



AGENDA

COUNCIL MEETING

**WEDNESDAY, 26TH FEBRUARY, 2020 –
5.30 PM**

Members of the Council are summoned to a meeting of the Babergh District Council at King Edmund Chamber - Endeavour House, 8 Russell Road, Ipswich on Wednesday, 26th February, 2020 at 5.30 pm.

For those wishing to attend, there will be a time for reflections 5 minutes prior to the commencement of the Council meeting.

Arthur Charvonja
Chief Executive



BABERGH COUNCIL	
DATE:	WEDNESDAY, 26 FEBRUARY 2020 5.30 PM
VENUE:	KING EDMUND CHAMBER - ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH

This meeting will be broadcast live to Youtube and will be capable of repeated viewing. The entirety of the meeting will be filmed except for confidential or exempt items. If you attend the meeting in person you will be deemed to have consented to being filmed and that the images and sound recordings could be used for webcasting/ training purposes.

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.

**PART 1
MATTERS TO BE CONSIDERED WITH THE PRESS AND PUBLIC PRESENT**

Page(s)

1 APOLOGIES FOR ABSENCE

To receive apologies for absence.

2 DECLARATION OF INTERESTS BY COUNCILLORS

3 BC/19/32 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 21 JANUARY 2020 9 - 18

4 BC/19/33 ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER 19 - 20

In addition to any announcements made at the meeting, please see Paper BC/19/33 attached, detailing events attended by the Chairman and Vice-Chairman.

5 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

In accordance with Council Procedure Rule No. 11, the Chief Executive will report the receipt of any petitions. There can be no debate or comment upon these matters at the Council meeting.

- 6 **QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES**
- The Chairmen of Committees to answer any questions by the public of which notice has been given no later than midday three clear working days before the day of the meeting in accordance with Council Procedure Rule No. 12.
- 7 **QUESTIONS BY COUNCILLORS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES**
- The Chairman of the Council, the Chairmen of Committees and Sub-Committees and Portfolio Holders to answer any questions on any matters in relation to which the Council has powers or duties or which affect the District of which due notice has been given in accordance with Council Procedure Rule No. 13.
- 8 **BC/19/34 OVERVIEW AND SCRUTINY COMMITTEE REPORT** 21 - 28
- Chair of Overview and Scrutiny Committee
- 9 **BC/19/35 GENERAL FUND BUDGET 2020/21 AND FOUR-YEAR OUTLOOK** 29 - 98
- Cabinet Member for Finance
- In accordance with Council Procedure Rule 19.3, immediately after any vote is taken at a budget decision meeting of the Council the names of Councillors 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.
- At its meeting on 11 February 2020, Cabinet considered Paper BCa/19/34, together with amendments to the General Fund Budget. Paper BC/19/35 now includes all the relevant updated information, together with the necessary recommendations.
- 10 **BC/19/36 HOUSING REVENUE ACCOUNT (HRA) BUDGET 2020/21 AND LONGER-TERM OUTLOOK** 99 - 114
- Cabinet Member for Finance
- In accordance with Council Procedure Rule 19.3, immediately after any vote is taken at a budget decision meeting of the Council the names of Councillors 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.
- At its meeting on 11 February 2020, Cabinet considered Paper BCa/19/35, together with amendments to the Housing Revenue Account. Paper BC/19/36 now includes all the relevant updated information, together with the necessary recommendations.

- 11 **BC/19/37 JOINT CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2020/21** 115 - 174

Cabinet Member for Finance

At its meeting on 11 February 2020, Cabinet considered Paper BCa/19/36, together with amendments to the Joint Capital, Investment & Treasury Management Strategies. Paper BC/19/37 now includes all the relevant updated information, together with the necessary recommendations.

- 12 **RECOMMENDATIONS AND REPORTS FROM CABINET / COMMITTEES**

- a **JAC/19/10 HALF YEAR REPORT ON TREASURY MANAGEMENT 2019/20** 175 - 200

Chair of Joint Audit and Standards Committee

At its meeting on 27 January 2020, the Joint Audit and Standards Committee considered Paper JAC/19/10 and accepted the recommendations as set out in the report:

Recommendation to both Councils

- (1) That the Treasury Management activity for the first six months of 2019/20 as set out in the report and Appendices be noted.**
- (2) That it be noted that both Councils' Treasury Management activity for the first six months of 2019/20 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management indicators for this period.**

Note: It is a requirement of the Code of Practice on Treasury Management that full Council notes the Half-Year position.

- 13 **BC/19/38 PROPOSED CHANGES TO COUNCIL MEETING DATES 2020-21** 201 - 202

Leader of the Council

- 14 **COUNCILLOR APPOINTMENTS**

To note the following appointment:

Planning Committee

Councillor Mary McLaren (replacing Cllr Zac Norman)

Date and Time of next meeting

Please note that the next meeting is scheduled for Monday, 20 April 2020 at 5.30 pm.

Webcasting/ Live Streaming

The Webcast of the meeting will be available to view on the Councils Youtube page:

https://www.youtube.com/channel/UCSWf_0D13zmegAf5Qv_aZSg

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact Committee Services on: 01473 296472 or Email:

Committees@baberghmidsuffolk.gov.uk

Introduction to Public Meetings

Babergh/Mid Suffolk District Councils are committed to Open Government. The proceedings of this meeting are open to the public, apart from any confidential or exempt items which may have to be considered in the absence of the press and public.

Domestic Arrangements:

- Toilets are situated opposite the meeting room.
- Cold water is also available outside opposite the room.
- Please switch off all mobile phones or turn them to silent.

Evacuating the building in an emergency: Information for Visitors:

If you hear the alarm:

1. Leave the building immediately via a Fire Exit and make your way to the Assembly Point (Ipswich Town Football Ground).
2. Follow the signs directing you to the Fire Exits at each end of the floor.
3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.
4. Use the stairs, not the lifts.
5. Do not re-enter the building until told it is safe to do so.

This page is intentionally left blank

Agenda Item 3

BABERGH DISTRICT COUNCIL

Minutes of the meeting of the **BABERGH COUNCIL** held in the King Edmund Chamber - Endeavour House, 8 Russell Road, Ipswich on Tuesday, 21 January 2020

PRESENT:

Councillor: Kathryn Grandon (Chair)
Adrian Osborne (Vice-Chair)

Councillors: Clive Arthey
Melanie Barrett
David Busby
Derek Davis
Jane Gould
John Hinton
Bryn Hurren
Robert Lindsay
Alastair McCraw
Zachary Norman
Jan Osborne
Lee Parker
John Ward

Sue Ayres
Peter Beer
Sue Carpendale
Mick Fraser
Richard Hardacre
Michael Holt
Leigh Jamieson
Elisabeth Malvisi
Mark Newman
John Nunn
Alison Owen
Stephen Plumb

In attendance:

Officers: Chief Executive (AC)
Strategic Director (KN)
Assistant Director - Assets and Investments (EA)
Assistant Director – Planning and Communities (TB)
Assistant Director - Environment and Commercial (CC)
Assistant Director - Economic Development & Regeneration (FD)
Assistant Director - Housing (GF)
Assistant Director - Customer Services (SW)
Assistant Director - Customer Services
Neighbourhood Planning Officer (PB)
Corporate Manager - Democratic Services (JR)
Senior Governance Officer (HH)

Apologies:

Trevor Cresswell
Siân Dawson
Honor Grainger-Howard
Margaret Maybury
Mary McLaren

192 DECLARATION OF INTERESTS BY COUNCILLORS

192.1 There were no declarations of interests.

193 BC/19/26 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 22 OCTOBER 2019

It was Resolved:-

That the Minutes of the meeting held on 22 October 2019 be confirmed and signed as a true record.

194 BC/19/27 TO CONFIRM THE MINUTES OF THE EXTRAORDINARY MEETING HELD ON 22 OCTOBER 2019

It was Resolved:-

That the Minutes of the extraordinary meeting held on 22 October 2019 be confirmed and signed as a true record.

195 BC/19/28 ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER

195.1 Councillor Grandon, Chair of Babergh Council, referred to Paper BC/19/28, which was for noting.

195.2 The Chair informed the Council that Len Young, who was a member for Glemsford and Stansted Ward for twelve years had passed away and that she and Members of the Council passed their condolences to his family and friends at this difficult time.

195.3 The Chair announced that the Chairman's Charity Ball would be supporting the Hadleigh Dementia Action Alliance and would take place on the 16th of May 2020. Tickets could be purchased from Mandy Smith, Member Support Officer.

195.4 She then invited Councillor Ward to make his announcement, who announced following.

Public Realm

Just before Christmas Peter Garrett sent out a very informative update on what had been done by the Public Realm team, and the extensive range of day-to-day activities that the team undertook. Peter also said that the team would be offering Ward Tours to enable Members to see the team's work at first hand in their wards. The things that the team do have a direct and highly visible effect on the quality of residents' lives and there was a growing interest in the management of the Council's open spaces for well-being and the environment. The Council's proposals for tree planting and biodiversity corridors would also mean working directly with our communities. Peter also mentioned a new 5-year programme of play site improvements. So please contact Peter to arrange a tour and discuss improvements Members would like to see in their wards.

Thomas Gainsborough School

The Leader took the opportunity to congratulate TGS on behalf of the Council for becoming the first school in Suffolk to be accredited as a Heritage School. This was in recognition of the work that students and also teachers put into the Sudbury Silk Stories Project. It was something that the whole school and community can be proud of.

Food Bank Visit

Last Friday Councillor Jan Osborne and the Leader visited the Sudbury Food Bank run by the Vineyard Church. They were told how the food bank operated and discussed the increasing demand that it was experiencing. It was a very productive meeting, which identified some good ideas about how Babergh could work with the voluntary sector to help reduce the need for food banks, and how the Council could also provide some practical help for rough sleepers. This would be discussed with officers to see what the Council could do.

Sudbury Consultation

Next week there would be two days of consultation at St. Peters' Church in Sudbury on several key aspects of the Council's vision for the town. The results of a survey into the relocation of bus stops and public realm improvements to the Market Hill would be presented, to be conducted by WSP on behalf of SCC and Babergh District Council. There would also be a presentation of the four proposals received for the reuse of Belle Vue House, ideas for further improvements to the park and an update on the plans for a hotel and restaurant. All Members were invited to attend a preview for District and Sudbury Town Councillors on Wednesday morning.

Equality & Diversity Training

A reminder that Kate Parnum had sent out an email about the mandatory Equality & Diversity training. There were still some Members who had yet to attend and further dates would be announced soon. This was actually a very good and enlightening session and the Leader did recommend it.

196 TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

196.1 The Corporate Manager – Democratic Services advised that the following validated petitions had been received:

1. 111 valid signatures regarding planning application DC/19/04923 in Monks Eleigh.
2. 22 valid signatures in Hadleigh supporting the following statement:

We request that the bungalows numbered 1-12 Toppesfield Close, IP7 5AJ be restricted to people aged 60 and above, returning them to their original restriction of residency to those of retirement age.

197 QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

197.1 There were no questions received from the public.

198 QUESTIONS BY COUNCILLORS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

198.1 There were no questions received from Councillors.

199 TO RECEIVE REPORTS FROM CABINET MEMBERS

199.1 The Chair advised Members that it was her intention to limit the discussion of this item to thirty minutes. She would therefore draw the questioning to a close after 30 minutes had elapsed, if the item had not already been concluded.

199.2 Councillor Ward advised that the Cabinet Members were present to respond to questions for the Cabinet Members' reports. He notified the Council that this was the last time that Cabinet Members' reports would be presented to Council. In the future the quarterly reporting would be enhanced to include Portfolio Members' updates and be brought to Cabinet, as part of the Cabinet agenda. This would also include aspects of finance and risk assessments.

199.3 CMU10 – Cabinet Member for Assets and Investments

Councillor Lindsay outlined his vision for the Borehamgate Shopping Centre in Sudbury and asked what the Council could do to create town centres with attractive focal points to increase footfall and support the local economy.

Councillor Busby, the Cabinet Member for Assets and Investments responded that he agreed that towns needed an attractive centre and that developments were underway for the direction that Sudbury needed to take for the future.

It was Resolved: -

That Report CMU10 be noted.

199.4 CMU11 – Cabinet Member for Communities

Councillor Hinton asked in relation to paragraph 3.1 when decisions relating to the visits and applications for grants referred to in the report were likely to be made.

Councillor Davis responded he would provide an answer outside the meeting.

Councillor Busby referred to paragraph 3.4 in relation to the Strategic Leisure Advisor. He understood that this appointment was coming to an end and asked if there was a contingency plan in place to continue the work.

Councillor Davis responded that the work would continue and that individual applications would be in February.

Councillor Davis welcomed the Community Team's new Corporate Manager Vicky Moseley.

Councillor Barrett congratulated on the opening of the Kingfisher Leisure Centre and asked if there was any scope for running more classes and Councillor Davis responded he would pass this request on to Abbeycroft Leisure.

It was Resolved: -

That Report CMU11 be noted.

199.5 CMU12 – Cabinet Member for Customers, Digital Transformation & Improvement

Councillor Hinton referred to paragraph 3.2 and asked if there was any information regarding the increase in the number of calls to the Call Centre from Quarter 2 to Quarter 3.

Councillor Parker responded that he would provide a response outside the meeting.

The Chief Executive added that it was likely that the increase between the two quarters was caused by the General Election as members of the public contacted the call-centre with queries in relation to registration and voting arrangements.

It was Resolved: -

That Report CMU12 be noted.

199.6 CMU13 – Cabinet Member for Economic Growth

Councillor Owen referred to paragraph 3.6 and asked for more information regarding the Delphi Site and Councillor Holt responded that updates would be forwarded to Members in due course.

Councillor Hinton referred to paragraph 3.6 in relation to the sites being brought forward for development in Hadleigh and asked if the sites at the top of town, bought from Persimmons, would be developed, or if any information could be provided for sites, which were not included in the report.

Councillor Holt responded that plans for the development of sites in Hadleigh would be presented to Members when they became available. Until then he would not be able to provide any further information.

Councillor Norman asked if the Cabinet Member for Economic Growth could provide an update on the empty units in Copdock (paragraph 8) and the Cabinet Member responded that work was being undertaken with agents to attract new business to occupy the units.

It was Resolved: -

That Report CMU13 be noted.

199.7 CMU14 – Cabinet Member for Environment

Councillor Hinton questioned the arrangements for the Civil Parking Enforcement (CP), which would come into force later in the year, specifically, who would be responsible for the changes for the marking of parking arrangements during the transitional period.

Councillor Malvisi clarified that Suffolk County Council was still responsible for the painting of white lines, which Councillor Hinton was referring to, and that the work was ongoing.

It was Resolved: -

That Report CMU14 be noted.

199.8 CMU15 – Leader and Cabinet Member for Finance

There were no questions for the Cabinet Member for Finance.

It was Resolved: -

That Report CMU15 be noted.

199.9 CMU16 – Leader and Cabinet Member for Finance (Law and Governance)

There were no questions for the Cabinet Member for Finance (Law and Governance).

It was Resolved: -

That Report CMU16 be noted.

199.10 **CMU17 – Cabinet Member for Housing**

The Cabinet Member provided a summary of the main points in the report and added that it was important that Members were kept up to date with developments in Housing and she was working with Officers to ensure that this happened.

Councillor Beer enquired how complaints were dealt with on Council Housing estates in relation to enforcement. He referred to a specific case in which the enforcement officer had been present and asked if the Enforcement team would receive any additional support.

Councillor Jan Osborne explained that currently recruitment for the neighbourhood team was taking place, and once feedback became available, she would update Members. She continued that she was working with the police to ensure that not just housing developments, but all areas of communities were safe communities for residents to live in. She was working on organising briefings and workshops for all Members to bring together ideas for how to work with the Police and other organisations involved. She hoped to bring something forward in February.

Councillor Hinton asked that the repair work undertaken by the Council on tenant properties was quality assured and that the repairs were of high standard, so that they could last.

Councillor Jan Osborne assured him that all the maintenance work was up to standard and quality assured. However, consideration for a joint venture to work alongside the maintenance Team was being investigated to continue to provide high standard of repairs.

It was Resolved: -

That Report CMU17 be noted.

199.11 **CMU18 – Cabinet Member for Planning**

Councillor Beer asked if it was possible for all Members of the Planning Committee to receive paper copies of the latest neighbourhood plans, which the Cabinet Member confirmed would be actioned.

Councillor Hinton referred to paragraph 3.5 and asked for further information regarding the review of the Planning Enforcement. He hoped that Members would be involved in this review.

Councillor Arthey responded that both Heritage and Planning Enforcement were undergoing reviews. He thanked Philip Isbell, the Chief Planning Officer, for the work undertaken so far.

Councillor McCraw informed Members that the Overview and Scrutiny Committee was scrutinising Planning Enforcement at the upcoming meeting in February as Planning Enforcement was a concern of many of the Members.

It was Resolved: -

That Report CMU18 be noted.

199.12 Councillor Busby referred to Report CMU14 and asked if the Cabinet Member for the Environment could provide an update on the Tree For Life Scheme. She informed Members that the first event to plant trees would take place on the 1st of February 2020. There had been a 23% uptake of all births in Babergh for the scheme.

200 BC/19/29 OVERVIEW AND SCRUTINY COMMITTEE REPORT

200.1 Councillor McCraw, Chair of the Overview and Scrutiny Committee, provided a brief summary of the report, which had been produced by the Cross-Authority Task and Finish Group for Citizens Advice. The recommendations agreed by the Task and Finish Group had been distributed widely to all authorities concerned, including Suffolk County Council. However, for Babergh Council many of the recommendations were already underway, when the recommendations were presented to Cabinet. At Cabinet it was agreed that the Overview and Scrutiny Committee should review Citizens Advice annually.

200.2 In response to Councillor Arthey's question, Councillor McCraw clarified that Cabinet had agreed to a three-year rolling funding for Citizens Advice in Babergh.

200.3 Councillor Ward thought it would have been useful if Suffolk County Council's Overview and Scrutiny Committee had been involved in the process of the Task and Finish Group. He asked how the Overview and Scrutiny Committee would encourage future participation by Suffolk County Council's Overview and Scrutiny Committee.

200.4 Councillor McCraw responded that all Council Authorities had been approached to participate in the Cross-Authority Task and Finish Group by either the Chair of Babergh or Mid Suffolk Overview and Scrutiny Committees. However, East Suffolk Council and Suffolk County Council had for various reasons chosen not to take part.

200.5 Councillor Ward made an observation on recommendations A and B in the report and wondered why a precise figure for Suffolk County Council's contribution to Citizens Advice had been included. He thought that this made it difficult to make adjustments for funding options, should Suffolk County Council in the future wish to review funding for Citizens Advice.

200.6 Councillor McCraw explained that the recommendations were to be used by respective Councils, who were participating in the Task and Finish Group. He reminded Members that there was no formal way of making recommendations to Suffolk County Council, as they had not been a constituent part of the review. However, the report and the recommendations had been forwarded to the Chair of Suffolk County Council's Overview and Scrutiny Committee. Recommendations A and B had used the previous funding figures from Suffolk County Council, as a baseline for future funding, but that this would be a matter for Suffolk County Council to determine.

201 BC/19/30 ALDHAM NEIGHBOURHOOD DEVELOPMENT PLAN

200.1 Councillor Arthey, Cabinet Member for Planning, introduced Paper BC/19/30 and detailed the results for the Aldham Neighbourhood Development plan as set out in paragraph 4.3, which would be posted on the website. He **MOVED** recommendation 3.1 and 3.2, which was **SECONDED** by Councillor Beer.

200.2 Councillor Fraser thanked Aldham Parish Council for their commitment to the Neighbourhood plan.

200.3 The **PROPOSAL** was put to Members for voting and the vote was **UNANIMOUS**.

It was RESOLVED: -

That the Aldham Neighbourhood Plan be formally 'made' (adopted) as part of the District Council's Development Plan and be used to help determine planning applications where relevant.

That the Decision Statement (Appendix 1) be published with immediate effect.

202 BC/19/31 DECISION TAKEN BY THE CHIEF EXECUTIVE DURING THE PRE-ELECTION PERIOD UNDER DELEGATED POWERS IN ACCORDANCE WITH PART 2 OF THE CONSTITUTION

202.1 Councillor Arthey, Cabinet Member for Planning, introduced Paper BC/19/31 and thanked Paul Bryant, the Neighbourhood Planning Officer, for his contribution to the creation of the Elmsett Neighbourhood Plan. He detailed the results of the referendum for the Elmsett Neighbourhood Development plan as set out in Appendix A.

202.2 Councillor Arthey informed Members that there were now five completed Neighbourhood plans and a further 24 in the process of being completed for BDC Council.

202.3 Councillor Lindsay congratulated Elmsett on the completion of the Neighbourhood plan. He thought that the village had felt besieged by developers and hoped that the completion of the neighbourhood plan would allow the village to have some say in future development in their community.

202.4 Councillor Parker agreed with Councillor Lindsay and encouraged other villages who felt they were being besieged by developers to complete neighbourhood plans. He also wanted to thank all the volunteers, who spent many hours on these projects.

202.5 In response to Councillor Barrett's question regarding support for villages who were embarking on the neighbourhood planning process, Paul Bryant, the Neighbourhood Planning Officer, responded that lessons were learnt all the time. Neighbourhood plan groups had access to consultants, who provide guidance and support. The Council also encouraged Parish Councils to share information with each other.

It was Resolved:-

That the Council noted the decision taken under delegated powers by the Chief Executive to make 'adopt' the Elmsett Neighbourhood Plan during the pre-election period.

203 COUNCILLOR APPOINTMENTS

203.1 The Chair of the Council was in the process of closing the meeting when she was made aware that Item 13, Councillor Appointments, was outstanding on the Agenda. She referred to the appointments, as set out in Agenda Item 13, and put the appointments to Members for voting which was **CARRIED**.

It was Resolved:-

- 1.1 That Councillor Mary McLaren be appointed to the Babergh Domestic Violence and Abuse Forum.**
- 1.2 That Councillor Mary McLaren be appointed to the Suffolk Violence and Abuse Partnership.**
- 1.3 That Councillor Derek Davis be appointed to the Suffolk Health and Wellbeing Board.**

The business of the meeting was concluded at 6.37 pm.

.....
Chair

Agenda Item 4

BC/19/33

BABERGH DISTRICT COUNCIL CHAIRMAN'S ANNOUNCEMENTS

COUNCIL - 26 FEBRUARY 2020

EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR
JANUARY 2020				
Chair of SCC - Civic Thanksgiving Service/Choral Evensong	St Edmundsbury Cathedral, Bury St Edmunds	26-Jan	✓	
Holocaust Memorial Day Service and Exhibition - 75th Anniversary	Abbey Gardens, Bury St Edmunds	27-Jan		✓
Conservatoire East performance and student dinner	West Suffolk College, Bury St Edmunds	31-Jan	✓	

FEBRUARY 2020

This page is intentionally left blank

Agenda Item 8

BABERGH DISTRICT COUNCIL

TO: Council	REPORT NUMBER: BC/19/34
FROM: Chair of Overview and Scrutiny Committee	DATE OF MEETING: 26 February 2020

The Joint Overview & Scrutiny Committee met at 11.30am on 8th January 2020

Chair: Keith Welham (MSDC Co-Chair)

CORPORATE PLAN OUTPUTS

The Committee examined the above document after a leadership request. This high-level document forms a layer in the Corporate Plan between the overall Plan itself and the variety of Policies and Programmes that will be used to carry it out. As such, it lists the various outcomes desired under each of the six priorities, including items completed, in progress or planned for action.

The document was introduced by the two Council leaders, Councillors Morley and Ward who expanded on the need for a statement of the Outputs as a series of desired outcomes over the course of the next four years. Each priority was to be supported by its own strategy, updated as necessary. These, and the outputs themselves, would expect to be added to and changed throughout their life. In addition, 'Business as Usual' would be expected to contribute to Strategies and Outputs without being specifically listed.

Several threads had been identified to achieve strategic outcomes. Examples were given. The use of resources such as funds, Officers understanding and a Learning and Development Plan for each member of staff was described.

At the same time, it was recognised that both local Members and Cabinet Leadership should be equipped with the development opportunities that would be needed. Further regular monitoring and reporting would take place, which could then feed into future Scrutiny work plans.

In questioning, Members queried measurement of the outputs and how this could be achieved. An approach of using 'milestones' and Programme Boards chaired by the Strategic Director was given, alongside the quarterly reports to Cabinet. A traffic light system (red, amber, green) was being integrated.

An alternative approach to the subject was also suggested in that this aspirational list was too high level for detailed scrutiny but that individual parts and programmes of the six priorities would make suitable subjects for closer examination.

All member briefings for the priority themes were suggested by the Strategic Director and there were cross party Member Working Groups already in place to support delivery.

There was a considerable amount of discussion about the various means of involving Members more fully in the Corporate Plan, the Corporate Outputs and the individual pieces of those outputs. It was noted that uptake and ownership was not always high amongst Members.

It was Resolved: -

That the Joint Overview and Scrutiny Committee urges Cabinet to find a range of methods to engage with all Members to understand the linkage between the Corporate Plan and the Corporate Outputs and explain the role of Member Working Groups in developing strategies and action plans.

The Joint Overview & Scrutiny Committee met at 3.00pm on 8th January 2020

Chair: Alastair McCraw (BDC Co-Chair)

WESTERN SUFFOLK COMMUNITY SAFETY PARTNERSHIP (WSCSP)

This annual statutory requirement had been postponed due to the General Election. It was attended by the following witnesses.

Cllr Joanna Spicer	Chair of Western Suffolk Community Safety Partnership Suffolk County Councillor
Paul Goodman	Group Commander for Prevention and Detection – Suffolk Fire
Clair Harvey	Community Safety Lead - Localities & Partnerships Team Health, Wellbeing & Children’s Services Suffolk County Council
Emma Gaskell	Senior Primary Care Manager NHS West Suffolk Clinical Commissioning Group
Kim Warner	Western Area Commander – Police Vice-Chair of WSCSP

Councillor Mansel, as the MSDC representative, introduced the report detailing the aims and priorities of the Partnership and requested that Members confine their questions to these already complex areas. The Community Safety Professional Lead for Communities Franstine Jones would be happy to assist with individual cases after the meeting.

The five priority areas are County Lines, Violence against Women and Girls (VAWG) Men and Boys, Hate Crime, PREVENT, Domestic Homicide Reviews (DHR). This does not exclude emerging areas of concern in Community Safety.

Each witness was invited to introduce their role within the WSCSP.

Councillor Spicer emphasised that Western Suffolk included West Suffolk, Babergh, Mid Suffolk and Ipswich and expanded on the active involvement of all partners. This had been further enlarged to include organisations other than the statutory members.

Councillor Spicer outlined the work and programmes undertaken by the WSCSP including issues around social housing. Lee Crowdell – Tenants Services Corporate Manager had contributed to this area. Work programmes for schools and education had focussed on County Lines and gangs. West Suffolk College, secondary schools and the Pupil Referral Units now had representatives on the WSCSP.

The WSCSP was in the process of preparing its 5-year Tactical Plan and would welcome feedback from members.

Paul Goodman, for the Fire Service, outlined the process of information sharing, and referral of issues in diverse areas such as County Lines, drug abuse, radicalisation and domestic violence. Resources were often shared, and training given in spotting signs for protection and prevention. In response to a question he also described available resources for target hardening (locks on letter boxes for example) in cases of potential victims at risk. A fuller report on Target hardening was included in the papers and this is recommended to all members.

Emma Gaskell (CCG) explained the NHS role in relation to health, domestic abuse and County Lines. Training was provided to GP's regarding these issues and in gathering information feedback which could be provided to relevant organisations. She agreed that NHS contacts were a prime indicator for potential issues as highlighted by Domestic Homicide Reviews. These, though rare, are a statutory duty for the WSCSP to examine what lessons may be learnt.

Clair Harvey (SCC) confirmed the five main areas concerning the Partnership were unchanged but, following recent event feedback, two new areas were emerging; modern day slavery and anti-social behaviour. In addition, the recent Government Violence Bill had added a statutory duty for the CSP's to tackle severe violence, including County Lines and drug induced violence. No resources had been allocated for this extra responsibility. In questioning, Suffolk had no special issues and did not differ from other areas. Supt Warner confirmed that with a low crime rate, Suffolk reflected national trends with no disproportional effects compared to similar areas.

Kim Warner described how the Partnerships work had changed over the last five years, fundamentally by its own work in tackling meaningful topics. County Lines work continued as a focus and indications were that this was having an effect. The Police Service were working in Schools, with students and Head Teachers and seeking to inform parents. A Crime Disruption Unit was operating very effectively with other forces, including the Metropolitan Police, to conduct preventative measures. The WSCSP itself was cooperating within the partnership and looking at the right areas.

In general questioning and discussion, questions were raised about Violence against Women & Girls, domestic abuse in general, mental health issues, availability of beds for victims of domestic abuse. It became apparent that the situations were much as before, but that there was an increasing willingness to report issues and for them to be taken seriously.

In summary, Councillor Davis, the Babergh representative on the WSCSP, added that the WSCSP was very relevant to Babergh and Mid Suffolk and that he and the Councils could not be complacent and that lessons learnt should be shared with the various groups working together in the WSCSP.

The committee debated, including witnesses, on how members could assist with the work of the WSCSP. The following points were arrived at:

Paul Goodman, for the Fire Service, outlined the process of information sharing, and referral of issues in diverse areas such as County Lines, drug abuse, radicalisation and domestic violence. Resources were often shared, and training given in spotting signs for protection and prevention. In response to a question he also described available resources for target hardening (locks on letter boxes for example) in cases of potential victims at risk. A fuller report on Target hardening was included in the papers and this is recommended to all members.

Emma Gaskell (CCG) explained the NHS role in relation to health, domestic abuse and County Lines. Training was provided to GP's regarding these issues and in gathering information feedback which could be provided to relevant organisations. She agreed that NHS contacts were a prime indicator for potential issues as highlighted by Domestic Homicide Reviews. These, though rare, are a statutory duty for the WSCSP to examine what lessons may be learnt.

Clair Harvey (SCC) confirmed the five main areas concerning the Partnership were unchanged but, following recent event feedback, two new areas were emerging; modern day slavery and anti-social behaviour. In addition, the recent Government Violence Bill had added a statutory duty for the CSP's to tackle severe violence, including County Lines and drug induced violence. No resources had been allocated for this extra responsibility. In questioning, Suffolk had no special issues and did not differ from other areas. Supt Warner confirmed that with a low crime rate, Suffolk reflected national trends with no disproportional effects compared to similar areas.

Kim Warner described how the Partnerships work had changed over the last five years, fundamentally by its own work in tackling meaningful topics. County Lines work continued as a focus and indications were that this was having an effect. The Police Service were working in Schools, with students and Head Teachers and seeking to inform parents. A Crime Disruption Unit was operating very effectively with other forces, including the Metropolitan Police, to conduct preventative measures. The WSCSP itself was cooperating within the partnership and looking at the right areas.

In general questioning and discussion, questions were raised about Violence against Women & Girls, domestic abuse in general, mental health issues, availability of beds for victims of domestic abuse. It became apparent that the situations were much as before, but that there was an increasing willingness to report issues and for them to be taken seriously.

In summary, Councillor Davis, the Babergh representative on the WSCSP, added that the WSCSP was very relevant to Babergh and Mid Suffolk and that he and the Councils could not be complacent and that lessons learnt should be shared with the various groups working together in the WSCSP.

The committee debated, including witnesses, on how members could assist with the work of the WSCSP. The following points were arrived at:

- Member briefings;
- Members to consider how they could share the information available with the wider community;
- Raise awareness amongst Council employees;
- Use meetings and committees as a catalyst for awareness for both Counsellors and communities;
- Use social media for awareness campaigns;
- News releases to Parish Councils;
- Approach Suffolk Association of Local Councils to assist with Parish Councils for the above;
- Display poster on community notice boards
- Members, who were involved with Community Safety, to share their training experiences with other Members.

The late 2018 review having produced a Members Confidential Tool kit, it was proposed that this be updated and distributed.

Thanks to all the witnesses were given by Councillor Morley (Leader MSDC) and the Chair.

It was Resolved: -

That the confidential member 'Contact Tool Kit' pack be updated and distributed to all Members as a Babergh and Mid Suffolk Confidential 'Contact Tool Kit'

(Noting as Chair, it is expected that next year's annual review may see greater change as the WSCSP's own tactical plan emerges. This review will take place within the Council year 2020-21.)

TASK AND FINISH GROUP FOR CITIZENS ADVICE - TERMS OF REFERENCE

The Chair described these as this was the first opportunity the committee had to meet since the group formation and basic remit was agreed.

It was Resolved:

That the Task and Finish Group for Citizens Advice – Terms of Reference be approved.

TASK AND FINISH GROUP - CITIZENS ADVICE REPORT

The Chair presented the draft report and draft recommendations to the committee. The Task & Finish group needed to present these to the Committee, so they could be sent to the Babergh & Mid Suffolk Cabinets immediately. As the Group had only met the day before, and time was pressing, the final text was not complete but the basis and almost all the content had been agreed by the Group.

Group approval was given for the Task & Finish Group Chair to complete the report for general distribution to all constituent Councils.

The committee were asked to approve the proposal that the report be so completed.

It was Resolved: -

That the Joint Overview and Scrutiny Committee approve that the Members of the Task and Finish Group completed the report and recommendations in time for the Report and Recommendations to be presented to both Cabinets in January 2020.

It should be noted that the report and recommendations were presented to both Cabinets and Councils in January meetings as described above.

The Babergh Overview & Scrutiny Committee met on the 20th January 2020.

Chair: Alastair McCraw

DRAFT GENERAL FUND BUDGET 202/21 AND FOUR-YEAR OUTLOOK

This report will not describe the draft budget provisions as Members will have the Final Budget before them within this agenda.

The following points were raised during questioning of the Leader, John Ward; the Assistant Director for Corporate Resources, Katherine Steel; and the Assistant Director for Housing, Gavin Fisk.

A clearer explanation was asked for in the press that was accessible to the public. Councillor Ward expanded on the rise and referred to the Council Tax Bill as an explanation already provided.

The provision of better information to Parish Councils (and residents) and training available in understanding Budget provisions was requested.

SALC were suggested and Councillor A. Osborne would bring this to their attention.

Could Parishes receive their precept information any earlier to set their own budgets? This was dependant on Central Government which gave tight deadlines. These were unlikely to change.

What replacement might be forthcoming for the now largely defunct New Homes Bonus? This was unknown, but expected to revolve around planning applications, permissions and completed developments. Council and the LGA were lobbying Government in this important area of incentivised funding.

The changes to the Empty Homes Discount were queried.

These were designed to bring homes back in to use quicker. The process of contacting owners and the resources used (three housing officers tasked) were described.

Further advice would be forthcoming for landlords. Councillor Jan Osborne (Cabinet Member for Housing) added that the SRP were proactive in this area. Uncompleted properties were not included in this provision. Comment was also made on the improved layout and structure of the report.

It was Resolved: -

- 1.1 That the Overview and Scrutiny Committee endorsed Recommendations 3.1, 3.2 and 3.3 in the report to Cabinet.**
- 1.2 That the Overview and Scrutiny Committee complimented the Finance Team on the work undertaken for the General Fund Budget and Four-year Outlook.**

DRAFT HOUSING REVENUE ACCOUNT BUDGET AND FOUR-YEAR OUTLOOK

This report will not describe the draft budget provisions as Members will have the Final Budget before them within this agenda.

The report was introduced by the Leader, Councillor John Ward; and the following points were raised during questioning of the Cabinet Member for Housing, Councillor Jan Osborne; and the Assistant Director for Housing, Gavin Fisk.

The increase in Capital spend for the new building programme and acquisitions for 2020-24 was queried.

The Assistant Director for Housing outlined the Capital Programme and referred to the HRA Business Plan. He said that new schemes were coming forward. The teams were working diligently on sites and a review of garage sites and a report on whether these were used appropriately would be presented to Cabinet later in the year. Land was always needed and required for further housing developments.

There was further questioning on garage sites and compulsory purchase for housing use. This was also under review, with a variety of aspects (Right to Buy options for tenants, listed buildings and general building regulations) to consider, before the report could be prepared.

The impact of raising sheltered housing rents was questioned. In response, it had initially been a concern but with a rise in need a balance had to be struck. The requirements of service and residents had been considered and the proposed rents were lower than those predicted 5 years ago.

It was confirmed that the surplus in the account would be transferred to the HRA reserves.

It was also confirmed that further Council houses were intended to be built beyond those currently proposed. Further, that the funding received from the Right to Buy scheme would be invested in new homes.

It was Resolved: -

- 1.1 That the Overview and Scrutiny Committee endorsed Recommendation 3.1, 3.2 and 3.3 in the Report to Cabinet.**

- 1.2 That the Overview and Scrutiny Committee complimented the Finance Team for the work undertaken for the Housing Revenue Account budget and Four-year Outlook.**
- 1.3 That the Overview and Scrutiny Committee noted with satisfaction the proposal of new build of 229 new homes.**

I'm happy to take any questions on this report, either within the meeting or afterwards.

Alastair McCraw.
Chair of Overview & Scrutiny Committee, BDC.
14th February 2020

Agenda Item 9

BABERGH DISTRICT COUNCIL

TO: Council	REPORT NUMBER: BC/19/35
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 26 February 2020
OFFICER: Katherine Steel, Assistant Director, Corporate Resources Melissa Evans, Corporate Manager, Finance and Commissioning & Procurement	KEY DECISION REF NO. N/A

GENERAL FUND BUDGET 2020/21 AND FOUR-YEAR OUTLOOK

1. PURPOSE OF REPORT

- 1.1 The report contains details of the revenue and capital budgets and the Council's strategic financial aim. The purpose of this report is to present the General Fund Budget for 2020/21 and four-year outlook.
- 1.2 To enable Members to consider key aspects of the 2020/21 Budgets, including Council Tax and to approve the final Budget.

2. OPTIONS CONSIDERED

- 2.1 The General Fund Budget for 2020/21 and four-year outlook is an essential element in achieving a balanced budget and sustainable medium-term position. Setting a balanced budget for the coming year is a statutory requirement, therefore no other options are appropriate in respect of this.

3. RECOMMENDATIONS TO COUNCIL

- 3.1 That the General Fund Revenue Budget proposals for 2020/21 and four-year outlook set out in the report be approved.
- 3.2 That the General Fund Capital Budget proposals for 2020/21 and four-year outlook set out in the report be approved.
- 3.3 That the General Fund Budget for 2020/21 is based on an increase to Council Tax of £5 per annum (10p per week) for a Band D property, which is equivalent to 3.1%, to support the Council's overall financial position.
- 3.4 That from 1 April 2020 properties that are unoccupied and unfurnished (Class C discount) receive a 25% reduction for the first 28 days as set out in section 11.
- 3.5 That the proposed Pay Policy Statement for 2020/21 as set out in section 12 be approved.

REASON FOR DECISION

To bring together all the relevant information to enable Members to approve the Councils General Fund budget.

4. KEY INFORMATION

Strategic Context

- 4.1 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.
- 4.2 The Government's Fair Funding Review is still a work in progress, and it aims to set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources. The Government is developing an updated funding formula by looking at the factors that drive costs for local authorities. The outcome of these deliberations is still awaited and will be implemented from 2021/22.
- 4.3 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a financial strategy that responds to this challenge as set out in section 6 below.
- 4.4 On 16 December 2019, the Office for Budget Responsibility (OBR) published its restated March 2019 economic and fiscal outlook.
- 4.5 The economy ended 2018 growing a little less strongly than expected in October. Survey indicators of current activity have weakened materially, in part reflecting heightened uncertainty prior to the General Election related to Brexit. As a result, the OBR has revised their forecast for Gross Domestic Product (GDP) growth this year down to 1.2% – more than reversing the upward revision they made in October in response to the Government's discretionary fiscal loosening in the Budget. They have not altered their assessment of the outlook for potential output, so the medium-term forecast is little changed: GDP growth still settles down to around 1.5% a year.
- 4.6 They now expect public sector net borrowing to come in at £22.8 billion (1.1% of GDP) this year, down £2.7 billion since October thanks primarily to higher income tax receipts and lower debt interest spending. By 2023/24 the improvement since that October estimate is £6.3 billion, again thanks primarily to higher income tax receipts and lower debt interest spending.
- 4.7 These downward pressures on borrowing are partially offset by the £2.1 billion net cost of 20 policy decisions announced since the Budget – notably the £1.7 billion of additional planned public services spending announced at the Spring Statement. This leaves the expected deficit in 2023/24 at £13.5 billion (0.5% of GDP).
- 4.8 Consumer Price Index (CPI) inflation was above the 2% target throughout 2018, averaging 2.5%. In the fourth quarter of 2018 it had fallen back to 2.3%.

CPI inflation fell further in January 2019 to 1.8%, largely reflecting lower gas, electricity and petrol price changes. This was the first time in two years that inflation was below the 2% target. The OBR has revised down their forecast for CPI inflation since October, dipping to 1.9% in 2020, returning to the 2% target thereafter. They have made a larger downward revision to RPI inflation due to the much weaker outlook for house prices in 2019 and 2020.

4.9 On 4 September 2019 the Chancellor delivered his 2019 Spending Round. The key points that are relevant to Local Government are as follows:

- a) Confirmation that the Fair Funding Review, Business Rates Review and business rates reset has been deferred by 12 months to 2021/22.
- b) £2.9 billion increase in Core Spending power overall. Most of the additional funding is for adults' and children's services, but there is £54m for Homelessness.
- c) Funding to remove negative RSG has been continued for 2020/21.
- d) 75% business rates pilots will come to an end and there are no new pilots planned for 2020/21.
- e) £40m additional funding for Discretionary Housing Payments.
- f) £23m to fund a range of measures around Universal Credit – whilst this won't come to districts it will be a positive support for people in the area.
- g) Continuation of the Discover England Fund to promote inbound tourism.
- h) £241m in 2020/21 in the Towns Fund to regenerate high streets, town centres and local economies.
- i) Additional £30m for the Business, Energy, & Industrial Strategy (BEIS) to accelerate the development of decarbonisation schemes.

Final Finance Settlement

4.10 The Final Finance Settlement was announced on the 6 February 2020, whilst there is new money from Central Government this has been prioritised for adult and children's social care. There is no change from the provisional settlement figures for the Council.

4.11 The settlement provides no update on the progress of either the move to further business rates retention or the Review of Relative Needs and Resources (commonly called the Fair Funding Review). However, the settlement confirmed that the next business rates revaluation is planned for 2021 and from then on the Government intends to move to a three-yearly revaluation cycle.

4.12 The headlines are as follows:

- a) No change to the New Homes Bonus threshold of 0.4%. The 2020/21 element of NHB will be paid for one year only. The legacy payments of the bonus in respect of growth in 2019/20 and previous years will continue to be paid in 2020/21.

The Government will consult on the future of the housing incentive in the Spring. The Written Ministerial Statement says this will include moving to a new, more targeted approach which is aligned with other measures around planning performance and confirmed that the payments will be phased out;

- b) The Rural Services Delivery Grant will remain unchanged at £81 million in 2020/21. The Government has retained the current method of distributing the grant;
- c) Business rates baseline will rise in line with inflation;
- d) £400m compensation for under-indexing the business rates multiplier will be distributed to all councils, Babergh's share of this is £86k and;
- e) Continuation of the option for shire districts with the lowest council tax levels to increase council tax by the higher of 2% or £5. The Government will continue with its policy of not setting referendum limits for parish and town councils, which they will keep under review for future years.

