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COMMITTEE:	BABERGH OVERVIEW AND SCRUTINY COMMITTEE
DATE:	MONDAY, 20 JANUARY 2020 9.30 AM
VENUE:	KING EDMUND CHAMBER - ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH

Members		
<u>Conservative</u> Siân Dawson Mary McLaren Adrian Osborne (Vice-Chair)	<u>Independent</u> Kathryn Grandon Alastair McCraw (Chair) <u>Liberal Democrat</u>	<u>Labour</u> <u>Green</u> Jane Gould

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AGENDA

PART 1

MATTERS TO BE CONSIDERED WITH THE PRESS AND PUBLIC PRESENT

Page(s)

- 1 **APOLOGIES AND SUBSTITUTES**
- 2 **DECLARATION OF INTERESTS**
- 3 **TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH THE COUNCIL'S PETITION SCHEME**
- 4 **QUESTIONS BY THE PUBLIC**

To consider questions from and provide answer to members of the public on any matter in relation to which the Committee has powers or duties and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

5 **QUESTIONS BY COUNCILLORS**

To consider questions from and provide answer to Councillors on any matter in relation to which the Committee has powers or duties and of which due notice has been given in accordance with the Committee and Sub-Committee Procedure Rules.

6 **BOS/19/5 DRAFT GENERAL FUND BUDGET 202/21 AND FOUR-YEAR OUTLOOK** 5 - 30

Assistant Director – Corporate Resources

Cabinet Member for Finance

7 **BOS/19/6 DRAFT HOUSING REVENUE ACCOUNT BUDGET AND FOUR-YEAR OUTLOOK** 31 - 44

Assistant Director – Housing

Cabinet Member for Finance

8 **INFORMATION BULLETIN**

The Information Bulletin is a document that is made available to the public with the published agenda papers. It can include update information requested by the Committee as well as information that a service considers should be made known to the Committee.

This Information Bulletin contains updates on the following subjects:

There are no Information Bulletin for this Item.

9 **FORTHCOMING DECISIONS LIST**

To review the Council’s Forthcoming Decisions List and identify any items to be brought before the Overview and Scrutiny Committee.

The most up to date Forthcoming Decision List can be located on the Website on the Following Link:

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

10 **BOS/19/ BABERGH OVERVIEW AND SCRUTINY WORK PLAN** 45 - 46

To agree the Work Plan.

11 **BOS/19/ MSDC OVERVIEW AND SCRUTINY WORK PLAN** 47 - 48

For information.

Date and Time of next meeting

Please note that the next meeting is scheduled for Monday, 24 February 2020 at 9.30 am and will be joint meeting with Mid Suffolk Council

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, Committee Services on: 01449 724681 or Email: Committees@baberghmidsuffolk.gov.uk

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Agenda Item 6

BABERGH DISTRICT COUNCIL

COMMITTEE: Overview and Scrutiny	REPORT NUMBER: BOS/19/5
FROM: Councillor John Ward, Cabinet Member for Finance	DATE OF MEETING: 20 January 2020
OFFICER: Katherine Steel, Assistant Director, Corporate Resources Melissa Evans, Corporate Manager, Finance and Commissioning & Procurement	KEY DECISION REF NO. CAB133

DRAFT GENERAL FUND BUDGET 2020/21 AND FOUR-YEAR OUTLOOK

1. PURPOSE OF REPORT

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

- 3.1 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.
- 3.2 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.
- 3.3 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.

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.

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

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

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

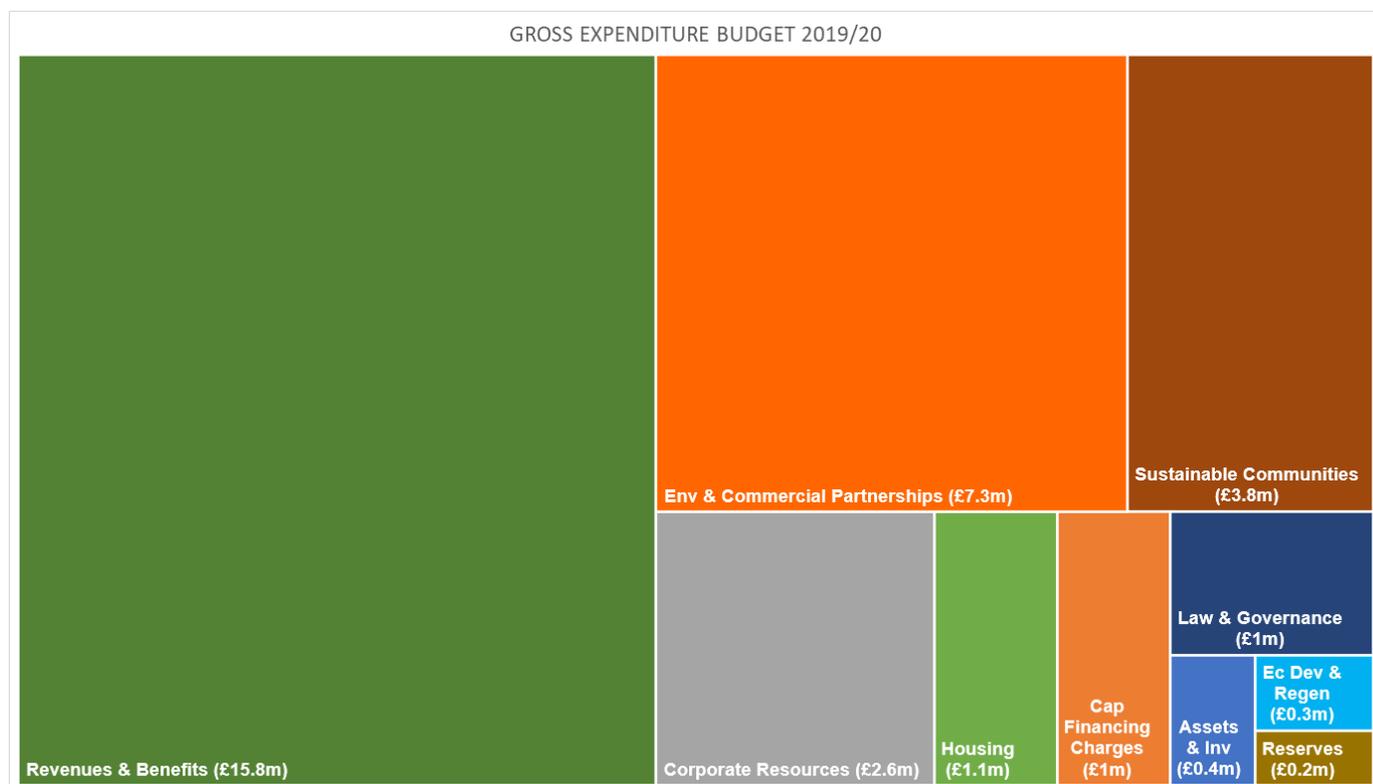
5.1 The Council's 2019/20 gross expenditure is £33.5m and income is £23.3m giving a net cost of service of £10.2m. Table 2 below shows how this is funded.

