Public Document Pack

	BABERGH CABINET
DATE:	**TUESDAY, 11 FEBRUARY 2020 5.30 PM**
VENUE:	**KING EDMUND CHAMBER - ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH**

Members		
Conservative	Independent	Liberal Democrat
Jan Osborne	Derek Davis	David Busby
John Ward (Chair)	Clive Arthey	
Michael Holt	Lee Parker	
Elisabeth Malvisi		

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A G E N D A

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

Matters referred from Babergh Overview and Scrutiny Committee - recommendations for BCa/19/34 General Fund Budget 2020/21 and Four-Year Outlook, and for BCa/19/35 Housing Revenue Account (HRA) Budget 2020/21 and Longer-Term Outlook to Cabinet.

Matters referred from Joint Overview and Scrutiny Committee – recommendations for BCa/19/38 Outputs for 2019-23 to Support the Delivery of the Joint Corporate Plan.

8 **FORTHCOMING DECISIONS LIST**

Please note the most up to date version can be found via the website:

https://www.babergh.gov.uk/the-council/forthcoming-decisions-list/

Cabinet Member for Finance

Cabinet Member for Finance

Cabinet Member for Finance

Cabinet Member for Finance

Leader of the Council

Cabinet Member for Environment

Date and Time of next meeting

Please note that the next meeting is scheduled for Thursday, 12 March 2020 at 9.30 am.

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 the Committee Officer, Claire Philpot on: 01473 276396 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.

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Agenda Item 3

BABERGH DISTRICT COUNCIL

Minutes of the meeting of the **BABERGH CABINET** held in the King Edmund Chamber - Endeavour House, 8 Russell Road, Ipswich on Thursday, 9 January 2020

PRESENT:

Councillor: John Ward (Chair)

Councillors: Jan Osborne, Clive Arthey, Lee Parker, Derek Davis, Michael Holt

In attendance:

Councillors(s): Alistair McCraw

Officers:
Strategic Director (KN)
Assistant Director – Planning and Sustainable Communities (TB)
SRP Operations Manager (AW)
Deputy Monitoring Officer (JS)
Governance Support Officer (CP)

193 APOLOGIES

Apologies were received from Councillor David Busby and Councillor Elisabeth Malvisi.

194 DECLARATION OF INTERESTS BY COUNCILLORS

Councillor Osborne declared a non-pecuniary interest in item 8, BCa/19/25 Three-Year Funding for Sudbury and District Citizens Advice, in her capacity as a member of the Citizens Advice Bureau.

195 BCA/19/24 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 07 NOVEMBER 2019

It was RESOLVED:-

That the minutes of the meeting held on 07 November 2019 be signed as a true record.

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

There were no petitions received.

197 QUESTIONS BY COUNCILLORS

There were no questions received.

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

There were no matters referred.

199 FORTHCOMING DECISIONS LIST

The Forthcoming Decisions List was noted.

200 BCA/19/25 THREE-YEAR FUNDING FOR SUDBURY AND DISTRICT CITIZENS ADVICE

The Cabinet Member for Communities introduced the report and provided Members with background information regarding funding provisions for Citizens Advice. The recommendations were moved by Councillor Davis.

Councillor Osborne commented that she fully supported the report and would like to extend the recommendation to a three-year rolling agreement. The Assistant Director for Planning and Communities confirmed that recommendation 3.2 of the report would allow for a rolling three-year agreement under delegated authority.

Councillor McCraw, Chair of the Overview and Scrutiny Committee advised that the Committee's Task and Finish Group would be providing an updated report to the next Cabinet meeting which would follow the recommendations in this report. Councillor McCraw thanked both Babergh and Mid Suffolk Councils for their approach to the matter.

Councillor Holt raised concerns regarding the funding Citizens Advice provided themselves and expressed the importance of Cabinet reviewing this on an annual basis. The Assistant Director for Planning and Communities assured Members that the funding agreement would include monitoring arrangements and require deliverables to be reported back to Cabinet.

Members further discussed the three-year rolling funding arrangement and agreed that recommendation 3.1 would be amended to include reference to this for the purpose of clarity. It was confirmed that an update would be presented to the Overview and Scrutiny Committee on an annual basis for discussion.

The revised recommendation was moved by Councillor Davis and seconded by Councillor Osborne.

By a unanimous vote

It was RESOLVED:-

1.1 That a three-year rolling funding agreement for the Sudbury and District

CA be approved.

1.2 **That authority be delegated to the Assistant Director, Planning and Communities to sign off the agreement following discussion with the Cabinet Member for Communities.**

Reason for Decision: To provide the Sudbury and District CA with greater certainty about three-year funding from Babergh District Council, consistent with the Council's support for the value and impact that it achieves.

201 BCA/19/26 INTRODUCTION OF A COUNCIL TAX PENALTIES POLICY

The Cabinet Member for Finance introduced the report which had been prepared by the Shared Revenues Partnership. Councillor Ward explained the background to the policy and moved the recommendations in the report. Councillor Osborne seconded the recommendations.

Councillor Arthey queried if this policy would apply to residents who own more than one property and benefit from a discount on each, for example a holiday home and a main residence. The SRP Operations Manager confirmed that these instances would be targeted by the review and provided an explanation of the method of determining a Council Taxpayers main residence.

By a unanimous vote

It was RESOLVED:-

That the implementation of a policy for the issuing of Council Tax penalties be approved.

Reason for Decision: The Council is committed to a pro-active approach in preventing and reducing the risks associated with fraud, error and other irregularities in the administration of Council Tax. Implementation of this policy supports this commitment.

202 BCA/19/27 COUNCIL TAX - CITIZENS ADVICE COLLECTION PROTOCOL

Report BCa/19/27 was introduced by the Cabinet Member for Finance who moved the recommendations. The recommendations were seconded by Councillor Osborne.

Councillor Arthey enquired if there had been a rise in Council Tax debt in the Babergh area. Andrew Wilcock advised that the figures for the final quarter had been impacted by changes in customers working patterns or benefits received. It was confirmed that the protocol would help to support residents who may have difficulty in funding council tax payments.

In response to a further query from Councillor Arthey it was confirmed that both Mid Suffolk District Council and Ipswich Borough Council had approved the protocol.

By a unanimous vote

It was RESOLVED:-

That the adoption of the Citizen Advice Council Tax Protocol detailed at Appendix (a) of the report be approved.

Reason for Decision: The protocol reflects best practice at a local level and is intended to facilitate regular liaison with the Council, its Enforcement Agents and Citizens Advice on practices and policy concerning Council Tax collection.

In setting down clear procedures and keeping these regularly under review, all parties to the protocol can ensure that arrears are dealt with appropriately whilst complaints are handled efficiently.

203 BCA/19/28 DECISIONS TAKEN BY THE CHIEF EXECUTIVE DURING THE PRE-ELECTION PERIOD UNDER DELEGATED POWERS IN ACCORDANCE WITH PART 2 OF THE CONSTITUTION

The Cabinet Member for Housing provided background information to the decision made by the Chief Executive in conjunction with the Chair of the Council under delegated powers during the pre-election period.

It was confirmed, following a question from Councillor Arthey, that the Chief Executive agreed the Disabled Adaptations Policy and not the awards granted under the policy. Councillor Osborne confirmed that the policy would be forwarded to Cabinet Members.

The recommendation was moved by Councillor Osborne and seconded by Councillor Parker.

By a unanimous vote

It was RESOLVED:-

That the decision taken under delegated powers by the Chief Executive to approve the Regulatory Reform Order during the pre-election period be noted.

Reason for Decision: The Cabinet Meeting has been cancelled due to the ‘pre-election period’ for the General Election taking place on 12th December 2019. This meant that the Policy could not be considered until January 2020 which could result in funding being delayed.

Under Part 2 of the Constitution, Delegations to Officers, Paragraph 7.2 (page 68-69), the decision must be reported to the next ordinary meeting of the appropriate Committee/Cabinet.

The business of the meeting was concluded at 11.11 am.

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Chair (& date)

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Agenda Item 4

BABERGH DISTRICT COUNCIL

Minutes of the meeting of the **BABERGH CABINET** held in the King Edmund Chamber - Endeavour House, 8 Russell Road, Ipswich on Thursday, 16 January 2020 at 5:30pm

PRESENT:

Councillor: John Ward (Chair)

Councillors: Jan Osborne, David Busby, Elisabeth Malvisi, Derek Davis, Michael Holt, Lee Parker

In attendance:

Councillor(s): Alistair McCraw

Officers: Chief Executive Officer (AC)
Strategic Director (KN)
Assistant Director – Corporate Resources (KS)
Deputy Monitoring Officer (JR)
Governance Officer (CP)

204 APOLOGIES

Apologies were received from Councillor Clive Arthey.

205 DECLARATION OF INTERESTS BY COUNCILLORS

There were no declarations of interest declared.

206 BCA/19/29 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 09 JANUARY 2020

The Chair noted that due to the short time frame between meetings that a draft of the minutes could not be completed before the meeting today. As such the minutes were deferred to the next available meeting

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

There were no petitions received.

208 QUESTIONS BY COUNCILLORS

There were no questions received.

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

There were no matters referred.

210 FORTHCOMING DECISIONS LIST

The Forthcoming Decisions List was noted.

211 BCA/19/30 DRAFT GENERAL FUND BUDGET 2020/21

The Cabinet Member for Finance introduced report BCa/19/30 which contained details of the draft revenue and capital budgets and the Councils strategic financial aims. Councillor Ward advised that the report enabled Members to consider key aspects of the draft budget and make any recommendations to the final budget which would be presented to Full Council in February.

Councillor Ward provided Members with an overview of the budget. This included proposed increases in council tax charges, new homes bonus funding and earmarked reserve levels.

The recommendations in the report were proposed by Councillor Ward and seconded by Councillor Malvisi.

Councillor Parker raised a query with regard to the council tax reduction for unoccupied and unfurnished properties and which exemptions would apply to this rule. Councillor Ward explained that in circumstances where the occupant has become deceased an exemption would apply for a set period of time.

Councillor Osborne commented on how well briefed Members had been regarding the budget and thanked officers for the production of a well-balanced budget with no reduction in services to residents.

Councillor Busby expressed his concern over the long-term future and the changes that would be required to the services provided in order to meet the demand on communities and commented that this would need attention over the next year. Councillor Ward agreed that reassessment of the budget would be required, and the transformation fund would play a part in financing future projects.

Councillor Ward commented that Officers had carried out excellent work in the production of a balanced budget.

By a unanimous vote

It was RESOLVED:-

1.1 **That the draft General Fund Budget proposals for 2020/21 and four-year outlook set out in the report be endorsed for recommendation to Council on 26 February 2020, subject to further consideration at**

the next Cabinet meeting on 11 February 2020.

1.2 **That the draft 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, which will be considered further at the February Cabinet meeting.**

1.3 **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 of the report.**

Reason for Decision: To bring together all the relevant information to enable Cabinet Members to review, consider and comment upon the Councils General Fund budget before the February Cabinet and recommendations to Council.

212 BCA/19/31 DRAFT HRA BUDGET 2020/21

The Cabinet Member for Finance introduced the report and provided Members with details of the budget proposals laid out in the report. The recommendations were moved by Councillor Ward and seconded by Councillor Osborne.

Councillor Busby commented that he was not happy with the proposed increases in rent. The Assistant Director for Corporate Resources advised that the proposed increases were those recommended by Government and even with this increase tenants would be paying less than four years ago. Councillor Osborne confirmed that residents on a low income would be eligible to apply for an increased benefit to cover these rent increases. She went on to comment that this additional income would help to ensure that the Council could continue to provide better quality homes.

In response to a question from Councillor Parker regarding the projected number of Right To Buy properties sold, Councillor Ward confirmed that this figure had been based on previous years' experience.

Councillor Busby enquired whether the rental income figures detailed in Appendix B of the report reflected the potential building of new council houses, or are based on existing figures. The Assistant Director for Corporate Resources confirmed that these figures are in accordance with the Capital Programme and therefore factor in numbers for proposed building plans over the forthcoming years.

By a unanimous vote

It was RESOLVED:-

1.1 That the draft HRA Budget proposals for 2020/21 and four-year outlook set out in the report and detailed below be endorsed for recommendation to Council on 26 February 2020, subject to further

consideration at the next Cabinet meeting on 11 February 2020.

1.2 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.

1.3 That garage rents are kept at the same level as 2019/20.

1.4 That Sheltered Housing Service charges be increased by £2 per week to ensure recovery of the actual cost of service.

1.5 That Sheltered Housing utility charges are kept at the same level as 2019/20.

1.6 That the budgeted surplus of £298k be transferred to the HRA reserves in 2020/21.

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

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

Reason for Decision: To bring together all the relevant information to enable Cabinet Members to review, consider and comment upon the Councils Housing Revenue Account budget before the February Cabinet and recommendations to Council.

The business of the meeting was concluded at 5.58 pm.

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Chair (and date)

Agenda Item 7

BABERGH DISTRICT COUNCIL

TO:	**BDC Cabinet**	**REPORT NUMBER: N/A**
FROM:	**Babergh Overview and Scrutiny Committee**	**DATE OF MEETING: 11 February 2020**
OFFICER:	**Henriette Holloway** **Senior Governance Officer**	**KEY DECISION REF NO. N/A**

CABINET ARE ASKED TO CONSIDER THE RECOMMENDATIONS BELOW FROM THE BABERGH OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 20 JANUARY 2020.

BOS/19/5 Draft General Fund Budget 2020/21 and Four-year Outlook

1. RECOMMENDATIONS

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.

2. APPENDICES

Title	Location
Draft Minute – BOS/19/5 Draft General Fund Budget 2020/21 and Four-year Outlook	Attached

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THE MINUTE RELATING TO THE RECOMMENDATIONS TO CABINET FROM THE BABERGH OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 20 JANUARY 2020

BOS/19/5 DRAFT GENERAL FUND BUDGET 202/21 AND FOUR-YEAR OUTLOOK

15.1 Councillor Ward, Cabinet Member for Finance, introduced the report and summarised the main points in the report.

15.2 He provided Members with the following updates:

- The surplus had increased from £542,000 to £584,000
- Acquisitions were now at £1.125M.
- The Transformation Fund were nearer to £900,000 due to the increase in the surplus.

15.3 Councillor McCraw commented on the improved lay-out and structure of the report.

15.4 Councillor McLaren asked for clarification of the increase for the Council Tax and asked that in the future the explanation in the press were made more accessible to the public.

15.5 Councillor Ward explained that the Council Tax was shared between the Council, Suffolk District Council and the Police and Crime Commissioner. The £5 increase was for a Council Tax Band D property and was equivalent of 3.1% increase for the total amount of the Council tax bill. This was all explained on the annual Council Tax bill.

15.6 Councillor Ward would investigate how to provide better information to Parish Councils and residents.

15.7 Councillor McLaren enquired if there was any training available for Parish Councillors and Councillor Ward informed that Suffolk Association for Local Councillors (SALC) could provide support for such issues.

15.8 Councillor Jan Osborne, Cabinet Member for Housing, who were attending the meeting, said the Councillor Adrian Osborne, as the Council's representative, could bring this issue to the attention of SALC.

15.9 Councillor Adrian Osborne enquired if it was possible to bring forward the Parish precepts to allow parishes to plan their annual budget. The Assistant Director for Corporate Recourses responded that the Council would struggle to provide the precepts earlier, as tight deadlines existed because the information was being provided by Central Government.

15.10 Councillor McCraw referred to the New Homes Bonus Scheme, which was being phased out and asked whether any new schemes would be introduced to replace this income.

15.11 The Assistant Director for Corporate Resources explained that currently there was no information from the Government regarding replacement for the New Homes Bonus. She thought that any new schemes were likely to be linked with planning applications.

15.12 Councillor Ward assured the Committee that Members were lobbying Government for a replacement of the New Homes Bonus Scheme as the income was needed by the Council and was an incentivised bonus for new and completed developments.

15.13 The Assistant Director explained that the New Homes Bonus Scheme was currently split into 80% for the Council and 20% for Suffolk County Council. The Local Government Association (LGA) were working with the Government and represented both councils and it may be that this split would change.

15.14 Councillor McCraw queried the changes to the Empty Homes Discounts and what the rational was behind the change.

15.15 Councillor Ward explained that the Council wanted to bring empty homes back into use as quickly as possible.

15.16 Councillor McCraw continued questioning and asked how often the Council connected with owners of unoccupied properties.

15.17 The Assistant Director for Housing outlined the process for contacting owners of unoccupied properties, who were contacted by letter in the first instance. The Housing department employed three officers to oversee the private sector rental market for the Council. The Council supported Landlords in the process in getting the property occupied, which was often caused by bereavement. Further advice would be organised later this year to support landlords.

15.18 Councillor Jan Osborne added that the Shared Revenues Partnership was very proactive in the in this area and received regular reports for unoccupied properties.

15.19 Councillor Dawson asked if the figures included Council owned, unoccupied buildings and building projects, which were commenced but not completed.

15.20 Councillor Ward outlined Council Tax reductions and discounts and that properties were all subject to the same discounts.

15.21 In response to Councillor Dawson's further question regarding Angle Court, Councillor Ward stated that unoccupied and uncompleted properties were not include in the budget.

15.22 Councillor Adrian Osborne proposed that the Committee endorsed the budget to Cabinet as outline in recommendation 3.1 to 3.3, and that the Finance Team be thanked for the work undertaken for the General Fund Budget, which was seconded by Councillor McCraw.

By a unanimous vote

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.

BABERGH DISTRICT COUNCIL

TO:	**BDC Cabinet**	**REPORT NUMBER: N/A**
FROM:	**Babergh Overview and Scrutiny Committee**	**DATE OF MEETING: 11 February 2020**
OFFICER:	**Henriette Holloway Senior Governance Officer**	**KEY DECISION REF NO. N/A**

CABINET ARE ASKED TO CONSIDER THE RECOMMENDATIONS BELOW FROM THE BABERGH OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 20 JANUARY 2020.

BOS/19/6 Draft Housing Revenue Account Budget and Four-year Outlook

1. RECOMMENDATIONS

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.

2. APPENDICES

Title	Location
Draft Minute – BOS/19/6 Draft Housing Revenue Account Budget and Four-year Outlook	Attached

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THE MINUTE RELATING TO THE RECOMMENDATIONS TO CABINET FROM THE BABERGH OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 20 JANUARY 2020

BOS/19/6 DRAFT HOUSING REVENUE ACCOUNT BUDGET AND FOUR-YEAR OUTLOOK

16.1 Councillor Ward introduced report BOS/19/6 and outlined the main points for the Housing Revenue Account (HRA) budget 2020/21 and Four-year Outlook.

16.2 Councillor McCraw queried the increase in capital spend in relation to the Council's new building programme and acquisitions for 2020-24.

16.3 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 whether these were used appropriately would be presented to Cabinet later in the year. Land was always needed and require for further housing developments.

16.4 Councillor Dawson asked for clarification of the review of the use of garage sites, as she thought there were quite a few sites which would be more suitable for other uses.

16.5 The Assistant Director for Housing assured her that a review would be conducted and that there was ongoing work by the Housing and Assets teams. A report would be presented to the administration for the use of garages.

16.6 Councillor Dawson asked if compulsory buying of garages sites, which could be used for housing developments, had been considered and the Assistant Director for Housing responded that there were various aspects to consider before developing garage sites including the Right to Buy options for tenants, listed buildings and general building regulations.

16.7 Councillor McCraw asked if the impact on residents was considered when raising the sheltered housing rent and Councillor Jan Osborne, Cabinet Member for Housing, responded that she had challenged the increase for Sheltered Housing before the budget had been set, but that there was an increase in the general need for accommodation and it was a balance between the two areas.

16.8 The Assistant Director for Housing added that rent and demand had to be considered on a year on year basis. The figures were based on a five-year budget and further three-year projections. The requirements for the service and residents were always taken into consideration. The current rent was actually lower than predicted five years ago.

16.9 Councillor McCraw asked if the surplus in the budget would be transferred to the HRA reserves and the Assistant Director for Housing confirmed that was the case and that investments in future housing developments and land would be supported by the reserve. Currently the HRA reserves were at £12,727m (Appendix B).

16.10 In response to Councillors McCraw's question, Councillor Jan Osborne confirmed that further Council houses would be built.

16.11 In response to several questions from Councillors, the Assistant Director for Housing referred to Appendix B in the report and assured Members that the funding received from the Right to Buy scheme would be invested in new homes.

16.12 Councillor Adrian Osborne proposed that the Finance team be thanked for the work undertaken for the HRA budget and that the recommendations in the report be indorsed to Cabinet.

16.13 Councillor McLaren seconded the motion.

16.14 Councillor McCraw proposed an additional recommendation to be added; that the Committee noted with satisfaction the proposed new build of 229 new homes.

16.15 The Chair asked if Councillor Adrian Osborne would accept the additional recommendation, which he accepted.

16.16 The proposed recommendations were put to Members for the vote, which was unanimous.

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.

BABERGH DISTRICT COUNCIL

TO: **BDC Cabinet**	**REPORT NUMBER: N/A**
FROM: **Joint Overview and Scrutiny Committee**	**DATE OF MEETING: 11 February 2020**
OFFICER: **Henriette Holloway Senior Governance Officer**	**KEY DECISION REF NO. N/A**

CABINET ARE ASKED TO CONSIDER THE RECOMMENDATIONS BELOW FROM THE JOINT OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 8 JANUARY 2020.

JOS/19/21 Joint Corporate Plan Outputs

1. RECOMMENDATIONS

1.1 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 actions plans

2. APPENDICES

Title	Location
Draft Minute – JOS/19/21 Joint Corporate Plan Outputs	Attached

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THE MINUTE RELATING TO THE RECOMMENDATIONS TO CABINET FROM THE MID SUFFOLK OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 16 JANUARY 2020

JOS/19/21 CORPORATE PLAN OUTPUTS

51.1 The Chair clarified to Members the scrutiny process for the Outputs that supported the delivery of the Corporate Plan. Members of the Committee were to take a high-level view of the Outputs and consider them in line with the Corporate Plan's six priorities, agreed by the two Councils in October 2019. The Committee would not be scrutinising details such as individual programme dates, nor considering the aspirations of political groups.

51.2 Councillor Morley, the Leader of Mid Suffolk District Council and Councillor Ward, the Leader of Babergh District Council, then introduced the Report.

