CFR	**102.345**	**103.933**	**103.348**	**102.695**

Mid Suffolk District Council

Capital Financing Requirement	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
General Fund	23.052	25.112	25.289	25.598
HRA	86.759	86.759	86.759	86.759
Total CFR	**109.811**	**111.871**	**112.048**	**112.357**

6 Incremental Impact of Capital Investment Decisions

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

Babergh District Council

Incremental Impact of Capital Investment Decisions	**2016/17 Estimate £**	**2017/18 Estimate £**	**2018/19 Estimate £**
Increase in Band D Council Tax	5.69	5.86	1.30
Movement in Average Weekly Housing Rents	6.81	13.47	6.50

Mid Suffolk District Council

Incremental Impact of Capital Investment Decisions	**2016/17 Estimate £**	**2017/18 Estimate £**	**2018/19 Estimate £**
Increase in Band D Council Tax	4.55	-0.27	1.38
Movement in Average Weekly Housing Rents	5.51	-1.01	-7.24

Note: The variations reflect changes in the value of the annual capital programmes.

6.2 The movements in Band D council tax reflect the increases / decreases in the provision for Capital Financing Charges as a result of movements in borrowing undertaken to finance the proposed capital programme from 2016/17 to 2018/19.

7 Authorised Limit and Operational Boundary for External Debt

7.1 The Councils have an integrated treasury management strategy and manage their treasury position in accordance with their approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Councils and not just those arising from capital spending reflected in the CFR.

7.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Councils. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Councils' existing commitments, their proposals for capital expenditure and financing and their approved treasury management policy statement and practices.

7.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Babergh District Council

Authorised Limit for External Debt	**2015/16**	**2016/17**	**2017/18**	**2018/19**
	Revised	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**
Borrowing	105	107	106	106
Other Long-term Liabilities	0	0	0	0
Total	**105**	**107**	**106**	**106**

Mid Suffolk District Council

Authorised Limit for External Debt	**2015/16**	**2016/17**	**2017/18**	**2018/19**
	Revised	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**
Borrowing	113	115	116	118
Other Long-term Liabilities	0	0	0	0
Total	**113**	**115**	**116**	**118**

7.5 There is also an Operational Boundary for external debt, which links directly to the Councils' estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

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

Babergh District Council

Operational Boundary for External Debt	**2015/16**	**2016/17**	**2017/18**	**2018/19**
	Revised	**Estimate**	**Estimate**	**Estimate**
	£m	**£m**	**£m**	**£m**
Borrowing	102	104	103	103
Other Long-term Liabilities	0	0	0	0
Total	**102**	**104**	**103**	**103**

Mid Suffolk District Council

Operational Boundary for External Debt	2015/16 Revised £m	2016/17 Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m
Borrowing	110	112	113	115
Other Long-term Liabilities	0	0	0	0
Total	**110**	**112**	**113**	**115**

8 Adoption of the CIPFA Treasury Management Code

8.1 This indicator demonstrates that the Councils have adopted the principles of best practice.

8.2 The Councils approved the adoption of the CIPFA Treasury Management Code in April 2002. CIPFA revised the Treasury Management Code in November 2011 following recent developments and anticipated regulatory changes to the Localism Act 2011, including the housing finance reforms and the introduction of the General Power of Competence.

8.3 The Councils will adopt the latest Code and the changes have been incorporated into the Treasury Management Strategy including its treasury policies, procedures and practices.

APPENDIX H

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2016/17

Babergh District Council and Mid Suffolk District Council

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

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

3. The CLG Guidance requires the Councils to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

4. The four MRP options available are:

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

   The following statement incorporates options recommended in the Guidance.

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

6. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal repayment on an annuity starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (Option 3).

7. There is no requirement to charge MRP in respect of Housing Revenue Account capital expenditure funded from borrowing. However, voluntary MRP contributions from the HRA may be made. Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

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

APPENDIX I

Glossary of Terms

CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CLG	Department for Communities and Local Government. This is a ministerial department.
DMADF	Debt Management Account Deposit Facility.
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
T Bills	Treasury Bill. A short term Government Bond.

K:\Governance\DOCS\Committee\REPORTS\COUNCIL\2015\230216-Joint TM Strategy 2016_17.docx

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Strategic Director	**Report Number: R89**
To: Strategy Committee Executive Committee	**Date of meeting: 4 February 2016 8 February 2016**

JOINT STRATEGIC PLAN REFRESH 2016-2020

1. Purpose of Report

1.1 To seek Committee approval to the adoption by full Council of the Babergh and Mid Suffolk Councils Joint Strategic Plan Refresh 2016-2020. The purpose of the Plan and the Direction set by the Plan have been considered and supported by the Portfolio Holders of both Councils.

1.2 The Plan is a refresh of the Joint Strategic Plan developed in 2013/14 by the previous Councillor administrations of the two Councils. The new Councillor administrations elected in May 2015, are both now Conservative majorities, and they wanted to revisit the previous Joint Strategic Plan 2014-2019, and refresh the Plan, given changes in the local, regional and national context since that Plan was developed in 2013/14.

1.3 The Plan being presented today is a summary document, a ‘Plan on a Page’, that encapsulates all of the key strategic outcomes and the outputs needed to deliver these outcomes, identified by Portfolio Holders in a series of strategic planning workshops held between September and November 2015.

1.4 The detail behind this summary document is being developed into a full Joint Strategic Plan refresh document, and will be brought forward for approval at the following Strategy and Executive Committee meetings, and full Council meetings, to be held in April 2016.

2. Recommendations

2.1 That the Babergh District Council and Mid Suffolk District Council Joint Strategic Plan Refresh 2016-2020 ‘Plan on a Page’ (Appendix A to the report) be approved.

2.2 That the Strategic Director be authorised to make any minor changes to the document as may be necessary.

The Committee resolves 2.2 above, and is asked to recommend 2.1 to Full Council for adoption.

3. Financial Implications

3.1 The Joint Strategic Plan Refresh has shaped the financial and resource allocations made in the Medium Term Financial Plan for both Councils, as the detailed output from the Portfolio Holders strategic planning workshops, was used as the basis for building the 2016/17 budget and the Medium Term Financial Plan (MTFP).

3.2 The budget and the MTFP is informed by and will drive the financial sustainability of both Councils. The Councils' joint response to the financial challenges and the opportunities faced comprises the following key actions:

- Aligning resources to the Councils' refreshed strategic plan and essential services.
- Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
- Behaving more commercially and generating additional income.
- Considering new funding models (e.g. acting as an investor).
- Encouraging the use of digital interaction and transforming our approach to customer access.
- Taking advantage of new forms of local government finance (e.g. New Homes Bonus, business rates retention).

3.3 The Medium Term Financial Plan (MTFP) will be reported to the same Committee and Council meetings as this report. The MTFP includes in broad terms how the Joint Strategic Plan will be funded and resourced.

4. Legal Implications

4.1 There are no immediate legal implications arising from the approval of Appendix A however, as the Councils deliver the key specific outcomes, legal implications may arise.

5. Risk Management

5.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Insufficient funding and resources to deliver the outcomes set out in the Plan	High	High	• The financial planning process to develop the 2016/17 Budget and the Medium Term Financial Plan (following 3 years) has been integrated with the strategic planning process • The financial planning process has been undertaken with a Priority Based Resourcing (PBR) approach, such that budgets have been focused on high priority outcomes, and savings made in low priority activities. • The new management structure developed under the Focused Management Review, has taken full account of the refreshed Plan, and has been designed to deliver the Plan.

Risk Description	Likelihood	Impact	Mitigation Measures
			• The Delivery Programme is being refreshed and will set out the activities needed to deliver the required priority outcomes.

6. Consultations

6.1 Major community consultations were undertaken by Councillors and officers at the commencement of the preparation of the original Joint Strategic Plan 2014-2019. This consultation exercise informed the vision and priorities for each Council which in turn are the foundations of the 2014-2019 Plan.

6.2 Following the creation of the vision and priorities, the Councillor-led Transformation Enquiry Groups (TEGs) then engaged with our various communities, engaged with partners, and looked at best practice from elsewhere, in order to inform the shape of the 2014-2019 Plan.

6.3 The 2016-2020 Plan is a refresh of the 2014-2019 Plan, and therefore has relied on the consultations undertaken as a basis for that earlier Plan.

7. Equality Analysis

7.1 The attached Plan is based upon engagement with our communities for the 2014-2019 Plan and sets out how we aim to deliver positive changes for the many and diverse communities we serve.

7.2 Where appropriate, specific projects and programmes arising from the refreshed 2016-2020 Plan will be the subject of an Equality Impact Analysis.

8. Shared Service / Partnership Implications

8.1 The Plan for our two sovereign councils has been developed in the context of the major financial and social changes that our communities face.

8.2 It places the “shared service agenda” and “partnership working” at the heart of what we do.

9. Links to Joint Strategic Plan

9.1 The attached Plan is a refresh of the Joint Strategic Plan 2014-2019, and will replace it to become the new Joint Strategic Plan for the next five years for both Councils.

10. Key Information

10.1 This Joint Strategic Plan Refresh sets out how the Councils aim to provide services to deliver positive, sustainable change in our communities, individual and business communities, over the next five years.

10.2 The Plan is being refreshed following the election in May last year, as the two new administrations want to review and update the strategies of the two Councils, in light of key local, regional and national factors that have changed since the Joint Strategic Plan (JSP) was developed in 2013/14.

10.3 Strategic planning workshops were held with Portfolio Holders between September and November to review the vision and the priorities for the Councils, and to consider any changes that need to be made to the Councils' activities in order to deliver the priority outcomes.

10.4 Councillors confirmed that the vision and priorities in the previous Plan had not changed – Economy & Environment, Housing, Strong & Healthy Communities – and that these priorities would be delivered under five key strategic 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 ('Profit for Purpose')

- **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

10.5 However, the national, regional and local environment has changed since the development of the previous Plan. Some of the key issues and challenges facing the Councils now and over the next five years include:

National:

- The Government is driving economic and housing growth to strengthen the local economy and ensure people and places become more prosperous.

- New National Government policy changes, including Welfare reform, which is essentially about helping people become more independent; Budget announcements; Productivity plan; the Prevent agenda, which is about intervening before issues become acute, which links to wider whole system working; changes to feed-in tariffs that reduce the income generating potential of renewables; and the implications of the Comprehensive Spending review announced in November.

- Government's drive for public sector resources to be reduced, and transformation of the way public services are resourced, which drives the need for a cross-Suffolk System review.

- Growing population and ageing population; low average wage economy/high average house prices (and rising faster than wages); challenges around how we involve our communities in realising the benefits of growth in their places.

- Increasingly litigious culture, freedom of information, transparency agenda making it easier to challenge decision making, increased ability and willingness to challenge, equalities duties, new parliament (whose role is to make law).

- The continuing digital revolution - changes in technology affecting the ways we can interact with people, but also, for example, increasing move to online shopping impacting the role of town centres and physical shopping habits. This also creates opportunities for demand management.

Regional:

- Public services across Suffolk are being transformed to deliver better outcomes for less resource with collaboration and joining up of activities across the whole system.

- Suffolk Devolution bid and potential combined authority to take growth forward.

- The Suffolk economy, where we have sector issues like stagnating tourism levels, low wages and the growth in green industry.

Local:

- The Local political environment has changed with the new Babergh administration.

- Both Babergh and Mid Suffolk face a challenging financial outlook for the next four years and in all likelihood beyond 2020.

10.6 Officers and Councillors across both Councils have been working very hard to develop and deliver solutions to address each of these key challenges. However, it is recognised that the challenges are significant and affect all public services and communities across Suffolk. Delivery of the strategic outcomes can only really be achieved through collaboration with public sector partners, local communities and the voluntary sector.

10.7 Work is underway across Suffolk to lead this whole system transformational change, and this has underpinned the Suffolk/Norfolk Devolution proposals. We are now working alongside our partners to agree solutions that reduce demand and cost, optimise the use of our resources, and create the right conditions and culture to achieve common outcomes. For example, the Localities work stream is looking to jointly commission a better Voluntary and Community Sector (VCS) offer and radically revise the community development resources so we can move to a single and more cohesive conversation. The same can be said for our strategic connections to Health and Wellbeing, community safety aspirations, growth and many others.