Table 2: Revenue Budget 2019/20

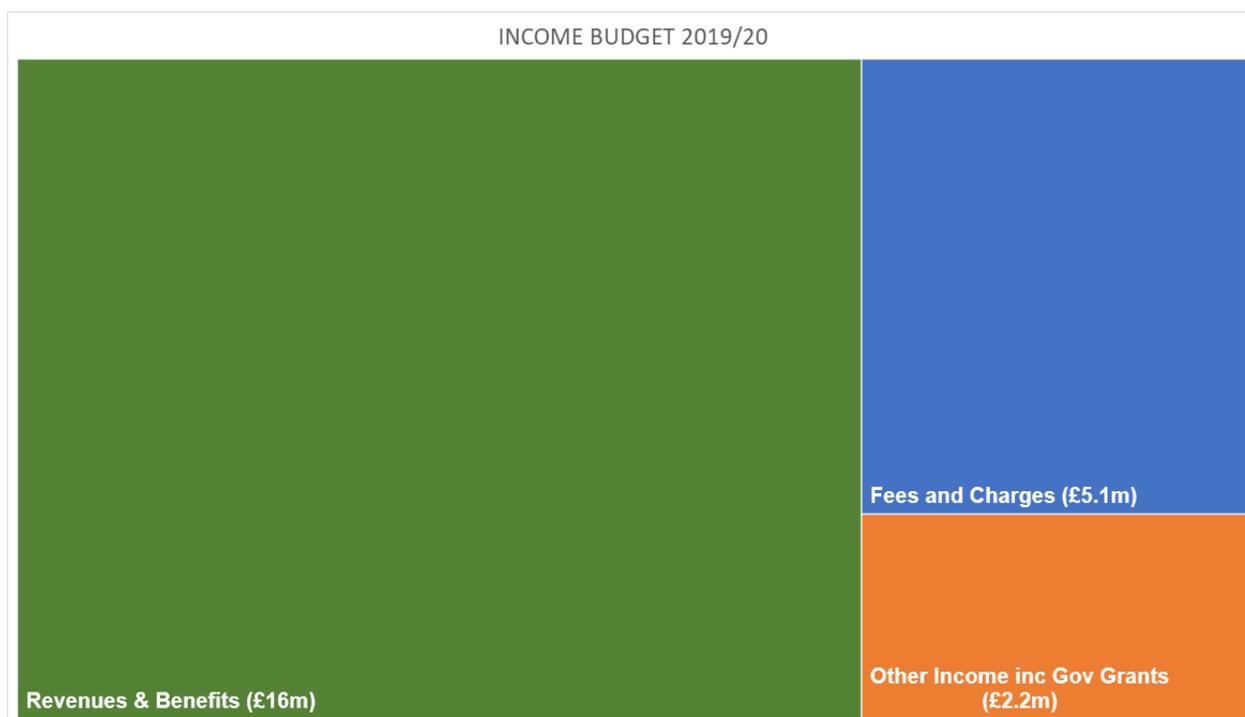
	£,000
Gross Expenditure	33,522
Income	(23,326)
Net expenditure 2019/20	10,196
Funded by:	
Earmarked Reserves	(615)
New Homes Bonus	(683)
S31 Grant	(1,107)
Business Rates	(1,892)
Collection Funds (Surplus)	(206)
Rural Services Delivery Grant	(227)
Council Tax	(5,466)
Total Funding	(10,196)

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

Graph 1 Gross Expenditure by service area in 2019/20



Graph 2 Income in 2019/20



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

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

Strategic Aims

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

Principles

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

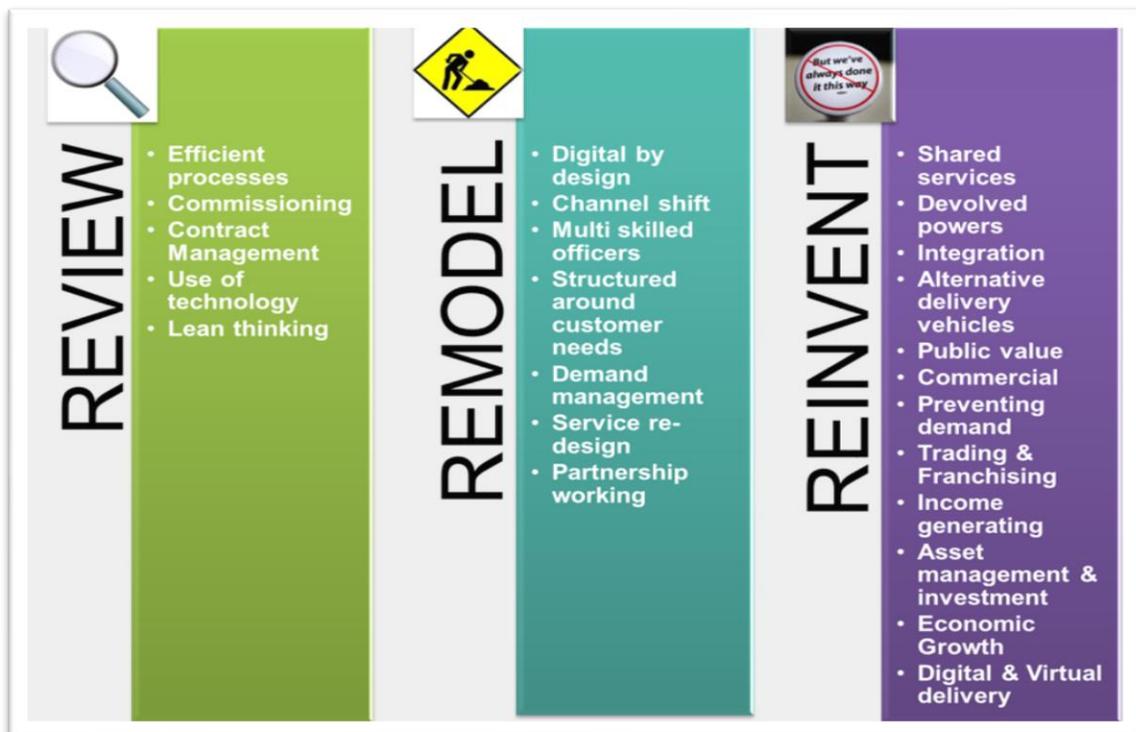
The Cabinet proposes that the following overarching principles should be considered when evaluating ideas and opportunities for change as set out below:

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

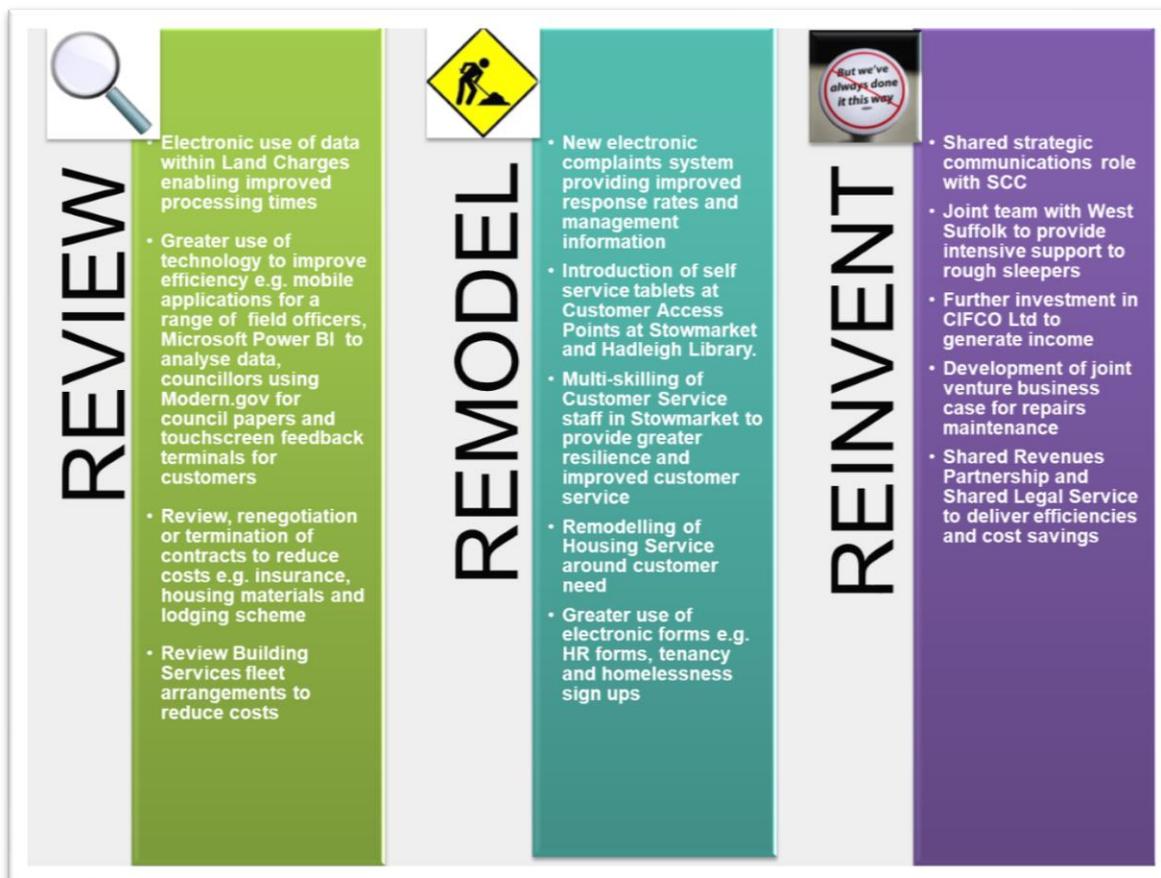
- 6.5 The focus will be on internal efficiencies and improvements within existing structures. Continuously looking to streamline work and reduce waste in processes. Greater cross-functional working and multi-skilling and improving ways of working to move away from ‘professional silos’ and toward integrated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

