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COMMITTEE:	BABERGH CABINET
DATE:	MONDAY, 7 FEBRUARY 2022 2.00 PM
VENUE:	KING EDMUND CHAMBER, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH

Members		
<u>Conservative</u> Jan Osborne John Ward (Chair) Michael Holt Simon Barrett Siân Dawson	<u>Independent</u> Derek Davis Clive Arthey Elisabeth Malvisi Alastair McCraw <u>Liberal Democrat</u> David Busby	<u>Labour</u> <u>Green</u>

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AGENDA

PART 1

MATTERS TO BE CONSIDERED WITH THE PRESS AND PUBLIC PRESENT

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The Chair of the Overview and Scrutiny Committee

7 FORTHCOMING DECISIONS LIST

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Cabinet Member for Economic Growth

Date and Time of next meeting

Please note that the next meeting is scheduled for Monday, 7 March 2022 at 2.00 pm.

Webcasting/ Live Streaming

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

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Agenda Item 3

BABERGH DISTRICT COUNCIL

Minutes of the meeting of the **BABERGH CABINET** held in the Frink Room (Elisabeth) - Endeavour House on Monday, 6 December 2021

PRESENT:

Councillor: John Ward (Chair)

Councillors:	Jan Osborne	Derek Davis
	Clive Arthey	David Busby
	Michael Holt	Alastair McCraw
	Simon Barrett	Siân Dawson

In attendance:

Councillors: Margaret Maybury

Officers:

- Chief Executive (AC)
- Strategic Director (KS)
- Assistant Director – Corporate Resources and Section 151 Officer (KS)
- Assistant Director - Law and Governance and Monitoring Officer (EY)
- Assistant Director – Planning and Building Control (TB)
- Assistant Director - Housing (GF)
- Corporate Manager - Financial Operations (RH)
- Licensing Officer (KS)
- Licensing Officer (KG)
- Senior Governance Officer (HH)

Apologies:

Councillor: Elisabeth Malvisi

64 DECLARATION OF INTERESTS BY COUNCILLORS

There were no declarations of interests declared.

65 BCA/21/28 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 1 NOVEMBER 2021

It was RESOLVED:

That with the following amendment the minutes of the meeting held on the 1 November 2021 be confirmed as a correct record:

Paragraph 63.2: Councillor Busby proposed recommendation 3.1 and 3.2 in the report, which was seconded by Councillor Arthey.

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

None received.

67 QUESTIONS BY COUNCILLORS

None received.

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

There were no matters referred.

69 FORTHCOMING DECISIONS LIST

The Forthcoming Decisions List was noted.

70 BCA/21/29 GENERAL FUND FINANCIAL MONITORING 2021/22 - QUARTER 2

- 70.1 The Chair invited the Cabinet Member for Finance, Councillor Simon Barrett to introduce the report.
- 70.2 Councillor Barrett referred Members to the total for the General Reserves in Appendix D, and that the balance of the COVID-19 reserve was negative (£705k) but should have been a positive £705k. The correct figure for the total of all reserves was (£6.672m) rather than the (£5.262m) as shown in the report.
- 70.3 Councillor Barrett proposed recommendation 3.1 and 3.2 in the report, which was seconded by Councillor Holt.
- 70.4 Councillor Arthey queried the figures for Covid-19 in Appendix D and in addition the collection rate of 56.8% for Council Tax paragraph 6.4 in the report.
- 70.5 The Assistant Director for Corporate Resources stated that the figures for Covid-19 were correct and that the collection rate for Council Tax was generally between 50% and 60%, and that the figures were as expected.
- 70.6 Councillor Busby queried the detail for the revenue account and the Cabinet Member for Finance, Councillor Barrett detailed how the income from the revenue account was calculated.
- 70.7 In response to Councillor Ward's question regarding the Other Variances under Planning and Building control, in Appendix A, the Cabinet Member for Finance stated that all that was included in this report was the variances in the budget.

- 70.8 Councillor Arthey queried the Capital Programme in relation to the loss of income from car parks and whether resurfacing, signage and improvement to access of car parks were included in the Capital programme, and if so in which financial year would the funding be spent. The Cabinet Member for Finance advised that a response would be provided outside of the meeting.
- 70.9 Members debated the issues including that the report indicated that the Council was in a good position despite the effect of the Covid-19 Pandemic.

It was RESOLVED: -

- 1.1 That, subject to any further budget variations that arise during the rest of the financial year, the surplus position of £320k, referred to in section 6.6 and Appendix A of the report, be noted;**
- 1.2 The revised 2021/22 Capital Programme referred to in Appendix E and section 6.16 be noted.**

REASON FOR DECISION

To ensure that Members are kept informed of the current budgetary position for both General Fund Revenue and Capital.

71 BCA/21/30 HOUSING REVENUE ACCOUNT (HRA) FINANCIAL MONITORING 2021/22 - QUARTER 2

- 71.1 The Chair invited the Cabinet Member for Finance, Councillor Simon Barrett, to introduce the report.
- 71.1 Councillor Barrett proposed recommendations 3.1 and 3.2 in the report, which was seconded by Councillor Jan Osborne.
- 71.2 Councillor Arthey queried the variance for Building Services and whether this was a result to of the Covid-19 pandemic.
- 71.3 The Cabinet Member for Finance agreed that he was concerned that there was budget deficit in a budget managed on a day to day basis by the Council and that this needed to be under better control. The Assistant Director for Housing advised Members that the whole housing sector had struggled during the last eighteen months, and that the Building Service and contractors had been unable to undertake repairs. In addition, tenants had reported more repair jobs whilst spending more time at home. However, the Building Service had been able to reduce the outstanding number of repair jobs from 3000 to 500. The team was working with sub-contractors to catch up on repair jobs
- 71.4 Councillor Holt queried the £2m surplus from last years HRA budget, the method of budget setting and whether the surplus from last year was being spent.
- 71.5 Councillor Ward stated that the surplus of £2m had been added to the funding

for Strategic Priorities.

- 71.6 The Assistant Director for Housing provided details of how the budget was set before the final outturn. During the last four years there had also been a reduction in the reliance on sub-contractors.
- 71.7 Councillor Arthey referred to page 33 and the entry for ICT for £413K project spending of which only £10K had been spent and the Cabinet Member for Finance, Councillor Barrett and the Leader of the Council, Councillor Ward, advised Members that the money had not yet been spent and that the forecast would double again as this was a year on year spend.
- 71.8 In a response to Councillor Busby's question, the Assistant Director for Finance detailed how sub-contractors worked on a schedule of rates and that this was reviewed periodically. Therefore, the increase in the cost of material for this part of the building service did not have an impact on the budget.

It was RESOLVED: -

- 1.1 That, subject to any further budget variations that arise during the rest of the financial year, the adverse variance of £499k, referred to in section 6.5 of the report, be noted;**
- 1.2 The 2021/22 revised Capital Programme referred to in Appendix A and section 6.13 be noted.**

REASON FOR DECISION

To ensure that Members are kept informed of the current budgetary position for both the HRA Revenue and Capital Budgets.

72 BCA/21/ 31 QUARTER 2 PERFORMANCE

- 72.1 The Chair invited the Cabinet Member for Customers, Digital Transformation and Improvement, Councillor McCraw, to introduce the report.
- 72.2 Councillor McCraw provided a detailed summary of the Quarter 2 Performance and advised that a new framework would be introduced in 2022 – 2023.
- 72.3 Members commented on the performance in the papers including that the statistics for fly tipping, waste and subscription to the garden waste scheme was good.
- 72.4 Councillor Arthey was concerned about the wait time and abandonment of telephone calls for Customer Services and the Cabinet Member for Customers, Digital Transformation and Improvement responded that more staff were being taken on and the response time had dropped in October to 1.66 seconds. The current target was a response time of 1.45 seconds. The response time in the papers still included the lockdown periods earlier in the year.

- 72.5 In a response to Councillor Jan Osborne's question regarding what preventative measures were being taken by the Council for fly tipping, as the clearing of fly tipping was costly to the Council, the Cabinet Member for Communities, Councillor Dawson advised she would provide a response outside the meeting.
- 72.6 Councillor Dawson asked that the charge made by Suffolk County Council to clear hard core rubbish was reviewed by the Cabinet Member for Finance.
- 72.7 Councillor Osborne queried whether the charge for domestic waste collection for those on low income could be reduced.
- 72.8 The Quarter 2 Performance was noted.

73 BCA/21/32 NEW HACKNEY CARRIAGE AND PRIVATE HIRE VEHICLE LICENSING POLICY

Note: The meeting was adjourned between 3:30pm and 3:39pm.

- 73.1 The Chair invited the Cabinet Member for Communities, Councillor Dawson, to introduce the report.
- 73.2 Councillor Dawson introduced the paper and proposed recommendation 3.1 in the report.
- 73.3 This was seconded by Councillor Barrett.
- 73.4 In response to Councillor Holt's question, the Chair of the Licensing and Regulatory Committee, Councillor Maybury assured Members that she was satisfied that the consultation had been thoroughly conducted. However, she suggested that Cabinet considered funding the cost of £150 per driver for the statutory 2-day course being introduced by the legislation, for the first year of its implementation.
- 73.5 The Cabinet Member for Communities, Councillor Dawson, responded that it was not possible to single out a specific profession to fund professional development and that this should not be considered by Cabinet.
- 73.6 The Licensing Officer responded to questions in the Policy including that taxi drivers were not allowed to place advertisements on their cars, the private licensing for hire of a fire engine for social events, that taxi drivers were not allowed to eat in their vehicles, and that currently there was a constant level of applications for the renewal of taxi licenses.

It was RESOLVED:

That Cabinet, following consideration of Licensing and Regulatory Committee's recommendation, adopted the post consultation draft Hackney Carriage and Private Hire Vehicle Licensing Policy, attached as Appendix A.

REASON FOR DECISION

Following the publication of the new Statutory Standards for Taxi's and Private Hire Vehicles, Councils are required to review the recommendations from the Department for Transport (DFT) and consult on any changes to their current policies.

74 BCA/21/33 COMMUNITY INFRASTRUCTURE LEVY (CIL) - CIL EXPENDITURE PROGRAMME DECEMBER 2021

- 74.1 The Chair invited the Cabinet Member for Planning, Councillor Arthey, to introduce the report.
- 74.2 Councillor Arthey proposed recommendations 3.1 and 3.2 in the report which was seconded by Councillor McCraw.
- 74.3 Councillor Barrett queried the issues around provision in the delivery plan for new schools in villages where large housing developments were being built.
- 74.4 Members shared this concern, and the Assistant Director for Planning and Building Control detailed the issues around school buildings and building new schools in relation to funding. He advised Members that an all-Member briefing on these complex issues would be organised in due course.
- 74.5 In a response to a question regarding the catchment area for the Brooklands school, Jo Fellows, Suffolk County Council's Schools Infrastructure Programme Manager, confirmed that there were few pupils attending this school who were outside the catchment area of the school.
- 74.6 Members debated the issues including that the additional places in Brooklands school were intended for the people housed in the new developments, and where the funding for infrastructure developments were coming from.
- 74.7 The Assistant Director for Planning and Building Control would provide further information for what comprises ringfenced funding to Members.

It was RESOLVED: -

That the CIL Expenditure Programme (December 2021) and accompanying technical assessment of the CIL Bid – B21-04 (forming Appendices, A and B) which includes decision on this CIL Bid be approved.

Decision for Cabinet to approve: Brantham – Ringfenced and Local Infrastructure Fund

CIL Bid, Location and Infrastructure Proposed	Amount of CIL Bid and total cost of the infrastructure	Cabinet Decision

<p>B21-04 BRANTHAM</p> <p>Brooklands Primary School</p>	<p>Amount of CIL Bid £345,360</p> <p>Total cost of the project £1,935,169</p> <p>Total of other funding obtained by Suffolk County Council is £1,589,809 as follows</p> <ul style="list-style-type: none"> – Section 106: £950,118 – Basic Need funding: £639,691 	<p>Recommendation to Cabinet to approve CIL Bid B21-04 for £345,360, £443.78 from the Ringfenced Fund and £344,916.22 from the Local Infrastructure Fund</p>
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1.2 Cabinet noted and endorsed this CIL Expenditure Programme which includes the position in respect of approved CIL Bids from Rounds 1, 2, 3, 4, 5, 6 and 7 (including Cabinet decisions – June and October 2021. (Appendix A Section B) together with details of emerging infrastructure /CIL Bids (Appendix A Section C).

REASON FOR DECISION

Community Infrastructure Levy (CIL) monies have been collected since the implementation of CIL on the 11th April 2016. The CIL Expenditure Framework (originally adopted in April 2018 and reviewed with amendments adopted on the 18th March 2019 and with further amendments on the 20th April 2020 and March 2021) requires the production of a CIL Expenditure Programme for each District which contains decisions for Cabinet to make or note on CIL Bids for CIL expenditure. These decisions relating to the expenditure of CIL monies form one of the ways in which necessary infrastructure supporting growth is delivered.

75

UPDATE ON PARKING IN BABERGH DISTRICT

75.1 The Leader of the Council, Councillor Ward provided the following update on Parking in Babergh District:

This is a follow-up to the email I sent to all members on 26th November. I want to summarise some of the key points today, so it is a matter of public record, even though we are not being live-streamed.

We always knew that the proposed changes would be challenging – and it has proved possibly to be the most controversial and emotive thing we have done at Babergh. Yes, the cost of providing car parks must sensibly be borne at least in part by the users so we can free up funds for services for all our residents and yes, we do want to encourage transport modal shift for those living close to the town centres, but the question of whether the reduction from three hours to one hour free parking will or will not have an impact on businesses is really at the core of the controversy and it is clear that there are strongly held views on both sides. Our two towns have a

very varied range of mostly independent shops, and both have busy markets – Hadleigh's has grown significantly recently, and it is clear that, despite the online naysayers who wish to talk them down, our towns are doing reasonably well. The Christmas trading period will be critical for our businesses. the disappearance of the large chain stores is futile: the nature of shopping – particularly in small towns – is changing and we must and do support and encourage that change.

But we must also acknowledge that many businesses are fearful that any change to parking charges at the moment could affect what is for some a slow recovery from Covid. Irrespective of whether any effect is real or not, that fear exists and as a result of this we have made a further postponement of the tariff changes.

The original cabinet decision still stands, and it will be for cabinet to give a steer on a new date. The decision does not need to be reconsidered by Cabinet if the intention is still to implement charges at some point in the future.

The Assistant Director has delegated authority to determine the date of implementation for the required traffic orders, in consultation with the Cabinet Member for the Environment, subject to the date being not earlier than October 2021. The Cabinet Member should give a steer to the AD, in line with the collective view of the Cabinet, but it is the officer who will take the decision.

I know there has been some confusion and disquiet about how this has been done, but the process we followed is exactly the same as that done in the Summer when we postponed from October to January, albeit this time there was disagreement about it.

So, to conclude, we are postponing the implementation of short-term parking charges beyond January. As I have said, high street recovery is slow, confidence is shaky and there is a real fear of anything that may discourage shoppers. Although we didn't know it at the time, it does seem to have been a wise decision: the omicron variant has emerged and, whilst we don't yet know its eventual health impact, it is starting to affect behaviour with events and parties being cancelled.

It now gives us time to look again at this and identify options and mitigating measures to minimise the impact on our businesses.

75.2 Councillor Arthey stated that he had expected that the statement made in the email sent to Members on the 26 November would be included in today's statement, whilst querying whether the email was a public document or not. He then quoted from the statement made on the 26 November: 'Finally I want to clarify that the claim made publicly to the media that the initially proposal for the parking charges was an independent one, is not true, it was not, as I stated earlier the idea first came from the Conservative Group to Cabinet'

75.3 Councillor Arthey stated that for the Independent Group this was an important statement, as the earlier proposals were different than those now included in the parking charge papers. This had been achieved as a result of the Independent and Liberal Democrat Members in Cabinet, who had secured a dilution of the original proposal, which had then been put to Cabinet.

- 75.4 Councillor Ward responded that it had not been his intention to leave this out of his statement today and that he fully acknowledged the content of the email sent to all Members. He confirmed that the email of the 26 November sent to all Members was a public document.
- 75.5 In response to Councillor Davis' questions relating to when the parking charges would be revisited by Cabinet, Councillor Ward stated that the Cabinet would only be considering a new paper if substantial changes were made to parking charges.

The business of the meeting was concluded at 4:11pm.

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Chair

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Agenda Item 6

BABERGH DISTRICT COUNCIL

CABINET		REPORT NUMBER: XXXX
FROM:	Overview and Scrutiny Committee	DATE OF MEETING: 7 February 2022
OFFICER:	Henriette Holloway Senior Governance Officer	

CABINET ARE ASKED TO CONSIDER THE RECOMMENDATIONS BELOW FROM THE BABERGH OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 17 JANUARY 2022.

BOS/21/01 DRAFT GENERAL FUND BUDGET (GF) 2022/23 AND FOUR-YEAR OUTLOOK

1.	RECOMMENDATIONS
1.1	That the Overview and Scrutiny Committee notes the General Fund Budget 2022/23 and Four-year Outlook.
1.2	That the Overview and Scrutiny Committee receives a report from Cabinet on the outcomes of the performance framework on a six-month basis.

2. APPENDICES

Title	Location
A. Draft Minute – BOS/21/1 DRAFT GENERAL FUND BUDGET 2022/23 AND FOUR-YEAR OUTLOOK	Attached

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**The minute of the Overview and Scrutiny Committee 17 January 2022 for
BOS/21/01 Draft General Fund (GF) 2022/23 and Four-year Outlook**

BOS/21/01 DRAFT GENERAL FUND (GF) 2022/23 AND FOUR-YEAR OUTLOOK

- 22.1 Councillor Simon Barrett introduced the report to the Committee outlining that the budget had been based on no increase in council tax, however an increase would take place if Cabinet decided it was necessary. In addition to this the emergency reserves held by Babergh would be reduced to £1million, as it had not been used during the Covid-19 pandemic. The excess of £200k would be used in the community. He also stated that the budget had shown a surplus of £403k.
- 22.2 Councillor Melanie Barrett questioned whether the cost for the leisure centre moving to a green tariff had been cost neutral. The Assistant Director - Corporate Resources responded that the Council had made the utility payments and Abbeycroft had been reimbursing these costs. The management fee was a separate cost.
- 22.3 Councillor Jane Gould questioned if the cost of CCTV had been a permanent contribution. The Assistant Director - Corporate Resources responded that it was a permanent and ongoing contribution that covered running costs.
- 22.4 Councillor Melanie Barrett queried if future vehicle costs had been included in the budget. The Assistant Director - Corporate Resources responded that the running costs of vehicles had been built into the budget as it was an in-house service.
- 22.5 Councillor Adrian Osborne questioned whether the possibility that central Government could remove garden waste charges had been taken into consideration. The Assistant Director - Corporate Resources responded that this had been proposed for the next financial year and would be looked at in the 23/24 budget.
- 22.6 Councillor McLaren questioned whether money for a new fleet of refuse vehicles had been factored in. The Assistant Director - Corporate Resources responded that the Council had money set aside for replacing most of the fleet and had monitored what vehicles would be needed in the future. Councillor Simon Barrett added that the replacement of vehicles had been set on a cycle, as shown in appendix b of the report.
- 22.7 Councillor Melanie Barrett questioned where the income for the Strategic Policy, Performance and Insight had come from. The Assistant Director - Corporate Resources responded that some of the income had come from Law and Governance, and this had been supplemented by resources from other areas, which had been paid for by reserves.
- 22.8 Councillor Jane Gould questioned the reason for the reduction of ICT costs in the future. The Assistant Director - Corporate Resources responded that costs had been higher to allow for the replacement of software that would increase the cost for the 22/23 budget.