51.3 Councillor Morley said that these outputs supported the delivery of the six strategic priorities in the Joint Corporate Plan, agreed by the respective Councils in October.

She and Councillor Ward believed that their successful delivery would take the Districts a long way towards realising the vision for Babergh and Mid Suffolk to be 'Places with great communities, with bright and healthy futures, that everybody was proud to call home.'

She said that each of the six priorities are supported by their own strategies, with the Environment Strategy currently under development and being influenced by the Member Working Group and the Well-Being Strategy scheduled for development in the coming months. The Economic Development Strategy was also being updated.

She emphasised that the outputs identified at this stage were not exhaustive and that the Cabinets expected to add to these over the next few years.

She also recognised that there was a lot of important 'Business As Usual' activity that contributed to the six strategic priorities, but was not specifically referenced in the Outputs. That was because the listed Outputs focussed on projects that were new and of particular strategic importance and needed to move forward in a new direction or required particular focus for other reasons.

Business 'As Usual' work would, however, continue to be important and would form part of the monitoring and reporting against the corporate indicators.

She said that in order to achieve the strategic outcomes, the administration knew how important it was to have the right resources in place. Where appropriate, the Growth & Efficiency Fund or, in Babergh, the Transformation Fund would be use. Mid Suffolk were also setting aside £500k for Climate Change initiatives to support activities that would emerge from the Member working group.

Councillor Morley also recognised the role of effective Programme and Project Management in the successful delivery of these outputs and was pleased at the progress that Officers had been making to embed this approach.

She said that they wanted every officer to understand their role in delivering the Corporate Priorities and Outputs.

There would therefore be a ‘golden thread’ from the Councils’ Corporate Priorities and Service Plans running through to each staff member’s personal objectives. Towards this end, there would be a full refresh of Service Plans and individuals’ objectives and personal development plans in February and March this year.

The organisation’s annual Learning & Development Plan would also ensure that teams have the right skills to deliver these outputs.

Councillor Ward then continued.

He said that he and Councillor Morley also appreciated the importance of all Members being equipped with the skills and knowledge consistent with their respective roles to support the achievement of the corporate priorities.

Towards this end a leadership development programme for the two Cabinets were being commissioned. The Leaders also strongly encouraged all Members to make use of both local Member development opportunities, as well as those provided by the Local Government Association (LGA). The Member Development Working Group was currently considering what the 2020 programme should prioritise and would welcome feedback from all Members.

He said that monitoring and reporting on the delivery of the Corporate Plan’s outputs would take place in a number of ways, including through the quarterly performance reports to Cabinet.

Finally, he hoped that this forward view of key projects for the next four years, would enable the Overview and Scrutiny Committees to identify topics for further exploration well in advance, when developing their own forward plans.

51.4 The Corporate Plan’s Outputs would be presented to both Cabinets in February.

51.5 Councillor Welham queried the outputs from 2019/20 regarding the timeline and why some of the outputs which he thought were completed were included in the Corporate Plan Outputs. He asked how outputs were measured against performance and how support would be provided for the projects.

51.6 Councillor Ward responded that projects for the whole of 2019/20 were reflected in the Outputs to provide a full picture or to show that they were phase one of a longer-term project. He explained that each of the six strategic priorities, which the Outputs supported, would have performance measures that would be integrated into the performance framework. He said that in some areas the Outputs were not easily quantifiable or measurable, such as communications.

51.7 Councillor Welham asked a further question regarding business areas which were not measurable such as support for external projects. He gave the example of support for the Museum for East Anglian Life (MEAL) which was to become a national food museum. He wondered how this would be measured.

51.8 The Chief Executive responded that the narrative against at least 17 Outputs indicated that they required support. These were often projects of key strategic importance for the Districts, and although led by third parties, they benefitted from support from the Council to help them achieve their ambitions.

51.9 In response to Councillor Welham's and Mellen's questions on how to measure success of outputs without a set time frame for each project, Councillor Morley responded that outputs for year one already had detailed milestones. Over the next few months, the same detail would be drawn up for the projects scheduled for 2020-23 and resources allocated. Programme Boards, chaired by the Strategic Director, had already been set up to monitor the progress of the projects that delivered the Outputs. There would be quarterly reporting to Cabinet.

51.10 The Strategic Director said that detailed project management plans would form the basis for the projects and that approximately 50 Officers had received project management training to support this process.

51.11 Members continued discussing the timelines and how to measure outputs and outcomes.

51.12 Councillor McCraw summarised that the Corporate Plan Outputs document was a high-level document and a tool to be used by Cabinet, the Senior Leadership Team and Officers. Each project required a lot of detail, which eventually had to be translated for Members and Officers.

51.13 Councillor Muller suggested that a Gant chart using red, amber and green indicators, were implemented to achieve performance measures. Kathy Nixon said that this approach was already integrated.

51.14 Councillor McCraw reminded Members that although the Councils should not be complacent, many of the projects were already underway and had timeframes in place.

51.15 Councillor Welham agreed but still felt that he had expected to see projects with performance measures. He was concerned that the updates would not be accessible to the public, especially if updates would be provided at Cabinet briefings.

51.16 Councillor Ward responded that Internal Audit and the Joint Audit and Standards Committee would form part of the process in relation to risk management and that the performance metrics and updates on the actual delivery of the projects would all be available to the public.

51.17 He continued by explaining that the Corporate Plan Outputs also contained the aspirations of the Councils and what the Councils wanted to achieve in the future for their communities.

51.18 Members continued discussing the task groups, timelines and how to measure outcomes.

51.19 Councillor Scarff queried the Environment Outputs in relation to car parking in Stowmarket and asked for further details.

51.20 The Strategic Director explained that this was the vision for parking but that this would be a multi-disciplinary project, to which a consultant would be brought in to plan the project, before being developed between the local community and Public Realm.

51.21 The Strategic Director clarified further that the Corporate Plan would have a strategy and an action plan for each of the six strategic priorities. The action plans would be supported by project plans to deliver the Outputs. The strategies would also contain the outcome measures. The Councils' performance management framework would be updated with revised indicators for 2020/21 onwards to take account of the new Corporate Plan, its strategies and outputs. She suggested that these plans could be scrutinised by the Overview and Scrutiny Committee in the future.

51.22 Councillor McCraw agreed with the Strategic Director, as the Corporate Plan was too high-level for scrutiny. The Senior Leadership Team and the Cabinets were to work on the priorities over the next three years and that Overview & Scrutiny would have a role in this process.

51.23 Councillor Scarff suggested that Overview & Scrutiny should receive the different documents for each of the six priorities, when they were completed and that the Corporate Plan and Outputs should be reviewed by Overview & Scrutiny in a year's time. However, he asked how Members in the future would be involved with the plans.

51.24 The Strategic Director outlined that the regular All-Member Briefing sessions could cover the different strategic priority themes. She said that there were already a number of cross-party Member working groups in place to support the delivery of a number of the outputs. For example, for the Local Plan, the Grants Review, the Climate Change work and Needham Lake Project.

51.25 Members debated what to recommend to Cabinet for the Corporate Plan Outputs and it was generally felt that the Outputs and the attached report should be made available to all Members in a suitable format and should include explanation of the relationship between the Corporate Plan and the Corporate Outputs

51.26 Various options were explored on how to get Members involved in the working groups and Member Development Sessions, as the uptake were not always high.

51.27 Some Members were concerned that not all Members felt they had ownership of the development of the Corporate Plan and their involvement in the detail would be essential.

51.28 It was agreed that all Members and Officers needed to know what the Councils were aspiring to achieve and working towards. This had to be communicated in different ways, including the website, updates through Member briefings and through Overview & Scrutiny.

51.29 It was suggested that the Leaders and officers were tasked with finding ways to engage with Members to encourage involvement with the Corporate Plan and the Corporate Plan Outputs, and to find ways to describe the relationship between the Corporate Plan and the Corporate Outputs to all Members in a suitable format.

51.30 Councillor McCraw proposed this recommendation, which was seconded by Councillor Scarff.

By a unanimous vote.

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 actions plans.

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Agenda Item 9

BABERGH DISTRICT COUNCIL

COMMITTEE: Cabinet		**REPORT NUMBER: BCa/19/34**
FROM:	**Councillor John Ward, Cabinet Member for Finance**	**DATE OF MEETING: 11 February 2020**
OFFICER:	**Katherine Steel, Assistant Director, Corporate Resources** **Melissa Evans, Corporate Manager, Finance and Commissioning & Procurement**	**KEY DECISION REF NO. CAB137**

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 Cabinet Members to consider key aspects of the 2020/21 Budgets, including Council Tax and make any recommendations to feed into the final Budget report in February.

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 endorsed for recommendation to Council on 26 February 2020.

3.2 That the General Fund Capital Budget proposals for 2020/21 and four-year outlook set out in the report be endorsed for recommendation to Council on 26 February 2020.

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 Cabinet Members to review, consider and comment upon the Councils General Fund budget before recommendation to Council.**

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.

Provisional Finance Settlement

4.10 The Provisional Finance Settlement was announced on the 20 December 2019, whilst there is new money from Central Government this has been prioritised for adult and children's social care.

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 is minded to retain the current method of distributing the grant but will consult on this;

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 Provisional 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 Provisional Finance Settlement compared to the budget for 2020/21.

Table 1: Provisional Finance Settlement

	2020/21 Assumed	**2020/21 Provisional Settlement**	**(Increase)/ Decrease**
	£'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?

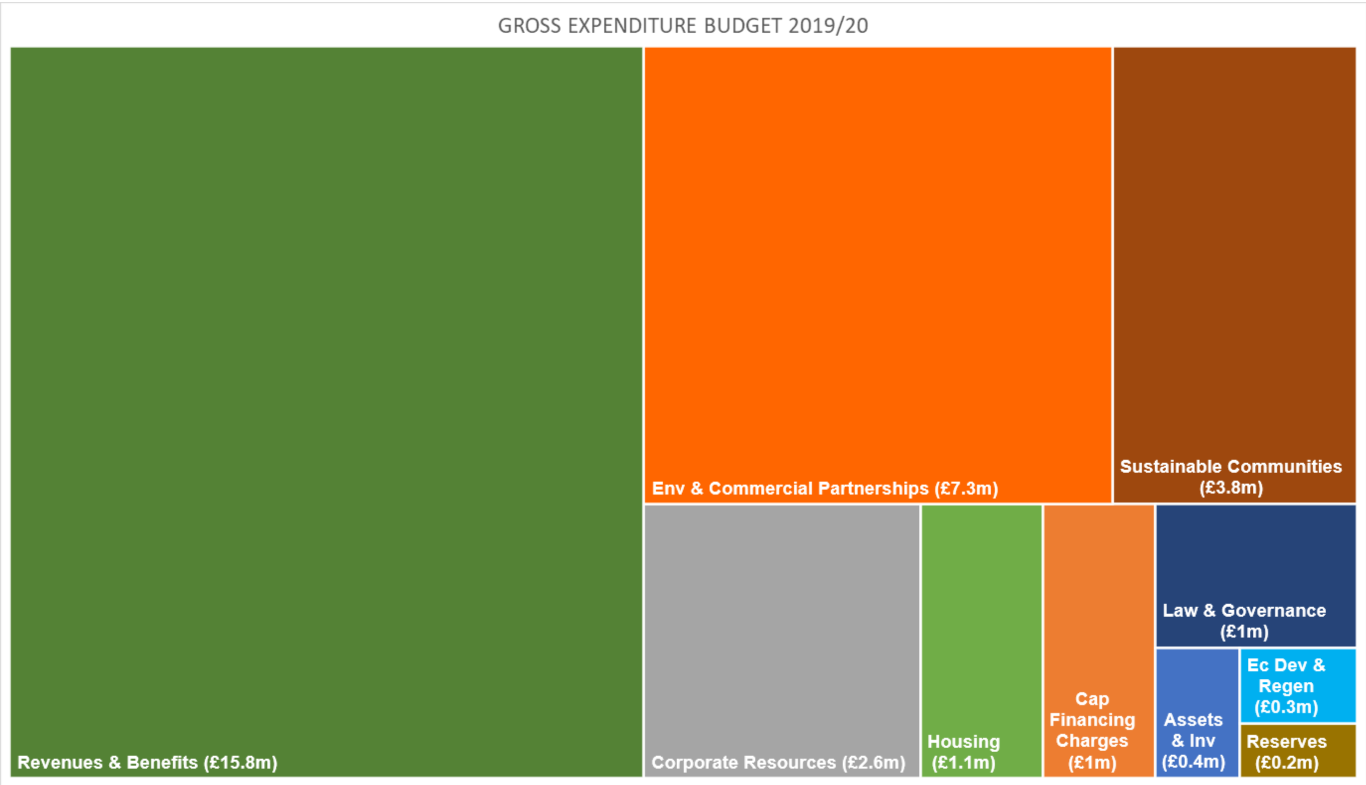
5.1 The Council's 2019/20 gross expenditure is £33.5m and income is £23.3m giving a net cost of service of £10.2m. Table 2 below shows how this is funded.

Table 2: Revenue Budget 2019/20

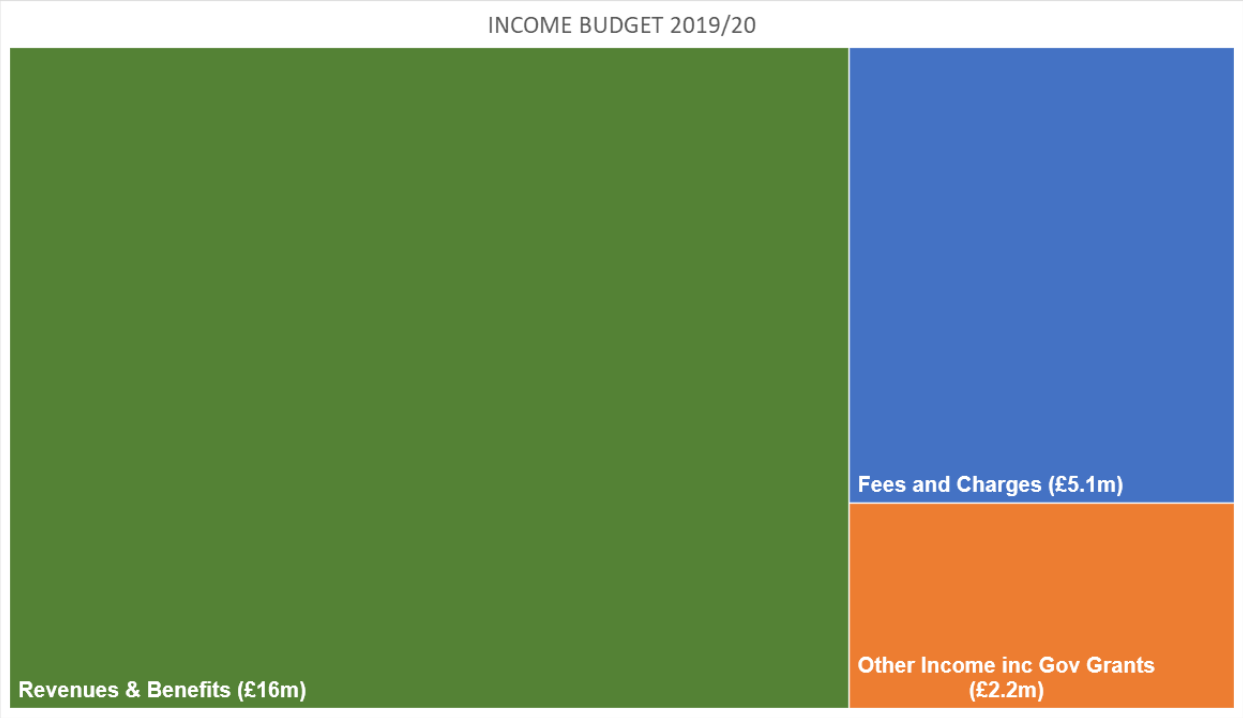
	£,000
Gross Expenditure	**33,522**
Income	**(23,326)**
Net expenditure 2019/20	**10,196**
Funded by:	
Earmarked Reserves	(615)
New Homes Bonus	(683)
S31 Grant	(1,107)
Business Rates	(1,892)
Collection Funds (Surplus)	(206)
Rural Services Delivery Grant	(227)
Council Tax	(5,466)
Total Funding	**(10,196)**

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.

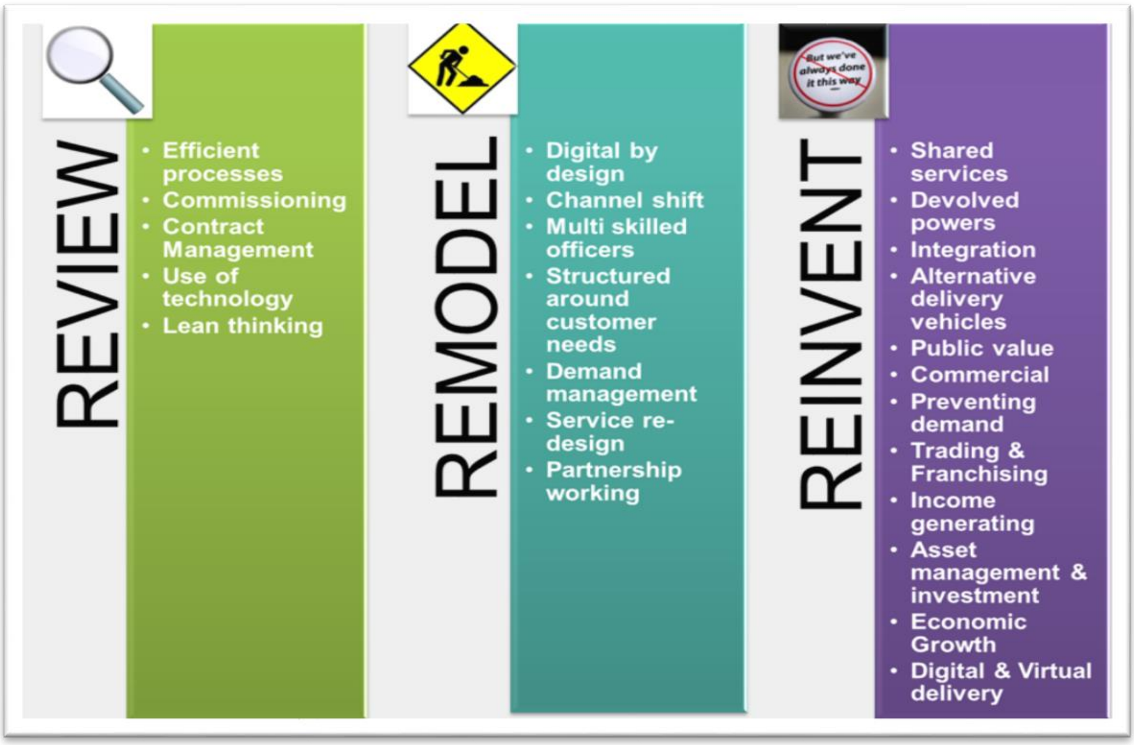
The Cabinet proposes that the following overarching principles should be considered when evaluating ideas and opportunities for change as set out below:

- 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

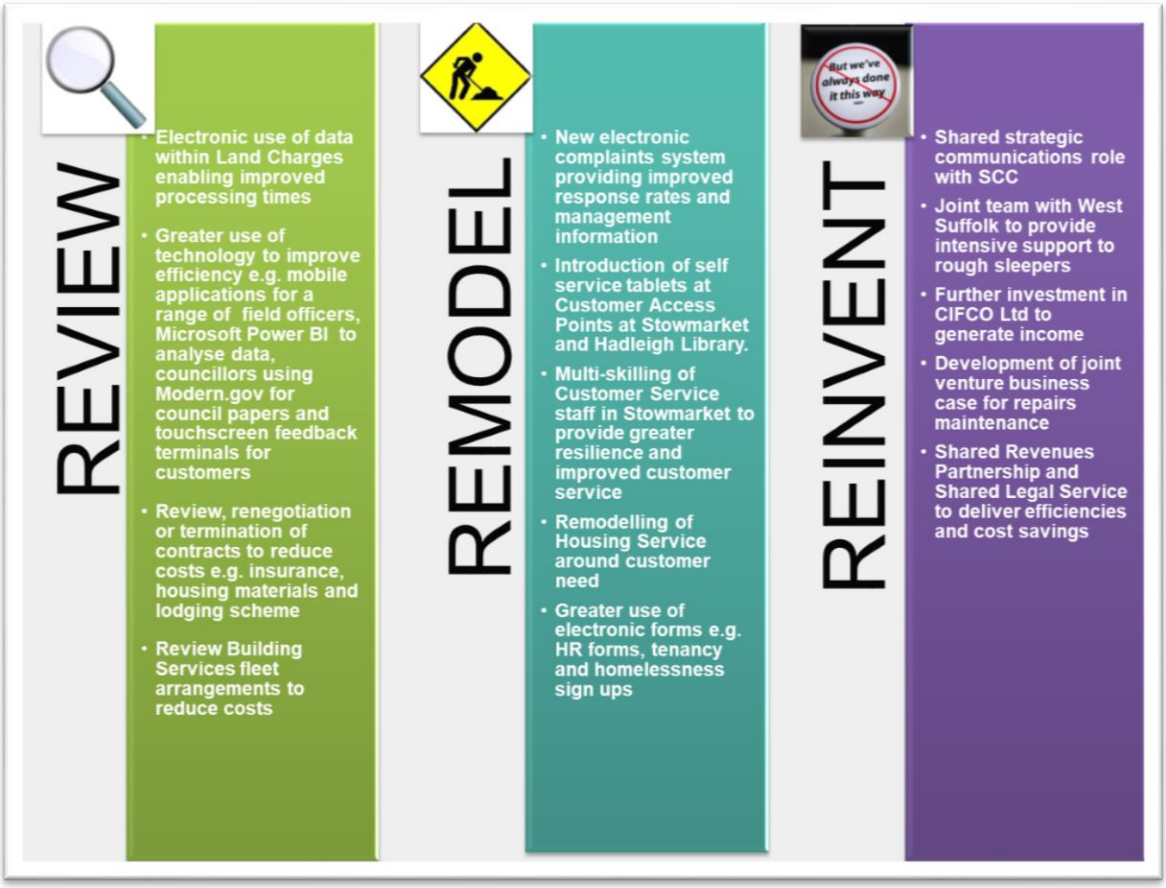
6.5 The focus will be on internal efficiencies and improvements within existing structures. Continuously looking to streamline work and reduce waste in processes. Greater cross-functional working and multi-skilling and improving ways of working to move away from ‘professional silos’ and toward integrated 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 9% over the two years.