10.8 It is recognised that a new level of commerciality needs to be embedded across the organisation to identify new opportunities for reducing our costs, and for generating increased levels of fees and developing new income streams. Officers have been working on a number of new commercial initiatives over the last year, with some having already been implemented and now realising positive benefits eg new Treasury Management Strategy providing increased revenue from cash invested in CCLA and the Funding Circle. These initiatives taken together are getting us on track to be more efficient and more financially sustainable.

10.9 To enable the successful delivery of all the strategic outcomes, we need an enabled and efficient organisation – the right people, doing the right things, in the right way, at the right time, for the right reasons. The Focussed Management Review has been developing a new management structure and culture that will lead the organisation to deliver these outcomes. This new organisation has been designed to be:

- more agile and adaptable, where people are increasingly networked both internally and across the Suffolk system;
- work is organised so key areas that overlap are better connected and to create tight groupings of activities where required to strengthen linkages across the organisation;
- resources are aligned and focused to the outcomes of the Councils to enable both collaboration and a strong focus to deliver strategic outcomes and services;
- senior leadership is created that is similarly outcome-focused and has a real positive impact.

10.10 Finally, a new performance management framework is being developed to define what success will look like, and to monitor progress towards delivering the required strategic outcomes.

10.11 As stated above, the Plan Refresh sets out how the Councils aim to provide services to deliver positive, sustainable change in our communities, individual and business communities, over the next five years. It is not a detailed Work Programme. These details will be set out in the established Corporate Work Programme and Committee Work Plans, with a Delivery Programme Plan sitting below these documents.

10.12 Key to delivering the outcomes in the Plan will be our relationship with our communities and businesses. The achievement of Councillor priorities in the areas of homes, jobs, and businesses, and our overall approach to serving our residents, will require our work with communities to be embedded in all those areas.

10.13 Appendices

	Title	Location
A	The Babergh District Council and Mid Suffolk District Council Joint Strategic Plan Refresh 2016-2020 ‘Plan on a Page’	Attached

11. Background Documents

11.1 The Babergh and Mid Suffolk District Councils Joint Strategic Plan 2014-2019.

Authorship:

Lindsay Barker
Strategic Director

01449 724697/ 01473 825844
lindsay.barker@baberghmidsuffolk.gov.uk

k:\governance\docs\committee\reports\strategy\2015\040216-jsp refresh 2016.docx

This page is intentionally left blank

Joint Strategic Plan Refresh 2016-2020
Overview

Appendix A

Working Together

Purpose - This Joint Strategic Plan Refresh sets out how the Councils aim to provide services to deliver positive, sustainable change in our individual and business communities, over the next five years. The Plan is being refreshed following the election in May last year, as the two new administrations want to review and update the strategies of the two Councils, in light of key local, regional and national factors that have changed since the Joint Strategic Plan (JSP) was developed in 2013/14. Strategic planning workshops were held with Portfolio Holders between September and November to review the vision and the priorities for the Councils, and to consider any changes that need to be made to the Councils' activities in order to deliver the priority outcomes.

Vision & Priorities - Councillors confirmed that the vision and priorities in the previous Plan had not changed – Economy & Environment, Housing, Strong & Healthy Communities – and that these priorities would be delivered under five key strategic themes (identified in this overview diagram by the five larger pieces) - Housing delivery; Business growth; Community capacity building and engagement; Assets & investments ('Profit For Purpose'); An enabled and efficient organisation.

Operating Environment - the national, regional and local environment has changed since the development of the previous Plan. Some of the key issues and challenges facing the Councils now and over the next five years include:

- The Government is driving economic and housing growth to strengthen the local economy and ensure people and places are more prosperous.
- New National Government policy changes, including Welfare reform; Productivity plan; the Prevent agenda
- Government's drive for resources to deliver public services to be reduced and the transformation of the way public services are resourced.
- Growing population and ageing population, low average wage economy/ high average house prices.
- Increasingly litigious culture, freedom of information, transparency agenda, equalities duties, new parliament.
- Continuing the digital revolution.
- Suffolk Devolution bid and potential combined authority to take growth forward.
- The Suffolk economy, where we have sector issues like stagnating tourism levels, low wages and the growth in green industry.
- The Local political environment has changed with the new Babergh administration.
- Both Babergh and Mid Suffolk face a challenging financial outlook for the next four years and in all likelihood beyond 2020.

The Suffolk System - It is recognised that the challenges are significant and affect all public services and communities across Suffolk. Delivery of the strategic outcomes can only really be achieved through collaboration with public sector partners, local communities and the voluntary sector. Work is underway across Suffolk to lead this whole system transformational change, and this has underpinned the Suffolk/Norfolk Devolution proposals.

Commercialism - Officers have been working on a number of new commercial initiatives over the last year in order to generate income for both Councils, with some having already been implemented and now realising positive benefits. For example a new Treasury Management Strategy has been implemented, realising increased interest income for both Councils.

Management, Organisation & Culture - To enable the successful delivery of all the strategic outcomes, we need an enabled and efficient organisation – the right people, doing the right things, in the right way, at the right time, for the right reasons. The Focussed Management Review has been developing a new management structure and culture that will lead the organisation to deliver these outcomes.

This page is intentionally left blank

BABERGH DISTRICT COUNCIL

To: Council	**Report Number: R102**
From: Management Board	**Date of meeting: 23 February 2016**

JOINT MEDIUM TERM FINANCIAL STRATEGY AND BABERGH 2016/17 BUDGET

1. Purpose of Report

1.1 To consider the Joint Medium Term Financial Strategy (MTFS) and 2016/17 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 that will be set out in a refreshed Joint Strategic Plan, which is another item on today's agenda.

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 2016/17 Budgets, including Council Tax and Council House rent levels.

2. Recommendations to Council

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

2.2 That the final General Fund Budget for 2016/17 is based on an increase to Band D council tax of £5 to £148.86. This would be an increase of 9.6p per week or 3.5%.

2.3 That the Housing Revenue Account (HRA) Investment Strategy 2016/17 to 2020/21 and HRA Budget for 2016/17 be agreed.

2.4 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.92 a week as required by the Welfare Reform and Work Bill be implemented.

2.5 That an action plan be developed by the Head of Housing in consultation with the Tenants Forum, Joint Housing Board and elected Members to mitigate the impact of the legislative changes on the HRA and the strategic priorities.

2.6 That garage rents be increased by 10% to provide some additional income to the HRA (an increase of 76 pence per week).

2.7 That accommodation related service charges for sheltered tenants be increased by an average increase of £4.87 per week, including a cap of £2 per week on net charges increases for sheltered tenants.

2.8 That utility charges for sheltered tenants are reduced by 20%, representing an average reduction of £2.68 per week

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

2.10 That the revised HRA Business Plan in Appendix B be noted.

2.11 That the capital programme in Appendix C be agreed.

2.12 That the following additional recommendations related to the Budget are approved;

a) The 2016/17 Precept dates shown in Appendix I.

b) The statement from the Chief Financial Officer under section 25 of the Local Government Act 2003 covering the robustness of estimates and adequacy of reserves set out in Appendix H and the minimum safe contingency level of unearmarked reserves is £1.15m.

c) The 2016/17 Budget and Council Tax resolutions as set out in Appendix I.

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 following Significant Business Risks. Key risks are set out below;

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to plan and identify options to meet the medium term budget gap and savings or additional income not being realised.	Unlikely	Bad	Clear priority outcomes and robust business cases for investment plus use of the Transformation Fund to support the MTFS and an Investment Strategy. Further use of Priority Based Resourcing approach to align resources to priorities
Ongoing impacts of the Welfare and Funding Reforms could lead to unpreparedness for further changes.	Unlikely	Bad	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.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to implement cost sharing protocol results in inaccurate or unfair allocation of shared costs and income.	Very low	Noticeable	Assessment made for 2016/17 Budget, which will be reviewed further to ensure it is robust and accurate. Amend if circumstances change.
Council Housing self-financing results in a greater risk to investment and service delivery plans from inflation and other variables.	Unlikely	Noticeable	Inflation and interest rate assumptions have been modelled in the HRA business plan. Capital receipts and capital programme funding reviewed.
Failure to spend retained RTB receipts within 3 year period, will lead to requirement to repay to Government with an additional 4% interest.	Unlikely	Bad	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 the Housing & Planning Bill measures affecting council housing.

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

6. Consultations

6.1 Consultation on the HRA proposals took place with the Tenants Forum on the 9 December 2015. The members of the Tenants Forum were surprised by the measures introduced by the Housing & Planning Bill and the Welfare Reform and Work Bill, ie, 1% reduction in social housing rents, higher rents for households with an income greater than £30k and the requirement for local authorities to sell high value council houses to fund Right to Buy discounts for housing associations. The Forum members were supportive of the council's approach to meeting these challenges and keen to work with officers to find the best solutions.

6.2 A meeting of the Joint Housing Board (JHB) took place on the 14 December 2015. The JHB generally support the overall Budget proposals and agreed the recommendations to Strategy Committee as set out in 2.5, 2.6 and 2.9.

7. Equality Analysis

7.1 Equality Analyses will be undertaken for any service areas where significant changes are proposed as a result of the budget 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 2016/17 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 Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The updated MTFS is attached at Appendix D and continues the direction of travel of the councils in developing the business model to respond to the financial challenges.

10.3 The strategic response to those challenges, to ensure long term financial sustainability, is set out in six 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).

The actions that have been taken under this strategy, during 2014/15 and 2015/16, mean that the Council is in a better position to withstand the reduction in government grant and achieve a balanced budget in 2016/17.

10.4 The details within the Joint MTFS show the base budget pressures over the three years 2017/18 to 2019/20 and the level of resources that could be available to fund those pressures. This has been updated following the Final Local Government Finance Settlement announcement on 8 February. It shows that there could be a funding shortfall of £1.1m in 2017/18 rising to £2.8m by 2019/20.

10.5 In recognition of the changing landscape for local authorities, work has been underway to review and refresh the Joint Strategic Plan. The refreshed plan is another report on today's agenda. Complementing this has been a focussed management review to ensure that the Council has the right skills and capacity to support the MTFS.

10.6 The Transformation Fund has been supplemented with New Homes Bonus and business rates grant and used cautiously over the last two years to support the transition to the different business model and this will continue during 2016/17. It will also be used to fund staff that are involved in projects that support new ways of working.

10.7 Each Council is being asked to agree the key aspects of the Budget for 2016/17 and endorse the Joint MTFS in order to achieve a sustainable financial basis in the medium term. Without this strategy, which focuses on achieving outcomes, invest to save and generating income, there is a significant risk that each council will be unsustainable financially in the medium to longer term.

11. Financial Position

General Fund

11.1 Funding arrangements for councils have changed significantly with Revenue Support Grant (RSG, currently £1.6m) being substantially withdrawn over the next 2-3 years and Councils 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.

11.2 The Government published the provisional spending figures on the 17 December 2015 and the final figures on 8 February. Details relating to Babergh's funding for 2016/17 are shown in section 13. Other key points from the announcements are set out below:-

- Continuation of the council tax referendum threshold at 2%;

- Additional council tax revenue from £5 referendum principle for Shire Districts;

- A four year settlement is available, but the figures for 2017/18 and beyond will be conditional on councils publishing an efficiency plan (response to Secretary of State by 14 October);

- Compensation for the 2% cap on the small business rates multiplier in 2014/15 and 2015/16 and doubling of small business rate relief to continue – all funded by additional Section 31 grant;

- National New Homes Bonus top-slice of £1,275m from RSG and £210m specific grant;

- Continuation and extension of the Rural (SPARSE) Services Delivery Grant;

- New Transition Grant.

11.3 Looking ahead to 2017/18 and beyond, the Government's indication is that Revenue Support Grant will reduce year on year and disappear by 2019/20. The rate at which it is being withdrawn is greater than anticipated. The provisional figures show, that for Babergh, RSG will be only £204k in 2018/19.

11.4 It must be emphasised that the total 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, rate relief for schools converting to academies and the level of appeals, will affect the amount of income received.

Council Housing - Housing Revenue Account (HRA)

11.5 On 1 April 2012 the HRA left the housing subsidy system and entered into Self-Financing. Babergh's determination settlement payment was calculated at £83.6m. This was based on projected levels of income, expenditure and existing stock values and took HRA long term borrowing levels to £89.6m. A borrowing cap in the form of a Capital Financing Requirement (CFR) is set at £97.8m. The CFR must not be exceeded.