- 22.9 Councillor Melanie Barrett questioned whether the budget covered legal costs for planning enforcement and appeals. The Assistant Director - Corporate Resources responded that these costs had been built into the budget and had been based on previous years.
- 22.10 Councillor Melanie Barrett questioned the increase of £41k for the Senior Leadership team costs and whether this had been based on the previous pay review. The Assistant Director - Corporate Resources responded that it was an allowance for the team for the whole year and had been based on a previous report to Council.
- 22.11 Councillor Jane Gould questioned whether the reserves would be reviewed. Councillor Simon Barrett responded that as the reserve had not been used during the Covid-19 pandemic, the reserve was being reviewed and reduced to 10% of the Council's overall budget.
- 22.12 Councillor Jane Gould questioned whether the Consumer Price Index was being monitored. Councillor Simon Barrett responded that it was being monitored as it effects the HRA accounts and was the basis for rent charges. The Assistant Director – Corporate resources added that for future years an allowance had been built into the budgets for CPI.
- 22.13 Councillor Melanie Barrett questioned whether the reduction of reserves would affect the interest gained on them. The Assistant Director – Corporate Resources responded that as the interest rate had been low it would have little effect on the budget.
- 22.14 Councillor Melanie Barrett questioned the catch up on the pension fund contribution and whether this had an impact. The Assistant Director – Corporate Resources responded that to overcome the deficit in the contributions the Council had made adjustments in the budget for the next year. There had also been tri-annual evaluations to review these contributions.
- 22.15 Councillor Mary McLaren questioned whether the Council still had any of the Covid fund remaining, and whether this would need to be repaid to central Government. Councillor Simon Barrett responded that there was £70,200 remaining in the reserve. The Assistant Director – Corporate Resources added that it did not need to be paid bac. However, It was unlikely that further funding would be provided by Government so the remaining funding would be needed for upcoming years.
- 22.16 Councillor Adrian Osborne queried whether the estimated reserves for the Joint Local Plan in the budget were only for Babergh or whether this had been a shared cost with Mid Suffolk. The Assistant Director – Corporate Resources responded that the costs were separate and that the costs for additional work would not exceed the reserves.
- 22.17 A short break was taken between 10:43 – 10:51am.

22.18 Councillor Melanie Barrett proposed the recommendations as follows:

- That the Overview and Scrutiny Committee notes the General Fund budget 2022/23 and Four-year Outlook.
- That the Overview and Scrutiny Committee receives a report from Cabinet on the outcomes of the performance framework on a six-month basis.

22.19 Councillor Jane Gould seconded this motion.

By a unanimous vote.

It was RESOLVED: -

- 1.1 That the Overview and Scrutiny Committee notes the General Fund budget 2022/23 and Four-year Outlook.**
- 1.2 That the Overview and Scrutiny Committee receives a report from Cabinet on the outcomes of the performance framework on a six-month basis.**

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BABERGH DISTRICT COUNCIL

CABINET		REPORT NUMBER: N/A
FROM:	Overview and Scrutiny Committee	DATE OF MEETING: 7 February 2022
OFFICER:	Henriette Holloway Senior Governance Officer	KEY DECISION REF NO.

CABINET ARE ASKED TO CONSIDER THE RECOMMENDATIONS BELOW FROM THE BABERGH OVERVIEW AND SCRUTINY COMMITTEE HELD ON THE 17 JANUARY 2022.

BOS/21/02 DRAFT HOUSING REVENUE ACCOUNT (HRA) AND FOUR - YEAR OUTLOOK

1.	RECOMMENDATIONS
1.1	That the Overview and Scrutiny Committee notes the Draft Housing Revenue Account 2022/23 and Four-year Outlook.
1.2	That the Overview and Scrutiny Committee recommends that the information about the use of sub-contractors be included in the quarterly performance monitoring report (Financial HRA Outturn report)

2. APPENDICES

Title	Location
A. Draft Minute – BOS/21/2 DRAFT HOUSING REVENUE ACCOUNT (HRA) 2022/23 BUDGET AND FOUR-YEAR OUTLOOK	Attached

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**The minute of the Overview and Scrutiny Committee 17 January 2022 for
BOS/21/02 Draft Housing Revenue Account (HRA) and Four-year Outlook**

**BOS/21/02 DRAFT HOUSING REVENUE ACCOUNT (HRA) AND FOUR - YEAR
OUTLOOK**

- 23.1 Councillor Simon Barrett introduced the report to the Committee, outlining that HRA account had been in a deficit due to additional spending in building services. This had been due to an increased cost of resources as competitive labour resources had led to an increased use of subcontractors. There had also been a rent increase of CPI+1.
- 23.2 Councillor Melanie Barrett questioned the cause of the overspend in building services. The Assistant Director – Housing responded that the overspend had occurred for a variety of reasons such as the increased cost of materials over the past year. In addition to this there had been additional training for staff in order to decrease the reliance on outside contractors. There had also been costs to replace vehicles and to change the fleet to HVO.
- 23.3 Councillor Adrian Osborne queried whether anti-social behaviour had any impact on the cost of any additional work. The Assistant Director – Housing responded that as it had been dealt with internally by the housing team.
- 23.4 Councillor Adrian Osborne queried other income in terms of recovering legal cost. The Assistant Director – Housing responded that if there had been damage to a property the Council may take legal action to get reimbursed for this damage, however, the Council would use insurance provision to fund this.
- 23.5 Councillor Adrian Osborne queried what renewable heat had been installed in line with the renewable heat incentive. The Assistant Director – Housing responded that the incentive had been to install air source heat pumps and the team had been seeking grants to install these where possible.
- 23.6 Councillor Adrian Osborne questioned the social housing resources that the Council used to lessen the costs of using hotels. The Assistant Director – Housing responded that there had been areas of the housing stock that were able to be used as temporary accommodation, and the Council also had units for domestic abuse and were able to lease properties to the County Council to lessen use of hotels as temporary accommodation.
- 23.7 Councillor Jane Gould questioned whether there were sufficient funds to insulate and retrofit existing properties. The Assistant Director – Housing responded that the Council and the Energy Saving Trust had a stock profile of all properties that had enabled the Council to prioritize where work was needed. Councillor Jan Osborne added that the Council's design guide would go to Cabinet in spring to set out the aspirations in terms of retrofitting existing properties.
- 23.8 Councillor Mary McLaren if a central system, which kept record of money owed by individual residents would be beneficial. The Assistant Director – Corporate Resources responded that this was an ongoing major project however, there had

been issues in terms of software. The Assistant Director – Housing added that tenancy officers work with the shared revenue partnership in order to see all of what is owed by an individual. Councillor Jan Osborne added that the rent source system had also been in place in order to identify arrears and help residents get support in this area.

23.9 Councillor Melanie Barrett raised that she would like to see a reduction in use of sub-contractors in the future and allow more work to be delivered in house.

23.10 The Assistant Director – Housing referred to the quarterly financial outturn report and suggested that the accompanying quarterly financial HRA Outturn report could provide more detailed information on positive and adverse variances with detailed explanations.

23.11 Councillor Jane Gould praised the additional training for surveyors in order to allow for more in house services, however, money spent on retrofitting should be prioritized to insulation.

23.12 Councillor Melanie Barrett proposed the recommendation as follows:

- That the Overview and Scrutiny Committee notes the Housing Revenue Account 2022/23 and Four-year Outlook.
- That the Overview and Scrutiny recommends that the information about the use of sub-contractors be included in the quarterly performance monitoring report. (Financial HRA Outturn report)

23.13 Councillor Adrian Osborne seconded this motion.

By a unanimous vote

It was RESOLVED:-

1.1 That the Overview and Scrutiny Committee notes the Housing Revenue Account 2022/23 and Four-year Outlook.

1.2 That the Overview and Scrutiny recommends that the Information about the use of sub-contractors be included in the quarterly performance monitoring report. (Financial HRA Outturn report)

Agenda Item 8

BABERGH DISTRICT COUNCIL

COMMITTEE: Cabinet		REPORT NUMBER: BCa/21/35
FROM:	Councillor Simon Barrett, Cabinet Member for Finance	DATE OF MEETING: 7 February 2022
OFFICER:	Katherine Steel, Assistant Director, Corporate Resources	KEY DECISION REF NO. CAB283

GENERAL FUND BUDGET 2022/23 AND FOUR-YEAR OUTLOOK

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the General Fund Budget for 2022/23 and four-year outlook.
- 1.2 To enable Cabinet Members to consider key aspects of the 2022/23 Budgets, including Council Tax and make any recommendations to feed into the final Budget report to Council on 21 February 2022.

2. OPTIONS CONSIDERED

- 2.1 Setting a balanced budget is a statutory requirement, therefore no other options are appropriate in respect of this.

3. RECOMMENDATIONS
3.1 That the General Fund Budget proposals for 2022/23 and four-year outlook set out in the report be endorsed for recommendation to Council on 21 February 2022.
3.2 That the General Fund Budget for 2022/23 is based on a 2% increase to Band D Council Tax.
REASON FOR DECISION
To bring together all the relevant information to enable Cabinet Members to review, consider and comment upon the Council's General Fund budget for endorsement and recommendation to Council.

4. KEY INFORMATION

Background and COVID19

- 4.1 In February 2021 Babergh District Council approved the General Fund Budget 2021/22 and Four-Year Outlook. The budget was prepared during one of the most challenging and uncertain times due to the impacts of COVID19 on the Council's finances, staff, residents, and local economy. Income streams were reviewed when setting the budget and revised where appropriate and any COVID19 related costs were assumed to be funded from the COVID19 reserve.
- 4.2 The financial impact of COVID19 continues to be monitored during 2021/22 and the current forecast was presented to Cabinet in December as part of the second quarter budget monitoring report. As time passes more information is gathered about the impact and how this may affect the Council's finances going forward, but some uncertainty continues particularly in terms of what permanent changes in behaviour will be seen.
- 4.3 The Government provided some funding for the impact of COVID19 for the first quarter of 2021/22, in addition to what was allocated during 2020/21, but it is unlikely that any further funding will now be provided, so the Council needs to manage any continuing adverse impacts within the resources available.

2021/22 Budget and Forecast Outturn

- 4.4 On 23 February 2021 the Council set a balanced budget for 2021/22. This comprised gross expenditure of £33.7m and income of £23.3m, to give a net service budget of £10.4m, which is primarily funded from council tax, business rates and government grants. In addition, there was a new capital allocation totalling £6.2m. Chart 1 below shows how the £33.7m gross expenditure is allocated across the services and Chart 2 below shows the breakdown of the £23.3m income.

Chart 1: Gross Expenditure by service area in 2021/22 (£33.7m)

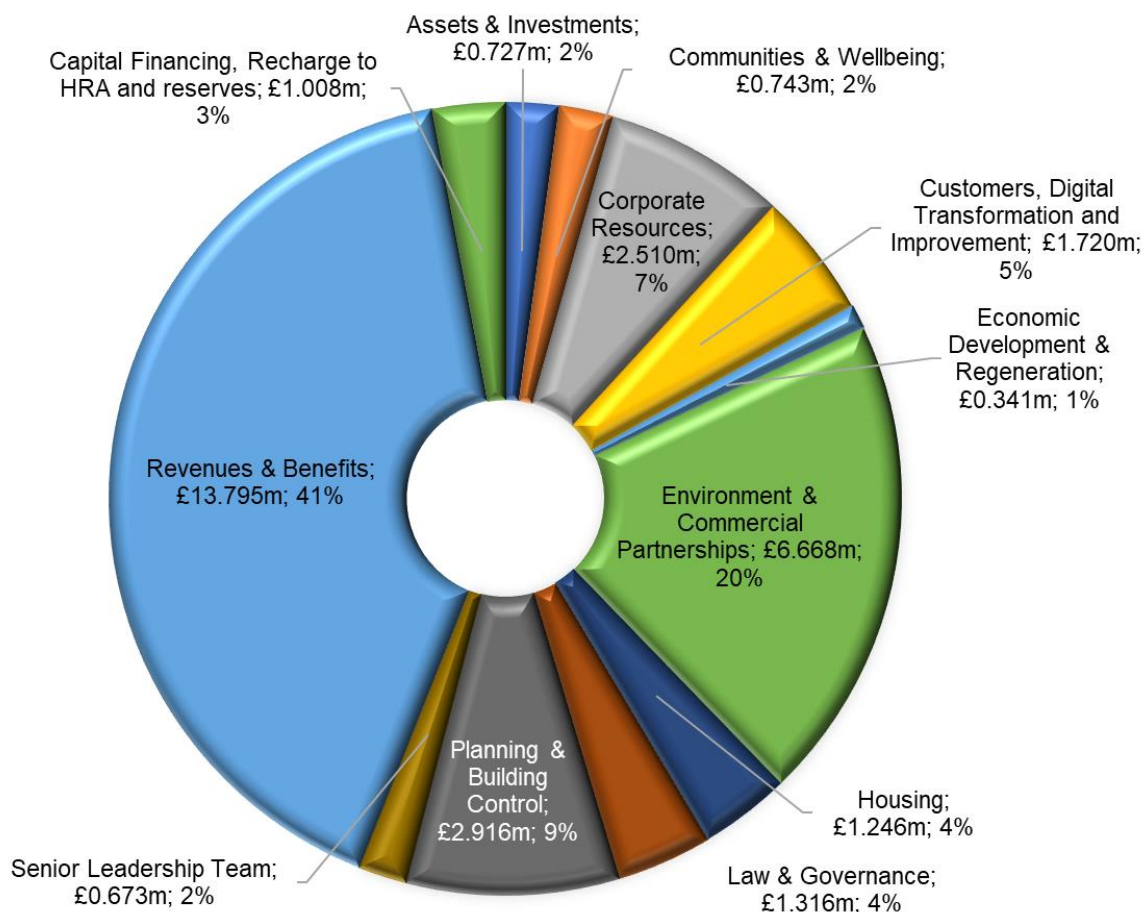
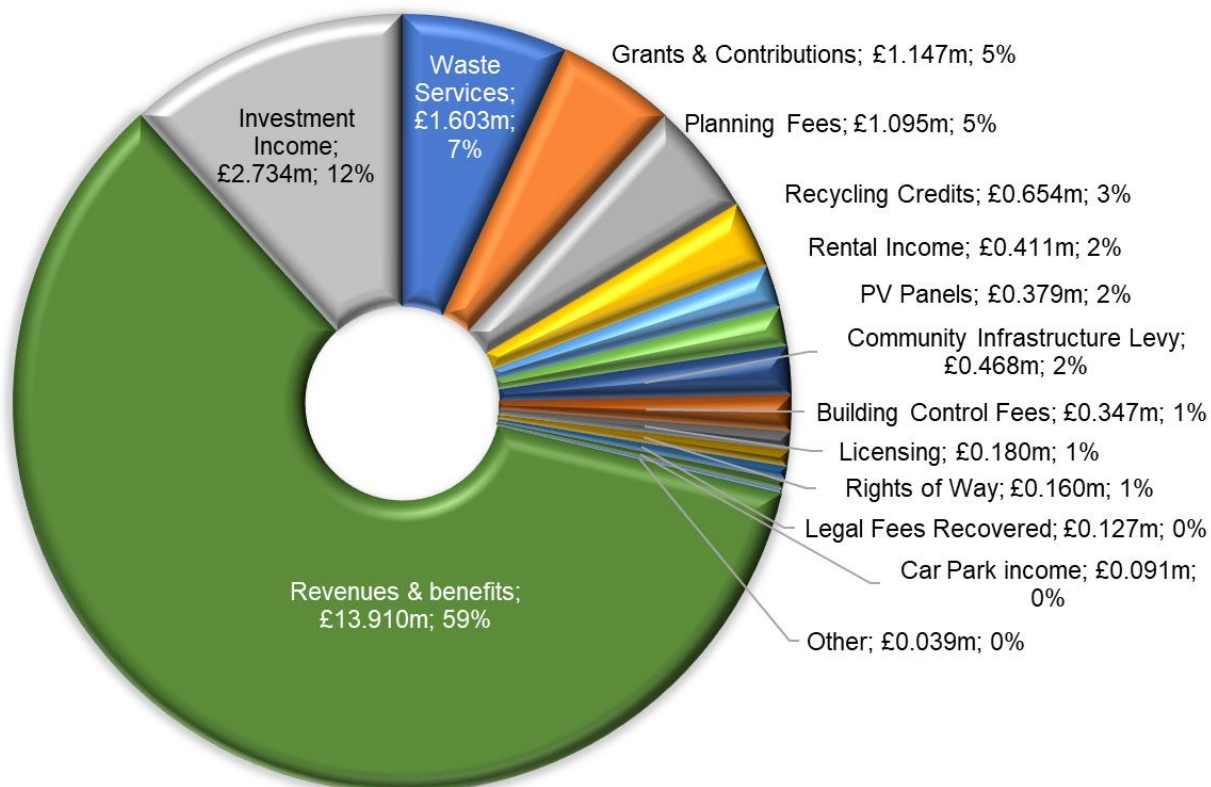


Chart 2: Service Income in 2021/22 (£23.3m)



- 4.5 The second quarter budget monitoring report was presented to Cabinet on 6 December 2021 showing a forecast surplus position as at 31 March 2022 of £320k. There are several variances which contribute to the overall position, that are detailed in the report, but two key factors are planning application income continues to exceed the budget and one-off additional income from the Suffolk business rates pool.
- 4.6 The third quarter position will be presented to Cabinet on 7 March 2022.

Medium Term Financial Strategy (MTFS) 2022-2026

- 4.7 To achieve the Vision, the Council needs to take a medium-term view of the budget through a robust financial strategy that is focused on delivering the six corporate strategic priorities.



- 4.8 The Council's main strategic financial aim remains to become self-financing i.e., not reliant on Government funding. The Council's parallel aim is to generate more funds than are required purely for core services, to enable additional investment into the district.

4.9 There are 3 key elements that need to be carefully balanced to ensure success, which are:

- Cost management
- Income generation and
- Service levels.

4.10 The approach over the medium term is to transform the Council into an organisation that is thriving and not just surviving, by continuously reviewing, remodelling, and reinventing the way the Council operates. For the Council to thrive, a strong focus is placed on the wellbeing of our staff and residents.

The following overarching principles are considered when evaluating ideas and opportunities for change:

- 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
- Reduced climate change and biodiversity impact, where financially viable

4.11 The focus is on:

- internal efficiencies and improvements
- continuously streamlining work and reducing waste in processes
- greater cross-functional working and multi-skilling
- improving ways of working to move away from ‘professional silos and toward integrated services for the public
- customer demand understood, analysed, and met through new services and business models
- demand is re-shaped and managed while engaging service users to ascertain priorities.

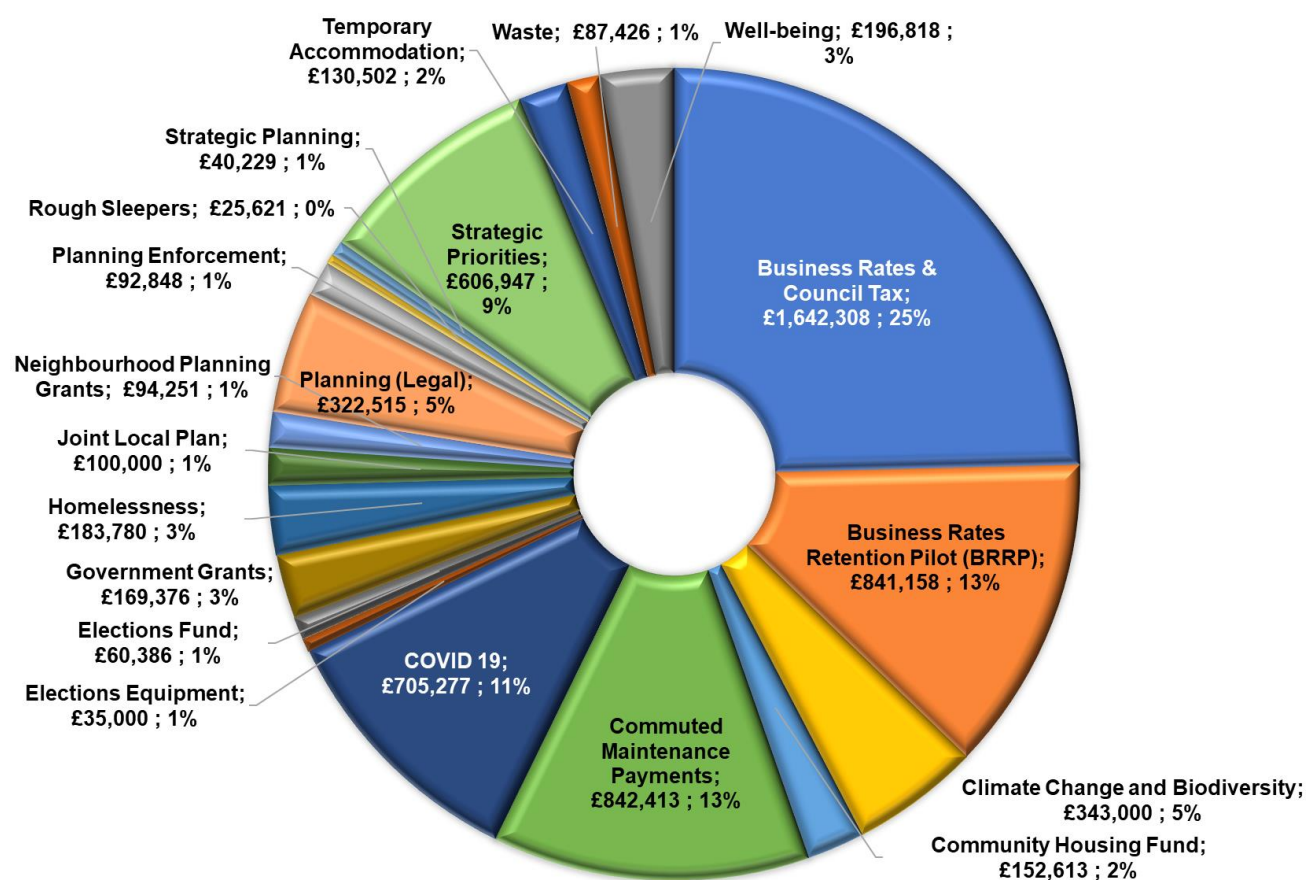
4.12 The approach below shows in more detail for each element the methodology that has been adopted to achieve this.