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

Approach



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



7. RESERVES

- 7.1 When setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.
- 7.2 The Council has been making significant savings for a number of years as set out in 8.17 below, and with each year the challenge gets more difficult without negatively impacting on service standards. The approach outlined above will deliver savings or generate income to help close the medium-term budget gap. However, some of these will not be realised until 2021/22 onwards and investment from reserves may be required to deliver them.
- 7.3 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.
- 7.4 In 2020/21 the Council is using £304k from earmarked reserves against specific service expenditure (£229k shown against new pressures 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 10% over the two years.

Table 3: Forecast Earmarked Reserve Levels

Transfers to / from Earmarked Reserves	Balance 31 March 2019	Transfers 2019/20		Balance 31 March 2020	Transfers 2020/21		Balance 31 March 2021
		Transfers to	Transfers from		Transfers to	Transfers from	
Carry Forwards	(75)		75	(0)			(0)
Transformation Fund	(458)	(1,808)	1,960	(306)	(542)		(848)
Business Rates Retention	(1,274)			(1,274)			(1,274)
Business Rates Equalisation	(1,690)			(1,690)			(1,690)
Government Grants	(282)		70	(212)		39	(173)
Commuted Maintenance Payments	(627)		128	(499)			(499)
Elections Fund	(70)	(20)	70	(20)	(20)		(40)
Elections Equipment	(35)			(35)			(35)
Planning Enforcement (Legal Costs)	(88)			(88)			(88)
Revocation of personal search fees	(55)			(55)			(55)
Homelessness	(197)		49	(148)		78	(70)
Temporary Accommodation	(44)	(7)		(51)		7	(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)	(567)	281	(5,138)
Community Infrastructure Levy (CIL)	(3,961)			(3,961)			(3,961)
Total earmarked reserves	(9,628)	(1,835)	2,650	(8,813)	(567)	281	(9,099)

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 11% 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 pressures 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 the general election.

- 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 49% 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 £542k to the reserve.

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

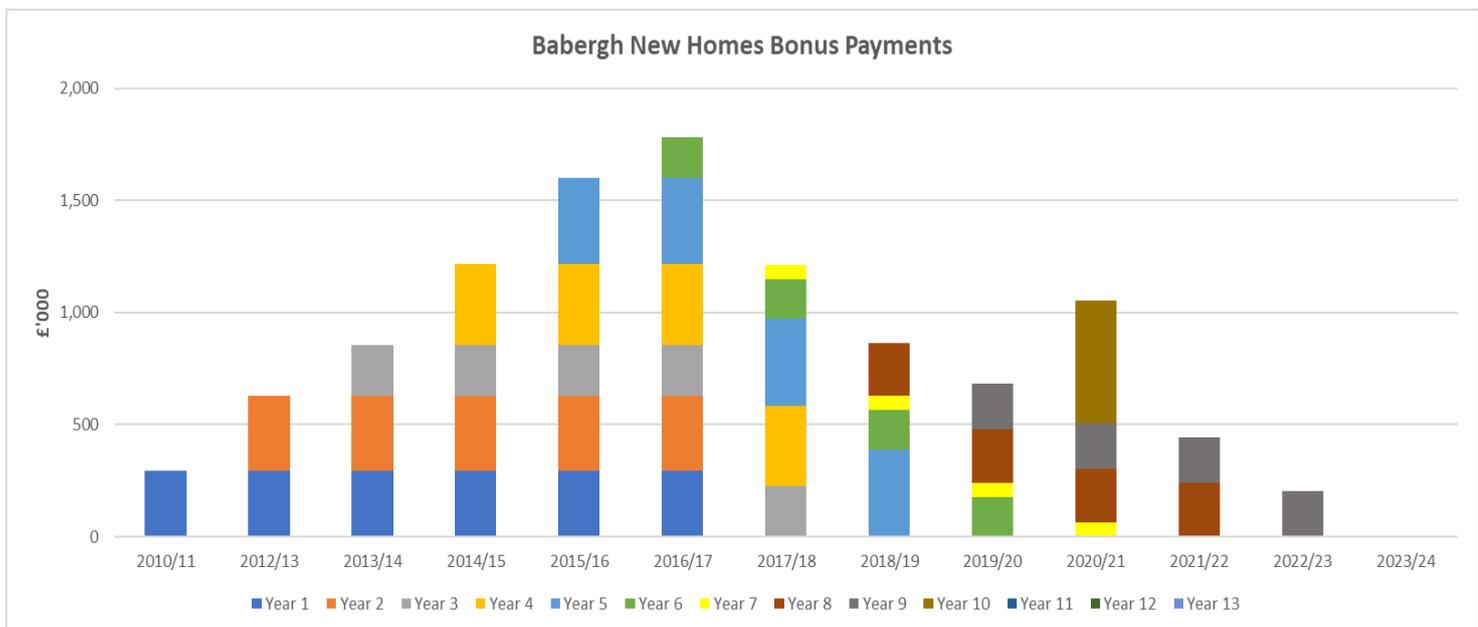
	2016/17	2017/18	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Amount of NHB received	1,779	1,212	866	683	1,055	5,595
NHB used to balance the budget	1,559	1,197	866	683	513	4,817
% of NHB allocation to balance budget	88%	99%	100%	100%	49%	86%

- 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

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

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



- 8.11 In calculating the expected level of funding across all sources, the following assumptions have been made:
- Minimal use of reserves after 2020/21.
 - NHB as per 8.8 and Table 5 above.
 - No growth in business rates income.
 - Nothing has been included for forecast Business Rates surplus or deficit beyond 2019/20 based on the assumption that the equalisation earmarked reserve will accommodate this.
 - Rural Services Delivery grant will continue beyond 20120/21.
 - Council Tax £5 increase for 2020/21 and 2% increase each year from 2021/22 to 2023/24, generating on average an incremental additional £120k per annum.
 - 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 (£304k for 2020/21) funding decreases by 5% 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 51% 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 £4m and will still have a deficit of £1.3m.

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

Description	2019/20	2020/21	2021/22	2022/23	2023/24
	Budget	Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000	£000
Funding:					
Other Earmarked Reserves	(615)	(304)	(52)	(24)	-
New Homes Bonus - provisional 2021/22 onwards	(683)	(1,055)	(444)	(205)	-
S31 Business Rates Grant	(1,107)	(1,193)	(1,107)	(1,107)	(1,107)
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)	(10,455)	(9,711)	(9,655)	(9,645)

Pressures

- 8.15 In addition to the reduction in Government funding there are £3.4m of cost pressures that have been identified in 2020/21 and beyond. However, this includes £153k of other funding from reserves. Table 7 below shows the cost pressures the Council is expecting to face over the next four years.