4.13 The Final Finance Settlement provided Babergh with additional funding of £265k. The Baseline Business Rates increased by £34k, and an additional £86k for compensation for the under-indexing of the business rates multiplier. New Homes Bonus increased by £86k, mainly due to the empty properties coming back into use element of the allocation which was not originally budgeted for. Council Tax has also been increased from 2% to £5 delivering an additional £59k.

4.14 Table 1 below shows the Final Finance Settlement compared to the budget assumptions for 2020/21.

Table 1: Final Finance Settlement

	<u>2020/21 Assumed</u>	<u>2020/21 Final Settlement</u>	<u>(Increase)/ Decrease</u>
	£'000	£'000	£'000
Baseline Funding Level	2,104	2,139	(34)
Compensation for under-indexing the business rates multiplier	-	86	(86)
New Homes Bonus	968	1,055	(86)
Rural Services Delivery Grant	227	227	(0)
Council Tax increase - ability to increase by £5	-	59	(59)
Funding	3,300	3,565	(265)

5. HOW IS THE COUNCIL'S REVENUE BUDGET BEING SPENT IN 2019/20?

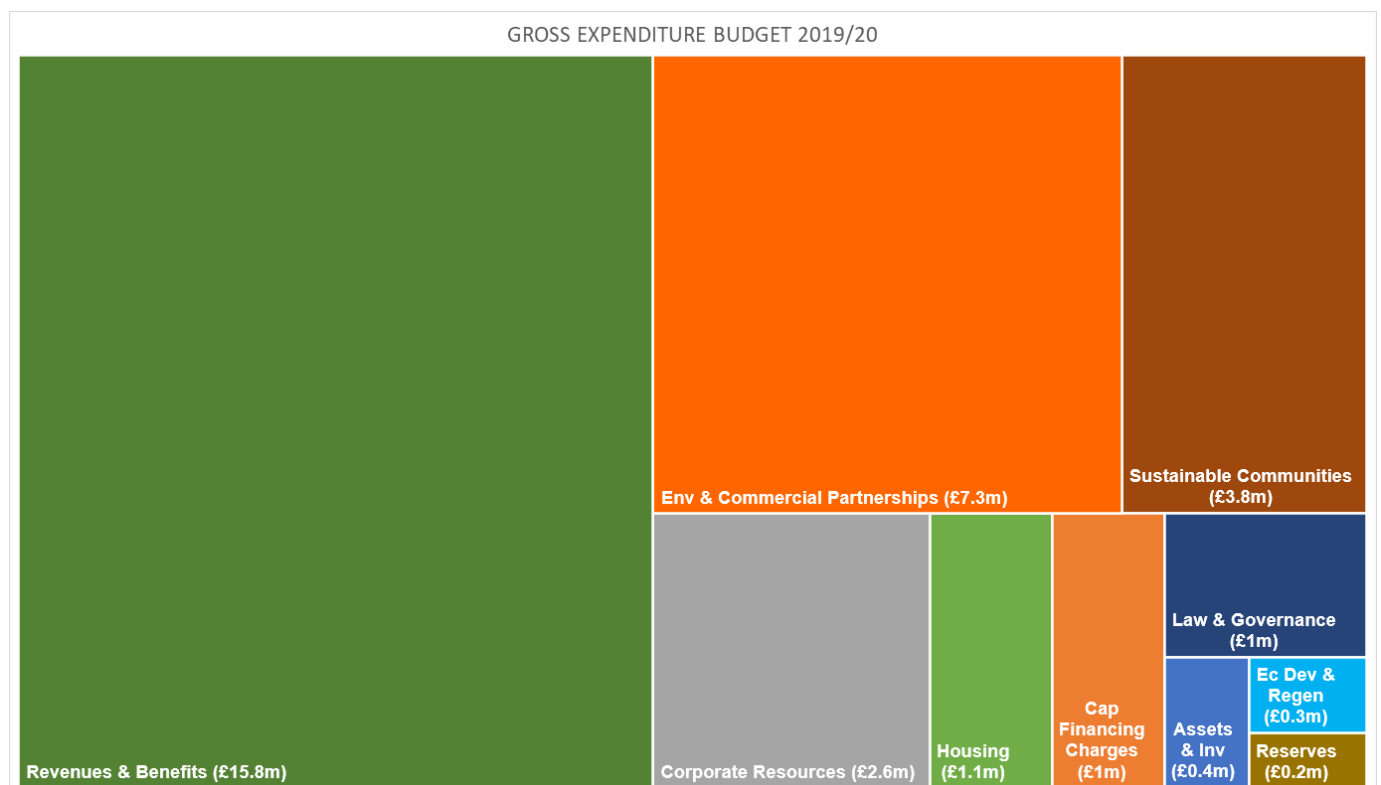
5.1 The Council's 2019/20 gross expenditure is £33.5m and income is £23.3m giving a net cost of service of £10.2m. Table 2 below shows how this is funded.

Table 2: Revenue Budget 2019/20

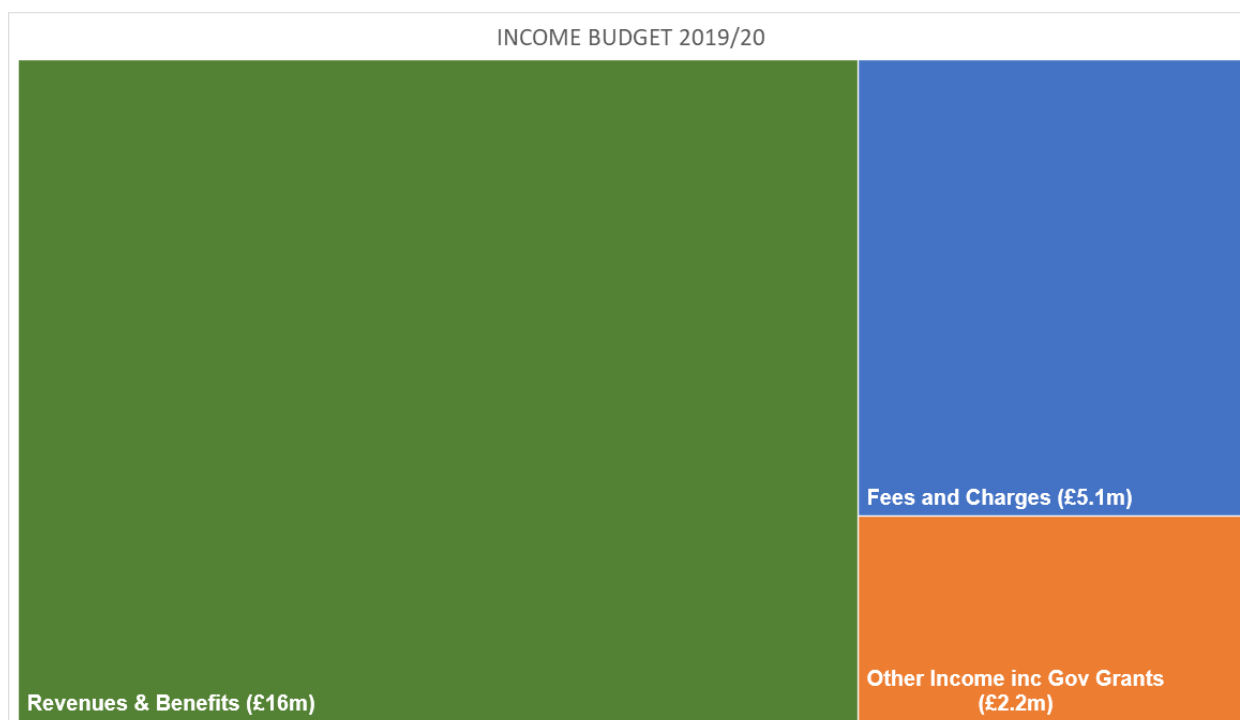
	£,000
Gross Expenditure	33,522
Income	(23,326)
Net expenditure 2019/20	10,196
Funded by:	
Earmarked Reserves	(615)
New Homes Bonus	(683)
S31 Grant	(1,107)
Business Rates	(1,892)
Collection Funds (Surplus)	(206)
Rural Services Delivery Grant	(227)
Council Tax	(5,466)
Total Funding	(10,196)

5.2 Graph 1 below shows how the £33.5m gross expenditure is allocated across the services and Graph 2 shows the breakdown of the £23.3m income. The funding element is not shown in these graphs.

Graph 1 Gross Expenditure by service area in 2019/20



Graph 2 Income in 2019/20



- 5.3 The Revenues and Benefits element (£16m) in both the expenditure and the income charts above includes housing benefit paid out to claimants and reimbursed from the Government.
- 5.4 The forecast position for 2019/20 at quarter 2 reported to Cabinet in January 2020 showed a projected underspend of £18k. However, there may be further variances that occur throughout the remainder of the year. An updated position will be reported to Cabinet in March 2020 and the final outturn position in May 2020.

6. MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2020-2024

Strategic Aims

- 6.1 In order to achieve the vision and ambition for the districts with significantly reduced government resources the Council needs to take a medium-term view of the budget through a financial strategy that is focused on meeting the corporate priorities.
- 6.2 The main strategic financial aim is to become self-financing i.e. not reliant on Government funding. There is a secondary aim to be in a position to generate more funds than are required for core services, to enable additional investment in the district.
- 6.3 There are 3 key elements that need to be carefully balanced to ensure success. These are:
1. Cost management;
 2. Income generation; and
 3. Service levels.

Principles

- 6.4 The approach over the medium term is to transform the Council into an organisation that is thriving and not just surviving, by reviewing, remodelling and reinventing the way the Council operates.

The Cabinet proposes that the following overarching principles should be considered when evaluating ideas and opportunities for change as set out below:

- Reduce our costs (both internally and across the wider system)
- Increase our income
- Provide better / “best” value
- Increased social value
- Provide a better service for our customers
- Reduction in administration costs, without compromising service

- 6.5 The focus will be on internal efficiencies and improvements within existing structures. Continuously looking to streamline work and reduce waste in processes. Greater cross-functional working and multi-skilling and improving ways of working to move away from ‘professional silos’ and toward integrated services for the public. Where customer demand is understood, analysed and met through new services and business models, and where the demand itself is re-shaped and managed while engaging service users to ascertain priorities.

- 6.6 The approach below shows in more detail for each element the methodology that will be adopted to achieve this.

Approach



- 6.7 During 2019/20 a great deal of work has been undertaken following this approach as shown in the diagram below. Work will continue into 2020/21 and is likely to require a longer-term approach and may require additional resources and investment. The Council will continue this approach in order to transform the way it operates over the next three years.



7. RESERVES

- 7.1 When setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.
- 7.2 The Council has been making significant savings for a number of years as set out in 8.17 below, and with each year the challenge gets more difficult without negatively impacting on service standards. The approach outlined above will deliver savings or generate income to help close the medium-term budget gap. However, some of these will not be realised until 2021/22 onwards and investment from reserves may be required to deliver them.
- 7.3 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.
- 7.4 In 2020/21 the Council is using £278k from earmarked reserves against specific service expenditure (£201k shown against new cost increases in paragraph 8.15 Table 7)

- 7.5 Table 3 below shows the earmarked reserves balance from 31 March 2019, forecast through to 31 March 2021. This shows that the level of reserves (excluding CIL) drops by 6% over the two years.

Table 3: Forecast Earmarked Reserve Levels

Transfers to / from Earmarked Reserves	Balance 31 March 2019	Transfers 2019/20		Balance 31 March 2020	Transfers 2020/21		Balance 31 March 2021
		Transfers to	Transfers from		Transfers to	Transfers from	
Carry Forwards	(75)		75	(0)			(0)
Transformation Fund	(458)	(1,808)	1,960	(306)	(711)	22	(994)
Business Rates Retention	(1,274)			(1,274)			(1,274)
Business Rates Equalisation	(1,690)			(1,690)			(1,690)
Government Grants	(282)		70	(212)		39	(173)
Commuted Maintenance Payments	(627)		128	(499)			(499)
Elections Fund	(70)	(20)	70	(20)	(20)		(40)
Elections Equipment	(35)			(35)			(35)
Planning Enforcement (Legal Costs)	(88)			(88)		15	(73)
Revocation of personal search fees	(55)			(55)			(55)
Homelessness	(197)		49	(148)		39	(110)
Temporary Accommodation	(44)	(7)		(51)		6	(45)
Planning (Legal Costs)	(132)			(132)		58	(74)
Neighbourhood Planning Grants (NPGs)	(72)		66	(6)	(5)		(11)
Strategic Planning inc Community Housing Grant, Brownfield Sites etc	(247)		30	(217)			(217)
Strategic Planning - Joint Local Plan	(159)		73	(86)		86	-
Waste	(160)		129	(31)		13	(18)
Sub-total exc CIL	(5,667)	(1,835)	2,650	(4,852)	(736)	278	(5,310)
Community Infrastructure Levy (CIL)	(3,961)			(3,961)			(3,961)
Total earmarked reserves	(9,628)	(1,835)	2,650	(8,813)	(736)	278	(9,271)

- 7.6 There is an agreed process for CIL bids, however nothing has been included in this table for CIL income and expenditure for 2020/21 as this is difficult to predict.

- 7.7 In addition to the earmarked reserves, the Council also holds a general fund reserve of £1.2m, which equates to approximately 12% of the net cost of service. This is a prudent level of reserve to hold to mitigate against unexpected financial risks that cannot be offset by savings during the year or with use of the earmarked reserves in Table 3.

8. FORECAST BUDGET GAP TO 2023/24

- 8.1 To establish the medium-term budget gap several assumptions have been made as to the expected level of funding and a number of cost increases and savings have been identified over the period. These are set out later in this section.

Funding

- 8.2 Funding arrangements for councils have changed significantly in recent years, the revenue support grant has been completely removed and the future funding of New Homes Bonus (NHB) is now time-limited without any certainty yet of what will replace it.
- 8.3 2019/20 was the last year of the four-year Comprehensive Spending Review where councils had some certainty about their funding levels, therefore the position from 2020/21 remained more difficult to forecast until the Government announced a one-year settlement for 2020/21.
- 8.4 The Fair Funding Review and changes to the distribution of business rates has been delayed as a result of Brexit discussions, therefore the position after 2020/21 remains more difficult to forecast.

- 8.5 Government has recognised that councils are now more reliant on council tax and business rates as the main sources of funding and has announced that from 2021 it is likely that business rate retention will be 75% compared to 50% of the growth achieved in business rates income.
- 8.6 Since NHB was introduced in 2011/12 the Council has received £10.2m in total. The Council continues to be reliant on NHB to support the budget.
- 8.7 As shown in Table 4 below, the use of NHB to balance the budget increased from 88% in 2016/17 to 100% in 2018/19 and 2019/20 and then reduces to 33% in 2020/21. For a number of years there has been no surplus to transfer to the Transformation Fund however, in 2020/21 the Council is in the position to transfer £711k to the reserve.

Table 4: New Homes Bonus used from 2016/17 to 2020/21

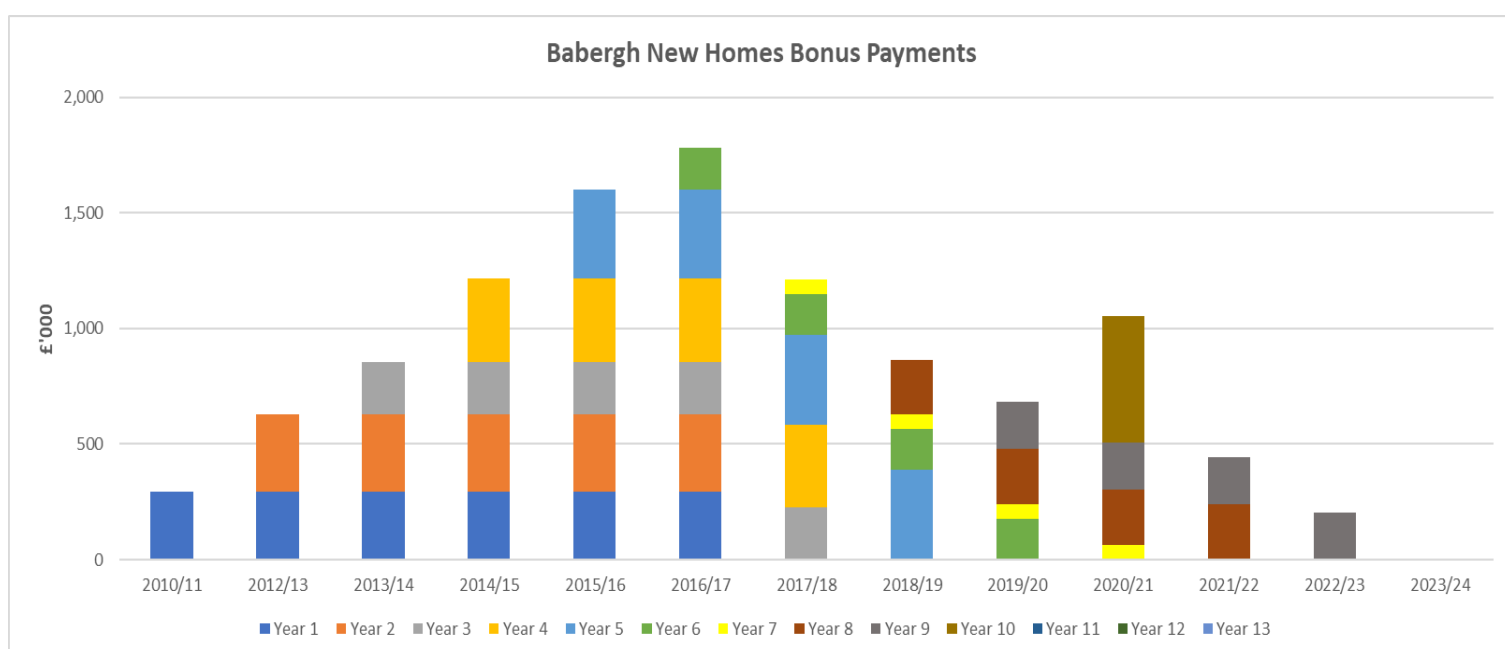
	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Amount of NHB received	1,779	1,212	866	683	1,055	5,595
NHB used to balance the budget	1,559	1,197	866	683	344	4,648
% of NHB allocation to balance budget	88%	99%	100%	100%	33%	83%

- 8.8 Table 5 and Graph 3 below shows the NHB over the last ten years plus the estimated allocations for 2021/22 to 2023/24. This assumes 0.8% growth over and above the 0.4% threshold, one more year's growth for 2020/21 only and the legacy payments being phased out from 2021/22 year on year with nothing being received in 2023/24.
- 8.9 This clearly shows how the NHB has declined from a peak of £1.8m in 2016/17 to £1.1m in 2020/21, after the Government announced it would reduce the allocation from 6 years to 5 years in 2017/18 and to 4 years in 2018/19, as well as introducing a 0.4% growth baseline in 2017/18.
- 8.10 For 2020/21 the 0.4% growth for Babergh means that the first 159 new homes built will receive no payment.

Table 5: New Homes Bonus sums per year

Payments											Estimated		
	2010/11	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Year 1	295	295	295	295	295	295							
Year 2		334	334	334	334	334							
Year 3			226	226	226	226	226						
Year 4				360	360	360	360						
Year 5					387	387	387	387					
Year 6						177	177	177	177				
Year 7							63	63	63	63			
Year 8								239	239	239	239		
Year 9									205	205	205	205	
Year 10										548			
Year 11													
Year 12													
Year 13													
Total	295	630	856	1,215	1,602	1,779	1,212	866	683	1,055	444	205	

Graph 3: New Homes Bonus Payments - Estimated for 2021/22 to 2023/24



8.11 In calculating the expected level of funding across all sources, the following assumptions have been made:

- Minimal use of reserves after 2020/21.
- NHB as per 8.9 and Table 5 above.
- No growth in business rates income.
- Nothing has been included for forecast Business Rates surplus or deficit beyond 2019/20 based on the assumption that the equalisation earmarked reserve will accommodate this.
- Rural Services Delivery grant will continue beyond 2020/21.

- f) Council Tax £5 increase for 2020/21 generating £171k and a 2% increase for future years 2021/22 to 2023/24, generating on average an additional £120k per annum.
- g) Tax base growth of 2.51% for 2020/21 generating an additional £137k and 1.5% per annum from 2021/22, approximately £90k per annum.

8.12 Table 6 below shows the forecast funding from 2020/21 to 2023/24. Ignoring the use of reserves (£278k for 2020/21) funding decreases by 4.2% over the 4-year period. This is due to the assumed reduction of NHB as shown in Table 5 above.

8.13 By 2023/24 Government funding is virtually non-existent except for Rural Services Delivery Grant. The main sources of funding for the Council are Business Rates and Council Tax.

8.14 In 2020/21 the Council will be using 100% of S31 grant and 33% of NHB to achieve a balanced budget. Over the next three years the Council will need to use 100% of NHB and 100% of S31 grant totalling £4.8m and will still have a deficit of £1.1m.

Table 6: Forecast Funding 2020/21 – 2023/24

Description	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
Funding:					
Other Earmarked Reserves	(615)	(278)	(78)	(24)	-
New Homes Bonus - provisional 2021/22 onwards	(683)	(1,055)	(444)	(205)	-
S31 Business Rates Grant	(1,107)	(1,577)	(1,577)	(1,577)	(1,577)
Government Support					
(a) Baseline business rates	(2,104)	(1,880)	(1,880)	(1,880)	(1,880)
(b) B/Rates – levy	495	527	527	527	527
(c) B/Rates – growth/pooling benefit	(283)	(323)	(323)	(323)	(323)
(d) B/Rates prior yr deficit / (surplus)	(197)	(85)	-	-	-
(e) Rural Services Delivery Grant	(227)	(227)	(227)	(227)	(227)
Council Tax Collection Fund surplus	(9)	(9)	(9)	(9)	(9)
Council Tax - increase to Band D £5 - 2020/21, 2% - 2021/22 onwards	(5,381)	(5,637)	(5,892)	(6,100)	(6,315)
Growth in taxbase	(85)	(137)	(87)	(90)	(93)
Total Funding	(10,196)	(10,680)	(9,989)	(9,907)	(9,896)

Cost Increases

8.15 In addition to the reduction in Government funding there are £3.4m of cost increases that have been identified in 2020/21 and beyond. However, this includes £201k of other funding from reserves. Table 7 below shows the cost increases the Council is expecting to face over the next four years.

Table 7: Forecast Cost Increases 2020/21- 2023/24

BABERGH - MOVEMENT YEAR ON YEAR	19/20 to 20/21 £000	20/21 to 21/22 £000	21/22 to 22/23 £000	22/23 to 23/24 £000
Net Service Cost previous year	10,196	9,969	10,424	10,864
<u>Cost Increases</u>				
<u>Inflation</u>				
Employees - includes pay award and increments	345	311	323	335
Contracts	80	105	108	110
Business Rates	15	15	16	16
Sub total cost increases	440	431	446	461
<u>Assets and Investments</u>				
CIFCO - net interest receivable	220	(18)	(18)	(15)
PV Panels - cost of servicing & repairs	85	(8)		
Borehamgate - rental income and service charges	41			
<u>Customer Access</u>				
ICT - telephony, software licenses & contract costs	162			
<u>Environment and Projects</u>				
Leisure contract - timing of loan repayment	72			
Waste - refuse contract	41			
Waste - recycling credits		130		
Waste - cost of disposal (Trade and Garden waste)	29			
Car Parks - business rates re-valuation	17			
Materials Recycling Facility- cost of disposal (funded from reserves)	13			
<u>Housing</u>				
Loss of income for B&B (offset by cost reduction shown in Table 7 - other items)	30			
<u>Sustainable Communities</u>				
Joint Local Plan - examination costs (funded from reserves - £86k)	118			
Policy Strategy Health & Well-being (funded from reserves - £39k)	45			
Provision of Free Swims for children aged 17 years and under during school holidays	38			
Planning appeals - professional & consultancy fees	30			
<u>Other Cost Increases</u>				
Employee Costs (Funded from reserves - £36k)	196	(15)	-	(24)
Minimum Revenue Provision (MRP)	88	218	159	117
Other items (net) - funded from reserves £27k	97	(82)	(29)	(63)
Total Cost Increases	1,761	656	559	477
Pressures funded from earmarked reserves (as mentioned above)	201			

8.16 In calculating the cost increases, the following assumptions have been made:

- a) It has been agreed that a pay award of 2% will be made, so pay budgets have been increased accordingly.
- b) General Inflation
 - Business rates on the Council's own properties - 3.9%
 - Utilities – Nil increase
 - Major contracts – 2% to 2.5%
- c) Pension fund assumptions
 - future rate contribution - 23%, no change from 2019/20
 - pension lump sum – 1% per annum reduction from 2020/21 to 2022/23 and 1% per annum increase for 2023/24

Savings / Income

- 8.17 Over the years 2011/12 to 2019/20 the Council has achieved cumulative savings/income of £17.4m through shared services, efficiencies, better use of technology and maximising commercial opportunities.
- 8.18 Continuing in this vein and following the approach set out in section 6, savings/income of £2.6m have already been identified for 2020/21 and beyond. Table 8 below shows the savings/income the Council is expecting to achieve over the next four years.

Table 8: Forecast Savings/Income 2020/21- 2023/24

BABERGH - MOVEMENT YEAR ON YEAR	19/20 to 20/21 £000	20/21 to 21/22 £000	21/22 to 22/23 £000	22/23 to 23/24 £000
Savings				
Assets and Investments				
Property rental income				(300)
CIFCO (further investment) - net interest receivable	(270)	(13)	38	(19)
Rental income - South Suffolk Business Centre	(10)	(10)	(5)	
Customer Access				
Digital Transformation - end to end		(25)		
Environment and Projects				
Waste - income (garden / trade & recycling credits)	(168)			
Long term car parking - increase from £2 to £3	(100)			
Grass cutting of SCC verges	(25)			
Public Conveniences - removal of business rates	(21)			
Finance				
Investment Income - Pooled Funds (net)	(106)			
Insurance Premiums	(56)			
SRP Contract savings	(49)			
Interest Payable (Other)	(39)			
Housing				
Community Housing Fund 2 yr fixed term post (funded from reserves 18/19 & 19/20)	(95)			
Increase to Homelessness Grant funding	(38)			
Conversion of Firs to temp accom saving B&B costs	(30)			
Law and Governance				
Elections (funded from reserves in 19/20)	(75)			
Sustainable Communities				
Planning fee income	(199)	-	-	
Neighbourhood Planning (funded from reserves 19/20)	(72)			
Other Savings				
Increase vacancy management contingency 2.5% to 5%	(208)	(15)	(16)	(15)
Net reduction in transfers to reserves	(192)	(5)		
Contract management savings	(110)	(50)	(50)	(50)
Charge to HRA and Capital	(71)	(24)	(25)	(25)
Employees - deficit pension fund change (1% reduction from 20/21 - 22/23 & 1% increase for 23/24)	(53)	(58)	(61)	63
Total savings	(1,987)	(201)	(118)	(347)

Budget Gap

- 8.19 Table 9 below shows the forecast surplus or deficit for 2021/22 - 2023/24 with and without New Homes Bonus.
- 8.20 The position for 2020/21 is a £711k surplus. This is achieved by using £344k New Homes Bonus, £1.6m S31 grant, £227k Rural Service Delivery Grant and £278k from reserves.
- 8.21 The three-year deficit from 2021/22 of £1.1m is after using £6.1m in total of the following:

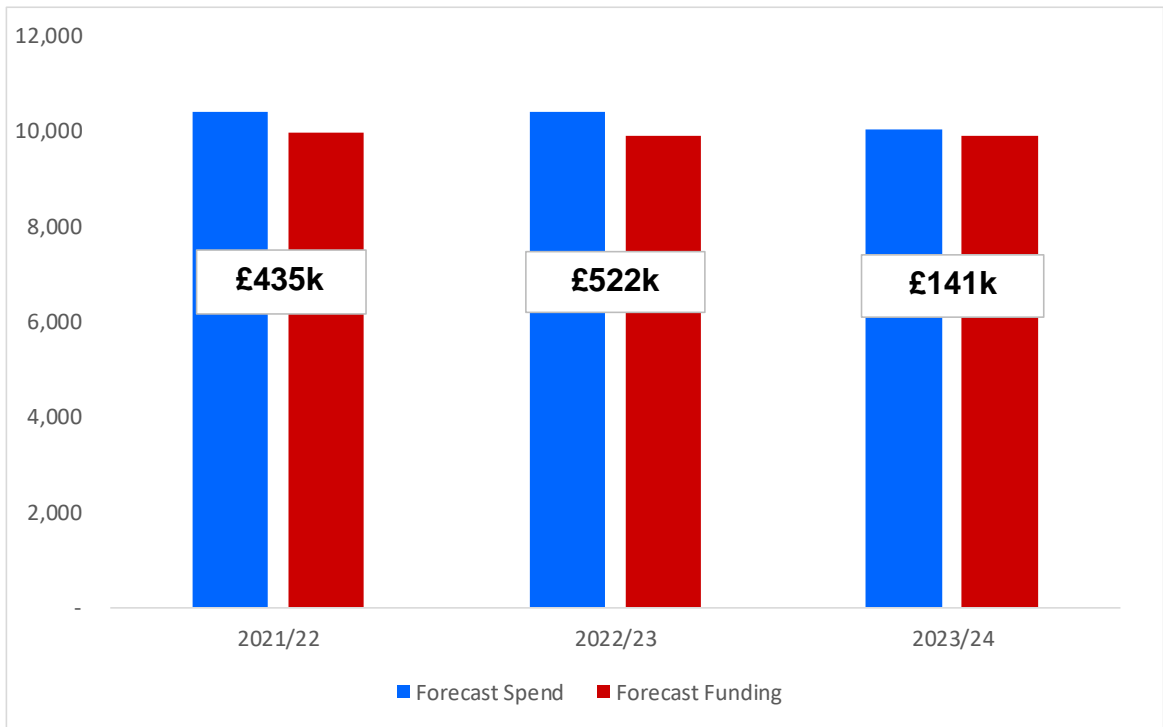
- £650k New Homes Bonus;
- £4.7m S31 grant;
- £680k Rural Service Delivery Grant; and
- £102k from reserves

8.22 Over the three-year period from 2021/22 the Council's cumulative deficit of £1.1m must be addressed. The Council will need to deliver significant income or savings by reviewing, remodelling and reinventing the way it operates as set out in section 6, with the key objective to become self-financing and to have more than enough funds to invest within the council itself and across the district.

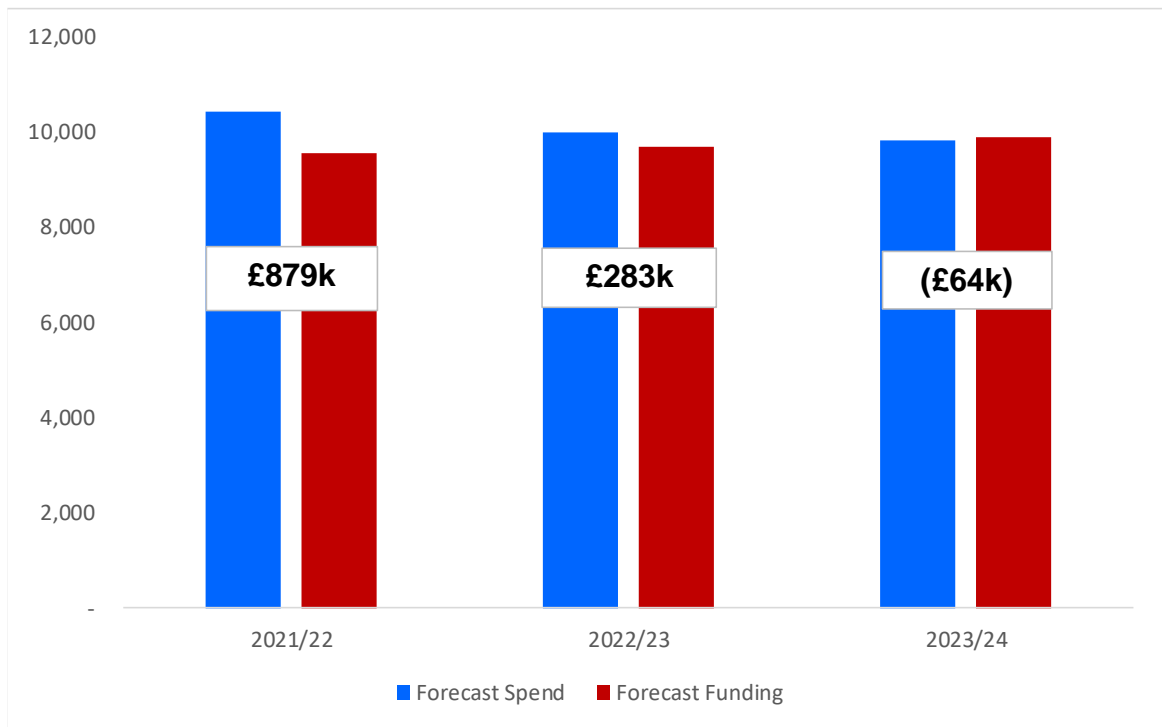
Table 9: Forecast Budget Gap 2021/22- 2023/24

	Babergh		
	2021/22	2022/23	2023/24
<u>Including NHB</u>			
Net Service Cost previous year	9,969	10,424	10,430
Pressures	656	559	477
Savings	(201)	(118)	(347)
Previous years budget gap closed		(435)	(522)
Net Service Cost current year	10,424	10,430	10,037
Funding	(9,989)	(9,907)	(9,896)
Annual Deficit /(Surplus)	435	522	141
Cummulative Deficit/(Surplus)	435	957	1,098
	Babergh		
	2021/22	2022/23	2023/24
<u>Excluding NHB</u>			
Net Service Cost previous year	9,969	10,424	9,985
Pressures	656	559	477
Savings	(201)	(118)	(347)
Previous years budget gap closed		(879)	(283)
Net Service Cost current year	10,424	9,985	9,832
Funding	(9,545)	(9,702)	(9,896)
Annual Deficit /(Surplus)	879	283	(64)
Cummulative Deficit/(Surplus)	879	1,162	1,098

Graph 4: Forecast Budget Gap (surplus)/deficit, including NHB (annual) 2021/22 - 2023/24



Graph 5: Forecast Budget Gap (surplus)/deficit excluding NHB (annual) 2021/22 - 2023/24



9. HOW IS THE COUNCIL'S REVENUE BUDGET BEING SPENT IN 2020/21?

- 9.1 The summary in Appendix A shows a breakdown of the Council's net cost of service for 2019/20 (£10.196m) and 2020/21 (£9.969m) a decrease of £227k (2.2%).

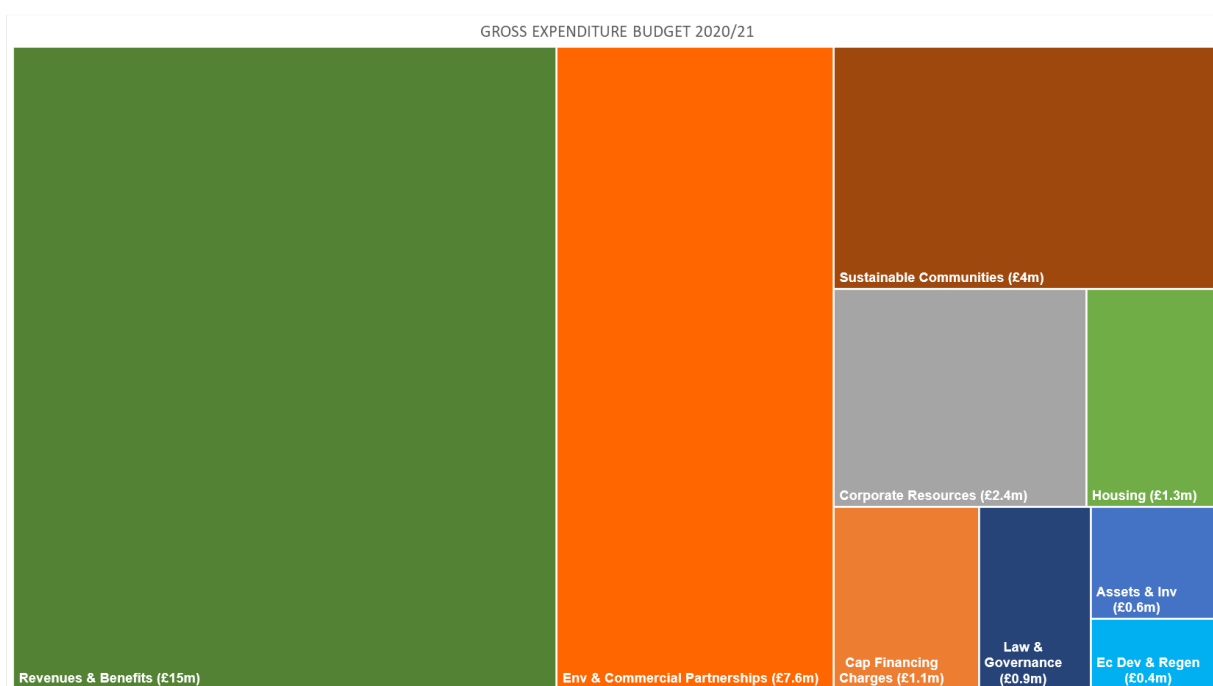
The Council's 2020/21 gross expenditure is £33.3m and Income is £23.4m giving a net cost of service of £9.9m. Table 10 below shows how this is funded.

Table 10: Revenue Budget 2020/21

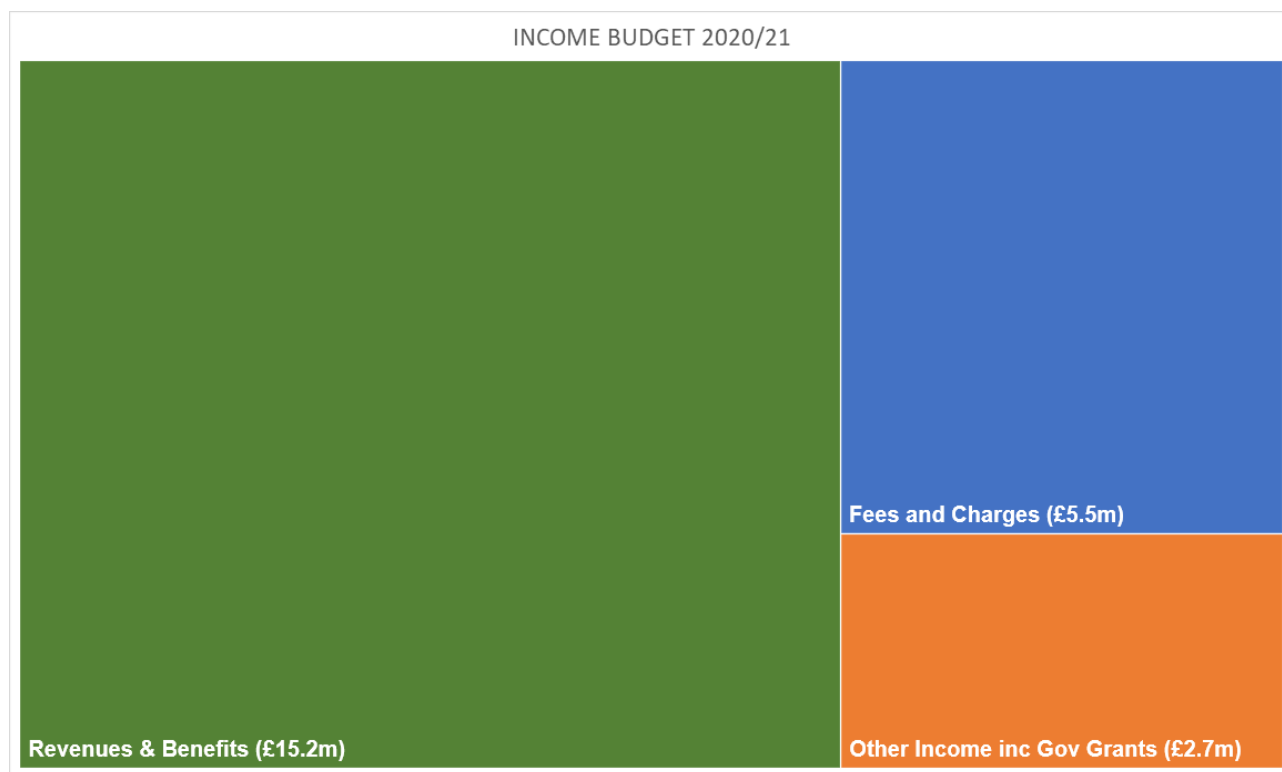
	£,000
Gross Expenditure	33,301
Income	(23,332)
Net expenditure 2020/21	9,969
Funded by:	
Earmarked Reserves	(278)
New Homes Bonus	(1,055)
S31 Grant	(1,577)
Business Rates	(1,760)
Collection Funds (Surplus)	(9)
Rural Services Delivery Grant	(227)
Council Tax	(5,774)
Total Funding	(10,680)
Total surplus transferred to reserves	(711)

- 9.2 Graph 6 below shows how the £33.3m gross expenditure is allocated across the services and Graph 7 below shows the breakdown of the £23.4m income. The funding element is not shown in these graphs.

Graph 6 Gross Expenditure by service area in 2020/21



Graph 7 Income by service area in 2020/21



9.3 The Revenues and Benefits element (£15m) in both the expenditure and the income charts above includes housing benefit paid out to claimants and reimbursed from the Government.

Fees and charges

9.4 Fees and charges have been reviewed by budget holders as part of this budget setting process and a summary of fees and charges for 2019/20 and 2020/21 is attached at Appendix E.

9.5 A further benchmarking exercise will be undertaken during 2020/21 to review the Council's levels of fees and charges.

10. CAPITAL PROGRAMME

10.1 The detailed Capital Programme is attached at Appendix B, the planned spend for 2020/21 is £11.4m. The main areas are £1m on Housing Grants, £8.7m investment in CIFCO, and the continuation of the refurbishment of the Leisure Centres £1m.

10.2 The Capital and Investment Strategy will have further details of the Council's borrowing capacity and the impacts of the capital programme. This was reviewed by Joint Audit and Standards Committee on 27 January 2020 and considered by Cabinet on 11 February 2020.

11. EMPTY PROPERTY DISCOUNT

- 11.1 The Local Government Finance Act 2012 introduced discretion for Councils to vary the Council Tax discounts for certain categories of empty properties, whilst maintaining a range of mandatory discounts and exemptions
- 11.2 The discretion allows the Council to vary the exemption and replace it with a local discount where:
- a property becomes unoccupied and is left substantially unfurnished (6-month exemption) (Class C discount); or
 - a property is vacant, and it requires or is undergoing major repair works to render it habitable; it is undergoing structural alteration; or less than 6 months have elapsed since the date on which such work was substantially completed (12-month exemption)(Class D discount).
- 11.3 The Council used this discretion from 2013 to introduce a discount of 100% for the first 4 weeks from the date the property became unoccupied and unfurnished and a 25% discount for 12 months for properties that are uninhabitable. The discount for properties that are unoccupied and unfurnished was amended further in 2014 to a 25% discount for a period of 3 months.
- 11.4 The discount was originally introduced in order to minimise the impact of the reduction in funding from the Government in respect of Council Tax Reduction i.e. generating an income from empty properties would mitigate the need for working age recipients in receipt of a Council Tax Reduction to pay a larger proportion of the Council Tax. It was also hoped that it would add a financial incentive to encourage empty homeowners to bring their properties back into use.
- 11.5 The 2014 change was made purely to address some unintended administrative issues with the 2013 discount, namely an increase in landlord and tenant disputes.
- 11.6 When the original discount was introduced the average void period was around 43 days. This has now reduced to 30 days for Babergh.
- 11.7 The Council is liable to pay Council Tax on unoccupied/unfurnished properties that they own. The cost of this falls on the Housing Revenue Account (HRA).