- 4.13 Further work will continue in 2022/23 and a corporate plan will be established early in the new year to drive out inefficiencies across the organisation, but this is likely to require additional resources and investment. The Council will continue this approach to further transform the way it operates over the next three years, including looking at new working methods by building on the changes made to practices during the COVID19 pandemic.
- 4.14 A further key element of the Strategy is having adequate reserves available to manage any unexpected changes to spending and funding plans. They are a fundamental part of the way the Council manages its business risks and maintains a stable financial position.
- 4.15 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.
- 4.16 Reserves only provide one-off funding, so a core principle is that reserves should not be used to cover ongoing gaps between expenditure and funding and should be replenished as soon as practicable when used.
- 4.17 There are generally two types of reserves: unallocated and earmarked. The unallocated reserve is known as the General Fund Balance and is held by the Council to manage the financial risks it faces, and to ensure that it can remain solvent should any of these risks become realised. This reserve currently stands at £1.2m. It traditionally represents about 10% of the net budget, but is currently standing at 12%. As it was not used during the COVID19 pandemic. it has been reviewed and it is proposed to reduce it to £1m for 2022/23 and the remaining £0.2m be used to supplement the communities grant programme. Earmarked reserves are held by the Council's services and used to pay for specific commitments or set aside for

anticipated projects and programmes. The projected earmarked reserves position as at 31 March 2022 is shown in the chart below.

Chart 3: Projected Earmarked Reserves Balances at 31st March 2022 (£6.7m)



Changing Landscape for Local Government

4.18 Over recent months there have been some consultations and announcements that indicate the Government's wish to ensure that local government focuses on its core functions rather than expanding into what are seen as more 'commercial' or 'private sector' type activities. Some examples are:

- Changes to the Public Works Loan Board (PWLB) lending criteria to exclude the ability to borrow to invest in commercial property to generate income.
- Consultations on the CIPFA Treasury Management and Prudential Codes to strengthen the intention around commercial investments and provide clarity about borrowing and investments
- Government consultation about minimum revenue provision and use of capital receipts from commercial activity

4.19 The Council will need to have regard to these changes and the new operating parameters when considering future activity under the MTFS.

National Economic Position

- 4.20 The Office for Budget Responsibility's (OBR) economic forecasts, provided alongside the Chancellor's Comprehensive Spending Review (SR21) in October, show improvement compared with the numbers from March 2021. The economic scarring from the pandemic is now forecast to be 2% of Gross Domestic Product (GDP) compared to 3% forecast in March 2021 and economic growth is forecast to be 6.5% in 2021, 6% in 2022 and 2.1% in 2023 showing a strong recovery from last year's deep recession. The forecasts for the years beyond are more worrying at 1.3% in 2024, 1.6% in 2025 and 1.7% in 2026, as this is below the long-term trend of 2% and may signal difficulty in the ability to generate tax receipts to fund growing spending pressures for social care and the NHS.
- 4.21 The central government budget deficit peaked at £320bn in 2020/21 before falling to an estimated £183bn in 2021/22. The figure for the current year is about £35bn less than the March 2021 estimate and net borrowing is expected to settle around £50bn per annum.
- 4.22 The Consumer Price Index (CPI) dropped significantly in 2020 during the pandemic but had risen to 3.1% in September and has gone up further to 5.1% in November and 5.4% in December 2021. It is expected to hit a peak in the next few months before returning to its target level of 2% by 2023 or 2024, although economic commentators are increasingly challenging that assumption.
- 4.23 The Chancellor presented the Comprehensive Spending Review (SR21) on 27 October 2021 in the context of the national economic position as detailed above. Some of the key headlines for local government and specifically our council, ahead of the provisional finance settlement set out in paragraph 4.25 below, are as follows:
- Core spending power estimated to increase annually by an average of 3.2%, but this assumes maximum council tax increases. Real terms average increase of 1%.
 - Additional £4.8bn in grant over the next 3 years.
 - An increase in grant in 2022/23 of £1.5bn to be distributed via the finance settlement but then no further growth. Any increase in funding beyond 2022/23 will have to come from council tax.
 - Core council tax increase thresholds assumed as 1.99% and a further 1% for social care.
 - No announcements at that time about New Homes Bonus, Fair Funding Review, Business Rates Reset or the length of the settlement.
 - Business rates announcements
 - Freezing the multiplier for 2022/23
 - 50% discount for retail, hospitality, and leisure sectors up to a maximum of £110k per business in 2022/23
 - Targeted reliefs and exemptions from April 2023 to support the decarbonisation of buildings
 - 100% relief on eligible property improvements to be implemented in 2023 (any increase in rates payable delayed for 12 months)
 - Extend transitional relief for small and medium-sized businesses for 1 year

- Local authorities will be fully funded for the loss of income from the multiplier, reliefs, and discounts
- Revaluations every 3 years from 2023
- Specific funding allocations announced that the Council may be eligible to bid for across a range of initiatives.

4.24 After the Chancellor's announcements, the Minister for the Department for Levelling-Up, Housing and Communities (DLUHC) announced that the move to 75% retention of business rates would be placed on hold as it was seen to contradict the aims of the levelling-up agenda.

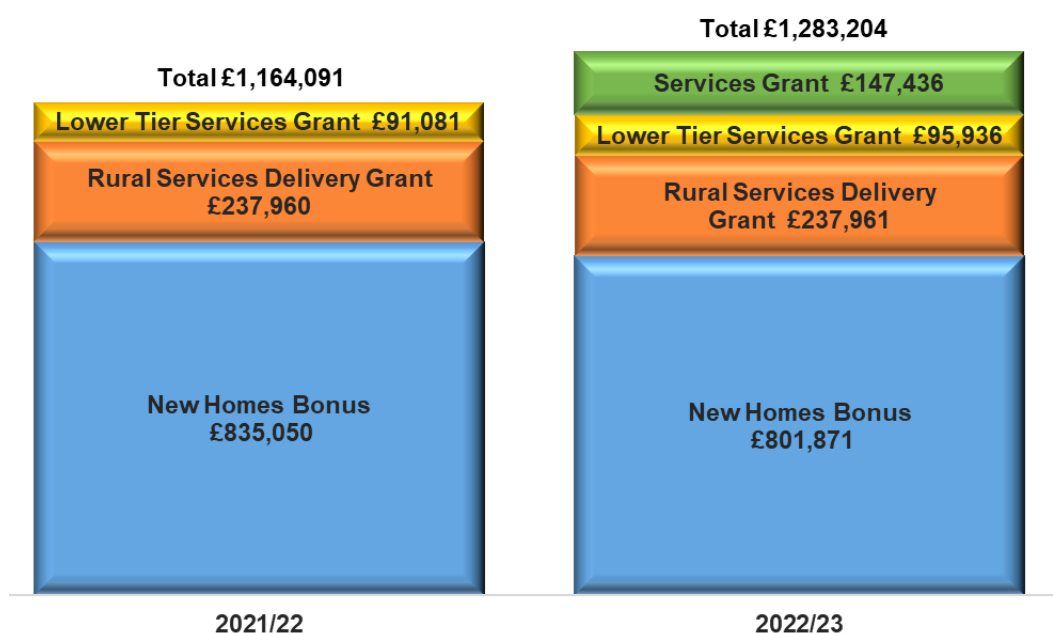
Funding

4.25 The provisional local government finance settlement for 2022/23 was announced on 16 December 2021. The key headlines are as follows:

- The settlement is for one-year only.
- A new one-off Services Grant in 2022/23 distributed via the Settlement Funding Formula. Distribution for 2023/24 and beyond will be considered in consultation with councils.
- For shire district councils' council tax can be increased by the higher of 2% or £5, which the Government believes protects local taxpayers from excessive council tax increases.
- The current approach to the New Homes Bonus is being applied to 2022/23 with a further one-year allocation for housing growth between October 2020 and October 2021.
- Rural Services Delivery Grant is being maintained at the same level as 2021/22.
- Lower Tier Services Grant is being maintained at the same level in 2022/23 despite the announcement when it was brought in last year that it was for one year only.
- A commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of our needs and resources. The Government will work closely with the sector to look at challenges and opportunities before consulting on any potential changes. Part of this will look at options to support local authorities through transitional protection.

4.26 The 2022/23 grant allocations for Babergh compared to the budget for 2021/22 are shown below.

Chart 4: government grant allocations 2021/22 and 2022/23



New Homes Bonus

- 4.27 Since NHB was introduced in 2011/12 the Council has received £11.8m in total. The Council continues to be reliant on NHB to support the budget, but in the last three years has been able to use some to supplement the Transformation Fund. For 2022/23, reliance on NHB to balance the budget equates to £275k.
- 4.28 As shown in Table 1 below, the use of NHB to balance the budget increased from 99% in 2017/18 to 100% in 2018/19 and 2019/20 and then reduces to 34% in 2022/23.

Table 1: New Homes Bonus used from 2017/18 to 2021/22

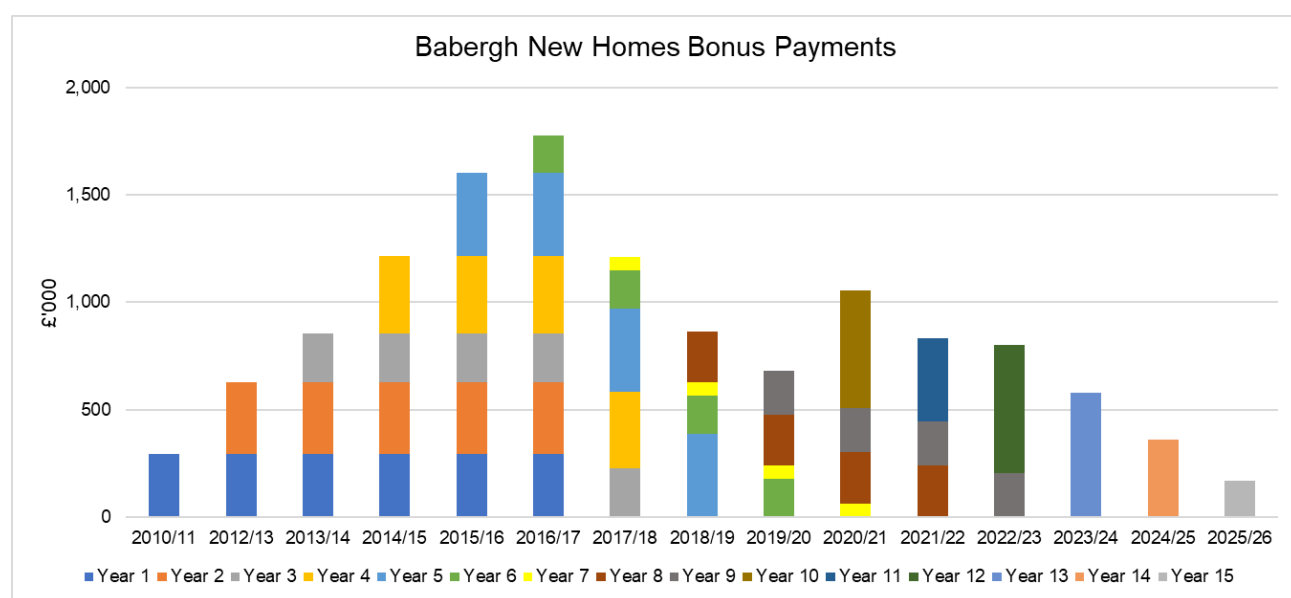
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	£'000	£'000	£'000	£'000	£'000	£'000
Amount of NHB received	1,212	866	683	1,055	835	802
NHB used to balance the budget	1,197	866	683	343	692	275
% of NHB allocation to balance budget	99%	100%	100%	33%	83%	34%

- 4.29 Table 2 and Graph 1 below shows the NHB over the last eleven years plus the estimated allocations for 2023/24 to 2025/26. This assumes tax base growth of 1.86% in 2023/24, 1.5% in 2024/25 and 1.05% in 2025/26 and all the legacy payments having been phased out.
- 4.30 This shows how NHB has declined from a peak of £1.8m in 2016/17 to £802k in 2022/23, 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 and continued to phase out the legacy payments, as well as introducing a 0.4% growth baseline in 2017/18.
- 4.31 For 2022/23 the 0.4% growth baseline for Babergh means that the first 157 new homes built received no payment.

Table 2: New Homes Bonus sums per year

Payments	2010/11	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Provisional 2022/23	Estimate 2023/24	Estimate 2024/25	Estimate 2025/26
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											391				
Year 12												597			
Year 13													579		
Year 14														359	
Year 15															171
Total	295	630	856	1,215	1,602	1,779	1,212	866	683	1,055	835	802	579	359	171

Graph 1: New Homes Bonus Payments - Estimated for 2023/24 to 2025/26



Council Tax

- 4.32 The impact from Covid on collection rates, the number of Local Council Tax Reduction (LCTR) claimants and the build rate of new homes across the district has been less than anticipated when the budget for 2021/22 was set. This means that a 4.31% increase has been calculated for the tax base for 2022/23, which will generate additional council tax income of £251k.
- 4.33 An increase in Band D Council Tax of 2% has been included for 2022/23, which would generate additional income of £121k.
- 4.34 Due to the impact from Covid being less than anticipated in 2021/22, a surplus of £116k is currently projected for the Collection Fund in 2021/22, which is £181k more than in 2021/22. The way that the Collection Fund operates means that this surplus will be recognised in the Council's budget in 2022/23.

Business Rates

- 4.35 The headlines for Business Rates are as follows:

- No change to the business rates baseline funding or levy.
- The benefit from being part of the Suffolk business rates pool will increase by £21k and the impact of the Collection Fund forecast balance at the end of March 2022 increases the resources available by £4k.
- A Government return (NNDR1) that is required to be submitted by 31 January 2022, may result in some further changes to the business rates figures, but any impact will be managed through the Business Rates Reserve and hence will not change the bottom line.
- Additional income of £216k is forecast from the Enterprise Zone at Sproughton.

5. FORECAST BUDGET GAP TO 2025/26

- 5.1 To establish the medium-term position 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.

Funding

- 5.2 Funding arrangements for councils have changed significantly in recent years, the revenue support grant has been completely removed for the Council and New Homes Bonus (NHB) legacy payments continue to be phased out with one remaining legacy payment in 2022/23. Government undertook a consultation on the future of NHB that concluded on 7 April 2021. The outcome of the consultation is still awaited and changes are now expected to be implemented from 2023/24.
- 5.3 The provisional settlement for 2022/23 is a one-year settlement. DLUHC is still committed to delivering the wider reforms to local government funding and changes are expected to be implemented for 2023/24. Therefore, the medium-term position continues to be more difficult to forecast.
- 5.4 Government has recognised that councils are now more reliant on council tax and business rates as the main sources of funding. A full review of the business rates system was published in October 2021. The government announced new support for businesses to help our high streets and town centres evolve and adapt to changing consumer demands ahead of the next revaluation; new support for investment in green technology and property improvements; changes to support more frequent revaluations; a further freeze in the business rates multiplier; and significant investment in the Valuation Office Agency (VOA). The government is currently consulting on the technical detail of these proposed changes.
- 5.5 In calculating the expected level of funding across all sources, the following assumptions have been made:
- a) Minimal use of reserves after 2023/24.
 - b) NHB to continue on the current basis, with estimated tax base growth of 1.86% in 2023/24, 1.5% in 2024/25 and 1.05% in 2025/26.
 - c) Nothing has been included for forecast Business Rates surplus or deficit beyond 2023/24 based on the assumption that the equalisation earmarked reserve will accommodate this. The 2020/21 forecast deficit of £753k, has been spread over three years as required by Government.

- d) Receipt of government grants as set out in paragraph 4.26 above.
- e) No Council Tax increase beyond 2022/23 as the base case, but an alternative option of the maximum £5 increase for each of the years from 2023/24 to 2025/26 has also been included in Table 8 in paragraph 5.27 below.
- f) Tax base growth of 4.31% in 2022/23, 1.86% in 2023/24, 1.50% in 2024/25 and 1.05% in 2025/26, which generates approximately £113k, £92k and £66k more council tax income in each year respectively beyond 2022/23.
- g) Due to the impact from Covid being less than anticipated in 2021/22, a surplus of £116k is currently projected for the Collection Fund in 2021/22. The way that the Collection Fund operates means that this surplus will be recognised in the Council's budget in 2022/23.

5.6 Table 3 below shows the forecast funding from 2022/23 to 2025/26. Funding decreases by 4% over the 4-year period. This is mainly due to the forecast decrease in New Homes Bonus.

5.7 In 2022/23 the Council will be using 100% of S31 grant and 50% of NHB to achieve a balanced budget.

Table 3: Forecast Funding 2022/23 – 2025/26

Description	2021/22 Budget £000	2022/23 Budget £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000
Funding:					
<u>Government Grants</u>					
New Homes Bonus	(835)	(802)	(579)	(359)	(171)
S31 Business Rates Grant	(1,486)	(1,486)	(1,486)	(1,486)	(1,486)
Services Grant	-	(147)	-	-	-
Rural Services Delivery Grant	(238)	(238)	(238)	(238)	(238)
Lower Tier Services Grant	(91)	(96)	-	-	-
<u>Business Rates</u>					
Baseline Business Rates less Levy	(1,555)	(1,555)	(1,555)	(1,555)	(1,555)
Levy					
Growth / Pooling Benefit	(312)	(333)	(333)	(333)	(333)
Enterprise Zone income	-	(216)	(225)	(225)	(225)
Prior Year Deficit/(Surplus)	222	218	218	-	-
<u>Council Tax</u>					
Council Tax	(5,813)	(6,185)	(6,301)	(6,395)	(6,462)
Council Tax Collection Fund (surplus) / deficit	64	(116)	46	-	-
Local Council Tax Support Grant - Babergh	(77)				
Local Council Tax Support Grant - Town & Parish Councils	(39)				
Total Funding	(10,159)	(10,957)	(10,452)	(10,591)	(10,470)

2022/23 Budget

5.8 In recent years the Council has tended to underspend the budget that has been set. The reasons for this have been reviewed and it has generally been due to additional income being received rather than expenditure proposals not being achieved.

- 5.9 Managers traditionally err on the side of caution when putting their budget proposals together, particularly in relation to income. Amalgamating these assumptions across the whole organisation has, in recent years, resulted in underspends at the year-end. The unintended consequence is that resources are committed during the budget process that could be used for other priorities or alternatively savings have to be made that are not actually needed.
- 5.10 For 2022/23, managers have looked to use stretching, but realistic assumptions when putting their budget proposals together across both expenditure and income. This should result in the overall outturn position being closer to the budget.
- 5.11 There is the risk that adopting the approach and events that happen during the year could result in an overspend position, but this will be monitored through the regular quarterly reporting to Cabinet and action taken if necessary. The Council has sufficient reserves to be able to manage that scenario should it come to fruition and would then be corrected when setting the budget for 2023/24.
- 5.12 The summary in Table 4 below shows the breakdown of the Council's net cost of service for 2022/23 (£10.430m) compared to 2021/22 (£10.016m), an increase of £414k.
- 5.13 The Council's 2022/23 gross expenditure is £33.5m and income is £23.1m giving a net cost of service of £10.4m. Bringing in the funding from business rates, council tax and government grants shows a net surplus of £527k for the 2022/23 budget, which will be transferred to the Strategic Priorities Reserve.