Table 7: Forecast Cost Pressures 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	9,913	10,393	10,844
Cost Pressures				
<u>Inflation</u>				
Employees - includes pay award and increments	342	308	320	332
Contracts	79	105	107	110
Business Rates	15	15	16	16
Sub total cost pressure	436	428	443	458
<u>Assets and Investments</u>				
CIFCO - net interest receivable	220	(18)	(18)	(15)
PV Panels -cost of servicing & repairs	85	(8)		
Borehamgate - rental income and service charges	41			
<u>Customer Access</u>				
ICT - telephony, software licenses & contract costs	162			
<u>Environment and Projects</u>				
Leisure contract - timing of loan repayment	72			
Waste - refuse contract	41			
Waste - recycling credits		130		
Waste - cost of disposal (Trade and Garden waste)	29			
Car Parks - business rates re-valuation	17			
Materials Recycling Facility (cost of disposal) (funded from reserves)	13			
<u>Housing</u>				
Homelessness Grant funding - no longer received	32			
Loss of income for B&B - offset by cost reduction shown below	30			
<u>Sustainable Communities</u>				
Joint Local Plan - examination costs (funded from reserves - £86k)	118			
Policy Strategy Health & Well-being (funded from reserves - £39k)	45			
Provision of Free Swims for children aged 16 years and under during school holidays	38			
Planning appeals - professional & consultancy fees	30			
<u>Other Cost Pressures</u>				
Employee Costs	153	(15)	-	(24)
Minimum Revenue Provision (MRP)	88	218	156	117
Other items (net) - funded from reserves £15k	31	(68)	(31)	(64)
Total Pressures	1,680	666	551	472
Pressures funded from earmarked reserves (as mentioned above)	153			

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

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)
BMS Invest recharge	(22)			
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)			
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)	(17)
Net reduction in transfers to reserves	(192)	(5)		
Contract management savings	(110)	(50)	(50)	(50)
Charge to HRA and Capital	(75)	(24)	(25)	(25)
Employees - deficit pension fund change (1% reduction from 20/21)	(42)	(42)	(42)	59
Total savings	(1,963)	(185)	(100)	(352)
Total Net Service Cost movement	(283)	481	450	120
New Net Service Cost	9,913	10,393	10,844	10,963

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 £542k surplus. This is achieved by using £512k New Homes Bonus, £1.2m S31 grant, £227k Rural Service Delivery Grant and £304k from reserves.

8.21 The three-year deficit from 2021/22 of £1.3m is after using £4.7m in total of the following;

- £650k New Homes Bonus;
- £3.3m S31 grant;
- £680k Rural Service Delivery Grant; and
- £80k from reserves

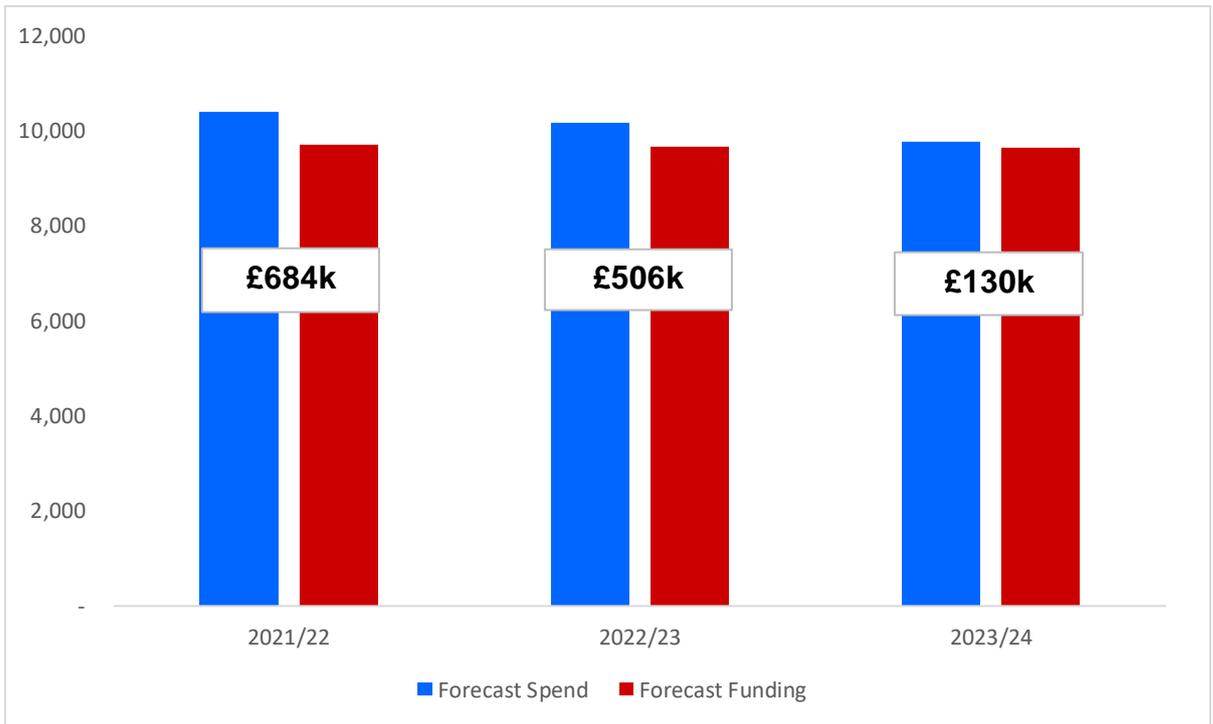
8.22 Over the three-year period from 2021/22 the Council's cumulative deficit of £1.3m must be addressed. The Council will need to deliver significant income or savings by reviewing, remodelling and reinventing the way it operates as set out in section 6, with the key objective to become self-financing and to have more than enough funds to invest within the council itself and across the district.

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

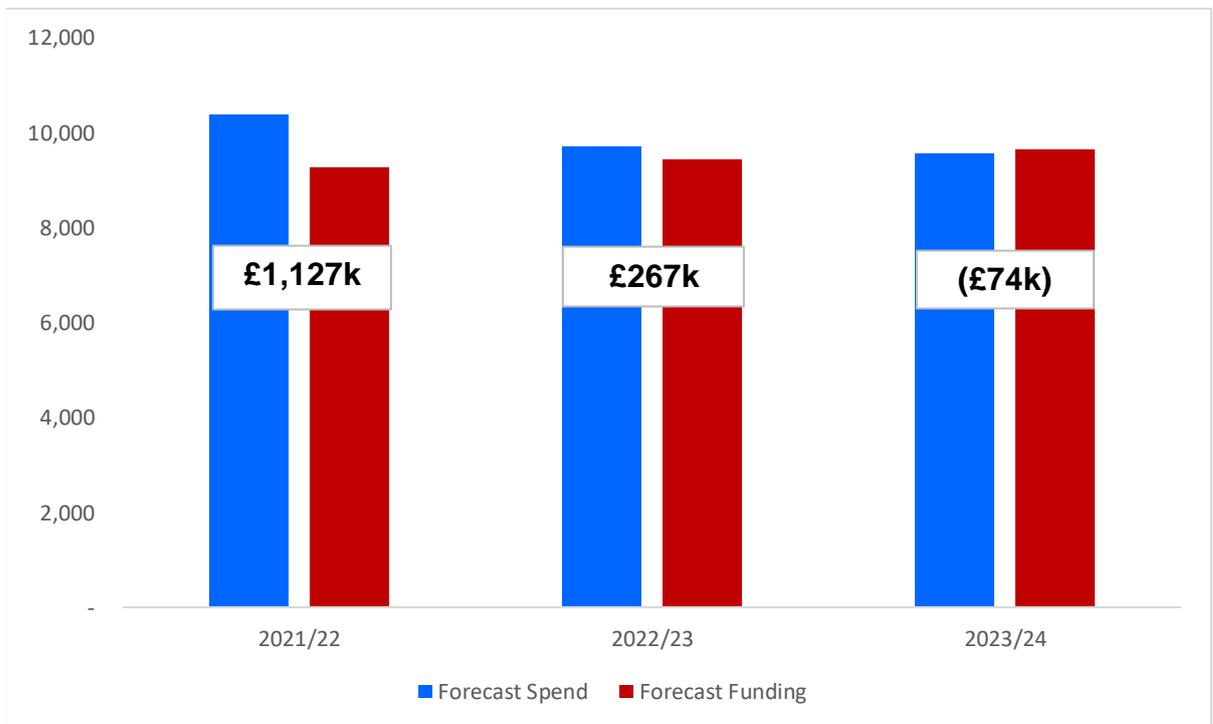
	Babergh		
	2021/22	2022/23	2023/24
<u>Including NHB</u>			
Net Service Cost previous year	9,914	10,394	10,160
Pressures	666	551	472
Savings	(185)	(100)	(352)
Previous years budget gap closed		(684)	(506)
Net Service Cost current year	10,394	10,160	9,774
Funding	(9,710)	(9,654)	(9,644)
Annual Deficit /(Surplus)	684	506	130
Cummulative Deficit/(Surplus)	684	1,190	1,320

	Babergh		
	2021/22	2022/23	2023/24
<u>Excluding NHB</u>			
Net Service Cost previous year	9,914	10,394	9,717
Pressures	666	551	472
Savings	(185)	(100)	(352)
Previous years budget gap closed		(1,127)	(267)
Net Service Cost current year	10,394	9,717	9,570
Funding	(9,267)	(9,450)	(9,644)
Annual Deficit /(Surplus)	1,127	267	(74)
Cummulative Deficit/(Surplus)	1,127	1,394	1,320

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 (£9.913m) a decrease of £283k (2.8%).