11.6 HRA CFR levels are predicted to be £85.8m at 31 March 2016 providing borrowing headroom of £12.0m. New build/acquisitions funding within the Capital Programme 2016 – 2020 totals £15.6m and HRA reserve balances 2016 – 2020 are forecast at £4.4m. This will provide a total HRA Investment Fund contribution of £30.3m 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).

11.7 Aligned Strategic Priorities have been agreed by Elected Members and key projects, to support delivery of the Aligned Priorities have also been agreed.

11.8 For example: Project 6 – Housing Delivery is where work supporting delivery of the Homes and Communities Agency (HCA) 27 new affordable homes, which will become new HRA assets, sits. These new homes will deliver New Homes Bonus for the Council, additional rent and council tax, additional jobs and local businesses will benefit. All these factors will bring growth to our local economy.

12. 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 process adopted was to continue the priority based budget approach in "outcome focused" workshops to identify ideas for services that could be delivered more efficiently and effectively.

12.2 As well as these workshops finance worked closely with Corporate Managers to identify savings from their budgets with a view to achieving approximately 10% savings, this achieved a net total of £287k as some further budget pressures were also identified.

12.3 In addition to those savings identified in section 12.2 above, a further three types of savings were identified from these discussions:

- Budget saving ideas where there was some impact, but this could be managed amounting to £56k

- Budget saving and income generation ideas which have a service impact and were discussed with the Portfolio Holders amounting to £71k

- Financial planning ideas beyond 2016/17

Further details of the first two areas above are shown in Appendix F.

12.4 The current budget for 2015/16 relies on New Homes Bonus and business rates grant of £1.8m. The budget for 2016/17, after taking into account additional budgetary pressures including inflation and the above savings, the reliance has increased to £2.0m. A summary of the savings and pressures that show the movement from 2015/16 to 2016/17 can be found at Appendix E.

12.5 In relation to Council Housing, the 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 Budget:

- The Welfare Reform and Work Bill includes a requirement for all social landlords to reduce their rents by 1% each year from 2016 to 2019. An exception can be made for supported housing (which includes sheltered) where the CPI + 1% formula can be applied for one year. Recommendation 2.4 is to continue with a 1% reduction for all properties because any rent increase for sheltered housing would be offset by a lower increase in service charges in order to remain within the £2.00 cap for net charges increases recommended in 2.7.

- This Bill also proposes a reduction in the benefit cap for working age families from £26k to £20k

- The Housing and Planning Bill includes requirements for households with an income higher than £30k to be charged higher rents

- This Bill also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants

- The impact of these measures and the action required to mitigate them are described in section 14 of this report

12.6 It is recognised that, in order to deliver the outcomes that we want to achieve and rise to the financial challenge over the next 3-4 years, 2016/17 will be a year that will need to provide further change to the business model. Funding from both the General Fund and HRA need to be harnessed to support our Investment Strategy and income generation/savings approach in terms of:-

- Applying incentivised funding (e.g. New Homes Bonus) through the Transformation Fund to support transformational projects, activities and strategic planning that will deliver the council's priorities in the short and medium term;

- Meeting upfront infrastructure costs in relation to specific projects and development proposals;

- Developing new or improved income generating activities;

- Looking at new commissioning and delivery models for key services that will reduce costs in the medium to longer term;

- Reviewing the use of our assets and their contribution to the MTFS.

13. Potential Resources available for Investment

General Fund

13.1 The Budget for 2016/17 is summarised in Appendix A and further information is shown in Appendices E and F. Key information relating to this is set out below:-

- Revenue Support Grant is reducing by £0.7m (40%) from £1.7m to £1.0m;

- Baseline business rates funding is only increasing by £16k (0.8%) from £1.941m to £1.957m;

- NHB allocation is increasing by £0.177m from £1.602m to £1.779m for 2016/17;

- Estimated Transformation Funds available at the end of 2015/16 of £2.0m;

- Potential Government Section 31 grant of an estimated £0.6m relating to business rates;

- Rural Services Delivery Grant of £225k and Transition Grant of £22k.

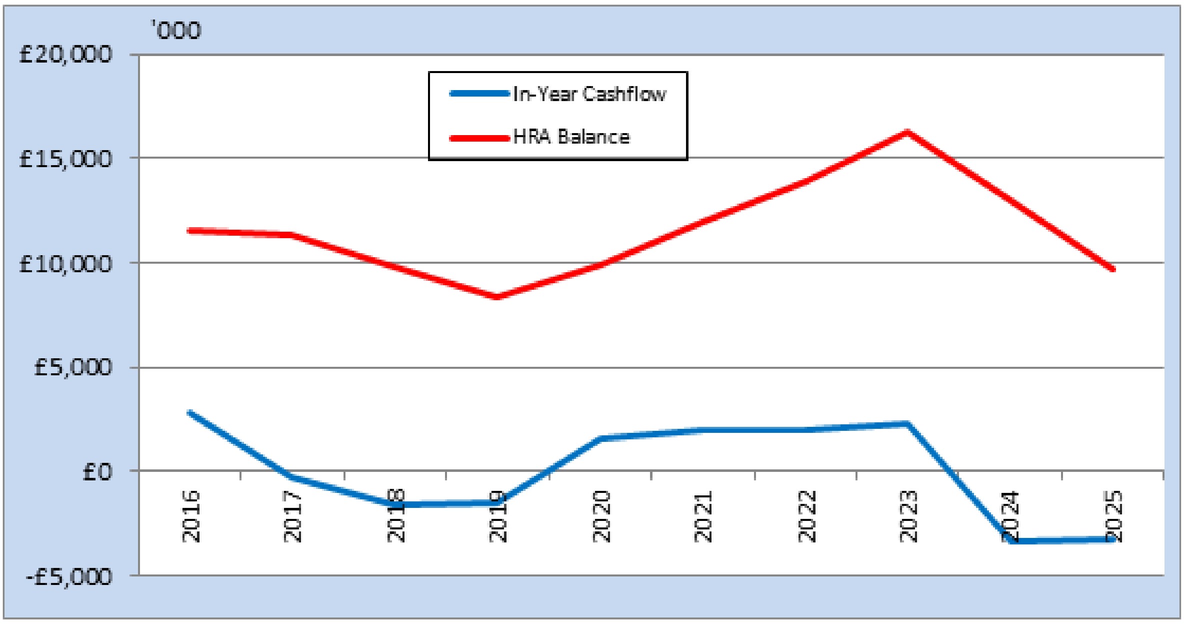
Housing Revenue Account

13.2 The HRA Business Plan has been updated to reflect the impact of the 1% rent reduction required by the Chancellor of the Exchequer both in 2016/17 and across the plan's 30 year life. The business plan is attached at Appendix B for years 1-10.

13.3 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:-

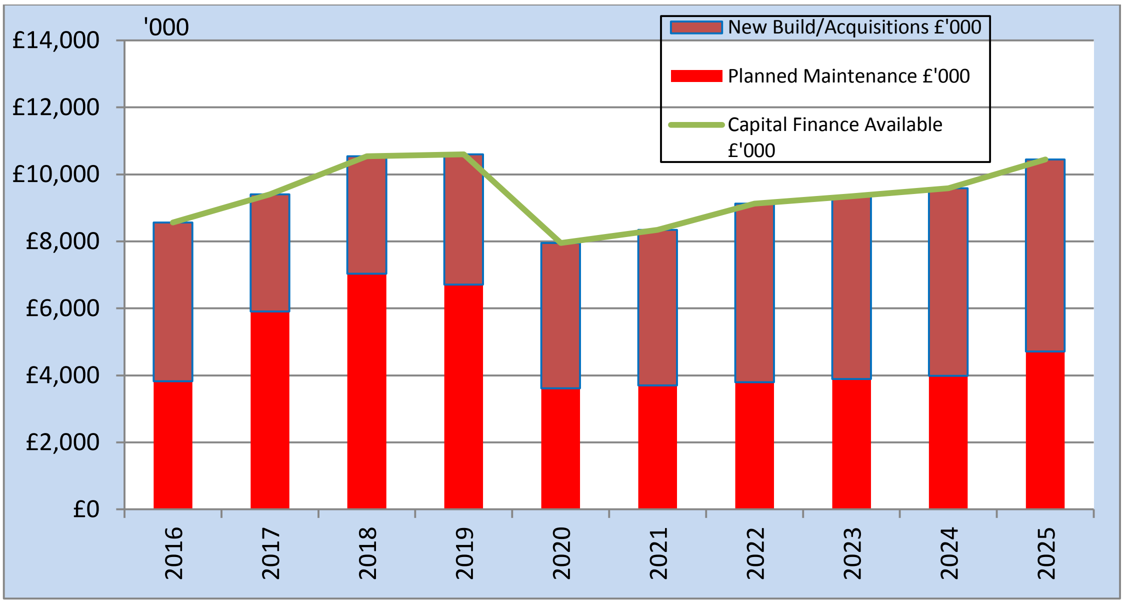
<u>Graph A - Revenue cash flows from 2016/17 for 10 years</u>

This graph shows reserve balances within the HRA being approximately £10.0m by Year 10 (2025/26) based on annual rent decrease of 1% for the next four years followed by increases as agreed in the previously approved HRA Business Plan.



<u>Graph B - Capital programme from 2016/17 for 10 years (based on a 1% rent reduction in years 1 to 4)</u>

This graph shows proposed Capital Programme expenditure and availability of capital finance for the schemes within the HRA Business Plan up to Year 10 (2016/17 to 2025/26). The HCA new build programme does not extend beyond year 2, 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.



14. 2016/17 Budget

General Fund

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

- Expenditure and Income budgets for 2016/17 have been re-assessed to reflect updated information and the estimated impact of the capital programme and borrowing;

- This has resulted in an overall decrease to the ‘Core’ Budget of £63k;

- Baseline Business Rates income to increase by 0.8% and additional benefit from the Suffolk pool of £109k, recognising that any further growth will provide additional income;

- Increased income from the Council Tax base and a surplus on the Collection Fund (Note: No changes to the Local Council Tax Reduction Scheme are proposed – same as in 2015/16);

- A council tax increase in the Band D of £5 without the need for a referendum for Shire Districts. This would be an increase of 9.6p per week or 3.5%.

- Certain fees and charges e.g. land charges, but excluding car parking, will be increased by 3%.

- Improved position of £467k from the January report as a result of changes in the balance in Shared Revenues Partnership (SRP) partner contributions, the additional council tax income plus additional income from the Rural Services Delivery Grant, Transition Grant and business rates pooling.

14.2 The figures relating to the Budget shown in Appendix A are based on the provisional finance settlement. Subject to any minor amendments in the final settlement figures, the changes between the 2015/16 and 2016/17 Core Budgets are summarised below:-

	£000
2015/16 Core Budget	**10,138**
Cost pressures - inflation and other changes in income and expenditure	+1,186
Savings	-1,249
2016/17 Core Budget	**10,075**

14.3 In relation to earmarked reserves, the table below shows the potential balance on earmarked reserves at the end of 2016/17 based on known/estimated contributions and withdrawals (excluding any unspent money in the Transformation Fund). In addition to this there is £1.15m, the minimum approved level, in the General Fund reserve/working balance. Full details of the General Fund and HRA reserves are shown in Appendix G.

	£000
Estimated balance of earmarked reserves at 1 April 2016	**1,761**
Planned additions in 2016/17	+20
Planned withdrawals in 2016/17	0
Estimated balance of earmarked reserves at 1 April 2017	**1,781**

Council Housing - Housing Revenue Account (HRA)

Key Challenges

14.4 HRA Self-financing has provided significant opportunities for both Councils. 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.

14.5 These opportunities, however, are threatened by the proposals described in paragraph 12.5. The table in paragraph 14.14 sets out the HRA budget for 2016/17 and highlights the variances from the current year as a result of a 1% rent reduction (an average decrease of 92 pence per week for Babergh tenants).