Proposal

- 11.8 Reduce the discount period from 3 months to 28 days but keep the level of discount to 25% awarded to properties that are unoccupied and unfurnished (Class C discount). Full Council Tax would be payable after the 28-day discount has expired. The uninhabitable discount would remain unchanged at 25% discount for 12 months.
- 11.9 This would continue to incentivise occupation of the property and increase the level of Council Tax raised.
- 11.10 In considering whether a dwelling has been unoccupied and unfurnished for any one period, any periods not exceeding six weeks occupied and furnished shall be disregarded.

11.11 For 2018 £608,445 was raised from charging Council Tax on properties that have been unoccupied and unfurnished for more than 3 months. The Council's share is 10% of this amount and 97.25% was collected in-year. If the discount had been restricted to 28 days, a further £53k would have been raised.

12. PAY POLICY STATEMENT

Requirements

12.1 The Councils are required to produce a Pay Policy Statement for each financial year under Section 38(1) of the Localism Act 2011. Should it be necessary to amend this 2020/21 Statement during the year that it applies, an appropriate resolution will be made to Full Council.

12.2 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.

12.3 The Localism Act 2011 and supporting guidance provides 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 must be published on the Councils websites, and when setting the terms and conditions of those in Chief Officer posts the policy must be complied with.

12.4 In the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees, but at the same time needs to avoid being unnecessarily generous.

12.5 The Pay Policy Statement must include a policy on:

- Level and elements of remuneration for each chief officer (for the Councils this is defined as Chief Executive, Strategic Directors and Assistant Directors)
- The remuneration of the Councils' lowest paid employees
- The relationship between the remuneration of the Councils' chief officers and other officers
- Other specific aspects of chief officers' remuneration, use of performance related pay and bonuses, termination payments and transparency

Remuneration of Employees Who Are Not Chief Officers

12.6 For employees subject to the National Agreement on Pay and Conditions of Service of the National Joint Councils 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.

12.7 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 pay awards by the National Joint Council (NJC) for Local Government Services.

In addition, the Councils review all pay levels every April to determine who is eligible for incremental progression.

12.8 There is also a group of staff on the 'National Agreement on Pay and Conditions of Services 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 £28,398 per annum.

12.9 For the purposes 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 31st March 2019 the full time equivalent (FTE) annual value of the lowest increment used within Grade 1 is £17,364. This rate exceeds the National Minimum Wage and the Living Wage set by the Living Wage Foundation. Following a review during 2019/20, apprentices are now paid £9 per hour, which is significantly better than the National Minimum Wage rates for apprentices in order to attract and retain more apprentices.

Remuneration of Chief Officers

12.10 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)
- Strategic Directors x 2
- Assistant Directors x 8

12.11 The Chief Executive post was evaluated in 2016; the remaining posts were evaluated in 2011 using the Local Government Senior Managers' 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.

12.12 The value of the incremental points (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 Committees for Local Authorities.

12.13 Chief Executive

- The Chief Executive is the Councils' Head of Paid Service. As at 31 March 2020 the annual full time equivalent (FTE) salary range for the grade of this post is £115,588 to £134,503. There are five incremental points in the grade.
- 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, this is well within the recommended multiplier of no more than 12 x the lowest paid employee. The Chief Executives current salary is 7.2 x the FTE Grade 1.
- 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.

12.14 Strategic Directors and Assistant Directors

- The Strategic Directors report to the Chief Executive. The Assistant Directors report to the Strategic Directors. As at 31 March 2020 the annual FTE range for the Strategic Director grade is £79,971 to £94,213. There are five incremental points in the grade.
- It is the Councils' policy that the FTE salary range for Strategic Directors will normally be no greater than 7 x FTE salary range of a Grade 1 'Green Book' employee. The FTE salary for the Strategic Directors does not exceed this range.
- The Assistant Directors report to the Strategic Directors. As at 31 March 2020 the annual FTE salary range for the Assistant Director grade is £58,061 to £72,304. There are five incremental points in this grade.
- It is the Councils' policy that the FTE salary range for the Assistant Director posts will normally be no greater than 5 x the FTE salary range of a Grade 1 'Green Book' employee. The FTE salary for Assistant Directors does not exceed this range.
- The Councils' Monitoring Officer and Section 151 Officer are shared between both councils at Assistant Director grade. In addition, there is an allowance for the Councils' Monitoring Officer and Section 151 Office for undertaking a statutory officer role across two councils within the range of £7,975 and £11,697 per annum.

General Principles Applying to Remuneration of Chief Officers and Employees

12.15 Recruitment

- 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.

12.16 Pay Increases

- The value of pay increments within the grades may increase as a result of the Joint Negotiating Committee for Local Authorities negotiating pay rises. 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.

12.17 Termination of Office/Employment

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

- in circumstances that are relevant (e.g. redundancy)
- that is in accordance with council policies on how to exercise the various employer discretions provided by the Local Government Pension Scheme (LGPS), and/or
- that complies with the specific term(s) of a settlement agreement.

12.18 Additional Remuneration

- The Councils pay market supplements to some posts. A policy has been agreed to make sure that these are relevant, appropriate and regularly reviewed.
- The Councils do not pay honoraria awards.
- The Councils pay Essential and Casual Car User allowances in accordance with agreed policy. The payment of Essential Car User allowances is currently being reviewed for new posts, new appointments and during restructures. 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 (i.e. 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.
- Subsistence allowances that are paid will be determined locally.
- Chief Officers are not paid a bonus or any other performance-related pay.

NJC Pay Agreement

12.19 The NJC pay agreement for 2018-20 was in two parts – in 2018 it was a straightforward pay award. However, from April 2019 the national pay spine has been changed with some increments being merged, and new ones added. The aim of this was to even out the steps between increments.

12.20 The Councils considered how they would implement the new pay spine, and there were a number of options, but all would have involved a significant change to existing grades. The Councils consulted with UNISON and agreed that for 2019 assimilation to the new pay spine would only be to the spinal column points that align with our existing grades (not all new spinal column points would be used). This would minimise disruption, whilst still ensuring that all employees received their pay rise. This will continue into 2020/21 until a more detailed review of pay can take place.

Gender Pay Gap

12.21 Under the Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017, the Councils are required to report on their gender pay gap. The report based on data as at 31st March 2019 has been prepared, and this, with accompanying narrative, will be published on both the Councils' websites under the transparency requirements.

12.22 As the two Councils are sovereign bodies, a report must be published for each Council, but the combined data is more relevant due to the workforce being fully integrated. This report does not have to be approved by Council, but when published will be available using the link www.babergh.gov.uk/the-council/your-right-to-information/transparency-agenda/

13. LINKS TO THE CORPORATE PLAN

13.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan. Specific links are to financially sustainable Councils, managing our corporate assets effectively, and property investment to generate income.

14. FINANCIAL IMPLICATIONS

14.1 These are detailed in the report.

15. LEGAL IMPLICATIONS

15.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) requires the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151).

15.2 Under Section 38 (1) of the Localism Act councils are required to produce an annual Pay Policy Statement that is approved by Council and published.

16. RISK MANAGEMENT

16.1 This report is most closely linked with the Council's Significant Risk No. 13 – We may be unable to respond in a timely and effective way to financial demands and also Corporate Risk No. SE05 – if the Finance Strategy is not in place with a balanced position over the medium term the Councils will not be able to deliver the core objectives and service delivery may be at risk of not being delivered. Other key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Council does not plan and identify options to meet the medium-term budget gap, then it will have a detrimental impact on the resources available to deliver services and the strategic priorities.	Unlikely - 2	Bad - 3	Clear priority outcomes and robust business cases for investment plus use of the Growth and Efficiency Fund to support the MTFS and an Investment Strategy. The S151 Officer has submitted the Section 25 report on the robustness of estimates and adequacy of reserves.

Risk Description	Likelihood	Impact	Mitigation Measures
If economic conditions and other external factors are worse than budgeted for it could have an adverse effect on the Councils future medium-term financial position	Probable – 3	Noticeable - 2	Maintain the focus and momentum on reducing the budget gap throughout the financial year.
If the pay policy legal framework is not complied with, then it could make any appointments null and void.	Unlikely - 2	Bad - 3	Formal approval required and through annual reviews.
If the pay policy is not applied fairly to all staff, then this could lead to equal pay claims.	Unlikely - 2	Bad - 3	HR involvement to ensure that policy is applied equally.

17. CONSULTATIONS

17.1 Consultations have taken place with Assistant Directors, Corporate Managers and other Budget Managers as appropriate.

17.2 The trade unions have been informed of the contents of the pay policy, but as there are no significant changes there is no requirement to consult.

18. EQUALITY ANALYSIS

18.1 An Equality Impact Assessment (EIA) has been undertaken with each Assistant Director for any changes within the budget proposals.

18.2 An EIA is not required for the pay policy as it is substantively the same as in previous years. An EIA will be carried out on any new pay and reward policy or process that is proposed.

18.3 The publication of the pay policy statement supports the Council in delivering its equality duty and links closely with the duty to publish workforce data such as the gender pay gap.

19. ENVIRONMENTAL IMPLICATIONS

19.1 Assistant Directors, Corporate Managers and other Budget Managers will consider the environmental impact of any savings proposals and throughout the year as they manage their budgets.

20. APPENDICES

Title	Location
Appendix A – General Fund Budget Summary 2020/21	Attached
Appendix B – Capital Programme	Attached
Appendix C - Budget, Funding and Council Tax Requirements and Robustness of Estimates and Adequacy of Reserves	Attached
Appendix D - Budget Book 2020/21	Attached
Appendix E - Fees and Charges Schedule	Attached

21. BACKGROUND DOCUMENTS

Final Local Government Finance Settlement

General Fund Financial Monitoring 2019/20 – April to September CAB/129

General Fund Budget 2020/21 and Four-Year Outlook – January Cabinet BCa/19/30

General Fund Budget 2020/21 and Four-Year Outlook – February Cabinet BCa/19/34

GENERAL FUND BUDGET SUMMARY 2020/21

GENERAL FUND REVENUE BUDGET SUMMARY

	2019/20 £'000	2020/21 £'000	Movement £'000
1 Employee Costs	7,440	7,758	318
2 Premises	894	1,085	191
3 Supplies & Services	4,286	4,391	104
4 Transport	208	144	(64)
5 Contracts	4,455	4,581	126
6 Third Party Payments	15,523	14,676	(847)
7 Income	(21,309)	(21,014)	294
9 Charge to HRA	(1,128)	(1,200)	(71)
10 Charge to Capital	(4)	(4)	(0)
11 Transfers to Reserves	217	25	(192)
<u>Capital Financing Charges</u>			
12 Debt Management Costs	39	-	(39)
13 Interest Payable (Pooled Funds)	13	30	17
14 Interest Payable (CIFCO)	452	596	144
15 Interest Payable (CIFCO - further investment)	89	106	17
16 MRP	1,048	1,136	88
<u>Investment Income</u>			
17 Pooled Funds	(463)	(569)	(106)
18 Interest Receivable (Cash Surplus)	(19)	(15)	4
19 Interest Receivable (CIFCO)	(1,238)	(1,162)	76
20 Interest Receivable (CIFCO - further investment)	(307)	(594)	(287)
21 Net Service Cost	10,196	9,969	(227)
22 Transfers from Reserves - earmarked	(615)	(278)	336
23 New Homes Bonus	(683)	(1,055)	(371)
24 S31 Business Rates Grant - to balance the budget	(1,107)	(1,577)	(470)
25 Baseline business rates	(2,104)	(1,880)	225
26 Business rates levy	495	527	33
27 Business rates – growth/pooling benefit	(283)	(323)	(40)
28 Business rates – collection fund deficit / (surplus)	(197)	(85)	112
29 Rural Services Delivery Grant	(227)	(227)	-
30 Council Tax	(5,466)	(5,774)	(308)
31 Surplus on Council Tax Collection fund	(9)	(9)	-
32 Total Funding	(10,196)	(10,680)	(484)
33 Shortfall / (Surplus) funding	-	(711)	(711)
34 Transfer to Transformation Fund	-	711	711
Council Tax Base	33,359	34,196	837
Council Tax for Band D Property	£163.86	£168.86	£5.00
Council Tax £'000	5,466	5,774	308

CAPITAL PROGRAMME 2020/21 TO 2023/24

BABERGH CAPITAL PROGRAMME 2020/21 - 2023/24 GENERAL FUND		Anticipated c/f from 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL BUDGET (over 4 years) £'000	Government Grants £'000	Borrowing £'000	Total Financing £'000
Housing										
Mandatory Disabled Facilities Grant		517	760	409	409	409	1,987	1,987		1,987
Discretionary Housing Grants			100	100	100	100	400		400	400
Empty Homes Grant			100	100	100	100	400		400	400
Total Housing		517	960	609	609	609	2,787	1,987	800	2,787
Environment and Projects										
Replacement Refuse Freighters - Joint Scheme			298		2,010		2,308		2,308	2,308
Recycling Bins			65	75	75	75	290		290	290
Total Environment and Projects		-	363	75	2,085	75	2,598	-	2,598	2,598
Communities and Public Access										
Community Development Grants		130	117	117	117	117	468		468	468
Play Equipment			50	50	50	50	200		200	200
Planned Maintenance / Enhancements - Car Parks		25	50	50	50	50	200		200	200
Total Community Services		155	217	217	217	217	868	-	868	868
Total Leisure Contracts		1,194	978	150	150	150	1,428	-	1,428	1,428
Investment and Commercial Delivery										
Belle Vue		3,800		2,500			2,500		2,500	2,500
Strategic Investment Fund		3,000					-		-	-
Former BDC Offices (Hadleigh)		582		2,597			2,597		2,597	2,597
Borehamgate			64				64		64	64
CIFCO - further investment		1,334	8,666	3,834			12,500		12,500	12,500
Other Corporate Buildings			36	44	44	44	168		168	168
Total Investment and Commercial Delivery		8,716	8,766	8,975	44	44	17,829	-	17,829	17,829
ICT & Customer										
ICT - Hardware / Software costs			200	200	200	200	800		800	800
Total Corporate Resources		-	200	200	200	200	800	-	800	800
Total General Fund Capital Spend		10,582	11,485	10,226	3,305	1,295	26,311	1,987	24,323	26,311

APPENDIX C

Budget and Council Tax Resolutions 2020/21

Summary of Budget 2020/21

	2020/21 Budget Requirement £	2020/21 Council Tax at Band D £	2019/20 Budget Requirement £
Babergh District Council			
General Fund Budget Requirement - District Council Purposes	7,995,210	233.80	7,791,240
Parish/Town Council Precepts (net of Council Tax Support Scheme grant)	2,906,119	84.98	2,736,480
	10,901,329	318.78	10,527,720
Settlement Funding from Government	(1,900,310)	(55.56)	(1,892,220)
Rural Services Delivery Grant	(226,760)	(6.63)	(226,760)
Business Rates Collection Fund (Surplus) / Deficit	(84,700)	(2.48)	(197,000)
Council Tax Collection Fund Surplus	(9,070)	(0.27)	(9,070)
Babergh's basic amount under section 33 of the 1992 Local Government Act	8,680,489	253.84	8,202,670
LESS Parish/Town Council Precepts	(2,906,119)	(84.98)	(2,736,480)
Basic amount under s.34 of the 1992 Act for dwellings to which no special items relate	5,774,370	168.86	5,466,190
Suffolk County Council Precept Requirement	45,946,397	1,343.61	43,104,010
Suffolk Police and Crime Commissioner's Requirement	7,617,210	222.75	7,099,437
Basic amount for areas where there are no special items.	59,337,977	1,735.22	55,669,637

Council Tax Resolution 2020/21

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 34,196.23 and,
 - b) for dwellings in those parts of its area to which a Parish precept relates as further in Appendix C.
3. The council tax requirement for the Council's own purposes for 2020/21 (excluding Parish precepts) is £5,774,370.
4. That the following amounts be calculated for the year 2020/21 in accordance with Sections 31 to 36 of the Act:

a)	51,096,479	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)	(42,415,990)	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)	8,680,489	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)	253.84	Being the amount at 4(c) above (item R) all divided by item T (2(a) 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)	2,906,119	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per Appendix C)
f)	168.86	Being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by item T (2(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 C as the amounts of council tax for 2020/21 for each part of its area and for each of the categories of dwellings.

APPENDIX C

7. Since the Cabinet meeting Committee on 11 February 2020, the precept levels of other precepting bodies have been received. These are detailed below;

a) Suffolk County Council

Suffolk County Council met on 13 February 2020 and set their precept at £45,946,397, this includes an adjustment for the Collection Fund contribution of £115,330. This results in a Band D council tax of £1,343.61.

b) Suffolk Police and Crime Commissioner

The Police and Crime Commissioner has set their precept at £7,617,210, adjusted by a Collection Fund contribution of £18,990. This results in a Band D council tax of £222.75.

c) Babergh District Council

The General Fund council tax requirement for Babergh District Council is based on an increase in council tax from £163.86 to £168.86 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 Babergh District Council results in a Band D council tax of £1,735.22.

	Suffolk County Council	Police and Crime Commissioner	Babergh District Council	Aggregated Council Tax requirement
Valuation Bands	£	£	£	£
A	895.74	148.50	112.57	1,156.81
B	1,045.03	173.25	131.34	1,349.62
C	1,194.32	198.00	150.10	1,542.42
D	1,343.61	222.75	168.86	1,735.22
E	1,642.19	272.25	206.38	2,120.82
F	1,940.77	321.75	243.91	2,506.43
G	2,239.35	371.25	281.43	2,892.03
H	2,687.22	445.50	337.72	3,470.44

8. The Town and Parish Council Precepts for 2020/21 are detailed further in Appendix C and total £2,906,119. The increase in the average Band D for Town and Parish Councils is 2.72% and results in an average Band D council tax figure of £84.98 for 2020/21.

Council Taxbase for Parishes and District – 2020/21

Parish	COUNCIL TAX BASE		% Change	Parish	COUNCIL TAX BASE		% Change
	19/20	20/21			19/20	20/21	
Acton	637.97	632.80	-0.82%	Holton St Mary	102.57	107.40	4.50%
Aldham	82.81	86.24	3.98%	Kersey	178.23	182.02	2.08%
Alpheton	109.29	107.72	-1.46%	Kettlebaston	39.25	38.46	-2.05%
Erwarton	54.71	53.17	-2.90%	Lavenham	893.15	907.67	1.60%
Assington	204.29	216.32	5.56%	Lawshall	368.51	398.51	7.53%
Belstead	96.78	103.85	6.81%	Layham	248.66	250.40	0.69%
Bentley	327.39	341.42	4.11%	Leavenheath	587.90	589.73	0.31%
Bildeston	374.28	386.17	3.08%	Lindsey	84.10	87.09	3.43%
Boxford	540.17	541.93	0.32%	Little Cornard	138.31	143.19	3.41%
Boxted	51.49	50.39	-2.18%	Little Waldingfield	153.13	154.75	1.05%
Brantham	873.82	902.14	3.14%	Little Wenham	19.54	18.46	-5.85%
Brent Eleigh	83.12	81.95	-1.43%	Long Melford	1,527.68	1,564.45	2.35%
Brettenham	126.12	128.61	1.94%	Milden	57.11	57.90	1.36%
Bures St Mary	403.29	406.43	0.77%	Monks Eleigh	246.08	258.53	4.82%
Burstall	97.46	98.72	1.28%	Nayland with Wissington	530.73	525.28	-1.04%
Capel St Mary	1,135.22	1,201.17	5.49%	Nedging with Naughton	172.07	182.38	5.65%
Chattisham	86.21	86.29	0.09%	Newton	209.34	219.71	4.72%
Chelmondiston	398.65	409.95	2.76%	Pinewood	1,430.74	1,445.72	1.04%
Chelworth	88.88	87.73	-1.31%	Polstead	389.33	387.83	-0.39%
Chilton	150.43	155.48	3.25%	Preston St Mary	99.89	100.89	0.99%
Cockfield	388.49	421.03	7.73%	Raydon	208.08	224.16	7.17%
Copdock & Washbrook	429.19	448.30	4.26%	Semer	66.58	67.13	0.82%
East Bergholt	1,148.18	1,148.91	0.06%	Shelley	30.88	33.77	8.56%
Edwardstone	163.48	163.90	0.26%	Shimpling	185.40	189.08	1.95%
Elmsett	329.66	335.03	1.60%	Shotley	732.44	754.63	2.94%
Freston	53.82	55.55	3.11%	Somerton	39.97	39.95	-0.05%
Glemsford	1,252.80	1,267.40	1.15%	Sproughton	557.31	608.41	8.40%
Great Cornard	2,765.43	2,875.71	3.83%	Stanstead	154.59	159.83	3.28%
Great Waldingfield	621.05	613.42	-1.24%	Stoke by Nayland	294.78	297.11	0.78%
Great Wenham	52.87	55.03	3.93%	Stratford St Mary	323.33	324.24	0.28%
Groton	129.82	132.25	1.84%	Stutton	333.41	346.89	3.89%
Hadleigh	2,904.76	2,992.03	2.92%	Sudbury	4,377.65	4,470.46	2.08%
Harkstead	115.75	118.94	2.68%	Tattingstone	226.71	225.40	-0.58%
Hartest	228.55	236.59	3.40%	Thorpe Morieux	115.98	123.38	6.00%
Higham	75.84	74.85	-1.32%	Wattisham	44.57	46.78	4.72%
Hintlesham	252.96	263.00	3.82%	Whatfield	143.25	139.99	-2.33%
Hitcham	299.33	303.02	1.22%	Wherstead	114.03	117.83	3.22%
Holbrook	697.25	717.05	2.76%	Woolverstone	101.99	106.33	4.08%
					33,358.88	34,196.23	2.45%

Precepts and Council Tax Band D for Parishes

Parish	2019/20 Parish Precept	Tax Base	Council Tax Band D	2020/21 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Acton	45,000.00	637.97	70.54	45,000.00	632.80	71.11	0.58
Aldham	1,250.00	82.81	15.09	1,272.00	86.24	14.75	-0.35
Alpheton	3,309.00	109.29	30.28	3,755.00	107.72	34.86	4.58
Erwarton	-	54.71	-	-	53.17	-	0.00
Assington	9,500.00	204.29	46.50	10,000.00	216.32	46.23	-0.27
Belstead	7,000.00	96.78	72.33	7,000.00	103.85	67.40	-4.92
Bentley	14,500.00	327.39	44.29	14,500.00	341.42	42.47	-1.82
Bildeston	23,500.00	374.28	62.79	25,400.00	386.17	65.77	2.99
Boxford	38,020.00	540.17	70.39	38,869.00	541.93	71.72	1.34
Boxted	400.00	51.49	7.77	400.00	50.39	7.94	0.17
Brantham	46,863.00	873.82	53.63	49,346.00	902.14	54.70	1.07
Brent Eleigh	2,250.00	83.12	27.07	2,295.00	81.95	28.00	0.94
Brettenham	4,544.00	126.12	36.03	4,599.00	128.61	35.76	-0.27
Bures St Mary	28,435.00	403.29	70.51	30,435.00	406.43	74.88	4.38
Burstall	4,729.00	97.46	48.52	4,824.00	98.72	48.87	0.34
Capel St Mary	90,208.00	1,135.22	79.46	95,472.00	1,201.17	79.48	0.02
Chattisham	2,046.14	86.21	23.73	2,048.05	86.29	23.73	0.00
Chelmondiston	25,368.00	398.65	63.63	26,829.00	409.95	65.44	1.81
Chelsworth	900.00	88.88	10.13	900.00	87.73	10.26	0.13
Chilton	10,000.00	150.43	66.48	10,000.00	155.48	64.32	-2.16
Cockfield	43,436.00	388.49	111.81	47,075.00	421.03	111.81	0.00
Copdock & Washbrook	26,435.00	429.19	61.59	27,756.00	448.30	61.91	0.32
East Bergholt	145,000.00	1,148.18	126.29	163,000.00	1,148.91	141.87	15.59
Edwardstone	5,823.00	163.48	35.62	5,938.00	163.90	36.23	0.61
Elmsett	10,400.00	329.66	31.55	10,400.00	335.03	31.04	-0.51
Freston	1,000.00	53.82	18.58	2,500.00	55.55	45.00	26.42
Glemsford	95,694.00	1,252.80	76.38	97,512.00	1,267.40	76.94	0.55
Great Cornard	221,815.00	2,765.43	80.21	235,262.00	2,875.71	81.81	1.60
Great Waldingfield	46,500.00	621.05	74.87	46,500.00	613.42	75.80	0.93
Great Wenham	-	52.87	-	-	55.03	-	0.00
Groton	4,290.00	129.82	33.05	4,375.00	132.25	33.08	0.04
Hadleigh	321,876.00	2,904.76	110.81	337,969.80	2,992.03	112.96	2.15
Harkstead	2,500.00	115.75	21.60	2,500.00	118.94	21.02	-0.58
Hartest	11,696.39	228.55	51.18	12,047.28	236.59	50.92	-0.26
Higham	-	75.84	-	-	74.85	-	0.00
Hintlesham	6,003.86	252.96	23.73	6,242.15	263.00	23.73	-0.00
Hitcham	7,500.00	299.33	25.06	7,500.00	303.02	24.75	-0.31
Holbrook	28,250.00	697.25	40.52	30,000.00	717.05	41.84	1.32
Holton St Mary	6,830.31	102.57	66.59	8,175.00	107.40	76.12	9.53

Precepts and Council Tax Band D for Parishes

Parish	2019/20 Parish Precept	Tax Base	Council Tax Band D	2020/21 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Kersey	7,990.00	178.23	44.83	8,716.00	182.02	47.88	3.06
Kettlebaston	2,662.00	39.25	67.82	2,662.00	38.46	69.21	1.39
Lavenham	75,000.00	893.15	83.97	80,000.00	907.67	88.14	4.17
Lawshall	8,331.00	368.51	22.61	8,581.00	398.51	21.53	-1.07
Layham	11,000.00	248.66	44.24	11,000.00	250.40	43.93	-0.31
Leavenheath	19,430.00	587.90	33.05	19,490.00	589.73	33.05	-0.00
Lindsey	4,111.00	84.10	48.88	4,342.00	87.09	49.86	0.97
Little Cornard	6,000.00	138.31	43.38	6,212.00	143.19	43.38	0.00
Little Waldingfield	8,415.00	153.13	54.95	8,668.00	154.75	56.01	1.06
Little Wenham	-	19.54	-	-	18.46	-	0.00
Long Melford	138,132.00	1,527.68	90.42	145,000.00	1,564.45	92.68	2.26
Milden	925.29	57.11	16.20	943.79	57.90	16.30	0.10
Monks Eleigh	17,736.00	246.08	72.07	19,000.00	258.53	73.49	1.42
Nayland with Wissington	35,822.00	530.73	67.50	39,000.00	525.28	74.25	6.75
Nedging with Naughton	4,965.00	172.07	28.85	5,380.00	182.38	29.50	0.64
Newton	10,258.00	209.34	49.00	10,258.00	219.71	46.69	-2.31
Pinewood	160,573.10	1,430.74	112.23	168,109.72	1,445.72	116.28	4.05
Polstead	18,668.00	389.33	47.95	18,596.00	387.83	47.95	-0.00
Preston St Mary	5,363.00	99.89	53.69	5,669.00	100.89	56.19	2.50
Raydon	15,400.00	208.08	74.01	15,400.00	224.16	68.70	-5.31
Semer	3,500.00	66.58	52.57	3,500.00	67.13	52.14	-0.43
Shelley	-	30.88	-	-	33.77	-	0.00
Shimpling	9,519.00	185.40	51.34	9,743.00	189.08	51.53	0.19
Shotley	60,300.00	732.44	82.33	63,991.00	754.63	84.80	2.47
Somerton	440.00	39.97	11.01	490.00	39.95	12.27	1.26
Sproughton	49,732.90	557.31	89.24	53,900.00	608.41	88.59	-0.65
Stanstead	8,744.00	154.59	56.56	8,714.00	159.83	54.52	-2.04
Stoke by Nayland	12,823.00	294.78	43.50	13,300.00	297.11	44.76	1.26
Stratford St Mary	15,800.00	323.33	48.87	16,100.00	324.24	49.65	0.79
Stutton	11,120.00	333.41	33.35	11,130.00	346.89	32.09	-1.27
Sudbury	670,100.00	4,377.65	153.07	704,100.00	4,470.46	157.50	4.43
Tattingstone	12,000.00	226.71	52.93	12,420.00	225.40	55.10	2.17
Thorpe Morieux	2,096.00	115.98	18.07	3,455.00	123.38	28.00	9.93
Wattisham	1,500.00	44.57	33.65	1,750.00	46.78	37.41	3.75
Whatfield	3,231.00	143.25	22.55	3,231.00	139.99	23.08	0.53
Wherstead	2,650.00	114.03	23.24	2,800.00	117.83	23.76	0.52
Woolverstone	2,771.00	101.99	27.17	2,771.00	106.33	26.06	-1.11
Total	2,759,979.99	33,358.88	82.74	2,906,118.79	34,196.23	84.98	2.25

Precept for each banding by Parish

	Valuation Bands (£)							
	A	B	C	D	E	F	G	H
Babergh District Council	112.57	131.34	150.10	168.86	206.38	243.91	281.43	337.72
Suffolk County Council	895.74	1,045.03	1,194.32	1,343.61	1,642.19	1,940.77	2,239.35	2,687.22
Police and Crime Commissioner	148.50	173.25	198.00	222.75	272.25	321.75	371.25	445.50
Aggregate of Council Tax Requirements	1,156.81	1,349.62	1,542.42	1,735.22	2,120.82	2,506.43	2,892.03	3,470.44
Parish	Total Amount of Council Tax for 2020/21							
	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	1,204.22	1,404.92	1,605.63	1,806.33	2,207.74	2,609.14	3,010.55	3,612.66
Aldham	1,166.65	1,361.09	1,555.53	1,749.97	2,138.85	2,527.73	2,916.62	3,499.94
Alpheton	1,180.05	1,376.73	1,573.40	1,770.08	2,163.43	2,556.78	2,950.13	3,540.16
Erwarton	1,156.81	1,349.62	1,542.42	1,735.22	2,120.82	2,506.43	2,892.03	3,470.44
Assington	1,187.63	1,385.57	1,583.51	1,781.45	2,177.33	2,573.21	2,969.08	3,562.90
Belstead	1,201.75	1,402.04	1,602.33	1,802.62	2,203.20	2,603.78	3,004.37	3,605.24
Bentley	1,185.13	1,382.65	1,580.17	1,777.69	2,172.73	2,567.77	2,962.82	3,555.38
Bildeston	1,200.66	1,400.77	1,600.88	1,800.99	2,201.21	2,601.43	3,001.65	3,601.98
Boxford	1,204.63	1,405.40	1,606.17	1,806.94	2,208.48	2,610.02	3,011.57	3,613.88
Boxted	1,162.11	1,355.79	1,549.48	1,743.16	2,130.53	2,517.90	2,905.27	3,486.32
Brantham	1,193.28	1,392.16	1,591.04	1,789.92	2,187.68	2,585.44	2,983.20	3,579.84
Brent Eleigh	1,175.48	1,371.39	1,567.31	1,763.22	2,155.05	2,546.87	2,938.70	3,526.44
Brettenham	1,180.65	1,377.43	1,574.20	1,770.98	2,164.53	2,558.08	2,951.63	3,541.96
Bures St Mary	1,206.73	1,407.86	1,608.98	1,810.10	2,212.34	2,614.59	3,016.83	3,620.20
Burstall	1,189.39	1,387.63	1,585.86	1,784.09	2,180.55	2,577.02	2,973.48	3,568.18
Capel St Mary	1,209.80	1,411.43	1,613.07	1,814.70	2,217.97	2,621.23	3,024.50	3,629.40
Chattisham	1,172.63	1,368.07	1,563.51	1,758.95	2,149.83	2,540.71	2,931.58	3,517.90
Chelmondiston	1,200.44	1,400.51	1,600.59	1,800.66	2,200.81	2,600.95	3,001.10	3,601.32
Chelsworth	1,163.65	1,357.60	1,551.54	1,745.48	2,133.36	2,521.25	2,909.13	3,490.96
Chilton	1,199.69	1,399.64	1,599.59	1,799.54	2,199.44	2,599.34	2,999.23	3,599.08
Cockfield	1,231.35	1,436.58	1,641.80	1,847.03	2,257.48	2,667.93	3,078.38	3,694.06
Copdock & Washbrook	1,198.09	1,397.77	1,597.45	1,797.13	2,196.49	2,595.85	2,995.22	3,594.26
East Bergholt	1,251.39	1,459.96	1,668.52	1,877.09	2,294.22	2,711.35	3,128.48	3,754.18
Edwardstone	1,180.97	1,377.79	1,574.62	1,771.45	2,165.11	2,558.76	2,952.42	3,542.90
Elmsett	1,177.51	1,373.76	1,570.01	1,766.26	2,158.76	2,551.26	2,943.77	3,532.52
Freston	1,186.81	1,384.62	1,582.42	1,780.22	2,175.82	2,571.43	2,967.03	3,560.44
Glemsford	1,208.11	1,409.46	1,610.81	1,812.16	2,214.86	2,617.56	3,020.27	3,624.32
Great Cornard	1,211.35	1,413.25	1,615.14	1,817.03	2,220.81	2,624.60	3,028.38	3,634.06
Great Waldingfield	1,207.35	1,408.57	1,609.80	1,811.02	2,213.47	2,615.92	3,018.37	3,622.04
Great Wenham	1,156.81	1,349.62	1,542.42	1,735.22	2,120.82	2,506.43	2,892.03	3,470.44
Groton	1,178.87	1,375.34	1,571.82	1,768.30	2,161.26	2,554.21	2,947.17	3,536.60
Hadleigh	1,232.12	1,437.47	1,642.83	1,848.18	2,258.89	2,669.59	3,080.30	3,696.36
Harkstead	1,170.83	1,365.96	1,561.10	1,756.24	2,146.52	2,536.79	2,927.07	3,512.48
Hartest	1,190.76	1,389.22	1,587.68	1,786.14	2,183.06	2,579.98	2,976.90	3,572.28
Higham	1,156.81	1,349.62	1,542.42	1,735.22	2,120.82	2,506.43	2,892.03	3,470.44
Hintlesham	1,172.63	1,368.07	1,563.51	1,758.95	2,149.83	2,540.71	2,931.58	3,517.90
Hitcham	1,173.31	1,368.87	1,564.42	1,759.97	2,151.07	2,542.18	2,933.28	3,519.94
Holbrook	1,184.71	1,382.16	1,579.61	1,777.06	2,171.96	2,566.86	2,961.77	3,554.12

Precept for each banding by Parish

	Valuation Bands (£)							
	A	B	C	D	E	F	G	H
Babergh District Council	112.57	131.34	150.10	168.86	206.38	243.91	281.43	337.72
Suffolk County Council	895.74	1,045.03	1,194.32	1,343.61	1,642.19	1,940.77	2,239.35	2,687.22
Police and Crime Commissioner	148.50	173.25	198.00	222.75	272.25	321.75	371.25	445.50
Aggregate of Council Tax Requirements	1,156.81	1,349.62	1,542.42	1,735.22	2,120.82	2,506.43	2,892.03	3,470.44
Holton St Mary	1,207.56	1,408.82	1,610.08	1,811.34	2,213.86	2,616.38	3,018.90	3,622.68
Kersey	1,188.73	1,386.86	1,584.98	1,783.10	2,179.34	2,575.59	2,971.83	3,566.20
Kettlebaston	1,202.95	1,403.45	1,603.94	1,804.43	2,205.41	2,606.40	3,007.38	3,608.86
Lavenham	1,215.57	1,418.17	1,620.76	1,823.36	2,228.55	2,633.74	3,038.93	3,646.72
Lawshall	1,171.17	1,366.36	1,561.56	1,756.75	2,147.14	2,537.53	2,927.92	3,513.50
Layham	1,186.10	1,383.78	1,581.47	1,779.15	2,174.52	2,569.88	2,965.25	3,558.30
Leavenheath	1,178.85	1,375.32	1,571.80	1,768.27	2,161.22	2,554.17	2,947.12	3,536.54
Lindsey	1,190.05	1,388.40	1,586.74	1,785.08	2,181.76	2,578.45	2,975.13	3,570.16
Little Cornard	1,185.73	1,383.36	1,580.98	1,778.60	2,173.84	2,569.09	2,964.33	3,557.20
Little Waldingfield	1,194.15	1,393.18	1,592.20	1,791.23	2,189.28	2,587.33	2,985.38	3,582.46
Little Wenham	1,156.81	1,349.62	1,542.42	1,735.22	2,120.82	2,506.43	2,892.03	3,470.44
Long Melford	1,218.60	1,421.70	1,624.80	1,827.90	2,234.10	2,640.30	3,046.50	3,655.80
Milden	1,167.68	1,362.29	1,556.91	1,751.52	2,140.75	2,529.97	2,919.20	3,503.04
Monks Eleigh	1,205.81	1,406.77	1,607.74	1,808.71	2,210.65	2,612.58	3,014.52	3,617.42
Nayland with Wissington	1,206.31	1,407.37	1,608.42	1,809.47	2,211.57	2,613.68	3,015.78	3,618.94
Nedging with Naughton	1,176.48	1,372.56	1,568.64	1,764.72	2,156.88	2,549.04	2,941.20	3,529.44
Newton	1,187.94	1,385.93	1,583.92	1,781.91	2,177.89	2,573.87	2,969.85	3,563.82
Pinewood	1,234.33	1,440.06	1,645.78	1,851.50	2,262.94	2,674.39	3,085.83	3,703.00
Polstead	1,188.78	1,386.91	1,585.04	1,783.17	2,179.43	2,575.69	2,971.95	3,566.34
Preston St Mary	1,194.27	1,393.32	1,592.36	1,791.41	2,189.50	2,587.59	2,985.68	3,582.82
Raydon	1,202.61	1,403.05	1,603.48	1,803.92	2,204.79	2,605.66	3,006.53	3,607.84
Semer	1,191.57	1,390.17	1,588.76	1,787.36	2,184.55	2,581.74	2,978.93	3,574.72
Shelley	1,156.81	1,349.62	1,542.42	1,735.22	2,120.82	2,506.43	2,892.03	3,470.44
Shimpling	1,191.17	1,389.69	1,588.22	1,786.75	2,183.81	2,580.86	2,977.92	3,573.50
Shotley	1,213.35	1,415.57	1,617.80	1,820.02	2,224.47	2,628.92	3,033.37	3,640.04
Somerton	1,164.99	1,359.16	1,553.32	1,747.49	2,135.82	2,524.15	2,912.48	3,494.98
Sproughton	1,215.87	1,418.52	1,621.16	1,823.81	2,229.10	2,634.39	3,039.68	3,647.62
Stanstead	1,193.16	1,392.02	1,590.88	1,789.74	2,187.46	2,585.18	2,982.90	3,579.48
Stoke by Nayland	1,186.65	1,384.43	1,582.20	1,779.98	2,175.53	2,571.08	2,966.63	3,559.96
Stratford St Mary	1,189.91	1,388.23	1,586.55	1,784.87	2,181.51	2,578.15	2,974.78	3,569.74
Stutton	1,178.21	1,374.57	1,570.94	1,767.31	2,160.05	2,552.78	2,945.52	3,534.62
Sudbury	1,261.81	1,472.12	1,682.42	1,892.72	2,313.32	2,733.93	3,154.53	3,785.44
Tattingstone	1,193.55	1,392.47	1,591.40	1,790.32	2,188.17	2,586.02	2,983.87	3,580.64
Thorpe Morieux	1,175.48	1,371.39	1,567.31	1,763.22	2,155.05	2,546.87	2,938.70	3,526.44
Wattisham	1,181.75	1,378.71	1,575.67	1,772.63	2,166.55	2,560.47	2,954.38	3,545.26
Whatfield	1,172.20	1,367.57	1,562.93	1,758.30	2,149.03	2,539.77	2,930.50	3,516.60
Wherstead	1,172.65	1,368.10	1,563.54	1,758.98	2,149.86	2,540.75	2,931.63	3,517.96
Woolverstone	1,174.19	1,369.88	1,565.58	1,761.28	2,152.68	2,544.07	2,935.47	3,522.56

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 shown further down in Appendix C.
- 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 2020/21 will be £168.86, based on an increase to Council Tax of £5 per annum for a Band D property which is the equivalent to 3.05%.
 - 2) The County Council precept requirement is £1,343.61 for a Band D property in 2020/21, an increase of 3.98%.
 - 3) The Police and Crime Commissioner’s precept requirement is likely to be £222.75 an increase of 4.69%.
 - 4) At the time of preparing this report, not all Parish / Town Councils have supplied formal notification of their 2020/21 precept. The final figures will be reported to Council.
- 4) Babergh is a billing authority and collects council tax and non-domestic rates on behalf of the other precepting authorities i.e. Suffolk County Council, Suffolk Police and Crime Commissioner and Parish / Town Councils. The dates that monies collected are paid over to the County Council, and the Police and Crime Commissioner (“precept dates”) need to be formally agreed under Regulation 5(i) of the Local Authorities (Funds) (England) Regulations 1992.
- 5) Established practice is for payments to be made in 12 equal instalments on the 15th of each month or the next banking day if the 15th falls on a weekend or bank holiday. Accordingly, the precept dates applicable for 2020/21 are expected to be as follows:

15 April 2020	15 May 2020	15 June 2020	15 July 2020
17 August 2020	16 September 2020	15 October 2020	16 November 2020
15 December 2020	15 January 2021	15 February 2021	15 March 2021

Section 25 report on the robustness of estimates and adequacy of reserves**1. Background**

- 1.1 Section 25 of the Local Government Act 2003 requires Councils, when setting its annual General Fund budget and level of council tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This report fulfils that requirement for the setting of the budget and council tax for 2020/21.
- 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 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:
 - a) The role of the Chief Finance Officer
 - b) The effectiveness of financial controls
 - c) The effectiveness of budget planning and budget management
 - d) The adequacy of insurance and risk management
 - e) The mitigation of strategic financial risks
 - f) The Capital Programme

a) Role of the Chief Finance Officer

- 2.2 The statutory role of the Chief Finance Officer in relation to financial administration and stewardship of the Council, and its role in the organisation are both key to ensuring that financial discipline is maintained.
- 2.3 The statutory duties of the Chief Finance Officer are set out in the Financial Regulations which form part of the Council's Constitution. These include the requirement to report to council if there is an unbalanced budget (under Section 114 of the Local Government Act 1988).

2.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement requires that in order to meet best practice the CFO:

- a) is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- c) must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- d) must lead and direct a finance function that is resourced to be fit for purpose; and
- e) must be professionally qualified and suitably experienced.