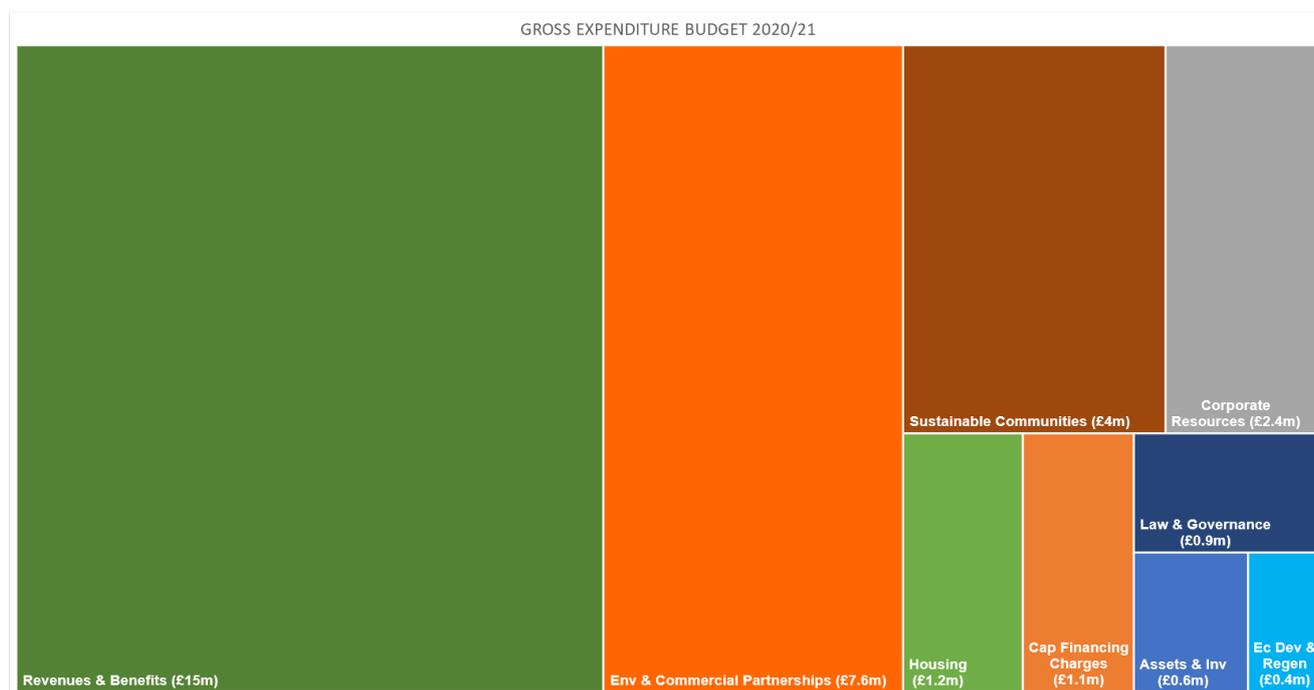
The Council's 2020/21 gross expenditure is £33.2m and Income is £23.3m giving a net cost of service of £9.9m. Table 10 below shows how this is funded.

Table 10: Revenue Budget 2020/21

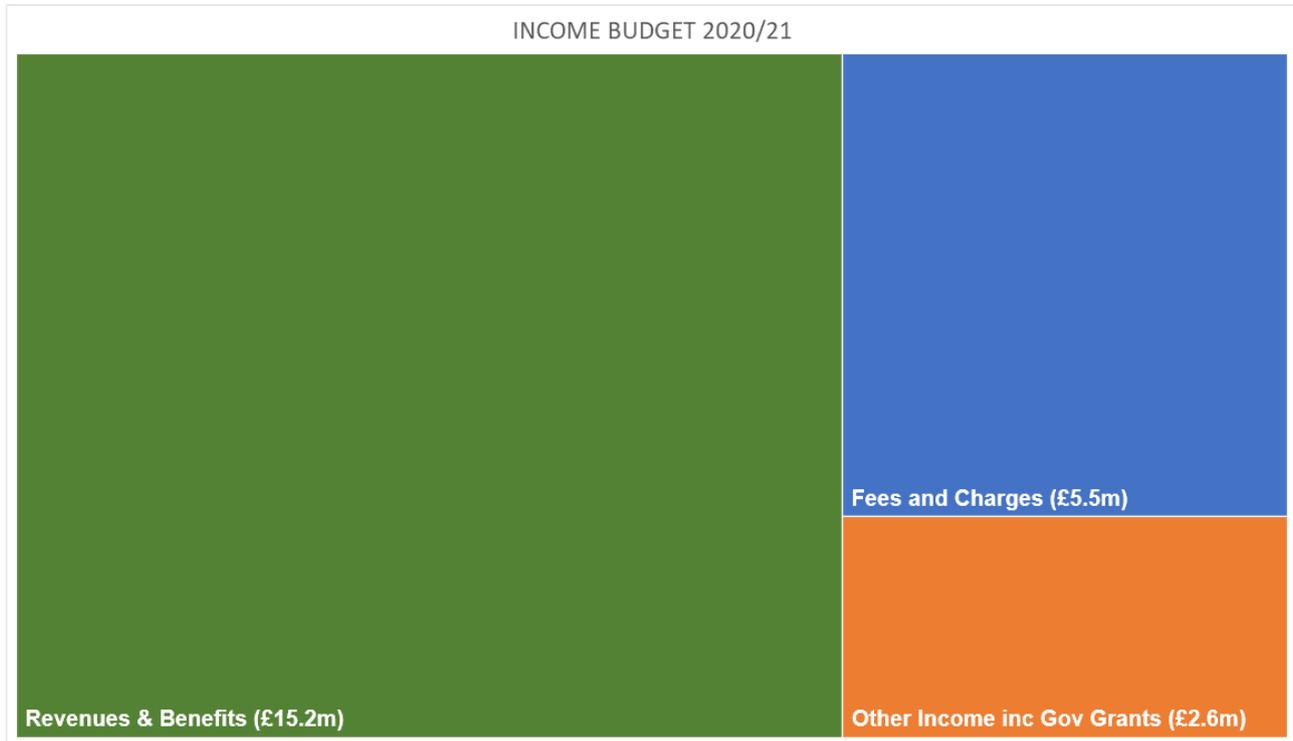
	£,000
Gross Expenditure	33,219
Income	(23,306)
Net expenditure 2020/21	9,913
Funded by:	
Earmarked Reserves	(304)
New Homes Bonus	(1,055)
S31 Grant	(1,193)
Business Rates	(1,894)
Collection Funds (Surplus)	(9)
Rural Services Delivery Grant	(227)
Council Tax	(5,774)
Total Funding	(10,455)
Budget deficit / (surplus)	(542)

- 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 will be included in the report to Cabinet in February 2020.
- 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 £12.1m. 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 will be presented to Cabinet in February along with the final budget report, following review by Joint Audit and Standards Committee in 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. 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 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. 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 the Council does not plan and identify options to meet the medium-term budget gap, then it will have a detrimental impact on the resources available to deliver services and the strategic priorities.	Unlikely - 2	Bad - 3	Clear priority outcomes and robust business cases for investment plus use of the Transformation Fund to support the MTFs and an Investment Strategy. The S151 Officer will submit the Section 25 report on the robustness of estimates and adequacy of reserves in February 2019.
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.