14.6 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 is therefore greater than 1% per annum. The cumulative impact of the rent reduction results in a reduced income (against business plan projections) to the HRA as follows:

Year 1:	£0.3m
Years 1 to 4:	£4.5m
Years 1 to 10:	£18.1m

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

14.7 A balanced budget has been achieved for 2016/17 by reducing both revenue and capital budgets (see table in 14.14). A fundamental review of the housing service will need to be undertaken during 2016/17 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review will need to examine:

- The criteria for disposal or redevelopment of existing council housing
- Service standards and performance
- Staffing levels
- New build programme and retention of Right to Buy receipts
- Our approach to HRA business planning including, reviewing and realigning housing stock condition data and capital programme expenditure and using our resources with partner's resources to create the right solutions for tenants and communities.
- Reviewing our approach to repairs and maintenance/asset management services.

14.8 Reducing energy costs will enable utility charges for sheltered housing tenants to be reduced by 20%, an average of £2.68 per week – see recommendation 2.8.

14.9 Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £200k each year. The new pressures of rent reduction and the high value asset levy make this subsidy unsustainable. An average increase of £4.87 per week, including a cap of £2 per week on net charges increases for sheltered tenants, will reduce the subsidy by £81k. When offset against the rent reduction and the decrease in utility costs, sheltered tenants will see an average increase in their overall charges of £1.26 per week – see recommendation 2.7.

14.10 The Joint Housing Board has proposed an increase in garage rents of 10% to mitigate the reduction in rental income on dwellings. This would raise an additional £17k for the HRA at a cost of 76 pence per week for garage tenants.

New build programme and retention of Right to Buy receipts

14.11 Right to Buy (RTB) sales for both councils have exceeded projections in business plans. In 2014/15 Babergh sold 23 against original projections of 5 sales.

14.12 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 above the base rate.

14.13 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are restricted. This time last year, we were able to say that supporting spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes was achievable within current borrowing headroom. Now, 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. This could be further exacerbated by higher rents for tenants with higher incomes, potentially increasing Right to Buy sales.

Budget 2016/17

14.14 The table below sets out the HRA budget for 2016/17, based on a 1% rent decrease, highlighting the variance from 2015/16.

Description	**2015/16 £000**	**2016/17 £000**	**Variance £000**	**Reason**
Rent and other income	(16,940)	(16,849)	91	Based on a proposed average rent decrease of 1%. Offset by decrease in void days and changes in service charges
Bad Debt Provision	201	75	(126)	Bad debt levels can be reduced due to delay of Universal Credit and lower impact of welfare reform and other changes than anticipated
Interest	(15)	(15)	0	
Total Net Income	(16,754)	(16,789)	(35)	

Description	**2015/16 £000**	**2016/17 £000**	**Variance £000**	**Reason**
Repairs and Maintenance, Management and other costs	5,674	5,376	(298)	Reflects review of all costs.
Capital Charges	2,860	2,824	(36)	Reflects interest costs on fixed rate long term loans
Revenue Contribution to Capital Programme	9,241	5,261	(3,980)	No additional revenue funding for the capital programme required beyond Major Repairs Allowance
Debt Repayment	500	500	0	
Total Expenditure	18,275	13,961	(4,314)	
In-year operating (surplus)/deficit	1,521	(2,828)	(4,349)	
Year-end transfer to/from reserves	(1,521)	2,828	4,349	
Total	0	0	0	

14.15 A revised and updated HRA Business Plan is attached at Appendix B, based on annual rent reduction of 1% also reflecting;

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

14.16 The currently approved HRA Business Plan assumed projected rent increases at 3%. This assumption was based on CPI being 2%. CPI in September 2015 was -1% but a 3% increase is needed to sustain investment plans, including new homes provision therefore an adjustment to capital programmes will be required in future years.

14.17 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.

14.18 Limit rent figures will be released at the end of January 2016. This could still have an impact on rent levels in addition to the -1% change required.

Capital Programme Investment

General Fund

14.19 The capital programme is attached at Appendix C.

14.20 A zero-based approach has been adopted for the preparation of the capital programme for 2016/17 to 2020/21, to ensure that resources are aimed at delivering the council's strategic priorities. This has resulted in a significant reduction in the proposed programme.

Council Housing - HRA

14.21 The proposed Capital Programme headlines for 2015 – 2020 are:-

Expenditure	£m
Housing Maintenance Programmes	**28.2**
New build (HCA programme)	**3.2**
RTB receipt funding	**12.5**
Total	**43.9**
Financing	
Capital receipts disposals and RTB receipts and HCA Grant	**5.1**
Revenue Contributions	**38.8**
Borrowing	**0**
Total	**43.9**
Remaining Borrowing Headroom available (31 March 2020)	**16.8**

15. Appendices

Title	Location
APPENDIX A – General Fund Budget Summary and Transformation Earmarked Reserve 2016/17	Attached
APPENDIX B – Updated HRA Business Plan	Attached
APPENDIX C – Capital Programmes	Attached
APPENDIX D – Joint Medium Term Financial Strategy	Attached
APPENDIX E – 2016/17 Summary of Major Budget Changes	Attached
APPENDIX F – Further Detail of Savings	Attached
APPENDIX G – General Fund and HRA Earmarked Reserves	Attached
APPENDIX H – Robustness of Estimates and Adequacy of Reserves	Attached
APPENDIX I – Budget, Funding and Council Tax Requirements	Attached

16. Background Documents

Local Government Finance Settlement.

Authorship:

Katherine Steel Head of Corporate Resources	(01449) 724806 katherine.steel@baberghmidsuffolk.gov.uk
Sharon Bayliss Senior Financial Services Officer	(01473) 825819 sharon.bayliss@baberghmidsuffolk.gov.uk
Martin King Head of Housing	(01449) 724769 martin.king@baberghmidsuffolk.gov.uk
Polina Davidson Interim HRA Accountant	(01449) 724938 polina.davidson@baberghmidsuffolk.gov.uk

General Fund Budget Summary and Transformation Earmarked Reserve 2016/17

	2015/16 £000	2016/17 £000	Variation £000
Core Budget – spending on services	10,138	10,075	-63
Parish Council grants – Local Council Tax Scheme	125	63	-62
Total Core Budget	**10,263**	**10,138**	**-125**
Integration costs	49		-49
Transformation Fund - Delivery Plan projects*	217	2,000	1,783
	10,529	**12,138**	**1,609**
Funding:			
• Integration Reserve	49		-49
• Other Earmarked Reserves	95		-95
• New Homes Bonus – fixed term posts	208		-208
• Transformation Fund - Delivery Plan projects (Staffing)		427	427
• Transformation Fund - Delivery Plan projects	217	2,000	1,783
• Transformation Fund - Core Budget	1,577	1,559	18
• Baseline Government Support - RSG	1,646	992	-654
• Baseline Government Support – Business Rates	1,941	1,957	16
• Baseline Government Support – Rural Services Delivery Grant		225	225
• Transition Grant		22	22
• Additional Business Rates Income	150	109	-41
• Collection Fund Surplus/Deficit (-)	94	80	-14
• Council Tax	4,552	4,767	215
	10,529	**12,138**	**1,609**

* sum available for investment

Movement in Transformation Fund Reserve

	2016/17 £000
Transformation Funds	
Estimated balance of Transformation Funds at 1 April 2016	**1,983**
Income - New Homes Bonus	1,779
Income - S31 Business Rates Grant	624
	4,386
Utilisation - core budget	-1,559
Utilisation – Delivery Plan Projects (Staffing)	-427
Use of transformation fund for investment in 2016/17	-2,000
Estimated balance balance at 31 March 2017	**400**

HRA Business Plan updated 2016 – 2026

APPENDIX B

Babergh District Council

Year	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
£'000	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
INCOME:										
Total Income	**16,849**	**16,892**	**16,762**	**16,947**	**17,176**	**17,730**	**18,321**	**18,932**	**19,563**	**20,587**
EXPENDITURE:										
General Management	-2,227	-2,283	-2,340	-2,398	-2,458	-2,520	-2,583	-2,647	-2,713	-2,781
Special Management	-1,089	-1,116	-1,144	-1,173	-1,202	-1,232	-1,263	-1,295	-1,327	-1,360
Bad Debt Provision	-75	-75	-75	-75	-76	-79	-82	-84	-87	-92
Responsive & Cyclical Repairs	-2,060	-2,111	-2,164	-2,218	-2,273	-2,338	-2,397	-2,457	-2,518	-2,581
Total Revenue Expenditure	**-5,451**	**-5,586**	**-5,723**	**-5,865**	**-6,010**	**-6,169**	**-6,324**	**-6,483**	**-6,646**	**-6,814**
Interest Paid	-2,824	-2,798	-2,772	-2,727	-2,697	-2,671	-2,653	-2,636	-2,618	-2,432
Interest Received	15	74	97	85	86	116	151	188	179	124
Depreciation	-2,721	-3,415	-3,410	-3,406	-3,490	-3,576	-3,667	-3,762	-3,860	-3,965
Net Operating Income	**-5,531**	**-6,139**	**-6,084**	**-6,049**	**-6,100**	**-6,131**	**-6,170**	**-6,211**	**-6,298**	**-6,273**
APPROPRIATIONS:										
Revenue Provision (HRACFR)	-500	-500	-500	0	0	0	0	0	0	0
Revenue Contribution to Capital	-2,540	-4,895	-6,026	-6,472	-3,484	-3,394	-3,787	-3,880	-9,974	-10,687
Total Appropriations	**-3,040**	**-5,395**	**-6,526**	**-6,472**	**-3,484**	**-3,394**	**-3,787**	**-3,880**	**-9,974**	**-10,687**
ANNUAL CASHFLOW	**2,827**	**-227**	**-1,570**	**-1,439**	**1,581**	**2,036**	**2,040**	**2,359**	**-3,355**	**-3,187**
Opening Balance	4,718	7,545	7,317	5,747	4,308	5,889	7,926	9,966	12,325	8,970
Closing Balance	**7,545**	**7,317**	**5,747**	**4,308**	**5,889**	**7,926**	**9,966**	**12,325**	**8,970**	**5,783**
Other HRA Reserve Balance	**4,043**	**4,043**	**4,043**	**4,043**	**4,043**	**4,043**	**4,043**	**4,043**	**4,043**	**4,043**

APPENDIX C

CAPITAL PROGRAMME FOR 2016/17 TO 2019/20

BABERGH CAPITAL PROGRAMME 2016/17	2015/16 Original Budget £'000	2015/16 Revised Budget inc Carry Forwards £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund						
Housing						
Mandatory Disabled Facilities Grant	350	329	300	300	300	300
Discretionary Housing Grants inc empty homes	313	100	100	100	100	100
Empty Homes (loan)		150	100	100	100	100
Energy Efficiency Grants		9				
Grants for Affordable Housing	100	288	100	100	100	100
Total Housing	**763**	**876**	**600**	**600**	**600**	**600**
Environmental Services						
Replacement Refuse Freighters - Joint Scheme			1,868			185
Recycling Bins	62	62	62	56	50	45
Refuse Freighters - glass collection (Transformation Funded)			30			
Recycling Bins - glass collection (Transformation Funded)			12			
Planned Maintenance / Enhancements - Car Parks	40	37	30	40	40	40
Play Equipment	25	79	50	25	25	25
Total Environmental Services	**127**	**178**	**2,052**	**121**	**115**	**295**
Community Services						
Planned Maintenance / Enhancements - Kingfisher	65	287	56	56	56	56
Planned Maint / Enhancements - Hadleigh Pool	25	60	25	25	25	25
Broadband Development	0	50				
Replacement CCTV cameras	40	40				
Street Parking Improvement	8					
Community Development Grants	129	355	129	129	129	129
Total Community Services	**267**	**792**	**210**	**210**	**210**	**210**
Asset Management						
Planned Maint / Enhancements - Hadleigh HQ	35	59	25	35	35	35
Planned Maint / Enhancements - Other Corp Buildings	48	84	33	48	48	48
Carbon Reduction	50	31	34	50	50	50
Hadleigh Community Facility	0	9				
Installation of PV panels on Housing stock	2,900	3098				
Total Asset Management	**3,033**	**3,281**	**92**	**133**	**133**	**133**
Corporate Services						
ICT costs related to joint working with Mid Suffolk	550	600	335	215	215	50
Land assembly, property acquisition and regeneration opportunities	1,250	2,898				
Total Corporate Services	**1,800**	**3,498**	**335**	**215**	**215**	**50**
Delivery Programme Investment Opportunities	**25,000**	**25,000**				
TOTAL General Fund Capital Spend	**30,990**	**33,625**	**3,289**	**1,279**	**1,273**	**1,288**
General Fund Financing						
External Grants and contributions	285	335	300	300	300	300
Transformation Funding			42			
Capital Receipts	66	216	66	67	68	68
Borrowing - unsupported	30,639	33,074	2,881	912	905	920
Revenue Contributions						
Total General Fund Capital Financing	**30,990**	**33,625**	**3,289**	**1,279**	**1,273**	**1,288**