Table 3: Forecast Earmarked Reserve Levels

Transfers to / from Earmarked Reserves	Balance 31 March 2019	Transfers 2019/20 Transfers to	Transfers 2019/20 Transfers from	Balance 31 March 2020	Transfers 2020/21 Transfers to	Transfers 2020/21 Transfers from	Balance 31 March 2021
Carry Forwards	(75)		75	(0)			(0)
Transformation Fund	(458)	(1,808)	1,960	(306)	(549)	22	(832)
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 Maintennace 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)**	**(574)**	**278**	**(5,148)**
Community Infrastructure Levy (CIL)	(3,961)			(3,961)			(3,961)
Total earmarked reserves	**(9,628)**	**(1,835)**	**2,650**	**(8,813)**	**(574)**	**278**	**(9,109)**

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) continues to remain an uncertainty.

8.3 2019/20 is 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. A full review of business rates is likely to happen following an announcement as part of the provisional finance settlement.

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 48% 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 £549k 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	506	4,811
% of NHB allocation to balance budget	88%	99%	100%	100%	48%	86%

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.

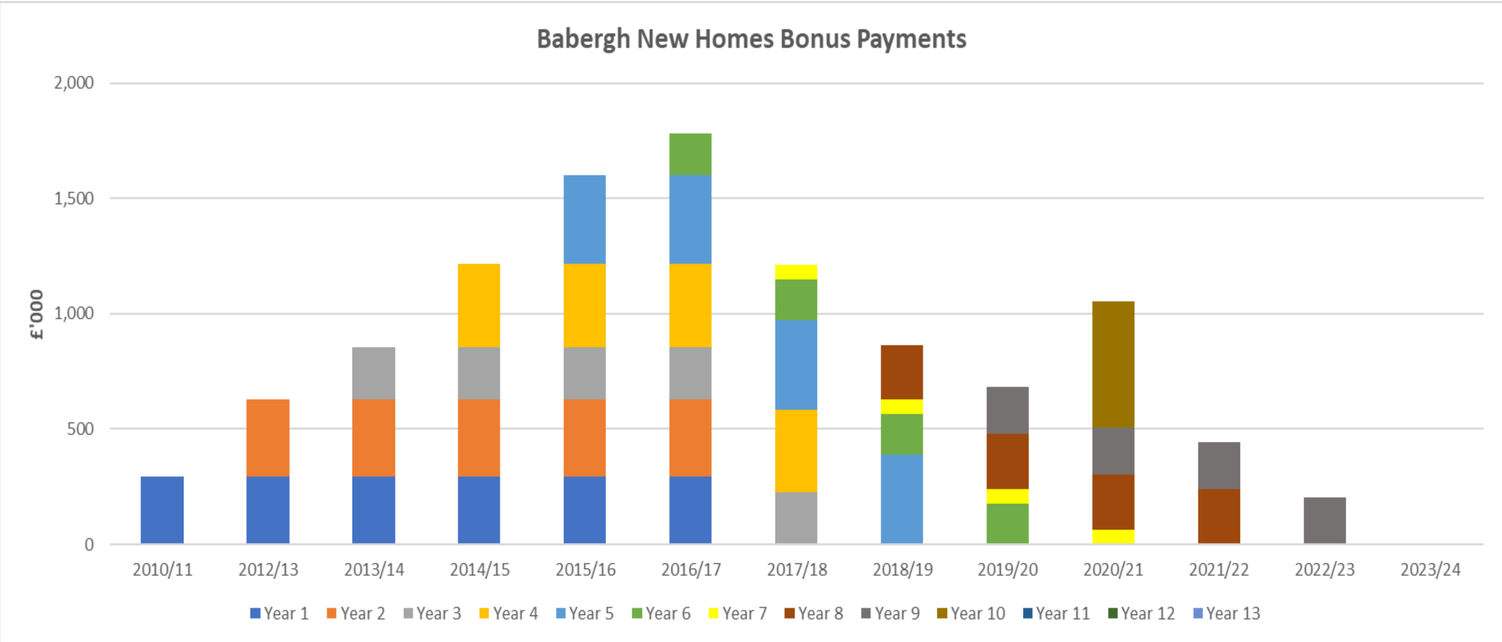
8.9 This clearly shows how the NHB has declined from a peak of £1.8m in 2016/17 to £1.1m in 2020/21, after the Government announced it would reduce the allocation from 6 years to 5 years in 2017/18 and to 4 years in 2018/19, as well as introducing a 0.4% growth baseline in 2017/18.

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

											Estimated		
Payments	**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:

a) Minimal use of reserves after 2020/21.

b) NHB as per 8.8 and Table 5 above.

c) No growth in business rates income.

d) 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.

e) Rural Services Delivery grant will continue beyond 20120/21.

f) Council Tax £5 increase for 2020/21 generating £171k and a 2% increase for future years 2021/22 to 20233/24, 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 48% 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 £1.2m.

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

Description	*2019/20* Budget £000	*2020/21* Budget £000	*2021/22* Forecast £000	*2022/23* Forecast £000	*2023/24* Forecast £000
Funding:					
Other Earmarked Reserves	(615)	(278)	(78)	(24)	-
New Homes Bonus - provisonal 2021/22 onwards	(683)	(1,055)	(444)	(205)	-
S31 Business Rates Grant	(1,107)	(1,193)	(1,193)	(1,193)	(1,193)
Government Support					
(a) Baseline business rates	(2,104)	(2,139)	(2,139)	(2,139)	(2,139)
(b) B/Rates – levy	495	527	527	527	527
(c) B/Rates – growth/pooling benefit	(283)	(283)	(283)	(283)	(283)
(d) B/Rates prior yr deficit / (surplus)	(197)	-	-	-	-
(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)**	**(10,430)**	**(9,823)**	**(9,741)**	**(9,730)**

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**	**9,881**	**10,333**	**10,771**
Cost Increases				
Inflation				
Employees - includes pay award and increments	344	309	321	333
Contracts	80	105	108	110
Business Rates	15	15	16	16
Sub total cost increases	**439**	**430**	**445**	**460**
Assets and Investments				
CIFCO - net interest receivable	220	(18)	(18)	(15)
PV Panels - cost of servicing & repairs	85	(8)		
Borehamgate - rental income and service charges	41			
Customer Access				
ICT - telephony, software licenses & contract costs	162			
Environment and Projects				
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			
Housing				
Loss of income for B&B (offset by cost reduction shown in Table 7 - other items)	30			
Sustainable Communities				
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			
Other Cost Increases				
Employee Costs (Funded from reserves - £36k)	158	(15)	-	(24)
Minimum Revenue Provision (MRP)	88	218	159	117
Other items (net) - funded from reserves £27k	47	(83)	(31)	(64)
Total Cost Increases	**1,672**	**653**	**556**	**474**
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)	(60)	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 £549k surplus. This is achieved by using £506k New Homes Bonus, £1.2m S31 grant, £227k Rural Service Delivery Grant and £278k from reserves.

8.21 Since the budget report to Cabinet in January 2020 (BCa/19/30), the surplus position has improved by a nominal £7k. This follows confirmation of additional Homelessness funding, changes to salaries and a number of other smaller items.

8.22 The three-year deficit from 2021/22 of £1.2m is after using £4.5m in total of the following;

- £650k New Homes Bonus;
- £3.6m S31 grant;
- £680k Rural Service Delivery Grant; and
- £102k from reserves

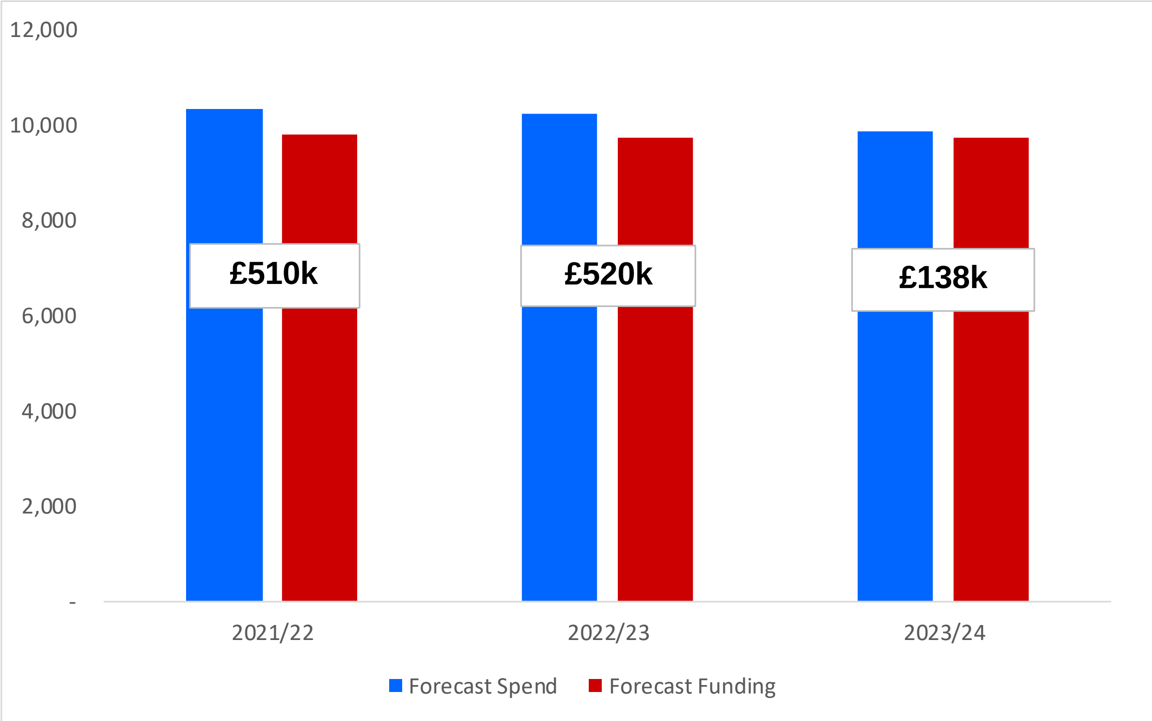
8.23 Over the three-year period from 2021/22 the Council's cumulative deficit of £1.2m must be addressed. The Council will need to deliver significant income or savings by reviewing, remodelling and reinventing the way it operates as set out in section 6, with the key objective to become self-financing 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

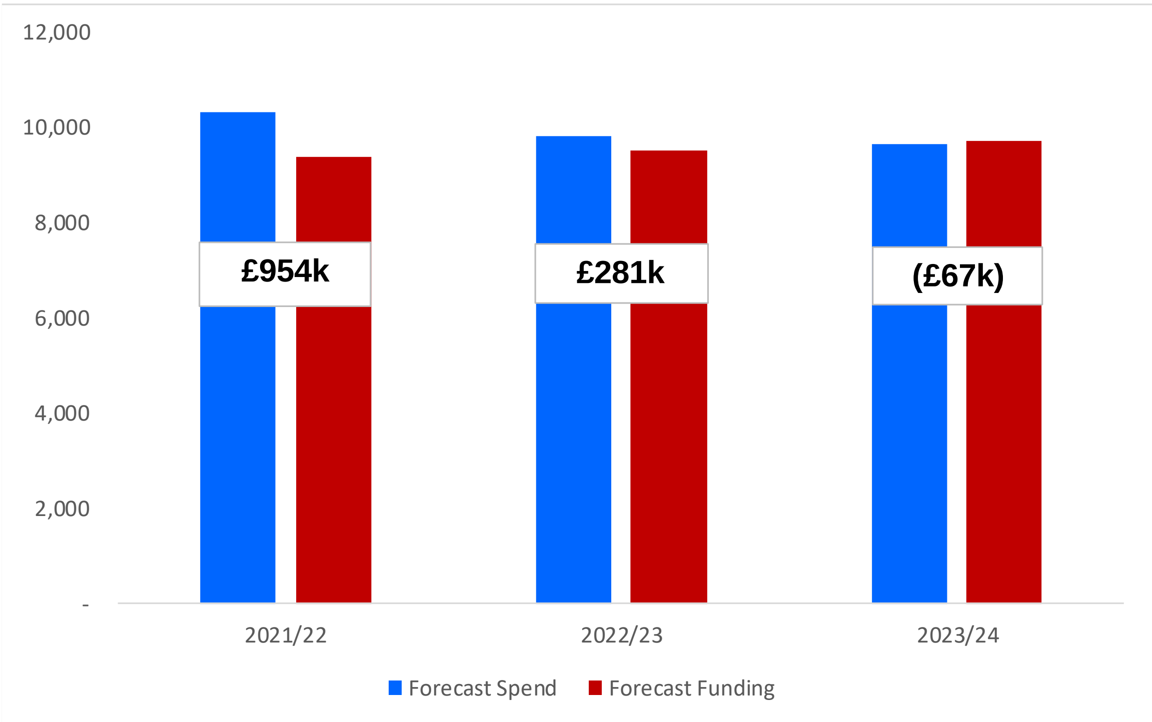
	Babergh		
	2021/22	**2022/23**	**2023/24**
Including NHB			
Net Service Cost previous year	9,881	10,333	10,262
Cost Increases	653	556	474
Savings	(201)	(118)	(347)
Net Service Cost current year	**10,333**	**10,262**	**9,868**
Funding	(9,823)	(9,741)	(9,730)
Annual Deficit /(Surplus)	**510**	**520**	**138**
Cummulative Deficit/(Surplus)	**510**	**1,030**	**1,168**

	Babergh		
	2021/22	**2022/23**	**2023/24**
Excluding NHB			
Net Service Cost previous year	9,881	10,333	9,817
Cost Increases	653	556	474
Savings	(201)	(118)	(347)
Net Service Cost current year	**10,333**	**9,817**	**9,663**
Funding	(9,379)	(9,536)	(9,730)
Annual Deficit /(Surplus)	**954**	**281**	**(67)**
Cummulative Deficit/(Surplus)	**954**	**1,235**	**1,168**

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 (£9.881m) a decrease of £315k (3.1%).

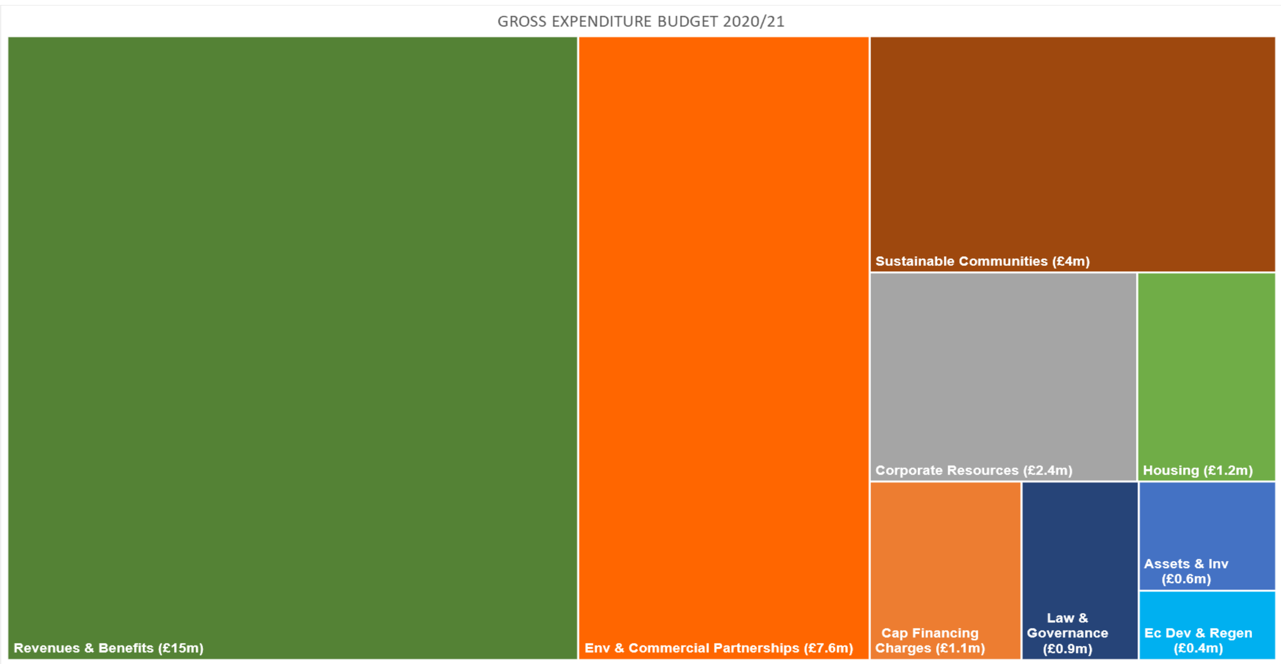
The Council's 2020/21 gross expenditure is £33.2m and Income is £23.3m giving a net cost of service of £9.9m. Table 10 below shows how this is funded.

Table 10: Revenue Budget 2020/21

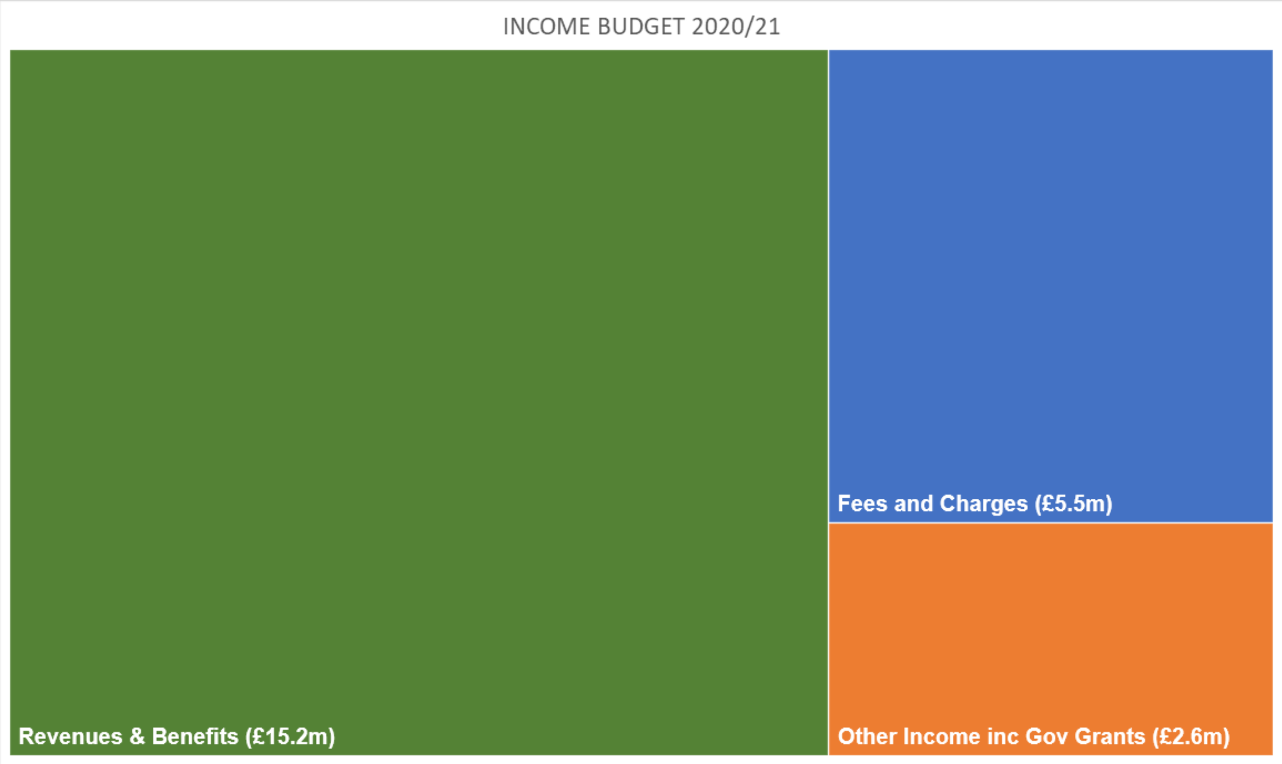
	£,000
Gross Expenditure	**33,257**
Income	**(23,376)**
Net expenditure 2020/21	**9,881**
Funded by:	
Earmarked Reserves	(278)
New Homes Bonus	(1,055)
S31 Grant	(1,193)
Business Rates	(1,894)
Collection Funds (Surplus)	(9)
Rural Services Delivery Grant	(227)
Council Tax	(5,774)
Total Funding	**(10,430)**
Budget deficit / (surplus)	**(549)**

9.2 Graph 6 below shows how the £33.2m gross expenditure is allocated across the services and Graph 7 below shows the breakdown of the £23.3m 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 is presented to Cabinet today, following review by Joint Audit and Standards Committee on 27 January 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 balance 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.
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

Provisional Local Government Finance Settlement

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

APPENDIX A

GENERAL FUND BUDGET SUMMARY 2020/21

GENERAL FUND REVENUE BUDGET SUMMARY

		2019/20 £'000	2020/21 £'000	Movement £'000
1	Employee Costs	7,440	7,720	280
2	Premises	894	1,085	191
3	Supplies & Services	4,286	4,384	98
4	Transport	208	144	(63)
5	Contracts	4,455	4,581	126
6	Third Party Payments	15,523	14,676	(847)
7	Income	(21,309)	(21,058)	251
9	Charge to HRA	(1,128)	(1,200)	(71)
10	Charge to Capital	(4)	(4)	(0)
11	Transfers to Reserves	217	25	(192)
	Capital Financing Charges			
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
	Investment Income			
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**	**9,881**	**(315)**
22	Transfers from Reserves - earmarked	(615)	(278)	336
23	New Homes Bonus	-	(1,055)	(1,055)
24	S31 Business Rates Grant - to balance the budget	(683)	(1,193)	(509)
25	Baseline business rates	(2,104)	(2,139)	(35)
26	Business rates levy	495	527	33
27	Business rates – growth/pooling benefit	(283)	(283)	-
28	Business rates – collection fund deficit / (surplus)	(197)	-	197
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**	**(9,089)**	**(10,430)**	**(1,342)**
33	**Shortfall / (Surplus) funding**	**-**	**(549)**	**(549)**

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**

APPENDIX B

CAPITAL PROGRMME 2020/21 TO 2023/24

BABERGH CAPITAL PROGRAMME 2020/21 - 2023/24 GENERAL FUND	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL BUDGET (over 4 years) £'000	External Grants & Contributions £'000	Borrowing £'000	Total Financing £'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**

Budget, Funding and Council Tax Requirements

1) The precept requirements of Parish / Town Councils must be aggregated with the requirement of this authority to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence). A schedule of the precept requirements from Parish / Town Councils will be reported to Council on 26 February.