Table 4: General Fund Budget Summary 2022/23

Description	2021/22 Budget £000	2022/23 Budget £000	2021/22 to 2022/23 Movement £000
Expenditure			
Employees	8,230	9,983	1,753
Premises Costs	1,164	1,536	372
Supplies & Services	4,338	4,444	107
Transport Costs	307	352	45
Contracts	4,829	4,270	(559)
Transfer Payments	13,795	12,972	(823)
Income			
Grants and Contributions	(15,278)	(14,488)	789
Sales, Fees & Charges	(3,792)	(4,109)	(317)
Other income (incl. rental & PV panel income)	(1,604)	(1,771)	(167)
Net transfers to/(from) reserves	309	(545)	(854)
Net Service Expenditure	12,299	12,645	345
Recharge to HRA / Capital	(1,195)	(1,347)	(152)
Investment Income			
CIFCO - Net Interest Receivable	(2,180)	(2,169)	11
Pooled Funds - Net Income	(569)	(569)	-
Other interest receivable	(15)	(15)	-
Capital Financing Charges			
CIFCO - Interest Payable	380	380	-
Interest Payable - Other	30	60	30
MRP	1,266	1,445	179
Total Cost of Services	10,016	10,430	414
Funding:			
Government Grants			
New Homes Bonus	(835)	(802)	33
S31 Business Rates Grant	(1,486)	(1,486)	-
Services Grant	-	(147)	(147)
Rural Services Delivery Grant	(238)	(238)	(0)
Lower Tier Services Grant	(91)	(96)	(5)
Business Rates			
Baseline Business Rates less Levy	(1,555)	(1,555)	-
Levy			-
Growth / Pooling Benefit	(312)	(333)	(21)
Enterprise Zone income	-	(216)	(216)
Prior Year Deficit/(Surplus)	222	218	(4)
Council Tax			
Council Tax	(5,813)	(6,185)	(372)
Council Tax Collection Fund (surplus) / deficit	64	(116)	(181)
Local Council Tax Support Grant - Babergh	(77)		77
Local Council Tax Support Grant - Town & Parish Councils	(39)		39
Total Funding	(10,159)	(10,957)	(798)
Transfers to/from Reserves			
Climate Change & Biodiversity Reserve	143	-	
Strategic Priorities Reserve	-	527	
Shortfall / (Surplus) funding	0	0	(384)

2022/23 Budget Assumptions and Risks

- 5.14 Constructing a budget that runs to 13 months beyond when it was approved means that several assumptions have to be made about the conditions that are likely to exist over an extended period.
- 5.15 In calculating the 2022/23 budget, the following assumptions and amendments have been made, which highlight the key reasons for the changes from the current year to next year's proposed budget:

Staffing

- Increase in staff costs as a result of the Public Realm contract ceasing and moving to an in-house service during 2021/22 of £662k, offset by contract savings.
- Grant funding and reserves of £683k is being used to fund additional staffing costs in 2022/23.
- Additional staff costs of £155k for new roles are included in the base budget.
- 2% pay award for 2021/22 (still outstanding) and 2022/23, however this will depend on the agreement reached between the national employers' body and the relevant trade unions. This amounts to £189k.
- Incremental progression through grades to the value of £128k has been included.
- The vacancy management factor remains at 5%. The Council's vacancy rate as at 30th September 2021 was 17% and the average rate for 2021/22 to the end of November to date is 12%. However, this is considered to be a temporary position with many posts being recruited to, so no change is proposed. An adjustment of £86k has been made to the vacancy management factor to reflect 5% of the 2022/23 staffing budget.
- Pension fund assumptions
 - future rate contribution - 23%, no change from 2021/22.
 - increase of £84k to correct an historic position, partially offset by a 1% reduction agreed from the last triennial valuation of the fund. The overall position is a net increase of £22k.
 - The next triennial valuation is due as at 31 March 2022 and any changes to the employer contributions will take effect from 1 April 2023. It is anticipated that the funding position will have further improved at the next valuation date and therefore the Council's contributions could be reduced for the 3 years commencing 2023/24.

Premises

- Increase for property repairs of £11k.
- Increase to expenses for gas and electricity on the leisure centres of £259k to move to a green tariff. Babergh is making the payments but will be fully reimbursed by Abbeycroft.
- £55k built into the budget for business rates on a car park in Sudbury.
- Increase in the rent payable budget for the Guaranteed Rent Scheme of £53k.

Supplies & Services

- £45k saving from a reduction of the Endeavour House floorplate assumed in the second half of the year.
- £93k additional cost for professional and consultancy fees for Assets and Investments.
- £28k cost for well-being projects.
- Additional costs of £22k included for equipment, tools and materials from bringing the public realm contract back in house has been offset by reductions in equipment costs due to short-term car parking charges not being introduced.
- CCTV contract from West Suffolk is an additional £30k cost, but is offset by a contribution from Sudbury and Hadleigh Town Councils.

Transport

- Fuel costs increase of £56k due to the Public Realm contract being brought back in house.
- Increase in car mileage and essential user allowances £32k.
- Reduction in budget for HVO fuel costs £35k.
- Removal of £8k budget for fuel no longer required.

Contracts

- Contracts – general increases totalling £51k that includes Leisure, SRP and some ICT contracts.
- Reduction of £852k for the Public Realm contract being brought in-house.
- Major contracts – Waste increase of £242k due to a 4% inflationary increase on the contract with Serco and property/subscriber growth.

Transfer Payments

- Reduction of £823k is due to the migration of Housing Benefit customers to Universal Credit.

Income

- Reduction in Grants and Contributions of £820k from Housing Benefits migration to Universal Credit.
- A reduction in grants of £414k for Covid grant received in 2021/22.
- An increase in grants for Housing Solutions of £149k and an increase in other income of £51k.
- Reimbursement of electricity and gas by Abbeycroft Leisure increases income by £259k.
- Contribution from Sudbury and Hadleigh Town Councils of £18k for CCTV costs.
- Car parking income projections have been reduced by £22k from the 2021/22 budget due to short-term charges being put on hold.

- Increase of £2.00 to Garden Waste Subscription to fund the contractual inflationary increase for this service and an increase in subscriber numbers generating an additional £110k.
- Increase in income for planning and building control based on expected demand totalling £190k.
- £43k increase in recycling credit based on latest tonnage rates.
- Additional income of £50k expected for New Burden payment from migration to the national Local Land Charges Register. However, a reduction in income of £17k is expected for 2022/23 from ceasing charging for Local Land Charges.
- Additional income of £23k for civil parking enforcement.
- Anticipated increase in income totalling £73k for charges from food and safety, street naming and numbering, public rights of way, rents, emptying of dog and litter bins, waste, licensing, and land charges.

Capital Financing charges and Investment Income

- An increase to the Council's borrowing requirements to fund the Capital Programme in 2022/23 and the end of a Minimum Revenue Provision (MRP) 'holiday' has resulted in additional MRP of £179k.
- The Council is continuing to take advantage of low short-term interest rates for both CIFCO and borrowing for the capital programme, resulting in additional costs of £30k.
- With CIFCO now fully invested the budget includes just a small reduction for the annuity nature of loans to the company of £11k. CIFCO continues to provide income in excess of the cost to the Council of taking out the loans.

Recharges to the Housing Revenue Account (HRA) and Capital

- These are assessed each year as part of the budget process and are currently expected to generate additional income of £152k to the General Fund.

5.16 The charts below show the breakdown of expenditure and income excluding transfer payments and grant income for Housing Benefits. Chart 5 below shows how the £20.6m service expenditure is allocated across the services. Chart 6 shows the total budget expenditure of £22.7m by expenditure type. Chart 7 shows the breakdown of total income of £23.2m and Chart 8 shows the breakdown of service income (£7.3m).

Chart 5: Expenditure by Service Area (excl. housing benefits) 2022/23 (£20.6m)

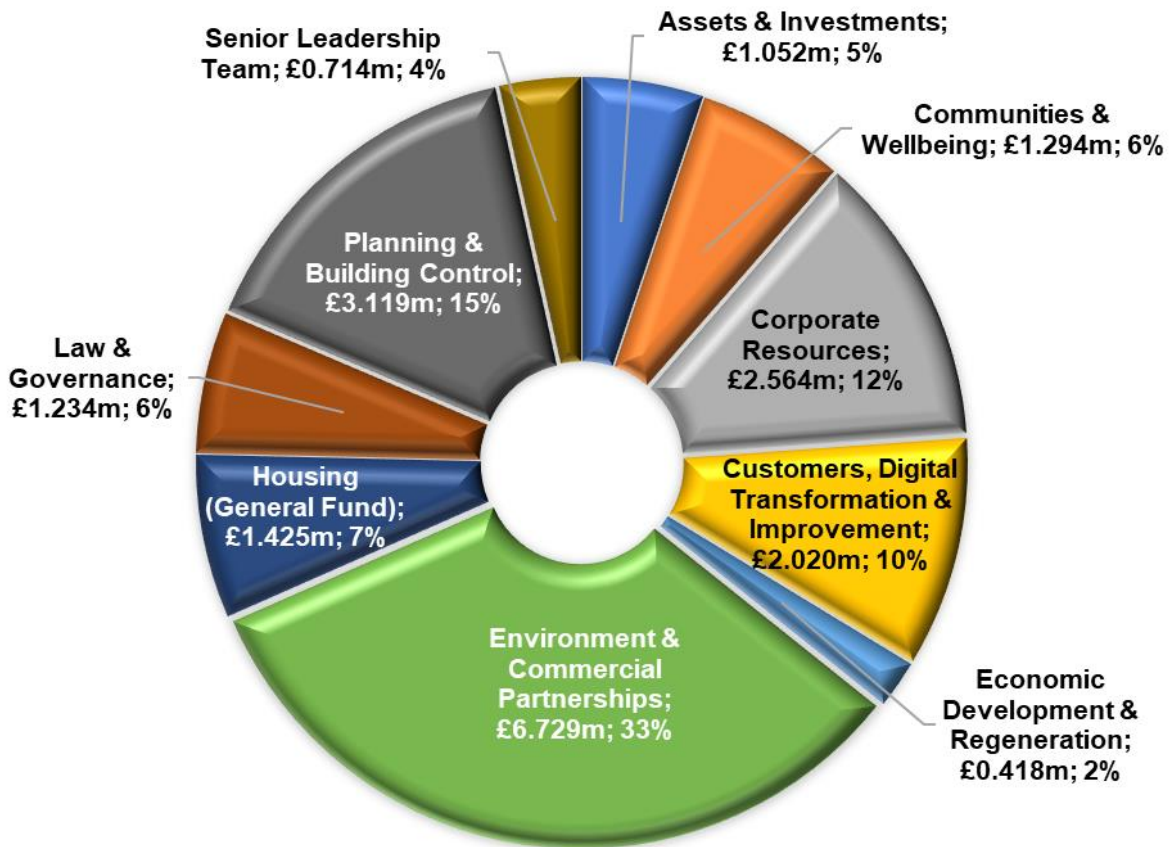


Chart 6: Expenditure by Type (excl. housing benefits) 2022/23 (£22.7m)

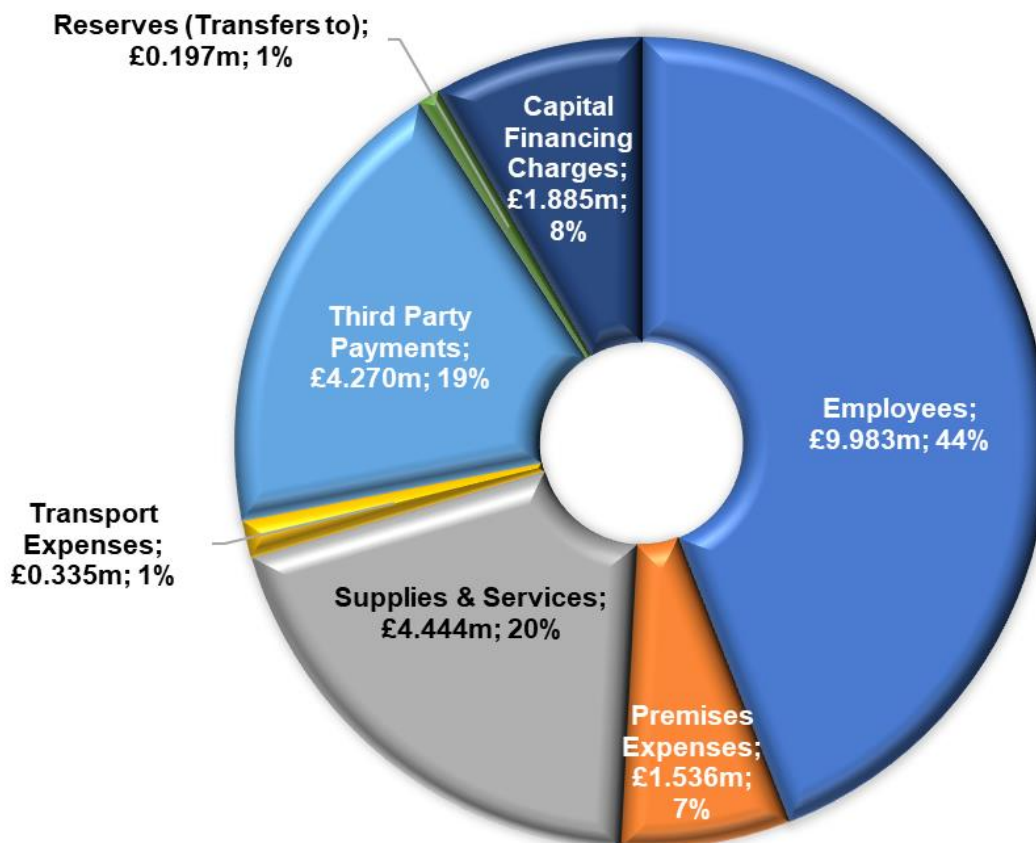


Chart 7: Total Income (excl. housing benefits) 2022/23 (£23.2m)

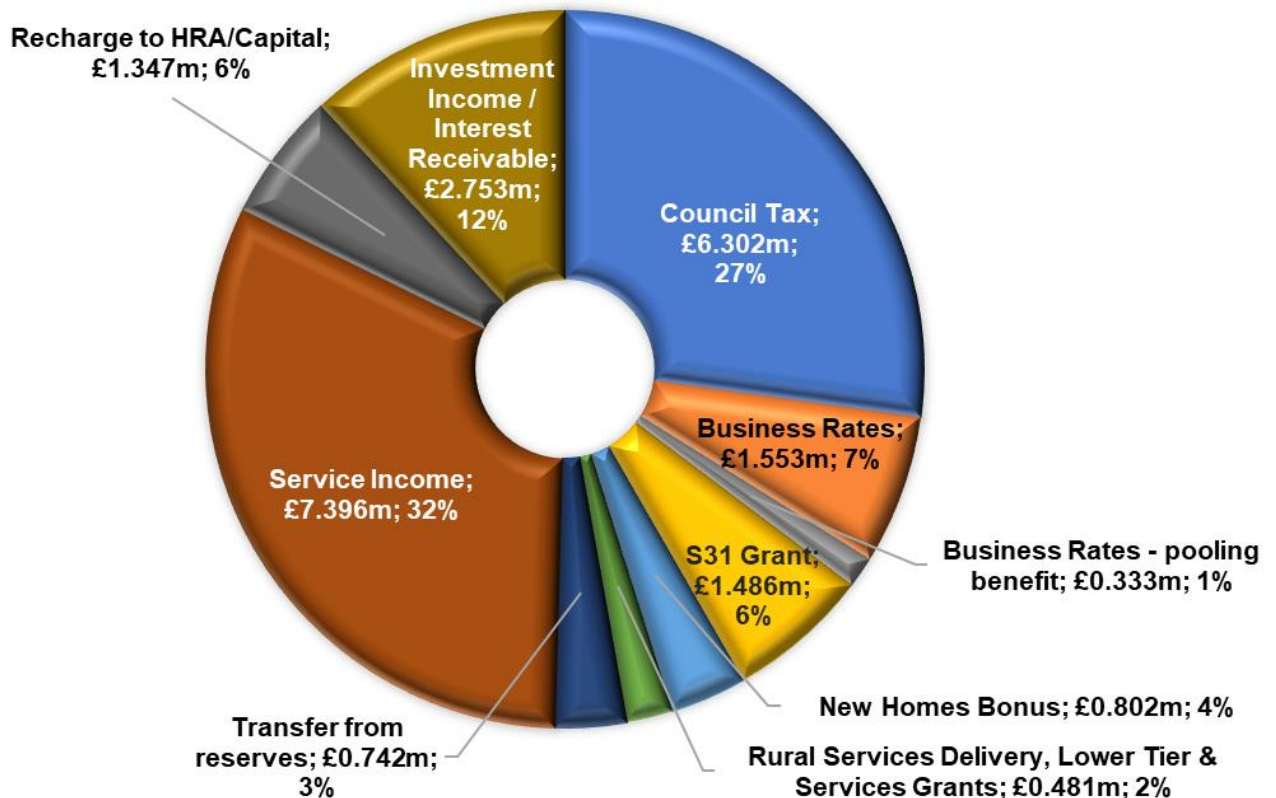
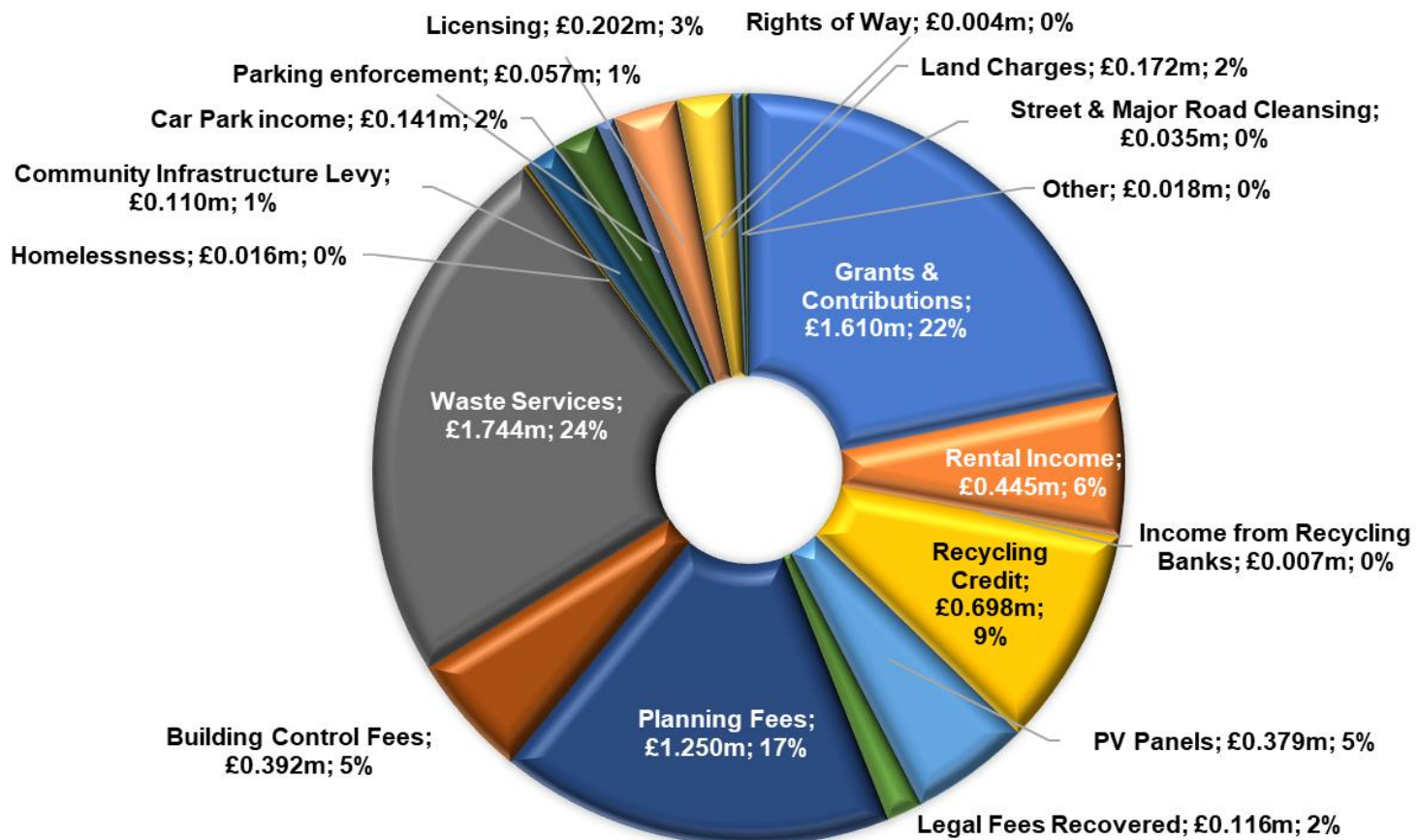


Chart 8: Service Income (excl. housing benefits) 2022/23 (£7.4m)



Reserves

- 5.17 Section 43 of the Local Government Finance Act 1992 requires that, 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.
- 5.18 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.
- 5.19 In 2022/23 the Council is using £761k from earmarked reserves against specific service expenditure. This includes £64k for Locality Budgets from the Strategic Priorities reserve, £20k for planning legal costs and £100k for the Joint Local Plan from planning reserves and £577k for staff costs.
- 5.20 The Council is also transferring £217k to earmarked reserves in 2022/23 to fund future years' specific service expenditure, made up of £20k to the elections reserve and £197k to planning reserves.
- 5.21 A transfer of £200k from the General Fund Reserve to the Wellbeing reserve to provide additional grant funding to support community projects is also included. This leaves a balance of £1m in the General Fund Reserve
- 5.22 Table 5 below shows the earmarked reserves balance from 31 March 2021, forecast through to 31 March 2023.