CAPITAL PROGRAMME FOR 2016/17 TO 2019/20 (Continued)

BABERGH CAPITAL PROGRAMME 2016/17	2015/16 Original Budget £'000	2015/16 Revised Budget inc Carry Forwards £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Housing Revenue Account						
Planned Maintenance & Response						
Planned maintenance	2,581	3,721	2,779	4,360	4,968	4,664
Other programmes	683	2,166	625	897	1,187	1,042
Environmental Improvements	50	50	90	120	120	120
Horticulture and play equipment	31	101	33	50	60	55
Disabled Adpatations		200	200	200	200	200
Acquisitions - Housing Stock	5,200	640	2,080	3,040	3,200	3,520
New build programme	1,400	249	2,613	295	53	-
TOTAL HRA Capital Spend	**9,945**	**7,127**	**8,420**	**8,962**	**9,788**	**9,601**
HRA Financing						
External Grants and contributions	2,921		407			
Capital Receipts	539	120	839	66		
New Build Additional Capital receipts		257	561	586	352	237
Capital Slippage Reserves		1,661				
Borrowing - unsupported						
Revenue Contributions	6,485	5,089	6,613	8,310	9,436	9,364
Total HRA Capital Financing	**9,945**	**7,127**	**8,420**	**8,962**	**9,788**	**9,601**
TOTAL CAPITAL SPEND	**40,935**	**40,752**	**11,709**	**10,241**	**11,061**	**10,889**

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.

2016/17 Summary of Major Budget Changes

Babergh District Council	£,000
Revenue 2016/17 Budget	**£,000**
2015/16 Base reliance on NHB and business rates grants	1,787
2016/17 Pressures	
Inflationary increases - expenditure	73
Reduction in Government grants	507
Business rates growth and pooling benefit	25
Pay changes incl pension and pay award	557
Movement in reserves	93
Movement on collection fund surplus	14
Change in Minimum revenue provision	16
Other changes	389
Actions in place	
Inflationary increases - income	(47)
Increase in investment Interest	(280)
Reduction in Interest payable	(65)
Revised allocation of SRP costs to partner councils	(84)
Growth in taxbase	(54)
Parish Grants	(63)
Increase in charge to HRA	(74)
PV Feed in tariff income	(234)
Further Actions	
Efficiencies	
- Savings	(414)
- Cost Pressures	127
Savings proposals (See Appendix F)	(127)
3.5% Council Tax increase	(160)
2016/17 Base reliance on NHB and business rates grants	**1,986**
Options for funding	
New Homes Bonus	(1,779)
S31 Grant	(624)
	(2,403)
Transfer to Transformation Fund	(417)

Further Detail of Savings

Service Area	Amount £'000	Description
Governance	-16.0	Staffing structure to be changed in 2016/17
Licensing	-5.0	Increase fees for Taxi/Private Hire licences (not changed since 2010)
Waste	-30.0	Increase brown bin subscription by £2.50 to £47.50
Waste	-10.0	Increase bulky waste charge by £10 to £38.50
Housing	-4.7	Minor team change
Healthy Communities	-32.0	Removal of specialist sports development services including research and support of major sporting events in the district. One-off pieces of work will be funded through the Transformation Fund.
Strong Communities	-29.0	10% reduction in community grants. We will work with the communities to enable them to source their own external funding.
Total	**-126.7**	

APPENDIX G

EARMARKED RESERVES

GENERAL

	Balance at 31 March 2015 £000	Transfers Out £000	Transfers In £000	Est Balance at 31 March 2016 £000	Transfers Out £000	Transfers In £000	Est Balance at 31 March 2017 £000
General Fund:							
Slippage Carry Forwards	144	(144)		-			-
Babergh/Mid Suffolk Integration	45			45			45
Business Rates Equalisation	573			573			573
Government Grants	282			282			282
New Homes Bonus	497			497			497
Welfare Benefits Reform	64			64			64
S.106 Agreements	270			270			270
Elections Fund	60	(70)	20	10		20	30
Planning Enforcement	20			20			20
Green Initiatives	25	(25)		-			-
Total General Fund	1,980	(239)	20	1,761	-	20	1,781
Transformation Fund	1,737	(1,928)	2,174	1,983	(3,986)	2,403	400

HRA

	Balance at 31 March 2015 £000	Transfers Out £000	Transfers In £000	Est Balance at 31 March 2016 £000	Transfers Out £000	Transfers In £000	Est Balance at 31 March 2017 £000
HRA:							
Working Blaance	1,015		3,703	4,718		2,828	7,546
Capital Slippage	1,661	(1,661)		-			-
Strategic Priorities	4,043			4,043			4,043
Total HRA	6,719	(1,661)	3,703	8,761	-	2,828	11,589

Page 78

<u>Section 25 report on the robustness of estimates and adequacy of reserves</u>

1. Background

1.1 Section 25 of the Local Government Act 2003 requires Councils, when setting its annual General Fund Budget and level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This report fulfils that requirement for the setting of the Budget and Council Tax for 2016/17.

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

1.3 The CFO has assessed that the minimum safe contingency level of unearmarked General Fund working balance/general reserve is £1.15m (the same figure as 2015/16).

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

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

2. Basis of Advice for Section 25 Report

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

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

- Risks associated with the Council's activities, as identified within the Significant Business Risks Register
- The level of earmarked reserves and unearmarked reserves within the General Fund and the degree to which uncertainties exist within the proposed 2016/17 budget.

3. Robustness of Estimates

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

- Cost pressures and variations in key areas of income and expenditure have been carefully considered and reflected in the Budget
- Key assumptions have been made and updated during the Budget process to reflect the changing economic position and latest information
- Existing and new risks and uncertainties have been identified and carefully considered
- Detailed scrutiny, review and challenge of budgets by finance officers, Heads of Service and Corporate Managers
- The Scrutiny Committee has reviewed the proposed Budget for 2016/17 and their views are provided with the Budget report.

3.2 No Budget can, however, be completely free from risk and these are still prevalent in the ongoing financial climate. Mid Suffolk's integration and transformation plans (with Babergh) also require assumptions to be made. This means that the Budget will always have a certain amount of uncertainty. The following are the main areas identified:

- **Government Funding** - The Council's funding now includes a reliance on business rates income and other 'incentivised' funding such as the New Homes Bonus. Councils now retain 50% of the business rates that are collected. The risks of bad debts and other losses on collection as well as the impact of rating appeals, therefore, affect the Council's income. An allowance has been made for these, but the actual amount of income could be higher or lower than this. The Council has included the amount reflected in the Government's 'baseline assessment', plus an element from being part of the Suffolk Pool in the 2016/17 Budget, but the actual amount of income could be lower - or higher (High Risk)
- **Welfare Reforms, Benefits and Council Tax Reductions** –The Budget for 2016/17 assumes that current caseloads will continue throughout next year. The impact of the introduction of Universal Credit on the Shared Revenues Partnership workload is still largely unknown. Further roll-out will take place during 2016/17. (Medium Risk)
- **Capital Financing Costs** - These are influenced by variable factors such as cash flow, variations in the capital programme, interest rates, availability of capital receipts and other sources of capital funding and borrowing/financing costs. (Medium Risk)

- **Income** - Whilst the Budget for 2016/17 has been prepared on the basis of trying to ensure that income estimates are realistic and achievable, with specific allowances for increased or reduced income on specific services, it is unknown as to how the economy and customer demand will fare during next year. The amounts included in the Budget are therefore uncertain and variances may occur. (Medium Risk)
- **Integration with Mid Suffolk District Council** – The integrated staffing structure was completed in 2013/14 with cost sharing arrangements put in place between the two councils. Actual staffing costs will be influenced by the strategic priority projects undertaken for each council, which could impact on the Budget and the amounts to be met from the Transformation Fund (Medium Risk)
- **Inflation and Other Cost Pressures** – Allowances for inflation have been made on some budgets including major contracts, where there is a contractual requirement to do so. (Low Risk)

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

4 Adequacy of Reserves

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

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

4.3 The CFO's opinion is that the minimum level of unearmarked reserves should, for the time being, be maintained at the current level of £1.15m without increasing the risk to the Council. This represents 11% of the annual General Fund Budget, which is relatively low compared to a number of councils but is seen as acceptable, so no action is required as part of the 2016/17 Budget. This is partly based on the understanding that there are further sums available in earmarked reserves that will not be fully spent during 2016/17 as set out below.

4.4 Levels of earmarked reserves (excluding those relating to the Housing Revenue Account, but including the Transformation Fund) are forecast to be £3.7m as at 31 March 2016. The level of earmarked reserves as at the 31 March 2017 will depend on the extent to which the New Homes Bonus money that is transferred to the Transformation Fund is spent in 2016/17. The Transformation Fund is supporting the Council's delivery programme in 2016/17.

5. Background Documents

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

Katherine Steel
Head of Corporate Resources
(Section 151 Officer)

Budget, Funding and Council Tax Requirements

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

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

3. The legally required calculation is set out below:

   1) The General Fund Budget requirement for the District Council purposes in 2016/17 will be based on an increase to Council Tax of 9.6p per week for a Band D property which is the equivalent to 3.5%. The Council is taking advantage of the fact that it can raise council tax by £5 without the need for a referendum.

   2) The County Council precept requirement is £1,149.03 for a Band D property in 2016/17, an increase of 1.997%.

   3) The Police and Crime Commissioner's precept requirement is increasing by 1.957% to £173.43.

   4) At the time of preparing this report, one Parish Council had not supplied formal notification of their 2016/17 precept. The final figure will be reported to Council and is highlighted in yellow in the parish council tax banding table**.**

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

5. Established practice is for payments to be made in 12 equal instalments on the 15^{th} of each month or the next banking day if the 15^{th} falls on a weekend or bank holiday. Accordingly the precept dates applicable for 2016/17 are as follows:

15 April 2016	16 May 2016	15 June 2016	15 July 2016
15 August 2016	15 September 2016	17 October 2016	15 November 2016
15 December 2016	16 January 2017	15 February 2017	15 March 2017

APPENDIX I

BUDGET & COUNCIL TAX RESOLUTIONS 2016/17

SUMMARY OF BUDGET 2016/17

	2016/17 Budget Requirement £	**2016/17 Council Tax at Band D £**	**2015/16 Budget Requirement £**
Babergh District Council			
General Fund Budget Requirement - District Council Purposes	8,089,663	252.64	8,257,913
Parish/Town Council Precepts (net of Council Tax Support Scheme grant)	2,423,167	75.68	2,390,348
	10,512,830	**328.32**	**10,648,261**
Settlement Funding from Government	-2,995,306	-93.54	-3,562,257
Collection Fund Surplus	-80,000	-2.50	-94,000
Council Tax Freeze Grant (2015/16)	-	-	-49,741
Rural Services Delivery Grant	-225,363	-7.04	-
Transition Grant	-22,492	-0.70	
Babergh's basic amount under section 33 of the 1992 Local Government Act	**7,189,669**	**224.54**	**6,942,263**
LESS: Parish/Town Council Precepts	-2,423,167	-75.68	-2,390,348
Basic amount under s. 34 of the 1992 Act for dwellings to which no special items relate.	**4,766,502**	**148.86**	**4,551,915**
Suffolk County Council Precept Requirement	36,791,975	1,149.03	35,644,851
Suffolk Police and Crime Commissioner's Requirement	5,553,234	173.43	5,382,182
Basic amount for areas where there are no special items	**47,111,710**	**1,471.32**	**45,578,948**

COUNCIL TAX Resolution 2016/17

1. It is a requirement for the billing authority to calculate a council tax requirement for the year as opposed to its budget requirement.