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

3) The legally required calculation is set out below:

    1) The General Fund Budget requirement for the District Council purposes in 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 still to be determined but is likely to be £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 still to be determined but 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) <u>Financial Controls</u>

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. CIFCO 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) <u>Budget Planning and Budget Management</u>

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) <u>Adequacy of Insurance and Risk Management</u>

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) <u>Mitigation of Strategic Financial Risk</u>

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 provisional 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) <u>Capital Programme</u>

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 £9.1m as at 31 March 2021. The level of earmarked reserves as at the 31 March 2020 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.

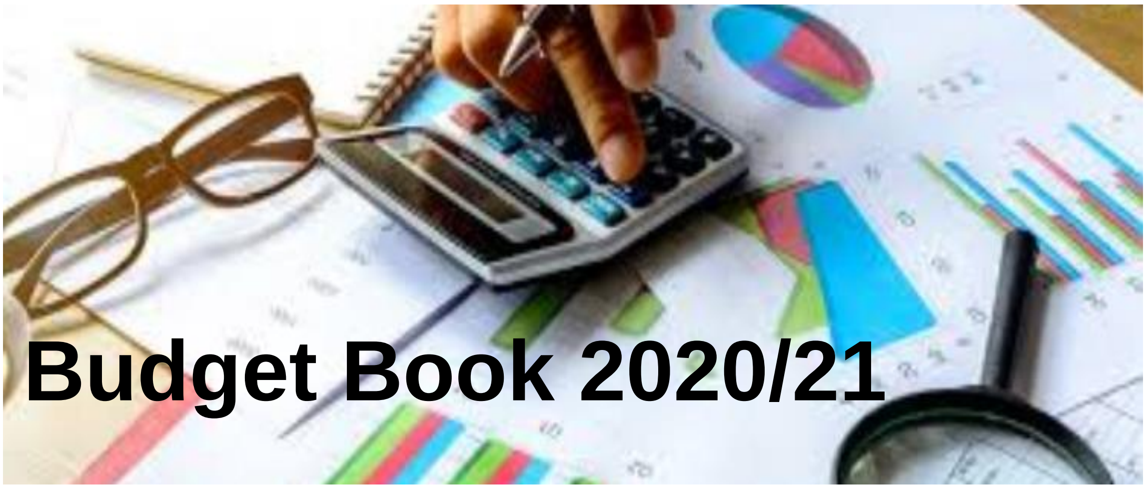
4. Background Documents

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)

Appendix D

BABERGH DISTRICT COUNCIL
SOUTH SUFFOLK



Budget Book 2020/21

Budget Book 2020/21

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GENERAL FUND REVENUE BUDGET SUMMARY

		2019/20 £'000	2020/21 £'000	Movement £'000
1	Employee Costs	7,440	7,720	280
2	Premises	894	1,085	191
3	Supplies & Services	4,286	4,384	98
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)	(21,058)	251
9	Charge to HRA	(1,128)	(1,200)	(71)
10	Charge to Capital	(4)	(4)	(0)
11	Transfers to Reserves	217	25	(192)
	Capital Financing Charges			
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
	Investment Income			
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**	**9,881**	**(316)**
22	Transfers from Reserves - earmarked	(615)	(278)	336
23	New Homes Bonus	-	(1,055)	(1,055)
24	S31 Business Rates Grant - to balance the budget	(683)	(1,193)	(509)
25	Baseline business rates	(2,104)	(2,139)	(35)
26	Business rates levy	495	527	33
27	Business rates – growth/pooling benefit	(283)	(283)	-
28	Business rates – collection fund deficit / (surplus)	(197)	-	197
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**	**(9,089)**	**(10,430)**	**(1,342)**
33	**Shortfall / (Surplus) funding**	**-**	**(549)**	**(549)**

	2019/20	2020/21	Movement
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

Sustainable Communities	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
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	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
Private Sector Housing	111	-	16	4	-	-	(3)	-	**129**
Homelessness / Temporary Accommodation	250	144	123	6	0	-	(378)	(45)	**100**
Housing Enabling	121	-	17	1	-	-	(12)	(22)	**105**
TOTAL	**482**	**144**	**156**	**12**	**0**	**-**	**(393)**	**(67)**	**334**

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

Environment and Commercial Partnerships	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
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	-	(2,191)	(13)	**1,029**
Public Protection	642	0	67	20	-	-	(186)	-	**542**
Countryside and Public Realm	191	347	358	8	833	-	(341)	-	**1,395**
TOTAL	**1,633**	**405**	**1,356**	**57**	**3,198**	**-**	**(3,103)**	**(13)**	**3,532**

Customers, Digital Transformation and Improvement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
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	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
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	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
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	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
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**

	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
TOTAL	**7,720**	**1,085**	**4,384**	**144**	**4,581**	**14,676**	**(21,058)**	**(258)**	**11,273**

GENERAL FUND BUDGET - Sustainable Communities

Chief Planning Officer	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'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 £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'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 £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'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 £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
Housing Information	47	-	-	-	-	-	-	-	**47**
Housing Standards	64	-	0	4	-	-	-	-	**69**
Home Improvement Agency	-	-	16	-	-	-	-	-	**16**
Other Housing Services	-	-	-	-	-	-	(2)	-	**(2)**
HMO Licence	-	-	-	-	-	-	(1)	-	**(1)**
	111	**-**	**16**	**4**	**-**	**-**	**(3)**	**-**	**129**

Homelessness / Temporary Accommodation	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'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 £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
Social Housing	99	-	8	1	-	-	(12)	-	**96**
Housing Enabling	-	-	8	-	-	-	-	-	**8**
Community Housing Fund	-	-	1	-	-	-	-	-	**1**
4 Towns Visioning	22	-	-	-	-	-	-	(22)	**0**
	121	**-**	**17**	**1**	**-**	**-**	**(12)**	**(22)**	**105**

TOTAL	**482**	**144**	**156**	**12**	**0**	**-**	**(393)**	**(67)**	**334**

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	-	-	38	-	-	-	-		**38**
Hadleigh Pool	-	21	-	-	70	-	-		**90**
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	-	(646)	-	**(212)**
Garden Waste	72	-	141	0	433	-	(1,015)	-	**(368)**
	290	**-**	**812**	**7**	**2,125**	**-**	**(2,191)**	**(13)**	**1,029**

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	-	-	5	-	-	-	-	-	**5**
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)	-	**0**
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 Refreshment Licensing	38	-	8	-	-	-	(80)	-	**(35)**
Gambling & Small Lotteries Licenses	4	-	-	1	-	-	(3)	-	**2**
Miscellaneous Other Licences	4	-	-	-	-	-	-	-	**4**
	642	**0**	**67**	**20**	**-**	**-**	**(186)**	**-**	**542**

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**
Nayland 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**	**1,356**	**57**	**3,198**	**-**	**(3,103)**	**(13)**	**3,532**

GENERAL FUND BUDGET - Customers, Digital Transformation and Improvement

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

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

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

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

Shared Legal Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'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 £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'000
Asset Management	9	-	-	-	-	-	-	-	**9**
Creeting 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 £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Transfer to / (from) earmarked reserves £'000	Net Expenditure £'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

Income	2020/21 £'000
Dwelling Rents	(15,996)
Service Charges	(575)
Non-Dwelling Income	(183)
Other Income	(10)
Interest Received	(10)
Gross Income	**(16,774)**

Expenditure	2019/20 £'000
General Management	2,506
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	**16,481**

(Surplus)/Deficit for the Year	**(293)**

BABERGH CAPITAL PROGRAMME 2020/21 - 2023/24 HOUSING REVENUE ACCOUNT (HRA)	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	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
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 GENERAL FUND	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	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												
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	(549)	**(832)**
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, Brownfield Sites etc	**(217)**				**(217)**
Strategic Planning - Joint Local Plan	**(86)**		86		**-**
Waste	**(31)**		13		**(18)**
Sub total	**(4,852)**	**0**	**278**	**(574)**	**(5,148)**
Community Infrastructure Levy (CIL)	**(3,961)**		-	-	**(3,961)**
TOTAL GENERAL FUND RESERVES	**(10,013)**	**0**	**278**	**(574)**	**(10,309)**

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Appendix E

FEES AND CHARGES SCHEDULE 2020/21

BABERGH DISTRICT COUNCIL

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 statue, 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

BABERGH DISTRICT COUNCIL

CONTENTS

STATUTORY CHARGES

DISCRETIONARY CHARGES

LEVY CHARGES

STATUTORY CHARGES	**2019/20** Total Charge inc VAT where applicable (£)	**2020/21** Total Charge inc VAT where applicable (£)	**VAT Status**	**Notes**
1.0 LICENSING				
1.1 CHARGES FOR INSPECTIONS				
Food export certificate	85.00	85.00	VAT	
Destruction of surrendered food certificate	138.00	142.00		
- plus £32 per hour or part hour for time spent processing condemnation plus cost of disposal	0.00		non VAT	
Sampling private water drinking supplies	63.50	65.00		
parameters of sample. Please ask for further information	0.00		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/			
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/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 Total Charge inc VAT where applicable (£)	2020/21 Total Charge inc VAT where applicable (£)	VAT Status	Notes
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	
New developments	Various	Various	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
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/uksi/2008/2095/regulation/4/made			
Please visit the Council's website for further details	https://www.babergh.gov.uk/assets/Environment/abandonedvehicles.pdf			Removal, storage and disposal costs depends on size and vehicle load
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 Total Charge inc VAT where applicable (£)	2020/21 Total Charge inc VAT where applicable (£)	VAT Status	Notes
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 RENEW	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 Total Charge inc VAT where applicable (£)	2020/21 Total Charge inc VAT where applicable (£)	VAT Status	Notes
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 Total Charge inc VAT where applicable (£)	2020/21 Total Charge inc VAT where applicable (£)	VAT Status	Notes
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	

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

Agenda Item 10

BABERGH DISTRICT COUNCIL

<table>
<tr><td colspan="2">COMMITTEE: Cabinet</td><td>REPORT NUMBER: BCa/19/35</td></tr>
<tr><td>FROM:</td><td>Councillor John Ward
Cabinet Member for Finance</td><td>DATE OF MEETING: 11 February 2020</td></tr>
<tr><td>OFFICER:</td><td>Katherine Steel, Assistant Director, Corporate Resources
Gavin Fisk, Assistant Director, Housing
Melissa Evans, Corporate Manager, Finance and Commissioning & Procurement</td><td>KEY DECISION REF NO. CAB139</td></tr>
</table>

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 endorsed for recommendation to Council on 26 February 2020.

3.2 That the HRA capital budget proposals for 2020/21 set out in Appendix A in the report be endorsed for recommendation to Council on 26 February 2020.

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 £293k 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 Cabinet Members to review, consider and comment upon the Councils Housing Revenue Account budget before recommendations to Council.**

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;

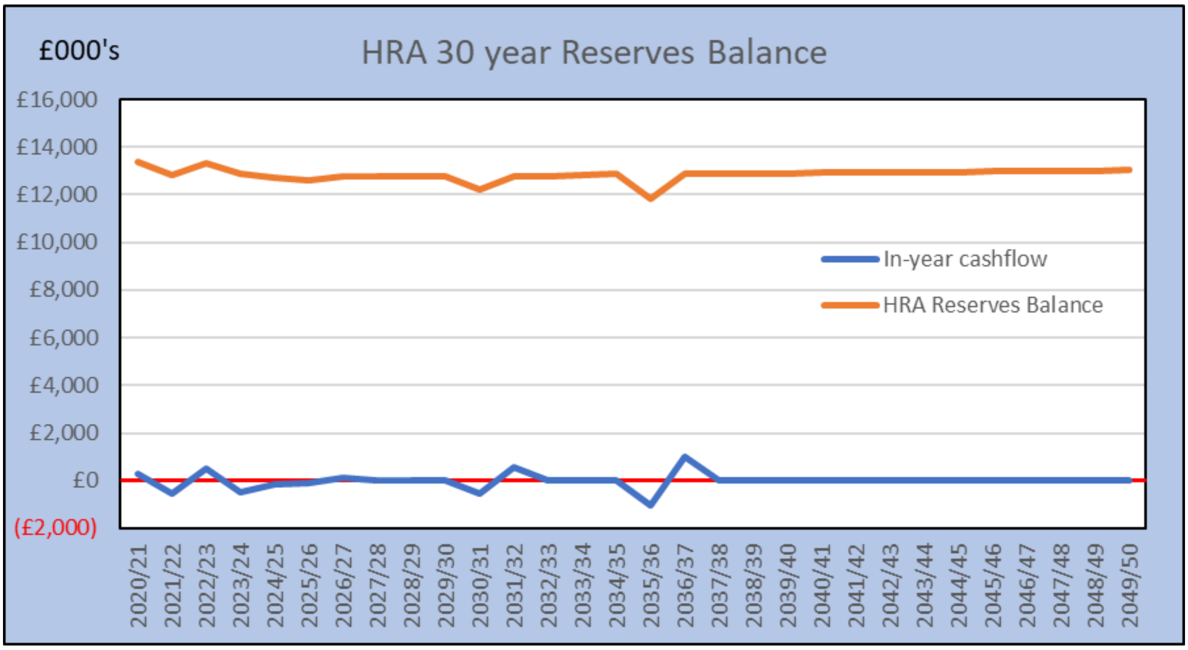
- Every £1 invested in a new social home generates £2.84 in the wider economy.
- Every new social home would generate a saving of £780 per year in Housing Benefit.
- Every new social home would generate a fiscal surplus through rental income.

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:

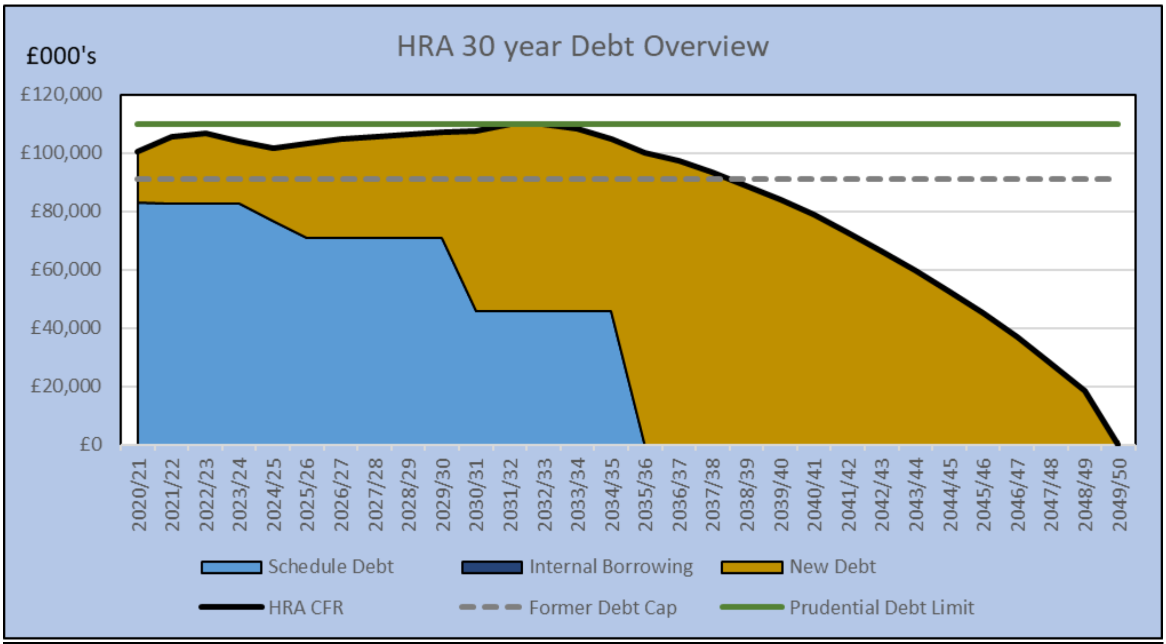
Graph A - Reserve balances and annual cash flow from 2020/21 for 30 years

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.



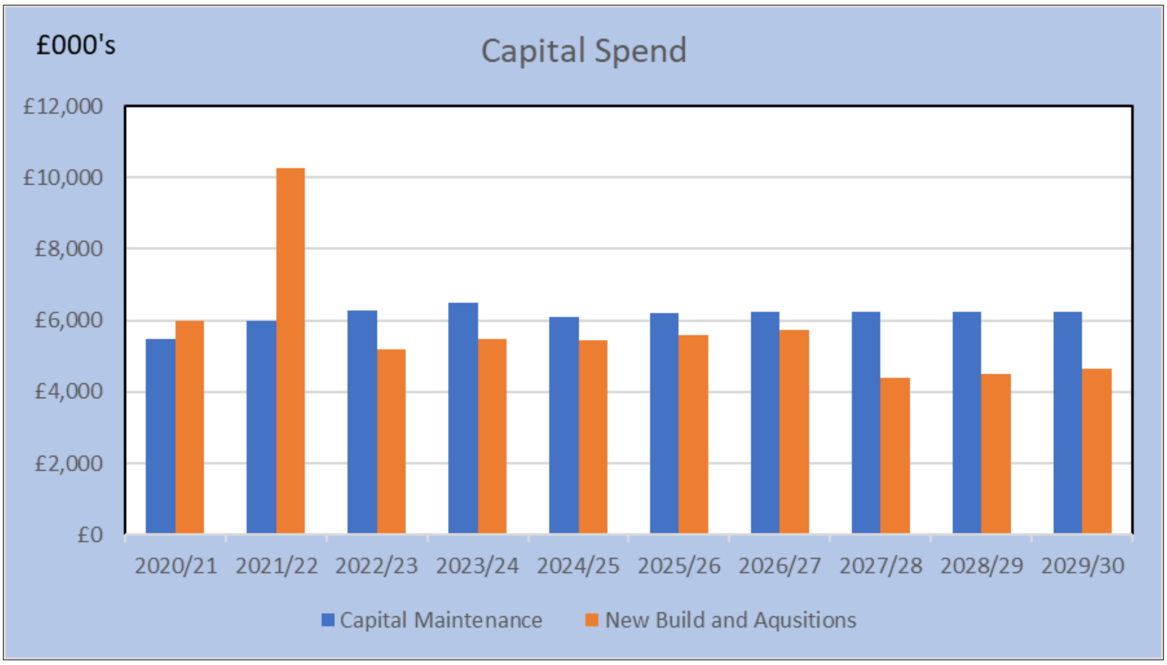
Graph B – HRA Debt Overview from 2020/21 for 30 years

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 years. 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 £293k 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 Iceni 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 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 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 £000	**Budget 2020/21 £000**	**Movement Adverse/ (Favourable) £000**	**Comments**
Dwelling Rents	(16,147)	(15,996)	154	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	2,506	230	£165k 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 £10k.
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.

	Budget 2019/20 £000	Budget 2020/21 £000	Movement Adverse/ (Favourable) £000	Comments
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**	**(293)**	**(486)**	

11 HRA CAPITAL INVESTMENT PROGRAMME

11.1 The new build and acquisitions funding within the Capital Programme for the four-year period from 2020/21 totals £26.9m. 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 Iceni 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.

Risk Description	Likelihood	Impact	Mitigation Measures
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 will be undertaken with each Assistant Director for any changes within the budget proposals.

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 Financial Monitoring Reports 2019/20

APPENDIX A

CAPITAL PROGRAMME FOR 2020/21 to 2023/24

BABERGH	Expenditure					Financing					
CAPITAL PROGRAMME 2020/21 - 2023/24 HOUSING REVENUE ACCOUNT	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
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	2,505	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	97	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	**6,631**	**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	**(3,668)**	**(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	**(293)**	**530**	**(511)**	**478**	**145**	**82**	**(124)**	**(25)**	**2**	**3**
Reserves Opening Balance	(12,638)	(12,931)	(12,401)	(12,912)	(12,434)	(12,290)	(12,208)	(12,332)	(12,357)	(12,355)
Reserves Closing Balance	**(12,931)**	**(12,401)**	**(12,912)**	**(12,434)**	**(12,290)**	**(12,208)**	**(12,332)**	**(12,357)**	**(12,355)**	**(12,352)**

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	(12,352)	(11,795)	(12,325)	(12,365)	(12,412)	(12,454)	(11,424)	(12,439)	(12,470)	(12,478)
Reserves Closing Balance	**(11,795)**	**(12,325)**	**(12,365)**	**(12,412)**	**(12,454)**	**(11,424)**	**(12,439)**	**(12,470)**	**(12,478)**	**(12,486)**

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	(12,486)	(12,495)	(12,515)	(12,516)	(12,527)	(12,539)	(12,551)	(12,564)	(12,588)	(12,592)
Reserves Closing Balance	**(12,495)**	**(12,515)**	**(12,516)**	**(12,527)**	**(12,539)**	**(12,551)**	**(12,564)**	**(12,588)**	**(12,592)**	**(12,607)**

Earmarked Reserves

Appendix C

Transfers to/from Earmarked Reserves	Balance 31 March 2019 £'000	Transfers 2019/20 Transfers to £'000	Transfers 2019/20 Transfer from £'000	Balance 31 March 2020 £'000	Transfers 2020/21 Transfers to £'000	Transfers 2020/21 Transfer from £'000	Balance 31 March 2021 £'000
Working Balance	(1,000)			(1,000)			(1,000)
HRA Fund & Strategic Priorities	(11,940)		302	(11,638)	(293)	0	(11,931)
HRA Revenue	**(12,940)**	**0**	**302**	**(12,638)**	**(293)**	**0**	**(12,931)**
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)		(3,929)	(1,112)	0	(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)**	**(5,856)**	**4,033**	**(19,569)**

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BABERGH DISTRICT COUNCIL

TO: Babergh Cabinet	**REPORT NUMBER: BCa/19/36**
FROM: Cabinet Member for Finance	**DATE OF MEETING: 11 February 2020**
OFFICER: Katherine Steel, Assistant Director, Corporate Resources	**KEY DECISION REF NO. CAB145**

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

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.