2.5 In October 2019, CIPFA published The CIPFA Financial Management Code, set to be introduced in April 2020 and fully operational from April 2021. This code complements the Statement on the Role of the Chief Financial Officer, developing a set of financial management standards to be complied with. The standards emphasise how financial management is a collective responsibility of the Council's Corporate Leadership Team, acting alongside the CFO, stating that "it is for the leadership team to ensure that authority's governance arrangements and style of financial management promote financial sustainability. Although not yet adopted these standards have been considered in drafting this statement.

b) Financial Controls

2.5 In December 2019, CIPFA provided the Council's Section 151 Officer with analysis relating to Babergh District Council from its newly developed 'Resilience Index' tool, designed to support and improve discussions surrounding local authority financial resilience. The tool is based on a series of indicators relating to the sustainability of reserves, external debt, fees & charges and income from local taxation (business rates and council tax). The information is based on the latest available annual data and reserves measures. The following paragraphs describe how Babergh compares to its nearest neighbours, which are the councils that are statistically similar.

2.6 The tool shows that Babergh is higher risk on external debt and interest payable compared to its nearest neighbours. This reflects the fact that we had to take on a significant amount of debt in relation to our housing stock in 2012 and our strategy to borrow money to generate a return to the council e.g. CIPCO to replace reduced government funding. Based on this, I would expect Babergh to be higher than other authorities, but the decisions taken have been based on robust business cases and full consideration of the risks.

- 2.7 Babergh is higher risk in relation to its reserve levels. This is a known factor and one that will show some improvement with the budget proposals for 2020/21, but further work will need to be done over the medium-term to improve the Council's resilience in this area.
- 2.8 The other area that is shown as higher risk is the relatively low level of service expenditure that is covered by fees and charges income. Babergh's percentage is the lowest of its comparator group of authorities. A contributing factor to this is likely to be around car parking charges income.
- 2.9 Alongside the statutory role of the CFO the Council has in place a number of financial management policies and financial controls which are set out in the Financial Regulations.
- 2.10 Other safeguards which ensure that the Council does not over-commit financially include:
- a) the statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment;
 - b) the balanced budget requirement of the Local Government Finance Act 1992 (Sections 32, 43 and 93); and
 - c) the auditors' consideration of whether the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).
- 2.11 The Council conducts an annual review of the effectiveness of the system of internal control and reports on this in the "Annual Governance Statement".
- 2.12 The internal and external audit functions play a key role in ensuring that the Council's financial controls and governance arrangements are operating satisfactorily. This is backed up by the review processes of Cabinet and the Joint Audit and Standards Committee undertaking the role of the Council's Audit Committee.

c) Budget Planning and Budget Management

- 2.13 The financial planning process is Councillor-led as Cabinet decides the principles and policies that underpin budget planning. The Budget Report describes the strategy for 2020/21 and beyond.
- 2.14 Cost pressures and variations in key areas of income and expenditure have been carefully considered and reflected in the budget.
- 2.15 Key assumptions have been made and updated during the budget process to reflect the changing economic position and latest information.
- 2.16 Detailed scrutiny, review and challenge of budgets has been undertaken by finance officers and the Senior Leadership Team.

2.17 There has been an examination by the Overview and Scrutiny Committee in advance of the budget being approved. The recommendations made by the Committee are considered by Cabinet before the budget is presented to Council.

2.18 A key factor in effective budget management is the Council's regular monitoring of spending against budgets throughout the year and at year-end. Budget managers are required to update their forecasts during the year and these are subject to review by Cabinet on a quarterly basis. The development of budget managers and initiatives to strengthen budgetary control and financial management throughout the Council is an ongoing process.

2.19 The Council has a proven track record on budget management, which is confirmed by Ernst & Young in their Annual Audit Letter. The auditors are required to form a conclusion on the arrangements the Council has put in place to secure economy, efficiency and effectiveness in its use of resources. There has been a delay in the external audit process for 2018/19, but an unqualified opinion is expected again for 2018/19.

d) Adequacy of Insurance and Risk Management

2.20 The Council's insurance arrangements are in the form of external insurance premiums with regular reviews being undertaken of the level at which risks are insured.

2.21 A critical area where risk management thinking can add significant value is to enhance the planning and budgeting process. Utilising a risk-based approach directly links to the Council's risk appetite to its core financial and economic performance, supported by the Council's Significant Risk Register. The goal when integrating risk management into budget planning is to understand the assumptions that the budget is based on.

2.22 The effective application of the Council's risk management principles enhances many processes within the context of managing its services and enables management to make better and more informed decision.

2.23 Our approach is to identify the major line items of each service budget, the personnel who contributed to them and the basis of estimation and then to ask key questions such as:

- What are the potential risks that could interfere with the accuracy of the estimate?
- What is the likelihood of these risks materialising?
- What would the impact on the organisation be if they did materialise?

e) Mitigation of Strategic Financial Risk

2.24 No budget can be completely free from risk and these are still prevalent in the ongoing financial climate. Some comments on the areas of the budget having key financial impacts or significant changes for 2020/21 are set out below:

- **Pay and Pensions** – The budget includes provision for pay increases of 2% for each of the 4 years to 2023/24 and continues to provide for annual progression through pay scales where employees are not at the top of their grades. A 1% change in pay amounts to around £85k per annum.

2019/20 is the last year of adjustment to the employers' pension fund contribution resulting from the 2016 triennial valuation. Based on the 2019 valuation a decrease of 1% per annum has been included for each of the three years commencing 2020/21.

The Council's establishment budget is based on a full establishment. To allow for in-year vacancy savings the budget includes an annual vacancy saving of £385k. This is based on previous years' outturn.

- **Price Increases** – Allowances for price increases have been made on some budgets including major contracts, where there is a contractual requirement to do so. For other areas the budget assumes any price inflation is absorbed by the service. A 1% change in the refuse and ICT contracts and the Shared Revenues Partnership is around £45k.
- **Income from Fees and Charges** – A significant part of the Council's costs continues to be met from fees and charges. For some of these headings it is difficult to predict the level of income to be received e.g. planning fees, so progress against these income targets will need to be monitored throughout the year, particularly in the light of continuing economic volatility. A 1% change in income from planning, garden waste, car park and recycling performance payments income is around £29k.
- **Investment Income and Interest Payable** – Since 2009 interest rates have produced low returns from investments, but the Council has diversified its investments into a property fund and other pooled funds, following advice from Arlingclose, to increase the return on investment. Following implementation of International Financial Reporting Standards (IFRS) and how changes to the year-end values of pooled funds have to be treated could encourage the redemption of holdings and reduce the anticipated level of return, but this will not come into force until April 2023.

The Council is making other commercial investments in order to generate income or regenerate an area. Where this investment is relying on borrowing as the funding source then any return will be subject to changes in interest rates. The Public Works Loan Board (PWLb) increased rates by 1% at the end of 2019. This has been factored into the budget proposals for 2020/21, but the way that it was introduced with no notice poses a risk that it could happen again. This is particularly relevant to the Capital Investment Fund Company (CIFCO) where borrowing is taken out and lent to CIFCO for investment in commercial property. The 2020/21 budget includes the continuation of the investment of the second £25m in CIFCO to generate additional income and shows a positive net return to the council.

- **Business Rate Retention** – As business rates is an increasingly important source of income for the Council, measures for closer monitoring have been put in place. Under the current retention system,

the General Fund's exposure to variances can come from economic decline, cessation of business from a major ratepayer and appeals to rateable values. The Council operates a Business Rates Equalisation Reserve to cover for this possibility as appropriate.

In 2021/22 local government is expected to be given 75% retention of business rates. The figures for this year and beyond assume a cost neutral position, but this is currently untested. If baseline funding levels should reduce, the Business Rates Equalisation Reserve could be used to support a short-term reduction, but medium-term plans and resources would need to be reviewed.

- **Government Funding** – The Council's share of Revenue Support Grant (RSG) ended after 2018/19 and in theory is now in a negative RSG position i.e. money to be paid to the Government for redistribution. This has been offset by centrally retained business rates money for 2019/20 and 2020/21 but could be reinstated in future years. The Council's core Government funding is now reduced to Rural Services Delivery Grant (RSDG) and New Homes Bonus (NHB). 2020/21 is a one-year settlement from the Government with a new 4-year Comprehensive Spending Review due during 2020/21. Funding levels beyond 2020/21 are therefore currently uncertain, so the medium-term figures are based on the current level of RSDG and NHB reducing each year and disappearing by 2023/24, according to announcements within the final finance settlement.
- **Welfare Reforms, Benefits and Council Tax Reductions** – At a forecast of £15m for 2020/21, housing benefit remains one of the Council's largest financial transactions, which due to the welfare reforms and introduction of Universal Credit and the Council Tax Reduction scheme is subject to increasing risk and change. This will continue to be closely monitored in order to protect the Council from any emerging risks and liabilities.

f) Capital Programme

2.25 The Council has a significant capital programme for the next 4 years (£26m) which is largely funded through borrowing and is based upon reasonable estimates of cost and capacity to deliver the programme. The programme has been developed to support the key deliverables of the Council and its ambition through the Joint Corporate Plan.

2.26 A key risk therefore to consider in the Council's budget planning is the interest cost and provision for repayment of debt (Minimum Revenue Provision – MRP) that it will need to meet commitments on the borrowing it undertakes for capital purposes.

2.27 Review of the capital programme on an ongoing basis is required to ensure that future borrowing is targeted on projects that deliver the most for the district and are affordable within the current revenue resources.

2.28 The borrowing strategy and MRP policy are set out in detail in the Capital, Investment and Treasury Management Strategies document.

Conclusion

2.29 Taking all of the above into consideration, the Section 151 Officer's opinion is that the Council's budget and estimates are reasonable based on the assumptions and available information, but cannot be absolutely robust, so a full assurance cannot be given that there will be no unforeseen adverse variances.

2.30 This is an expected and acceptable situation for any organisation that is dealing with a large number of variables. Also, the general economic situation continues to impact on expenditure and income. Provided that the minimum safe level of reserves is maintained, any variations arising as a result of lack of robustness in the estimates should be manageable.

3 Adequacy of Reserves

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

3.2 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.

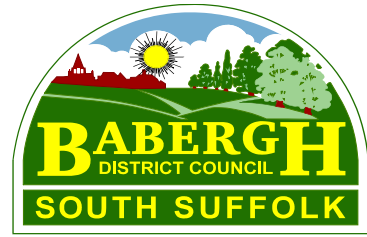
3.3 The CFO's opinion is that the minimum level of unearmarked reserves should, for the time being, be maintained at the current level of £1.2m without increasing the risk to the Council. This represents 12% of the annual General Fund Budget, so no action is required as part of the 2020/21 budget. This is partly based on the understanding that there are further sums available in earmarked reserves that will not be fully spent during 2020/21 as set out below.

3.4 Levels of earmarked reserves (excluding those relating to the Housing Revenue Account but including the Transformation Fund and the Community Infrastructure Levy) are forecast to be £9.3m as at 31 March 2021. The level of earmarked reserves as at the 31 March 2021 will depend on the extent to which the New Homes Bonus money that is transferred to the Transformation Fund is spent in 2020/21. The Transformation Fund is continuing to support the delivery of the Council's Joint Corporate Plan in 2020/21.

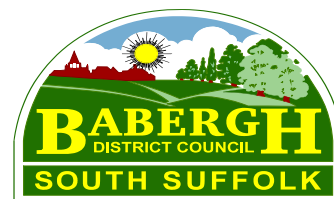
4. Background Documents

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

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

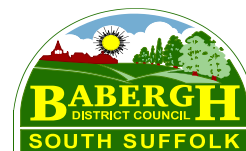


Budget Book 2020/21



Budget Book 2020/21

Contents	Page
General Fund Summary	3
Services and Activities Summary	4
Sustainable Communities	5
Housing	6
Economic Development and Regeneration	7
Environment and Commercial Partnerships	8
Customers, Digital Transformation and Improvement	9
Corporate Resources	10
Law and Governance	11
Assets and Investments	12
Housing Revenue Account	13
Capital Programme	14
Reserves	15



GENERAL FUND REVENUE BUDGET SUMMARY

	2019/20 £'000	2020/21 £'000	Movement £'000
1 Employee Costs	7,440	7,758	318
2 Premises	894	1,085	191
3 Supplies & Services	4,286	4,391	104
4 Transport	208	144	(64)
5 Contracts	4,455	4,581	126
6 Third Party Payments	15,523	14,676	(847)
7 Income	(21,309)	(21,014)	294
9 Charge to HRA	(1,128)	(1,200)	(71)
10 Charge to Capital	(4)	(4)	(0)
11 Transfers to Reserves	217	25	(192)
<u>Capital Financing Charges</u>			
12 Debt Management Costs	39	-	(39)
13 Interest Payable (Pooled Funds)	13	30	17
14 Interest Payable (CIFCO)	452	596	144
15 Interest Payable (CIFCO - further investment)	89	106	17
16 MRP	1,048	1,136	88
<u>Investment Income</u>			
17 Pooled Funds	(463)	(569)	(106)
18 Interest Receivable (Cash Surplus)	(19)	(15)	4
19 Interest Receivable (CIFCO)	(1,238)	(1,162)	76
20 Interest Receivable (CIFCO - further investment)	(307)	(594)	(287)
21 Net Service Cost	10,196	9,969	(227)
22 Transfers from Reserves - earmarked	(615)	(278)	336
23 New Homes Bonus	(683)	(1,055)	(371)
24 S31 Business Rates Grant - to balance the budget	(1,107)	(1,577)	(470)
25 Baseline business rates	(2,104)	(1,880)	225
26 Business rates levy	495	527	33
27 Business rates – growth/pooling benefit	(283)	(323)	(40)
28 Business rates – collection fund deficit / (surplus)	(197)	(85)	112
29 Rural Services Delivery Grant	(227)	(227)	-
30 Council Tax	(5,466)	(5,774)	(308)
31 Surplus on Council Tax Collection fund	(9)	(9)	-
32 Total Funding	(10,196)	(10,680)	(484)
33 Shortfall / (Surplus) funding	-	(711)	(711)
34 Transfer to Transformation Fund	-	711	711

Council Tax Base	33,359	34,196	837
Council Tax for Band D Property	£163.86	£168.86	£5.00
Council Tax £'000	5,466	5,774	308



GENERAL FUND BUDGET - Services and Activities Summary

	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sustainable Communities									
Chief Planning Officer	1,246	-	517	31	-	-	(1,075)	(58)	662
Communities	313	-	285	12	-	-	-	(39)	571
Strategic Planning	355	-	332	1	-	-	(242)	(81)	366
TOTAL	1,915	-	1,134	45	-	-	(1,317)	(178)	1,599
Housing									
Private Sector Housing	149	-	16	4	-	-	(3)	-	167
Homelessness / Temporary Accommodation	250	144	123	6	0	-	(378)	(45)	100
Housing Enabling	121	-	17	1	-	-	(12)	(22)	105
TOTAL	520	144	156	12	0	-	(393)	(67)	372
Economic Development and Regeneration									
Open for Business	228	-	46	5	-	-	(5)	-	275
TOTAL	228	-	46	5	-	-	(5)	-	275
Environment and Commercial Partnerships									
Building Control	410	2	10	21	-	-	(354)	-	88
Health and Safety, Business Continuity and Emergency Planning	101	-	64	2	-	-	-	-	167
Leisure	-	56	45	-	240	-	(31)	-	311
Waste Services	290	-	812	7	2,125	-	(2,148)	(13)	1,072
Public Protection	642	0	74	20	-	-	(186)	-	549
Countryside and Public Realm	191	347	358	8	833	-	(341)	-	1,395
TOTAL	1,633	405	1,362	57	3,198	-	(3,060)	(13)	3,582
Customers, Digital Transformation and Improvement									
Customer Operations	522	72	2	2	-	-	-	-	596
Digital Transformation and Improvement	136	-	6	1	-	-	-	-	142
ICT	264	-	428	0	287	-	-	-	980
Communications	140	-	17	2	-	-	-	-	159
TOTAL	1,062	72	452	4	287	-	-	-	1,878
Corporate Resources									
HR and Organisational Development	342	-	30	1	-	-	-	-	373
Finance, Commissioning and Procurement	599	157	214	20	1,026	14,676	(15,149)	-	1,543
Senior Leadership Team	591	-	49	(16)	-	-	-	-	623
TOTAL	1,532	157	293	5	1,026	14,676	(15,149)	-	2,540
Law and Governance									
Electoral Services and Land Charges	192	-	100	-	-	-	(211)	-	81
Governance and Civic Office	131	-	331	15	-	-	(2)	-	475
Internal Audit	111	-	3	0	-	-	(3)	-	110
Shared Legal Services	196	-	262	-	-	-	(102)	-	355
TOTAL	630	-	695	15	-	-	(318)	-	1,021
Assets and Investments									
Strategic Property	137	308	237	1	70	-	(719)	-	33
The Council's Companies	100	-	15	1	-	-	(54)	-	62
TOTAL	237	308	251	2	70	-	(773)	-	95
TOTAL	7,758	1,085	4,391	144	4,581	14,676	(21,014)	(258)	11,361

GENERAL FUND BUDGET - Sustainable Communities

Chief Planning Officer	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Development Management	949	-	192	20	-	-	(985)	-	176
Development Management - appeals	-	-	275	-	-	-	-	(58)	217
Pre application	-	-	16	-	-	-	(55)	-	(39)
Planning Performance Agreements	-	-	15	-	-	-	(15)	-	-
Conservation	127	-	1	5	-	-	(20)	-	114
Planning Enforcement	170	-	19	6	-	-	-	-	194
	1,246	-	517	31	-	-	(1,075)	(58)	662

Communities	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Community Achievement Awards	-	-	3	-	-	-	-	-	3
Community Development	63	-	1	3	-	-	-	-	67
Grants and Contributions	70	-	172	2	-	-	-	-	245
Policy and Strategy Health and Well-being	92	-	85	4	-	-	-	(39)	142
Stories of Sudbury Silk	-	-	-	-	-	-	-	-	-
Community Safety-General	55	-	24	1	-	-	-	-	79
Business Improvement	34	-	-	1	-	-	-	-	35
	313	-	285	12	-	-	-	(39)	571

Strategic Planning	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Infrastructure Team - CIL	95	-	-	-	-	-	(102)	-	(7)
Strategic Planning General	-	-	2	-	-	-	-	-	2
Development Policy and Local Plans	260	-	78	1	-	-	-	-	340
Local Plans	-	-	118	-	-	-	-	(86)	32
Neighbourhood Plans	-	-	135	-	-	-	(140)	5	-
	355	-	332	1	-	-	(242)	(81)	366

TOTAL	1,915	-	1,134	45	-	-	(1,317)	(178)	1,599
--------------	--------------	----------	--------------	-----------	----------	----------	----------------	--------------	--------------

GENERAL FUND BUDGET - Housing Solutions

Private Sector Housing	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing Information	85	-	-	-	-	-	-	-	85
Housing Standards	64	-	0	4	-	-	-	-	69
Home Improvement Agency	-	-	16	-	-	-	-	-	16
Other Housing Services	-	-	-	-	-	-	(2)	-	(2)
HMO Licence	-	-	-	-	-	-	(1)	-	(1)
	149	-	16	4	-	-	(3)	-	167

Homelessness / Temporary Accommodation	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Homelessness Private Sector	22	18	84	3	-	-	(63)	(10)	53
Rent Deposit Scheme	-	20	1	3	-	-	(20)	-	4
Homelessness Prevention Fund	182	-	15	-	-	-	(10)	-	187
Flexible Homeless Support Grant	19	-	-	-	-	-	(106)	-	(87)
Homelessness Prevention Grant	13	-	-	-	-	-	(71)	-	(58)
Old School House	-	26	2	-	0	-	(25)	(2)	1
Other Temp Accommodation	-	-	5	-	-	-	-	(4)	1
Guaranteed Rent Scheme	14	80	17	-	-	-	(82)	(29)	(1)
	250	144	123	6	0	-	(378)	(45)	100

Housing Enabling	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing	99	-	8	1	-	-	(12)	-	96
Housing Enabling	-	-	8	-	-	-	-	-	8
Community Housing Fund	-	-	1	-	-	-	-	-	1
4 Towns Visioning	22	-	-	-	-	-	-	(22)	-
	121	-	17	1	-	-	(12)	(22)	105

TOTAL	520	144	156	12	0	-	(393)	(67)	372
--------------	------------	------------	------------	-----------	----------	----------	--------------	-------------	------------



GENERAL FUND BUDGET - Economic Development and Regeneration

Economic Development and Regeneration	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Economic Development	228	-	21	5	-	-	-	-	254
Tourism General	-	-	25	-	-	-	(5)	-	21
	228	-	46	5	-	-	(5)	-	275
TOTAL	228	-	46	5	-	-	(5)	-	275

GENERAL FUND BUDGET - Environment and Commercial Partnerships

Building Control	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Building Regulations: chargeable service	283	-	5	14	-	-	(325)	-	(22)
Building Regulations: non-chargeable service	61	-	-	3	-	-	-	-	65
Building Regulations: other activities	41	-	-	2	-	-	-	-	43
Commercial Income	-	-	3	-	-	-	(6)	-	(3)
Dangerous Structures	-	0	-	-	-	-	(0)	-	(0)
Street Naming and Numbering	25	2	2	1	-	-	(24)	-	6
	410	2	10	21	-	-	(354)	-	88

Health and Safety, Business Continuity and Emergency Planning	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Civil Protection and Emergency Planning	-	-	24	-	-	-	-	-	24
Health and Safety	101	-	40	2	-	-	-	-	143
	101	-	64	2	-	-	-	-	167

Leisure	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Leisure Contract	-	-	-	-	-	-	-	-	-
Hadleigh Pool	-	21	38	-	70	-	-	-	128
Kingfisher Leisure Centre	-	36	-	-	139	-	-	-	175
New Hadleigh Pool & Leisure	-	-	-	-	31	-	(31)	-	1
Women's Cycle Tour	-	-	8	-	-	-	-	-	8
	-	56	45	-	240	-	(31)	-	311

Waste Services	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Domestic Waste	181	-	360	6	1,535	-	(410)	(13)	1,658
Bring Sites	14	-	55	0	-	-	(119)	-	(50)
Trade Waste	22	-	256	0	157	-	(628)	-	(193)
Garden Waste	72	-	141	0	433	-	(991)	-	(344)
	290	-	812	7	2,125	-	(2,148)	(13)	1,072

Public Protection	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other Housing Matters	-	-	12	-	-	-	-	-	12
Mobile Homes Sites	-	-	-	-	-	-	(1)	-	(1)
Food & Safety (General)	245	0	1	9	-	-	(1)	-	254
Food Hygiene Courses	-	-	0	0	-	-	(0)	-	(0)
Animal Welfare Licensing	-	-	4	-	-	-	(12)	-	(8)
Health & Safety Regulation	-	-	-	-	-	-	(1)	-	(1)
Water Sampling	-	-	5	-	-	-	(5)	-	-
Environmental Protection	321	-	10	10	-	-	(5)	-	336
Abandoned Vehicles	-	-	1	-	-	-	-	-	1
Land Drainage	-	-	2	-	-	-	-	-	2
Climate Change and Sustainability	-	0	8	-	-	-	-	-	8
Dog Control	-	-	8	-	-	-	-	-	8
Taxi & Private Hire Licensing	30	-	17	-	-	-	(79)	-	(32)
Alcohol, Entertainments & Late Night	-	-	8	-	-	-	(80)	-	(35)
Refreshment Licensing	4	-	-	1	-	-	(3)	-	2
Gambling & Small Lotteries Licences	4	-	-	-	-	-	-	-	4
Miscellaneous Other Licences	-	-	-	-	-	-	-	-	-
	642	0	74	20	-	-	(186)	-	549

Countryside and Public Realm	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Comm Development - Countryside	23	-	3	1	-	-	(9)	-	18
Footpaths	-	-	-	-	2	-	-	-	2
Naviand Sports and Burial Ground	-	39	26	-	41	-	-	-	106
Public Conveniences	7	-	76	1	398	-	(35)	-	447
Street and Major Road Cleansing	111	2	134	2	373	-	(38)	-	583
Open Spaces	42	46	-	4	-	-	-	-	92
Public Tree Programme	-	-	-	-	-	-	-	-	-
Car Parks General	9	26	10	0	4	-	(22)	-	27
Pin Mill Car Park	-	2	8	-	0	-	(12)	-	(2)
Hadleigh Car Parks	-	37	22	-	5	-	(25)	-	39
Sudbury Car Parks	-	195	42	-	10	-	(201)	-	47
The Greenways Project	-	-	6	-	-	-	-	-	6
AONB Contribution	-	-	32	-	-	-	-	-	32
	191	347	358	8	833	-	(341)	-	1,395

TOTAL	1,633	405	1,362	57	3,198	-	(3,060)	(13)	3,582
--------------	-------	-----	-------	----	-------	---	---------	------	-------

GENERAL FUND BUDGET - Customers, Digital Transformation and Improvement

Customer Operations	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Customer Services	522	-	2	2	-	-	-	-	525
Sudbury Customer Access Point	-	49	-	-	-	-	-	-	49
Stowmarket Customer Access Point	-	23	-	-	-	-	-	-	23
	522	72	2	2	-	-	-	-	596

Digital Transformation and Improvement	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Digital Transformation and Improvement	136	-	6	1	-	-	-	-	142
	136	-	6	1	-	-	-	-	142

ICT	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ICT	264	-	428	0	287	-	-	-	980
	264	-	428	0	287	-	-	-	980

Communications	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Communications	140	-	17	2	-	-	-	-	159
	140	-	17	2	-	-	-	-	159

TOTAL	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	1,062	72	452	4	287	-	-	-	1,878

GENERAL FUND BUDGET - Corporate Resources

HR and Organisational Development	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
HR & Organisational Development	342	-	30	1	-	-	-	-	373
	342	-	30	1	-	-	-	-	373

Finance, Commissioning and Procurement	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial Resources	453	-	46	1	-	-	-	-	500
Treasury Management	-	-	22	-	-	-	-	-	22
Bank Charges	-	-	65	-	-	-	-	-	65
External Audit	-	-	65	-	-	-	-	-	65
Insurance Premiums	89	88	6	18	-	-	-	-	200
Pay Inflation, Increment Costs and Vacancy	(385)	-	-	-	-	-	-	-	(385)
Management Savings	(385)	-	-	-	-	-	-	-	(385)
Early Retirement Pension Direct Charges	25	-	-	-	-	-	-	-	25
Rent Allowances	0	-	-	-	-	8,198	(8,271)	-	(73)
Rent Rebates to HRA Dwellings	-	-	-	-	-	6,478	(6,557)	-	(79)
Council Tax Rebates	-	-	-	-	-	-	-	-	-
Council Tax Collection	-	-	2	-	-	-	(183)	-	(181)
NNDR Collection	-	-	-	-	-	-	(138)	-	(138)
Shared Revenues Partnership	-	-	-	-	1,026	-	-	-	1,026
Contingencies/Savings Adjustments	(120)	-	-	-	-	-	-	-	(120)
Unapportionable Central Overheads	440	69	-	-	-	-	-	-	509
Commissioning and Procurement	96	-	-	1	-	-	-	-	97
Central Stationery and Equipment	-	-	10	-	-	-	-	-	10
	599	157	214	20	1,026	14,676	(15,149)	-	1,543

Senior Leadership Team	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Senior Leadership Team	562	-	49	(34)	-	-	-	-	577
Corporate Management	29	-	-	18	-	-	-	-	46
	591	-	49	(16)	-	-	-	-	623

TOTAL	1,532	157	293	5	1,026	14,676	(15,149)	-	2,540
--------------	--------------	------------	------------	----------	--------------	---------------	-----------------	----------	--------------

GENERAL FUND BUDGET - Law and Governance

Electoral Services and Land Charges	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Electoral Registration	31	-	54	-	-	-	(2)	-	83
Elections	61	-	25	-	-	-	(25)	-	61
Land Charges	99	-	21	-	-	-	(184)	-	(64)
	192	-	100	-	-	-	(211)	-	81

Governance and Civic Office	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Governance	270	-	4	1	-	-	(0)	-	274
Cost of Democracy	(152)	-	267	14	-	-	(2)	-	127
Central Postal Services	13	-	45	0	-	-	-	-	58
Central Printing	-	-	15	0	-	-	-	-	15
	131	-	331	15	-	-	(2)	-	475

Internal Audit	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Internal Audit	111	-	3	0	-	-	(3)	-	110
	111	-	3	0	-	-	(3)	-	110

Shared Legal Services	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Shared Legal Services	196	-	262	-	-	-	(102)	-	355
	196	-	262	-	-	-	(102)	-	355

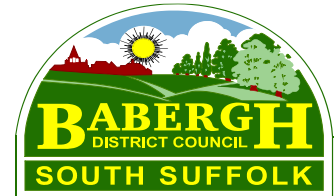
TOTAL	630	-	695	15	-	-	(318)	-	1,021
--------------	------------	----------	------------	-----------	----------	----------	--------------	----------	--------------

GENERAL FUND BUDGET - Assets and Investments

Strategic Property	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asset Management	9	-	-	-	-	-	-	-	9
Creeping Rd Depot	-	46	7	-	-	-	-	-	53
Industrial Estates	-	1	-	-	1	-	(69)	-	(67)
Belle Vue House	-	19	-	-	-	-	-	-	19
Hadleigh Market	-	1	-	-	6	-	(5)	-	2
Wenham Depot	-	7	-	-	-	-	-	-	7
Chilton Depot	-	28	1	-	1	-	(1)	-	29
Calais St Depot	-	2	-	-	-	-	-	-	2
PV Panels	-	99	10	-	62	-	(372)	-	(201)
Community Safety-CCTV	-	1	29	-	-	-	-	-	29
Strategic Property	129	2	11	1	-	-	-	-	142
Navigation House	-	13	5	-	-	-	(20)	-	(3)
Borehamgate Shopping Centre	-	30	15	-	-	-	(216)	-	(171)
Endeavour House - HQ	-	52	159	-	-	-	-	-	210
South Suffolk Business Centre	-	-	-	-	-	-	(35)	-	(35)
Hadleigh Touchdown Point	-	8	-	-	-	-	-	-	8
Streetlights	-	2	-	-	-	-	-	-	2
Clover Court	-	(2)	-	-	-	-	-	-	(2)
	137	308	237	1	70	-	(719)	-	33

The Council's Companies	Employee Costs	Premises Costs	Supplies & Services	Transport Costs	Major Contracts	Third Party Payments	Income	Transfer to / (from) earmarked reserves	Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
BMS Invest	100	-	15	1	-	-	(54)	-	62
	100	-	15	1	-	-	(54)	-	62

TOTAL	237	308	251	2	70	-	(773)	-	95
--------------	------------	------------	------------	----------	-----------	----------	--------------	----------	-----------

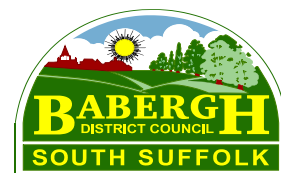


HOUSING REVENUE ACCOUNT 2020/21

	2020/21
	£'000
Income	
Dwelling Rents	(15,996)
Service Charges	(575)
Non-Dwelling Income	(183)
Other Income	(10)
Interest Received	(10)
Gross Income	(16,774)
	2019/20
	£'000
Expenditure	
General Management	2,465
Special Management	817
Repairs and Maintenance	2,007
Property Services	1,204
Depreciation	3,313
Interest payable	3,161
Debt Repayment	500
Revenue Contribution to Capital	2,875
Bad Debt Provision	98
Gross Expenditure	16,440
(Surplus)/Deficit for the Year	(334)



BABERGH CAPITAL PROGRAMME 2020/21 - 2023/24	2020/21	2021/22	2022/23	2023/24	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Reserves £'000	Major Repairs Reserve £'000	External Grants & Contributions £'000	Revenue Contributions £'000	Borrowing £'000	Total Financing £'000
HOUSING REVENUE ACCOUNT (HRA)	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Planned Maintenance	4,558	5,079	5,394	5,599	20,630			13,990		6,640		20,630
ICT projects	200	200	200	200	800					800		800
Environmental Improvements	500	500	500	500	2,000					2,000		2,000
Disabled Facilities Work	200	200	200	200	800					800		800
Horticultural & Play Equipment	30				30					30		30
New Build inc acquisitions	5,996	10,259	5,195	5,485	26,935	8,286			2,801	4,144	11,704	18,649
Total HRA Capital Spend	11,484	16,238	11,489	11,984	51,195	8,286	-	13,990	2,801	14,414	11,704	42,909
BABERGH CAPITAL PROGRAMME 2020/21 - 2023/24	2020/21	2021/22	2022/23	2023/24	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Reserves £'000	Major Repairs Reserve £'000	External Grants & Contributions £'000	Revenue Contributions £'000	Borrowing £'000	Total Financing £'000
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Housing												
Mandatory Disabled Facilities Grant	760	409	409	409	1,987				1,987			1,987
Discretionary Housing Grants	100	100	100	100	400						400	400
Empty Homes Grant	100	100	100	100	400						400	400
Total Housing	960	609	609	609	2,787	-	-	-	1,987	-	800	2,787
Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	298		2,010		2,308						2,308	2,308
Recycling Bins	65	75	75	75	290						290	290
Total Environment and Projects	363	75	2,085	75	2,598	-	-	-	-	-	2,598	2,598
Communities and Public Access												
Community Development Grants	117	117	117	117	468						468	468
Play Equipment	50	50	50	50	200						200	200
Planned Maintenance / Enhancements - Car Parks	50	50	50	50	200						200	200
Total Community Services	217	217	217	217	868	-	-	-	-	-	868	868
Leisure Contracts												
Kingfisher Leisure Centre	627	100	100	100	927						927	927
Hadleigh Pool and Leisure	351	50	50	50	501						501	501
Total Leisure Contracts	978	150	150	150	1,428	-	-	-	-	-	1,428	1,428
Investment and Commercial Delivery												
Belle Vue		2,500			2,500						2,500	2,500
Strategic Investment Fund					-						-	-
Former BDC Offices (Hadleigh)		2,597			2,597						2,597	2,597
Borehamgate	64				64						64	64
CIFCO - further investment	8,666	3,834			12,500						12,500	12,500
Other Corporate Buildings	36	44	44	44	168						168	168
Total Investment and Commercial Delivery	8,766	8,975	44	44	17,829	-	-	-	-	-	17,829	17,829
ICT & Customer												
ICT - Hardware / Software costs	200	200	200	200	800						800	800
Total Corporate Resources	200	200	200	200	800	-	-	-	-	-	800	800
Total General Fund Capital Spend	11,485	10,226	3,305	1,295	26,311	-	-	-	1,987	-	24,323	26,311



RESERVES

GENERAL FUND

Estimated Balance 31 Mar 2020 £'000	Between Reserves £'000	2020/21 Use of reserves £'000	Transfer to reserves £'000	Estimated Balance 31 Mar 2021 £'000
--	------------------------------	--	----------------------------------	--

Contingency Reserves

General Fund Working Balance / Reserve

(1,200)				(1,200)
---------	--	--	--	---------

Carry Forwards

-				-
---	--	--	--	---

Transformation Fund

(306)		22	(711)	(994)
-------	--	----	-------	-------

Business Rates Retention

(1,274)				(1,274)
---------	--	--	--	---------

Business Rates Equalisation Reserve

(1,690)				(1,690)
---------	--	--	--	---------

Government Grants

(212)		39		(173)
-------	--	----	--	-------

Commuted Maintenance Payments

(499)				(499)
-------	--	--	--	-------

Elections Fund

(20)			(20)	(40)
------	--	--	------	------

Elections Equipment

(35)				(35)
------	--	--	--	------

Planning Enforcement (Legal Costs)

(88)		15		(73)
------	--	----	--	------

Revocation of personal search fees

(55)				(55)
------	--	--	--	------

Homelessness

(148)		39		(110)
-------	--	----	--	-------

Temporary Accommodation

(51)		6		(45)
------	--	---	--	------

Planning (Legal Costs)

(132)		58		(74)
-------	--	----	--	------

Neighbourhood Planning Grants (NPGs)

(6)			(5)	(11)
-----	--	--	-----	------

Strategic Planning inc Community Housing Grant,

(217)				(217)
-------	--	--	--	-------

Brownfield Sites etc

Strategic Planning - Joint Local Plan

(86)		86		-
------	--	----	--	---

Waste

(31)		13		(18)
------	--	----	--	------

Sub total

(4,852)	0	278	(736)	(5,310)
---------	---	-----	-------	---------

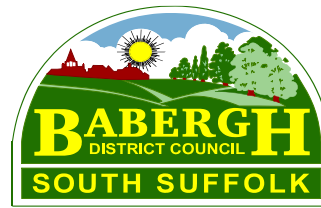
Community Infrastructure Levy (CIL)

(3,961)		-	-	(3,961)
---------	--	---	---	---------

TOTAL GENERAL FUND RESERVES

(10,013)	0	278	(736)	(10,471)
----------	---	-----	-------	----------

This page is intentionally left blank



FEES AND CHARGES SCHEDULE 2020/21





CHARGES SCHEDULE FOR 2020/21

Generally any increase in fees and charges will take effect from 1st April each year. Details of variations from this date, for example, where a fee or charge is governed by statute, are included in this schedule.