Table 5: Reserves

Earmarked Reserve	Balance 31/03/2021 £'000	Forecast Balance 31/03/22 £'000	Transfers £'000	Budget Transfer to £'000	Budget Transfer From £'000	Forecast Balance 31/03/23 £'000
Business Rates & Council Tax	6,106	1,642				1,642
Business Rates Retention Pilot (BRRP)	862	841			(17)	824
Carry Forwards	571	-				-
Climate Change and Biodiversity	200	343			(21)	322
Community Housing Fund	178	153			(29)	124
Commuted Maintenance Payments	820	842				842
COVID 19	1,171	705			(178)	528
Elections Equipment	35	35				35
Elections Fund	40	60		20		80
Government Grants	164	169			(23)	147
Homelessness	159	184			(89)	94
Joint Local Plan	100	100			(100)	-
Neighbourhood Planning Grants	49	94		157	(29)	222
Planning (Legal)	323	323			(20)	303
Planning Enforcement	93	93		40	-	133
Rough Sleepers	26	26				26
Strategic Planning	40	40				40
Strategic Priorities	1,147	607		527	(128)	1,005
Temporary Accommodation	145	131			(43)	87
Waste	87	87			(35)	53
Well-being	253	197	200		(49)	347
Total Earmarked Reserves	12,569	6,672	200	743	(761)	6,854
General Fund Reserve	1,200	1,200	(200)			1,000

Medium Term Projections

- 5.23 Table 6 below shows the estimated cost of services by service area and the forecast position for the period 2023/24 to 2025/26.
- 5.24 The position for 2022/23 is a £527k surplus followed by projected deficits of £982k, £647k and £669k to give a cumulative shortfall of £2.298m up to 2025/26.
- 5.25 Over the next three years the net cost of service increases by £2.3m, mainly due to pay awards, increments, capital financing charges and inflationary increases on major contracts. The estimated tax base growth over the same period (£277k) only covers 12% of this increase and the Council loses £630k in NHB funding and £243k in other grants. After the £527k surplus in 2022/23, this leaves a budget gap of £2.3m.
- 5.26 Over the three-year period from 2023/24 the Council's cumulative deficit of £2.3m must be addressed. The Council will need to deliver significant income or savings, 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 6: Forecast Budget Gap 2023/24 - 2025/26

Description	2022/23 Budget £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000
Strategic Property	226	156	166	146
The Councils' Companies	93	96	99	103
Total Assets & Investments	319	252	265	249
Communities	627	651	667	684
Leisure	260	265	270	276
Total Communities & Well-Being	888	917	938	959
Finance, Commissioning & Procurement	1,589	1,616	1,669	1,724
Human Resources & Organisational Development	461	549	564	581
Total Corporate Resources	2,050	2,165	2,234	2,305
Communications	177	183	189	196
Customer Operations	538	561	584	607
ICT	913	929	946	965
Strategic Policy, Performance and Insight	282	407	423	440
Total Customers, Digital Transformation & Improvement	1,910	2,080	2,142	2,208
Open for Business	305	338	351	364
Total Economic Development & Regeneration	305	338	351	364
Health & Safety, Business Continuity & Emergency Planning	177	201	207	212
Public Protection	596	625	653	683
Public Realm	1,629	1,586	1,648	1,700
Recycling, Waste & Fleet	1,212	1,248	1,284	1,330
Service Improvement	68	71	74	77
Total Environment & Commercial Partnerships	3,681	3,730	3,866	4,003
Housing Solutions	699	738	779	819
Total Housing	699	738	779	819
Electoral Services & Land Charges	94	97	105	113
Governance & Civic Off	353	370	387	406
Internal Audit, Risk & Data	85	87	90	93
Shared Legal Service	386	396	406	417
Total Law & Governance	918	950	989	1,029
Building Control	82	101	120	140
Chief Planning Officer	545	580	632	686
Strategic Planning	555	559	672	576
Total Planning & Building Control	1,182	1,240	1,424	1,402
Senior Leadership Team	692	718	744	772
Total Senior Leadership Team	692	718	744	772
Net Service Expenditure	12,645	13,128	13,731	14,110
Recharge to HRA / Capital	(1,347)	(1,374)	(1,401)	(1,428)
Investment Income	(2,753)	(2,742)	(2,728)	(2,720)
Capital Financing Charges	1,885	2,422	2,616	2,807
Total cost of services	10,430	11,435	12,219	12,768
Total Funding	(10,957)	(10,452)	(10,591)	(10,470)
Transfers to/from Reserves				
Strategic Priorities Reserve	527	-		
Business Rates & Council Tax Reserve	-	(218)		
Shortfall / (Surplus) funding	0	764	1,629	2,298
2022/23 surplus	-	-	-	-
2023/24 annual deficit		982	982	982
2024/25 annual deficit			647	647
2025/26 annual deficit				669
Total shortfall in funding / (Surplus Funds)	(527)	982	1,629	2,298

- 5.27 The Council acknowledges that it can still benefit from further work across the organisation to create efficiencies through driving down cost and cutting out work that does not add value. Opportunities exist in terms of improving digitisation and automation of some processes. A corporate programme of work will be developed early in 2022 to enable some broad-based numbers to be put against a 2-3 year programme.
- 5.28 These forecasts are based on no council tax Band D increase in 2023/24 to 2025/26. The Council could choose to increase council tax by the current maximum amount allowed of £5 per annum. The level of council tax that would be raised and the consequent shortfall for each year for no increase and a £5 increase every year is shown in Table 7 and Table 8 below.

Table 7: No increase in Council Tax 2023/24 to 2025/26

Description	2022/23	2023/24	2024/25	2025/26
	Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Council Tax	(6,185)	(6,301)	(6,395)	(6,462)
Total shortfall in funding / (Surplus Funds)	(527)	982	1,629	2,298

Table 8: £5 increase in Council Tax 2023/24 to 2025/26

Description	2022/23	2023/24	2024/25	2025/26
	Budget	Forecast	Forecast	Forecast
	£000	£000	£000	£000
Council Tax	(6,185)	(6,478)	(6,756)	(7,009)
Total shortfall in funding / (Surplus Funds)	(527)	805	1,268	1,751

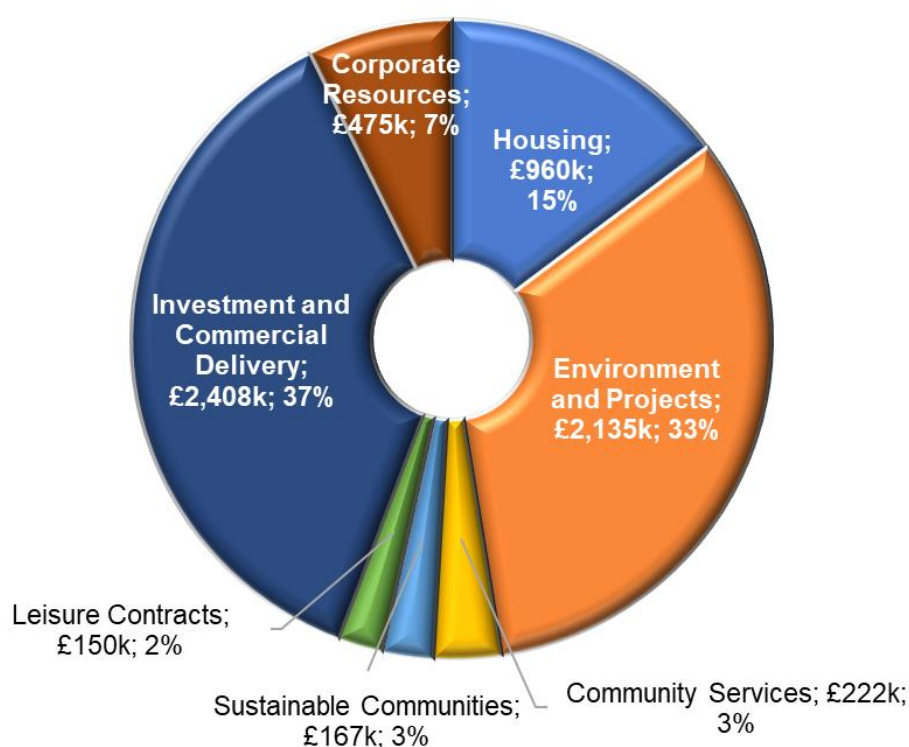
6. FEES AND CHARGES

- 6.1 Fees and charges have been reviewed by budget holders as part of this budget setting process and a separate report was presented to Cabinet in January 2022. The impact of the charges agreed have been built into the budget for 2022/23.

7. CAPITAL PROGRAMME

- 7.1 The detailed Capital Programme is attached at Appendix A. The new capital allocation for the 2022/23 budget totals £6.5m and is shown in Chart 9 below. Along with an anticipated carry forward of £16m at the end of the current financial year, the total capital programme for next year could be in the region of £22.5m.

Chart 9: Capital Programme 2022/23



7.2 The most significant items for new planned spend are the replacement of the Council's refuse freighters in 2022/23, funding for the proposed Commercial Workspace Development at Hadleigh and for Babergh Growth to undertake housing developments at sites already in progress or ones currently under negotiation for purchase over the next 3 years as well as purchasing additional land for further development. Funding is also included to continue the range of annual capital initiatives such as housing and community grants.

7.3 Following review by Joint Audit and Standards Committee in January 2022, 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 Council in February along with the final budget report.

8. LINKS TO THE CORPORATE PLAN

8.1 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 and aligns to the corporate outcomes against a backdrop of efficiency, and sound financial robustness. The underlying principle of the Medium-Term Financial Strategy is to be financially sustainable.

9. FINANCIAL IMPLICATIONS

9.1 These are detailed in the report.

10. LEGAL IMPLICATIONS

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

(Section 151) in relation to the level of reserves and the risks associated with the proposed budget.

11. RISK MANAGEMENT

- 11.1 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. 5E05 – 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 Government funding does not keep pace with demand and other pressures, then the Council will have to consider how it continues to fund existing service levels	2 - Unlikely	3 - Bad	The Council will continue to lobby Government both directly and via networks such as the District Councils' Network (DCN) and the Rural Services Network (RSN)
If demand pressures and cost inflation exceed forecasts, then the Council could be in an overspend position at the year-end	2 - Unlikely	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to contain costs in year to offset the impact
If income levels are below forecast, then the Council could be in an overspend position at the year-end	2 - Unlikely	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to generate income to anticipated levels
If the financial impact of COVID19 continues over an	2 - Unlikely	2 - Noticeable	Continue to monitor the situation closely to assess whether

extended period, then the Council will need to use and then replenish available reserves			the COVID reserve is sufficient to meet any funding gap
If borrowing costs exceed projections, then the Council may need to fund the excess costs from reserves at year-end	2 - Unlikely	2 - Noticeable	Discussions with the Council's treasury management adviser on interest rates to be used when setting the budgets
If capital projects exceed budgeted figures, then the Council will achieve less with the resources available	2 - Unlikely	2 - Noticeable	Capital projects will include an appropriate level of contingency that will cover potential increases in costs

12. CONSULTATIONS

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

13. EQUALITY ANALYSIS

- 13.1 Assistant Directors and Corporate Managers will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics.

14. ENVIRONMENTAL IMPLICATIONS

- 14.1 Assistant Directors, Corporate Managers and other Budget Managers will continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.
- 14.2 In support of the Council's commitment to be Carbon Neutral by 2030, several initiatives have and are being undertaken from a combination of the Council's own resources and those secured from external sources. Some of these are set out below.
- 14.3 A solar multi-function carport to generate electricity is being installed at Kingfisher Leisure Centre, Sudbury. The CO₂ savings are 4.4 times the volume of the Royal Albert Hall and it will generate enough power to supply 24 average homes in Sudbury.
- 14.4 The Council's leisure centres have been successfully transferred to certified low carbon tariffs for electricity use.

- 14.5 We have also installed a new pool water cleaning system at Kingfisher Leisure Centre which is expected to reduce annual CO₂ emissions by between 6.4 and 8.6 tonnes per annum and reduce combined gas and electricity consumption by 1.1% - 1.5%.
- 14.6 £1.4m of funding has been secured from the Government's Public Sector Decarbonisation Fund for carbon-saving measures at council leisure centres and other buildings including solar panels and air source heat pumps.

15. APPENDICES

Title	Location
Appendix A –Capital Programme	Attached
Appendix B - Budget, Funding and Council Tax Requirements and Robustness of Estimates and Adequacy of Reserves	Attached
Appendix C - Budget Book 2022/23	Attached

16. BACKGROUND DOCUMENTS

Provisional Local Government Finance Settlement

General Fund Financial Monitoring 2021/22 – Quarter 2 - BCa/21/29

CAPITAL PROGRAMME 2022/23 TO 2025/26

Babergh District Council - General Fund Capital Budgets		2021/22 Anticipated C/Fwds	2022/23 Budget for Approval	2022/23 Total Spend Required	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
2022/23 to 2025/26		(A)	(B)	(A + B)			
		£'000	£'000	£'000	£'000	£'000	£'000
Housing							
Mandatory Disabled Facilities Grant	747	760	1,507	760	760	760	
Renovation/Home Repair Grants	50	100	150	100	100	100	
Empty Homes Grant	222	100	322	100	100	100	
Grants for Affordable Housing	200	0	200	0	0	0	
Total Housing	1,219	960	2,179	960	960	960	
Environment and Projects							
Replacement Refuse Freighters - Joint Scheme	0	2,060	2,060	0	231	0	
Bins	0	75	75	75	75	75	
Total Environment and Projects	0	2,135	2,135	75	306	75	
Economic Development and Regeneration							
Belle Vue Refurbishment / Replacement	2,000	0	2,000	0	0	0	
Total Economic Development and Regeneration	2,000	0	2,000	0	0	0	
Communities and Public Access							
Vehicle and Plant Renewals	0	100	100	0	0	0	
Planned Maintenance / Enhancements-Car Parks	0	7	7	45	5	5	
Pin Mill Hard and toilet refurbishment	0	115	115	0	0	0	
Total Community Services	0	222	222	45	5	5	
Sustainable Communities							
Play equipment	136	50	186	50	50	50	
Community Development Grants	55	117	172	117	117	117	
Total Sustainable Communities	191	167	358	167	167	167	
Leisure Contracts							
Kingfisher Leisure Centre Improvements	0	100	100	100	100	100	
Hadleigh Leisure Improvements	0	50	50	50	50	50	
Total Leisure Contracts	0	150	150	150	150	150	
Investment and Commercial Delivery							
Planned Maintenance / Enhancements - Corporate Buildings	0	330	330	30	30	30	
Leases on Property (under new IFRS16)	0	439	439	0	0	0	
Borehamgate	0	64	64	64	64	64	
Strategic Investment Fund	2,906	0	2,906	0	0	0	
A1071 Roadside Commercial Workspace Development	0	1,075	1,075	1,075	0	0	
Babergh Growth	0	500	500	3,750	3,750		
Regeneration Fund	6,305	0	6,305	0	0	0	
Regeneration Fund - HQ Sites	3,160	0	3,160	0	0	0	
Total Investment and Commercial Delivery	12,371	2,408	14,779	4,919	3,844	94	
ICT & Customer							
Replacement Finance Management System	0	325	325	75	0	0	
ICT - Hardware / Software costs	200	150	350	150	150	150	
Total Corporate Resources	200	475	675	225	150	150	
TOTAL General Fund Capital Spend							
	15,981	6,517	22,497	6,541	5,582	1,601	
GF Financing							
External Grants and contributions	747	760	1,507	760	760	760	
Capital Receipts	1,100	0	1,100	0	0	0	
Borrowing	14,134	5,757	19,890	5,781	4,822	841	
Total GF Capital Financing	15,981	6,517	22,497	6,541	5,582	1,601	

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 21 February 2022.
- 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 2022/23 will be £177.34, based on a 2% increase to Council Tax for a Band D property.
 - 2) The County Council precept requirement is still to be determined but is likely to be £1,438.94 for a Band D property in 2022/23, an increase of 2.99%.
 - 3) The Police and Crime Commissioner's precept requirement is still to be determined but is likely to be £247.68 an increase of 4.2%.
 - 4) At the time of preparing this report, not all Parish / Town Councils have supplied formal notification of their 2022/23 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 2022/23 are expected to be as follows:

19 April 2022	16 May 2022	15 June 2022	15 July 2022
15 August 2022	15 September 2022	17 October 2022	15 November 2022
15 December 2022	16 January 2023	15 February 2023	15 March 2023

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 2022/23.
- 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.
- f) The CIPFA Financial Management Code came into effect from the 1st April 2021, the code complements the Statement on the Role of the Chief Financial Officer, including a set of financial management standards that the Council is complying 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 the authority's governance arrangements and style of financial management promote financial sustainability. These standards have been considered in drafting this statement.

b) Financial Controls

2.5 CIPFA's Financial Resilience Index, made publicly available for the first time in 2019, aims to support good practice in the planning of sustainable finance. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an authority. However, users of the index can undertake comparator analysis drawing their own conclusions. 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).

2.6 The 2020 index, which provides the relative position for the 2019/20 financial year, is the most up to date index currently available. Councils' performance is ranked relative to those in the selected 'comparator group'.

2.7 Babergh is seen as having higher risks around the level of external debt, interest payable and the proportion of fees and charges income against total revenue expenditure. The external debt includes that associated with the HRA, so the Council will always be seen as a higher risk compared to those councils without housing stock, but it is balanced against the value of the housing stock on the Council's balance sheet.

- 2.8 The other elements are all linked to the investment that the Council has made in CIFCO by increasing General Fund debt levels, higher interest payments, but also higher investment income coming back to the Council and is secured by charges on the properties acquired by CIFCO.
- 2.9 Alongside the statutory role of the CFO the Council has in place a number of financial management policies and financial controls which are set out in the Financial Regulations.
- 2.10 Other safeguards which ensure that the Council does not over-commit financially include:
- a) the statutory requirement for each local authority to set and arrange their affairs to remain within prudential limits for borrowing and capital investment;
 - b) the balanced budget requirement of the Local Government Finance Act 1992 (Sections 32, 43 and 93); and
 - c) the auditors' consideration of whether the authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).
- 2.11 The Council conducts an annual review of the effectiveness of the system of internal control and reports on this in the "Annual Governance Statement".
- 2.12 The internal and external audit functions play a key role in ensuring that the Council's financial controls and governance arrangements are operating satisfactorily. This is backed up by the review processes of Cabinet and the Joint Audit and Standards Committee undertaking the role of the Council's Audit Committee.

c) Budget Planning and Budget Management

- 2.13 The financial planning process is Councillor-led as Cabinet decides the principles and policies that underpin budget planning. The Budget Report describes the strategy for 2022/23 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. The continuing impact of Covid-19 on the Council's finances and budget assumptions for 2022/23 has also been considered and included in the process.
- 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 2020/21, but an unqualified opinion was achieved for 2019/20 and is expected again for 2020/21.