3.8 That Officers and Members, Working Parties and whatever mechanisms have been set up commence exploring alternative investment strategies that take greater account of the Councils' own declaration of a climate change emergency.

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						
Babergh District Council	**2018/19 Actual £m**	**2019/20 Forecast £m**	**2020/21 Budget Including c/fwd from 19/20 £m**	**2021/22 Budget Including c/fwd from 19/20 £m**	**2022/23 Budget £m**	**2023/24 Budget £m**
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**	**2020/21 Budget**	**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**	**31.3.2021 Budget**	**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 £175.52m and £196.07m 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 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
Outstanding Borrowing (Debt)	(104.05)	(122.96)	(138.21)	(147.25)	(147.33)	(147.41)
Liability Benchmark	105.41	134.04	152.73	168.91	171.72	175.52
	1.36	**11.08**	**14.52**	**21.66**	**24.40**	**28.11**

Borrowing and 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
Outstanding Borrowing (Debt)	(145.29)	(139.58)	(169.90)	(166.54)	(158.09)	(168.61)
Liability Benchmark	131.98	152.59	178.92	192.60	197.37	196.07
	(13.30)	**13.01**	**9.02**	**26.07**	**39.28**	**27.47**

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

Operational Boundary for External Debt	2019/20 Limit £m	2020/21 Limit £m	2021/22 Limit £m	2022/23 Limit £m	2023/24 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

Authorised Limit for External Debt	2019/20 Limit £m	2020/21 Limit £m	2021/22 Limit £m	2022/23 Limit £m	2023/24 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%	-4.53%	-3.34%	-1.97%	-1.36%
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%	-5.77%	-10.03%	-8.61%	-6.79%
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	33.37	33.22	34.28	34.84	35.32
Gross Investment income	1.50	2.06	2.56	3.04	3.08	3.07
Proportion	**4.42%**	**6.18%**	**7.69%**	**8.87%**	**8.83%**	**8.70%**

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	32.86	33.36	34.59	35.03	35.36
Gross Investment income	1.76	2.76	3.36	4.78	4.60	4.24
Proportion	**5.28%**	**8.41%**	**10.07%**	**13.81%**	**13.13%**	**12.00%**

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. <u>Knowledge and Skills</u>

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

8. <u>Governance – Capital Investments</u>

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						
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**
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)	(10.41)	(10.35)	(10.35)	(10.37)
Less: Balances & Reserves-HRA	(21.12)	(20.45)	(22.28)	(21.69)	(22.40)	(17.74)
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**	**35.46**	**53.48**	**56.95**	**61.33**

Cumulative Capital Financing Requirement						
Mid Suffolk	**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
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)	(20.19)	(19.87)	(19.61)	(19.38)
Less: Balances & Reserves-HRA	(10.24)	(10.74)	(9.75)	(10.37)	(10.35)	(11.57)
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**	**72.18**	**87.18**	**93.11**	**92.97**

** 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)	(32.68)	(32.04)	(32.75)	(28.11)
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**	**152.73**	**168.91**	**171.72**	**175.52**

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)	(29.94)	(30.24)	(29.95)	(30.94)
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**	**178.92**	**192.60**	**197.37**	**196.07**

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:

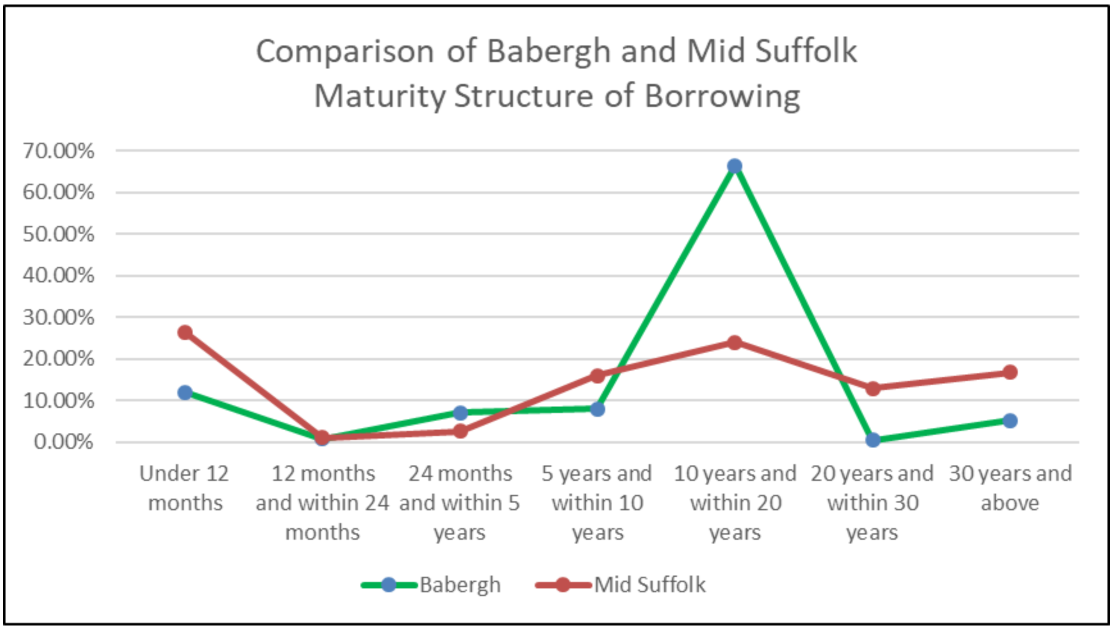
Interest rate risk indicator	
Upper impact on Revenue of a 1% increase in rates	**2020/21 Limit £m**
Babergh District Council	0.490
Mid Suffolk District Council	0.708

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 Limit £m**	**2021/22 Limit £m**	**2022/23 Limit £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.

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**

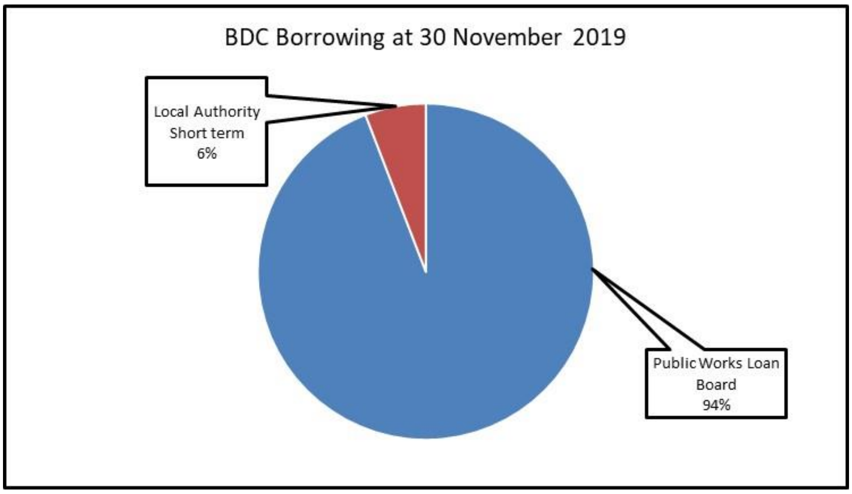
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	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

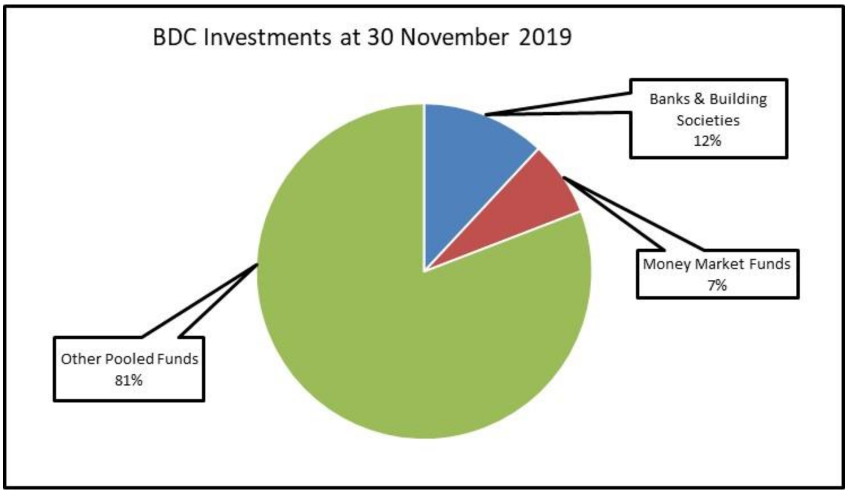
PWLB Certainty Rate (Maturity Loans) = Gilt yield + 1.80%

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

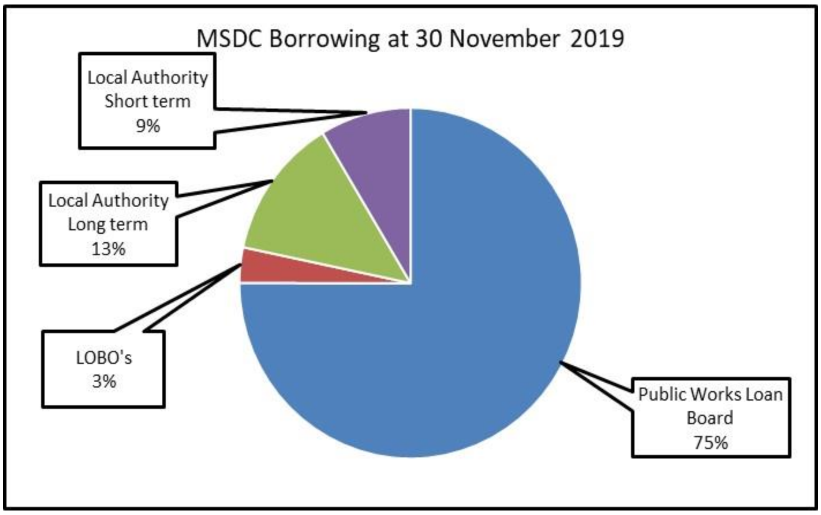
EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

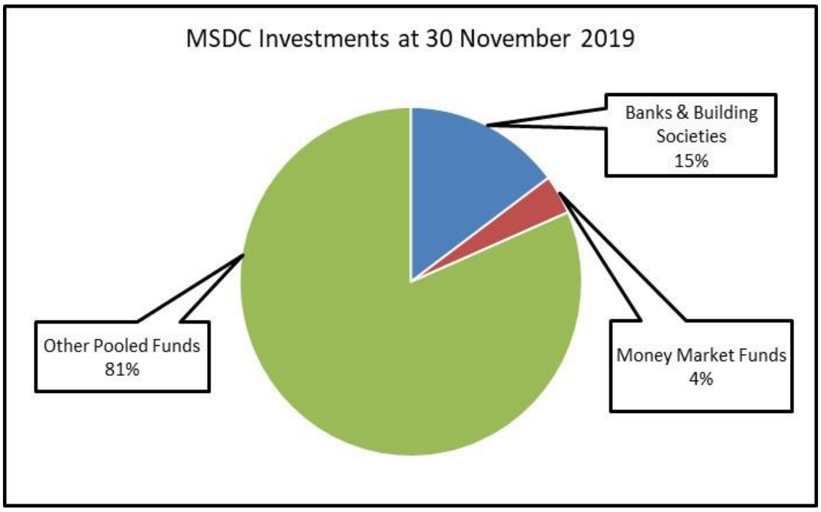
Babergh	30.11.2019 Portfolio £m	Average Rate %
External Borrowing:		
Public Works Loan Board	96.54	3.17%
Local Authority Short term	6.00	0.75%
Total External borrowing	**102.54**	2.36%
Treasury Investments:		
Banks & Building Societies	1.66	0.65%
Money Market Funds	1.00	0.67%
Other Pooled Funds	11.21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





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.

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	***

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 Aa2 Aa3	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A1 A2 A3	Obligations rated A are considered upper-medium grade and are subject to low credit risk.

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

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BABERGH DISTRICT COUNCIL

TO:	**Cabinet**	**REPORT NUMBER: BCa/19/37**
FROM:	**Cabinet Member for Finance**	**DATE OF MEETING: 11 February 2020**
OFFICER:	**Andrew Wilcock (SRP Operations Manager)**	**KEY DECISION REF NO. CAB180**

BUSINESS RATES DISCOUNTS POLICY

1. PURPOSE OF REPORT

1.1 The Government, in the Queen's Speech, recently announced changes to some business rate discounts and proposed a new discount for pubs. This report provides an overview of these and explains the steps to be taken to implement these discounts.

2. OPTIONS CONSIDERED

2.1 **Option 1 – Delegate authority to the Assistant Director – Corporate Resources in consultation with the Cabinet Members for Finance and the Leaders to agree a local discretionary discount for pubs, update the retail discount policies and extend the local newspaper discount, once the Government has provided the full details of the schemes.**

The current discretionary retail discount policies can be updated to reflect the changes i.e. the increase in the value of discount granted and the additional categories that will be eligible (inclusion of cinemas and music venues).

The ratepayer in receipt of the local newspaper discount can have their discount extended for another year.

A new policy can be introduced for the discount for pubs once the details are known.

2.2 **Option 2 – Wait for the Government to provide the full details of the schemes.**

A report can come back to Cabinet once the Government has provided the full details of the schemes.

This could create a delay in ratepayers receiving the discount depending on when a report can be taken back to Cabinet.

2.3 **Option 3 - Do nothing**

There is no mandatory requirement on billing authorities to provide these discounts, however the Government is funding the scheme. It would therefore be an opportunity missed to support local ratepayers.

3.	RECOMMENDATIONS
3.1	That Cabinet give authority to the Assistant Director – Corporate Resources in consultation with the Cabinet Members for Finance and the Leaders to agree a local discretionary discount for pubs, update the current retail discount policy and extend the local newspaper discount, once the Government has provided the full details of the schemes.
	REASON FOR DECISION To provide a discretionary retail discount, local newspaper discount and pub discount to support ratepayers in Babergh and Mid Suffolk. To enable the implementation of the discretionary discount schemes.

4. KEY INFORMATION

4.1 In 2017 the Government introduced a £1,500 discount for office space occupied by local newspapers, up to a maximum of one discount per local newspaper title and per hereditament, for 2 years from 1 April 2017.

4.2 The Government then announced in the October 2018 Budget an extension to the local newspaper discount for 1 year. It also announced that it would provide a business rates retail discount scheme for occupied retail properties with a rateable value of less than £51,000 for each of the years 2019/20 and 2020/21. The value of the discount was one third of the rates bill.

4.3 As these were a temporary measure, the Government did not change the legislation around the discounts available to properties. Individual local billing authorities had to use their discretionary relief powers, introduced by the Localism Act (under section 47 of the Local Government Finance Act 1988, as amended) to grant relief. The Government committed to fully reimburse local authorities for their local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).

4.4 Cabinets approved the introduction of a local discretionary retail discount policy on 4 (Mid Suffolk) and 7 (Babergh) February 2019. The current policies are shown in Appendices A and B.

4.5 The Government has announced further changes to business rate discounts in the Queen's Speech on 19 December 2019. It stated that it will:

- Increase the retail discount from one third to 50% and include cinemas and music venues within the scheme
- Extend the duration of the local newspapers discount
- Introduce an additional discount for pubs.

4.6 At the time of writing this report no further details have been provided by the Government. It is assumed that due to the temporary nature of these discounts and the length of time that it would take to amend primary legislation, local billing authorities will be asked to use their discretionary power to implement these discounts.

4.7 As these discounts are discretionary, the Councils can choose not to grant them if they consider that appropriate, for example where granting the discount would go against the Councils' wider objectives for the local areas. However, the Councils need to recognise the support that these discounts will give to local ratepayers and the local economy and the fact that the Government will fund these discounts.

4.8 There is a short timescale to introduce these discount policies from 1 April 2020, so that they are included on the business rates bills issued for 2020/21. The ideal situation for ratepayers is that they receive their new 2020/21 business rates bill with the relevant relief/discount included, rather than having to reissue the bills after the start of the new financial year. The Shared Revenues Partnership (SRP) is currently due to issue 2020/21 bills on 11 March 2020.

4.9 To meet this timeline the Cabinets would need to consider the relevant discretionary policies (if the Government has provided further detail) or delegate authority for the final decision making, at their meetings on 10 and 11 February 2020.

5. LINKS TO CORPORATE PLAN

5.1 Taking measures to implement the retail and pub discounts announced in the Queen's Speech will support the local economies of the two districts.

6. FINANCIAL IMPLICATIONS

6.1 The Government will reimburse the Council and the major precepting authorities for the actual cost to them under the rates retention scheme of the reliefs that fall within the definitions in the guidance using a grant under section 31 of the Local Government Act 2003. The Council will provide an estimate of the likely cost for providing the discounts in the National Non-Domestic Rate Return 1 (NNDR1) for 2020/21.

6.2 For 2019/20 there are currently around 225 Babergh ratepayers in receipt of the retail discount amounting to £567,000 of relief and 137 Mid Suffolk ratepayers with relief amounting to £330,000. This is at no cost to the Council. Updating the retail discount policy in line with the Government announcement will increase the level of relief awarded.

6.3 As the detail of the pub discount is currently unknown, it is not possible to provide an estimate of the level of relief that will be awarded.

7. LEGAL IMPLICATIONS

7.1 The Council can use discretionary relief powers, introduced by the Localism Act (under section 47 of the local Government Finance Act 1988, as amended) to grant relief under this Government scheme.

8. RISK MANAGEMENT

8.1 This report is not closely linked with any of the Council's Corporate / Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If qualifying ratepayers fail to apply for the discount, then they may encounter unnecessary trading difficulties.	3 – Probable	2 – Noticeable / Minor	Officers proactively identify cases that can apply for the discount. Take-up campaign

9. CONSULTATIONS

9.1 No direct consultation has been undertaken in respect of this proposal.

10. EQUALITY ANALYSIS

10.1 An Equality Impact Assessment (EIA) is not required as the policy relates to businesses and not individuals.

11. ENVIRONMENTAL IMPLICATIONS

11.1 None identified from this policy.

12. APPENDICES

Title	Location
(a) Babegh current Retail Discount Policy	Attached
(b) Mid Suffolk current Retail Discount Policy	Attached

Appendix A

Babergh District Council
Retail Discount - Business Rate Relief Policy

1. Background

1.1. The retail sector is changing, and consumer behaviour presents a significant challenge for retailers in town centre. The Government wishes to take action to help the high street evolve.

1.2. The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21. The value of discount should be one third of the bill and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, except those introduced using the powers granted under the Localism Act 2011.

2. Introduction

2.1. The Local Government Finance Act 1988 gives Local Authorities the power to grant discretionary retail discount to properties that are occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

3. Available relief

3.1. There is no relief available under this policy for properties with a rateable value of more than £50,999.

3.2. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis.

3.3. The relief will be applied against the net business rates bill after all other reliefs have been taken into account.

3.4. Where the net rate liability for the day, after all other reliefs but before the retail discount, is less than the retail discount, the maximum amount of retail discount will be no more than the value of the net rate liability.

3.5. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de-minimis limits.

4. Awarding relief

4.1. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

4.2. We consider shops, restaurants, cafes and drinking establishments to mean:

(i) Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

(ii) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire

(iii) Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

4.3. To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

4.4. As a guide, the list below sets out the types of uses that the Council does not consider to be retail for the purpose of this policy:

(i) Hereditaments that are being used as charity shops.

(i)Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting offices

(ii) Hereditaments that are not reasonably accessible to visiting members of the public.

5. Administration of applications for relief

5.1. The Council's Shared Revenues Partnership will identify the potential properties that may be eligible for the retail discount. It is for the ratepayer to opt out if they are already receiving maximum state aid.

5.2. The Council's Shared Revenues Partnership will administer all applications for the retail discount and determine the amount of discretionary retail discount to be awarded.

5.3. Decisions regarding discretionary retail discount will be notified to the ratepayer in writing within 28 days of the decision, or as soon as reasonably practicable. Unsuccessful applicants will be given reasons for any refusal to award relief.

6. State Aid

6.1 Local rate relief shall not be awarded in any circumstances where it appears that an award will result in the ratepayer receiving state aid that is above the current de minimis level. The ratepayer must inform the Council if they are already receiving maximum state aid.

6.2 Rate relief for charities and non-profit making bodies is not normally considered to be state aid, because the recipients are usually not in market competition with other businesses. However, if the charity or non-profit making body is engaged in commercial activities or they are displacing an economic operator or if they have a commercial partner, rate relief could constitute state aid.

6.3 To find further information on state aid please visit www.gov.uk/state-aid

7. Duration of awards

7.1. The award of discretionary retail discount will be made for a fixed period ending on 31st March 2021. The only exception is where the business rates liability of a retail business ends before this date.

8. Right of appeal

8.1. There is no statutory right of appeal against a decision made by the Council in respect of discretionary retail discount. However, the Council will review the decision if the ratepayer is dissatisfied with the outcome. This review will be carried out independently by the Head of the Shared Revenues Partnership in consultation with the Council's Section 151 Officer.

8.2. If an unsuccessful applicant decides to request a review, they will still need to continue to pay their rates bill. Once the review has been conducted, the ratepayer will be informed in writing whether the original decision has been revised or upheld. Notification of the decision will be made within 28 days, or as soon as reasonably practicable.

8.3. The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review.

Appendix B

Mid Suffolk District Council
Retail Discount - Business Rate Relief Policy

1. Background

1.1. The retail sector is changing, and consumer behaviour presents a significant challenge for retailers in town centre. The Government wishes to take action to help the high street evolve.

1.2. The Government announced in the Budget on 29 October 2018 that it will provide a business rates Retail Discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019/20 and 2020/21. The value of discount should be one third of the bill and must be applied after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, except those introduced using the powers granted under the Localism Act 2011.

2. Introduction

2.1. The Local Government Finance Act 1988 gives Local Authorities the power to grant discretionary retail discount to properties that are occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

3. Available relief

3.1. There is no relief available under this policy for properties with a rateable value of more than £50,999.

3.2. The eligibility for the relief and the relief itself will be assessed and calculated on a daily basis.

3.3. The relief will be applied against the net business rates bill after all other reliefs have been taken into account.