2. It be noted that the Council, as delegated to the Section 151 Officer, calculated the taxbase:

   a) for the whole Council area as 32,020.03 and,

   b) for dwellings in those parts of its area to which a Parish precept relates as further in Appendix I.

3. The council tax requirement for the Council's own purposes for 2016/17 (excluding Parish precepts) is £4,766,502

4. That the following amounts be calculated for the year 2015/16 in accordance with Sections 31 to 36 of the Act:

a)	£56,146,738	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A)(2) of the Act taking into account all precepts issued to it by Parish Councils (gross expenditure)
b)	£48,989,956	Being the aggregate of the amounts which the Council estimates for items set out in Section 31(A)(3) of the Act (gross income)
c)	£7,189,669	Being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act) (net expenditure)
d)	£224.54	Being the amount at 4(c) above (item R) all divided by item T (2 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (including Parish precepts) (average council tax)
e)	£2,423,167	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per Appendix I)
f)	£148.86	Being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by item T (1(a) above) calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates (basic council tax)

5. To note that Suffolk County Council and the Police and Crime Commissioner have issued precepts to the Council in accordance with section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in Section 7 below.

6. That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below and further in Appendix I as the amounts of council tax for 2016/17 for each part of its area and for each of the categories of dwellings.

7. Since Strategy Committee on 4 February 2016, the precept levels of other precepting bodies have been received. These are detailed below;

a) Suffolk County Council

Suffolk County Council met on 11 February 2016 and set their precept at £36,791,975, this includes an adjustment for the Collection Fund contribution of £408,300. This results in a Band D council tax of £1,149.03.

b) Suffolk Police and Crime Commissioner

The Police and Crime Commissioner has set their precept at £5,553,234, adjusted by a Collection Fund contribution of £61,600. This results in a Band D council tax of £173.43

c) Babergh District Council

The General Fund council tax requirement for Babergh District Council is based on an increase in council tax from £143.86 to £148.86 for a Band D property.

d) Aggregated council tax requirement

The aggregated council tax requirement for Suffolk County Council, Suffolk Police and Crime Commissioner and BaberghDistrict Council results in a Band D council tax of £1,471.32.

	Suffolk County Council	Police and Crime Commissioner	Babergh District Council	Aggregated Council Tax requirement
Valuation Bands	£	£	£	£
A	766.02	115.62	99.24	980.88
B	893.69	134.89	115.78	1,144.36
C	1,021.36	154.16	132.32	1,307.84
D	1,149.03	173.43	148.86	1,471.32
E	1,404.37	211.97	181.94	1,798.28
F	1,659.71	250.51	215.02	2,125.24
G	1,915.05	289.05	248.10	2,452.20
H	2,298.06	346.86	297.72	2,942.64

8. The Town and Parish Council Precepts for 2016/17 are detailed further in Appendix I and total £2,423,167. The increase in the average Band D for Town and Parish Councils is 0.2% and results in an average Band D council tax figure of £75.68 for 2016/17.

COUNCIL TAX BASES FOR PARISHES AND DISTRICT : 2016/17

Parish	COUNCIL TAX BASE 15/16	COUNCIL TAX BASE 16/17	% Change
Acton	608.96	612.98	0.66%
Aldham	82.07	82.54	0.57%
Alpheton	108.22	107.24	-0.91%
Erwarton	54.68	54.14	-1.00%
Assington	173.59	171.81	-1.04%
Belstead	86.90	86.88	-0.02%
Bentley	321.41	322.10	0.21%
Bildeston	353.10	359.70	1.83%
Boxford	489.63	495.42	1.17%
Boxted	52.79	55.84	5.46%
Brantham	847.63	855.78	0.95%
Brent Eleigh	82.05	82.36	0.38%
Brettenham	117.53	120.17	2.20%
Bures St Mary	399.58	405.99	1.58%
Burstall	91.30	93.25	2.09%
Capel St Mary	1,111.74	1,114.08	0.21%
Chattisham	81.95	82.10	0.18%
Chelmondiston	392.90	398.14	1.32%
Chelsworth	83.37	84.82	1.71%
Chilton	146.12	144.61	-1.04%
Cockfield	371.35	368.46	-0.78%
Copdock & Washbrook	417.67	420.80	0.74%
East Bergholt	1,091.42	1,103.70	1.11%
Edwardstone	164.63	164.97	0.21%
Elmsett	298.48	306.65	2.66%
Freston	53.47	55.05	2.87%
Glemsford	1,161.61	1,212.64	4.21%
Great Cornard	2,568.32	2,614.62	1.77%
Great Waldingfield	586.24	601.82	2.59%
Great Wenham	56.47	56.36	-0.20%
Groton	123.58	125.19	1.29%
Hadleigh	2,789.43	2,784.30	-0.18%
Harkstead	111.98	111.95	-0.03%
Hartest	224.63	224.47	-0.07%
Higham	75.97	72.97	-4.11%
Hintlesham	232.06	236.22	1.76%
Hitcham	287.40	291.48	1.40%
Holbrook	614.21	638.91	3.87%
Holton St Mary	97.26	96.96	-0.31%
Kersey	180.31	181.25	0.52%
Kettlebaston	36.39	36.57	0.49%
Lavenham	850.48	843.76	-0.80%
Lawshall	359.69	360.46	0.21%
Layham	235.65	240.04	1.83%
Leavenheath	588.83	585.21	-0.62%
Lindsey	82.80	83.93	1.35%
Little Cornard	138.19	143.23	3.52%
Little Waldingfield	142.91	145.75	1.95%
Little Wenham	21.27	20.62	-3.17%
Long Melford	1,367.89	1,380.04	0.88%
Milden	53.26	54.93	3.04%
Monks Eleigh	240.65	238.87	-0.75%
Nayland with Wissington	509.40	509.77	0.07%
Nedging with Naughton	156.05	162.89	4.20%
Newton	203.21	205.36	1.05%
Pinewood	1,396.72	1,408.28	0.82%
Polstead	373.12	379.77	1.75%
Preston St Mary	94.39	95.01	0.65%
Raydon	205.14	204.24	-0.44%
Semer	66.98	65.81	-1.78%
Shelley	30.07	31.07	3.22%
Shimpling	184.60	184.02	-0.32%
Shotley	707.47	721.51	1.95%
Somerton	40.08	40.32	0.60%
Sproughton	536.13	544.48	1.53%
Stanstead	145.88	146.74	0.59%
Stoke by Nayland	288.73	294.72	2.03%
Stratford St Mary	313.51	313.16	-0.11%
Stutton	326.25	330.92	1.41%
Sudbury	4,047.39	4,144.38	2.34%
Tattingstone	225.42	222.40	-1.36%
Thorpe Morieux	108.78	108.88	0.09%
Wattisham	41.88	43.79	4.36%
Whatfield	120.24	121.36	0.92%
Wherstead	112.72	111.90	-0.73%
Woolverstone	97.10	97.12	0.02%
	31,641.28	**32,020.03**	

PRECEPTS AND COUNCIL TAX BAND D FOR PARISHES

Parish	2015/16 Parish Precept	Tax Base	Council Tax Band D	2016/17 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Acton	45,645.17	608.96	74.96	44,822.58	612.98	73.12	-1.83
Aldham	1,100.00	82.07	13.40	1,144.00	82.54	13.86	0.46
Alpheton	2,847.00	108.22	26.31	2,989.00	107.24	27.87	1.56
Erwarton	-	54.68	-	-	54.14	-	0.00
Assington	7,646.64	173.59	44.05	7,568.00	171.81	44.05	-0.00
Belstead	7,000.00	86.90	80.55	7,000.00	86.88	80.57	0.02
Bentley	14,000.00	321.41	43.56	14,000.00	322.10	43.46	-0.09
Bildeston	18,400.00	353.10	52.11	19,625.00	359.70	54.56	2.45
Boxford	33,119.00	489.63	67.64	33,847.00	495.42	68.32	0.68
Boxted	400.00	52.79	7.58	400.00	55.84	7.16	-0.41
Brantham	42,000.00	847.63	49.55	43,260.00	855.78	50.55	1.00
Brent Eleigh	2,000.00	82.05	24.38	2,000.00	82.36	24.28	-0.09
Brettenham	4,150.00	117.53	35.31	4,150.00	120.17	34.53	-0.78
Bures St Mary	26,435.00	399.58	66.16	26,435.00	405.99	65.11	-1.04
Burstall	4,369.00	91.30	47.85	4,456.00	93.25	47.79	-0.07
Capel St Mary	80,075.00	1,111.74	72.03	81,002.00	1,114.08	72.71	0.68
Chattisham	1,500.63	81.95	18.31	1,512.68	82.10	18.42	0.11
Chelmondiston	24,430.00	392.90	62.18	24,430.00	398.14	61.36	-0.82
Chelsworth	900.00	83.37	10.80	900.00	84.82	10.61	-0.18
Chilton	7,658.15	146.12	52.41	7,579.00	144.61	52.41	-0.00
Cockfield	25,000.00	371.35	67.32	32,000.00	368.46	86.85	19.53
Copdock & Washbrook	22,887.00	417.67	54.80	23,333.30	420.80	55.45	0.65
East Bergholt	97,500.00	1,091.42	89.33	85,000.00	1,103.70	77.01	-12.32
Edwardstone	5,625.00	164.63	34.17	5,625.00	164.97	34.10	-0.07
Elmsett	9,500.00	298.48	31.83	9,700.00	306.65	31.63	-0.20
Freston	800.00	53.47	14.96	800.00	55.05	14.53	-0.43
Glemsford	88,755.00	1,161.61	76.41	90,441.00	1,212.64	74.58	-1.82
Great Cornard	190,338.00	2,568.32	74.11	197,639.00	2,614.62	75.59	1.48
Great Waldingfield	43,891.79	586.24	74.87	45,060.00	601.82	74.87	0.00
Great Wenham	-	56.47	-	-	56.36	-	0.00
Groton	4,149.00	123.58	33.57	4,149.00	125.19	33.14	-0.43
Hadleigh	303,044.00	2,789.43	108.64	294,364.00	2,784.30	105.72	-2.92
Harkstead	2,500.00	111.98	22.33	2,500.00	111.95	22.33	0.01
Hartest	10,390.00	224.63	46.25	10,589.00	224.47	47.17	0.92
Higham	-	75.97	-	-	72.97	-	0.00
Hintlesham	4,249.37	232.06	18.31	4,352.32	236.22	18.42	0.11
Hitcham	6,300.00	287.40	21.92	6,550.00	291.48	22.47	0.55
Holbrook	22,000.00	614.21	35.82	24,000.00	638.91	37.56	1.75
Holton St Mary	4,590.00	97.26	47.19	4,590.00	96.96	47.34	0.15
Kersey	6,700.00	180.31	37.16	6,786.00	181.25	37.44	0.28
Kettlebaston	1,000.00	36.39	27.48	1,050.00	36.57	28.71	1.23
Lavenham	68,000.00	850.48	79.95	68,000.00	843.76	80.59	0.64
Lawshall	7,261.00	359.69	20.19	7,624.00	360.46	21.15	0.96
Layham	8,500.00	235.65	36.07	10,000.00	240.04	41.66	5.59
Leavenheath	19,200.00	588.83	32.61	19,084.00	585.21	32.61	0.00
Lindsey	2,115.00	82.80	25.54	2,221.00	83.93	26.46	0.92
Little Cornard	4,393.06	138.19	31.79	5,000.00	143.23	34.91	3.12
Little Waldingfield	6,691.00	142.91	46.82	8,000.00	145.75	54.89	8.07
Little Wenham	-	21.27	-	-	20.62	-	0.00