2.20 As part of the audit work for the 2019/20 and 2020/21 financial statements, a going concern review was undertaken in light of Covid19. The Council has demonstrated that it is currently in a strong financial position with the level of reserves it has and the funding received from the Government mitigating the financial impact forecast at this stage.

d) Adequacy of Insurance and Risk Management

2.21 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.

2.22 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.

2.23 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.

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

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

e) **Mitigation of Strategic Financial Risk**

2.25 No budget can be completely free from risk and this is especially true with the ongoing Covid-19 pandemic affecting the Councils finances. Some comments on the areas of the budget having key financial impacts or significant changes for 2022/23 are set out below:

- **Covid-19** – With the prolonged duration of the Covid-19 pandemic there could be an ongoing financial impact into 2022/23 and beyond in terms of increased costs and reduced income. The cost pressures are most likely to be seen for homelessness and leisure provision. The reduced income is likely to be seen for car parking and potentially council tax and business rates income levels, but depending upon the extent of the continuing impacts it could also be seen in terms of trade waste, planning income and commercial income although these have seen lesser impacts to date.
- **Pay and Pensions** – The budget includes provision for pay increases of 2% for each of the 4 years to 2025/26 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 £82k per annum.

Based on the 2019 triennial pension fund valuation a decrease of 1% per annum has been included for each of the three years that commenced from 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 £500k, which equates to 5%.

- **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 £40k.
- **Income from Fees and Charges** – A significant part of the Council's costs continue 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 as a result of the Covid-19 pandemic. A 30% reduction in the car parking income remains built into the budget to reflect an anticipated reduction in visitor numbers to car parks during 2022/23. A 1% change in fees and charges income including from planning, building control, garden waste, car park and recycling performance payments income is around £41k.
- **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 has made other commercial investments to generate income or regenerate an area, but the income generation aspect will be restricted in future following the changes to the lending terms of the Public Works Loan Board (PWLb) from November 2020. Where this investment is relying on borrowing as the funding source then any return will be subject to changes in interest rates. The 2022/23 budget includes the full year effect of the second £25m investment in CIFCO to generate additional income, but no further investments will be made, enabling the Council to access the PWLB for housing and other economic development and regeneration purposes.

- **Business Rates 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, all of which have been seen during the Covid-19 pandemic. The Council operates a Business Rates and Council Tax Collection Fund Reserve to cover for this possibility as appropriate and the Government provided some funding to cover irrecoverable tax losses.

The change to 75% retention of business rates is now unlikely to be taken forward and the reset has been deferred. The figures beyond 2022/23 assume a continuation of resources at the current level, but this is unknown. If baseline funding levels should reduce, the Business Rates and Council tax Collection Fund Reserve could be used to support a short-term reduction, but medium-term plans and resources would need to be reviewed.

- **Council Tax Income and the Tax Base** – the impact from Covid on collection rates, the number of Local Council Tax Reduction (LCTR) claimants and the build rate of new homes across the district has been less than anticipated when the budget for 2021/22 was set. This means that a 4.31% increase has been calculated for the tax base for 2022/23, which will generate additional council tax income of £251k. As a result of the improved position, a surplus of £116k is anticipated on the Collection Fund for 2021/22, which is included in the budget for 2022/23.
- **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 again been offset by centrally retained business rates money for 2022/23 as it was for 2019/20, 2020/21 and 2021/22. The Council's core Government funding is now reduced to Rural Services Delivery Grant (RSDG), New Homes Bonus (NHB), Lower Tier Services Grant and a new Services Grant for 2022/23 only. 2022/23 is a further one-year settlement from the Government. Funding levels beyond 2022/23 are therefore currently uncertain, so the medium-term figures are based on the current level of RSDG continuing and NHB reducing in 2023/24 and future years.

- **Welfare Reforms, Benefits and Council Tax Reductions** – At a forecast of £13m for 2022/23, housing benefit remains one of the Council's largest financial transactions, which due to the welfare reforms and introduction of Universal Credit and the Council Tax Reduction scheme is subject to increasing risk and change. This will continue to be closely monitored in order to protect the Council from any emerging risks and liabilities.

f) Capital Programme

- 2.26 The Council's new capital programme funding for the next 4 years is £20.2m 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.
- 2.27 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. The Government's consultation on MRP, if implemented, could increase costs from 2023/24.
- 2.28 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.
- 2.29 The borrowing strategy and MRP policy are set out in detail in the Capital, Investment and Treasury Management Strategies document.

Conclusion

- 2.30 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.
- 2.31 This is an expected and acceptable situation for any organisation that is dealing with a large number of variables. Also, the general economic situation resulting from the ongoing Covid-19 pandemic continues to impact on expenditure and income. The minimum safe level of reserves proved to be sufficient to manage the impact of the Covid-19 pandemic in 2020/21 and 2021/22, alongside the support provided by the Government, which has been the single largest impact on local authorities' finances in recent years, so provided this 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 can be reduced from £1.2m to £1m in 2022/23 without increasing the risk to the Council, as this has proven to be sufficient during the Covid-19 pandemic alongside the level of support provided by the Government. This represents 10% of the annual General Fund Budget. This is partly based on the understanding that there are further sums available in earmarked reserves that will not be fully spent during 2022/23 as set out below.
- 3.4 Levels of earmarked reserves (excluding those relating to the Housing Revenue Account but including the Strategic Priorities Reserve) are forecast to be £6.9m as at 31 March 2023. The Strategic Priorities Reserve is continuing to support the delivery of the Council's Joint Corporate Plan in 2022/23.

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)



Babergh District Council Budget Book 2022/23

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General Fund Revenue Budget Summary

		2021/22	2022/23	Movement
		£'000	£'000	£'000
Service Costs	Employees	8,230	9,983	1,753
	Premises	1,164	1,536	372
	Supplies & Services	4,338	4,444	107
	Transport	307	352	45
	Contracts	4,829	4,270	(559)
	Transfer Payments	13,795	12,972	(823)
Service Income	Grants and Contributions	(15,278)	(14,488)	789
	Sales, Fees & Charges	(3,792)	(4,109)	(317)
	Other income (incl. rental & PV panel income)	(1,604)	(1,771)	(167)
Reserves	Transfers to/from Reserves	309	(545)	(854)
Net Service Expenditure		12,299	12,645	345
Recharges	Recharge to HRA/Capital (Corporate Overheads)	(1,195)	(1,347)	(152)
Capital Financing Charge	Interest Payable - CIFCO	380	380	-
	Interest Payable - Other	30	60	30
	Minimum Revenue Provision (MRP)	1,266	1,445	179
Investment Income	Pooled Funds Net Income	(569)	(569)	-
	Interest Receivable - CIFCO	(2,180)	(2,169)	11
	Interest Receivable - Other	(15)	(15)	-
Total Net Cost of Services		10,016	10,430	414
Government Grants	New Homes Bonus	(835)	(802)	33
	S31 Business Rates Grant	(1,486)	(1,486)	-
	Services Grant	-	(147)	(147)
	Rural Services Delivery Grant	(238)	(238)	(0)
	Lower Tier Services Grant	(91)	(96)	(5)
Business Rates	Baseline Business Rates less Levy	(1,555)	(1,555)	-
	Growth / Pooling Benefit	(312)	(333)	(21)
	Enterprise Zone income	-	(216)	(216)
	Prior Year Deficit/(Surplus)	222	218	(4)
Council Tax	Council Tax	(5,929)	(6,185)	(257)
	Council Tax Collection Fund (surplus) / deficit	64	(116)	(181)
Total Funding		(10,159)	(10,957)	(798)
Transfers to/from Reserves		143	527	384
Shortfall / (Surplus Funds)		0	0	0

General Fund Revenue Budget - Services and Activities Summary

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Assets & Investments	275	379	329	0	68	-	(40)	-	(692)	-	319
Strategic Property	156	379	315	0	68	-	-	-	(692)	-	226
The Councils' Companies	119	-	15	-	-	-	(40)	-	-	-	93
Communities & Wellbeing	403	306	333	9	243	-	(309)	-	-	(98)	888
Communities	403	5	326	9	-	-	(18)	-	-	(98)	627
Leisure Contracts	-	301	8	-	243	-	(291)	-	-	-	260
Corporate Resources	1,047	236	208	20	1,054	12,972	(13,310)	-	(118)	(58)	2,050
Finance, Commissioning & Procurement	579	236	157	19	1,054	12,972	(13,310)	-	(118)	-	1,589
HR & Organisational Development	468	-	51	1	-	-	-	-	-	(58)	461
Customers, Digital Transformation & Improvement	1,345	-	314	0	361	-	-	-	(50)	(60)	1,910
Communications	154	-	23	0	-	-	-	-	-	-	177
Customer Operations	537	-	2	-	-	-	-	-	-	-	538
ICT	269	-	283	-	361	-	-	-	-	-	913
Strategic Policy, Performance & Insight	386	-	6	-	-	-	-	-	(50)	(60)	282
Economic Development and Regeneration	362	1	53	2	0	-	-	-	(11)	(102)	305
Open for Business	362	1	53	2	0	-	-	-	(11)	(102)	305
Environment and Commercial Partnerships	2,134	427	1,396	228	2,544	-	(44)	(2,183)	(709)	(112)	3,681
Health and Safety, Business Continuity and Emergency Planning	120	-	76	1	-	-	-	-	-	(20)	177
Public Protection	730	2	89	17	-	-	-	(202)	(5)	(36)	596
Public Realm	908	411	477	135	-	-	(44)	(237)	-	(21)	1,629
Recycling, Waste & Fleet	309	14	754	75	2,544	-	-	(1,744)	(705)	(35)	1,212
Service Improvement	68	-	-	-	-	-	-	-	-	-	68
Housing	1,039	187	176	40	0	-	(430)	(7)	(133)	(172)	699
Housing Solutions	1,039	187	176	40	0	-	(430)	(7)	(133)	(172)	699

General Fund Revenue Budget - Services and Activities Summary

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Law & Governance	507	-	724	3	-	-	(115)	(175)	(46)	20	918
Electoral Services and Land Charges	186	-	92	-	-	-	(5)	(174)	(25)	20	94
Governance and Civic Office	16	-	336	3	-	-	-	(0)	(2)	-	353
Internal Audit	60	-	28	0	-	-	-	-	(3)	-	85
Shared Legal Services	245	-	268	-	-	-	(110)	-	(16)	-	386
Planning & Building Control	2,226	0	843	50	-	-	(240)	(1,744)	-	47	1,182
Building Control	475	0	13	20	-	-	-	(426)	-	-	82
Chief Planning Officer	1,257	-	455	29	-	-	-	(1,216)	-	20	545
Strategic Planning	494	-	375	1	-	-	(240)	(102)	-	27	555
Senior Leadership Team	645	-	69	0	-	-	-	-	(11)	(11)	692
Senior Leadership Team	645	-	69	0	-	-	-	-	(11)	(11)	692
Total	9,983	1,536	4,444	352	4,270	12,972	(14,488)	(4,109)	(1,771)	(545)	12,645

General Fund Revenue Budget - Assets & Investments

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Strategic Property	156	379	315	0	68	-	-	-	(692)	-	226
1101 Asset Management	7	-	0	-	-	-	-	-	-	-	7
1103 Creeting Rd Depot	-	34	5	-	-	-	-	-	-	-	39
1105 Industrial Estates	-	-	-	-	1	-	-	-	(67)	-	(66)
1107 Belle Vue House	-	11	-	-	-	-	-	-	-	-	11
1109 HQ Energy	-	7	-	-	-	-	-	-	-	-	7
1111 Wenham Depot	-	5	1	-	-	-	-	-	-	-	6
1112 Chilton Depot	-	28	0	-	0	-	-	-	(1)	-	27
1113 Calais St Depot	-	2	-	-	-	-	-	-	-	-	2
1115 PV Panels	-	159	11	-	67	-	-	-	(379)	-	(141)
6400 Assets & Development	149	50	107	0	-	-	-	-	-	-	306
6404 Navigation House	-	2	-	-	-	-	-	-	(16)	-	(14)
6407 Borehamgate Shopping Centre	-	30	26	-	-	-	-	-	(200)	-	(144)
6414 Endeavour House - HQ	-	41	148	-	-	-	-	-	-	-	189
6415 Stowmarket CAP	-	7	16	-	-	-	-	-	-	-	23
6418 South Suffolk Buisness Centre	-	-	-	-	-	-	-	-	(30)	-	(30)
6421 Wenham Depot TDP	-	3	-	-	-	-	-	-	-	-	3
The Councils' Companies	119	-	15	-	-	-	(40)	-	-	-	93
6601 BMS Invest	119	-	15	-	-	-	(40)	-	-	-	93
Total Assets & Investments	275	379	329	0	68	-	(40)	-	(692)	-	319

General Fund Revenue Budget - Communities & Wellbeing

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Communities	403	5	326	9	-	-	(18)	-	-	(98)	627
2104 Community Achievement Award	-	-	3	-	-	-	-	-	-	-	3
2106 Comm Devt	367	-	1	9	-	-	-	-	-	-	377
2107 Grants & Contrbns	-	-	213	-	-	-	-	-	-	(64)	149
2200 Wellbeing CCG Funding	35	-	-	-	-	-	-	-	-	(34)	2
2202 Policy & Strategy H & W	-	-	41	-	-	-	-	-	-	-	41
2302 Community Safety-General	-	-	24	-	-	-	-	-	-	-	24
2303 Community Safety-CCTV	-	1	44	-	-	-	(18)	-	-	-	27
6067 Mobile CCTV	-	5	-	-	-	-	-	-	-	-	5
Leisure Contracts	-	301	8	-	243	-	(291)	-	-	-	260
2206 Hadleigh Pool	-	108	-	-	71	-	(89)	-	-	-	90
2207 Kingfisher Leisure Centre	-	193	-	-	140	-	(170)	-	-	-	162
2208 New Hadl PI & Leisure Centre	-	-	-	-	32	-	(32)	-	-	-	-
2211 Womens Cycle Tour	-	-	8	-	-	-	-	-	-	-	8
Total Communities & Wellbeing	403	306	333	9	243	-	(309)	-	-	(98)	888

General Fund Revenue Budget - Corporate Resources

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Finance, Commissioning & Procurement	579	236	157	19	1,054	12,972	(13,310)	-	(118)	-	1,589
6100 Financial Resources	481	-	36	1	-	-	-	-	-	-	518
6101 Treasury Management	-	-	22	-	-	-	-	-	-	-	22
6102 Bank Chgs	-	-	77	-	-	-	-	-	-	-	77
6103 Ext Audit	-	-	80	-	-	-	-	-	-	-	80
6104 Insurance Premiums	93	110	6	18	-	-	-	-	-	-	226
6105 Pay Infl and Increment Costs	(500)	-	-	-	-	-	-	-	-	-	(500)
6108 Rent Allowances	0	-	-	-	-	7,014	(7,077)	-	-	-	(63)
6109 Rent Rebates to HRA Dwellings	-	-	-	-	-	5,958	(6,030)	-	-	-	(72)
6111 Council Tax Collection	-	-	2	-	-	-	(75)	-	(108)	-	(181)
6112 NNDR Collection	-	-	-	-	-	-	(128)	-	(10)	-	(138)
6113 Shared Revenues Partnership	-	-	-	-	1,054	-	-	-	-	-	1,054
6114 Contingencies/Savings Adjs	-	-	(70)	-	-	-	-	-	-	-	(70)
6115 Unapportionable Central OHs	404	126	-	-	-	-	-	-	-	-	530
6500 Commissioning & Procurement	101	-	-	0	-	-	-	-	-	-	101
6501 Central Stationery & equip	-	-	4	-	-	-	-	-	-	-	4
HR & Organisational Development	468	-	51	1	-	-	-	-	-	(58)	461
5100 Organisational Devt	468	-	51	1	-	-	-	-	-	(58)	461
Total Corporate Resources	1,047	236	208	20	1,054	12,972	(13,310)	-	(118)	(58)	2,050

General Fund Revenue Budget - Customers, Digital Transformation & Improvement

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Communications	154	-	23	0	-	-	-	-	-	-	177
5500 Communications	154	-	23	0	-	-	-	-	-	-	177
Customer Operations	537	-	2	-	-	-	-	-	-	-	538
6300 Customer Servs	537	-	2	-	-	-	-	-	-	-	538
ICT	269	-	283	-	361	-	-	-	-	-	913
6200 ICT	269	-	283	-	361	-	-	-	-	-	913
Strategic Policy, Performance & Insight	386	-	6	-	-	-	-	-	(50)	(60)	282
5200 Bus Imp (Corp)	386	-	6	-	-	-	-	-	(50)	(60)	282
Total Customers, Digital Transformation & Improvement	1,345	-	314	0	361	-	-	-	(50)	(60)	1,910

General Fund Revenue Budget - Economic Development & Regeneration

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Open for Business	362	1	53	2	0	-	-	-	(11)	(102)	305
1108 Hadl Market	-	1	6	-	0	-	-	-	(5)	-	1
3501 Economy & Business	183	-	21	2	-	-	-	-	-	(63)	143
3506 Tourism General	-	-	25	-	-	-	-	-	(5)	-	20
3512 Regeneration	87	-	-	1	-	-	-	-	-	-	88
3514 Virtual High Street SIGIF	12	-	-	-	-	-	-	-	-	(12)	-
5102 Business Cont/Emergency Plan	46	-	-	-	-	-	-	-	-	-	46
5103 RHSSF	1	-	-	-	-	-	-	-	-	(1)	0
6063 4 Towns Visioning	22	-	-	-	-	-	-	-	-	(17)	5
6066 Sustainable Travel	11	-	-	-	-	-	-	-	-	(9)	2
Total Economic Development & Regeneration	362	1	53	2	0	-	-	-	(11)	(102)	305

General Fund Revenue Budget - Environment & Commercial Partnerships

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Health & Safety, Business Continuity & Emergency Planning	120	-	76	1	-	-	-	-	-	(20)	177
2301 Civil Protection & Emerg Plg	-	-	25	-	-	-	-	-	-	-	25
5101 Health & Safety	120	-	51	1	-	-	-	-	-	-	171
5102 Business Cont/Emergency Plan	-	-	-	-	-	-	-	-	-	(20)	(20)
Public Protection	730	2	89	17	-	-	-	(202)	(5)	(36)	596
1306 Other Housing Matters	-	-	12	-	-	-	-	-	-	-	12
4101 Food & Safety (General)	287	0	1	7	-	-	-	(1)	-	-	294
4103 Animal Welfare Licensing	1	-	2	-	-	-	-	(12)	-	-	(9)
4104 Health & Safety Regulation	-	-	-	-	-	-	-	(1)	-	-	(1)
4106 Water Sampling	-	-	10	-	-	-	-	(10)	-	-	-
4301 Environmental Protection	328	-	11	11	-	-	-	(6)	-	-	344
4302 Abandoned Vehicles	-	-	1	-	-	-	-	-	-	-	1
4303 Land Drainage	-	-	2	-	-	-	-	-	-	-	2
4304 Other Public Health Matters	-	-	0	-	-	-	-	-	-	-	0
4306 Climate Change and Sustainabi	36	2	18	-	-	-	-	-	(5)	(36)	15
4307 Dog Control	-	-	13	-	-	-	-	-	-	-	13
4600 Licensing	77	-	-	-	-	-	-	-	-	-	77
4601 Taxi & Private Hire Licensing	-	-	20	-	-	-	-	(81)	-	-	(61)
4602 Alc,Ents&Late Night Refreshmt	-	-	0	-	-	-	-	(82)	-	-	(82)
4603 Gambling & Small Lotteries	-	-	-	-	-	-	-	(6)	-	-	(6)
4604 Misc Other Licences	-	-	-	-	-	-	-	(2)	-	-	(2)
4608 Caravan Licences	-	-	-	-	-	-	-	(1)	-	-	(1)

General Fund Revenue Budget - Environment & Commercial Partnerships (Cont'd)