The current standard rate of Value Added Tax (VAT) is 20%. The schedules for fees and charges show whether VAT is applicable

VAT Code Key

VAT	VAT applicable
NA	VAT not applicable
EXEMPT	VAT exempt



CONTENTS

STATUTORY CHARGES

SECTION 1 – LICENSING

- 1.1 CHARGES FOR INSPECTIONS
- 1.2 CHARGES FOR LICENCES
- 1.3 SCRAP METAL DEALERS (SCRAP METAL DEALERS ACT 2013)
- 1.4 LOCAL AUTHORITY POLLUTION PREVENTION & CONTROL (LAPPC)
- 1.5 PRIVATE WATER SUPPLIES REGULATIONS 2009 SAMPLING

SECTION 2 – PLANNING

- 2.1 PLANNING APPLICATIONS
- 2.2 ADVERTISEMENT APPLICATIONS
- 2.3 DISCHARGE OF CONDITIONS
- 2.4 EXTENDED TIME LIMITS FOR IMPLEMENTING EXISTING PLANNING PERMISSIONS
- 2.5 NON MATERIAL AMENDMENTS FOLLOWING GRANT OF PLANNING PERMISSION
- 2.6 PLANNING SUBMISSIONS
- 2.7 PRIOR APPROVALS

SECTION 3 – BUILDING CONTROL

- 3.1 DANGEROUS STRUCTURES
- 3.2 STREET NAMING AND NUMBERING

SECTION 4 - LAND CHARGES

- 4.1 LOCAL LAND CHARGE APPLICATIONS

SECTION 5 – GREEN ENVIRONMENT

- 5.1 DOG CONTROL
- 5.2 BINS
- 5.3 ABANDONED VEHICLES

SECTION 6 – RESOURCES

- 6.1 SALE OF ELECTORAL ROLL

DISCRETIONARY CHARGES

SECTION 1 – COMMUNITY HEALTH

- 1.1 FOOD HYGIENE
- 1.2 HACKNEY CARRIAGE/PRIVATE HIRE VEHICLES CHARGES
- 1.3 PREMISES LICENCES (GAMBLING ACT 2005)

SECTION 2 - COMMUNITY ACCESS

- 2.1 CAR PARKS

SECTION 3 – HOUSING

- 3.1 HOUSES OF MULTIPLE OCCUPATION LICENCES
- 3.2 AMENITY CHARGES FOR BED & BREAKFAST ACCOMMODATION
- 3.3 MOBILE HOME FEE POLICY

SECTION 4 – GREEN ENVIRONMENT

- 4.1 HOUSEHOLD WASTE
- 4.2 DOG CONTROL
- 4.3 HIGH HEDGES

SECTION 5 – PLANNING

- 5.1 PLANNING APPLICATIONS - THE GOVERNMENTS PRESCRIBED FEES
- 5.2 PRE APPLICATION PLANNING ADVICE
- 5.3 PLANNING POLICIES PUBLICATION LIST
- 5.4 PUBLIC PATH ORDERS AND AGREEMENTS

SECTION 6 - BUILDING CONTROL

- 6.1 BUILDING CONTROL

LEVY CHARGES

SECTION 1 – LEVIES

- 1.1 COMMUNITY INFRASTRUCTURE LEVY

STATUTORY CHARGES	2019/20	2020/21	VAT Status	Notes
	Total Charge inc VAT where applicable (£)	Total Charge inc VAT where applicable (£)		

1.0 LICENSING

1.1 CHARGES FOR INSPECTIONS

Food export certificate	85.00	85.00	VAT
Destruction of surrendered food certificate - plus £32 per hour or part hour for time spent processing condemnation plus cost of disposal	138.00	142.00	non VAT
Sampling private water drinking supplies parameters of sample. Please ask for further information	63.50	65.00	non VAT
Food Hygiene Rating (FHRS) rescore visits	0.00	105.00	non VAT

1.2 CHARGES FOR LICENSING

Animal Welfare

Dangerous Wild Animal Licence *	296.00	305.00	non VAT
Zoo licence Application *	504.00	520.00	non VAT
Zoo licence - New * (4 year licence)	504.00	520.00	non VAT
Zoo licence - Renewal * (6 year licence)	760.00	782.00	non VAT

* plus Vets Inspection Fee - recovery of costs

Animal Welfare Licences - please visit the
Council's website for further details

[https://www.babergh.gov.uk/business/licensing/
dog-breeding-establishments/](https://www.babergh.gov.uk/business/licensing/dog-breeding-establishments/)

Skin Piercing

Registration for skin piercing (tattooing,
electrolysis, ear piercing etc)

- for new person or premises	161.00	165.00	non VAT
- for additional practitioners at existing premises	114.00	117.00	non VAT
unregistered premises	114.00	117.00	non VAT

Licensing Act 2003 (Alcohol, Entertainment and Late Night Refreshment)

TENS - Temporary Event Notices	£21 per TEN	£21 per TEN	
Premises Licences inc annual fee	VARIABLE	VARIABLE	
Club premises inc annual fee	VARIABLE	VARIABLE	
DPS Variation/Community DPS	23.00	23.00	
Transfer	23.00	23.00	
Notice of Interest	21.00	21.00	
Copy or replace licence	10.50	10.50	
Personal licences	37.00	37.00	

Street Trading

Please contact our Customer Services Team
0300 1234000

1.3 SCRAP METAL DEALERS

Collector NEW	422.00	422.00	
Collector RENEW	344.00	344.00	
Site NEW	684.00	684.00	
Site RENEW	606.00	606.00	

1.4 LOCAL AUTHORITY POLLUTION PREVENTION & CONTROL (LAPPC)

Please visit the Council's website for further
details

[https://www.babergh.gov.uk/environment/enviro
nmental-permits/permits/](https://www.babergh.gov.uk/environment/environmental-permits/permits/)

non VAT

1.5 PRIVATE WATER SUPPLIES

Risk Assessment	Typical cost £200 - £250	Typical cost £200 - £250	non VAT
Sampling	62.00	62.00	
Investigation			
Analysis	20.00	20.00	

STATUTORY CHARGES	2019/20	2020/21	VAT Status	Notes
	Total Charge inc VAT where applicable (£)	Total Charge inc VAT where applicable (£)		

2.0 PLANNING

2.1 - 2.7 PLANNING

Please visit the Council's website for further details	https://ecab.planningportal.co.uk/uploads/english_application_fees.pdf		non VAT	
Please visit the Council's website for further details	https://www.midsuffolk.gov.uk/assets/DM-Planning-Uploads/Fees-for-pre-app-web-version2.pdf			

3.0 BUILDING CONTROL

Please visit the Council's website for further details	https://www.babergh.gov.uk/building-control/building-regulations/building-regulations-charges/		non VAT	
Property Name Change -per request	100.00	100.00	non VAT	£100 1 plot, £200 2-5 plots, £300 6-10 Plots, £500 11-20 Plots, £1,000 21-50 Plots, £1,500 51-100 Plots, 101+ plots £10 per plot + £1,500
New developments	Various	Various		

4.0 LAND CHARGES

Please visit the Council's website for further details	https://www.babergh.gov.uk/planning/land-charges		VAT	
--	---	--	-----	--

5.0 GREEN ENVIRONMENT

5.1 DOG CONTROL

Statutory penalty, see Discretionary charges for Admin fee	25.00	25.00	non VAT	
Please visit the Council's website for further details	https://www.babergh.gov.uk/environment/dog-control/lost-and-found/			

5.2 BINS

Litter Bins	35.00	35.00		per annum - charges made to Town and Parish Councils
Dog Bins	41.00	42.23		

5.3 ABANDONED VEHICLES

Please visit the Council's website for further details	http://www.legislation.gov.uk/ukxi/2008/2095/regulation/4/made			Removal, storage and disposal costs depends on size and vehicle load
Please visit the Council's website for further details	https://www.babergh.gov.uk/assets/Environment/abandonedvehicles.pdf			

6.0 RESOURCES

6.1 SALE OF ELECTORAL ROLL

Copies of full register for entitled access only	131.00	131.00		
Monthly Updates	193.50	193.50		Up to nine sets for entitled parties
General Public copy of edited register	66.50	66.50		

DISCRETIONARY CHARGES	2019/20	2020/21	VAT Status	Notes
	Total Charge inc VAT where applicable (£)	Total Charge inc VAT where applicable (£)		

1.0 COMMUNITY HEALTH

1.1 FOOD HYGIENE

Food hygiene courses - please visit the Council's website	https://www.babergh.gov.uk/business/food-safety/food-safety-training/	non VAT
Nutrition courses - please visit the Council's website		non VAT

1.2 HACKNEY CARRIAGE/PRIVATE HIRE VEHICLES CHARGES

Taxi & Private Hire - Drivers, Vehicles and Operators

Hackney Carriage New	344.50	344.50	
Hackney Carriage Renewal	344.50	344.50	
Hackney Carriage Change	VARIABLE	VARIABLE	
Private Hire Vehicle New	319.50	319.50	
Private Hire Vehicle Renewal	319.50	319.50	
Private Hire Vehicle Change	VARIABLE	VARIABLE	
Combined HC/PHV Driver New	153.50	153.50	
Combined HC/PHV Driver Renew	104.50	104.50	
Operator Licence New	VARIABLE	VARIABLE	(Price ranges from £137.50 to £430.00)
Operator Licence Renewal	VARIABLE	VARIABLE	
Vehicle Plate (cost if lost etc)	£22 (rear) £8 (interior)	£22 (rear) £8 (interior)	
Vehicle Plate Bracket	20.00	20.00	
Transfer of Vehicle Licence	45.00	45.00	
Vehicle Change from PHV to HC	45.00	45.00	Plus test fee, if appropriate
Vehicle Change from HC to PHV	45.00	45.00	
Temporary Vehicles HC	£124 to £197	£124 to £197	
Temporary Vehicles PHV	£121 to £192	£121 to £192	
Change of Name	15.00	15.00	
Change of Address	15.00	15.00	
Replacement licence Paper/Badge of Drivers			
Licence or Paper/Interior Licence of Vehicle	12.00	12.00	
Drivers Knowledge Test	20.00	20.00	
Drivers Knowledge Test (Re-Test)	20.00	20.00	
Licence reissued after suspension	15.00	15.00	
HC Fare Tariff Card	5.00	5.00	
HC Meter Calibration Check	25.00	25.00	

1.3 PREMISES LICENCES (GAMBLING ACT 2005)

Small Lotteries (part of Gambling Act 2005)

Lottery NEW	40.00	40.00
Lottery RENEWAL	20.00	20.00

Gambling premises & permits

Betting shop NEW	3,000.00	3,000.00
Betting shop RENEWAL	600.00	600.00
Notification of 2 machines	50.00	50.00
Alcohol Premises GMP	150.00	150.00
Club Machine or Gaming Permit	200.00	200.00

DISCRETIONARY CHARGES	2019/20	2020/21	VAT Status	Notes
	Total Charge inc VAT where applicable (£)	Total Charge inc VAT where applicable (£)		
2.0 COMMUNITY ACCESS				
2.1 CAR PARKING				
Car Parking Charges - please visit the Council's website for further details		https://www.babergh.gov.uk/communities/parking/babergh-car-and-lorry-parks/		
Permits - please visit the Council's website for further details		https://www.babergh.gov.uk/communities/parking/season-tickets-and-parking-permits/		
		£25 for a month, £70 for 3 months or £250 for 12 months		
Pin Mill Residents' Car Park by licence agreement		£196.22 per annum payable by DD quarterly		
3.0 HOUSING				
3.1 HOUSES OF MULTIPLE OCCUPATION LICENCES				
License cost	551.00	551.00		
3.2 AMENITY CHARGES FOR BED & BREAKFAST ACCOMMODATION				
B&B rate	£10 per week	£10 per week		
3.3 MOBILE HOME FEE POLICY				
Please visit the Council's website for further details		https://www.babergh.gov.uk/assets/Business/Park-homes-and-caravans-licensing/Mobile-		
4.0 GREEN ENVIRONMENT				
4.1 HOUSEHOLD WASTE				
Bulky Item Collections	40.50	42.50	Exempt	Up to five items or 10 bags of household refuse/garden waste
Garden Waste Collection New	55.00	57.50	Exempt	Annual Charge
Garden Waste Collection Renew	50.00	52.50		
Hazardous Waste Collection (25 wkg days)	47.62	48.16		DIY products such as varnishes, Flammable liquids, Garden chemicals or pesticides, Household cleaning products and chemicals, Motoring products such as antifreeze, Poisons such as rat or mouse
Hazardous Waste Collection (10 wkg days)		55.49		
Bonded Asbestos Collection (25 wkg days)	79.27	80.17		Up to 50kgs
Bonded Asbestos Collection (10 wkg days)		87.50		
Larger Bins	33.50	35.00	Exempt	If entitled to a larger bin, refuse bin charge. Recycling bin no charge
Replacement Missing Bins	33.50	33.50	Exempt	Refuse bin, no charge for recycling bin
Additional Waste Sacks	0.10	0.10	VAT	Clear recycling sacks per sack
Additional Waste Sacks	0.67	0.67	VAT	Orange refuse sacks per sack
Additional Waste Sacks	1.05	1.05	VAT	Green garden waste per sack
Business Waste Services	QUOTED PRICE	QUOTED PRICE	Exempt	Contact Waste department
Medical And Clinical Collections	FREE	FREE	non VAT	Free service
New Set Of Bins	55.50	58.50	Exempt	Newly built properties - this cost covers refuse and recycling bin
4.2 DOG CONTROL				
Please visit the Council's website for further details		https://www.babergh.gov.uk/environment/dog-control/lost-and-found/		
4.3 HIGH HEDGES				
High Hedges	350.0	350.0	non VAT	

DISCRETIONARY CHARGES	2019/20	2020/21	VAT Status	Notes
	Total Charge inc VAT where applicable (£)	Total Charge inc VAT where applicable (£)		

5.0 PLANNING

5.1 - 5.3 PLANNING

Please visit the Council's website for further details	https://www.midsuffolk.gov.uk/assets/DM-Planning-Uploads/Fees-for-pre-app-web-version2.pdf		VAT	
Copies of Microfiche from Storetec	£15 inc VAT	£15 inc VAT	VAT	

5.4 PUBLIC PATH ORDERS

Please visit the Council's website for further details	https://www.babergh.gov.uk/environment/public-rights-of-way/			£55 per hour . Application fees £360.
--	---	--	--	---------------------------------------

6.0 BUILDING CONTROL

Please visit the Council's website for further details	https://www.babergh.gov.uk/building-control/building-regulations/building-regulations-charges/		VAT	
--	---	--	-----	--

<u>LEVY CHARGES</u>	2019/20	2020/21	VAT Status	Notes
	Total Charge inc VAT where applicable (£)	Total Charge inc VAT where applicable (£)		

1.0 LEVIES

1.1 CIL

Please visit the Council's website for further details

<https://www.midsuffolk.gov.uk/assets/CIL-and-S106-Documents/MSDC-Charging-Schedule-11-Apr-2016.docx.pdf>

This page is intentionally left blank

Agenda Item 10

BABERGH DISTRICT COUNCIL

TO: Council	REPORT NUMBER: BC/19/36
FROM: Councillor John Ward Cabinet Member for Finance	DATE OF MEETING: 26 February 2020
OFFICER: Katherine Steel, Assistant Director, Corporate Resources Gavin Fisk, Assistant Director, Housing Melissa Evans, Corporate Manager, Finance and Commissioning & Procurement	KEY DECISION REF NO. N/A

HOUSING REVENUE ACCOUNT (HRA) BUDGET 2020/21 AND LONGER-TERM OUTLOOK

1 PURPOSE OF REPORT

- 1.1 The report contains details of the revenue and capital budgets and the Council's strategic financial aim. The purpose of this report is to present the HRA Budget for 2020/21 and longer-term outlook.
- 1.2 To enable Members to consider key aspects of the 2020/21 HRA Budget, including Council House rent levels.

2 OPTIONS CONSIDERED

- 2.1 The Housing Revenue Account Budget for 2020/21 and longer-term outlook is an essential element in achieving a balanced budget and sustainable medium-term position, therefore no other options are appropriate in respect of this.

3 RECOMMENDATIONS

- 3.1 That the HRA revenue budget proposals for 2020/21 and longer-term outlook set out in the report be approved.
- 3.2 That the HRA capital budget proposals for 2020/21 set out in Appendix A in the report be approved.
- 3.3 That the CPI + 1% increase of 2.7% in Council House rents, equivalent to an average rent increase of £2.38 a week be implemented.
- 3.4 That garage rents are kept at the same level as 2019/20.
- 3.5 That Sheltered Housing Service charges be increased by £2 per week to reduce the subsidy by £26k.
- 3.6 That Sheltered Housing utility charges are kept at the same level as 2019/20.

- 3.7 That the budgeted surplus of £334k be transferred to the HRA reserves in 2020/21.
- 3.8 That in principle, Right to Buy (RTB) receipts should be retained to enable continued development and acquisition of new council dwellings.
- 3.9 That the revised 30-year HRA Business Plan in Appendix B be noted.

REASON FOR DECISION

To bring together all the relevant information to enable Members to approve the Councils Housing Revenue Account budget.

4 KEY INFORMATION

HRA Overall Financial and Budget Strategy

- 4.1 The Councils HRA Business Plan presents a positive financial picture over the longer term (a thirty-year period as required under the self-financing regime)
- The Welfare Reform and Work Act allows rents to be increased by CPI (currently 1.7%) +1% for five years from 2020/21.
 - The removal of the HRA Debt Cap from 29 October 2018 means that local authorities can borrow to fund new homes without worrying about breaching this cap. Any borrowing will be subject to the Council adhering to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code.

5 HRA FINANCIAL POSITION

- 5.1 The updated 30-year HRA Business Plan is attached at Appendix B. The plan is predicated on an annual rent increase of 2.7% for 2020/21 followed by 4 years annual rent increase of CPI + 1%. The remaining 25 years are based on an annual rent increase of CPI only.
- 5.2 It also reflects:
- HCA and other scheme development costs;
 - Funding to support spend of RTB receipts and capital programme expenditure
- 5.3 The self-financing regime replaced the old HRA subsidy system on 1 April 2012. Babergh's settlement payment was calculated at £83.6m based on projected income, expenditure and existing stock values. This took HRA long-term borrowing to £89.6m.
- 5.4 The HRA Business Plan is currently viable over the 30-year period with treasury debt forecast to be reduced to zero by year 30. However, the longer-term picture is harder to forecast with a number of unknowns inherent with such future projections.

5.5 The Corporate Plan clearly sets out the Council’s aligned corporate outcomes. The key housing projects supporting delivery of the priorities are outlined in the HRA Business Plan.

5.6 New homes have delivered New Homes Bonus for the Council, additional rent and Council Tax and local businesses will also benefit. All these factors will bring growth to our local economy. Recent analysis by the Local Government Association and Capital Economics has found:

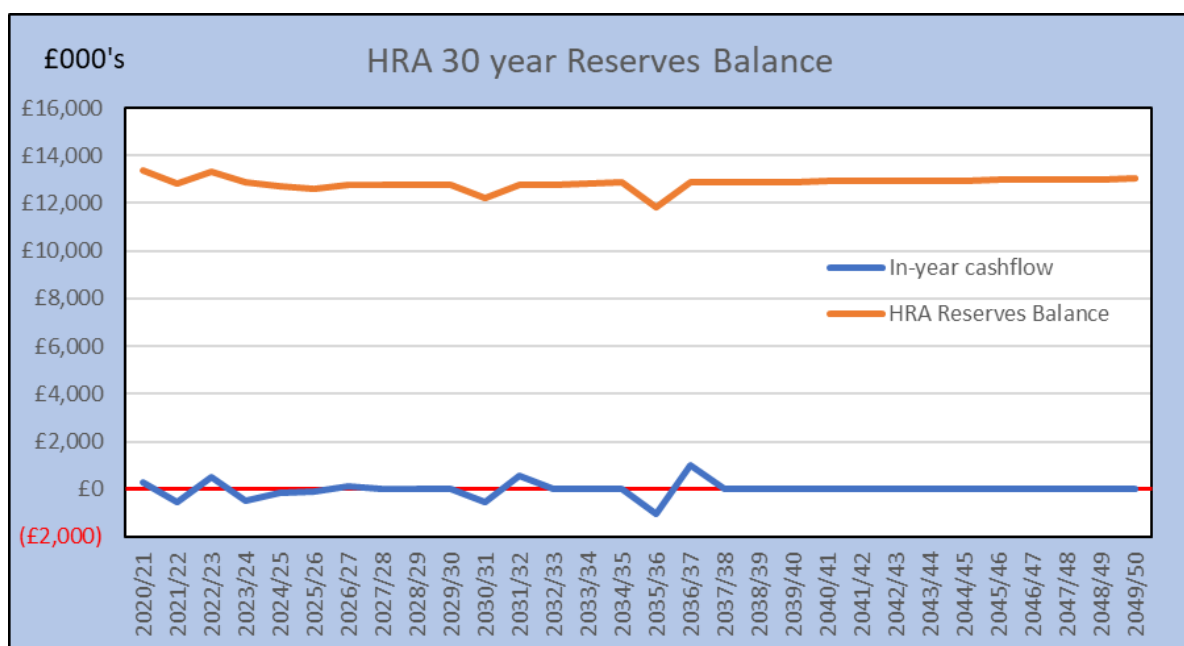
- Every £1 invested in a new social home generates £2.84 in the wider economy.
- Every new social home would generate a saving of £780 per year in Housing Benefit.
- Every new social home would generate a fiscal surplus through rental income.

6 HRA POTENTIAL RESOURCES AVAILABLE FOR INVESTMENT

6.1 A key aspect of the business plan is the reserve balance predicted over the coming years. Another important feature is the ability to repay debt and the amount available for building new homes. These are illustrated in the following graphs:

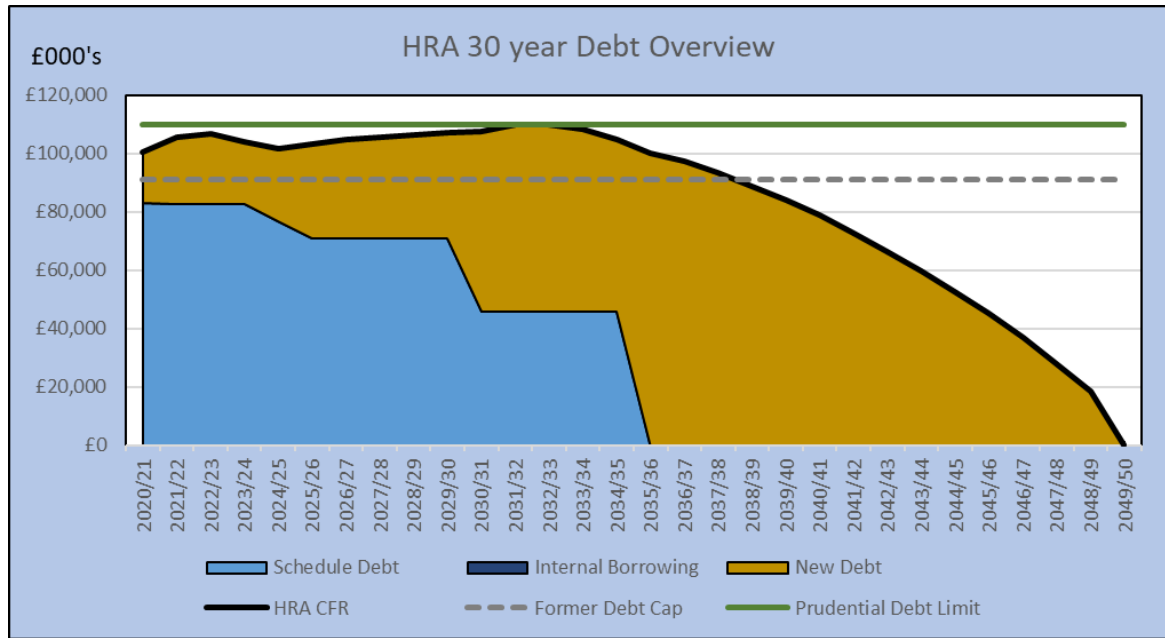
Graph A - Reserve balances and annual cash flow from 2020/21 for 30 years

6.2 This graph shows reserve balances within the HRA decreasing from £12.9m in 2020/21 to approximately £12.6m by 2049/50. A detailed breakdown of all the HRA earmarked reserves forecast as at 31st March 2021 can be found in Appendix C. The revised HRA Business Model allocates the revenue contribution to capital (RCCO) to increasing reserve balances, when it is not required to fund the capital programme. This change has been implemented from 2024/25 onwards and is to demonstrate that the Council can afford to repay any new debt as required by the CIPFA Prudential Code.



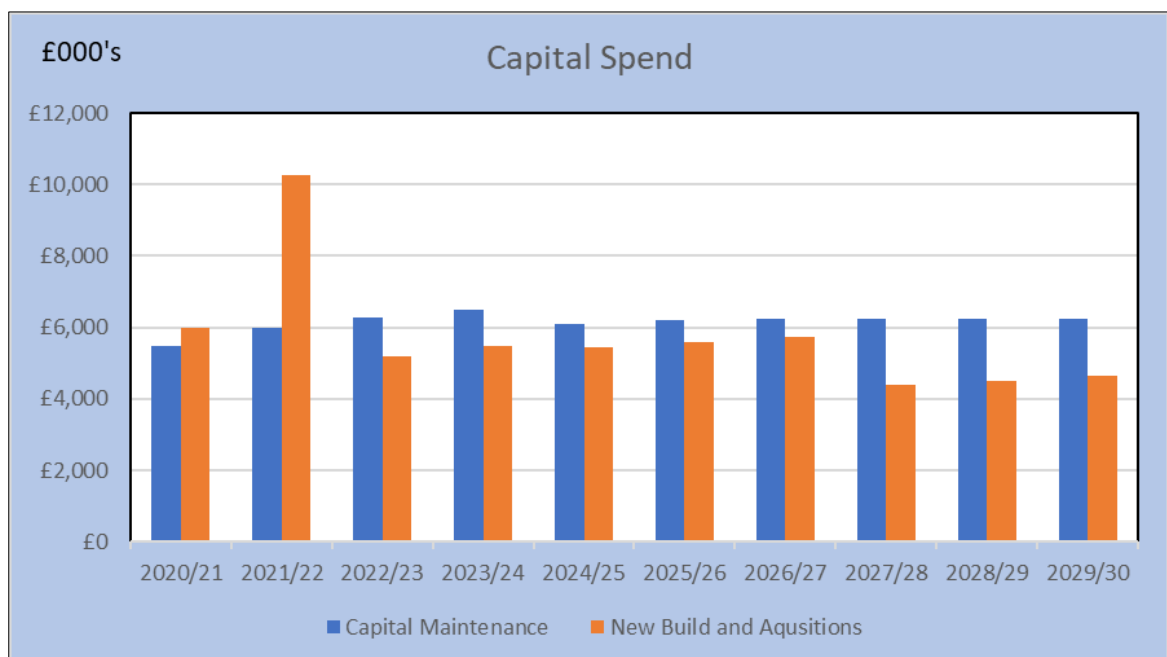
Graph B – HRA Debt Overview from 2020/21 for 30 years

6.3 This shows the different types of debt held by the HRA over the next 30 years. All debt is to be repaid by 2049/50. However, this is based on a reduced level of new build and acquisitions after the first two years of this period. Although the debt cap has been removed it also provides an indication of when the debt cap would have been breached had it remained.



Graph C - Capital Programme from 2020/21 for 10 years

6.4 This graph shows proposed capital programme expenditure within the HRA Business Plan up to Year 10. The spend is split between capital maintenance on council dwellings and new build and acquisitions.



7 HRA KEY ACHIEVEMENTS

7.1 A surplus position is forecast for 2020/21 of £334k which is a significant improvement on the 2019/20 position (deficit of £193k). This has been achieved by reducing both revenue and capital budgets (see table in 10.1). A fundamental review of the housing service has been undertaken during 2019/20 to identify savings, efficiencies and income generation opportunities to achieve a sustainable business plan into the future. The review covered:

- New build programme and retention of Right to Buy receipts. The appointment of Icenii to look into development opportunities has enabled us to provide a 3-year development programme of new build and acquisitions.
- Introduction of locality-based working within the building services team to reduce travel times, save fuel costs and improve service delivery.
- A review of the Travis Perkins materials contract which has delivered savings and efficiencies as well as improvement in customer service.
- Introduction of the Homes and Housing Strategy (2019-2024) and Homelessness Reduction and Rough Sleeping Strategies (2019-2024)
- Introduction of policies including a mobility scooter, income management and regulatory reform order.
- Void performance being maintained at an average of 16 days.
- Introduction of pre-court and pre-eviction panels to reduce levels of debt and evictions due to the non-payment of rent.
- Tenant Board conducted their first scrutiny review of the repairs service.
- Housing conference held for all housing staff.

8 HRA INCOME AND SAVINGS OPPORTUNITIES

8.1 The Councils Homes Strategy specifically identifies the need for the HRA to be as efficient and effective as possible with an ambition to save 1% of our budget across the 3 years 2019-2022.

8.2 During the past year the Housing Revenue Account has identified and made savings to its Revenue budgets including

- Increasing leaseholder service/management charges by £9k
- Reduction in ICT project costs of £18k
- Removal of decorating vouchers for new tenants saving £3k
- Reducing reserves by £20k previously carried forward to support financial inclusion
- Removal of decorating grants for tenants that have had their home rewired saving £5k

8.3 Next year will see a focus on all contracts (more than £50k) to review the terms of each of these and to identify savings opportunities, as well as decision on the long-term future of Building Services via a joint venture with Flagship Housing. A review of the HRA Business Plan will also be undertaken.

- 8.4 Sheltered housing – Babergh currently subsidises sheltered service charges from the HRA by approximately £58k each year. By increasing the service charge by £2 per week for 2020/21, the subsidy will be reduced by £26k. It is proposed that utility charges are kept at the same level as the current year.
- 8.5 Garage rents – A project to reduce the number of void garages was undertaken during 2019/20. Further work will continue in 2020/21 to identify alternative use of long term/unviable garage sites. It is proposed that garage rents are kept at the same level as the current year.
- 8.6 A project was undertaken by Corporate Managers in 2018/19 to identify where income could be increased, or savings made, for the next four years. Income increases or savings continue to be reflected in the budget and will be monitored during the year.

9 RETENTION OF RIGHT TO BUY RECEIPTS

- 9.1 Right to Buy (RTB) sales for Babergh were lower than those projected in the business plan. In 2018/19 Babergh sold 15 against an original projection of 27 sales.
- 9.2 The money received from RTB sales can only be used as a 30% contribution towards the cost of a replacement home. The remaining 70% of the replacement cost must 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 must be repaid to Government with 4% above the base rate interest added. There has been a recent consultation on Right to Buys, which both Babergh and Mid Suffolk contributed to and we are currently awaiting the results of this.

10 HRA REVENUE BUDGET 2020/21

10.1 The table below sets out the HRA budget for 2020/21, based on a 2.7% rent increase and highlights the movement from the 2019/20 budget.

	Budget 2019/20	Budget 2020/21	Movement Adverse/ (Favourable)	Comments
	£'000	£'000	£'000	
Dwelling Rents	(16,147)	(15,996)	151	Although rents have increased by 2.7% for 2020/21 generating £428k, a cost pressure of £304k has resulted due to 2019/20 being 53 rent weeks, compared to 52 weeks in 2020/21. Also delays in anticipated new build developments budgeted for in 2019/20 have impacted the anticipated income by £263k.
Service Charges	(561)	(575)	(14)	Reflects £2 increase per week £27k, which has been offset by £13k reduction in leaseholder service charges following a review of expected income (based on last 3 years).
Non-Dwelling Income	(232)	(183)	49	Assumed increase in rental of void garages did not materialise. This will be reviewed during 2020/21.
Other Income	(11)	(10)	1	
Interest Received	(10)	(10)	0	
Income	(16,961)	(16,774)	187	
General Management	2,276	2,465	189	£124k due to staffing cost changes which includes pay award/increments of £23k. IT maintenance costs of £40k due to the budget moving from the central ICT budget within the General Fund to the HRA. Overheads have increased by £15k due to additional customer services costs (% increased), utilities cost pressure of £7k on de-sheltered properties and other minor variances totalling a cost pressure of £3k.
Special Management	841	817	(24)	Reduction in community alarms due to de-sheltering of schemes £28k, partly offset by increment and pay award staffing costs £4k.
Repairs and Maintenance	1,951	2,007	56	Salary savings of £111k from service restructure (net of pay award/increments £39k), £28k increase in recharge income, £24k saving on vehicle fuel based on 3-year average costs, £4k minor adverse cost pressure. Increase in voids repairs £120k, and an increase of £95k for general repairs based on 3-year trend.
Property Services	1,136	1,204	68	Planned heating maintenance £50k saving, planned maintenance on painting increase of £158k due to backlog of work, asbestos survey £33k saving due to the Trades team now monitoring the arrangements, disabled facilities work £7k saving based on a 3-year trend.
Depreciation	3,313	3,313	0	
Interest payable	3,117	3,161	44	Increase due to higher borrowing costs
Debt Repayment	500	500	0	
Revenue Contribution to Capital	3,922	2,875	(1,047)	Revised capital programme therefore funding required in year is reduced
Bad Debt Provision	98	98	0	
Deficit / (Surplus) for Year	193	(334)	(527)	

11 HRA CAPITAL INVESTMENT PROGRAMME

- 11.1 The Capital Programme for the four-year period from 2020/21 totals £51.2m. The detailed Capital Programme is attached at Appendix A.
- 11.2 The table below shows a summary of the capital expenditure and financing for 2020/21 to 2023/24.

Expenditure	£m
Housing Maintenance Programme and other capital spend	24.3
New Build & Acquisitions	26.9
Total	51.2
Financing	
Capital Receipts, disposals and RTB receipts and HCA grant	11.1
Major Repairs Reserve	14.0
Revenue Contributions	14.4
Borrowing	11.7
Total	51.2

- 11.3 The engagement of Icenl to work with the Council to investigate development sites for new homes has led to a proposed Capital Programme for 2020-2023 of 156 affordable homes and 23 shared ownership homes.
- 11.4 The programme includes new build development at Angel Court, Hadleigh, Shotley and Brantham as well as identifying acquisitions and the opportunities presented by Section 106 across the District.

12 LINKS TO THE CORPORATE PLAN

- 12.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan. Specific links are to financially sustainable Councils, managing our corporate assets effectively, and property investment to generate income.

13 FINANCIAL IMPLICATIONS

- 13.1 These are detailed in the report.

14 LEGAL IMPLICATIONS

- 14.1 There are none that apply.

15 RISK MANAGEMENT

- 15.1 This report is most closely linked with the Council's Significant Risk No. 13 – We may be unable to respond in a timely and effective way to financial demands and also Corporate Risk No. SE05 – if the Finance Strategy is not in place with a balanced position over the medium term the Councils will not be able to deliver the core objectives and service delivery may be at risk of not being delivered. Other key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If we do not consider the ongoing impacts of the Welfare and Funding Reforms, then it could lead to unpreparedness for further changes.	Unlikely - 2	Bad – 3	Ensure adequate bad debt provision and that the Income Management Strategy seeks to mitigate the impact of the changes on residents, the Council's income streams and budgets.
If there are increases in inflation and other variables, then Council Housing self-financing could result in a greater risk to investment and service delivery plans.	Unlikely - 2	Noticeable – 2	Inflation and interest rate assumptions have been modelled in the HRA business plan. Capital receipts and capital programme funding reviewed.
If we fail to spend retained RTB receipts within 3-year period, then it will lead to requirement to repay to Government with an additional 4% interest.	Unlikely - 2	Bad - 3	Provision has been made in the updated HRA Investment Strategy to enable match funding and spend of RTB receipts.
If we borrow too much to fund New Homes, we will not be able to pay the loan interest.	Unlikely - 2	Bad - 3	Follow the CIPFA Prudential Code which states Capital investment plans must be affordable, prudent and sustainable.
If Brexit has a negative impact on the Economy, then interest rates/inflation/house prices and demand/jobs could be impacted.	Probable - 3	Bad - 3	Understanding and acting on intelligence from the Local Government Association (LGA) and CIPFA.
If capital data is inaccurate it could lead to problems with treasury management debt and cashflows.	Unlikely - 2	Bad - 3	Work closely with treasury management when setting capital budgets and how this will be financed. Monitor the capital spend quarterly and raise any changes with treasury management.

16 CONSULTATIONS

16.1 Consultations have taken place with Assistant Directors, Corporate Managers and other Budget Managers as appropriate.

17 EQUALITY ANALYSIS

17.1 An equality impact assessment has been undertaken with the Assistant Director, Corporate Managers and other Budget Managers as appropriate.

18 ENVIRONMENTAL IMPLICATIONS

18.1 Assistant Directors, Corporate Managers and other Budget Managers will consider the environmental impact of any savings proposals and throughout the year as they manage their budgets.

19 APPENDICES

Title	Location
Appendix A – 4 Year Capital Programme	Attached
Appendix B – 30-Year HRA Business Plan	Attached
Appendix C – Earmarked Reserves 2020/21	Attached

20 BACKGROUND DOCUMENTS

Housing Revenue Account (HRA) Budget 2020/21 and Longer-Term Outlook – January Cabinet BCa/19/31

Housing Revenue Account (HRA) Budget 2020/21 and Longer-Term Outlook – February Cabinet BCa/19/35

CAPITAL PROGRAMME FOR 2020/21 to 2023/24

BABERGH	Expenditure					Financing					
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	TOTAL BUDGET (Over 4 years) £000	External Grants & Contributions £000	Capital Receipts £000	Borrowing £000	Major Repairs Reserve £000	Revenue Contributions £000	Total Financing (Over 4 years) £000
CAPITAL PROGRAMME 2020/21 - 2023/24											
HOUSING REVENUE ACCOUNT											
Housing Maintenance											
Planned maintenance	4,558	5,079	5,394	5,599	20,630	-	-	-	13,990	6,640	20,630
ICT Projects	200	200	200	200	800	-	-	-	-	800	800
Environmental Improvements	500	500	500	500	2,000	-	-	-	-	2,000	2,000
Disabled Facilities Work	200	200	200	200	800	-	-	-	-	800	800
Horticulture and play equipment	30	-	-	-	30	-	-	-	-	30	30
New build incl acquisitions	5,996	10,259	5,195	5,485	26,935	2,801	8,286	11,704	-	4,144	26,935
Total HRA Capital	11,484	16,238	11,489	11,984	51,195	2,801	8,286	11,704	13,990	14,414	51,195

HRA Business Plan updated 2020/21 – 2029/30

APPENDIX B

Year	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
£'000	1	2	3	4	5	6	7	8	9	10
INCOME:										
Rental Income	(15,996)	(17,125)	(17,985)	(18,553)	(19,414)	(19,348)	(19,660)	(19,976)	(20,297)	(20,623)
Service Charges	(575)	(595)	(604)	(616)	(629)	(641)	(654)	(667)	(680)	(694)
Non-Dwelling Income	(183)	(183)	(183)	(187)	(190)	(194)	(198)	(202)	(206)	(210)
Grants & Other Income	(10)	(10)	(10)	(10)	(10)	(11)	(11)	(11)	(11)	(11)
Total Income	(16,764)	(17,913)	(18,782)	(19,366)	(20,243)	(20,194)	(20,523)	(20,856)	(21,195)	(21,538)
EXPENDITURE:										
General Management	2,465	2,503	2,578	2,658	2,719	2,783	2,842	2,900	2,956	3,012
Special Management	817	827	837	854	871	888	906	924	943	961
Other Management	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	98	139	139	143	150	149	152	154	157	159
Responsive & Cyclical Repairs	3,211	3,061	3,081	3,297	3,436	3,587	3,716	3,837	3,940	4,046
Total Revenue Expenditure	6,591	6,530	6,635	6,952	7,176	7,407	7,616	7,816	7,995	8,179
Interest Paid	3,161	3,271	3,190	3,823	3,839	3,918	3,947	4,007	4,030	4,066
Interest Received	(10)	(13)	(18)	(17)	(14)	(12)	(11)	(11)	(11)	(11)
Depreciation	3,313	3,559	3,559	3,559	3,565	3,657	3,751	3,847	3,946	4,047
Net Operating Income	(3,709)	(4,566)	(5,416)	(5,049)	(5,677)	(5,224)	(5,221)	(5,198)	(5,235)	(5,259)
APPROPRIATIONS:										
Revenue Provision (HRACFR)	500	500	902	2,586	3,322	2,806	2,596	2,674	2,737	5,262
Revenue Contribution to Capital	2,875	4,596	4,003	2,940	2,500	2,500	2,500	2,500	2,500	0
Total Appropriations	3,375	5,096	4,905	5,526	5,822	5,306	5,096	5,174	5,237	5,262
ANNUAL CASHFLOW	(334)	530	(511)	478	145	82	(124)	(25)	2	3
Reserves Opening Balance	(12,638)	(12,972)	(12,442)	(12,953)	(12,476)	(12,331)	(12,249)	(12,373)	(12,398)	(12,396)
Reserves Closing Balance	(12,972)	(12,442)	(12,953)	(12,476)	(12,331)	(12,249)	(12,373)	(12,398)	(12,396)	(12,393)

HRA Business Plan updated 2030/31 – 2039/40

APPENDIX B

Year	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37	2037/38	2038/39	2039/40
£'000	11	12	13	14	15	16	17	18	19	20
INCOME:										
Rental Income	(21,327)	(21,288)	(21,628)	(21,974)	(22,324)	(23,083)	(23,039)	(23,405)	(23,775)	(24,152)
Service Charges	(708)	(722)	(736)	(751)	(766)	(781)	(797)	(813)	(829)	(846)
Non-Dwelling Income	(214)	(219)	(223)	(228)	(232)	(237)	(241)	(246)	(251)	(256)
Grants & Other Income	(12)	(12)	(12)	(12)	(13)	(13)	(13)	(13)	(14)	(14)
Total Income	(22,261)	(22,241)	(22,600)	(22,965)	(23,335)	(24,114)	(24,091)	(24,477)	(24,870)	(25,268)
EXPENDITURE:										
General Management	3,070	3,129	3,188	3,249	3,311	3,375	3,439	3,505	3,572	3,640
Special Management	981	1,000	1,020	1,041	1,062	1,083	1,104	1,126	1,149	1,172
Other Management	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	164	164	167	169	172	178	177	180	183	186
Responsive & Cyclical Repairs	4,155	4,266	4,380	4,498	4,618	4,742	4,868	4,999	5,132	5,269
Total Revenue Expenditure	8,369	8,559	8,756	8,957	9,163	9,377	9,589	9,810	10,036	10,268
Interest Paid	4,657	4,475	4,523	4,489	4,369	5,231	4,533	4,378	4,184	3,973
Interest Received	(12)	(11)	(11)	(12)	(14)	(16)	(17)	(18)	(17)	(15)
Depreciation	4,150	4,256	4,365	4,477	4,591	4,708	4,828	4,951	5,077	5,206
Net Operating Income	(5,096)	(4,961)	(4,968)	(5,055)	(5,226)	(4,814)	(5,157)	(5,357)	(5,590)	(5,836)
APPROPRIATIONS:										
Revenue Provision (HRACFR)	5,654	4,431	4,928	5,008	5,184	5,844	4,143	5,326	5,581	5,828
Revenue Contribution to Capital	0	0	0	0	0	0	0	0	0	0
Total Appropriations	5,654	4,431	4,928	5,008	5,184	5,844	4,143	5,326	5,581	5,828
ANNUAL CASHFLOW	557	(530)	(40)	(47)	(43)	1,030	(1,015)	(31)	(8)	(7)
Reserves Opening Balance	(12,393)	(11,836)	(12,366)	(12,406)	(12,453)	(12,495)	(11,465)	(12,480)	(12,511)	(12,519)
Reserves Closing Balance	(11,836)	(12,366)	(12,406)	(12,453)	(12,495)	(11,465)	(12,480)	(12,511)	(12,519)	(12,527)

HRA Business Plan updated 2040/41 – 2049/50

APPENDIX B

Year	2040/41	2041/42	2042/43	2043/44	2044/45	2045/46	2046/47	2047/48	2048/49	2049/50
£'000	21	22	23	24	25	26	27	28	29	30
INCOME:										
Rental Income	(24,533)	(25,362)	(25,313)	(25,711)	(26,114)	(26,524)	(26,939)	(27,843)	(27,787)	(28,220)
Service Charges	(863)	(880)	(898)	(916)	(934)	(953)	(972)	(991)	(1,011)	(1,031)
Non-Dwelling Income	(261)	(267)	(272)	(277)	(283)	(289)	(294)	(300)	(306)	(312)
Grants & Other Income	(14)	(15)	(15)	(15)	(15)	(16)	(16)	(16)	(17)	(17)
Total Income	(25,672)	(26,523)	(26,497)	(26,919)	(27,347)	(27,781)	(28,221)	(29,151)	(29,121)	(29,581)
EXPENDITURE:										
General Management	3,710	3,781	3,853	3,927	4,002	4,078	4,156	4,236	4,316	4,399
Special Management	1,195	1,219	1,244	1,269	1,294	1,320	1,346	1,373	1,401	1,429
Other Management	0	0	0	0	0	0	0	0	0	0
Bad Debt Provision	189	195	195	198	201	204	207	214	213	217
Responsive & Cyclical Repairs	5,410	5,555	5,703	5,855	6,011	6,172	6,336	6,505	6,678	6,856
Total Revenue Expenditure	10,504	10,750	10,994	11,248	11,508	11,773	12,045	12,327	12,609	12,900
Interest Paid	3,745	3,489	3,212	2,925	2,617	2,286	1,932	1,544	1,129	699
Interest Received	(14)	(15)	(15)	(15)	(16)	(16)	(17)	(17)	(18)	(18)
Depreciation	5,338	5,474	5,613	5,755	5,901	6,050	6,203	6,359	6,520	6,684
Net Operating Income	(6,098)	(6,826)	(6,693)	(7,006)	(7,338)	(7,688)	(8,057)	(8,938)	(8,881)	(9,316)
APPROPRIATIONS:										
Revenue Provision (HRACFR)	6,089	6,805	6,692	6,995	7,326	7,675	8,044	8,913	8,877	9,302
Revenue Contribution to Capital	0	0	0	0	0	0	0	0	0	0
Total Appropriations	6,089	6,805	6,692	6,995	7,326	7,675	8,044	8,913	8,877	9,302
ANNUAL CASHFLOW	(9)	(20)	(1)	(11)	(12)	(12)	(13)	(24)	(4)	(14)
Reserves Opening Balance	(12,527)	(12,536)	(12,556)	(12,557)	(12,568)	(12,580)	(12,592)	(12,605)	(12,629)	(12,633)
Reserves Closing Balance	(12,536)	(12,556)	(12,557)	(12,568)	(12,580)	(12,592)	(12,605)	(12,629)	(12,633)	(12,648)

Earmarked Reserves

APPENDIX C

Transfers to/from Earmarked Reserves	Balance 31 March 2019 £'000	Transfers to £'000	Transfers from £'000	Balance 31 March 2020 £'000	Transfers to £'000	Transfers from £'000	Balance 31 March 2021 £'000
Working Balance	(1,000)			(1,000)			(1,000)
HRA Fund & Strategic Priorities	(11,940)		302	(11,638)	(334)		(11,972)
HRA Revenue	(12,940)	0	302	(12,638)	(334)	0	(12,972)
Capital Receipts (1-4-1)	(2,855)	(1,062)	2,738	(1,179)	(1,138)	720	(1,597)
Major Repairs		(3,313)	3,313	0	(3,313)	3,313	0
HRA Capital Receipts (Other)	(2,625)	(1,304)	0	(3,929)	(1,112)		(5,041)
HRA Capital	(5,480)	(5,679)	6,051	(5,108)	(5,563)	4,033	(6,638)
Total earmarked HRA reserves	(18,420)	(5,679)	6,353	(17,746)	(5,897)	4,033	(19,610)

This page is intentionally left blank

Agenda Item 11

BABERGH DISTRICT COUNCIL

TO: Council	REPORT NUMBER: BC/19/37
FROM: Cabinet Member for Finance	DATE OF MEETING: 26 February 2020
OFFICER: Katherine Steel, Assistant Director, Corporate Resources	KEY DECISION REF NO. N/A

JOINT CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2020/21

1. PURPOSE OF REPORT

- 1.1 This report presents the Joint Capital, Investment and Treasury Management Strategies for the financial year 2020/21.
- 1.2 These are in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code, the CIPFA Prudential Code, which were both updated in 2017, and the 2018 Ministry of Housing, Communities and Local Government (MHCLG) Investment Guidance, which introduced the requirement to prepare a Capital Strategy and an Investment Strategy. The Treasury Management Strategy remained largely unchanged.
- 1.3 The Prudential Indicators and Minimum Revenue Provision (MRP) Statement are linked to the Budget report that will be presented at this Cabinet meeting and the Full Council meetings in February 2020.
- 1.4 The Codes of Practice recommend that these strategies are subject to scrutiny before being presented to Full Council, which falls within the remit of the Joint Audit and Standards Committee.

2. OPTIONS CONSIDERED

- 2.1 This report fulfils the Councils legal obligations to have regard to the Code and MHCLG Guidance.
- 2.2 Individual strategies were considered but Joint Strategies have been prepared.

3. RECOMMENDATIONS TO BOTH COUNCILS

That the following be approved:

- 3.1 The Joint Capital Strategy for 2020/21, including the Prudential Indicators, as set out in Appendix A and the updates tabled at the meeting.
- 3.2 The Joint Investment Strategy for 2020/21, as set out in Appendix B.
- 3.3 The Joint Treasury Management Strategy for 2020/21, including the Joint Annual Investment Strategy as set out in Appendix C.