3.4. Where the net rate liability for the day, after all other reliefs but before the retail discount, is less than the retail discount, the maximum amount of retail discount will be no more than the value of the net rate liability.

3.5. Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties, subject to State Aid de-minimis limits.

4. Awarding relief

4.1. Properties that will benefit from the relief will be occupied hereditaments with a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

4.2. We consider shops, restaurants, cafes and drinking establishments to mean:

(i) Hereditaments that are being used for the sale of goods to visiting members of the public:

- Shops (such as: florists, bakers, butchers, grocers, greengrocers, jewellers, stationers, off licences, chemists, newsagents, hardware stores, supermarkets, etc)
- Charity shops
- Opticians
- Post offices
- Furnishing shops/ display rooms (such as: carpet shops, double glazing, garage doors)
- Car/ caravan show rooms
- Second hand car lots
- Markets
- Petrol stations
- Garden centres
- Art galleries (where art is for sale/hire)

(ii) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Hair and beauty services (such as: hair dressers, nail bars, beauty salons, tanning shops, etc)
- Shoe repairs/ key cutting
- Travel agents
- Ticket offices e.g. for theatre
- Dry cleaners
- Launderettes
- PC/ TV/ domestic appliance repair
- Funeral directors
- Photo processing
- Tool hire
- Car hire

(iii) Hereditaments that are being used for the sale of food and/ or drink to visiting members of the public:

- Restaurants
- Takeaways
- Sandwich shops
- Coffee shops
- Pubs
- Bars

4.3. To qualify for the relief the hereditament should be wholly or mainly being used as a shop, restaurant, cafe or drinking establishment. In a similar way to other reliefs (such as charity relief), this is a test on use rather than occupation. Therefore, hereditaments which are occupied but not wholly or mainly used for the qualifying purpose will not qualify for the relief.

4.4. As a guide, the list below sets out the types of uses that the Council does not consider to be retail for the purpose of this policy:

(i) Hereditaments that are being used for the provision of the following services to visiting members of the public:

- Financial services (e.g. banks, building societies, cash points, bureaux de change, payday lenders, betting shops, pawn brokers)
- Other services (e.g. estate agents, letting agents, employment agencies)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, tutors)
- Post office sorting offices

(ii) Hereditaments that are not reasonably accessible to visiting members of the public.

5. Administration of applications for relief

5.1. The Council's Shared Revenues Partnership will identify the potential properties that may be eligible for the retail discount. It is for the ratepayer to opt out if they are already receiving maximum state aid.

5.2. The Council's Shared Revenues Partnership will administer all applications for the retail discount and determine the amount of discretionary retail discount to be awarded.

5.3. Decisions regarding discretionary retail discount will be notified to the ratepayer in writing within 28 days of the decision, or as soon as reasonably practicable. Unsuccessful applicants will be given reasons for any refusal to award relief.

6. State Aid

6.1 Local rate relief shall not be awarded in any circumstances where it appears that an award will result in the ratepayer receiving state aid that is above the current de minimis level. The ratepayer must inform the Council if they are already receiving maximum state aid.

6.2 Rate relief for charities and non-profit making bodies is not normally considered to be state aid, because the recipients are usually not in market competition with other businesses. However, if the charity or non-profit making body is engaged in commercial activities or they are displacing an economic operator or if they have a commercial partner, rate relief could constitute state aid.

6.3 To find further information on state aid please visit www.gov.uk/state-aid

7. Duration of awards

7.1. The award of discretionary retail discount will be made for a fixed period ending on 31st March 2021. The only exception is where the business rates liability of a retail business ends before this date.

8. Right of appeal

8.1. There is no statutory right of appeal against a decision made by the Council in respect of discretionary retail discount. However, the Council will review the decision if the ratepayer is dissatisfied with the outcome. This review will be carried out independently by the Head of the Shared Revenues Partnership in consultation with the Council's Section 151 Officer.

8.2. If an unsuccessful applicant decides to request a review, they will still need to continue to pay their rates bill. Once the review has been conducted, the ratepayer will be informed in writing whether the original decision has been revised or upheld. Notification of the decision will be made within 28 days, or as soon as reasonably practicable.

8.3. The right of appeal process does not affect a ratepayer's legal right to challenge the decision by way of a judicial review.

Agenda Item 13

BABERGH DISTRICT COUNCIL

TO:	**Cabinet**	**REPORT NUMBER:**	**BCa/19/38**
FROM:	**Cllr John Ward, Leader**	**DATE OF MEETING:**	**11th February 2020**
OFFICER:	**Kathy Nixon, Strategic Director**	**KEY DECISION REF NO. CAB175**	

OUTPUTS FOR 2019-23 TO SUPPORT THE DELIVERY OF THE JOINT CORPORATE PLAN

1. PURPOSE OF REPORT

1.1 Further to the agreement of the Joint Corporate Plan 2019-27 at Mid Suffolk Council on 22nd October and Babergh Council on 24th October 2019, this report sets out the detailed outputs for 2019-23 to support the delivery of that Plan. These are outlined at **Appendix One** of this report.

2. OPTIONS CONSIDERED

2.1 The options that informed the development of these key outputs focussed on the strategic priorities within the Joint Corporate Plan, namely, Environment, Economy, Housing, Wellbeing, Customers and Communities.

3. RECOMMENDATIONS

3.1 Cabinet is recommended to agree the outputs for 2019-23 set out at **Appendix One** of this report.

REASON FOR DECISION

To ensure that Babergh and Mid Suffolk have appropriate plans in place to address the challenges and seize the opportunities facing the districts, and their organisations, for the foreseeable future.

4. KEY INFORMATION

Vision

4.1 The Joint Corporate Plan 2019-27, agreed by both Babergh and Mid Suffolk Councils in October 2019, sets out the vision for the two Districts as:

'Places with great communities, with bright and healthy futures, that everybody is proud to call home.'

Strategic Priorities

4.2 The vision is underpinned by the Councils' strategic priorities which are:

- The Environment;
- The Economy;
- Housing;
- Wellbeing;
- Our Customers; and
- Our Communities.

4.3 Each of these strategic priorities are supported by their own strategies, with the Environment Strategy currently under development and the Well-Being Strategy scheduled for development in the first half of 2020. The Economic Development Strategy will also be refreshed over the next few months.

4.4 These strategies will set out the key outcomes under each strategic theme and will be underpinned by detailed action plans.

Outputs to Support the Delivery of the Joint Corporate Plan 2019-23

4.5 This report sets out at **Appendix One** the outputs that will be delivered to support each of the Corporate Plan's strategic priorities during the first four years, from 2019-2023.

4.6 The outputs for 2019/20 include in-year milestones. More detailed plans for those scheduled for delivery in the period 2020-23 will be worked up in the coming months. These will form part of the action plans to accompany each of the strategies, referred to at paragraph 4.4 above.

4.7 It is recognised that the outputs identified at this stage are not exhaustive and may be revised or added to over the next four years.

4.8 It is also acknowledged that there is a great deal of core activity that contributes to the six strategic priorities but is not specifically referenced in these outputs. The listed outputs focus on pieces of work that are new, are of particular strategic importance, need to move forward in a new direction or require particular focus for other reasons. Core work will be central in Service Area Plans and will continue to form part of monitoring and reporting to Cabinet against the corporate indicators.

Programme and Project Management

4.9 Programme Boards, chaired by the Strategic Director, have been established to monitor the progress of projects, take an overview of interdependencies between projects and to address risks, barriers and resource implications.

4.10 A new project management approach has been developed over the last year and this will be applied to all key projects.

4.11 Further Project Management training is ongoing and, at the time of writing this report, more than 60 staff are scheduled to attend.

The Golden Thread

4.12 There will be a 'golden thread' from the Councils' Vision, Mission, Values, Corporate Priorities and Service Plans all the way through to each staff member's role and objectives.

4.13 Service Plans for 2020/21 are currently being developed and individual objectives and personal development plans for all staff are scheduled to be completed by 30th April 2020. These will feed into the organisation's annual Learning and Development Plan.

Monitoring and Reporting Progress on Delivery of the Joint Corporate Plan

4.14 Corporate performance indicators are currently being revised for 2020/21 onwards to align with the new Corporate Plan.

4.15 Progress on the Joint Corporate Plan will be reported and monitored through the quarterly performance reports to Cabinet.

4.16 Ongoing reporting will take place at the regular Cabinet Portfolio Holder meetings with Assistant Directors and Corporate Managers.

4.17 The detailed list of intended outputs in this report will enable the Overview and Scrutiny Committees to identify key areas for further exploration well in advance, when developing their own forward plans.

4.18 As has been previous practice, the Councils also intend to produce end of municipal term reports, primarily for residents, in order to account for the Council's performance over the four-year period.

Communications Plan to Support the Roll Out of the Joint Corporate Plan

4.19 A programme of communication activities to raise awareness and broaden understanding of the Joint Corporate Plan among Members, staff, residents and partners is now being developed. This will include video content, infographics, social media and online material, workshops and other events.

4.20 An All-Member briefing session will take place in March 2020 to provide an opportunity for Members to gain a greater overall understanding of the six strategic priorities and the strategies that will underpin these. Thereafter, throughout the year, All-Member briefing sessions will be themed to cover one strategic priority each. This will enable all Members to be involved in more in-depth ongoing dialogue with Cabinet Members and Officers about the individual strategies, action plans, projects and performance for each of the six priority areas.

4.21 Work is underway to ensure that as many Member development and engagement sessions as possible will be accessible remotely through a range of methods. The same is being considered more generally for the roll out of the Joint Corporate Plan.

5. LINKS TO JOINT CORPORATE PLAN

5.1 The entirety of this report addresses the Joint Corporate Plan.

6. FINANCIAL IMPLICATIONS

6.1 The Medium Term Financial Plan (MTFP) supports the new Joint Corporate Plan.

6.2 Where additional investment is required to support the development of the outputs detailed in this report, these will be supported by business cases that will go through the appropriate process for agreement, in line with the Councils' Standing Orders. The Councils will also draw on their respective Growth & Efficiency Funds and Transformation Funds to resource this development work.

6.3 The 2020/21 budget and the Medium Term Financial Plan will continue to ensure the financial sustainability of both Councils.

7. LEGAL IMPLICATIONS

7.1 There are no immediate legal implications arising from the adoption of the outputs to support the Joint Corporate Plan. Legal advice will be sought as necessary when the projects are rolled out.

8. RISK MANAGEMENT

8.1 As the Corporate Plan encompasses work across all the strategic priorities, it is recognised that there are some linkages to the whole of the Significant Risk Register, but specifically to the risks to the delivery of the new Corporate Plan if the organisation doesn't have the resources, skills or appropriate change management processes in place to deliver it. The likelihood, impact and mitigation relating to those risks are set out in the table below.

Risk Description	Likelihood (after mitigation)	Impact (after mitigation)	Mitigation Measures
If we do not have the skills and resources in place, or appropriate change management processes in place, we may fail to meet the new Corporate Plan and its ambitions.	2 (unlikely)	3 (bad/serious)	People Strategy and action plan agreed. Learning and Development Plan in place for 2019/20 and new plan will be developed for 2020/21. Organisational Change Policy and toolkit in place. Corporate Manager vacancies are currently being recruited to. Two

			new Corporate Managers have already started. Leadership development programme in the process of being commissioned. Programme Boards in place. New Project Management approach in place. Project Management training ongoing. More than 60 staff scheduled to attend. Communications and engagement plan being developed to roll out Corporate Plan to the whole organisation. Resources to support the Corporate Plan are included in the MTFP and development monies are available through the Growth & Efficiency and Transformation Funds.

9. CONSULTATIONS

9.1 Both Cabinets and the Senior Leadership Team have worked closely together to develop the outputs set out in this report.

9.2 These deliberations have been informed by the engagement and consultation that has taken place in the development of the Councils' existing, recently adopted strategies, the Joint Local Plan, the Visions for Prosperity in Sudbury, Stowmarket, Eye, Hadleigh and Needham Market, various cross party Member Working Groups over the past year (for example, Climate Change & Environment, Community Infrastructure Levy, Public Realm, Leisure, Local Plan, Grants Review) and officer engagement in the development of the Corporate Plan through the Chief Executive's regular staff briefing sessions.

9.3 Ongoing engagement with our customers and communities will continue through the action plans supporting the Customer and Communities Strategies.

10. EQUALITY ANALYSIS

10.1 Equality Impact Assessments have been carried out in relation to each of the Council's existing strategies and this will continue in relation to the emerging Environmental Strategy, Well-Being Strategy and Joint Local Plan. Where individual Equality Impact Assessments are required for specific projects, these will be carried out at the appropriate stages.

11. ENVIRONMENTAL IMPLICATIONS

11.1 The environment is a clear strategic priority within the revised Joint Corporate Plan. There are no immediate environmental implications arising from this report. The Councils' emerging Environment Strategy and recently established taskforce will however consider this in detail, with a particular focus on Climate Change and Biodiversity.

12. BACKGROUND DOCUMENTS

(a) Joint Strategic Plan 2019-27.
(b) Economy Strategy ('Open for Business').
(c) Housing and Homes Strategy.
(d) Leisure, Sport and Physical Activity Strategy.
(e) Communities Strategy.
(f) Customers Strategy.
(g) Babergh & Mid Suffolk District Councils' Values.

13. APPENDICES

Title	Location
(a) Corporate Plan Outputs 2019-23	Attached separately.

APPENDIX ONE

Corporate Plan Outputs (2019/20 to 2022/23)

Note: Seasonal milestones for outputs to be delivered in 2019/20
Summer (June, July, August 2019)
Autumn (September, October, November 2019)
Winter (December 2019 & January, February 2020)
Spring (March, April, May 2020)

Economy Outputs

<u>2019-20</u>

Town Centre Visions - **Sudbury**:

Hamilton Rd site (Phase 1 – current bus station replaced by on street facilities to encourage greater use of buses; Agreed programme for on-street bus provision – Winter; Bid submitted for bus stop funding and junction improvements – Spring; Phase 2 - Masterplan completed for viable scheme – Spring; Phase 3 – Preferred developer secured – Winter 2020).

Belle Vue House and Park (contracts signed and Planning Application submitted – Spring 2020; Commence public consultation on house & park – Winter, with pre-consultation engagement - Autumn).

Economy Outputs

<u>2019-20</u>

Town Centre Visions – **Sudbury (cont.)**

Town Centre Health Centre
(Land exchange & conditional contracts – Spring; Planning application - Spring).

St Peter's Church
(Assist in securing funding & grant – throughout the year).

Market Hill public realm improvement scheme (Agreed – Summer 2020).

Delphi & Philips
(Assist in protecting workforce & repurposing of sites, throughout the year).

Economy Outputs

2019-20 (cont.)

Town Centre Visions - **Stowmarket**:

Stowmarket Leisure Centre
(Delivery model agreed – Winter).

Regal Theatre
(Planning Permission – Winter; Onsite - Spring).

Tech Hub & Innovation Cluster
(Review of feasibility – Summer;
Micro hub established – Spring 2020; Innovation Cluster masterplan and concept completed – Spring 2020).

NatWest building
(Vision for development of John Peel Centre – Winter; Long lease - Spring).

Re-let the former Aldi building and fully utilise the asset (partial occupation by Spring).

Economy Outputs

<u>2019-20 (cont.)</u>

Town Centre Visions – **Stowmarket** (cont.)

Support for MEAL's ongoing development into a National Museum for Food – Ongoing.

Assist the delivery of a scheme for Suffolk F.A. in Stowmarket – On-going.

Town Centre Visions 'Lite' for Eye, Hadleigh & Needham Market (Community consultation – Summer; Action Plans – Winter).

Economy Outputs

2019-20 (cont.)

Support for Sproughton Enterprise Zone (throughout the year).

G14
(Identify partner & model for delivery - Winter).

Acquire Stowmarket East
(Purchase – Summer; Next steps to be developed alongside G14 delivery model).

Needham Lake Café
(Planning Permission – Winter; onsite - Spring).

Economy Outputs

2019-20 (cont.)

Support major employment sites to deliver new jobs - Cattawade Industrial Site; Gateway 14; Sproughton – Ongoing.

Support businesses to access local shop front and accessibility funding – Ongoing.

Progress Wolsey Grange Employment Land (Develop timetable to deliver this - Spring).

Develop Grow On Space Strategy (Winter).

Develop Notley Enterprise Park, Raydon Airfield (review of existing occupier base, part of workspace study – Autumn).

Develop a more detailed Tourism Strategy (including focus on overnight accommodation; and conference/events facilities – Spring).

Economy Outputs (cont.)

<u>2020-23</u>

Develop an Empty Business Unit Strategy (e.g. ToysRus; Winch & Blatch; Bosch).
Develop Econ. Dev. Plan for Eye Airfield.
Sudbury Town Centre Health Centre (On site).
Stowmarket Leisure Centre (Planning permission in place & on site).
G14 + Stowmarket East (Detailed Planning permission & on site with infrastructure works).
Support the delivery of strategic infrastructure projects, including Sudbury transport plan, SnOasis, Chilton Woods and Sudbury Relief Road.
Trade fair to showcase what we can do (industrial strategy, growth, economy, IT, smart innovations).
Influence improvements to traffic congestion hotspots at A14 junctions and support an expressway.

Economy Outputs (cont.)

2020-23

Belle Vue Hotel & Restaurant (On site).
Hamilton Road Bus Station relocation.
New areas of public realm Market Hill, Sudbury.
Progress placemaking initiatives within Visions for Prosperity in Stowmarket and Sudbury e.g. festivals, events strategy, town centre wifi.
Support local community and businesses to Implement Town Centre Visions 'Lite' for Eye, Hadleigh & Needham Market.
Relocate Creeting Road Depot, Stowmarket.
Work with providers to increase skills programmes for young people Not in Education, Training or Employment.
Development and improved appearance of entry points into Stowmarket.

Housing Outputs

2019-20

Joint Local Plan (Consultation – Summer; submitted for examination – 2020). Note: also relevant to Communities, Environment, Economy and Well-Being Strategic Priorities.

Sustained 5 year land supply (Consultation on annual statement – Summer; published – Autumn; work to sustain - Ongoing).

Review of CIL (New Expenditure framework for bid round in May 2020; charging schedule - complete late Spring/early Summer 2020).

Across both councils, 50 homes added to housing stock and secured agreements for a further 50 homes **(during the year).**

Review of HRA Business Plan (Spring).

Review of service provision for Housing Repairs (Business Case – 2020).

Housing Outputs

<u>2019-20</u>

8 additional units of temporary accommodation in Sudbury (Winter).

Deliver action plan for Homes and Housing Strategy (in line with milestones in action plan).

Develop a revised Affordable Housing Strategy and subsequently a new build specification for HRA stock (Spring).

Deliver Housing Delivery Action Plan (Action Plan finalised – Summer; Delivery in line with milestones in action plan).

Housing Outputs

2020-23

Review of housing delivery targets.

Achieve affordable housing needs in line with Joint Local Plan, including sufficient focus on shared ownership.

Adopt Joint Local Plan.

Start Local Plan refresh.

Add 214 new council homes to our housing stock in Babergh and 200 in Mid Suffolk (2015-22 targets).

Deliver 300 additional homes through Babergh &Mid Suffolk Growth companies (includes HQ redevelopments).

Assess demand for self-build and identify relevant sites.

Housing Outputs

2020-23

Deliver remainder of Homes & Housing Strategy Action Plan.

Review Planning Charter.

Adoption of Smart technology in our homes.

Review the current Allocations Policy (2020/21)

Identify and secure more land for Housing Revenue Account and Babergh Growth and Mid Suffolk Growth.

Environment Outputs 2019-20

Adopt Environment Strategy & Action Plan
(Task Force to start – Autumn; early actions – Winter; full strategy and action plan signed off - Spring). Note: This includes Climate Change and Biodiversity Action Plans.

Meet PV Panel income targets
(Phase One, capture income currently not received – Summer; Procure new model of delivery, incl. repairs/servicing and managing income levels – Spring 2020 onwards).

Adopt Electric Vehicle Policies
(As part of Environment Strategy – Spring).

Review Battery Storage
(Spring).

Tackle fly tipping through a fly tipping campaign and review of the surveillance policy.
(Winter/Spring).

Environment Outputs (cont.) 2019-20

Review Public Realm management across both Councils (Update mapping – Summer/Autumn; options appraisal – Spring).

Increase Garden Waste customers (ongoing).

Devolve public realm assets to communities where there is local support (Autumn onwards).

Expand 'Trees for Life' (Winter).

Implement Civil Parking Enforcement (Spring, subject to Govt. agreement).

Carry out parking review-Sudbury & Hadleigh. (Winter/Spring)

Explore options for cycle storage in Sudbury. (Winter/Spring)

Environment Outputs 2020-23

Continue to implement Environment Strategy.

Reduce overall waste & increase recycling rates.

Develop Heritage Strategy.

Increase home composting.

Implement outcome of Public Realm Review.

Implement Community Toilet Scheme.

Developer includes tree(s) in every new home.

Supplementary Planning Document to address climate change issues.

Explore further opportunities for generation and storage of renewable energy, including hydro power and more wind turbines.

Start to replace existing fleet with electric vehicles.
Review bins in MSDC (colour; size).

Wellbeing Outputs 2019-20

Hadleigh leisure capital project (complete - Summer 2020).

Sudbury leisure capital project (complete - Summer 2020).

Review of leisure provision in Mid Suffolk (Autumn/Winter).

Active Schools Project (Summer onwards).

Free swims in summer holidays (Summer) and review viability of extending to all school holidays (Autumn).

Health Centre in Sudbury - see Econ. Dev.

Continue to provide grants & support to communities. (Ongoing).

Respond to Joint Strategic Needs Assessment (Winter/Spring).

Increase Social Prescribing (Throughout the year).

Wellbeing Outputs
2020-23

Develop joint B&MSDC Wellbeing Strategy.

Review of Social Prescribing.

Improve cycling opportunities.

Communities Outputs

2019-20

Develop & deliver Action Plan for Communities Strategy (Action Plan – Autumn).
Community Grants Review (Winter).
Innovation Awards (Summer).
Continued support for Neighbourhood Plans (Throughout the year)
Support Community Land Trusts, including Lavenham, East Bergholt and Mendlesham (Throughout the year).
Review of Community Transport (Winter).
Continued County Lines approach (Ongoing).
Community consultations/engagement e.g. Local Plan, VfP Lite and Star Survey (Throughout the year).