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Public Realm	908	411	477	135	-	-	(44)	(237)	-	(21)	1,629
2204 Footpaths	24	-	5	1	-	-	(5)	(4)	-	-	22
4401 Public Conveniences	-	41	27	-	-	-	-	-	-	-	68
4402 Street & Major Road Cleansing	253	-	87	48	-	-	(2)	(35)	-	-	351
4404 Open Spaces	556	2	154	84	-	-	(38)	-	-	(21)	736
4405 Public Tree Programme	48	51	-	3	-	-	-	-	-	-	102
4410 Car Parks General	27	311	73	-	-	-	-	(152)	-	-	259
4411 Pin Mill C Park	-	(3)	8	-	-	-	-	0	-	-	5
4412 Hadl C Parks	-	1	0	-	-	-	-	3	-	-	5
4413 Sudb C Parks	-	8	1	-	-	-	-	7	-	-	15
4459 The Greenways Project	-	-	6	-	-	-	-	-	-	-	6
4460 ANOB Contribution	-	-	32	-	-	-	-	-	-	-	32
4461 Grow Your Community	-	-	10	-	-	-	-	-	-	-	10
4470 Civil Parking Enforcement	-	-	75	-	-	-	-	(57)	-	-	18
Recycling,Waste & Fleet	309	14	754	75	2,544	-	-	(1,744)	(705)	(35)	1,212
4501 Jnt Waste Contract	-	14	18	74	-	-	-	-	-	-	106
4503 Domestic Waste	193	-	283	0	1,853	-	-	(67)	(378)	(35)	1,849
4504 Bring Sites	15	-	44	0	-	-	-	-	(124)	-	(65)
4505 Trade Waste	23	-	245	0	172	-	-	(666)	-	-	(227)
4506 Garden Waste	77	-	165	0	519	-	-	(1,010)	(202)	-	(452)
Service Improvement	68	-	-	-	-	-	-	-	-	-	68
2400 Bus Imp (Communities & Growth)	36	-	-	-	-	-	-	-	-	-	36
2402 Service Improvement	32	-	-	-	-	-	-	-	-	-	32
Total Environment & Commercial Partnerships	2,134	427	1,396	228	2,544	-	(44)	(2,183)	(709)	(112)	3,681

General Fund Revenue Budget - Housing

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Housing Solutions	1,039	187	176	40	0	-	(430)	(7)	(133)	(172)	699
1201 Housing Info	80	-	-	1	-	-	-	-	-	-	81
1301 Housing Standards	135	-	0	4	-	-	-	-	-	-	139
1304 Home Improvement Agency	-	-	-	-	-	-	(42)	-	-	-	(42)
1304 Independent Living Service	-	1	20	-	-	-	-	-	-	-	21
1309 Mobile Home Sites	-	-	-	-	-	-	-	(1)	-	-	(1)
1310 HMO Licence	-	-	-	-	-	-	-	(1)	-	-	(1)
1401 Homelessness Private Sector	-	18	118	-	-	-	(74)	(2)	-	-	60
1403 Rent Deposit Scheme	21	40	1	1	-	-	(61)	-	(8)	-	(6)
1404 Homeless Prevention Fund	313	-	12	8	-	-	(39)	-	(2)	(41)	250
1410 Other Temp Accommodation	108	6	3	2	-	-	-	-	-	(43)	76
1411 Old School House	-	22	4	-	0	-	-	-	(30)	-	(4)
1413 RoughSleepersInterventionYr3	184	-	5	-	-	-	(189)	-	-	-	(0)
1414 Guaranteed Rent Scheme	44	100	-	-	-	-	-	-	(94)	(49)	1
1416 Domestic Abuse Funding	21	-	-	22	-	-	(26)	-	-	-	17
3601 Strategic Housing	111	-	10	1	-	-	-	(4)	-	(10)	108
3604 Community Housing Fund	24	-	4	1	-	-	-	-	-	(29)	-
Total Housing	1,039	187	176	40	0	-	(430)	(7)	(133)	(172)	699

General Fund Revenue Budget - Law & Governance

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Electoral Services & Land Charges	186	-	92	-	-	-	(5)	(174)	(25)	20	94
5301 Electoral Registration	74	-	46	-	-	-	-	(2)	-	-	118
5302 Elections	-	-	25	-	-	-	-	-	(25)	20	20
6202 Land Chgs	112	-	21	-	-	-	(5)	(172)	-	-	(44)
Governance & Civic Office	16	-	336	3	-	-	-	(0)	(2)	-	353
5700 Governance	172	-	5	0	-	-	-	(0)	-	-	177
5701 Cost of Democracy	(169)	-	290	3	-	-	-	-	(2)	-	122
5702 Central Postal Serv	13	-	30	-	-	-	-	-	-	-	43
5703 Central Printing	-	-	10	-	-	-	-	-	-	-	10
Internal Audit, Risk & Data	60	-	28	0	-	-	-	-	(3)	-	85
5400 Internal Audit	60	-	28	0	-	-	-	-	(3)	-	85
Shared Legal Service	245	-	268	-	-	-	(110)	-	(16)	-	386
5600 Shared Legal Service	245	-	268	-	-	-	(110)	-	(16)	-	386
Total Law & Governance	507	-	724	3	-	-	(115)	(175)	(46)	20	918

General Fund Revenue Budget - Planning & Building Control

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Building Control	475	0	13	20	-	-	-	(426)	-	-	82
3301 Bldg Regs Chargeable Serv	328	-	10	14	-	-	-	(386)	-	-	(34)
3302 Bldg Regs Non-Chargeable Ser	71	-	-	3	-	-	-	-	-	-	74
3303 Bldg Regs Other Activities	48	-	-	2	-	-	-	-	-	-	50
3304 Bldg Control Commercial Incorr	-	-	2	-	-	-	-	(6)	-	-	(5)
3305 Dangerous Structures	-	0	-	-	-	-	-	(0)	-	-	(0)
3306 Street Naming & Numbering	29	-	2	1	-	-	-	(34)	-	-	(3)
Chief Planning Officer	1,257	-	455	29	-	-	-	(1,216)	-	20	545
3101 Devt Management	973	-	195	18	-	-	-	(1,111)	-	10	85
3102 Dev Mgmt- Appeals	-	-	216	-	-	-	-	-	-	10	226
3103 Pre App Charging	-	-	16	-	-	-	-	(60)	-	-	(44)
3110 Planning Performance Agreeme	-	-	15	-	-	-	-	(25)	-	-	(10)
3701 Conservation	106	-	0	5	-	-	-	(20)	-	-	91
3801 Planning Enforcement	178	-	14	6	-	-	-	-	-	-	197
Strategic Planning	494	-	375	1	-	-	(240)	(102)	-	27	555
0907 CIL	116	-	-	1	-	-	-	(102)	-	-	15
3400 Strategic Planning General	-	-	2	-	-	-	-	-	-	-	2
3401 Devt Policy & Local Plans	353	-	289	0	-	-	-	-	-	(100)	543
3702 Nghbrhd Plan Designations	24	-	83	-	-	-	(240)	-	-	127	(5)
Total Planning & Building Control	2,226	0	843	50	-	-	(240)	(1,744)	-	47	1,182

General Fund Revenue Budget - Senior Leadership Team

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Senior Leadership Team	645	-	69	0	-	-	-	-	(11)	(11)	692
0100 Senior Leadership Team	609	-	69	0	-	-	-	-	(11)	(11)	655
0101 Corp Management	37	-	-	-	-	-	-	-	-	-	37
Total Senior Leadership Team	645	-	69	0	-	-	-	-	(11)	(11)	692
Total Net Service Expenditure	9,983	1,536	4,444	352	4,270	12,972	(14,488)	(4,109)	(1,771)	(545)	12,645

Housing Revenue Account Budget 2022-23

	Budget 2022/23 £'000
Dwelling Rents	(17,273)
Service Charges	(598)
Non Dwelling Income	(183)
Other Income	(48)
Interest Received	(10)
Total Income	(18,111)
Housing Management	3,032
Building Services	4,087
Depreciation	4,548
Interest payable	3,161
Debt Repayment	-
Revenue Contribution to Capital	2,633
Bad Debt Provision	139
Total Expenditure	17,600
(Surplus) / Deficit for Year	(511)

General Fund Capital Programme 2022-23 to 2025/26

Babergh District Council - General Fund Capital Budgets		2021/22 Anticipated C/Fwds	2022/23 Budget for Approval	2022/23 Total Spend Required	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
2022/23 to 2025/26		(A)	(B)	(A + B)			
		£'000	£'000	£'000	£'000	£'000	£'000
Housing							
Mandatory Disabled Facilities Grant	747	760	1,507	760	760	760	
Renovation/Home Repair Grants	50	100	150	100	100	100	
Empty Homes Grant	222	100	322	100	100	100	
Grants for Affordable Housing	200	0	200	0	0	0	
Total Housing	1,219	960	2,179	960	960	960	
Environment and Projects							
Replacement Refuse Freighters - Joint Scheme	0	2,060	2,060	0	231	0	
Bins	0	75	75	75	75	75	
Total Environment and Projects	0	2,135	2,135	75	306	75	
Economic Development and Regeneration							
Belle Vue Refurbishment / Replacement	2,000	0	2,000	0	0	0	
Total Economic Development and Regeneration	2,000	0	2,000	0	0	0	
Communities and Public Access							
Vehicle and Plant Renewals	0	100	100	0	0	0	
Planned Maintenance / Enhancements-Car Parks	0	7	7	45	5	5	
Pin Mill Hard and toilet refurbishment	0	115	115	0	0	0	
Total Community Services	0	222	222	45	5	5	
Sustainable Communities							
Play equipment	136	50	186	50	50	50	
Community Development Grants	55	117	172	117	117	117	
Total Sustainable Communities	191	167	358	167	167	167	

General Fund Capital Programme 2022-23 to 2025/26

Babergh District Council - General Fund Capital Budgets		2021/22 Anticipated C/Fwds	2022/23 Budget for Approval	2022/23 Total Spend Required	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
2022/23 to 2025/26		(A)	(B)	(A + B)			
		£'000	£'000	£'000	£'000	£'000	£'000
Leisure Contracts							
Kingfisher Leisure Centre Improvements	0	100	100	100	100	100	100
Hadleigh Leisure Improvements	0	50	50	50	50	50	50
Total Leisure Contracts	0	150	150	150	150	150	150
Investment and Commercial Delivery							
Planned Maintenance / Enhancements - Corporate Buildings	0	330	330	30	30	30	30
Leases on Property (under new IFRS16)	0	439	439	0	0	0	0
Borehamgate	0	64	64	64	64	64	64
Strategic Investment Fund	2,906	0	2,906	0	0	0	0
A1071 Roadside Commercial Workspace Development	0	1,075	1,075	1,075	0	0	0
Babergh Growth	0	500	500	3,750	3,750		
Regeneration Fund	6,305	0	6,305	0	0	0	0
Regeneration Fund - HQ Sites	3,160	0	3,160	0	0	0	0
Total Investment and Commercial Delivery	12,371	2,408	14,779	4,919	3,844	94	
ICT & Customer							
Replacement Finance Management System	0	325	325	75	0	0	0
ICT - Hardware / Software costs	200	150	350	150	150	150	150
Total Corporate Resources	200	475	675	225	150	150	
TOTAL General Fund Capital Spend	15,981	6,517	22,497	6,541	5,582	1,601	
GF Financing							
External Grants and contributions	747	760	1,507	760	760	760	760
Capital Receipts	1,100	0	1,100	0	0	0	0
Borrowing	14,134	5,757	19,890	5,781	4,822	841	
Total GF Capital Financing	15,981	6,517	22,497	6,541	5,582	1,601	

Housing Revenue Account Capital Programme 2022-23 to 2025/26

BABERGH DC	2021/22 Indicative Carry Forwards (A)	2022/23 Budget for approval (B)	2022/23 Total Spend Required (A + B)	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
CAPITAL PROGRAMME BUDGET	£'000	£'000	£'000	£'000	£'000	£'000
Housing Revenue Account						

Planned Maintenance & Response						
Planned maintenance	1,727	6,100	7,828	4,662	4,641	4,620
Replacement Vehicles (IFRS 16 leases)	0	156	156	0	0	0
ICT Projects	0	111	111	200	200	200
Neighbourhood Improvements	779	500	1,279	500	500	500
Council House Adaptations	82	200	282	200	200	200
Horticulture and play equipment	30	70	100	80	30	30
Total Housing Maintenance	2,618	7,137	9,755	5,642	5,571	5,550

New build programme inc acquisitions	3,523	5,361	8,883	2,504	1,000	1,768
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TOTAL HRA Capital Spend	6,141	12,498	18,638	8,146	6,571	7,318
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HRA Financing						
Capital Receipts(from SO Sales)	0	1,072	1,072	0	0	0
New build 1-4-1 capital receipts	0	1,366	1,366	1,001	400	707
Major Repairs Reserve	0	4,548	4,548	4,539	4,531	4,531
Borrowing	1,500	1,478	2,978	250	949	2,080
Revenue Contributions	0	2,633	2,633	2,356	691	0
Strategic Priorities Reserve	4,641	1,400	6,041	0	0	0
Total HRA Capital Financing	6,141	12,497	18,638	8,146	6,571	7,318

Reserves

Earmarked Reserve	Balance 31/03/2021 £'000	Forecast Balance 31/03/22 £'000	Transfers £'000	Budget Transfer to £'000	Budget Transfer From £'000	Forecast Balance 31/03/23 £'000
Business Rates & Council Tax	6,106	1,642	-	-	-	1,642
Business Rates Retention Pilot (BRRP)	862	841	-	-	(17)	824
Carry Forwards	571	-	-	-	-	-
Climate Change and Biodiversity	200	343	-	-	(21)	322
Community Housing Fund	178	153	-	-	(29)	124
Commuted Maintenance Payments	820	842	-	-	-	842
COVID 19	1,171	705	-	-	(178)	528
Elections Equipment	35	35	-	-	-	35
Elections Fund	40	60	-	20	-	80
Government Grants	164	169	-	-	(23)	147
Homelessness	159	184	-	-	(89)	94
Joint Local Plan	100	100	-	-	(100)	-
Neighbourhood Planning Grants	49	94	-	157	(29)	222
Planning (Legal)	323	323	-	-	(20)	303
Planning Enforcement	93	93	-	40	-	133
Rough Sleepers	26	26	-	-	-	26
Strategic Planning	40	40	-	-	-	40
Strategic Priorities	1,147	607	-	527	(128)	1,005
Temporary Accommodation	145	131	-	-	(43)	87
Waste	87	87	-	-	(35)	53
Well-being	253	197	200	-	(49)	347
Total Earmarked Reserves	12,569	6,672	200	743	(761)	6,854
General Fund Reserve	1,200	1,200	(200)	-	-	1,000

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Agenda Item 9

BABERGH DISTRICT COUNCIL

COMMITTEE: Cabinet		REPORT NUMBER: BCa/21/35
FROM:	Councillor Simon Barrett Cabinet Member for Finance	DATE OF MEETING: 7 February 2022
OFFICER:	Katherine Steel, Assistant Director, Corporate Resources	KEY DECISION REF NO. CAB285

HOUSING REVENUE ACCOUNT (HRA) 2022/23 BUDGET

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 2022/23.
- 1.2 To enable Members to consider key aspects of the 2022/23 HRA Budget, including Council House rent levels.

2 OPTIONS CONSIDERED

- 2.1 The Housing Revenue Account Budget for 2022/23 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 Budget proposals for 2022/23 set out in the report be endorsed for recommendation to Council on 21 February 2022.
- 3.2 That the CPI + 1% increase of 4.1% in Council House rents, equivalent to an average rent increase of £3.72 a week for social rents and £5.23 a week for affordable rents be implemented.
- 3.3 That garage rents are kept at the same level as 2021/22.
- 3.4 That Sheltered Housing service charges are kept at the same level as 2021/22.
- 3.5 That Sheltered Housing utility charges are kept at the same level as 2021/22.
- 3.6 That the budgeted surplus of £511k be transferred to the Strategic Priorities reserve in 2022/23.
- 3.7 That in principle, Right to Buy (RTB) receipts should be retained to enable continued development and acquisition of new council dwellings.

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 for recommendations to Council.

4 KEY INFORMATION

Background

- 4.1 The Council's current HRA Business Plan presents a positive financial picture over the longer term (a thirty-year period as required under the self-financing regime). The business plan sets out the aspiration of the Council to increase the social housing stock by either buying existing dwellings or building new ones.
- 4.2 The review of the HRA Business Plan is nearing completion. In January 2022 Full Council will discuss the aims and aspirations of the revised business plan before Cabinet considers the detail and then makes a final recommendation back to Council for approval.
- 4.3 The revised business plan will not be ready for sign off until after the budget for 2022/23 needs to be approved, so the information presented to Overview and Scrutiny Committee in January and this budget report presented to Cabinet and Full Council will focus on the budget for 2022/23. The revised business plan, when it is presented, will set out the longer-term financial implications and ambitions for the HRA and will take into account any decisions or approvals in relation to the 2022/23 budget.
- 4.4 Following a period of five years that saw annual 1% rent reductions, which ended in March 2020, councils are allowed to increase rents by the maximum of the Consumer Price Index (CPI) +1% for a period of five years from April 2020. Subject to compliance with the Regulator of Social Housing's Rent Standard, this has begun to mitigate the impact of the 1% reduction on the 30-year plan.
- 4.5 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.
- 4.6 The 2022/23 budget is aligned to and supports the Council's Homes and Housing Strategy and the Council's vision for residents to live in affordable and high-quality homes that enable them to build settled, safe and healthy lives.

COVID19

- 4.7 COVID19 continues to have an impact on the HRA, with a backlog of work built up during restrictions now being addressed, but this is likely to continue into 2022/23 along with increasing material costs when the national schedule of rates is renewed and republished.
- 4.8 The new build programme has also been impacted as development ground to a halt during lockdown and has been slow to recover, and as it does, now carries

additional COVID19 related costs for site works to be undertaken safely. A shortage of some construction materials is also causing delays in completion of projects on site.

- 4.9 In terms of income levels from rent collection, there has not been any significant reduction resulting from COVID, as had been originally anticipated. A decision was made last year not to evict any tenant that was in arrears resulting from COVID19. Taking these factors into account, any levels of debt to be written off are therefore expected to be very low, if any, as any outstanding rents are likely to be reclaimed, but over a longer period because of secure tenancies.

2021/22 Budget and Forecast Outturn

- 4.10 On 23 February 2021 the Council set the HRA Budget for 2021/22, showing a surplus of £127k.
- 4.11 The second quarter budget monitoring report was presented to Cabinet on 6 December 2021 showing a forecast adverse variance of £499k as at 31 March 2022. The key factor in this position is the additional costs being incurred to address the backlog in void and responsive repairs, through both the volume of materials being purchased and sub-contractor costs to work alongside the Trades Team.
- 4.12 The third quarter position will be presented to Cabinet on 7 March 2022.

2022/23 Budget Proposals

- 4.13 In preparing the budget for 2022/23 the various headings have been thoroughly reviewed against the actuals for the last four years, taking account of 2020/21 and the impacts of COVID19, to ensure that they are set on a realistic basis for next year.
- 4.14 A surplus position is forecast for 2022/23 of £511k compared to the 2021/22 budget surplus of £127k.
- 4.15 The table below shows the 2022/23 budget compared to the 2021/22 budget, with explanations for the movements being shown in paragraph 4.16 below.

Babergh District Council Budgets 2022/23				
	Budget 2021/22 £'000	Budget 2022/23 £'000	Movement £'000	Percentage change
Dwelling Rents	(16,454)	(17,273)	(819)	5%
Service Charges	(584)	(598)	(13)	2%
Non Dwelling Income	(183)	(183)	0	0%
Other Income	(50)	(48)	2	-4%
Interest Received	(10)	(10)	0	0%
Total Income	(17,281)	(18,111)	(830)	
Housing Management	2,959	3,032	73	2%
Building Services	3,564	4,087	523	15%
Depreciation	4,280	4,548	268	6%
Interest payable	3,161	3,161	0	0%
Debt Repayment	150	0	(150)	-100%
Revenue Contribution to Capital	2,901	2,633	(268)	-9%
Bad Debt Provision	139	139	0	0%
Deficit / (Surplus) for Year	(127)	(511)	(385)	

4.16 In calculating the 2022/23 budget, the following assumptions have been made:

Income

- Dwelling rents – an increase of 4.1% (CPI + 1%). It has been assumed that there will be 12 properties purchased by the tenant through the Right to Buy mechanism. The number of voids has been reduced from 1.3% to 1% to reflect work undertaken by the Housing team to reduce the length of time a property is void for. An increase of 21 properties has been assumed. All of these assumptions generate £819k additional income. The tables below show the impact on income levels that would be available to the HRA for some alternative options for a rent increase in 2022/23 compared to the maximum that is currently built into the budget. The first table shows the impact on the 2022/23 budget and the second table shows the cumulative impact over 1, 5, 10 and 30 years.