- | | |
|-----|---|
| 3.4 | The Joint Treasury Management Indicators as set out in Appendix D. |
| 3.5 | The Joint Treasury Management Policy Statement as set out in Appendix G. |
| 3.6 | The Joint Minimum Revenue Provision Statement as set out in Appendix H. |
| 3.7 | That the key factors and information relating to and affecting treasury management activities set out in Appendices E, F, and I be noted. |

REASON FOR DECISION

Local authorities are required to approve their Treasury Management Strategy (TMS), their Capital Strategy (including an overview of the TMS) and their Investment Strategy annually before the start of the financial year.

4. KEY INFORMATION

Introduction

- 4.1 The Joint Capital Strategy and the Joint Investment Strategy were new for 2019/20, as required by changes in CIPFA and MHCLG guidance. The Joint Treasury Management Strategy remained largely unchanged. This report combines an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 4.2 The strategies set limits and indicators that embody the risk management approach that the Councils believe to be prudent. The strategies are set against the 2020/21 budget and the four-year outlook and the context of the UK economy and projected interest rates. The information included in Appendix A to H reflects the current plans for income, expenditure and investments of both Councils.
- 4.3 The Joint Investment Strategy, at Appendix B, covers the non-financial assets that councils hold for financial return such as property portfolios, shares in council owned companies and loans. These are defined as treasury management investments but are not managed as part of treasury management or under treasury management delegations.

Strategic Context

- 4.4 In recent years the government policy frameworks have been reducing core funding for local government as part of its deficit reduction strategy. In response to this both Councils strategy over the medium term as set out in the 2020/21 budget reports is to become self-financing and to generate more funds than are required for core services, and to enable additional investment in the districts.
- 4.5 The three strategies within this report set out the Councils approach to capital spend, borrowing and investment in order to deliver this.

- 4.6 MHCLG and CIPFA are aware that most local authorities are taking a more commercial approach in order to bridge the gap they face as a result of diminishing funding from government. In response to this both bodies state that they do not seek to prescribe precisely how councils invest but they clearly have concerns that some councils are taking increasing commercial risks using borrowed money. As a result, this report provides a more extensive strategy so that more of the risks that the Codes and guidance highlight are apparent to Members.

Statutory Background

- 4.7 This report is part of the Councils' legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the Ministry for Housing, Communities and Local Government (MHCLG) Guidance. The Councils must:
- ensure priority is given to security and portfolio liquidity, when investing treasury management funds,
 - ensure the security of the principal sums invested through robust due diligent procedures for all external investments,
 - have regard to CIPFA's Prudential Code when determining how much money they can afford to borrow,
 - ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice,
 - monitor against the Prudential Code indicators each year, these are included in the Joint Capital Strategy in Appendix A, and
 - set, revise, and, if there are material changes to the strategies and prudential indicators, present to Full Council for approval.

Purpose of the Strategies

Joint Capital Strategy Appendix A

- 4.8 The Joint Capital Strategy (Appendix A), under the requirements of the Codes, gives a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 4.9 In terms of investment, the Councils invest their money for three broad purposes:
- because there is surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - to support local public services by lending to or buying shares in other organisations (service investments), and

- to earn investment income (known as commercial investments where this is the main purpose).

4.10 The Joint Capital Investment Strategy covers all three of the above points.

Joint Investment Strategy Appendix B

4.11 The Joint Investment Strategy (Appendix B) as required by the statutory guidance issued by the MHCLG, covers all three of the points in 4.9 above and shows the proportionality of investments, total investment exposure, and rate of return.

Joint Treasury Management Strategy Appendix C

4.12 The Joint Treasury Management Strategy (TMS) (Appendix C) covers the first point in 4.9 above and details of borrowing including authorised limits, economic and interest rate forecasts and treasury management indicators are also shown in Appendix D to G.

4.13 These three strategies together show the impact of the Councils' capital programme and Joint Investment Strategy in terms of risk, prudent levels of borrowing, associated interest costs and the net financial returns to the Councils to support core services in the medium term.

5. LINKS TO JOINT CORPORATE PLAN

5.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Joint Corporate Plan. Specific links show how these are met through financially sustainable Councils, managing the corporate assets effectively, and property investment to generate income.

6. FINANCIAL IMPLICATIONS

6.1 As outlined in this report and appendices.

7. LEGAL IMPLICATIONS

7.1 The legal status of the Treasury Management Code derives in England from regulations issued under the Local Government Act 2003 (the 2003 Act).

7.2 The Capital Finance and Accounting Regulations 2003 – SI 2003/3146, Regulation 24, explicitly require authorities to “have regard” to the Treasury Management Code.

7.3 Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the 2003 Act.

7.4 The latest statutory guidance on local government investments was issued under section 15(1)(a) of the 2003 Act and effective for financial years commencing on or after 1 April 2018. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.

8. RISK MANAGEMENT

- 8.1 This report is most closely linked with the Councils' Significant Risk No.13 – We may be unable to react in a timely and effective way to financial demands and also Corporate Risk No. SE05 – if the Finance Strategy is not in place with a balanced position over the medium term the Councils will not be able to deliver the core objectives and service delivery may be at risk of not being delivered.
- 8.2 The report also links to the Councils' Significant Risk No.10 around the Capital Investment Fund – we may be unable to meet the income projections for the Councils.
- 8.3 Other key risks are set out below:

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

9. CONSULTATIONS

- 9.1 Regular meetings have taken place with the Councils' Treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

10. EQUALITY ANALYSIS

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

11. ENVIRONMENTAL IMPLICATIONS

11.1 All Council activities will need to be reviewed as part of the work of the Climate Change Task Group and the Councils' ambition to be carbon neutral by 2030.

12. APPENDICES

Title	Location
(a) Joint Capital Strategy 2020/21	Attached
(b) Joint Investment Strategy 2020/21	Attached
(c) Joint Treasury Management Strategy 2020/21	Attached
(d) Treasury Management Indicators	Attached
(e) Economic Outlook and Interest Rate Forecast	Attached
(f) Existing Borrowing and Investments	Attached
(g) Treasury Management Policy Statement	Attached
(h) Minimum Revenue Provision (MRP) Statement	Attached
(i) Credit Ratings Criteria	Attached
(j) Glossary of Terms	Attached

13. BACKGROUND DOCUMENTS

2017 CIPFA Treasury Management in the Public Services

2017 The Prudential Code for Capital Finance in Local Authorities

2018 Ministry of Housing, Communities and Local Government Investment Guidance

JOINT CAPITAL STRATEGY 2020/21**1. Introduction**

- 1.1 This Joint Capital Strategy for 2020/21 gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these often-technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Councils for many years into the future. They are therefore subject to both a national regulatory framework and to local policy framework, summarised in this report.
- 1.3 The strategy demonstrates that the Councils take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.

2. Capital Expenditure and Financing

- 2.1 Capital expenditure is where the Councils spend money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or enhance assets.
- 2.2 The Councils have some limited discretion on what counts as capital expenditure; for example, individual assets costing below £10k are not capitalised and are charged to revenue in the year.
- 2.3 Table 1 that follows shows the actual spend for 2018/19, the forecast for 2019/20 and the budget from 2020/21 to 2023/24, for the General Fund and the HRA as per the 2020/21 budget report.

Table 1: Prudential Indicator: Estimated Capital Expenditure

Capital Expenditure						
	2018/19 Actual	2019/20 Forecast	2020/21 Budget Including c/fwd from 19/20	2021/22 Budget Including c/fwd from 19/20	2022/23 Budget	2023/24 Budget
	£m	£m	£m	£m	£m	£m
Babergh District Council						
General Fund	1.68	6.28	8.24	1.30	3.31	1.30
Capital Investments	13.98	11.45	13.17	10.21	0.00	0.00
Total General Fund	15.67	17.73	21.40	11.51	3.31	1.30
Council Housing (HRA)	7.23	23.26	11.48	16.24	11.49	11.98
Total Capital Expenditure	22.89	40.99	32.89	27.74	14.79	13.28

Capital Expenditure						
Mid Suffolk District Council	2018/19 Actual	2019/20 Forecast	2020/21 Budget Including c/fwd from 19/20	2021/22 Budget	2022/23 Budget	2023/24 Budget
	£m	£m	£m	£m	£m	£m
General Fund	4.71	2.61	13.01	1.54	3.45	1.71
Capital Investments	30.00	15.70	13.58	4.83	0.00	0.00
Total General Fund	34.71	18.31	26.59	6.37	3.45	1.71
Council Housing (HRA)	9.95	12.26	16.55	24.77	12.18	6.92
Total Capital Expenditure	44.67	30.57	43.14	31.14	15.63	8.63

General Fund Capital Expenditure

- 2.4 The main General Fund projects included in the Capital Programme for Babergh over the period 2020/21 to 2023/24 are Kingfisher Leisure Centre (£1.1m), Hadleigh Pool and Leisure Centre Refurbishment (£1.5m), Babergh Regeneration Investment Fund (£3m), Housing grants (£3.3m), Community Grants (£0.6m) and replacement vehicles (£2.3m).
- 2.5 The main General Fund projects included in the Capital Programme for Mid Suffolk over the period 2020/21 to 2023/24 are Mid Suffolk Leisure Centre (£3.3m), Stradbroke Pool (£0.6m), Mid Suffolk Regeneration Investment Fund (£3m), replacement vehicles (£2.3m), Housing grants (£2.9m) and Various Public Access schemes (£2.1m).

Capital Investments Capital Expenditure

- 2.6 There are two types of Capital investment. They are made:
- to support local public services by lending to or buying shares in other organisations (service investments), and
 - to earn investment income (known as commercial investments where this is the main purpose).

These will relate to non-financial assets that the Councils hold primarily or partially to generate a rate of return and will contribute towards service delivery objectives.

- 2.7 Details of the Councils Capital investments can be found in section 3 and 4 of the Joint Investment Strategy in Appendix B.

The Housing Revenue Account Capital Expenditure

- 2.8 The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes purchasing houses from the private sector to increase the housing stock as well as new build schemes over the forecast period.

Governance - General Fund Capital Expenditure:

- 2.9 Proposed capital projects are appraised by the Senior Leadership Team based on a comparison of service priorities against financing (even if the project is fully financed from external funds) before being included in the Councils capital programmes. The final capital programmes are then presented at this Cabinet meeting and onto Full Council meetings in February each year.
- 2.10 Full details of the Councils' capital programmes are included initially in the Budget report, that were presented to Cabinet in January 2020, then at this Cabinet meeting and onto the Full Council meetings in February 2020 following review by Overview and Scrutiny Committee.

Capital Financing

- 2.11 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Councils' own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

Capital Financing - General Fund						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Capital Receipts	0.03	0.68	0.00	0.00	0.00	0.00
Revenue Contributions	0.00	0.04	0.34	0.00	0.00	0.00
Revenue Reserves	0.06	0.00	0.00	0.00	0.00	0.00
Grants	0.26	0.20	1.43	0.41	0.41	0.41
External Contributions	0.11	0.00	0.00	0.00	0.00	0.00
Borrowing	15.21	16.80	19.64	11.10	2.90	0.89
Total GF Capital Financing	15.67	17.73	21.40	11.51	3.31	1.30

Capital Financing - HRA						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Capital Receipts	1.49	4.13	0.72	1.28	0.81	5.49
Revenue Contributions	2.18	3.92	2.88	4.60	4.00	2.94
Revenue Reserves	3.53	3.31	3.31	3.56	3.56	3.56
Grants	0.03	1.45	1.25	0.74	0.81	0.00
External Contributions	0.00	1.12	0.00	0.00	0.00	0.00
Borrowing	0.00	9.34	3.33	6.07	2.31	0.00
Total HRA Capital Financing	7.23	23.26	11.48	16.24	11.49	11.98
Total ALL Capital Financing	22.89	40.99	32.89	27.74	14.79	13.28

Capital Financing - General Fund						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Capital Receipts	0.01	0.00	0.00	0.00	0.00	0.00
Revenue Reserves	1.94	0.24	9.55	0.00	0.00	0.00
Grants	0.47	0.25	1.00	0.38	0.38	0.38
External Contributions	0.39	0.00	0.00	0.00	0.00	0.00
Borrowing	31.91	17.82	16.05	5.99	3.07	1.34
Total GF Capital Financing	34.71	18.31	26.59	6.37	3.45	1.71

Capital Financing - HRA						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Capital Receipts	3.40	1.63	2.84	5.61	2.87	0.80
Revenue Contributions	1.92	2.83	2.60	3.82	2.59	2.41
Revenue Reserves	3.76	3.71	3.71	3.67	3.71	3.71
Grants	0.27	0.33	3.22	2.05	0.00	0.00
External Contributions	0.00	0.00	0.28	0.00	0.00	0.00
Borrowing	0.61	3.77	3.89	9.62	3.02	0.00
Total HRA Capital Financing	9.95	12.26	16.55	24.77	12.18	6.92
Total ALL Capital Financing	44.67	30.57	43.14	31.14	15.63	8.63

Repayment of Debt

- 2.12 Debt is only a temporary source of finance, since loans and leases must be repaid, usually from revenue, which is known as minimum revenue provision (MRP). Alternatively, proceeds from selling capital assets or principal repayment of loans/leases (known as capital receipts) may also be used to repay debt finance.
- 2.13 The Councils planned MRP and repayment of borrowing charged to revenue are shown in Table 3 as follows:

Table 3: Repayment of debt

Repayment of Debt Finance						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Repayment of Borrowing from HRA Revenue	0.50	0.50	0.40	0.15	0.00	0.00
Minimum Revenue Provision	0.93	1.01	1.22	1.43	1.59	1.71
Total Repayment of Debt Finance	1.43	1.51	1.62	1.58	1.59	1.71

Repayment of Debt Finance						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Minimum Revenue Provision	0.84	1.02	1.34	1.54	1.56	1.62
Total Repayment of Debt Finance	0.84	1.02	1.34	1.54	1.56	1.62

- 2.14 The Councils' full minimum revenue provision statement is shown in Appendix H.

Capital Financing Requirement

- 2.15 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.
- 2.16 The cumulative outstanding amount of debt finance for both Councils is measured by the CFR. This increases with new debt-financed (borrowing/leases) capital expenditure and reduces with MRP and capital receipts used to repay debt.
- 2.17 Babergh's CFR is expected to increase by £21.34m and Mid Suffolk's by £18.6m during 2020/21. Based on the above figures for expenditure (Table 1) and financing (Table 2), the Councils estimate that their CFR will be as shown in Table 4 that follows:

2.18

Table 4: Prudential Indicator: Estimates of Capital Financing Requirement

Cumulative Capital Financing Requirement (CFR)						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
General Fund	31.14	35.57	38.47	46.58	50.20	49.37
Capital Investments	13.98	25.35	40.87	48.48	48.48	48.48
Total General Fund	45.13	60.92	79.33	95.06	98.68	97.86
Council Housing (HRA)	86.67	95.51	98.44	98.29	98.29	98.29
Total CFR	131.80	156.43	177.77	193.36	196.97	196.15

Cumulative Capital Financing Requirement (CFR)						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
General Fund	36.28	37.53	40.33	40.94	42.46	42.17
Capital Investments	30.00	45.55	57.46	61.29	61.29	61.29
Total General Fund	66.28	83.08	97.78	102.24	103.75	103.47
Council Housing (HRA)	87.97	91.74	95.63	105.25	108.27	108.27
Total CFR	154.25	174.81	193.41	207.48	212.01	211.73

Asset disposals:

- 2.19 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. Repayments of capital grants, loans and investments also generate capital receipts. The expected profile of capital receipts is shown in Table 5 that follows.

Capital Receipts:

- 2.20 Capital Receipts are used to finance capital expenditure either in the year the asset is sold or put into a capital reserve and used for later capital expenditure or used to repay debt. Table 5 that follows shows the year in which the receipts will be used.

Table 5: Capital receipts used

Capital Receipts						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
General Fund	0.03	0.68	0.00	0.00	0.00	0.00
General Fund Capital Loan Repayments	0.07	0.12	0.17	0.23	0.24	0.26
Council Housing (HRA) 1-4-1 Receipts	0.91	2.43	0.72	1.28	0.26	1.60
Council Housing (HRA) Other	0.59	1.70	0.00	0.00	0.55	3.89
Total Capital Receipts	1.59	4.93	0.89	1.50	1.05	5.74

Capital Receipts						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
General Fund	0.01	0.00	0.00	0.00	0.00	0.00
General Fund Capital Loan Repayments	0.07	0.12	0.17	0.23	0.24	0.26
Council Housing (HRA) 1-4-1 Receipts	1.55	0.88	2.15	2.02	1.69	0.80
Council Housing (HRA) Other	1.85	0.75	0.69	3.59	1.18	0.00
Total Capital Receipts	3.48	1.75	3.02	5.84	3.11	1.06

3. The Prudential Code

- 3.1 The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal.
- 3.2 The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Councils.
- 3.3 The Prudential Code requires both Councils to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Councils. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.
- 3.4 The Prudential Indicators included in the Joint Capital Strategy, (Appendix A Tables 1, 4, 6, 8 and 9) illustrate the affordability and impact of capital expenditure decisions and set out both Councils overall capital and treasury framework.
- 3.5 Effective management and decisions on funding ensure both Councils comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget. Using borrowing powers to undertake investment in line with the Joint Corporate Plan priority outcomes and generate a rate of return to produce additional income in order to address the funding pressures that both Councils face over the next 4 years.

4. Treasury Management

- 4.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Councils' spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Councils are typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing. Appendix F shows the current position.
- 4.2 As at 30 November 2019:
- Babergh has £102.54m total borrowing at an average interest rate of 2.36% and £13.87m of treasury investments at an average rate of 3.81%.
 - Mid Suffolk has £122.12m total borrowing at an average interest rate of 3.24% and £13.76m treasury investments at an average interest rate of 3.73%.

Borrowing strategy:

- 4.3 The Councils' main objective when borrowing is to achieve a low but certain cost of finance whilst retaining flexibility if plans should change in the future. This objective is often conflicting, and the Councils therefore seek to strike a balance between cheap short-term loans (currently available at around 0.75%) and long-term fixed rate loans where the future cost is known but higher (currently 2.0% to 3.0%).
- 4.4 The forecast movement in the CFR in coming years is one of the Prudential Indicators. The movement in actual external debt and usable reserves combine to identify the Councils' borrowing requirement and potential treasury management investment strategy in the current and future years.
- 4.5 Projected levels of the Councils' total outstanding debt (borrowing and leases) are shown in Table 6 that follows, compared with the capital financing requirement (in paragraph 2.17, Table 4 above).

Table 6: Prudential Indicator: Gross Debt and Capital Financing Requirement

Gross Debt and Capital Financing Requirement						
Babergh District Council	31.3.2019 Actual £m	31.3.2020 Forecast £m	31.3.2021 Budget £m	31.3.2022 Budget £m	31.3.2023 Budget £m	31.3.2024 Budget £m
Outstanding Borrowing (Debt)	(104.05)	(122.96)	(138.21)	(147.25)	(147.33)	(147.41)
Capital Financing Requirement	131.80	156.43	177.77	193.36	196.97	196.15
Headroom	27.75	33.47	39.56	46.11	49.64	48.74

Gross Debt and Capital Financing Requirement						
Mid Suffolk District Council	31.3.2019 Actual £m	31.3.2020 Forecast £m	31.3.2021 Budget £m	31.3.2022 Budget £m	31.3.2023 Budget £m	31.3.2024 Budget £m
Outstanding Borrowing (Debt)	(145.29)	(139.58)	(169.90)	(166.54)	(158.09)	(168.61)
Capital Financing Requirement	154.25	174.81	193.41	207.48	212.01	211.73
Headroom	8.97	35.23	23.51	40.95	53.93	43.12

- 4.6 Statutory guidance says that debt should remain below the CFR, except in the short-term. As can be seen from Table 6 above, both Councils expect to comply with this in the medium-term.

Liability benchmark:

- 4.7 To compare the Councils' actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing (see Appendix C Table 2 for detailed calculation). This looks at the level of the CFR which could be reduced by use of reserves, working capital and investments. It assumes that cash and investment balances are kept to a minimum of Treasury Investments for each Council over the medium-term level (the lowest being £13.01m). This benchmark is currently £134.04m for Babergh and £152.59m for Mid Suffolk for 2019/20 and is forecast to increase to £175.34m and £195.87m respectively over the next four years.
- 4.8 The Councils can internally borrow when they have generated a cash surplus on their revenue activities, for example from council tax, business rates, etc received in advance of use. This cash surplus can be used, in the short term, to finance capital expenditure meaning that there is not an immediate requirement to borrow from third parties.

4.9 **Table 7: Borrowing and the Liability Benchmark**

Borrowing and Liability Benchmark						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Babergh District Council	Actual £m	Forecast £m	Budget £m	Budget £m	Budget £m	Budget £m
Outstanding Borrowing (Debt)	(104.05)	(122.96)	(138.21)	(147.25)	(147.33)	(147.41)
Liability Benchmark	105.41	134.04	152.55	168.73	171.54	175.34
	1.36	11.08	14.34	21.48	24.21	27.93

Borrowing and Liability Benchmark						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Mid Suffolk District Council	Actual £m	Forecast £m	Budget £m	Budget £m	Budget £m	Budget £m
Outstanding Borrowing (Debt)	(145.29)	(139.58)	(169.90)	(166.54)	(158.09)	(168.61)
Liability Benchmark	131.98	152.59	178.71	192.40	197.16	195.87
	(13.30)	13.01	8.81	25.86	39.08	27.26

The detailed calculation of the Liability Benchmark is shown in Appendix C Table 2.

Affordable borrowing limit:

- 4.10 The Councils are legally obliged to set an affordable borrowing limit (also called the authorised limit for external debt) each year and to keep it under review. The Councils 'have set a limit of £15m above the operational boundary for each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach this limit. This equals the Councils’ CFR.
- 4.11 Both Councils outstanding debt over the medium term are below the liability benchmark, operational boundary and authorised limits.

Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

	2019/20	2020/21	2021/22	2022/23	2023/24
Operational Boundary for External Debt	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Babergh District Council	157.00	178.00	194.00	197.00	198.00
Mid Suffolk District Council	175.00	194.00	208.00	213.00	212.00

	2019/20	2020/21	2021/22	2022/23	2023/24
Authorised Limit for External Debt	Limit £m	Limit £m	Limit £m	Limit £m	Limit £m
Babergh District Council	172.00	193.00	209.00	212.00	213.00
Mid Suffolk District Council	190.00	209.00	223.00	228.00	227.00
% Proportion of Debt to Authorised Limit	%	%	%	%	%
Babergh District Council	60.49	63.71	66.13	69.46	69.17
Mid Suffolk District Council	76.47	66.79	76.19	73.04	69.64

- 4.12 Further details on borrowing are shown in Appendix C section 4 of the Joint Treasury Management Strategy.

Joint Treasury Investment Strategy:

- 4.13 Treasury investments arise from receiving cash before it is paid out again. The Councils hold several long-term investments as a result of this. These and all other treasury management activities are set out in the Joint Treasury Management Strategy in Appendix C. The Councils planned spend on the capital programme has an impact on the amount of surplus cash available for treasury investments and, as explained in paragraph 4.4 above, this results in the Councils need to borrow.
- 4.14 Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management. These are explained further in the Joint Investment Strategy in Appendix B.

4.15 **Risk management:**

The effective management and control of risk are prime objectives of the Councils' treasury management activities. The treasury management strategy therefore sets out various indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

4.16 **Governance:**

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Assistant Director, Corporate Resources (the S151 Officer) and staff, who must act in line with the treasury management strategy approved by full Council. Half yearly reports on treasury management activity are presented to the Joint Audit and Standards Committee (JASC) who is responsible for scrutinising treasury management decisions.

5. Investments for Service Purposes

- 5.1 Service investments are where the Councils can support the provision of local public services by lending to or buying shares in other organisations.
- 5.2 The Councils do not have, nor currently have any plans to make, any investments in organisations to assist in the provision of local public services over the medium-term.

6. Liabilities:

- 6.1 In addition to debt of £122.96m for Babergh and £139.58m for Mid Suffolk, as detailed in Table 6 above for 2019/20, the Councils are committed to making future payments to cover their pension fund deficits. At 31 March 2019 Babergh's was valued at £0.615m and Mid Suffolk's was £0.884m

Governance:

- 6.2 Reports are taken to Cabinet as part of the monitoring process.

7. Revenue Budget Implications

- 7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, Business Rates and general government grants for the General Fund and housing rents for the HRA.
- 7.2 For Babergh the maximum return (net income) is 4.53% in 2020/21 and for Mid Suffolk is 10.03% in 2021/22 for the General Fund, as shown in Table 9 that follows. For the HRA the levels (net costs) are higher due to the link to the debt associated with the Councils housing stock.

8. Table 9: Prudential Indicator: Proportion of financing costs to net revenue stream

Proportion of Net Financing Costs to Net Revenue Stream					
Babergh District Council	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
General Fund -					
Net Financing costs / (Income) £m	(0.53)	(0.59)	(0.42)	(0.25)	(0.17)
Proportion of net revenue stream %	-4.29%	-4.44%	-3.30%	-1.94%	-1.34%
Council Housing (HRA) -					
Net Financing costs £m	3.11	3.15	3.26	3.17	3.81
Proportion of net revenue stream %	18.97%	19.46%	18.82%	17.46%	20.31%

Proportion of Net Financing Costs to Net Revenue Stream					
Mid Suffolk District Council	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
General Fund -					
Net Financing costs / (Income) £m	(0.97)	(0.84)	(1.40)	(1.19)	(0.88)
Proportion of net revenue stream %	-7.25%	-5.67%	-9.93%	-8.53%	-6.72%
Council Housing (HRA) -					
Net Financing costs £m	2.90	2.96	3.14	3.14	3.11
Proportion of net revenue stream %	19.96%	20.25%	20.19%	19.09%	18.22%

- 8.1 In addition to capital receipts, grants and borrowing the housing capital programme is partly financed by income received from housing rents. Table 10 that follows, shows these contributions and associated costs as an equivalent average weekly rent.

8.2 Table 10: Impact of Capital Decisions on HRA Rents

Impact of Capital Investment Decisions on Rents					
Increase in average weekly rents	2019/20 Forecast £	2020/21 Budget £	2021/22 Budget £	2022/23 Budget £	2023/24 Budget £
Babergh District Council	12.37	24.04	18.64	27.68	24.62
Mid Suffolk District Council	11.53	17.72	17.26	26.34	19.59

- 8.3 The setting of rent levels has been determined separately through the 30-year business model and any surplus or deficit on the HRA is transferred to or from Reserves.

8.4 Further details of the revenue implications of capital expenditure are included in the Budget Report that will be presented at this Cabinet meeting and then onto the Full Council meetings in February 2020.

9. Sustainability

9.1 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Assistant Director – Corporate Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable over the medium term. This is due to the fact that debt remains below the CFR, (see Table 6), below the liability benchmark (see Table 7) , and below the operational boundary and authorised limits (see Table 8), as well as an acceptable low level of financing costs proportionate to the net revenue stream (Table 9).

10. Knowledge and Skills

10.1 The Councils employ professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Assistant Director - Corporate Resources is a CIPFA qualified accountant with 29 years' experience and the Corporate Manager – Finance, Commissioning and Procurement with 19 years' experience. The Council employs an Assistant Director – Assets and Investments, who is a qualified chartered surveyor (MRICS) of 21 years' experience in both the private and public sector. The Council pays for staff to study towards relevant professional qualifications in finance such as the ICAEW and AAT.

10.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Arlingclose Limited as treasury management advisers.

10.3 Other advisers include Jones Lang Lasalle (JLL) as property consultants, Carter Jonas for development appraisal and Browne Jacobson for legal support. For the development of the council offices Purcell Architects, Lawson Planning Partnership, Hoggarth Cooke and Morley Riches and Ablewhite were appointed. This approach is more cost effective than employing such staff directly and ensures that the Councils have access to knowledge and skills commensurate with its risk appetite.

10.4 Both Councils are working with Norse Group Holdings Ltd to complete the developments at the sites of the former council offices, in Hadleigh and Needham Market, through the Councils' trading companies, Babergh Growth Ltd and Mid Suffolk Growth Ltd.

10.5 The Councils have a Learning and Development programme for staff which includes access to internal and externally provided training including attaining full professional qualifications.

JOINT INVESTMENT STRATEGY 2020/21

1. Introduction

- 1.1 The Councils invest their money for three broad purposes:
- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - to support local public services by lending to or buying shares in other organisations (known as service investments), and
 - to earn investment income (known as commercial investments where this is the main purpose).
- 1.2 Neither Council has invested in third party or related organisations which provide public services (known as service investments).
- 1.3 This Joint Investment Strategy is for 2020/21, meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the commercial investments which are or will be disclosed in the Councils' annual accounts. The MHCLG defines property to be an investment (commercial) if it is held primarily or partially to generate a profit.
- 1.4 For each type of investment, the Councils are required to show the contribution the investments make to the Councils' objectives.

2. Treasury Management Investments

- 2.1 The Councils typically receive their income in cash (e.g. from taxes and grants) before they pay for their expenditure in cash (e.g. through payroll and invoices). The Councils also hold reserves for future expenditure (and collect local taxes on behalf of other local authorities and central government). These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.2 For details of the Councils' treasury management investments, see section 5 of the Joint Treasury Management Strategy in Appendix C.

Contribution:

- 2.3 The contribution that these investments make to the objectives of both Councils is to support effective treasury management activities.

3. Commercial Investments: Property

- 3.1 Commercial Investments in property can take the form of using and developing council owned assets. The definition does not include the redevelopment for council housing through the HRA.

Contribution:

- 3.2 The Councils invest in commercial and residential property within their Districts, with the intention of generating a profit that will be spent on local public services, regeneration and development.
- 3.3 The current and future property investments for council owned assets are described below.

Babergh

• **Borehamgate, Sudbury**

Babergh purchased Borehamgate shopping precinct on 1 August 2016 for £3.5m as part of a plan to redevelop the Hamilton Road quarter of Sudbury. This prospective development is still at an early stage and amounts for minor improvements have been included in the capital programme.

• **Belle Vue, Sudbury**

- On 25 September 2018, Babergh approved a £6.5m investment to develop a restaurant and hotel on the former swimming pool site in Belle Vue, Sudbury (and then lease the property to a national hotel operator). Although partially a commercial opportunity, the regeneration of the Belle Vue site is considered essential to support the wider leisure, tourism and retail ambitions of Sudbury.
- Formal expressions of interest were invited from interested parties to put forward financially viable proposals for the future use of Belle Vue House by Friday 1 November 2019. Strutt & Parker were appointed to assist with this process.
- Proposals were received from commercial operators and community groups. These proposals are subject to public consultation in January. A decision on the best future use of the building will be made by Cabinet later this year.

• **Former Council Offices in Hadleigh**

- In September 2016 both Councils decided to relocate from their existing Council offices in Hadleigh and Needham Market to Endeavour House in Ipswich and subsequently relocated in November 2017. In December 2018, the Councils approved investments in market led housing schemes for the former office sites to realise value from these now surplus assets.
- Babergh approved the conversion of the former Corks Lane Council office in Hadleigh into 31 new homes and also the construction of an additional 26 new homes on the site, all for market sale.
- The Council created a new company, Babergh Growth Ltd, on 19 March 2019, which entered into a joint venture with Norse Group Holdings Ltd, to complete the development and they will provide 50% of the finance.

- A peak cash flow funding requirement of £3.57m is included in the capital programme, based on the assumption that Babergh will provide 50% of the development finance. The scheme is scheduled to commence in 2020/21.

Mid Suffolk

- **Former Aldi site, Stowmarket**

- Mid Suffolk bought the former Aldi site in Gipping Way, Stowmarket for £1.4m on 7 January 2019. A licence to operate the car park was entered into before completion enabling the development and use of this site for public pay and display car parking from December 2018.
- Planned maintenance to the building in 2020/21 will enable it to be used by tenants to provide rental income to the Council and promote the economy of Stowmarket.

- **Former NatWest Bank premises, Stowmarket**

The former NatWest Bank in the Market Place in Stowmarket was purchased on 13 March 2018 for £351k. External redecoration works were completed before Christmas 2018 and since then the Council has been working in partnership with the John Peel Centre.

- **Former Council Offices in Needham Market**

- As stated above, both Councils decided to relocate their offices to Endeavour House in Ipswich and subsequently relocated in November 2017.
- Mid Suffolk obtained for planning permission for 93 new homes on the former Council office and car park sites, in Needham Market, including 83 for market sale, 7 for affordable rent and 3 for shared ownership and a convenience store.
- The Council created a new company, Mid Suffolk Growth Ltd on 19 March 2019, which entered into a joint venture with Norse Group Holdings Ltd, to complete the development and they will provide 50% of the finance.
- A peak cash flow funding requirement of £3.31m (which is the Council's 50% share of the whole cost) is included in the capital programme. The scheme is expected to commence early in 2020/21 and the Council's 50% contribution is included in the capital expenditure shown in Table 1 that follows.

Table 1: Property held for investment purposes

Cumulative Expenditure on Property Investments						
Babergh District Council	2018/19 Cumulative Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Borehamgate, Sudbury	0.00	0.08	0.15	0.15	0.15	0.15
Belle Vue, Sudbury	0.03	0.23	2.75	6.53	6.53	6.53
Former Council Offices, Hadleigh	0.39	0.39	0.97	3.57	3.57	3.57
Total	0.42	0.70	3.87	10.24	10.24	10.24

Cumulative Expenditure on Property Investments						
Mid Suffolk District Council	2018/19 Cumulative Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Former Council Offices, Needham Market	0.41	0.64	2.31	3.31	3.31	3.31
Former Aldi Premises, Stowmarket	0.00	0.15	0.21	0.21	0.21	0.21
Former Natwest Premises, 11 Market Place, Stowmarket	0.35	0.35	0.35	0.35	0.35	0.35
Total	0.76	1.14	2.88	3.87	3.87	3.87

Security:

- 3.4 In accordance with government guidance, the Councils consider a property investment to be secure if its accounting valuation is at the same level or higher than its purchase cost including taxes and transaction costs at the time of anticipated disposal.
- 3.5 A fair value assessment of the Councils' directly owned investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. If during the preparation of the 2019/20 year end accounts and audit process the value of these properties are materially below their purchase cost, then an updated investment strategy will be presented to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk assessment:

- 3.6 As mentioned in section 8 of the main report this strategy has links to the Councils' Significant Risk Register, specifically risk no's 10 and 13 and Corporate risk no. SE05.
- 3.7 The Councils assess the risk of loss before investing in and whilst holding every property investment.
- 3.8 The Councils also commission third parties to provide expert advice. These advisors are appointed on the basis of reputation, experience and price and their advice is scrutinised by the company board members and officers responsible for investment decisions.

- 3.9 Babergh purchased Borehamgate shopping precinct for £3.56m in 2016 as an investment property and the 31 March 2019 balance sheet reflects its fair value of £2.905m (subject to audit). This is as a result of fluctuations in the commercial property market. The retail units generate income from leases and are subject to pressures in the retail sector as a result of the general economic conditions. The Council has accepted the risks associated with this property whilst taking a longer-term view of its future as part of the regeneration and development of the Hamilton Road area in Sudbury.
- 3.10 Babergh's investment in a hotel and restaurant on the Council owned Belle Vue site is the outcome of an open tender process undertaken by Strutt & Parker on behalf of the Council. The preferred business model of the recommended bid is a 24-year lease of a building developed and owned by the Council. A development appraisal and financial viability analysis was undertaken for the Council by Carter Jonas, based on the proposed heads of terms.

Browne Jacobson are providing legal support and the Council's treasury advisors, Arlingclose, will be requested to recommend a borrowing strategy. The Council has accepted the risks associated with this development of the site.

3.11 Market sale housing development:

- Purcell Architects, Lawson Planning Partnership, Hoggarth Cooke and Morley Riches & Ablewhite were appointed to support the Council with design, planning advice, feasibility and financial viability appraisals of the options for future use of the former Babergh and Mid Suffolk council office sites in Hadleigh and Needham Market.
- Proposed housing schemes were approved in principle by each Council in July 2018 and the delivery option subsequently chosen for both schemes were Joint Venture developments with a public partner (in both cases Norse Group Holdings Ltd).
- This enables the Councils to manage these schemes in a timely manner, control the quality of the housing, mitigate risk through securing an experienced socially wedded public sector partner and secure a commercial return.

3.12 Mid Suffolk bought the empty property, formerly occupied by Aldi, in Stowmarket, including the car park and introduced managed parking. The acquisition also aims to bring the site back into use after being vacant for a long time. Maintenance to the building next year will enable the Council to invite new tenants to occupy the premises.

3.13 The process to identify a long-term tenant for the former NatWest Bank building is ongoing.

Liquidity:

3.14 Property can be relatively difficult to sell quickly because of a lack of ready and willing investors or speculators to purchase the asset and convert to cash at short notice. However, all these properties will be part of the Councils commercial or residential regeneration schemes.

4. Commercial Investments: Shares and Loans

- 4.1 The Councils invest through share ownership and giving loans to their wholly owned companies, special purpose vehicles or third parties (local organisations) as part of a strategy for generating a rate of return or improving the local economy.

Contribution:

CIFCO Ltd

- 4.2 The Councils invest indirectly in property, through two wholly owned holding companies, by a combination of shares (equity) and loans (debt), matching the funding requirements of the underlying investment and the returns required by the Councils. All debt financed investment complies with EU State Aid rules.
- 4.3 BDC (Suffolk Holdings) Limited, a wholly owned subsidiary of Babergh, and MSDC (Suffolk Holdings) Limited, a wholly owned subsidiary of Mid Suffolk, were both incorporated on 9 June 2017, and are commercial investment vehicles for each Council.
- 4.4 Each holding company owns 50% of the issued share capital of CIFCO Ltd which was incorporated on 12 June 2017 to invest in a portfolio of commercial property in primarily the Eastern region. Each Council's investment in these companies is split 10% share capital in their holding companies and 90% loan direct to CIFCO Ltd.
- 4.5 Each Council approved an initial investment (CIFCO Ltd 1) of a total of £27.5m (£2.75m shares, £24.75m loans) of which £26.1m was invested by 31 March 2019 to acquire 11 properties. There will be no further purchases from this tranche.
- 4.6 Each Council approved a further investment (CIFCO Ltd 2) of £25m (£2.5m shares, £22.5m loans) with £11.17m forecast to be spent in 2019/20, £10m included in 2020/21 and £3.83m in 2021/22 in each Council's capital programme. To date three properties have been acquired and a further one acquisition is planned by the end of March 2020.

Gateway 14 Ltd

- 4.7 MSDC (Suffolk Holdings) Limited also owns 100% of the issued share capital of Gateway 14 Ltd which was incorporated on the 1 November 2017 as an SPV to acquire Gateway 14, a 135-acre site located to the eastern fringe of Stowmarket and develop a business park. Mid Suffolk's initial investment in this company was split 10% share capital in the holding company and 90% loan to Gateway 14 Ltd, with further investments anticipated to be 100% loans.
- 4.8 Mid Suffolk Council approved an initial investment of the Gateway 14 site which was acquired for £16.5m (£1.6m shares, £14.9m loans) on 13 August 2018. A further investment of £4.16m was made in August 2019. This additional investment by the Council will accelerate the anticipated economic and financial benefits of the site.

Babergh Growth Ltd

- 4.9 BDC (Suffolk Holdings) Limited, also owns 50% of Babergh Growth Ltd. This was incorporated on 19 March 2019. The other 50% is owned by Norse Group Holdings Ltd. This is a joint venture with the purpose of delivering the housing development at the former council offices at Hadleigh and other residential and mixed used schemes in the future.

Mid Suffolk Growth Ltd

4.10 MSDC (Suffolk Holdings) Limited, also own 50% of Mid Suffolk Growth Ltd. This was incorporated on 19 March 2019. The other 50% is owned by Norse Group Holdings Ltd. This is a joint venture with the purpose of delivering the housing development at the former council offices at Needham Market and other residential and mixed used schemes in the future.

4.11 **Table 2 Total Investments in shares and loans**

Cumulative Investments through Shares and Loans						
Babergh District Council	2018/19 Cumulative Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
CIFCO Ltd (1)	26.10	26.10	26.10	26.10	26.10	26.10
CIFCO Ltd (2)	0.00	11.17	21.17	25.00	25.00	25.00
Total	26.10	37.27	47.27	51.10	51.10	51.10
Investment in Shares	2.61	3.73	4.73	5.11	5.11	5.11
Investment through Loans	23.49	33.54	42.54	45.99	45.99	45.99
Total	26.10	37.27	47.27	51.10	51.10	51.10

Cumulative Investments through Shares and Loans						
Mid Suffolk District Council	2018/19 Cumulative Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
CIFCO Ltd (1)	26.10	26.10	26.10	26.10	26.10	26.10
CIFCO Ltd (2)	0.00	11.17	21.17	25.00	25.00	25.00
Gateway 14 Ltd	16.22	20.38	22.22	22.22	22.22	22.22
Total	42.32	57.64	69.49	73.32	73.32	73.32
Investment in Shares	4.23	5.35	6.35	6.73	6.73	6.73
Investment through Loans	38.09	52.29	63.14	66.59	66.59	66.59
Total	42.32	57.64	69.49	73.32	73.32	73.32

Risk Assessment:

- 4.12 As mentioned in section 8 of the main report this strategy has links to the Councils Significant Risk Register, specifically risk no. 10, if CIFCO Ltd does not generate forecast investment returns and Gateway 14 Ltd fails to bring forward the development of the site.
- 4.13 CIFCO Ltd and Gateway 14 Ltd, also maintain their own risk registers and the Corporate Manager for Internal Audit attends the regular Risk Management Panel meetings.
- 4.14 The Councils' holding companies have appointed directors to the boards of CIFCO Ltd, Gateway 14 Ltd, Babergh Growth Ltd and Mid Suffolk Growth Ltd that offer a Council shareholder perspective (elected member directors) and commercial property expertise (industry expert directors). It is anticipated that boards of any future investment SPVs, will have a similar membership.

CIFCO Ltd

- 4.15 CIFCO Ltd.'s investment strategy targets medium to long term resilience based on:
- a strategy that balances the portfolio, so a significant number of assets are 'core' and liquid and,
 - a strategy that balances other attributes such as geography, asset class and sector so that resistance to market stresses in any individual attribute can be mitigated.
- 4.16 Each property acquisition is approved by the CIFCO Ltd Board and reported to each holding company Board for approval before funds are released, and due diligence is done on the tenant as assets are acquired, including a Dun and Bradstreet credit check.
- 4.17 On a quarterly basis, CIFCO Ltd.'s fund managers Jones Lang LaSalle (JLL) provide a portfolio analysis report including market forecasts and any tenancy arrears, and the CIFCO Ltd Chair (an independent industry expert) reports on performance to simultaneous holding company board meetings and twice a year to Full Council.
- 4.18 As part of annual business planning, JLL provide a full market conditions assessment, based on the individual attributes of each asset class targeted by CIFCO Ltd, and the CIFCO Ltd Board consider any revisions to its investment strategy based on this assessment and the ongoing quarterly portfolio analysis reports.
- 4.19 With financial return being the main objective, the Councils accept higher risk on commercial investments than they do with treasury management investments. The potential risks for property held for income are voids and falls in rental income. The commercial properties acquired for income are bought as long-term holdings and are professionally managed. They could be sold individually if the long-term prognosis is an underachievement of net return targets.