Parish	2015/16 Parish Precept	Tax Base	Council Tax Band D	2016/17 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Long Melford	117,494.00	1,367.89	85.89	119,843.88	1,380.04	86.84	0.95
Milden	889.37	53.26	16.70	907.15	54.93	16.51	-0.18
Monks Eleigh	16,714.00	240.65	69.45	17,621.00	238.87	73.77	4.31
Nayland with Wissington	32,140.00	509.40	63.09	32,646.00	509.77	64.04	0.95
Nedging with Naughton	4,650.00	156.05	29.80	4,650.00	162.89	28.55	-1.25
Newton	9,282.64	203.21	45.68	9,380.00	205.36	45.68	-0.00
Pinewood	132,646.49	1,396.72	94.97	135,081.79	1,408.28	95.92	0.95
Polstead	17,891.10	373.12	47.95	18,210.00	379.77	47.95	0.00
Preston St Mary	4,000.00	94.39	42.38	4,300.00	95.01	45.26	2.88
Raydon	12,000.00	205.14	58.50	15,400.00	204.24	75.40	16.90
Semer	800.00	66.98	11.94	800.00	65.81	12.16	0.21
Shelley	-	30.07	-	-	31.07	-	0.00
Shimpling	6,762.60	184.60	36.63	6,762.60	184.02	36.75	0.12
Shotley	54,727.00	707.47	77.36	55,955.00	721.51	77.55	0.20
Somerton	420.00	40.08	10.48	420.00	40.32	10.42	-0.06
Sproughton	49,573.00	536.13	92.46	49,110.00	544.48	90.20	-2.27
Stanstead	8,000.00	145.88	54.84	8,160.00	146.74	55.61	0.77
Stoke by Nayland	11,246.00	288.73	38.95	11,750.00	294.72	39.87	0.92
Stratford St Mary	15,500.00	313.51	49.44	15,800.00	313.16	50.45	1.01
Stutton	11,600.00	326.25	35.56	11,600.00	330.92	35.05	-0.50
Sudbury	574,446.00	4,047.39	141.93	588,212.00	4,144.38	141.93	0.00
Tattingstone	8,645.00	225.42	38.35	9,180.00	222.40	41.28	2.93
Thorpe Morieux	1,800.00	108.78	16.55	1,800.00	108.88	16.53	-0.02
Wattisham	1,500.00	41.88	35.82	1,500.00	43.79	34.25	-1.56
Whatfield	3,231.00	120.24	26.87	3,231.00	121.36	26.62	-0.25
Wherstead	2,649.00	112.72	23.50	2,650.00	111.90	23.68	0.18
Woolverstone	2,619.00	97.10	26.97	2,619.00	97.12	26.97	-0.01
Total	**2,390,281.01**	**31,641.28**	**75.54**	**2,423,167.30**	**32,020.03**	**75.68**	**0.13**

PRECEPT FOR EACH BANDING BY PARISH

	Valuation Bands							
	A	B	C	D	E	F	G	H
Babergh District Council	99.24	115.78	132.32	148.86	181.94	215.02	248.10	297.72
Suffolk County Council	766.02	893.69	1,021.36	1,149.03	1,404.37	1,659.71	1,915.05	2,298.06
Police and Crime Commissioner	115.62	134.89	154.16	173.43	211.97	250.51	289.05	346.86
Aggregate of Council Tax Requirements	**980.88**	**1,144.36**	**1,307.84**	**1,471.32**	**1,798.28**	**2,125.24**	**2,452.20**	**2,942.64**

Parish	**Total Amount of Council Tax for 2016/17**							
	6/9 ths	7/9 ths	8/9 ths		11/9 ths	13/9 ths	15/9 ths	18/9 ths
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Acton	1,029.63	1,201.23	1,372.84	1,544.44	1,887.65	2,230.86	2,574.07	3,088.88
Aldham	990.12	1,155.14	1,320.16	1,485.18	1,815.22	2,145.26	2,475.30	2,970.36
Alpheton	999.46	1,166.04	1,332.61	1,499.19	1,832.34	2,165.50	2,498.65	2,998.38
Erwarton	980.88	1,144.36	1,307.84	1,471.32	1,798.28	2,125.24	2,452.20	2,942.64
Assington	1,010.25	1,178.62	1,347.00	1,515.37	1,852.12	2,188.87	2,525.62	3,030.74
Belstead	1,034.59	1,207.03	1,379.46	1,551.89	1,896.75	2,241.62	2,586.48	3,103.78
Bentley	1,009.85	1,178.16	1,346.47	1,514.78	1,851.40	2,188.02	2,524.63	3,029.56
Bildeston	1,017.25	1,186.80	1,356.34	1,525.88	1,864.96	2,204.05	2,543.13	3,051.76
Boxford	1,026.43	1,197.50	1,368.57	1,539.64	1,881.78	2,223.92	2,566.07	3,079.28
Boxted	985.65	1,149.93	1,314.20	1,478.48	1,807.03	2,135.58	2,464.13	2,956.96
Brantham	1,014.58	1,183.68	1,352.77	1,521.87	1,860.06	2,198.26	2,536.45	3,043.74
Brent Eleigh	997.07	1,163.24	1,329.42	1,495.60	1,827.96	2,160.31	2,492.67	2,991.20
Brettenham	1,003.90	1,171.22	1,338.53	1,505.85	1,840.48	2,175.12	2,509.75	3,011.70
Bures St Mary	1,024.29	1,195.00	1,365.72	1,536.43	1,877.86	2,219.29	2,560.72	3,072.86
Burstall	1,012.74	1,181.53	1,350.32	1,519.11	1,856.69	2,194.27	2,531.85	3,038.22
Capel St Mary	1,029.35	1,200.91	1,372.47	1,544.03	1,887.15	2,230.27	2,573.38	3,088.06
Chattisham	993.16	1,158.69	1,324.21	1,489.74	1,820.79	2,151.85	2,482.90	2,979.48
Chelmondiston	1,021.79	1,192.08	1,362.38	1,532.68	1,873.28	2,213.87	2,554.47	3,065.36
Chelsworth	987.95	1,152.61	1,317.27	1,481.93	1,811.25	2,140.57	2,469.88	2,963.86
Chilton	1,015.82	1,185.12	1,354.43	1,523.73	1,862.34	2,200.94	2,539.55	3,047.46
Cockfield	1,038.78	1,211.91	1,385.04	1,558.17	1,904.43	2,250.69	2,596.95	3,116.34
Copdock & Washbrook	1,017.85	1,187.49	1,357.13	1,526.77	1,866.05	2,205.33	2,544.62	3,053.54
East Bergholt	1,032.22	1,204.26	1,376.29	1,548.33	1,892.40	2,236.48	2,580.55	3,096.66
Edwardstone	1,003.61	1,170.88	1,338.15	1,505.42	1,839.96	2,174.50	2,509.03	3,010.84
Elmsett	1,001.97	1,168.96	1,335.96	1,502.95	1,836.94	2,170.93	2,504.92	3,005.90
Freston	990.57	1,155.66	1,320.76	1,485.85	1,816.04	2,146.23	2,476.42	2,971.70
Glemsford	1,030.60	1,202.37	1,374.13	1,545.90	1,889.43	2,232.97	2,576.50	3,091.80
Great Cornard	1,031.27	1,203.15	1,375.03	1,546.91	1,890.67	2,234.43	2,578.18	3,093.82
Great Waldingfield	1,030.79	1,202.59	1,374.39	1,546.19	1,889.79	2,233.39	2,576.98	3,092.38
Great Wenham	980.88	1,144.36	1,307.84	1,471.32	1,798.28	2,125.24	2,452.20	2,942.64
Groton	1,002.97	1,170.14	1,337.30	1,504.46	1,838.78	2,173.11	2,507.43	3,008.92
Hadleigh	1,051.36	1,226.59	1,401.81	1,577.04	1,927.49	2,277.95	2,628.40	3,154.08
Harkstead	995.77	1,161.73	1,327.69	1,493.65	1,825.57	2,157.49	2,489.42	2,987.30
Hartest	1,012.33	1,181.05	1,349.77	1,518.49	1,855.93	2,193.37	2,530.82	3,036.98
Higham	980.88	1,144.36	1,307.84	1,471.32	1,798.28	2,125.24	2,452.20	2,942.64
Hintlesham	993.16	1,158.69	1,324.21	1,489.74	1,820.79	2,151.85	2,482.90	2,979.48
Hitcham	995.86	1,161.84	1,327.81	1,493.79	1,825.74	2,157.70	2,489.65	2,987.58
Holbrook	1,005.92	1,173.57	1,341.23	1,508.88	1,844.19	2,179.49	2,514.80	3,017.76

	Valuation Bands							
	A	**B**	**C**	**D**	**E**	**F**	**G**	**H**
Babergh District Council	99.24	115.78	132.32	148.86	181.94	215.02	248.10	297.72
Suffolk County Council	766.02	893.69	1,021.36	1,149.03	1,404.37	1,659.71	1,915.05	2,298.06
Police and Crime Commissioner	115.62	134.89	154.16	173.43	211.97	250.51	289.05	346.86
Aggregate of Council Tax Requirements	**980.88**	**1,144.36**	**1,307.84**	**1,471.32**	**1,798.28**	**2,125.24**	**2,452.20**	**2,942.64**
Holton St Mary	1,012.44	1,181.18	1,349.92	1,518.66	1,856.14	2,193.62	2,531.10	3,037.32
Kersey	1,005.84	1,173.48	1,341.12	1,508.76	1,844.04	2,179.32	2,514.60	3,017.52
Kettlebaston	1,000.02	1,166.69	1,333.36	1,500.03	1,833.37	2,166.71	2,500.05	3,000.06
Lavenham	1,034.61	1,207.04	1,379.48	1,551.91	1,896.78	2,241.65	2,586.52	3,103.82
Lawshall	994.98	1,160.81	1,326.64	1,492.47	1,824.13	2,155.79	2,487.45	2,984.94
Layham	1,008.65	1,176.76	1,344.87	1,512.98	1,849.20	2,185.42	2,521.63	3,025.96
Leavenheath	1,002.62	1,169.72	1,336.83	1,503.93	1,838.14	2,172.34	2,506.55	3,007.86
Lindsey	998.52	1,164.94	1,331.36	1,497.78	1,830.62	2,163.46	2,496.30	2,995.56
Little Cornard	1,004.15	1,171.51	1,338.87	1,506.23	1,840.95	2,175.67	2,510.38	3,012.46
Little Waldingfield	1,017.47	1,187.05	1,356.63	1,526.21	1,865.37	2,204.53	2,543.68	3,052.42
Little Wenham	980.88	1,144.36	1,307.84	1,471.32	1,798.28	2,125.24	2,452.20	2,942.64
Long Melford	1,038.77	1,211.90	1,385.03	1,558.16	1,904.42	2,250.68	2,596.93	3,116.32
Milden	991.89	1,157.20	1,322.52	1,487.83	1,818.46	2,149.09	2,479.72	2,975.66
Monks Eleigh	1,030.06	1,201.74	1,373.41	1,545.09	1,888.44	2,231.80	2,575.15	3,090.18
Nayland with Wissington	1,023.57	1,194.17	1,364.76	1,535.36	1,876.55	2,217.74	2,558.93	3,070.72
Nedging with Naughton	999.91	1,166.57	1,333.22	1,499.87	1,833.17	2,166.48	2,499.78	2,999.74
Newton	1,011.33	1,179.89	1,348.44	1,517.00	1,854.11	2,191.22	2,528.33	3,034.00
Pinewood	1,044.83	1,218.96	1,393.10	1,567.24	1,915.52	2,263.79	2,612.07	3,134.48
Polstead	1,012.85	1,181.65	1,350.46	1,519.27	1,856.89	2,194.50	2,532.12	3,038.54
Preston St Mary	1,011.05	1,179.56	1,348.07	1,516.58	1,853.60	2,190.62	2,527.63	3,033.16
Raydon	1,031.15	1,203.00	1,374.86	1,546.72	1,890.44	2,234.15	2,577.87	3,093.44
Semer	988.99	1,153.82	1,318.65	1,483.48	1,813.14	2,142.80	2,472.47	2,966.96
Shelley	980.88	1,144.36	1,307.84	1,471.32	1,798.28	2,125.24	2,452.20	2,942.64
Shimpling	1,005.38	1,172.94	1,340.51	1,508.07	1,843.20	2,178.32	2,513.45	3,016.14
Shotley	1,032.58	1,204.68	1,376.77	1,548.87	1,893.06	2,237.26	2,581.45	3,097.74
Somerton	987.83	1,152.46	1,317.10	1,481.74	1,811.02	2,140.29	2,469.57	2,963.48
Sproughton	1,041.01	1,214.52	1,388.02	1,561.52	1,908.52	2,255.53	2,602.53	3,123.04
Stanstead	1,017.95	1,187.61	1,357.27	1,526.93	1,866.25	2,205.57	2,544.88	3,053.86
Stoke by Nayland	1,007.46	1,175.37	1,343.28	1,511.19	1,847.01	2,182.83	2,518.65	3,022.38
Stratford St Mary	1,014.51	1,183.60	1,352.68	1,521.77	1,859.94	2,198.11	2,536.28	3,043.54
Stutton	1,004.25	1,171.62	1,339.00	1,506.37	1,841.12	2,175.87	2,510.62	3,012.74
Sudbury	1,075.50	1,254.75	1,434.00	1,613.25	1,971.75	2,330.25	2,688.75	3,226.50
Tattingstone	1,008.40	1,176.47	1,344.53	1,512.60	1,848.73	2,184.87	2,521.00	3,025.20
Thorpe Morieux	991.90	1,157.22	1,322.53	1,487.85	1,818.48	2,149.12	2,479.75	2,975.70
Wattisham	1,003.71	1,171.00	1,338.28	1,505.57	1,840.14	2,174.71	2,509.28	3,011.14
Whatfield	998.63	1,165.06	1,331.50	1,497.94	1,830.82	2,163.69	2,496.57	2,995.88
Wherstead	996.67	1,162.78	1,328.89	1,495.00	1,827.22	2,159.44	2,491.67	2,990.00
Woolverstone	998.86	1,165.34	1,331.81	1,498.29	1,831.24	2,164.20	2,497.15	2,996.58

This page is intentionally left blank

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Head of Corporate Resources	**Report Number: R103**
To: BDC Council MSDC Council	**Date of meeting: 23 February 2016 25 February 2016**

PAY POLICY STATEMENT 2016/17

1. Purpose of Report

1.1 In accordance with section 38 (1) of the Localism Act 2011, local authorities are required to produce a Pay Policy Statement each year by 31 March to cover the financial year ahead. This is the policy statement for 2016/17.