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 – Draft General Fund Budget Summary 2020/21	Attached
Appendix B – Draft Capital Programme	Attached

20. BACKGROUND DOCUMENTS

Provisional Local Government Finance Settlement

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

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DRAFT GENERAL FUND BUDGET SUMMARY 2020/21

GENERAL FUND REVENUE BUDGET SUMMARY

	2019/20 £'000	2020/21 £'000	Movement £'000
1 Employee Costs	7,440	7,719	279
2 Premises	894	1,042	147
3 Supplies & Services	4,286	4,420	133
4 Transport	208	144	(64)
5 Contracts	4,455	4,555	101
6 Third Party Payments	15,523	14,676	(847)
7 Income	(21,309)	(20,988)	320
9 Charge to HRA	(1,128)	(1,203)	(75)
10 Charge to Capital	(4)	(4)	(0)
11 Transfers to Reserves	217	25	(192)
<u>Capital Financing Charges</u>			
12 Debt Management Costs	39	-	(39)
13 Interest Payable (Pooled Funds)	13	30	17
14 Interest Payable (CIFCO)	452	596	144
15 Interest Payable (CIFCO - further investment)	89	106	17
16 MRP	1,048	1,136	88
<u>Investment Income</u>			
17 Pooled Funds	(463)	(569)	(106)
18 Interest Receivable (Cash Surplus)	(19)	(15)	4
19 Interest Receivable (CIFCO)	(1,238)	(1,162)	76
20 Interest Receivable (CIFCO - further investment)	(307)	(594)	(287)
21 Net Service Cost	10,196	9,913	(283)
22 Transfers from Reserves - earmarked	(615)	(304)	311
23 New Homes Bonus	(683)	(1,055)	(371)
24 S31 Business Rates Grant - to balance the budget	(1,107)	(1,193)	(86)
25 Baseline business rates	(2,104)	(2,139)	(35)
26 Business rates levy	495	527	33
27 Business rates – collection fund deficit / (surplus)	(283)	(283)	-
28 Business rates – growth/pooling benefit	(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	(10,196)	(10,455)	(259)
33 Shortfall / (Surplus) funding	-	(542)	(542)
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

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APPENDIX B

DRAFT CAPITAL PROGRAMME 2020/21 TO 2023/24

BABERGH CAPITAL PROGRAMME 2020/21 - 2023/24 GENERAL FUND		Anticipated c/f from 2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Housing														
Mandatory Disabled Facilities Grant	517		760	409	409	409	1,987				1,987			1,987
Discretionary Housing Grants	0		100	100	100	100	400						400	400
Empty Homes Grant	0		100	100	100	100	400						400	400
Total Housing	517		960	609	609	609	2,787	0	0	0	1,987	0	800	2,787
Environment and Projects														
Replacement Refuse Freighters - Joint Scheme	0		298	0	2,010	0	2,308						2,308	2,308
Recycling Bins	0		65	75	75	75	290						290	290
Total Environment and Projects	0		363	75	2,085	75	2,598	0	0	0	0	0	2,598	2,598
Communities and Public Access														
Community Development Grants	130		117	117	117	117	468						468	468
Play Equipment	0		50	50	50	50	200						200	200
Planned Maintenance / Enhancements - Car Parks	25		50	50	50	50	200						200	200
Total Community Services	155		217	217	217	217	868	0	0	0	0	0	868	868
Total Leisure Contracts	1,194		978	150	150	150	1,428	0	0	0	0	0	1,428	1,428
Investment and Commercial Delivery														
Belle Vue	3,800		0	2,500	0	0	2,500						2,500	2,500
Strategic Investment Fund	3,000		0	0	0	0	0						0	0
Former BDC Offices (Hadleigh)	0		582	0	0	0	582						582	582
Borehamgate	0		64	0	0	0	64						64	64
CIFCO - further investment	1,334		8,666	3,834	0	0	12,500						12,500	12,500
Other Corporate Buildings	0		36	44	44	44	168						168	168
Total Investment and Commercial Delivery	8,134		9,348	6,378	44	44	15,814	0	0	0	0	0	15,814	15,814
ICT & Customer														
ICT - Hardware / Software costs	0		200	200	200	200	800						800	800
Total Corporate Resources	0		200	200	200	200	800	0	0	0	0	0	800	800
Total General Fund Capital Spend	10,000		12,067	7,629	3,305	1,295	24,296	0	0	0	1,987	0	22,308	24,296

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Agenda Item 7

BABERGH DISTRICT COUNCIL

COMMITTEE: Overview and Scrutiny	REPORT NUMBER: BOS/16/9
FROM: Councillor John Ward Cabinet Member for Finance	DATE OF MEETING: 20 January 2020
OFFICER: Katherine Steel, Assistant Director, Corporate Resources Gavin Fisk, Assistant Director, Housing Melissa Evans, Corporate Manager, Finance and Commissioning & Procurement	KEY DECISION REF NO. CAB135

DRAFT HOUSING REVENUE ACCOUNT (HRA) BUDGET AND FOUR-YEAR OUTLOOK

1 PURPOSE OF REPORT

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

1. OPTIONS CONSIDERED

- 2.1 The Housing Revenue Account Budget for 2020/21 and four-year 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 draft HRA 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.
- 3.2 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.
- 3.3 That garage rents are kept at the same level as 2019/20.
- 3.4 That Sheltered Housing Service charges be increased by £2 per week to ensure recovery of the actual cost of service.
- 3.5 That Sheltered Housing utility charges are kept at the same level as 2019/20.
- 3.6 That the budgeted surplus of £298k be transferred to the HRA reserves in 2020/21.

<p>3.7 That in principle, Right to Buy (RTB) receipts should be retained to enable continued development and acquisition of new council dwellings.</p> <p>3.8 That the revised HRA Business Plan in Appendix B be noted.</p>
<p style="text-align: center;">REASON FOR DECISION</p> <p style="text-align: center;">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.</p>

4 KEY INFORMATION

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

- 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 30-year HRA Business 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. The Business Plan is attached at Appendix B and shows additional detail for years 1-10.
- 5.2 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.
- 5.3 The new build and acquisitions funding within the Capital Programme 2020 – 2024 totals £26.9m.

5.4 The table below shows the capital expenditure and financing for 2020/21 to 2023/24.

Expenditure	£m
Housing Maintenance Programme	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

5.5 The Corporate Plan sets out clearly 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;

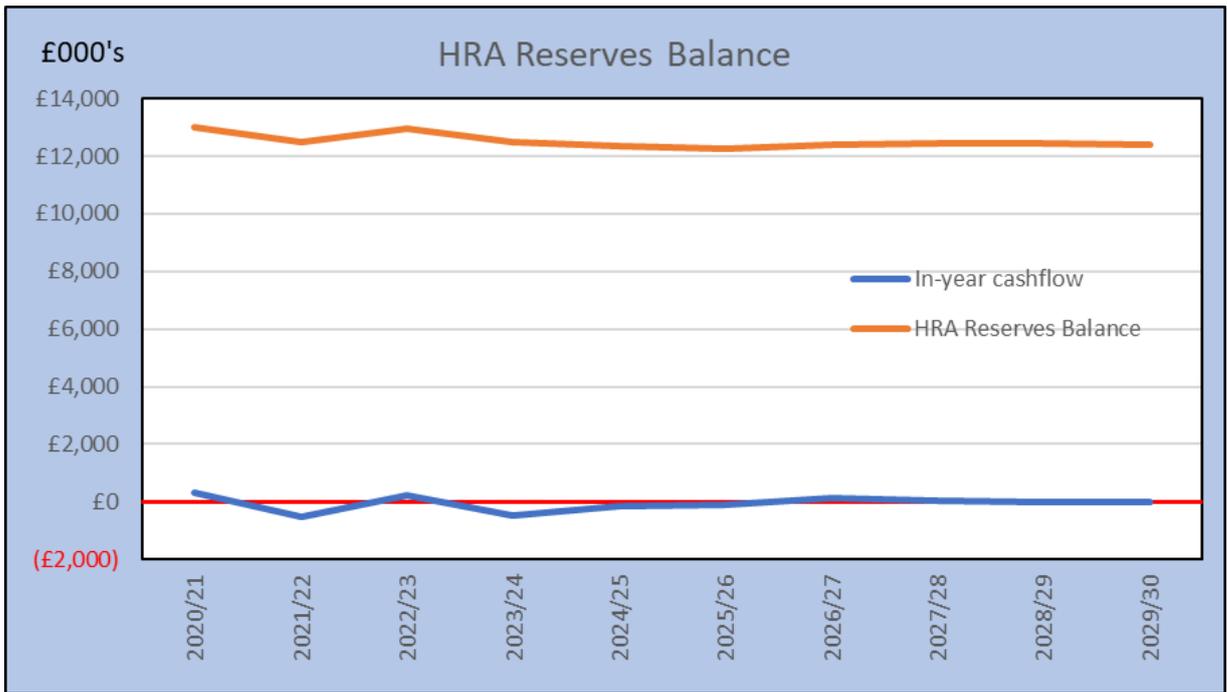
- Every £1 invested in a new social home generates £2.84 in the wider economy.
- Every new social home would generate a saving of £780 per year in Housing Benefit.
- Every new social home would generate a fiscal surplus through rental income.