Gateway 14 Ltd

- 4.20 Mid Suffolk and its holding company delegated authority to the board to acquire the site and develop a detailed delivery model for this business park development. Since acquisition, Avison Young has been advising the board in respect of delivery models and partners to bring forward the development of this 150 acres business park. The preferred model and partner have now been identified and is subject to the approval of Council in February 2020. The Holding company will approve subsequent requests for the drawdown of capital for infrastructure and development works across the site.
- 4.21 The board monitor and manage the progress of the project. In due course a delivery model will be proposed with revised financial costs and benefits for approval by the Council and its holding company.

Liquidity:

- 4.22 Loans are repaid often over a long time and consist of principal and interest in accordance with the loan agreements. The interest is a revenue receipt and is available for use immediately. The Councils have a charge on the properties acquired by CIFCO Ltd which gives the Councils security. With regard to the Regal Theatre, to protect Mid Suffolk's interest, discussions are ongoing with Stowmarket Town Council about how surety can be gained before the loan agreement is signed, and any funds released to the Town Council.

5. Proportionality

- 5.1 Both Councils have some dependency on profit generating investment activity to achieve a balanced revenue budget. Table 3 shows the extent to which the Councils expenditure is dependent on achieving the expected net profit from investments over the medium-term.

Should the Councils fail to achieve the expected net profit, both Councils have contingency plans for continuing to provide these services by reducing overheads, continuing to make services more efficient and through digital transformation.

Table 3: Proportionality of Investments

Proportionality of Investments						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Gross service expenditure	33.88	33.52	33.30	34.33	34.88	35.37
Gross Investment income	1.50	2.06	2.56	3.04	3.08	3.07
Proportion	4.42%	6.15%	7.68%	8.85%	8.82%	8.69%

Proportionality of Investments						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Gross service expenditure	33.28	33.81	33.37	34.54	34.91	35.32
Gross Investment income	1.76	2.76	3.36	4.78	4.60	4.24
Proportion	5.28%	8.17%	10.06%	13.83%	13.17%	12.01%

6. Borrowing in Advance of Need**CIPFA Prudential Code**

- 6.1 The 2017 Prudential Code states that “authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed”.
- 6.2 The underlying need to borrow is reflected in the CFR adjusted for long term liabilities (see Appendix A Table 4). Neither Council plans to borrow above its CFR which is in accordance with the Prudential Code.

MHCLG Guidance

- 6.3 Government guidance issued in October 2018 has extended the Prudential Code definition to include borrowing to finance the acquisition of non-financial as well as financial investments that the organisation holds primarily or partially to generate a profit. This includes all loans and property investments.
- 6.4 Both Councils' have borrowed and plan to borrow to invest in their own properties and to give loans to CIFCO Ltd and Gateway 14 Ltd and other special purpose vehicles in order to make a profit to reinvest in Council services and achieve a balanced revenue budget. The Councils' view of this activity is that it meets the service needs and is within their CFR as per the CIPFA definition.
- 6.5 The Councils' policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing are:
- When exercising the power to invest, the Councils will act for a proper purpose and act in a reasonable manner, its fiduciary duty to obtain value for money and whether the investments are proportionate and properly balanced against the anticipated benefits as well as the wider interests of the Councils' local Business Rate and Council Tax payers.
 - To have regard to the regeneration and development strand of the Councils' Joint Asset and Investment Strategy when investing for profit, acknowledging that the Councils have a key role to play in using their own assets and enabling/facilitating the use of private and other public sector assets to deliver housing and economic growth. To appoint independent industry expert directors to the Councils' investment and SPV company boards
 - For the SPVs to prepare a business case for each purchase and report to the Council on expected cost and benefits
 - To appoint relevant expert advisors when assessing, entering and holding an investment.
 - When investing in development projects, where possible and appropriate, to contract with an experienced development partner.
 - To prioritise medium to long term resilience of investments, over short-term gain.
 - To fund and structure each investment to optimise risks & rewards, having regard to previous bullet point.

7. Knowledge and Skills

- 7.1 As per section 10 of the Joint Capital Strategy in Appendix A

8. Governance – Capital Investments

- 8.1 The Capital Programme is approved as part of the annual budget setting process by Cabinet and Full Council in February. Other investment decisions occurring outside of this process that exceed £150k qualify as a key decision as per part one of the Councils' constitution and is approved by Cabinet and Full Council.

9. Investment Indicators

- 9.1 The Councils have set the following quantitative indicators to allow elected members and the public to assess the Councils' total risk exposure as a result of their investment decisions. These are shown in Tables 4, 5 and 6.

Total risk exposure:

- 9.2 The first indicator shows the Councils' cumulative total exposure to potential investment losses.

Table 4: Total investment exposure

Cumulative Investment Exposure						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Treasury Management Investments	11.85	13.69	13.18	13.13	13.03	13.01
Capital Investments	13.98	25.43	38.60	48.81	48.81	48.81
Total Exposure	25.83	39.12	51.78	61.94	61.84	61.82

Cumulative Investment Exposure						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Treasury Management Investments	12.30	13.68	13.17	13.09	13.03	13.01
Capital Investments	30.00	45.70	59.29	64.11	64.11	64.11
Total Exposure	42.31	59.39	72.45	77.20	77.15	77.12

How investments are funded:

- 9.3 Government guidance is that these indicators should include how investments are funded. Since the Councils do not normally associate particular assets with particular liabilities, this guidance is difficult to apply. However, the following investments could be described as funded by borrowing.
- 9.4 For those investments funded by borrowing the exposure at the beginning of 2020/21 is forecast to be £25.43m for Babergh and £45.7m for Mid Suffolk as shown in Table 5 that follows.

Table 5: Investments funded by borrowings

Cumulative investments funded by borrowings						
Babergh District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Capital Investments	13.98	25.43	38.60	48.81	48.81	48.81
Total Funded by borrowing	13.98	25.43	38.60	48.81	48.81	48.81

Cumulative investments funded by borrowings						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
Capital Investments	30.00	45.70	59.29	64.11	64.11	64.11
Total Funded by borrowing	30.00	45.70	59.29	64.11	64.11	64.11

Rate of return received:

- 9.5 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 6: Investments net rate of return

Investments net rate of return						
Babergh District Council	2018/19 Actual %	2019/20 Forecast %	2020/21 Forecast %	2021/22 Forecast %	2022/23 Forecast %	2023/24 Forecast %
Treasury Management Investments	3.24	3.23	3.30	3.31	3.32	3.34
Other Capital Investments	5.09	3.98	4.78	4.92	5.06	5.21
CIFCO Ltd (1)	3.05	3.40	2.19	2.26	2.34	2.40
CIFCO Ltd (2)	0.00	1.57	2.91	1.83	1.64	1.72
All investments (Average)	3.90	3.49	2.87	2.37	2.31	2.39

Investments net rate of return						
Mid Suffolk District Council	2018/19 Actual %	2019/20 Forecast %	2020/21 Forecast %	2021/22 Forecast %	2022/23 Forecast %	2023/24 Forecast %
Treasury Management Investments	3.17	3.04	3.17	3.18	3.19	3.20
CIFCO Ltd (1)	2.50	2.47	2.52	2.58	2.63	2.70
CIFCO Ltd (2)	0.00	1.58	2.91	1.83	1.64	1.72
Gateway 14 Ltd	4.23	4.50	3.35	3.97	4.29	4.36
All investments (Average)	2.94	3.03	2.87	2.88	2.85	2.79

JOINT TREASURY MANAGEMENT STRATEGY 2020/21

1. Introduction

- 1.1 The Joint Treasury Management strategy contains the following:
- Borrowing Strategy (section 4)
 - Annual Investment Strategy (section 5)
 - Treasury Management Indicators (Appendix D)
 - Economic and Interest Rate Forecast (Appendix E)
 - Existing Investment and Debt Portfolio (Appendix F)
 - Treasury Management Policy Statement (Appendix G)
- 1.2 Treasury management is the management of the Councils' cash flows, borrowing and investments, and the associated risks. 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 changing interest rates.
- 1.3 The successful identification, monitoring and control of financial risk are therefore central to the Councils' prudent financial management.
- 1.4 The Councils will continue to:
- Make use of call accounts, if necessary
 - Use the strongest/lowest risk non-credit rated building societies
 - Use covered bonds (secured against assets) for longer term investments
 - Consider longer term investments in property or other funds
- 1.5 The Local Government Act 2003 requires the Councils to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities 2017 (the Prudential Code) when determining how much money they can afford to borrow.
- 1.6 Treasury risk management at both Councils is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the TM Code) which requires the Councils to approve a treasury management strategy before the start of each financial year. This report fulfils the Councils legal obligation under the Local Government Act 2003 to have regard to the TM Code.
- 1.7 The MHCLG Investment Guidance 2018, in paragraph 21, requires local authorities to prioritise Security, Liquidity and Yield in that order of importance.
- 1.8 The Joint Treasury Management Strategy for 2020/21 continues to focus primarily on the effective management and control of risk and striking a balance between the security, liquidity and yield of those investments. The Councils' objective when investing money is to strike an appropriate balance between risk and return.
- 1.9 Details of investments held for service purposes or for commercial profit are included in the Joint Investment Strategy, which are shown in Appendix B.

2. External Context

- 2.1 A detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix E.

3. Local Context

Interest rates on Investments and Borrowing

- 3.1 For the purpose of setting the budget, it has been assumed that new short-term investments will be made at an average rate of 0.75%, and that new long-term loans will be borrowed at an average rate between 2.0% and 3.0%.

Capital Financing Requirement

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Councils' current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.3 As at the 30 November 2019, Babergh held £102.54m of borrowing and £13.87m of investments, Mid Suffolk held £122.12m of borrowing and £13.76m of investments. This is set out in further detail at Appendix F. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 that follows.

Table 1: Capital Financing Requirement Summary and forecast

Cumulative Capital Financing Requirement						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Babergh	Actual	Forecast	Budget	Budget	Budget	Budget
	£m	£m	£m	£m	£m	£m
General Fund	31.14	35.57	38.47	46.58	50.20	49.37
Capital Investments	13.98	25.35	40.87	48.48	48.48	48.48
Council Housing (HRA)	86.67	95.51	98.44	98.29	98.29	98.29
Total CFR	131.80	156.43	177.77	193.36	196.97	196.15
Less: External Borrowing**	(104.05)	(105.02)	(104.09)	(102.30)	(101.74)	(101.18)
Internal (Over) Borrowing (Cumulative)	27.75	51.41	73.68	91.06	95.23	94.97
Less: Balances & Reserves-General Fund	(11.59)	(10.09)	(10.55)	(10.49)	(10.49)	(10.51)
Less: Balances & Reserves-HRA	(21.12)	(20.45)	(22.32)	(21.73)	(22.44)	(17.79)
Less Working Capital Deficit	(5.53)	(5.53)	(5.53)	(5.53)	(5.53)	(5.53)
New Net (Investment) / Borrowing Requirement	(10.49)	15.33	35.28	53.30	56.77	61.15

Cumulative Capital Financing Requirement						
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Mid Suffolk	Actual	Forecast	Budget	Budget	Budget	Budget
	£m	£m	£m	£m	£m	£m
General Fund	36.28	37.53	40.33	40.94	42.46	42.17
Capital Investments	30.00	45.55	57.46	61.29	61.29	61.29
Council Housing (HRA)	87.97	91.74	95.63	105.25	108.27	108.27
Total CFR	154.25	174.81	193.41	207.48	212.01	211.73
Less: External Borrowing**	(145.29)	(110.94)	(93.57)	(92.34)	(91.23)	(90.10)
Internal (Over) Borrowing (Cumulative)	8.97	63.87	99.84	115.15	120.78	121.63
Less: Balances & Reserves-General Fund	(26.62)	(27.45)	(20.35)	(20.04)	(19.77)	(19.54)
Less: Balances & Reserves-HRA	(10.24)	(10.74)	(9.79)	(10.41)	(10.39)	(11.61)
Add Working Capital surplus	2.28	2.28	2.28	2.28	2.28	2.28
New Net (Investment) / Borrowing Requirement	(25.61)	27.97	71.97	86.97	92.90	92.76

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

- 3.4 The Councils have an increasing CFR due to the capital programme and investments and will therefore need to borrow up to £196.15m for Babergh and £211.73m for Mid Suffolk over the forecast period.
- 3.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Councils' total debt should be lower than their highest forecast CFR over the next three years. Table 1 above shows that the Councils expect to comply with this recommendation over the forecast period.

Liability benchmark:

- 3.6 A liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of Treasury Investments for each Council over the medium-term (the lowest being £13.01m) to maintain sufficient liquidity but minimise credit risk.
- 3.7 A comparison the Councils' actual borrowing against this alternative strategy was shown in Table 7 in Appendix B, paragraph 4.8. This showed that both Councils' expected debt is below the Liability Benchmark (lowest risk level) for the forecast period.

Table 2: Liability Benchmark

Liability Benchmark						
Babergh	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
CFR	131.80	156.43	177.77	193.36	196.97	196.15
Less: Usable Reserves	(32.71)	(30.54)	(32.87)	(32.22)	(32.93)	(28.29)
Less Working Capital Deficit	(5.53)	(5.53)	(5.53)	(5.53)	(5.53)	(5.53)
Plus: Minimum Investments	11.85	13.69	13.18	13.13	13.03	13.01
Liability Benchmark	105.41	134.04	152.55	168.73	171.54	175.34

Liability Benchmark						
Mid Suffolk District Council	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m
CFR	154.25	174.81	193.41	207.48	212.01	211.73
Less: Usable Reserves	(36.85)	(38.18)	(30.15)	(30.45)	(30.16)	(31.15)
Add Working Capital surplus	2.28	2.28	2.28	2.28	2.28	2.28
Plus: Minimum Investments	12.30	13.68	13.17	13.09	13.03	13.01
Liability Benchmark	131.98	152.59	178.71	192.40	197.16	195.87

4. Borrowing Strategy

Overview

- 4.1 As at 30 November 2019 Babergh held loans of £102.54m and Mid Suffolk £122.12m. These have increased by £7.5m for Babergh and £6.18m for Mid Suffolk on the previous year, due to funding previous years' capital programmes.

- 4.2 The balance sheet forecast for borrowing in Table 1 above shows that Babergh expects to borrow up to £21.34m and Mid Suffolk expects to borrow up to £18.6m in 2020/21. The Councils may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £193m for Babergh and £209m for Mid Suffolk, as shown in Appendix A Table 8.

Objectives

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

Strategy

- 4.4 Given the significant cuts to public expenditure and in particular to local government funding, the Councils' borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolios. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. This position will be monitored and evaluated on an ongoing basis to ensure both Councils achieve value for money.
- 4.5 By doing so, the Councils are able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose (the Councils' treasury advisers) will assist the Councils with this 'cost of carry' and breakeven analysis.
- 4.6 Its output may determine whether the Councils borrow additional sums at long-term fixed rates in 2020/21 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.7 The Councils have previously raised the majority of their long-term borrowing from the PWLB but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. The Councils will continue look to borrow any long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the Treasury Management Code.
- 4.8 Alternatively, the Councils may arrange forward starting loans during 2020/21, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.9 In addition, the Councils may borrow more short-term loans to cover unplanned cash flow shortages.

Sources of borrowing

- 4.10 The approved sources of long-term and short-term borrowing are:
- Public Works Loan Board (PWLB) and any successor body
 - any institution approved for investments (see below)

- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds (except Suffolk County Council Pension Fund)
- capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Municipal Bonds Agency

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

- borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason,
- there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council

LOBOs

4.12 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. All of these loans have options during 2020/21, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £4m.

Short-term and variable rate loans

4.13 These loans leave the Councils exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

Other sources of debt finance

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

- leasing
- hire purchase
- Private Finance Initiative
- sale and leaseback

Local Application

- 4.15 The Councils have previously raised the majority of their long-term borrowing from the PWLB, but continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.
- 4.16 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. The Councils will receive the “certainty rate” discount of 0.2% on PWLB loans.
- 4.17 In conjunction with advice from Arlingclose, both Councils will keep these sources of finance under review.
- 4.18 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
- 4.19 The General Fund revenue budget for 2020/21 will include provision for interest payments relating to external borrowing and the statutory Minimum Revenue Provision (MRP) to ensure the principal is repaid. Different arrangements apply to the Housing Revenue Account (Council Housing) in that there is no MRP. The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. Appendix D, E, F, G, H and I summarise the regulatory framework, economic background and information on key activities for the year.
- 4.20 In accordance with the MHCLG Guidance, the Councils will be asked to approve a revised Treasury Management Strategy if the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Councils’ capital programmes or in the level of investment balances.

Debt rescheduling

- 4.21 The PWLB allows authorities 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.

5. Annual Investment Strategy

5.1 The Councils hold significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past twelve months, Babergh's investment balances have ranged between £10.5m and £28.8m. Mid Suffolk's investment balances ranged between £11.4m and £38.1m. Similar levels are expected to be maintained in the forthcoming year.

Objectives

- 5.2 CIPFA's TM Code requires the Councils to invest 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' objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.3 Cash that is likely to be spent in the short term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy and the Councils may request their money back at short notice.
- 5.4 Where balances are expected to be invested for more than one year, the Councils will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 5.5 Table 3 shows the planned level of investments for treasury management purposes over the medium-term. Long term investments are those made for more than one year. Cash and cash equivalents include money market funds and current bank accounts.

Table 3: Treasury management investments

Treasury Management Investments						
Babergh District Council	31.3.2019 Actual £m	31.3.2020 Forecast £m	31.3.2021 Budget £m	31.3.2022 Budget £m	31.3.2023 Budget £m	31.3.2024 Budget £m
Long Term Investments	9.43	11.19	11.18	11.13	11.03	11.01
Cash and Cash Equivalents	2.42	2.50	2.00	2.00	2.00	2.00
Total TM Investments	11.85	13.69	13.18	13.13	13.03	13.01

Treasury Management Investments						
Mid Suffolk District Council	31.3.2019 Actual £m	31.3.2020 Forecast £m	31.3.2021 Budget £m	31.3.2022 Budget £m	31.3.2023 Budget £m	31.3.2024 Budget £m
Long Term Investments	9.42	11.18	11.17	11.09	11.03	11.01
Cash and Cash Equivalents	2.88	2.50	2.00	2.00	2.00	2.00
Total TM Investments	12.30	13.68	13.17	13.09	13.03	13.01

Governance – Treasury Management:

- 5.6 Decisions on treasury management investment and borrowing are made daily and are delegated to the Assistant Director - Corporate Resources (the S151 Officer) and Finance staff, who must act in line with the Joint Treasury Management Strategy approved by Full Council in February each year.
- 5.7 There is a Joint Half Year and Joint Annual Outturn Report on treasury management activity presented to Council. The Joint Audit and Standards Committee is responsible for scrutinising treasury management decisions.

Negative interest rates

- 5.8 If the UK enters into a recession in 2020/21, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy

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

Business Models

- 5.10 Under the new IFRS 9 standard, accounting for certain investments depends on the Councils' "business model" for managing them. The Councils aim to achieve value from their internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties

- 5.11 The minimum proposed investment criteria for UK counterparties in the 2020/21 Treasury Management Strategy remains at A-. (See Appendix I for list). (Note: This would be the lowest credit rating determined by credit rating agencies).
- 5.12 In line with advice received from Arlingclose the Councils may invest surplus funds with any of the counterparty types in Table 4 that follows, subject to the cash limits (per counterparty) and the time limits shown.

Table 4: Approved investment counterparties and limits for Babergh and Mid Suffolk

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

Table 3 should be read in conjunction with the following notes:

- Credit rating**
 Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- Banks unsecured**
 Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- Banks secured**
 Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one

bank will not exceed the cash limit for secured investments.

- **Government**
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 generally a lower risk of insolvency, although they are not zero risk. 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 going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £50,000 per company as part of a diversified pool in order to spread the risk widely.
- **Registered providers**
Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England). As providers of public services, they retain the likelihood of receiving government support if needed.
- **Pooled funds**
Shares or units 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 the 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 the Councils investment objectives will be monitored regularly.

If the risks or returns of pooled funds change significantly enough over a period that they no longer meet the Councils objectives, the funds will be withdrawn at the earliest opportunity. No new or re-investments will be made into those funds and alternatives will be considered. This will continue to be applied to Funding Circle in 2020/21.

Council banker and Operational bank accounts

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

Risk assessment and credit ratings

- 5.14 Credit ratings are obtained and monitored by the 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.
- 5.15 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.
- 5.16 See the table in Appendix I for an explanation of the credit ratings issued by the main credit ratings agencies.

Other information on the security of investments

- 5.17 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, reports in the quality financial press and analysis and advice from the Councils treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 5.18 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 investments to those organisations of higher credit quality and reduce the maximum duration of investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

- 5.19 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 for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

Investment limits

- 5.20 The Councils' total General Fund reserves available to cover investment losses are forecast to be £10.09m for Babergh and £27.45m for Mid Suffolk on 31 March 2020. In order to minimise the available reserves that would be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £5m.
- 5.21 A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as stated in Table 5 that follows. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 5: Investment limits for Babergh and Mid Suffolk

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

Liquidity management

- 5.22 The Councils use purpose-built cash flow forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Councils being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Councils medium-term budget planning and cash flow forecasts.

TREASURY MANAGEMENT INDICATORS

The Councils measure and manage their exposure 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 portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. Positions at the 30 September 2019 were Babergh 5.21 and Mid Suffolk 4.94 respectively.

	Target
Portfolio average credit score	7.0

2. Liquidity

- 2.1 The Councils have adopted a voluntary measure of their exposure to liquidity risk by monitoring the amount they can borrow each quarter without giving prior notice.

Liquidity risk indicator	
Total sum borrowed in past 3 months without prior notice	2020/21 Target £m
Babergh District Council	£5m
Mid Suffolk District Council	£5m

3. Interest rate exposures

- 3.1 This indicator is set to control the Councils' exposure to interest rate risk. The boundary on the one-year revenue impact of a 1% rise in interest rates will be:

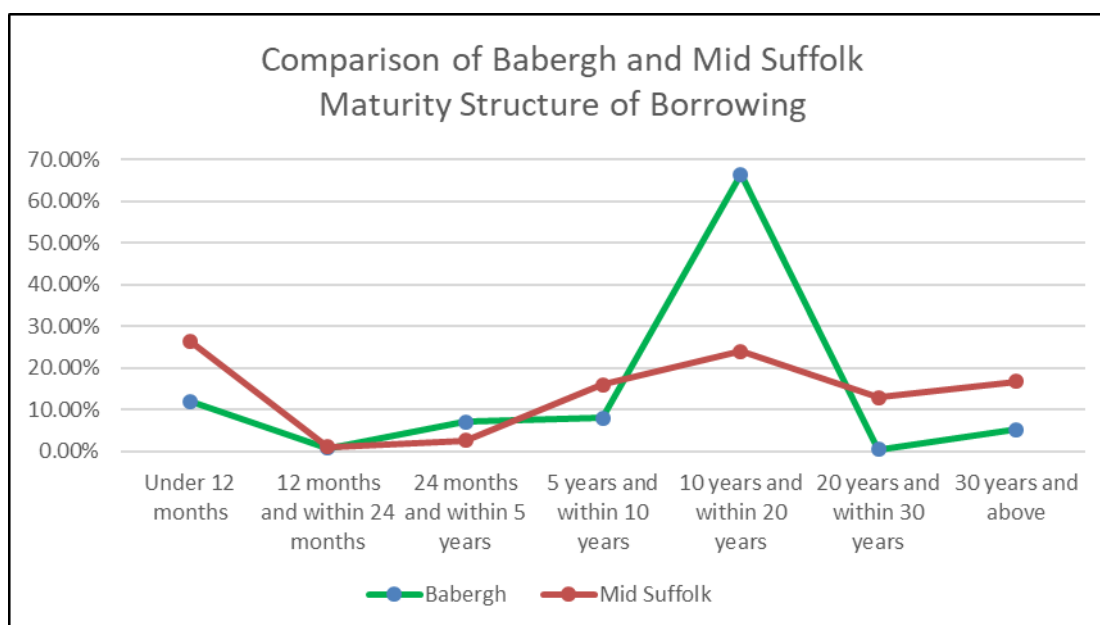
Interest rate risk indicator	
Upper impact on Revenue of a 1% increase in rates	2020/21 Limit £m
Babergh District Council	0.490
Mid Suffolk District Council	0.708

- 3.2 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

4. Maturity structure of borrowing

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

Refinancing rate risk indicator				
% of total borrowing	Babergh 30.11.201 Proportion	Mid Suffolk 30.11.2019 Proportion	Upper Limit %	Lower Limit %
Under 12 months	12.00%	26.43%	50.00	0.00
12 months and within 24 months	0.77%	1.07%	50.00	0.00
24 months and within 5 years	7.07%	2.61%	50.00	0.00
5 years and within 10 years	8.04%	15.97%	100.00	0.00
10 years and within 20 years	66.40%	24.08%	100.00	0.00
20 years and within 30 years	0.45%	13.02%	100.00	0.00
30 years and above	5.26%	16.81%	100.00	0.00



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

5. Principal sums invested for periods longer than a year

5.1 The purpose of this indicator is to control the Councils exposure to the risk of incurring losses by seeking early repayment of their investments. The limits on the long-term principal sum invested to final maturities beyond the period will be:

Price risk indicator			
Limit on principal invested beyond year end	2020/21	2021/22	2022/23
	Limit	Limit	Limit
	£m	£m	£m
Babergh District Council	£2m	£2m	£2m
Mid Suffolk District Council	£2m	£2m	£2m

6. Related Matters

6.1 The CIPFA TM Code requires the Councils to include the following in their Joint Treasury Management Strategy.

Policy on the use of financial derivatives

6.2 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).

6.3 The Councils will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Councils are exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered 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.

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

6.5 In line with the TM Code, the Councils will seek external advice and will consider that advice before entering into financial derivatives to ensure that they fully understand the implications.

Policy on apportioning interest to the Housing Revenue Account (HRA)

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

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

Markets in Financial Instruments Directive

6.8 The Councils have opted up to professional client status with their providers of financial services, including advisers, banks, brokers and fund managers, allowing access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Councils' treasury management activities, the S151 Officer believes this to be the most appropriate status.

Financial Implications

- 6.9 The budget for investment income in 2020/21 is £2.56m for Babergh and £3.36m for Mid Suffolk, based on an average investment portfolio of £60.35m for Babergh and £78.9m Mid Suffolk. The average return is 4.25% for Babergh and 4.27% for Mid Suffolk.
- 6.10 The budget for debt interest paid in 2020/21 is £3.91m for Babergh and £4.15m for Mid Suffolk, based on an average debt portfolio of £138.67m for Babergh and £170.36m for Mid Suffolk. The average cost is 2.82% for Babergh and 2.43% for Mid Suffolk.
- 6.11 If actual levels of investments and borrowing, or actual interest rates, differ from that forecast, performance against budget will be correspondingly different.

Other Options Considered

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

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

ECONOMIC & INTEREST RATE FORECAST**1 Economic background**

- 1.1 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Councils' treasury management strategy for 2020/21. The General Election has removed some uncertainty within the market. However, following the expected Withdrawal Bill, uncertainties around the future trading relationship with the EU remain.
- 1.2 GDP growth rose by 0.4% in the third quarter of 2019 from -0.2% in the previous three months with the annual rate falling further below its trend rate to 1.1% from 1.2%. Services, construction and production added positively to growth, by 0.5%, 1.2% and 0.1% respectively, while agriculture recorded a fall of 0.1%. Looking ahead, the Bank of England's Monetary Policy Report (formerly the Quarterly Inflation Report) forecasts economic growth to pick up during 2020 as Brexit-related uncertainties dissipate and provide a boost to business investment helping GDP reach 1.6% in Q4 2020, 1.8% in Q4 2021 and 2.1% in Q4 2022.
- 1.3 The headline rate of UK Consumer Price Inflation remained the same in November 2019 at 1.5% year-on-year, the same as October 2019, however continuing to fall from highs of 2.1% in July and April 2019 as accommodation services and transport continued to contribute to a level of inflation below the Bank of England target of 2%. Labour market data continues to be positive. The International Labour Organisation unemployment rate continues to hold at historic lows at 3.8%, its lowest level since 1975. The 3-month average annual growth rate for pay excluding bonuses rose to 3.5% in November 2019 providing some evidence that a shortage of labour is supporting wages. However, adjusting for inflation this means real wages were only up by 0.9% in October 2019 and only likely to have a moderate impact on household spending.
- 1.4 Domestic inflationary pressures have abated, as domestic gas and electricity price freezes have taken effect until 2020. The price of oil has fallen through the year, despite a rise in prices in December 2019. The limited inflationary pressure from real wages will likely keep inflation below the Bank of England target of 2%. The Bank of England maintained Bank Rate to 0.75% in November following a 7-2 vote by the Monetary Policy Committee. Despite keeping rates on hold, MPC members did confirm that if Brexit uncertainty drags on or global growth fails to recover, they are prepared to cut interest rates as required. Moreover, the downward revisions to some of the growth projections in the Monetary Policy Report suggest the Committee may now be less convinced of the need to increase rates even if there is a Brexit deal.
- 1.5 The US economy has continued to perform relatively well compared to other developed nations; however, the Federal Reserve has started to unwind its monetary tightening through 2019. The Federal Reserve has cut rates three times to 1.5% - 1.75%, to stimulate growth as GDP growth has started to fall (to 2.1%).
- 1.6 The fallout from the US-China trade war continues which, risks contributing to a slowdown in global economic activity in 2019. Recent suggestions have been an initial compromise and potential unwinding of tariffs; however, this can change quickly. Slow growth in Europe, combined with changes in leadership at the ECB and IMF has led to a change of stance in 2019. Quantitative easing has continued and been extended.

2 Credit outlook

- 2.1 The recent Bank of England stress tests assessed all seven UK banking groups. The tests scenarios include deep simultaneous recessions in the UK and global economies that are more severe overall than the global financial crisis, combined with large falls in asset prices and a separate stress of misconduct costs. All seven banks passed the test on both a CET1 ratio and a leverage ratio basis.
- 2.2 Major banks have steadily increased their capital for many years now. However, there are a number of shortcomings in the Bank's approach; timeliness as the results are over 11 months out of date when they are published, being based on end-2018 balance sheets; ringfencing, as the tests ignore the restrictions on transferring capital between ringfenced "retail" banks and non-ringfenced "investment" banks within the larger groups and; coverage – the tests should be expanded to cover a wider range of UK banks and building societies.
- 2.3 The Bank of England will seek to address some of these issues in 2020, when Virgin Money/Clydesdale will be added to the testing group and separate tests will be included of ringfenced banks.
- 2.4 Challenger banks hit the news headlines in 2019 with Metro Bank and TSB Bank both suffering adverse publicity and falling customer numbers.
- 2.5 Looking forward, the potential for a "no-deal" Brexit and/or a global recession remain the major risks facing banks and building societies in 2020/21 and a cautious approach to bank deposits remains advisable.

3 Underlying assumptions

- 3.1 The global economy continues to slow on the back of ongoing geopolitical issues, primarily the trade policy stance of the US and its stand-off with China. However, it has been reported that Phase I of a trade deal between the two countries will be signed on 15 January 2020.
- 3.2 The UK economy continues to slow due to both post-Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased. Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets over the period, including bond markets.
- 3.3 UK economic Parliament passed Prime Minister Boris Johnson's Withdrawal Agreement Bill and the UK will now exit the EU on 31 January 2020. The bill also rules out an extension to the transition period for agreeing a trade deal which means a no-deal Brexit cannot be entirely ruled out for 2020.

4 Interest Rate Forecast

- 4.1 The Councils' treasury advisor, Arlingclose, expects Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on Brexit/trade deal outcomes as well as the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judges the risks to be weighted to the downside.

Appendix E – Economic Outlook and Interest Rate Forecast

4.2 The Bank of England, having previously indicated interest rates may need to rise if a Brexit agreement was reached, stated in its November Monetary Policy Report and its Bank Rate decision (7-2 vote to hold rates) that the MPC now believe this is less likely even in the event of a deal.

4.3 **Table 1 Interest Rate Forecast**

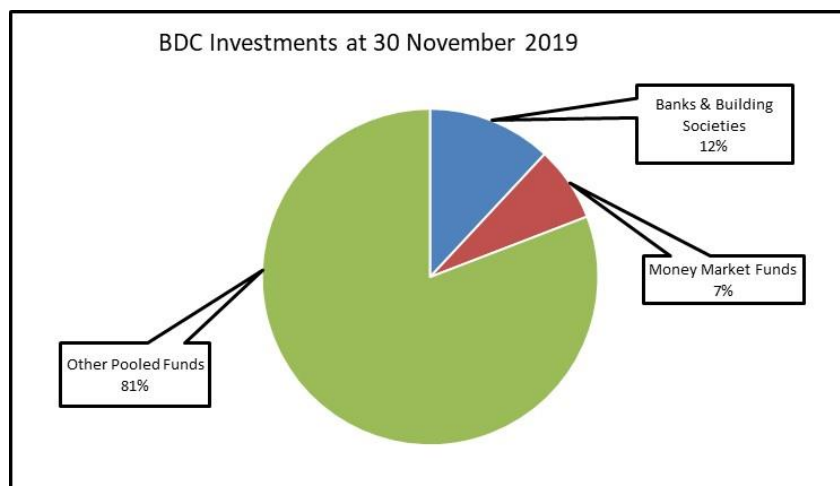
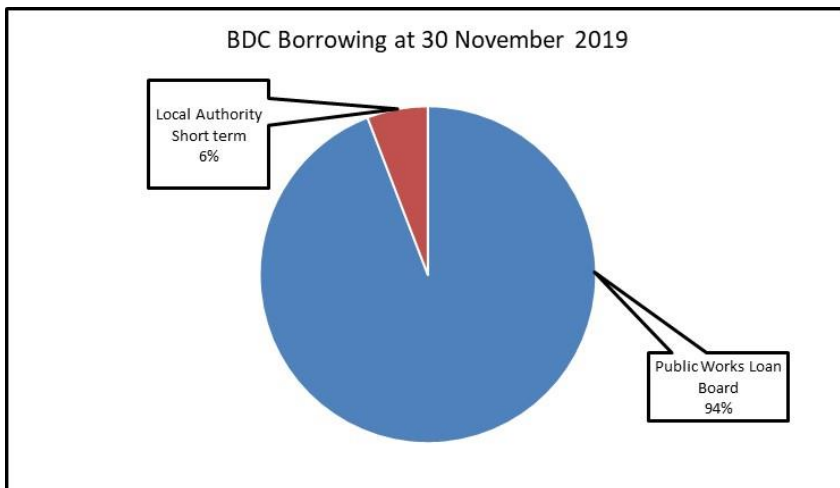
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
3-month money market rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.30	0.30	0.30	0.30	0.30	0.25
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.73
1yr money market rate														
Upside risk	0.10	0.20	0.20	0.20	0.20	0.20	0.20	0.25	0.30	0.30	0.30	0.30	0.30	0.23
Arlingclose Central Case	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Downside risk	-0.30	-0.50	-0.55	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.65	-0.60
5yr gilt yield														
Upside risk	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.45	0.45	0.45	0.37
Arlingclose Central Case	0.50	0.50	0.50	0.55	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.57
Downside risk	-0.35	-0.50	-0.50	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.56
10yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	0.75	0.75	0.80	0.80	0.85	0.85	0.90	0.90	0.95	0.95	1.00	1.00	1.00	0.88
Downside risk	-0.40	-0.40	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.45
20yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45
50yr gilt yield														
Upside risk	0.30	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.45	0.45	0.37
Arlingclose Central Case	1.20	1.20	1.25	1.25	1.25	1.30	1.30	1.30	1.35	1.35	1.35	1.40	1.40	1.30
Downside risk	-0.40	-0.40	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.45

PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

PWLB Local Infrastructure Rate (Maturity Loans) = Gilt yield + 0.60%

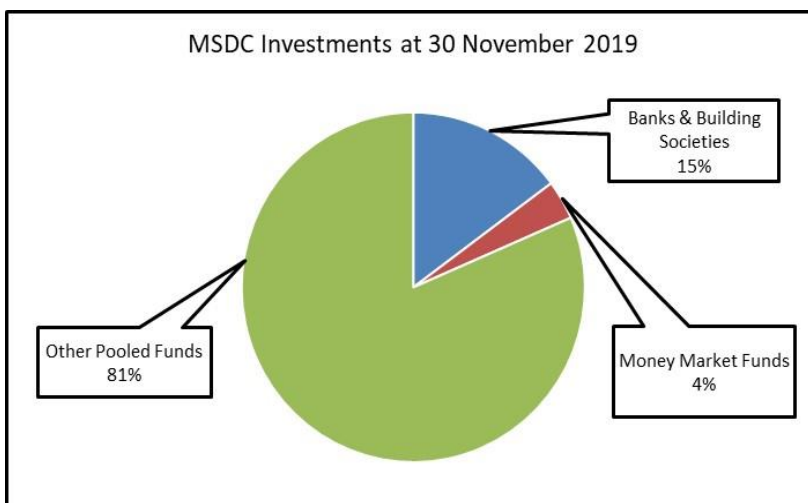
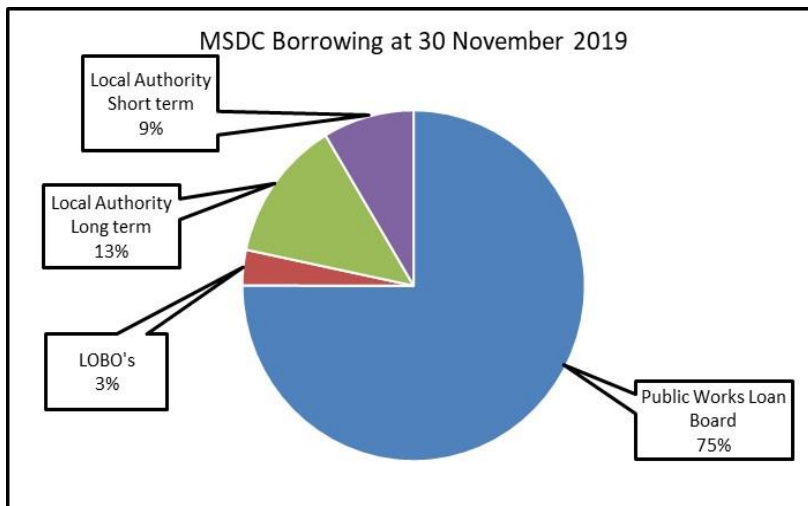
EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

Babergh	30.11.2019 Portfolio £m	Average Rate %
External Borrowing:		
Public Works Loan Board	96.54	3.17%
Local Authority Short term	6.00	0.75%
Total External borrowing	102.54	2.36%
Treasury Investments:		
Banks & Building Societies	1.66	0.65%
Money Market Funds	1.00	0.67%
Other Pooled Funds	11.21	5.60%
Total Treasury Investments	13.87	3.81%
Net Debt	88.67	



Appendix F – Existing Borrowing and Investments

Mid Suffolk	30.11.2019 Portfolio £m	Average Rate %
External Borrowing:		
Public Works Loan Board	91.62	3.24%
LOBO's	4.00	4.21%
Local Authority Long term	16.00	1.20%
Local Authority Short term	10.50	0.81%
Total External borrowing	122.12	3.24%
Treasury Investments:		
Banks & Building Societies	2.04	0.63%
Money Market Funds	0.50	0.74%
Other Pooled Funds	11.22	5.52%
Total Treasury Investments	13.76	3.73%
Net Debt	108.36	



TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and Background

- 1.1 The Councils adopt the key recommendations of the CIPFA Code of Practice on Treasury Management in Public Services 2017 Edition (the TM Code) as described in Section 5 of the Code.
- 1.2 In addition, the Ministry of Housing, Communities and Local Government (MHCLG) revised guidance on Local Councils Investments issued in 2018 requires councils to approve a treasury management investment strategy before the start of each financial year.
- 1.3 Accordingly, the Councils will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable treasury management practices (TMPs), setting out the manner in which the Councils will seek to achieve those policies and objectives, and prescribing how they will manage and control those activities.
- 1.4 The content of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of the Councils. Such amendments will not result in the Councils materially deviating from the TM Code's key principles.
- 1.5 The Full Council meeting for Babergh and Mid Suffolk will receive recommendations from Cabinet on their treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a half-year review and an annual outturn report after its close.
- 1.6 The Councils delegate responsibility for the implementation of their treasury management policies and practices to the Cabinet, monitoring to the Joint Audit and Standards Committee and the execution and administration of treasury management decisions to the Section 151 Officer and/or Corporate Manager - Financial Services, who will act in accordance with the Councils policy statement, the TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 1.7 The Joint Audit and Standards Committee is responsible for ensuring effective scrutiny of the Joint 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 TM Code definition as: "the management of the organisations investments and cash flows, their 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 their treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Councils and any financial instruments entered into to manage these risks.
- 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.

ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2020/21

- 1.1 Where the Councils finance their capital expenditure by debt, they must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Councils to have regard to the Ministry for Housing, Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG Guidance) most recently issued in 2018 and effective from 1 April 2018.
- 1.2 The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by grant income that has been rolled into Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3 A charge to a revenue account for MRP cannot be a negative charge.
- 1.4 The CLG Guidance requires Full Council to approve an Annual MRP Statement each year and recommends a number of options for calculating an amount of MRP that they consider to be prudent. The following paragraph lists the options recommended in the Guidance.
- 1.5 The four MRP options available are:
 - Option 1: Regulatory Method
 - Option 2: CFR Method
 - Option 3: Asset Life Method
 - Option 4: Depreciation Method
- 1.6 For capital expenditure incurred before 1 April 2008, MRP will be determined in accordance with the former regulations that applied on 31 March 2008, incorporating an "Adjustment A" of £2.4m for Mid Suffolk (Option 1). Babergh does not have any capital expenditure incurred before 1st April 2008 on which to charge MRP.
- 1.7 For capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis using an interest rate equivalent to the average PWLB annuity rate for the year of expenditure. MRP charges start in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (Option 3).
- 1.8 For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- 1.9 Where investments are made in the Councils subsidiaries for the purpose of the companies purchasing land and buildings, MRP will be charged over 40 years.