2020-23

Develop staff volunteering scheme.
Develop community intelligence database.
Community Governance Review

Customer Outputs

<u>2019-20</u>

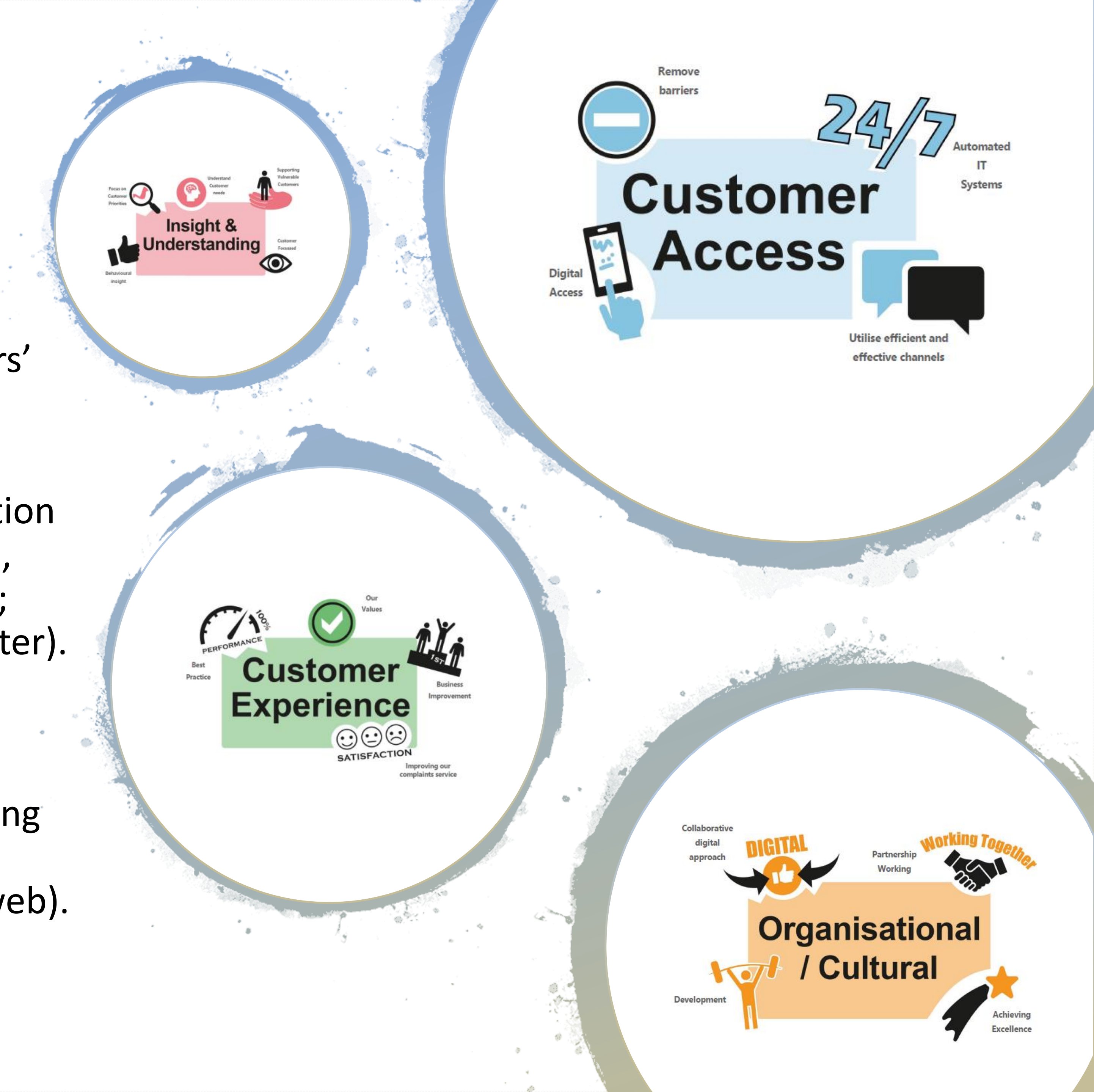
Adopt a Customer Charter (Autumn).

Build a comprehensive picture of our customers' needs & access to services, based on data and insight (Summer/Autumn).

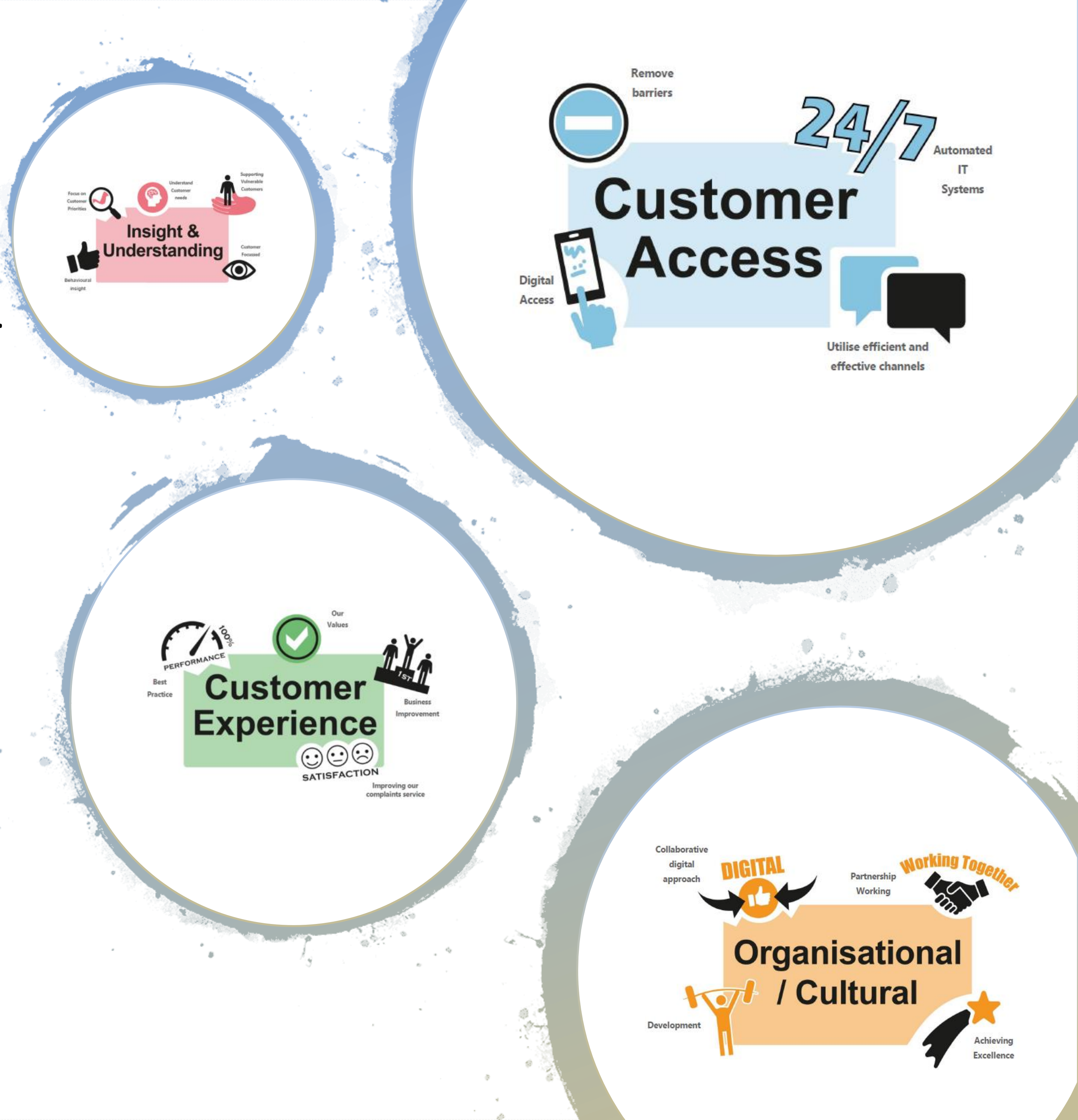
Design and implement a customer transformation programme – phase 1 (e.g. BPR, CRM, Website, Connect, demand mapping) (Design – Autumn; commence programme implementation – Winter).

Conduct review of face-to-face services (Winter/Spring).

Extend customer satisfaction surveys/monitoring across all channels (Face-to-face – Summer; telephony pilot – Summer; Autumn/Winter - web).



Customer Outputs



2019-20 (cont.)

Create customer forums & feedback (Summer/Autumn).

Implement revised customer complaints process and improved learning (New Complaints Policy – summer; new electronic process – Autumn).

Complete 'Star' survey of tenants and residents & deliver action plan (Survey – Summer; action plan to remedy areas for improvement – ongoing).

Implement a digital inclusion project to increase digital capability and reduce social isolation (Winter/Spring).

Complete IT review & adopt revised IT Strategy (Review – Summer; consultation - Winter; adopt strategy – Spring).

2020-23

Customer Transformation Programme – Phase 2.

MTFP, Assets & Investment Outputs

<u>2019-20</u>

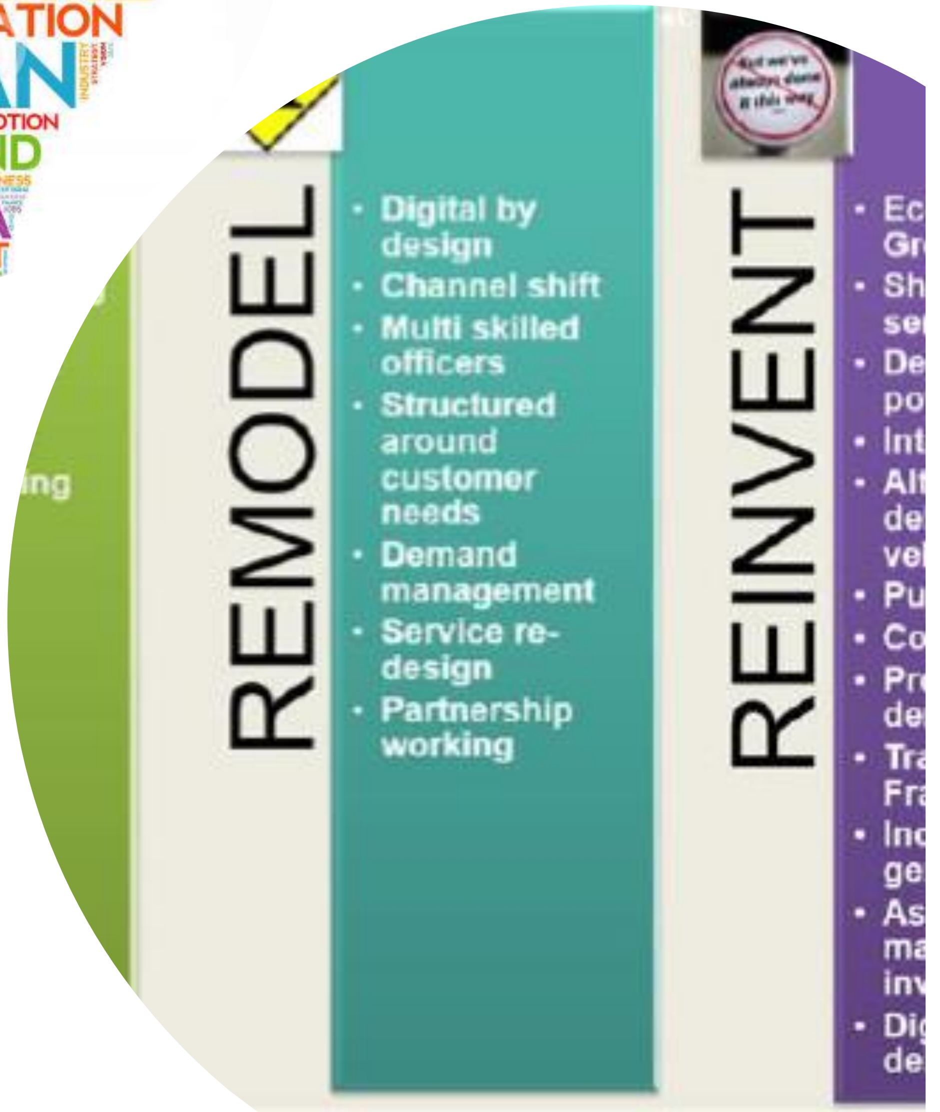
Start to invest a further £25m through CIFCO (commence in Summer 2019 – target to complete investment by 2021).

Reduction of overheads - £450 (Throughout the year).

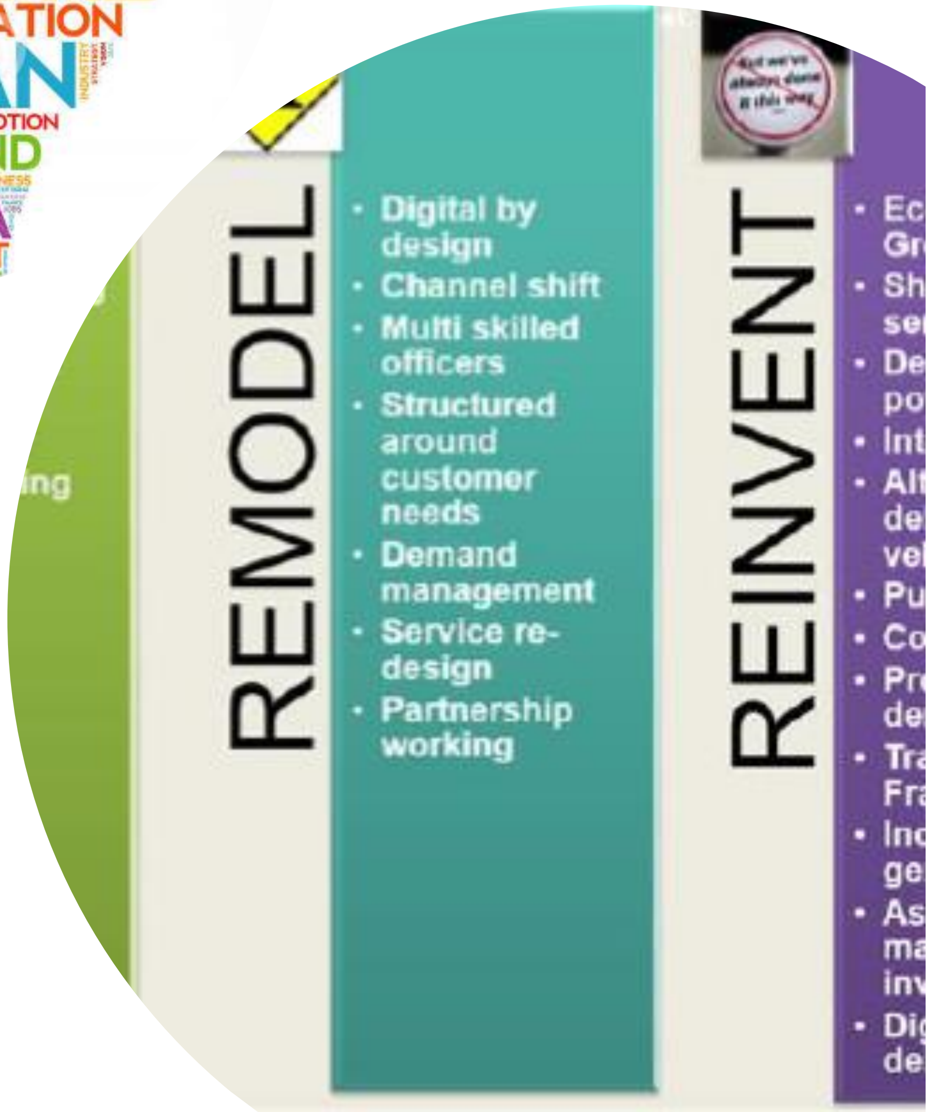
Phase One - customer programme of efficiencies achieved (Spring).

Explore Public Sector Hubs in Stowmarket & Sudbury (ongoing)

Review of Commissioning & Procurement (Winter).



MTFP, Assets & Investment Outputs



<u>2020-23</u>
Adopt Asset Management Plan.

Full Investment of the further £25m through CIFCO.
Remove reliance on New Homes Bonus funding.
Explore alternative forms of income.

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Agenda Item 14

BABERGH DISTRICT COUNCIL

TO:	**Babergh Cabinet**	**REPORT NUMBER:** **BCa/19/39**
FROM:	**Councillor Elizabeth Malvisi Cabinet Member for Environment**	**DATE OF MEETING: 11 February 2020**
OFFICER:	**Cassandra Clements – Assistant Director Environment and Commercial Partnerships**	**KEY DECISION REF NO. CAB179**

JOINT AREA PARKING MANAGEMENT PLAN

1. PURPOSE OF REPORT

1.1 To approve the Joint Area Parking Plan, attached as Appendix A, for consultation.

2. OPTIONS CONSIDERED

2.1 To have two separate area parking plans.

2.2 Not to have an area parking plan.

3. RECOMMENDATIONS

3.1 That Cabinet agrees the final content of the Babergh and Mid Suffolk Joint Area Parking Management Plan following a stakeholder consultation process undertaken February -May 2019.

REASON FOR DECISION

The Councils are required to have a parking policy and to demonstrate that they have reviewed the content. Suffolk County Councils Parking Management Strategy which forms part of the application to the DfT for the granting of CPE powers for the remaining majority of Suffolk requires the district and boroughs to develop Area Parking Plans.

4. KEY INFORMATION

4.1 The Department for Transport (DfT) expects every local authority to have a parking policy. The DfT also expects local authorities to regularly appraise their parking policies and objectives and consult the public as part of their formulation.

4.2 Local authorities applying for civil parking enforcement (CPE) powers must provide a summary of its parking strategies and policies as part of its submission and the detail and outcome of its parking management review.

Suffolk County Council adopted a high-level Suffolk Parking Management Strategy in November 2018. Each district and borough council need to have regard to the strategy and set out its own local parking policies and objectives in area parking plans. The Babergh and Mid Suffolk Joint Area Parking Management Plan has been drafted to meet these objectives.

4.3 The original target date for CPE implementation across the rest of Suffolk was April 2019. This has been delayed due to the government's preparation for Brexit and a general election. The County Council submitted the application early in 2018 to give the DfT the maximum amount of time for its administrative process to be completed. This is now likely to be 31st January 2020.

4.4 The Babergh and Mid Suffolk Joint Area Parking Management Plan (JAPMP) is a completely new parking policy document. It has been drafted with the objective of setting out the broad parking policy objectives that will be adopted and the rationale behind them. A copy of the document is attached at Appendix A.

4.5 The JAPMP contains broad parking policy statements which aim to set out what the parking plan is and what it is intended to achieve. It does not set out specific proposals for parking restrictions for specific areas, nor is it a blue-print to introduce paid parking. What it does do is provide a toolkit on how the councils would go about investigating requests or reviewing the need for waiting, loading and parking controls when and if they occur. It also sets out how to engage with the local community and seek the views of local councils, businesses and residents.

5. LINKS TO JOINT STRATEGIC PLAN

5.1 The adoption of a Joint Area Parking Management Plan has several linkages to the Council's Joint Corporate Plan, namely: Community capacity building and engagement, maximising the use of our assets, engage with and support businesses to thrive, further develop the local economy and our market towns to thrive, community-led solutions to deliver services and manage assets and financially sustainable councils

6. FINANCIAL IMPLICATIONS

6.1 The adoption of a Joint Area Parking Management Plan will not in itself have any financial implications on the Council's.

6.2 The implementation of CPE in Babergh and Mid Suffolk will have some financial implications. Neither Babergh or Mid Suffolk will be enforcing authorities. Both authorities will enter into service level agreements with the enforcing authorities for the management of off-street and on-street parking, as well as the back office function. Income from car parking fees and Penalty Charge Notices (parking tickets) will be used to off set the cost of the full parking function. However, it is anticipated that this will not cover the full cost. This is a difficult deficit to predict as this has not been done before in our districts. The number of variables make direct comparisons with other districts challenging.

6.3 Off-street situation: approximately 30% of patrol time will be spent on of-street activity (car parks). Councils use the income generated from car park tariffs and PCN's to pay for their parking service. It is highly unlikely that the amount generated from this income is going to cover the costs and so this element will be in deficit. However, a commitment has been made to ensure the deficit in year one is covered within the wider directorate to ensure we limit the impact of this deficit.

6.4 On-street situation: approximately 70% of patrol time will be spent on on-street activity. Again, the income from PCN's is used to pay for the service. As on-street is a County function the financial position is contained. This is because Suffolk County Council have agreed they will cover the cost of on-street CPE in all districts and boroughs. Therefore the gap between cost and income will be covered by SCC.

7. LEGAL IMPLICATIONS

7.1 Ipswich Borough Council and West Suffolk District Council will deal with all appeals or issues through their own policies. This means that they will be undertaking any prosecutions on our behalf.

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Council's Corporate / Significant Business are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Engagement with business and communities	Unlikely (2)	Noticeable (2)	Ensure we comply with the consultation process outlined in the document
Managing asset portfolio and meeting income projections	Unlikely (2)	Noticeable (2)	Regularly review our car park tariffs and policies

9. CONSULTATIONS

9.1 Following the approval by Cabinet in February 2019, stakeholder consultation with town and parish councils and other interested individuals and groups took place from February 2019 for a period of six weeks. The results of the consultation have helped form the modifications of the Area Parking Management Plan, now ready for final adoption.

9.2 The outcome of the consultation was presented to Cabinet in April 2019. A summary of the key points is below.

9.3 The 62 respondents:

- When asked if they agreed with the vision that 'parking should be allowed where possible and controlled where necessary' – 58% Agreed and 20% strongly Agreed.
- When asked if our off-street car parks should assist with traffic management issues – 56% Agreed and 20% Strongly Agreed.
- When asked if parking charges, orders and terms & conditions should be regularly reviewed – 63% Agreed and 10% Strongly Agreed.

- When asked if we should follow the County Council's petition scheme – 35% Agreed, 35% Neither Agreed nor Disagreed

- When asked if Parking Scheme Development should use community engagement as standard procedure – 53% Strongly Agreed and 43% Agreed.

- When asked if new on-street parking management schemes should have standard operating times, with flexibility for additional weekend times – 51% Agreed and 16% Strongly Agreed.