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:

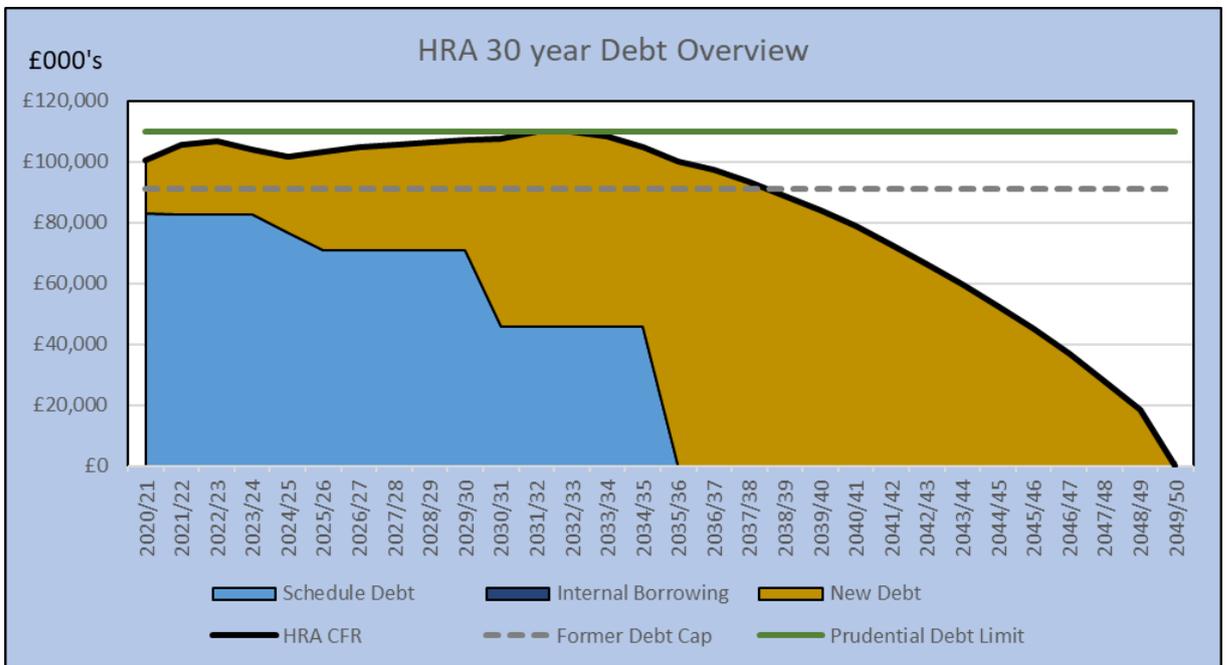
Graph A - Reserve balances from 2020/21 for 10 years

6.2 This graph shows reserve balances within the HRA decreasing to approximately £12.2m by Year 10 (2029/30) due to the Strategic Priorities Reserve being required to fund a total deficit of £0.28m over this period. The New 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.



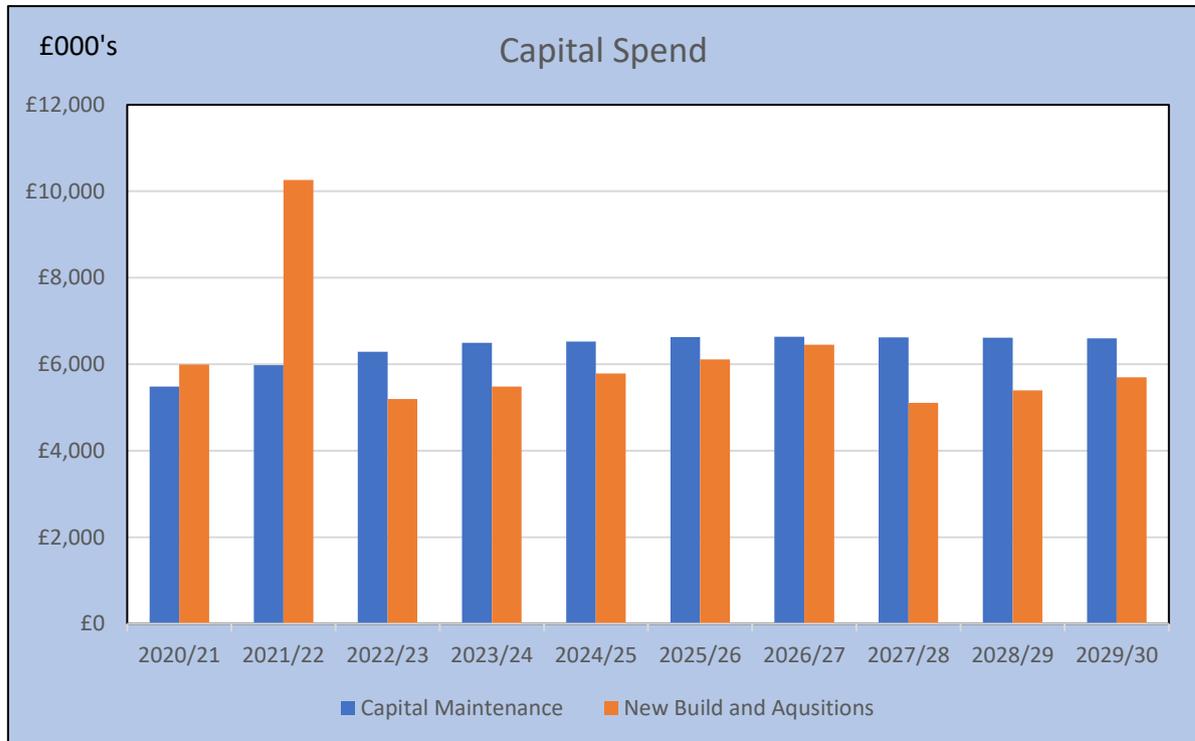
Graph B – HRA Debt Overview from 2020/21 for 30 years

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. 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 (2020/21 to 2029/30). 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 £298k 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 Icenl 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 Service 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 – to ensure recovery of the actual cost, the 2020/21 charges are to be increased by £2 per week. 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 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)	(16,008)	139	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)	(16,786)	175	
General Management	2,276	2,513	237	£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.