Appendix H – Minimum Revenue Provision Statement

- 1.10 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Councils will make no MRP charge, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.
- 1.11 No MRP will be charged in respect of assets held within the Housing Revenue Account. However, voluntary MRP contributions from the HRA may be made.
- 1.12 Capital expenditure incurred during 2019/20 will not be subject to an MRP charge until 2020/21 and capital expenditure incurred during 2020/21 will not be subject to an MRP charge until 2021/22.
- 1.13 If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Full Council at that time.
- 1.14 Based on the Councils latest estimates of their Capital Financing Requirements on 31 March 2020, the budget for MRP for 2020/21 has been set as follows:

Estimated Capital Financing Requirement		
Babergh District Council	31.3.2020 Estimated CFR £m	2020/21 Estimated MRP £m
Unsupported capital expenditure after 31.3.2008	27.38	1.14
Finance leases (due to change in Accounting Policy)	-	0.09
Loans to other bodies repaid in instalments	33.54	-
Total General Fund	60.92	1.22
Assets in the Housing Revenue Account	9.34	-
HRA subsidy reform payment	86.17	-
Total Housing Revenue Account	95.51	-
Total CFR	156.43	1.22

Estimated Capital Financing Requirement		
Mid Suffolk District Council	31.3.2020 Estimated CFR £m	2020/21 Estimated MRP £m
Capital expenditure before 01.04.2008	8.22	0.08
Unsupported capital expenditure after 31.3.2008	23.17	1.18
Finance leases (due to change in Accounting Policy)	-	0.09
Transferred debt to HRA	(0.60)	-
Loans to other bodies repaid in instalments	52.29	-
Total General Fund	83.08	1.34
Assets in the Housing Revenue Account	33.93	-
HRA subsidy reform payment	57.21	-
Transferred debt from GF	0.60	-
Total Housing Revenue Account	91.74	-
Total CFR	174.82	1.34

INSTITUTIONS MEETING HIGH CREDIT RATINGS CRITERIA

- 1.1 Detailed below is the list of the banks and building societies that both Councils can lend to (based on information on credit risk and credit ratings as at November 2019). This will be continuously monitored as the position changes throughout the year as credit ratings are reviewed and additional market information is evaluated.
- 1.2 This is based on UK Banks and Building Societies A-, Money Market Funds, Foreign Banks AA-. Foreign banks must be in a country with a sovereign rating of AAA.

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

Appendix I – Institutions Meeting High Credit Rating Criteria

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

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

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

Long Term Investments Grades - Fitch

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

Long Term Investments Grades – Moody’s

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

Long Term Investments Grades – Standard & Poor’s

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

Glossary of Terms

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

PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) - a pooled fund

This page is intentionally left blank

Agenda Item 12a

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

COMMITTEE: Joint Audit and Standards Committee	REPORT NUMBER: JAC/19/10
FROM: Katherine Steel, Assistant Director, Corporate Resources	DATE OF MEETING: 27 January 2020
OFFICER: Melissa Evans, Corporate Manager Finance and Commissioning & Procurement Sue Palmer, Senior Financial Services Officer	KEY DECISION REF NO. N/A

HALF YEAR REPORT ON TREASURY MANAGEMENT 2019/20

1. PURPOSE OF REPORT

- 1.1 The report is part of the Councils' management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the first six months of the financial year 2019/20.
- 1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, and the transactions executed during the first six months of 2019/20 and any circumstances of non-compliance with the Councils' treasury management policy statement and treasury management practices.

2. OPTIONS CONSIDERED

- 2.1 This report fulfils the Councils' legal obligations to have regard to the Code and there are no other options to consider.

3. RECOMMENDATION TO BOTH COUNCILS

- 3.1 That the Treasury Management activity for the first six months of 2019/20 as set out in this report and Appendices be noted.
- 3.2 That it be noted that both Councils' Treasury Management activity for the first six months of 2019/20 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management Indicators for this period.

REASON FOR DECISION

It is a requirement of the Code of Practice on Treasury Management that full Council notes the Half-Year position.

4. KEY INFORMATION

- 4.1 The 2019/20 Treasury Management Strategy for both Councils was approved in February 2019.
- 4.2 The Strategy and activities are affected by several factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the first six months of 2019/20.
- 4.3 The Joint Treasury Management outturn report for 2018/19 was presented to Members at the Joint Audit and Standards Committee on 29 July 2019.
- 4.4 The Section 151 Officer is pleased to report that all treasury management activities undertaken in the first half of the year complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy.
- 4.5 The Treasury Management Indicators aim to ensure that the capital investments of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.
- 4.6 Appendix D shows the position on key Treasury Management Indicators for the first six months of 2019/20.
- 4.7 The following key points relating to activity for the first half of the year are set out below:
- UK labour market data for the 3 months to September 2019 showed unemployment rate lower, at 3.8%, while employment was at 76%, lower than the previous quarter (76.1%). Real wages (adjusted for inflation) grew by 1.7%.
 - The first estimate of Q3 GDP showed growth of 0.3%, following contraction in Q2 of 0.2%
 - The Bank of England maintained the official Bank Rate at 0.75% during this period.
 - Investment of surplus funds - As market conditions, credit ratings and bank ring-fencing have changed during the year, institutions that the Councils invest with and the period of the investments have been reviewed.
 - Credit risk scores were within the benchmark A- credit ratings.
 - Babergh's debt increased by £989k, mainly by reducing long term PWLB loans through making repayments and by taking out more short-term loans to cover day to day cash flow needs.
 - Mid Suffolk's overall debt reduced by £2.671m. The Council lent £4.9m to Gateway 14 Ltd, which was financed from available short-term money market funds. As a result of surplus cash from council tax and business rates the need to borrow has reduced during the period.
- 4.8 In terms of the investment of surplus funds, Appendix A sets out the issues that are impacting on current and future activity.

- 4.9 Money market funds, short-term deposits and call accounts are used to make short term investments on a daily basis.
- 4.10 Both Councils made another investment on 24 May 2019 of £2m each in a higher yielding strategic pooled fund (Investec Diversified Income Fund) whilst reducing their investment in Funding Circle during the period.

5. LINKS TO JOINT CORPORATE PLAN

- 5.1 Ensuring that the Councils have the resources available underpins the ability to achieve the priorities set out in the Joint Corporate Plan.

6. FINANCIAL IMPLICATIONS

- 6.1 As outlined in this report and appendices.

7. LEGAL IMPLICATIONS

- 7.1 The legal status of the Treasury Management Code derives in England from regulations issued under the Local Government Act 2003 (the 2003 Act).
- 7.2 Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the 2003 Act.
- 7.3 The latest statutory guidance on local government investments was issued under section 15(1)(a) of the 2003 Act and effective for financial years commencing on or after 1 April 2018. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue.

8. RISK MANAGEMENT

- 8.1 This report is most closely linked with the Councils’ Significant Risk Register, Risk no.13. “We may be unable to respond in a timely and effective way to financial demands”.
- 8.2 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Councils lose the investments this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.
If the Councils achieve a poorer return on investments than planned, there will be fewer resources available to deliver services.	Highly Probable (4)	Noticeable (2)	Focus is on security and liquidity, and careful cash flow management in accordance with the TM Strategy is undertaken throughout the year.

Risk Description	Likelihood	Impact	Mitigation Measures
If the Councils have liquidity problems, then they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.

9. CONSULTATIONS

- 9.1 Regular meetings have taken place with the Councils' Treasury advisors, Arlingclose, who also provide important updates on treasury management issues as they arise.

10. EQUALITY ANALYSIS

- 10.1 An equality analysis has not been completed because the report content does not have any impact on the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 All Council activities will need to be reviewed as part of the work of the Climate Change Task Group and have regard to the Councils' ambition to be carbon neutral by 2030.

12. APPENDICES

Title	Location
(a) Background, Economy and Outlook	Appendix A
(b) Borrowing Strategy	Appendix B
(c) Investment Activity	Appendix C
(d) Treasury Management indicators	Appendix D
(e) Glossary of Terms	Appendix E

13. BACKGROUND DOCUMENTS

- 13.1 CIPFA's Code of Practice on Treasury Management ("the Code").
- 13.2 Joint Treasury Management Strategy 2019/20 (Paper JAC/18/16).

Background, Economy and Outlook

1. Introduction

- 1.1 In February 2012 both Councils adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the Councils to approve treasury management half year and annual reports.
- 1.2 The Joint Treasury Management Strategy for 2019/20 was approved at both full Councils in February 2019. Both Councils have borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Councils' Treasury Management Strategy.
- 1.3 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Councils' first Capital Strategy, for the financial year 2019/20, complying with CIPFA's Code requirement, was approved by both full Councils in February 2019.
- 1.4 The Statutory Guidance on Local Government Investments (MHCLG, 2018) requires local authorities to produce an investment strategy, covering investments that are not part of treasury management activity. The Councils' first Investment Strategy, for the financial year 2019/20, was also approved by both full Councils in February 2019.

2. External Context

2.1 Economic background:

- 2.1.1 UK Consumer Price Inflation (CPIH) increased by 1.7% for the year to September 2019, unchanged from August 2019, weaker than the consensus forecast of 1.8% and below the Bank of England's target. The most recent labour market data for the three months to September 2019 showed the unemployment rate edged back down to 3.8% while the employment rate was, at 76%, higher than a year earlier (75.5%) but lower than the previous quarter (76.1%). Nominal annual wage growth measured by the 3-month average both including and excluding bonuses was 3.6%. Adjusting for inflation, real wages were up 1.7% excluding bonuses and 1.8% including bonuses.
- 2.1.2 The first estimate of Q3 GDP showed the UK economy increased by 0.3% following the 0.2% contraction in Q2. The services sector registered an increase in growth of 0.4%, with production being flat following a fall of 1.8% in Q2 2019 (the largest fall in the industry since Q4 2012). Construction output increased by 0.6%, a reverse of the previous quarter when it decreased by 1.2%. Business investment was flat in Q3 which follows negative growth in Q2 alongside four negative consecutive quarters in 2018.

- 2.1.3 Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and, having failed to achieve Brexit by 31 October 2019, has now committed to leave the EU by 31 January 2020. The outcome of the General Election on 12 December 2019 has not removed all of the uncertainty.
- 2.1.4 China and the US are expected to announce an interim deal which will cancel, in phases, the various tariffs imposed during their trade war. In an announcement by Chinese officials, a timetable was not given but expectations include the US scrapping tariffs scheduled for 15 December 2019 on almost \$160bn of Chinese imports. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%, a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the US Federal Reserve and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1 November 2019.
- 2.1.5 The Bank of England maintained Bank Rate at 0.75%. In its November 2019 Monetary Policy Report the Bank noted the weaker global growth, driven by trade protectionism, and the domestic impact of Brexit-related uncertainties. The monetary policy response to Brexit, whatever form it takes, will not be automatic and could be in either direction to ensure a sustainable return of inflation to the 2% target.

2.2 Financial markets:

- 2.2.1 After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.
- 2.2.2 Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June 2019, the 5-year benchmark gilt yield fell to 0.32% by the end of September 2019. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

2.2.3 Recent activity in the bond markets highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June 2019, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

2.3 Credit background:

2.3.1 Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May 2019, the spread on non-ringfenced bank, NatWest Markets plc fell back to around 80bps by the end of September 2019, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.

2.3.2 There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3, and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

3 Outlook for the remainder of 2019/20:

3.1 The global economy is entering a period of slower growth in response to political issues, primarily the trade policy stance of the US. The UK economy has displayed a marked slowdown in growth due to both Brexit uncertainty and the downturn in global activity. In response, global and UK interest rate expectations have eased dramatically.

3.2 Some positivity on the trade negotiations between China and the US has prompted worst case economic scenarios to be pared back. However, information is limited, and upbeat expectations have been wrong before.

3.3 Brexit has been delayed until 31 January 2020 and a key concern is the limited transitional period following exit date, which will maintain and create additional uncertainty over the next few years.

3.4 Central bank actions and geopolitical risks will continue to produce significant volatility in financial markets, including bond markets.

3.5 The Councils' treasury advisor, Arlingclose, expects the Bank Rate to remain at 0.75% for the foreseeable future but there remain substantial risks to this forecast, dependant on political outcomes and the evolution of the global economy. Arlingclose also expects gilt yields to remain at low levels for the foreseeable future and judge the risks to be broadly balanced.

3.6 Arlingclose – Forecast rates

	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22
Official Bank Rate													
Upside Risk	0.00	0.00	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Downside Risk	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75

4 Local Context

4.1 On 31 March 2019, Babergh had net borrowing requirement of £101m and Mid Suffolk had net borrowing requirement of £125.8m arising from revenue and capital income and expenditure.

4.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 that follows.

4.3 **Table 1: Balance Sheet Summary**

Balance Sheet Summary	31.3.19 Babergh £m	31.3.19 Mid Suffolk £m
General Fund CFR	45.126	66.285
HRA CFR	86.673	87.970
Total CFR	131.799	154.255
(Less): Usable reserves	(32.710)	(36.855)
(Less) / Add: Working capital	1.927	8.429
Net borrowing requirement	101.016	125.829

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

4.4 The treasury management position at 30 September 2019 and the change during the half year is show in Table 2 that follows.

4.5 Table 2: Treasury Management Summary

Babergh	31.3.19 Balance £m	Movement £m	30.9.19 Balance £m	30.9.19 Rate %
Long-term borrowing	97.047	(0.511)	96.536	3.17%
Short-term borrowing	7.000	1.500	8.500	0.79%
Total borrowing	104.047	0.989	105.036	
Long-term investments	9.430	1.784	11.214	4.98%
Short-term investments	1.000	(0.500)	0.500	0.65%
Cash and Cash equivalents	1.421	(0.599)	0.822	0.65%
Total Investments	11.851	0.685	12.536	
Net borrowing	92.196		92.500	

Mid Suffolk	31.3.19 Balance £m	Movement £m	30.9.19 Balance £m	30.9.19 Rate %
Long-term borrowing	112.287	(0.671)	111.616	2.88%
Short-term borrowing	18.000	(2.000)	16.000	0.80%
Total borrowing	130.287	(2.671)	127.616	
Long-term investments	9.423	1.792	11.215	4.95%
Short-term investments	1.400	0.100	1.500	0.62%
Cash and Cash equivalents	1.480	(0.253)	1.227	0.65%
Total Investments	12.303	1.639	13.942	
Net borrowing	117.984		113.674	

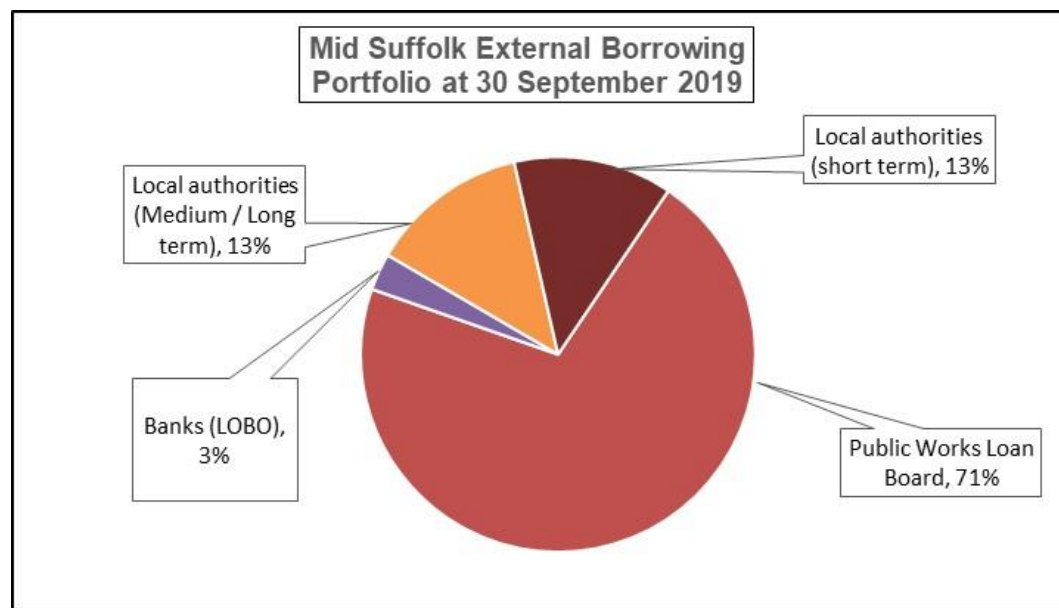
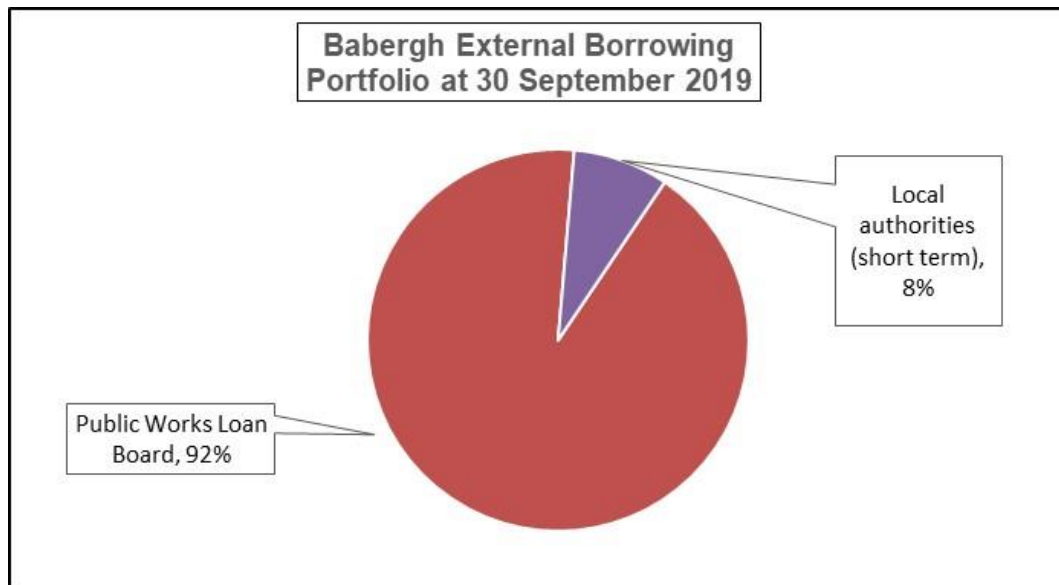
1 Borrowing Strategy

- 1.1 At 30 September 2019 Babergh held £105m of loans, an increase of £989k, Mid Suffolk held £127.6m of loans, a decrease of £2.6m.
- 1.2 Babergh has increased net overall borrowing by reducing long term PWLB loans through making repayments and by taking out more short-term loans to cover day to day cash flow needs.
- 1.3 Mid Suffolk lent £4.9m to Gateway 14 Ltd, which was financed from available short-term money market funds. As a result of surplus cash from council tax and business rates the need to borrow has reduced during the period.
- 1.4 The borrowing position at 30 September 2019 is shown in Table 3 that follows.
- 1.5 **Table 3: Borrowing Position**

Babergh	31.3.19 Balance	Movement	30.9.19 Balance	30.9.19 Weighted Average Rate
	£m	£m	£m	%
Public Works Loan Board	97.047	(0.511)	96.536	3.17%
Local authorities (short term)	7.000	1.500	8.500	0.79%
Total borrowing	104.047	0.989	105.036	

Mid Suffolk	31.3.19 Balance	Movement	30.9.19 Balance	30.9.19 Weighted Average Rate
	£m	£m	£m	%
Public Works Loan Board	92.287	(0.671)	91.616	3.24%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (Medium / Long term)	16.000	0.000	16.000	1.20%
Local authorities (short term)	18.000	(2.000)	16.000	0.80%
Total borrowing	130.287	(2.671)	127.616	

1.6 Table 3 - Charts - The Councils' Borrowing Portfolios at 30 September 2019:



- 1.7 The Councils' chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with the secondary objective of having flexibility to renegotiate loans should the Councils' long-term plans change.
- 1.8 With short-term interest rates remaining much lower than long-term rates, the Councils considered it more cost effective in the near term to use internal resources or short-term loans instead.
- 1.9 The Treasury Management Strategy shows that both Councils have increasing CFR's and estimated net borrowing requirements which are for further expenditure on CIFCO Ltd and Gateway 14 Ltd.

Appendix B cont'd

- 1.10 The Councils' borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing was maintained.
- 1.11 The Councils did not take out any new medium or long-term borrowing in the period.
- 1.12 LOBO loans: Mid Suffolk continues to hold £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. No banks exercised their option during the first half of 2019/20.

1 Treasury Investment Activity

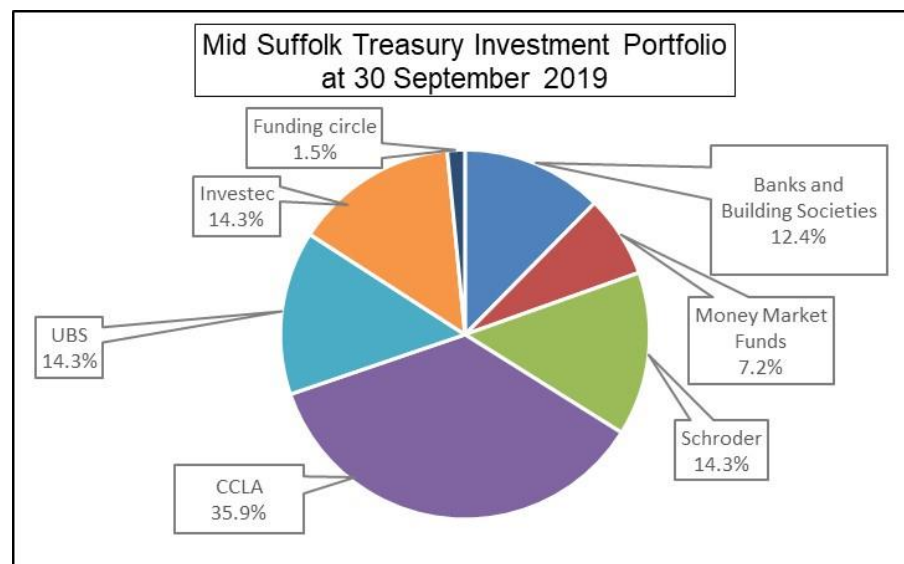
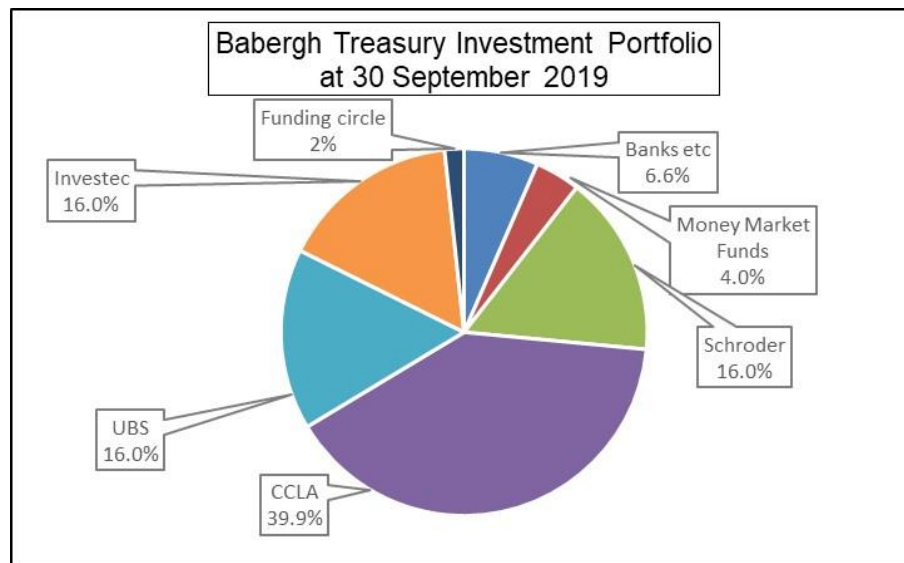
- 1.1 Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2019/20, Babergh's investment balances ranged between £10.5m and £20.2m. Mid Suffolk's investment balances ranged between £11.9m and £19m. These movements are due to timing differences between income and expenditure.
- 1.2 The investment position and weighted average rates during the first six months of the year is shown in Table 4 as follows. Both Councils invested £2m each in a new pooled fund (Investec Diversified Income Fund) during the period and withdrew more of their investments in Funding Circle.

1.3 Table 4: Treasury Investment Position

Babergh	31.3.19 Balance	Movement	30.9.19 Balance	30.9.19 Weighted Average Rate
	£m	£m	£m	%
Banks and Building Societies	1.421	(0.599)	0.822	0.65%
Money Market Funds	1.000	(0.500)	0.500	0.65%
Other Pooled Funds	9.430	1.784	11.214	4.98%
Total Investments	11.851	0.685	12.536	

Mid Suffolk	31.3.19 Balance	Movement	30.9.19 Balance	30.9.19 Weighted Average Rate
	£m	£m	£m	%
Banks and Building Societies	1.480	0.247	1.727	0.65%
Money Market Funds	1.400	(0.400)	1.000	0.62%
Other Pooled Funds	9.423	1.792	11.215	4.95%
Total Investments	12.303	1.639	13.942	

1.4 The Councils' Investment Portfolios at 30 September 2019:



- 1.5 Both the CIPFA Code and government guidance requires the Councils to invest their funds prudently, and to have regard to the security and liquidity of their treasury investments before seeking the optimum rate of return, or yield. The Councils' objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 1.6 Given the increasing risk and low returns from short-term unsecured bank investments, each Council made another investment of £2m in a higher yielding fund to provide monthly income and long-term capital growth (Investec Diversified Income Fund). This is in line with the strategy for pooled funds (e.g. pooled property, multi asset and equity funds) and reduced their investments in Funding Circle.
- 1.7 As a result, investment risk was diversified while the average rate of return has increased. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 5 that follows.

1.8 Table 5: Investment Benchmarking – Treasury investments managed in-house

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2019	5.17	A+	92%	210	4.13%
30.06.2019	5.28	A+	91%	97	4.20%
30.09.2019	5.21	A+	86%	147	4.62%
Similar LAs	4.26	AA-	61%	80	1.68%
All LAs	4.28	AA-	62%	28	1.34%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2019	5.16	A+	93%	173	4.00%
30.06.2019	5.11	A+	95%	54	3.81%
30.09.2019	4.94	A+	93%	75	4.21%
Similar LAs	4.26	AA-	61%	80	1.68%
All LAs	4.28	AA-	62%	28	1.34%

- 1.9 Bail-in involves the shareholders and creditors of a failing financial institution meeting the costs, instead of the government. Babergh and Mid Suffolk have a higher proportion of investments in strategic pooled funds compared to total investments, so their bail-in exposure is proportionately higher than the local authorities in Arlingclose's benchmarking group. Babergh and Mid Suffolk have chosen to adopt a strategy of generating higher returns by investing funds available in banks and strategic pooled funds.
- 1.10 Babergh has £11.2m of externally managed strategic pooled equity, property and multi assets funds where the primary objectives are regular revenue income and long-term price stability. This has generated an average total income return, since the date of the initial investments, of £1.7m (4.92%) which is used to support service provision.
- 1.11 Mid Suffolk has £11.2m of externally managed strategic pooled equity, property and multi assets funds which has generated an average total income return, since the date of the initial investments, of £1.6m (4.94%) which is used to support service provision.
- 1.12 These pooled funds have no defined maturity date but are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Councils' investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates.

- 1.13 Recent changes to International Financial Reporting Standards for pooled funds mean that changes in valuations must be taken through the Comprehensive Income and Expenditure Statement. The MHCLG has granted a statutory override until 2022/23 so these changes will have no impact on the “bottom line” until 2023/24.
- 1.14 It is intended to set aside any increases in valuation to a reserve to mitigate future potential losses. These pooled funds are long term investments and the Councils would not sell the units whilst their value was less than the original investment.
- 1.15 **Readiness for Brexit:** The scheduled date for the UK to leave the EU is now 31 January 2020. A deal has been agreed with the EU and as the exit date approaches the Councils will ensure there are enough accounts open at UK domiciled banks and Money Market Funds to hold sufficient liquidity required in the near term and that its account with the government’s Debt Management Account Deposit Facility (DMADF) remains available for use in an emergency.

2 Long Term investments – Pooled Fund Performance

- 2.1 Both Councils’ have investments in pooled funds to generate an income return. Table 6 that follows is a summary of performance by fund from initial investment date until the most recent return valuation available and details of interest received.

2.2 Table 6: Pooled Fund Performance

- 2.1.1 Both Councils invested £5m each into the CCLA Local Authority Property Fund. Babergh purchased 1.657m units on 31 August 2015 and Mid Suffolk 1.632m units on 29 October 2015. The valuations are based on the number of units owned.

2.1.2 Table 6.1 CCLA Performance

CCLA	Babergh				
	31.3.18 Balance	2018/19 Movement	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	4.927	0.077	5.004	(0.047)	4.957
Cumulative Net Interest received from date of initial investment	0.581		0.798		0.907
Annual Performance					
Net Interest received in year	0.227		0.217		0.109
Average Rate of Return for year	4.54%		4.33%		4.36%

Appendix C cont'd

CCLA	Mid Suffolk				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	4.851	0.075	4.927	(0.046)	4.881
Cumulative Net Interest received from date of initial investment	0.539		0.752		0.860
Annual Performance					
Net Interest received in year	0.224		0.213		0.108
Average Rate of Return for year	4.47%		4.27%		4.29%

2.1.3 Both Councils invested £2m each into the Schroder Income Maximiser Fund on 10 February 2017.

2.1.4 **Table 6.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.927	(0.051)	1.876	0.107	1.983
Cumulative Net Interest received from date of initial investment	0.178		0.322		0.419
Annual Performance					
Net Interest received in year	0.137		0.144		0.097
Average Rate of Return for year	6.86%		7.20%		9.70%

Schroder Maximiser Fund	Mid Suffolk				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.927	(0.051)	1.876	0.107	1.983
Cumulative Net Interest received from date of initial investment	0.178		0.322		0.419
Annual Performance					
Net Interest received in year	0.137		0.144		0.097
Average Rate of Return for year	6.86%		7.20%		9.70%

2.1.5 Babergh invested £2m in the UBS Multi Asset Income Fund on 26 November 2015, whilst Mid Suffolk invested £2m on 28 March 2017.

2.1.6 Table 6.3 UBS Performance

UBS	Babergh				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.923	(0.024)	1.899	0.024	1.923
Cumulative Net Interest received from date of initial investment	0.192		0.274		0.321
Annual Performance					
Net Interest received in year	0.075		0.082		0.047
Average Rate of Return for year	3.74%		4.09%		4.67%

UBS	Mid Suffolk				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.920	(0.024)	1.896	0.024	1.919
Cumulative Net Interest received from date of initial investment	0.096		0.178		0.225
Annual Performance					
Net Interest received in year	0.075		0.082		0.047
Average Rate of Return for year	3.73%		4.08%		4.66%

2.1.7 Both Councils invested £2m each into the Investec Diversified Income Fund on 24 May 2019. This fund aims to provide monthly income with the opportunity for long-term capital growth, investing in equities, fixed income investments (e.g. corporate or government bonds) as well as cash and money market funds.

2.1.8 Table 6.4 Investec Performance

Investec	Babergh				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested			0.000	2.000	2.000
Investment Valuation			0.000	1.977	1.977
Cumulative Net Interest received from date of initial investment					0.031
Annual Performance					
Net Interest received in year					0.031
Average Rate of Return for year					6.20%

Appendix C cont'd

Investec	Mid Suffolk				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount invested			0.000	2.000	2.000
Investment Valuation			0.000	1.977	1.977
Cumulative Net Interest received from date of initial investment					0.031
Annual Performance					
Net Interest received in year					0.023
Average Rate of Return for year					4.65%

2.1.9 Both Councils invested in Funding Circle on 1 November 2015 and has varied the amounts invested since.

2.1.10 **Table 6.5 Funding Circle Performance**

Funding Circle	Babergh				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount Invested - National	0.613	(0.208)	0.405	(0.191)	0.214
Amount Invested - Local	0.025	0.000	0.025	(0.025)	0.000
Total Amount Invested	0.638	(0.208)	0.430	(0.216)	0.214
Bad debts to date	(0.016)	(0.015)	(0.031)	(0.009)	(0.040)
Accrued Interest	0.019	0.003	0.022	(0.019)	0.003
Valuation	0.641	(0.220)	0.421	(0.244)	0.177
Income received	0.071		0.099		0.107
Servicing costs	(0.008)		(0.012)		(0.013)
Cumulative Net Interest received from date of initial investment	0.063		0.087		0.095
Annual Performance					
Net Interest received in year	0.038		0.025		0.007
Average Rate of Return for year	4.54%		5.02%		4.96%

Funding Circle	Mid Suffolk				
	31.3.18 Balance £m	2018/19 Movement £m	31.3.19 Balance £m	6 months Movement £m	30.9.19 Balance £m
Amount Invested - National	0.617	(0.219)	0.398	(0.183)	0.215
Amount Invested - Local	0.025	0.000	0.025	(0.025)	0.000
Total Amount Invested	0.642	(0.219)	0.423	(0.208)	0.215
Bad debts to date	(0.016)	(0.023)	(0.040)	(0.006)	(0.046)
Accrued Interest	0.017	(0.001)	0.016	(0.013)	0.003
Valuation	0.643	(0.243)	0.399	(0.227)	0.172
Income received	0.075		0.102		0.110
Servicing costs	(0.009)		(0.012)		(0.013)
Cumulative Net Interest received from date of initial investment	0.066		0.090		0.097
Annual Performance					
Net Interest received in year	0.039		0.024		0.007
Average Rate of Return for year	4.63%		4.78%		4.89%

3 Other Investment Activity

- 3.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Councils' as well as other non-financial assets which the Councils' hold primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to include all such assets held partially for financial return.
- 3.2 On 5 August 2016 Babergh purchased Borehamgate Shopping centre in Sudbury for £3.56m. This has been classified as an investment property and on 31 March 2019, it was assessed at Fair Value of £2.66m.
- 3.3 Babergh holds £2.726m of equity in Babergh Holdings Ltd and has £24.537m of loans in Capital Investment Fund Company (CIFCO Ltd), a subsidiary of Babergh Holdings Ltd. These loans have generated £1.472m of investment income since the start of trading.
- 3.4 Mid Suffolk holds £2.726m of equity in Mid Suffolk Holdings Ltd and has £24.537m of loans in Capital Investment Fund Company (CIFCO Ltd), a subsidiary of Mid Suffolk Holdings Ltd. These loans have generated £1.472m of investment income since the start of trading.
- 3.5 Mid Suffolk also holds £21.152m of investment in another subsidiary of Mid Suffolk Holdings Ltd, Gateway 14 Ltd, which has generated £0.886m of accrued investment income since 13 August 2018.

4 Table 7: Debt Limits

4.1 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table that follows.

Borrowing	Actual Maximum	30.9.19 Actual	2019/20 Operational Boundary	2019/20 Authorised Limit	Complied
Babergh	£108m	£108m	£164m	£179m	✓
Mid Suffolk	£130m	£128m	£189m	£204m	✓

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

5 Compliance

5.1 The Section 151 Officer is pleased to report that all treasury management activities undertaken during the period complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in Table 8 that follows.

5.2 Table 8: Investment Limits

Babergh	Actual Maximum	30.9.19 Actual	2019/20 Limit	Complied
Lloyds Bank	£1.743m	£0.822m	£2m	✓
Money market funds	41.40%	3.99%	50%	✓
DMADF	Nil	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.430m	£0.214m	£1m	✓

Mid Suffolk	Actual Maximum	30.9.19 Actual	2019/20 Limit	Complied
Lloyds Bank	£1.912m	£1.227m	£2m	✓
Barclays Bank	£0.500m	£0.500m	£2m	✓
Svenska Handelsbanken	Nil	Nil	£2m	✓
Money market funds	35.34%	7.17%	50%	✓
DMADF	£3m	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.423m	£0.215m	£1m	✓

1 Treasury Management Indicators

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

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

Portfolio Average Credit Score	30.9.19 Actual	2019/20 Target	Complied
Babergh	5.21	7.0	✓
Mid Suffolk	4.94	7.0	✓

1.3 **Liquidity:** The Councils have adopted a voluntary measure of exposure liquidity risk by monitoring the amount it can borrow each period without giving prior notice.

Total sum borrowed in the past 3 months without prior notice	30.9.19 Actual	2019/20 Target	Complied
Babergh District Council	Nil	£5m	✓
Mid Suffolk District Council	Nil	£5m	✓

1.4 **Interest Rate Exposures:** This indicator is set to control the Councils' exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest was:

Upper impact on Revenue of a 1% increase in rates	30.9.19 Actual	2019/20 Target	Complied
Babergh District Council	£0.067m	£0.376m	✓
Mid Suffolk District Council	£0.080m	£0.490m	✓

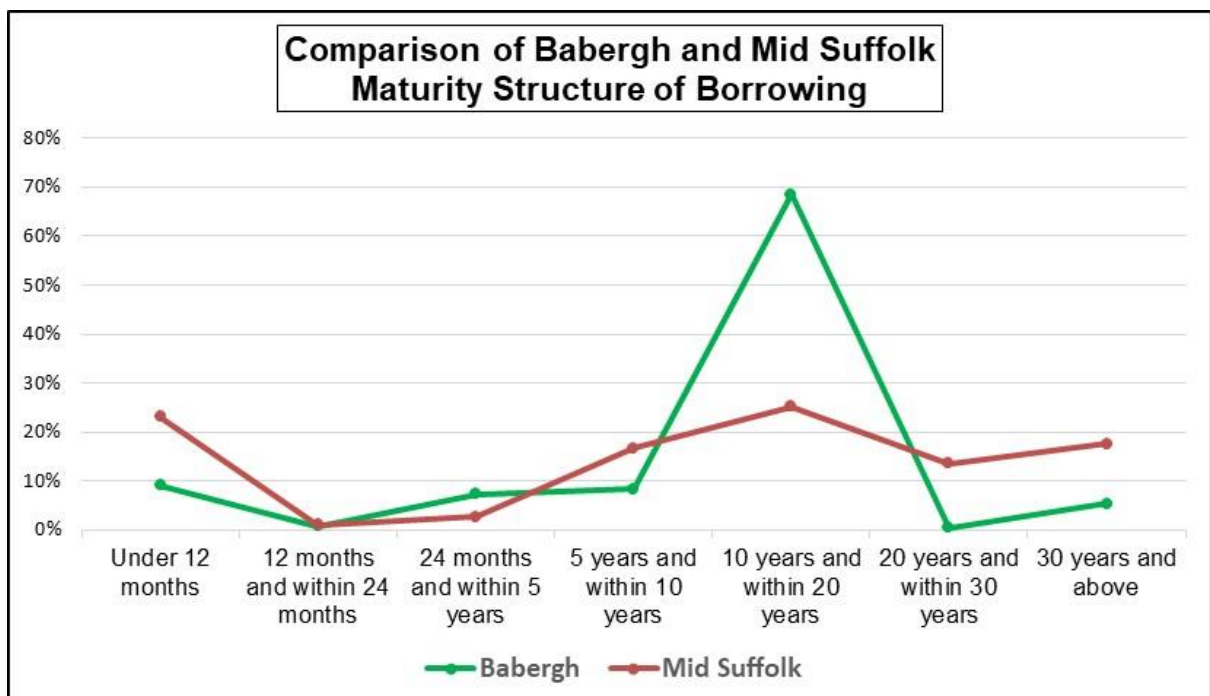
1.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

1.6 **Maturity Structure of Borrowing:** This indicator is set to control the Councils' exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing are shown in the following table:

1.7 Table to show Maturity Structure of Borrowing:

Babergh	30.9.19 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	9.07%	0	50%	✓
12 months and within 24 months	0.80%	0	50%	✓
24 months and within 5 years	7.31%	0	50%	✓
5 years and within 10 years	8.31%	0	100%	✓
10 years and within 20 years	68.62%	0	100%	✓
20 years and within 30 years	0.46%	0	100%	✓
30 years and above	5.43%	0	100%	✓

Mid Suffolk	30.9.19 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	23.13%	0	50%	✓
12 months and within 24 months	1.12%	0	50%	✓
24 months and within 5 years	2.73%	0	50%	✓
5 years and within 10 years	16.69%	0	100%	✓
10 years and within 20 years	25.16%	0	100%	✓
20 years and within 30 years	13.60%	0	100%	✓
30 years and above	17.57%	0	100%	✓

1.8 Chart to show the Maturity Structure of Borrowing:

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

1.10 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Councils' exposure to the risk of incurring losses by seeking early repayment of their investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Actual Principal invested beyond year end	2019/20	2020/21	2021/22
Babergh Actual	Nil	Nil	Nil
Mid Suffolk Actual	Nil	Nil	Nil
Limit on principal invested beyond year end	£2m	£2m	£2m
Babergh Complied	✓	✓	✓
Mid Suffolk Complied	✓	✓	✓

Glossary of Terms

BPS	Base Points. A unit of percentage measure equal to 0.01%. Basis points are commonly used when discussing changes to interest rates, equity indices, and fixed-income securities.
CDS	Credit Default Swap. In effect, insurance against non-payment. Through a CDS, the buyer can mitigate the risk of their investment by shifting all or a portion of that risk onto an insurance company or other CDS seller in exchange for a periodic fee. In this way, the buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the debt security.
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.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CPIH	Consumer Price Index Housing. A measure of consumer price inflation including a measure of owner occupiers' housing costs (OOH).
CCLA	Churches, Charities and Local Authority Property Fund
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which revenue costs are charged for providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LIBID	London Interbank Bid Rate. The interest rate at which banks bid to take short-term deposits from other banks in the London interbank market.
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.
LVNAV	Low Volatility Net Asset Value. A new type of Low Volatility Net Asset Value Money Market Fund - a new fund category introduced as part of a new regulatory reform of the sector in Europe.

Appendix E cont'd

MHCLG	A Government department – The Ministry of Housing, Communities and Local Government
MiFID	The Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). The EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
NAV	Net Asset Value. The NAV is the value of a fund's assets less the value of its liabilities on a per unit basis.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.

Agenda Item 13

BABERGH DISTRICT COUNCIL

TO: Council	REPORT NUMBER: BC/19/38
FROM: John Ward, Leader of the Council	DATE OF MEETING: 26 February 2020

PROPOSED CHANGES TO COUNCIL MEETING DATES 2020-21

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to outline proposed changes to the frequency of Council meetings for 2020/21.

2. RECOMMENDATION

- 2.1 That the changes to Council meetings detailed in paragraph 3.1 be approved.

3. KEY INFORMATION

- 3.1 The Timetable of Meetings 2020/21 was approved by Council on 24 September 2019. The Leader is proposing a reduced number of pre-programmed Council meetings as follows:

PROPOSED DATES	NOTES
20/5/20 – ANNUAL COUNCIL	ANNUAL MEETING
21/7/20	REMOVE JUNE MEETING
22/9/20	REMOVE OCT AND DEC MEETINGS
24/11/20	NEW DATE
19/1/21	NEW DATE (OR MARCH)
23/2/21	BUDGET MEETING
23/3/21	NEW DATE (OR JAN)
25/5/21 – ANNUAL COUNCIL	REMOVE APRIL MEETING

- 3.2 Members are asked to check the proposed Council dates to ensure that there are no reasons why they should not go ahead on these dates.

4. LINKS TO CORPORATE PLAN

- 4.1 Good governance and democratic, sound and transparent decision-making support the delivery of the Corporate Plan.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

6. LEGAL IMPLICATIONS

- 6.1 Approval of the recommendation will ensure that Council dates are placed well in advance into Member and officer diaries and the appropriate meeting rooms are booked. This will help to ensure that the Council complies with the statutory requirements for the summons to meetings and publication of papers.

7. RISK MANAGEMENT

7.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Dates are not booked in advance and the Committee is inquorate and unable to take decisions	1 – Highly unlikely	3 - Bad	Early approval of draft timetable of meetings will ensure that dates are placed into diaries as soon as possible.

8. CONSULTATIONS

8.1 SLT and Leaders have been consulted.

9. EQUALITY ANALYSIS

9.1 An Equality Impact Assessment is not required as none of the protected characteristics will be affected by the recommendations within this report.

10. ENVIRONMENTAL IMPLICATIONS

10.1 There are no environmental implications associated with this report.

11. APPENDICES

None.

12. BACKGROUND DOCUMENTS

[2020-2021 Timetable of Meetings](#)