- When asked if footway / grass verge parking could be considered if it did not hinder pedestrians, and / or there was an alternative pedestrian route – 45% Agreed and 31% Strongly Agreed.

- When asked if they agreed that new schemes should be designed with signs being designs and implemented with an aim to reduce street clutter – 57% Agreed and 35% Strongly Agreed.

10. EQUALITY ANALYSIS

10.1 There are no equality impacts in adopting a Joint Area Parking Management Plan. If, as a result of adopting the document, any changes are proposed that impact on any of the protected grounds, a full Equality Impact Assessment (EIA) will need to be carried out.

11. ENVIRONMENTAL IMPLICATIONS

11.1 A regular review on parking both on-street and off-street is covered in this document. This will allow the Council's to consider the effect that parking has on our environment and allow them to make positive changes.

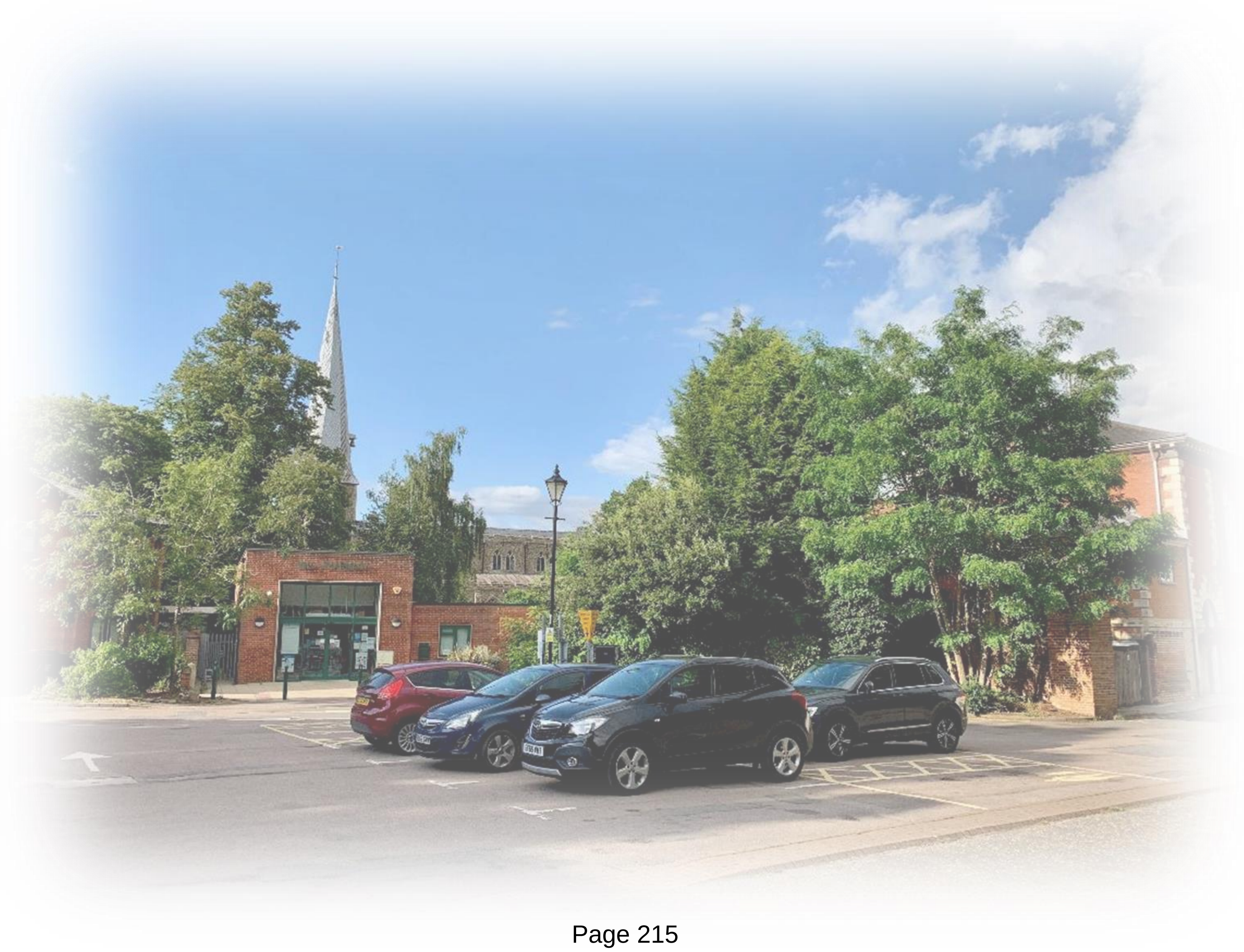
12. APPENDICES

Title	Location
(a) Babergh and Mid Suffolk Joint Area Parking Plan	Attached

Babergh & Mid Suffolk District Councils

Joint Area Parking Management Plan

December 2019



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Contents

About Babergh and Mid Suffolk

1. Both districts are predominantly rural where most of the population live in villages or small market towns. The two districts have been working in partnership for several years and share a single headquarters based in the County-town of Ipswich.

2. Babergh is the southernmost district in Suffolk and shares a common boundary with Essex along much of the River Stour. The River Orwell is the other important river in the district. Babergh has a population of just over 90,000. Babergh is also home to ‘Constable Country’ attracting visitors from around the globe to the Dedham Vale conservation area and the well-preserved ‘wool town’ villages of Lavenham, Long Melford and Kersey. Sudbury and Hadleigh are the largest settlements in the district.

3. Mid Suffolk is currently the largest and most rural of the Suffolk districts with a population of around 101,000. The market town of Stowmarket is the largest area of population although most habitation is based in village settlements. Mid Suffolk has the lowest population density in Suffolk but also the highest car ownership rate in Suffolk. Its car ownership is ranked 11th in local authority areas in England and Wales according to RAC figures.

National Framework for Parking

4. The Department for Transport (DfT) expects every local authority to ‘have a clear idea of what its parking policy is and what it intends to achieve by it’. It also requires local authorities to keep these policies up to date and to reflect wider strategic priorities, changes in development and land use and to accommodate changes in legislation and national guidance.

Legislative background

5. **The Road Traffic Regulation Act 1984** (as amended) (RTRA) makes it the duty of the traffic authority (in this case Suffolk County Council) to “secure the expeditious, convenient and safe movement of traffic and the provision of suitable and adequate parking facilities so far as this is practicable”. The Act empowers the traffic authority to control waiting and loading and to provide parking places on the highway. The Act gives powers for local authorities (usually District/Borough Councils) to provide off-street parking places.

6. Part VIII of the RTRA deals with the enforcement of on-street and off-street parking restrictions which are applicable where Civil Parking Enforcement (CPE) does not operate. The police are responsible for enforcing waiting, limited waiting, and loading restrictions on the highway. Local authorities are responsible for enforcing permit holder and paid parking bays on the highway and off-street parking places. Police Parking Offences are criminal proceedings enforced through the Court process; this is the current operating situation in Babergh and Mid Suffolk).

7. **The Traffic Management Act 2004** (TMA) imposes an explicit duty on local highway authorities (in this case the County Council) to manage their network to reduce congestion and disruption and to appoint a traffic manager. Part 6 of the

TMA provides additional powers for parking, including increased scope to take over the enforcement of some driving and parking offences from the Police.

Taking over Parking Powers from the Police

8. The Government believes that the enforcement of waiting, loading and parking restrictions should be a civil matter carried out by local authorities – this power is known as Civil Parking Enforcement (CPE). Under CPE, first tier authorities have control over parking and traffic policy and may take over parking patrols from the Police.

9. Most councils in England already operate CPE, leaving under twenty, at the time of writing after the recent mergers of districts, which do not. Out of these, four are in Suffolk.

Civil Parking Powers for Suffolk

10. Only the County Council (as highway authority) can apply for CPE powers.

11. Suffolk Public Sector Leaders and local authorities, together with the Police, have agreed that CPE will be adopted for the whole of Suffolk and an application has been made by the County Council to the Department for Transport (DfT) to grant the extension of these powers.

12. The only CPE powers in the County to date are in Ipswich where, since in 2005, powers passed to Ipswich Borough Council under an agency agreement with the County Council. It is proposed that the enforcement of CPE powers will be devolved from the County Council to the Districts/Boroughs under agency agreements.

13. Under CPE, parking becomes a civil, rather than a criminal matter. All parking rules on the public highway and in public car parks are then patrolled by Council Civil Enforcement Officers (CEOs), who may issue Penalty Charge Notices (PCN) to vehicles found to be in contravention of parking rules.

14. Part 6 of TMA and the Secretary of State for Transport's Statutory Guidance sets out the process for handling PCNs. Motorists who receive a PCN and believe it to have been issued incorrectly can challenge the penalty, with the process including access to an independent Parking Adjudicator (whose decision is legally binding on both parties), rather than being taken to Magistrates Court. Failure to pay can result in enforcement action following a streamlined County Court process where cases may be registered as a debt.

15. Income from the issue of PCNs is retained by the enforcement authority to support the cost of the operation. Authorities who operate CPE set out to operate in a revenue-neutral state, and the use of any surplus income is regulated by section 55 of the **Road Traffic Regulation Act 1984** (RTRA).

Parking Policies

16. It is necessary both for the DfT application and for the wider community that local authorities set out their parking policies and strategies with respect to CPE. The County Council has adopted the **Suffolk Parking Management Strategy 2018** (SPMS) which provides a high level, over-arching strategy for CPE, which was formally adopted by the County Council on the 6th November 2018: https://committeeminutes.suffolk.gov.uk/Committee.aspx?Refinablestring10=The%20Cabinet

17. The decision to adopt CPE powers for the whole of Suffolk has provided an opportunity for the County, Districts and Boroughs to review their current parking policies, and their approach to its implementation and management.

Local policy

18. This document has been produced to set out the policies to be adopted for the management of on- and off-street parking for Babergh and Mid Suffolk District Councils.

19. Parking policies need to be integral to, and support, the County Council's Transport Strategy. The Department for Transport's Guidance on Local Transport Plans (July 2009), expects local authorities to set policies/strategies to contribute to the national transport goals: –

    - Support economic growth;
    - Reduce carbon emissions;
    - Promote equality of opportunity;
    - Contribute to better safety, security and health;
    - Improve quality of life and a healthy natural environment.

20. **The Suffolk Local Transport Plan** has a small section on parking. This has been expanded by the SPMS which is the over-arching, high level, strategic document setting out the County Council's local transport plan strategic objectives with respect to the operation of County-wide CPE.

    The County Council has also produced the **Suffolk Guidance for Parking** which provides guidance for developers and planning authorities and can be viewed at: –

    https://www.suffolk.gov.uk/planning-waste-and-environment/planning-and-development-advice/parking-guidance/

21. What is Positive Parking? Babergh & Mid Suffolk District Councils have signed up to, the Positive Parking Agenda, an initiative started by a group of local authorities supported and assisted by the British Parking Association. The aim of the Positive Parking Agenda is to change perceptions and challenge misconceptions about the parking sector as well as local government's role and make the parking experience a better one for all concerned. The Agenda looks to provide effective and positive

communications, promoting innovation and the use of technology, for the benefit of all.

The Agenda addresses a range of key priorities including: congestion, safety, air quality, accessibility, technology, working together and fairness. Babergh and Mid Suffolk is looking to align its parking strategy, including it's polices and operations, to this agenda through a Positive Parking Framework. The Positive Parking Agenda is looking to its founder members to set a benchmark standard for other local authorities to follow. Find out more at www.positiveparkingagenda.co.uk

This Document

22. This document helps the authorities achieve their economic, social and environmental objectives, aligned to the Positive Parking Agenda priorities: –

1. **Congestion** – Reducing congestion, helping drivers find spaces quickly and easily
2. **Safety** – Improving road safety, reducing the severity and number of traffic collisions.
3. **Air quality** – Improving air quality, reducing congestion and dwell time in finding spaces
4. **Accessibility** – Improving access to services and the economic vitality and vibrancy of town centres and high streets
5. **Technology** – Supporting a more mobile society by embracing new technology
6. **Working Together** – Providing a more efficient and accessible road network
7. **Fair** – Delivering a more effective, efficient and consistent parking management service

Parking in Car Parks - The District Council's policies

23. District Councils have the power to provide off-street car parks, and in doing so must take account of conflicting demands for parking space for residents, visitors, business and workers; councils must balance this with the effects that unrestricted and free parking can contribute to increased congestion, obstructions, pollution and spaces being occupied by the wrong users at inappropriate times.

Policy 1 – Babergh and Mid Suffolk Councils' joint 'Vision for Parking'
The Vision for Parking is "to allow parking where possible and control parking where necessary".

24. Accommodating the needs of all road users, particularly in historic towns and villages, is not always possible and will remain a challenge for local authorities, and an effective parking management plan will be required to help resolve these issues.

Policy 2 – Off-Street Parking Places
Off-street parking places will be regulated in order to assist with traffic management on the road network, in a way that supports and promote our communities.

25. In Babergh, the Council provides or manages 24 car and lorry parks, of which only the Pin Mill car park, one car park in Hadleigh and two car parks in Sudbury make any charges; the majority make no charge.

    Details of the car and lorry parks can be viewed at:

    https://www.midsuffolk.gov.uk/communities/parking/babergh-car-and-lorry-parks/

26. In Mid Suffolk, the Council provide or manage 14 car and lorry parks of which only the Stowmarket car parks make charges; the other 7 car and lorry parks have no charges.

    Details of the car and lorry parks can be viewed at:

    https://www.midsuffolk.gov.uk/communities/parking/mid-suffolk-car-and-lorry-parks/

27. Car park tariffs are only applied in a limited number of the Districts' car parks with most parking provided at no cost. Charges can be found on the Council's website.

28. The last car park charging review was carried out for Babergh in 2011 and for Mid Suffolk in 2014. The DfT no longer stipulate that local authorities must operate their parking accounts so they are at least self-financing but the do advocate that this is good practice: "The Secretary of State will not expect either national or local taxpayers to meet any deficit".

29. Tariffs will continue to be periodically reviewed, considering the need to manage traffic and parking on the road network more generally.

30. As part of the CPE implementation process, however, the car park orders, terms and conditions of use must change to align them with the different legislation. These planned changes will be advertised in accordance with national regulations.

Policy 3 – review of off-street car park operation
Car park tariffs and operational arrangements will continue to be reviewed in future as required. The Car Park Order terms and conditions will also be reviewed as part of the CPE implementation process to make them compliant with the revised legislation and be advertised in accordance with the traffic order procedure regulations.

Parking on the Highway - The County Council's Powers

31. In the Babergh and Mid Suffolk area, the County Council manages On-Street parking, much of which is unrestricted and uncharged. In built up areas some limited waiting controls are in operation. These range from 30 minutes, one- or two- hour restrictions with 'no return' generally set at two hours. These arrangements have generally been in place for a considerable number of years without change or review.

32. In preparation for adopting CPE the County Council has carried out a review of all existing waiting, loading and parking restrictions on the highway and compared them with the legal description in the traffic regulation orders. During 2018/19, any discrepancies were resolved and new traffic regulation orders were advertised reflecting the restrictions as they appear on the highway. A consolidation order will include any other changes necessary to reflect the CPE legislation.

Parking Service Delivery in Babergh & Mid Suffolk

33. The intention in Suffolk is that parking operations will be carried out by the second-tier Districts/Boroughs, under agency agreements with the County Council. Babergh and Mid Suffolk Councils took the decision at a very early stage not to ask to operate the parking services in our area.

34. The predominantly rural makeup of the Districts would make it inefficient and costly for us and the model produced by the County Council's consultants predicted an operational financial deficit if we were to undertake these operations ourselves.

35. Instead, enforcement will be carried out in Partnership with neighbouring authorities where the economies of scale make this method of operating more efficient, also being financially underwritten by the County Council.

36. Whist not carrying out the operation directly, we will, in Partnership with the other District and County Councils, set out the guiding policies and objectives of how this will operate.

37. The implementation of CPE will bring a greater consistency and level of parking patrols on the highway network. A possible consequence may be that the current restrictions are no longer considered fit for purpose and need to be amended. Any On-Street Parking Reviews will be undertaken by the County Council and are dependent on the availability of a budget to pay for the review, consultation and implementation. The process for undertaking a review is set out below.

Making a change to restrictions – and the right to petition

38. **The Right to Challenge Parking Policies 2015** is Guidance which requires local authorities to adopt specific policies for the acceptance and management of parking petitions over and above the local authority's general petition policy.

39. The Department for Communities and Local Government (DCLG – now Ministry of Housing, Communities and Local Government) produced Duty Guidance in 2015 under section 18 of the **Traffic Management Act 2004** requiring local authorities to set policies for petitions challenging parking policies. The guidance recognises that local authorities should already have policies for petitioning about council run services but requires specific and additional policies and procedures to be published with respect to parking policies.

40. DCLG guidance sets out best practice advice on what polices should be adopted and provided illustrative examples. The County Council sets out this policy, encompassing:-

    - The minimum number of signatures for a valid petition;
    - Information that needs to be provided by and about the petitioners;
    - How the petition will be managed on receipt;
    - The timeframe for a review;
    - The circumstances when a petition will not be considered;
    - Definition of vexatious petitions.

41. In addition, this Area Parking Plan provides a toolkit for investigating requests or reviewing the need for waiting, loading and parking controls when and if they occur. It also sets out how the Councils plan to engage with the local community and seek the views of local councils, businesses and residents.

Policy 4 – parking petitions
The COUNTY COUNCILS' PETITION SCHEME will be used for the handling of parking petitions. BMSDC will be a conduit to assist in petitions being submitted within the districts. A parking review may take 12 months before the report is finalised and considered by Councillors. Parking petitions will not be considered under some circumstances where a review or new scheme has just been finalised.

Footway and Verge Parking

42. Footway and verge parking is neither desirable and nor encouraged but except for heavy vehicles or where there are other parking restrictions adjacent, by itself is not an offence except in cases of Obstruction where an offence may be being committed. Driving on the footway however, does constitute an offence.

43. Under current legislation, vehicles parked on the footway or verge are covered under different laws depending upon the situation.

- Where a yellow line restriction is in place it covers the entire highway from carriageway centre line including the footway and/or verge and can usually be enforced up the property line.
- Where no restrictions are in place, CEOs cannot enforce unless there is a specific footway parking restriction in place (unless the vehicle is a lorry), or the parking is at a dropped kerb, raised area or an area of tactile paving.
- In all other cases, the matter – even after CPE – remains one for the Police.
- The Government has indicated its intention to carry out a review of the current arrangements for footways and verges – and obstructive parking in general – which could result in the sharing of nationwide footway parking powers.
- The DfT announced in April 2018 that they are considering options to give local authorities shared obstructive parking powers with a Review starting in 2019, expected to last up to two years.

44. The 2016 edition of the traffic signs regulations allowed the option to create an area-wide footway/verge parking ban which is signed on a zonal basis, although this offers few benefits over pre-existing powers.

45. There are certain locations where vehicles have traditionally parked, partly or fully on the footway to maintain a wide enough thoroughfare on the carriageway or where the footway is sufficiently wide that footway parking would not cause a problem for pedestrians.

46. Where it is considered appropriate to allow footway parking, certain tests will need to be applied before allowing the practice to continue, including checking for sub-surface utilities and surface damage.

47. It is proposed that a 'four foot rule' will be applied whereby a double buggy, blind person's sweep of their white stick, or wheelchair can easily pass a parked vehicle – the unobstructed footway width between parked vehicle and property boundary would be around 1,230mm (4 foot).

48. In some locations where the footway and carriageway is particularly narrow, consideration will be given to allow footway parking on one side of the road provided the other footway is unobstructed. Verge parking will not be allowed.

49. Care must be given to situations where prohibiting footway parking might otherwise lead to more carriageway parking and the consequent congestion issues that may arise; this is perhaps no more desirable than the original issues we sought to resolve, and could simply result in additional restrictions becoming necessary; both situations to be avoided with careful planning and local consultation.

Policy 5 – footway parking
Footway parking is not encouraged. Allowing footway parking will only be considered in exceptional circumstances and where local consultation supports it and only if the footway construction and underground services are unlikely to be compromised and only with agreement from local councillors.

Signage for restrictions

50. Further work needs to be done to produce a clear design guidance for Babergh and Mid Suffolk but the principles will be an aim to:-

- reduce the number of signs to a minimum;
- combine signs where possible;
- fix signs to existing street furniture;
- avoid marking lines on cobbles or granite setts – instead use restricted zones;
- Conservation signing and lining where appropriate.

Policy 6 – reducing street clutter
Parking schemes will be designed and implemented with the aim to reduce street clutter, minimising the number of signs used whilst maintaining compliance; Fix signs wherever possible to existing street furniture with any new signposts positioned at the back of the footway; Wherever possible. and especially in environmentally sensitive areas, consider using zoned restrictions to reduce the need for lines and signage

Managing parking around schools

51. The DfT National Travel Survey (2014) estimated that 46% of primary school pupils and 23% of secondary travel to school by car. Child casualties around schools are thankfully very rare in Babergh and Mid Suffolk but like all schools across the country managing the increased traffic and stressed behaviours around the 'school-run' can be a challenge. Residents living close to a school where such behaviour is a regular occurrence understandably wish the problem to be resolved.

52. The County Council is introducing school keep clear zigzag restrictions to the pedestrian entrance to a school. These restrictions are aimed at reinforcing safe

lines of sight for pedestrians and motorists. If pedestrians are likely to be crossing the road at the same point it is usual to include waiting restrictions on the opposite side of the road to balance the need for sight lines. School entrance zigzags are generally well respected and do not need constant active enforcement by civil enforcement officers (CEOs) to keep the area clear of parked vehicles.

Requests for new restrictions or amendments to existing waiting restrictions

53. Requests for new on-street restrictions or amendments to existing will remain the responsibility of the County Council.

54. The need for community engagement and consultation before any proposals are introduced is essential. In Babergh and Mid Suffolk this will be a collaborative approach between the Districts and the County Council including the Districts providing the patrol services in our area.

55. It is expected that the prioritisation and delivery of new or revised restrictions will be carried out in consultation with the Districts by the County Council.

56. The County Council's policies for managing parking on the highway will apply.

Policy 7 – parking consultation
In developing new parking schemes the County Council will use local engagement with Opinion Survey, Detailed Design consultation and Statutory Consultation as the standard procedure.