1.2 The Pay Policy Statement being recommended for adoption is attached at Appendix 1. Babergh and Mid Suffolk District Councils have a single organisational structure with harmonised pay, grades, terms and conditions of service and have a single pay policy statement which covers both Councils.

2. Recommendation

2.1 That the proposed Pay Policy Statement for 2016/17 attached as Appendix 1 to this report be approved.

3. Financial Implications

3.1 The Pay Policy has been produced within existing resources and is the basis on which the 2016/17 budget has been prepared.

4. Legal Implications

4.1 Specialist legal advice has been sought to ensure we have met our legal obligations.

5. Risk Management

5.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Legal risk of non compliance	Low	Low	Formal approval by Council
Transparency/reputational risk	Low	Low	Formal approval as above and annual reviews
Unfair application to all staff of pay policy	Low	Medium	HR involvement to ensure that policy is applied equally

6. Consultations

6.1 There is no requirement to consult on this policy statement.

7. Equality Analysis

7.1 The publication of the Pay Policy Statement will support the Council in delivering its equality duty, and links closely with the duty to publish workforce data.

8. Shared Service / Partnership Implications

8.1 This is a single pay policy reflecting the integrated workforce across both Councils.

9. Links to Joint Strategic Plan

9.1 The pay policy supports our enabled and efficient organisation outcomes.

10. Key Information

10.1 The Localism Act 2011 and supporting guidance provide information and detail on the matters that must be included within this statutory pay policy. However, they also emphasise that each local authority has the autonomy to take its own decisions on pay and pay policies. The Pay Policy Statement must be formally approved by Full Council. The statement can be amended in-year, it must be published on the Council's website and it must be complied with when setting the terms and conditions of those in Chief Officer posts.

10.2 This Pay Policy Statement includes a policy on:-

(a) Level and elements of remuneration for each chief officer (for this Council this is defined as Chief Executive, Strategic Directors and Heads of Service)

(b) The remuneration of the Council's lowest paid employees

(c) The relationship between the remuneration of the Council's chief officers and other officers

(d) Other specific aspects of chief officers' remuneration, remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.

11. Appendices

Title	Location
Appendix 1 - Pay Policy Statement 2016/17	Attached

Authorship:
Carla Doyle
Corporate Manager - OD & HR

01449 724929 / 01473 826650
carla.doyle@baberghmidsuffolk.gov.uk

BABERGH AND MID SUFFOLK DISTRICT COUNCILS' PAY POLICY STATEMENT 2016/17

1. Introduction

1.1 Babergh and Mid Suffolk District Councils recognise that, in the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees dedicated to the service of the public, but at the same time needs to avoid being unnecessarily generous or otherwise excessive.

1.2 It is important that local authorities are able to determine their own pay structures in order to address local priorities and to compete in the local labour market. In particular, it is recognised that senior management roles in local government are complex and diverse, functioning in a politicised environment where often national and local pressures conflict.

1.3 The Councils' ability to continue to attract and retain high calibre leaders capable of delivering this complex agenda, particularly during times of financial challenge, is critical if the Councils are to retain and improve their current performance levels and to deliver for local people.

1.4 The Councils publish their joint Pay Policy Statement and details of their Chief Officers' remuneration on their websites: www.babergh.gov.uk and www.midsuffolk.gov.uk.

2. Context

2.1 Babergh and Mid Suffolk District Councils have an integrated workforce structure, supported by a single pay and grading structure and supporting policies, terms and conditions of service which were achieved through a collective agreement across both Councils.

2.2 The national job evaluation scheme for local government was used to create the grading structure for all posts within the operational delivery teams and the management structure.

3. Legislation

3.1 Section 38 (1) of the Localism Act 2011 requires local authorities to produce a Pay Policy Statement for each financial year.

3.2 This document comprises the Pay Policy Statement being recommended for adoption.

3.3 This statement must include the Councils' policy on the following:

(a) Level and elements of remuneration for each chief officer. This is defined by the Councils as Chief Executive (Head of Paid Service), Directors (Non Statutory Chief Officers), Head of Corporate Resources (Section 151 Statutory Chief Officer), Head of Legal and Governance (Monitoring Officer) and Heads of Service (Deputy Chief Officers).

(b) The remuneration of the Councils' lowest paid employees.

(c) The relationship between the remuneration of the Councils' chief officers and others.

(d) Other specific aspects of chief officers' remuneration; remuneration on recruitment, increases and additions to remuneration, use of performance related pay and bonuses, termination payments and transparency.

4. Remuneration of Employees who are not Chief Officers

4.1 For employees subject to the 'National Agreement on Pay and Conditions of Service of the National Joint Council for Local Government Services' (commonly known as the 'Green Book'), the Councils currently use a total of 11 pay grades. Posts have been allocated to a pay band through a process of job evaluation.

4.2 Each grade has between 1 and 7 increments. The value of the pay increments (known as the "Spinal Column Points") increases when the Councils are notified of an increased pay award by the National Joint Council for Local Government Services. In addition, the Councils review all pay levels every April, to determine who is eligible for incremental progression.

4.3 There is also a group of staff on the 'National Agreement on Pay and Conditions of Service for Local Authority Craft and Associated Employees (commonly known as the 'Red Book'). The Councils use a spot salary for this staff group and all are currently paid at £26,757 per annum (p.a.)

4.4 For the purpose of this Policy Statement, employees on the lowest increment within the Grade 1 pay band are defined as our lowest paid employees. This is because no employee of the Council is paid at an hourly salary level that is lower than this grade. At 31 March 2016, the full time equivalent (FTE) annual value of the lowest increment used within Grade 1 will be £15,207, which is the same as the national Spinal Column Point 11. This rate exceeds the National Minimum Wage and the Living Wage set by the Living Wage Foundation. This excludes apprentices who are paid the National Minimum Wage rates for apprentices.

5. Remuneration of Chief Officers

5.1 The Councils share the following posts, which fall within the definition of "Chief Officer" for the purposes of this Pay Policy:

- Chief Executive (the Councils' head of paid service)
- Directors x 2 (reporting directly to the Chief Executive)
- Heads of Service x 7

5.2 The posts were evaluated in 2011 using the Local Government Senior Managers' job evaluation scheme. The pay grades for these posts were established following recommendations by an independent Local Government Association (LGA) consultant who drew on current data on salary levels within the sector.

5.3 The value of the incremental points or Spinal Column Points within each of the pay grades will be increased by the pay awards notified from time to time by the Joint Negotiating Committee for Local Authorities.

5.4 Chief Executive

5.4.1 The Chief Executive is the Councils' head of paid service. As at 31 March 2016, the annual Full Time Equivalent (FTE) salary range for the grade of this post will be £102,312 - £119,306. There are five incremental points in the grade.

5.4.2 It is the Councils' policy that the FTE salary range for the post of Chief Executive will normally be no greater than 8 x the FTE salary range of a Grade 1 'Green Book' employee. The FTE salary for Chief Executive does not exceed this range.

5.4.3 The Chief Executive also receives a Returning Officer fee in respect of District and Parish Council Elections, and a Deputy Returning Officer fee for County Council elections. Each Council has agreed a scale of fees for this function dependent upon the number of contests at any given election. Fees for conducting UK Parliamentary Elections, European Parliamentary Elections and national referenda are determined by way of a Statutory Instrument.

5.5 Directors and Heads of Service

5.5.1 The Directors and Statutory Officers report to the Chief Executive. As at 31 March 2016, the annual FTE range for the Director Grade will be £75,352 - £88,771. There are five incremental points in the grade.

5.5.2 It is the Councils' policy that the FTE salary range for the post of Director will normally be no greater than 7 x the FTE salary range of a Grade 1 'Green Book' employee. The FTE salary for Director does not exceed this range.

5.5.3 The Heads of Service (excluding Statutory Officers), report to a Director. As at 31 March 2016, the annual FTE salary range for the Head of Service Grade will be £54,708 - £68,127. There are five incremental points in this grade.

5.5.4 It is the Councils' policy that the FTE salary range for the Head of Service posts will normally be no greater than 4.5 x the FTE salary range of a Grade 1 'Green Book' employee. The FTE salary for Heads of Service does not exceed this range.

5.5.5 The Councils' Monitoring Officer and Section 151 Officer are shared between both councils at Head of Service grade (Salary £54,708 - £68,127). In addition, there is an allowance for the Council's Monitoring Officer and Section 151 Officer for undertaking a statutory officer role across two councils within the range of £7,665 - £11,242 per annum.

6. General Principles Applying to Remuneration of Chief Officers and Employees

Recruitment

6.1 On recruitment, individuals (including Chief Officers) will be placed on an appropriate pay increment within the pay grade for the post that they are appointed to. Access to appropriate elements of the Councils' Relocation Scheme may also be granted in certain cases, when new starters need to move to the area.

Pay increases

6.2 Pay increments within the grades may increase as a result of the Joint Negotiating Committee for Local Authorities. Individuals (including Chief Officers) may also progress within their pay grade. Individuals cannot progress beyond the top increment within their pay grade. Progression arrangements within the grade will be dependent upon competency and performance.

Termination of office/employment

6.3 On ceasing to hold office or be employed by the Councils, individuals (including Chief Officers) will only receive compensation:

(a) in circumstances that are relevant (e.g. redundancy), and
(b) that is in accordance with our published Policy Statement on how we exercise the various employer discretions provided by the Local Government Pension Scheme (LGPS), and/or
(c) that complies with the specific term(s) of a settlement agreement.

Additional remuneration

6.4 The Councils do not currently pay market supplements, but will keep pay under review and may develop a policy on this if required.

6.5 The Councils do not pay honoraria awards.

6.7 The Councils pay Essential and Casual Car User allowances in accordance with agreed policy. The rates for essential car user mileage are based on the rates set by the National Joint Consultative Council for Local Government Services. The Councils only apply the rates up to a 1199cc engine size; and do not pay the 1200cc to 1450cc (ie the top) band. The rates for casual car user mileage are based on the rates set by HMRC. There are also rates in force for individuals who use their bicycle or motorcycle which are also based on the rates set by HMRC.

6.8 Subsistence allowances that are paid will be determined locally.

6.9 Chief Officers are not paid a bonus or any other performance-related pay.

7. Review

7.1 The Localism Act 2011 requires relevant authorities to prepare a Pay Policy Statement for each financial year. Our next Statement is scheduled to be for 2017/18 and will be submitted to Full Council for approval.

7.2 If it should be necessary to amend this 2016/17 Statement during the year that it applies, an appropriate resolution will be made by Full Council.