	Budget 2019/20 £000	Budget 2020/21 £000	Movement Adverse/ (Favourable) £000	Comments
Special Management	841	817	(24)	Reduction in community alarms due to de-sheltering of schemes £28k, partly offset by increment and pay award staffing costs £4k.
Repairs and Maintenance	1,951	2,007	56	Salary savings of £111k from service restructure (net of pay award/increments £39k), £28k increase in recharge income, £24k saving on vehicle fuel based on 3-year average costs, £4k minor adverse cost pressure. Increase in voids repairs £120k, and an increase of £95k for general repairs based on 3-year trend.
Property Services	1,136	1,204	68	Planned heating maintenance £50k saving, planned maintenance on painting increase of £158k due to backlog of work, asbestos survey £33k saving due to the Trades team now monitoring the arrangements, disabled facilities work £7k saving based on a 3-year trend.
Depreciation	3,313	3,313	0	
Interest payable	3,117	3,161	44	Increase due to higher borrowing costs
Debt Repayment	500	500	0	
Revenue Contribution to Capital	3,922	2,875	(1,047)	Revised capital programme therefore funding required in year is reduced
Bad Debt Provision	98	98	0	
Deficit / (Surplus) for Year	193	(298)	(491)	

10.2 A revised and updated HRA Business Plan is attached at Appendix B, based on an annual rent increase of 2.7% in 2020/21 then increasing by CPI +1% from 2021/22 for four years. It also reflects;

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

10.3 HRA Business Plan is currently viable over the 30-year business plan with treasury debt forecast to be reduced to zero by year 30.

11 HRA CAPITAL INVESTMENT PROGRAMME

11.1 The Capital Programme summary is attached at Appendix A.

11.2 The engagement of Icenl to work with the Council to look into development sites for new homes has led to a proposed Capital Programme for 2020-2023 of 229 affordable homes and 15 shared ownership homes.

11.3 The major areas being developed over the next three years include sites in Shotley and Angel Court in Hadleigh.

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 – Capital Programmes	Attached
Appendix B – updated HRA Business Plan	Attached

20 BACKGROUND DOCUMENTS

Housing Revenue Account Financial Monitoring Reports 2019/20

CAPITAL PROGRAMME FOR 2020/21 to 2023/24

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

Note: Financing is based on no Strategic Priority reserves being used to fund new build.

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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	(16,008)	(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	(16,776)	(17,913)	(18,782)	(19,366)	(20,243)	(20,194)	(20,523)	(20,856)	(21,195)	(21,538)
EXPENDITURE:										
General Management	2,511	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	6,637	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	(3,674)	(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	(299)	530	(511)	478	145	82	(124)	(25)	2	3
Reserves Opening Balance	(12,428)	(12,727)	(12,197)	(12,708)	(12,230)	(12,086)	(12,004)	(12,128)	(12,153)	(12,151)
Reserves Closing Balance	(12,727)	(12,197)	(12,708)	(12,230)	(12,086)	(12,004)	(12,128)	(12,153)	(12,151)	(12,148)

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Agenda Item 10

BABERGH OVERVIEW AND SCRUTINY COMMITTEE WORK PLAN 2019/20:

TOPIC	PURPOSE	LEAD OFFICER	CABINET MEMBER	PREVIOUSLY PRESENTED TO COMMITTEE
20 February 2020 – JOINT Chair Cllr Welham				
BMBS and proposed Development of Building Services Business Case	To scrutinise BMBS and the proposed development of the Building Service Business Case	Assistant Director - Housing	Cabinet Member for Housing	
Planning Enforcement	To scrutinise the planning enforcement strategy in the District	Assistant Director – Planning and Communities Chief Planning Officer	Cabinet Member for Planning	
23 March 2020 – JOINT Chair Cllr McCraw				
Customer Access Point Activity	A Report on the customer activity following scrutiny of the topic in December 2017	Assistant Director – Customers, Digital Transformation and Improvement	Cabinet Member for Customers, Digital Transformation and Improvement	JOS/17/3 18 December 2017
Housing Delivery Test Action Plan	To scrutinise the Action Plan	Corporate Manager – Strategic Planning	Cabinet Member for Planning	
23 March 2020 Chair Cllr McCraw				
Belle Vue House	Review of the plans of Belle Vue House	Assistant Director – Assets and Investments	Cabinet member for Assets and Investments	
16 April 2020 - JOINT Chair Cllr Welham				

Underspend of Grants for bringing empty homes back into use	A report to be brought to Committee for the effect of the underspending off grants for bringing empty homes back into use	Assistant Director – Housing Corporate Manager – Housing Solutions	Cabinet Member for Housing	N/A
Representatives on Outside Bodies	A review of the Representatives on Outside Bodies and an update on the work undertaken	Corporate Manager – Democratic Services		JOS/18/39 18 March 2019
18 May 2020 – JOINT Chair Cllr McCraw				
Review of the Overview and Scrutiny Committee 2019/20	Review of the work conducted throughout 2019/20 – Lessons learnt, improvements and achievements	Janice Robinson Corporate Manager – Democratic Services		

TOPICS IDENTIFIED FOR REVIEW BUT NOT CURRENTLY TIMETABLED:

Disability Facilities Grant

Review of the outcome from the Joint Meeting on 14 February Information Bulletin for Disabled Facilities Grant – an Information Bulletin in October 2020.

Fuel Poverty

Reporting back to the Committee on the changes incorporated into the Joint Fuel Poverty Strategy – To consider if further action is needed at this stage, in the light of it being incorporated into a Suffolk-wide strategy.

Crime and Disorder Panel meeting

Required to take place at least once a year, provisionally agreed to take place in **September/October 2020**.

Improving Access to the Private Rented Sector - to be considered by the Chairs in January 2020

Joint Compliment, Comment and Complaints Policy Update in July 2020

Other topics identified:

- Home ownership review
- The effect of Brexit on employment opportunities in the District
- The Financial Strategy for Babergh District
- The impact on the Council, when patients are discharged from hospital

Agenda Item 11

MID SUFFOLK OVERVIEW AND SCRUTINY COMMITTEE WORK PLAN 2019/20:

TOPIC	PURPOSE	LEAD OFFICER	CABINET MEMBER	PREVIOUSLY PRESENTED TO COMMITTEE
20 February 2020 - JOINT Chair – Cllr Welham				
BMBS and proposed Development of Building Services Business Case	To scrutinise BMBS and the proposed development of the Building Service Business Case	Assistant Director - Housing	Cabinet Member for Housing	
Planning Enforcement	To scrutinise the planning enforcement strategy in the District	Assistant Director – Planning and Communities Chief Planning Officer	Cabinet Member for Planning	
23 March 2020 – JOINT Chair Cllr McCraw				
Customer Access Point Activity	A Report on the customer activity following scrutiny of the topic in December 2017	Assistant Director – Customers, Digital Transformation and Improvement	Cabinet Member for Customers, Digital Transformation and Improvement	JOS/17/3 18 December 2017
Housing Delivery Test Action Plan	To scrutinise the Action Plan	Corporate Manager – Strategic Planning	Cabinet Member for Planning	
16 April 2020 – JOINT Chair Cllr Welham				
Underspend of Grants for bringing empty homes back into use	A report to be brought to Committee for the effect of the underspending off grants for bringing empty homes back into use	Assistant Director – Housing Corporate Manager – Housing Solutions	Cabinet Member for Housing	N/A
Representatives on Outside Bodies	A review of the Representatives on Outside Bodies and an update on the work undertaken	Corporate Manager – Democratic Services		JOS/18/39 18 March 2019

18 May 2020 – JOINT Chair Cllr McCraw				
Review of the Overview and Scrutiny Committee 2019/20	Review of the work conducted throughout 2019/20 – Lessons learnt, improvements and achievements	Janice Robinson Corporate Manager – Democratic Services Henriette Holloway – Governance Support Officer		

TOPICS IDENTIFIED FOR REVIEW BUT NOT CURRENTLY TIMETABLED:

Disability Facilities Grant

Review of the outcome from the Joint Meeting on 14 February Information Bulletin for Disabled Facilities Grant – an Information Bulletin in October 2020.

Crime and Disorder Panel meeting

Required to take place at least once a year, provisionally agreed to take place in **September/October 2020**.

Parking Enforcement

Enforcement for parking, planning etc to be discussed with Babergh Overview and Scrutiny Committee and Kathy Nixon – Strategic Director to decide how to approach this area.

Community Grants – ‘Health Check’ A report following the report received on the 17 January 2019 MOS/18/26 in 2021.

Compliment, Comment and Complaints Policy - Update in July 2020

Future Leisure management Options

Improving Access to the Private Rented Sector - To be considered by the Chairs in January 2020

Other topics identified:

- The impact on the Council, when patients are discharged from hospital