Babergh Rents	Current Budget				
	(CPI +1%)	CPI (3.1%) only	2% increase	1% increase	No increase
Social housing rents	(£16,278,346)	(£16,122,581)	(£15,951,247)	(£15,795,635)	(£15,639,933)
Affordable rents	(£1,151,909)	(£1,140,850)	(£1,128,684)	(£1,117,621)	(£1,106,548)
Shared Ownership Properties (RPI 4.9%)	(£75,986)	(£75,986)	(£75,986)	(£75,986)	(£75,986)
Less 12 RTB	£59,593	£59,593	£59,593	£59,593	£59,593
Less 1% Voids	£173,707	£172,038	£170,203	£168,537	£166,869
Total Rents	(£17,272,941)	(£17,107,786)	(£16,926,121)	(£16,761,112)	(£16,596,005)
Deficit / (Surplus) for Year	(£310,804)	(£145,650)	£36,016	£201,024	£366,131
Net Increase	(£676,936)	(£511,781)	(£330,116)	(£165,107)	£0

Babergh		Impact on overall HRA Plan		
Rent Increase	One Year	Five Years	10 Years	30 Years
1%	£165,107	£825,536	£1,651,072	£4,953,215
2%	£330,116	£1,650,578	£3,301,155	£9,903,465
3.1% (CPI)	£511,781	£2,558,905	£5,117,810	£15,353,430
4.1% (CPI + 1%)	£676,936	£3,384,678	£6,769,355	£20,308,066

The average weekly social rent will increase from £91.78 to £95.50 an increase of £3.72. For affordable housing, weekly rents are increasing on average by £5.23 from £127.42 to £132.65.

The table below shows how the combined average weekly rent for social and affordable homes compares to other councils in the East of England and nationally.

Local Authority Average Weekly Rent (incl. Affordable)	2015- 16	2016- 17	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22	2022- 23
Babergh	91.84	91.12	90.55	89.82	88.98	91.60	93.51	97.30
East Suffolk					82.58	84.15		
Ipswich	83.46	82.71	81.94	81.08	80.31	83.21		
Mid Suffolk	84.75	84.33	83.76	83.12	82.39	84.97	86.19	89.69
Waveney	81.67	78.61	81.6	82.07				
East of England	91.5	91.03	90.24	89.5	89.29	92.19		
England	88.16	87.37	86.71	85.85	85.68	88.27		

Of the Council's 3,437 tenants, 1,682 (49%) that we know of are in receipt of Housing Benefit or Universal Credit. As Universal Credit is paid direct to the tenant, rather than the landlord, the Council no longer knows the total number of tenants in receipt of support to pay their rent.

- Sheltered housing – no increase to the service, heating or water charges is being proposed as current charges recover the expected costs. This is based on historic costs and does not reflect the recent increase in gas and electricity prices, to keep the overall package of cost increases manageable for tenants. This will result in an element of subsidy to tenants in 2022/23 until the higher prices are reflected in 2023/24. The budget is being brought in line with current actuals, with the resulting impact being an increase in income of £13k.
- Garage rents are being kept at the same level as 2021/22 with the budget being based on the existing stock level, which has resulted in no change to the budget. Garages can be hard to let in some areas and sites are under review to assess their suitability for development.
- Other income – no income has been received over the last two years from recovering legal costs, so the budget has been reduced by £2k for 2022/23 to reflect this position.
- A new Rent and Service Charge Policy is being developed and will be presented to Cabinet in the first half of 2022.

Housing Management

- An overall increase to the budget of £73k is proposed for 2022/23.
- Increases are required for the annual pay award and increments in staffing costs (£61k), recharges from the General Fund (£18k), transport related expenses (£14k), the electricity budget (£28k) and other minor costs (£6k).
- These increases are being partially offset by an increase in rental income from temporary accommodation (£54k).

Building Services

- An overall increase to the budget of £523k is proposed for 2022/23.
- The most significant area of this overall change is an increase to the repairs budget of £426k. In recent years this budget has not been able to accommodate the level of demand for repairs with overspends being reported, so the proposed budget for next year is being set at a more realistic level.
- Increases are also required for the annual pay award and increments in staffing costs (£52k), recharges from the General Fund (£49k), skip hire usage (£11k) and other small cost increases in line with current spend (£6k).
- All of the increases are being partially offset by an increase in the Renewable Heat Incentive (RHI) income (£21k).

Depreciation

- The depreciation charge has increased by £268k due to the revaluation of the housing stock as at 31 March 2021. The value of the housing stock as at 31 March 2021 is £260.4m. The valuation basis that we are required to use for our accounts equates to 38% of market value.

Interest Payable and Bad Debt Provision

- No change is proposed from the 2021/22 budget. The interest payable figure is based on total debt of £84.7m, £83.6m of which is the debt that the Council took on when the HRA Self-financing regime was introduced in 2012.

Debt Repayment

- A loan from the Public Works Loan Board (PWLB) was fully repaid in 2021/22, so the budget of £150k has been removed for 2022/23.

Revenue Contribution to Capital

- The revenue contribution to capital has been decreased by £268k to offset the increase in the depreciation charge as depreciation can be used to fund capital expenditure.

Reserves

- 4.17 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.

4.18 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.

4.19 The 2022/23 budget position means that the Council will increase its Strategic Priorities Reserve by £511k, which is £384k more than the 2021/22 budget. The balance in the reserve as at 31 March 2023, as a result of the budget proposals, is forecast to be £5.977m, which equates to around £1,700 per property. This is dependent on the new build and acquisition programme being delivered on target in the current financial year.

Transfers to / from Earmarked Reserves	Balance 31 March 2021	Budget trf to	Budget trf from	Balance 31 March 2022	Budget trf to	Budget trf from	Balance 31 March 2023
Strategic Priorities	(15,778)	(127)	10,439	(5,466)	(511)		(5,977)
Building Council Homes Programme (BCHP)	(20)			(20)			(20)
HRA Revenue	(15,895)	(127)	10,439	(5,583)	(511)	-	(6,094)

4.20 In addition to this, the Council continues to hold £1m in the working balance. This equates to less than £300 per property.

Capital

4.21 The proposed capital programme for 2022/23 and the indicative programme for the following three years is shown in the table below.

BABERGH DC	2021/22 Indicative Carry Forwards (A)	2022/23 Budget for approval (B)	2022/23 Total Spend Required (A + B)	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
CAPITAL PROGRAMME BUDGET	£'000	£'000	£'000	£'000	£'000	£'000
Housing Revenue Account						
Planned Maintenance & Response						
Planned maintenance	1,727	6,100	7,828	4,662	4,641	4,620
Replacement Vehicles (IFRS 16 leases)	0	156	156	0	0	0
ICT Projects	0	111	111	200	200	200
Neighbourhood Improvements	779	500	1,279	500	500	500
Council House Adaptations	82	200	282	200	200	200
Horticulture and play equipment	30	70	100	80	30	30
Total Housing Maintenance	2,618	7,137	9,755	5,642	5,571	5,550
New build programme inc acquisitions	3,523	5,361	8,883	2,504	1,000	1,768
TOTAL HRA Capital Spend	6,141	12,498	18,638	8,146	6,571	7,318
HRA Financing						
Capital Receipts(from SO Sales)	0	1,072	1,072	0	0	0
New build 1-4-1 capital receipts	0	1,366	1,366	1,001	400	707
Major Repairs Reserve	0	4,548	4,548	4,539	4,531	4,531
Borrowing	1,500	1,478	2,978	250	949	2,080
Revenue Contributions	0	2,633	2,633	2,356	691	0
Strategic Priorities Reserve	4,641	1,400	6,041	0	0	0
Total HRA Capital Financing	6,141	12,497	18,638	8,146	6,571	7,318

- 4.22 The new funding within the Capital Programme for 2022/23 totals £12.5m, with an additional £6.1m anticipated to be carried forward from 2021/22 to give a total programme of £18.6m.
- 4.23 The new build and acquisition programme has identified development sites for new homes that will deliver 68 affordable homes and 18 shared ownership homes by the end of March 2026.
- 4.24 The major areas being developed over the next four years include sites at Chilton, Boxford, Wherstead and Lavenham.
- 4.25 Right to Buy (RTB) sales for Babergh were lower than those projected in the business plan. In 2020/21 Babergh sold 13 against an original projection of 20 sales.
- 4.26 The money received from RTB sales can only be used as a 40% contribution towards the cost of a replacement home. The remaining 60% of the replacement cost must be found from other HRA resources. If sales increase, it means that the level of match funding required (60%) increases. During 2020/21 the Government extended the time period by which RTB receipts have to be spent from 3 to 5 years. If the receipts are not spent within the 5-year period allowed, they must be repaid to Government with 4% above the base rate interest added.
- 4.27 The Council can enter into agreements with the Secretary of State to retain the full RTB receipt from the sale of nominated homes newly built or acquired since July 2008. Officers will investigate opportunities to enter into agreements so that any capital receipts received in future from the sale of nominated homes could be retained in full and used as part of the 60% match funding required.

5. LINKS TO THE 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 Corporate Plan, and ensuring the Council has a robust financial strategy. Specific links are to the Council's Homes and Housing Strategy and the Council's vision for residents to live in affordable and high-quality homes that enable them to build settled, safe and healthy lives.

6. FINANCIAL IMPLICATIONS

- 6.1 These are detailed in the report.

7. LEGAL IMPLICATIONS

- 7.1 There are none that apply.

8. RISK MANAGEMENT

- 8.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 13 – We may be unable to respond in a timely and effective way to financial demands and also Corporate Risk No. 5E05 – 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. 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 the 5-year period, then it will lead to requirement to repay to Government with interest.	Probable - 3	Bad - 3	Provision has been made in the budget and Investment Strategy to enable match funding and spend of RTB receipts.
If we borrow too much to fund New Homes, we will not be able to pay the loan interest.	Unlikely - 2	Bad - 3	Follow the CIPFA Prudential Code which states capital investment plans must be affordable, prudent and sustainable.
If economic conditions and other external factors like Covid19 are worse than budgeted for it could have an adverse effect on the Councils 2022/23 and	Probable – 3	Noticeable - 2	Maintain the focus and momentum on reducing the budget deficit throughout the financial year. Maintain sufficient minimum reserve level to withstand the impact.

medium-term financial position			
If capital data is inaccurate it could lead to problems with treasury management debt and cashflows.	Unlikely - 2	Bad - 3	Capital plans form part of the Treasury, Capital and Investment strategy. Monitor the capital spend quarterly.

9. CONSULTATIONS

- 9.1 Consultations have taken place with the Assistant Director, Corporate Managers and other Budget Managers as appropriate.

10. EQUALITY ANALYSIS

- 10.1 The Assistant Director and Corporate Managers will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 In support of the Council's commitment to be Carbon Neutral by 2030, several initiatives have and are being undertaken in relation to the housing and sheltered accommodation stock. These are set out in more detail below.
- 11.2 Since 2020, Babergh has installed 85 Air Source Heat Pumps in council owned homes.
- 11.3 Working alongside the Energy Savings Trust, every property within our housing stock (via a desktop exercise) has been evaluated, which has provided the council with current energy efficiency levels compared with what could be achieved and the level of investment required to achieve improved energy efficiency. The 'hardest to heat' homes will be targeted first. This now allows us to quantify the cost of capital environmental works to existing homes.
- 11.4 Oil fired / storage communal heating has been replaced with individual heat pumps.
- 11.5 The new homes 'design and technical specification' that incorporates carbon saving solutions will be launched alongside our 30-year Housing Business Plan from in the first half of 2022.
- 11.6 Surveyors have been studying for the Retrofit Co-ordinators Diploma by the Retrofit Academy to better support the Council's ambition to retrofit existing properties.

12. BACKGROUND DOCUMENTS

Housing Revenue Account (HRA) 2021/22 Budget and Four-Year Outlook - BC/20/25

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Agenda Item 10

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/21/37
FROM: Cabinet Member for Finance	DATE OF MEETING: 7 February 2022
OFFICER: Andrew Wilcock (SRP Operations Manager)	KEY DECISION REF NO. CAB324

BUSINESS RATES RELIEF POLICIES

1. PURPOSE OF REPORT

- 1.1 The Government has recently announced some additional Business Rate support schemes. This report provides an overview of these and explains the steps to be taken to implement these reliefs.

2. OPTIONS CONSIDERED

Covid-19 Additional Relief Fund (CARF)

- 2.1 **Option 1 – Delegate authority to the Assistant Director for Corporate Resources in consultation with the Cabinet Members for Finance and Economy to agree a local discretionary COVID-19 additional relief fund policy once the modelling has been complete and system implications are understood.**

A new policy can be introduced for the relief and applications can be invited from ratepayers.

2.2 **Option 2 - 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 not to support local ratepayers.

Retail, Hospitality and Leisure Discount, Transitional Relief and Supporting Small Businesses Relief

- 2.3 **Option 1 – Agree the draft policies in Appendices a, b and c. Delegate authority to the Assistant Director for Corporate Resources in consultation with the Cabinet Member for Finance to agree any future changes to the 2022/23 retail, hospitality, and leisure discount policy.**

New policies can be introduced for the schemes. Delegations would be in place to allow the Council to act swiftly should the Government make any further changes to the scheme in the future.

2.4 **Option 2 - 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 not to support local ratepayers.

<p>3. RECOMMENDATIONS</p> <p>3.1 That Cabinet give authority to the Assistant Director for Corporate Resources in consultation with the Cabinet Members for Finance and Economy to agree the COVID-19 additional relief fund policy</p> <p>3.2 That Cabinet agree the retail, hospitality and leisure policy, transitional relief policy and supporting small business relief policy for 2022/23 as set out in Appendices a, b and c.</p> <p>3.3 That Cabinet give authority to the Assistant Director for Corporate Resources in consultation with the Cabinet Member for Finance to agree any future changes to the 2022/23 retail, hospitality and leisure discount policy.</p> <p>3.4 That Cabinet gives authority to the Shared Revenues Partnership Operations Manager to administer the Covid-19 additional relief fund, discretionary retail, hospitality and leisure discount, transitional relief and supporting small business relief policies</p>	<p>REASON FOR DECISION</p> <p>To provide discretionary reliefs to support ratepayers in Babergh.</p> <p>To enable the implementation of the discretionary schemes.</p>
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4. Covid-19 Additional Relief Fund (CARF)

- 4.1 On 25 March 2021, the Government announced plans to provide an additional business rates support package, worth £1.5 billion, to support businesses in England affected by COVID-19 but not eligible for existing support linked to business rates.
- 4.2 The Rating (Coronavirus) and Directors Disqualification (Dissolved Companies) Act 2021 received royal assent recently, which provided the legislation for the introduction of CARF. The Department for Levelling Up, Housing and Communities (DLUHC) issued guidance for the scheme on the 15th December 2021.
- 4.3 Like the Retail Hospitality and Leisure discount below, this is a temporary measure, the Government is not changing the legislation relating to Business Rates reliefs. Instead the Government will, in line with eligibility criteria, reimburse local authorities that 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.
- 4.4 It will be for individual authorities to adopt a local scheme and determine in each individual case whether, having regard to the guidance and their own local scheme,

to grant relief under section 47. The relief is available to reduce chargeable amounts in respect of 2021/22.

- 4.5 The Council has been allocated £1,738,801. The Government will fully reimburse the Council for discretionary relief awards which comply with this guidance up to the maximum level of the allocations.
- 4.6 The Council will be responsible for designing the discretionary relief scheme. However, the Government has stated that, if the Council is funding the relief from the section 31 grant, they must:
- A. not award relief to ratepayers who for the same period of the relief either are or would have been eligible for the Extended Retail Discount (covering Retail, Hospitality and Leisure), the Nursery Discount or the Airport and Ground Operations Support Scheme (AGOSS),
 - B. not award relief to a hereditament for a period when it is unoccupied (other than hereditaments which have become closed temporarily due to the government's advice on COVID-19, which should be treated as occupied for the purposes of this relief), and
 - C. direct their support towards ratepayers who have been adversely affected by the pandemic and have been unable to adequately adapt to that impact.
- 4.7 In line with the legal restrictions in section 47(8A) of the Local Government Finance Act 1988, the Council may not grant the discount to themselves, certain precepting authorities (e.g. a parish or county council) or a functional body, within the meaning of the Greater London Authority Act 1999.
- 4.8 It is for the Council to decide what level of relief should be awarded to each individual hereditament. Any relief applied must be after mandatory reliefs and other discretionary reliefs funded through section 31 grants, excluding those which the Council has used its wider discretionary relief powers introduced by the Localism Act 2011.
- 4.9 Any relief awarded must comply with the Governments subsidy rules, so there will be a requirement for an application process whereby ratepayers can certify that they meet the criteria.
- 4.10 The Council's software provider (NEC) have indicated that any policy introduced would need to deliver a scheme that uses existing functionality. However, they also stated that once the guidance has been received for the Budget changes (Retail Discount), they will meet with the Revenues Product Group to discuss the options available for the Budget changes and CARF.
- 4.11 Although it is important for a policy to be agreed, so that relief can be awarded this financial year, it is as equally important that the policy does not result in an overspend of the allocation and that the software can meet the policy outcomes.
- 4.12 Officers are currently analysing the Business Rates rating list data to identify potentially eligible cases to start modelling schemes and processes to be followed.

- 4.13 Taking the above into account and the short timeline to implement this scheme, Cabinet would need to delegate authority for agreeing the discretionary policy, so that a decision can be taken once the policy is finalised.

5. RETAIL, HOSPITALITY AND LEISURE DISCOUNT

- 5.1 The Government announced in the Budget on the 27th October 2021 that they will provide a temporary Business Rates retail, hospitality, and leisure discount scheme for 2022/23, subject to a cap of £110,000.
- 5.2 The value of the discount will be 50% of the bill after mandatory relief, section 31 funded grants and discretionary relief have been applied. The only exception are any reliefs introduced under the Localism Act (2011) and these are applied after the retail discount. Babergh has not used this act to introduce any reliefs.
- 5.3 As this is a temporary measure, the Government is not changing the legislation around the discount available to properties. Instead the Government will, reimburse local authorities that 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.
- 5.4 The Government expects local authorities to award the relief to eligible ratepayers in time for the new 2022/23 bill issued in March.
- 5.5 It will be for individual local billing authorities to adopt a local scheme and decide in each individual case when to grant relief. The Government will fully reimburse local authorities for the local share of the discretionary relief (using a grant under section 31 of the Local Government Act 2003).
- 5.6 To introduce this relief, there is a requirement for the Council to have a discretionary policy. A draft policy has been produced incorporating the guidance provided by the Government as to the eligibility criteria for the scheme for 2022/23 (see Appendix a)
- 5.7 There is a very short window to introduce this policy for 1st April 2022. To meet the Governments expectation the discount needs to be applied to eligible ratepayer accounts for bills to be despatched early March 2022.

6. TRANSITIONAL RELIEF & SUPPORTING SMALL BUSINESS RELIEF

- 6.1 The transitional relief scheme was introduced in 2017 to help those ratepayers who were faced with higher bills as a result of the revaluation. The scheme ends on 31st March 2022, as a result a small number of ratepayers would face an increase to their full rates bill from 1 April 2022.
- 6.2 Supporting small business relief was also introduced in 2017 to help those ratepayers who, as a result of revaluation, would lose some or all of their small business or rural rate relief and as a result would have faced a large increase in their bills. This scheme also ends on the 31st March 2022.

- 6.3 At the Budget on 27th October 2021 the Government announced that it would extend the current transitional relief scheme and the supporting small business scheme for one year to the end of the current revaluation cycle. The scheme will restrict increases in bills to 15% for businesses with small properties (up to and including £20,000 rateable value) and 25% for medium properties (up to and including £100,00 rateable value).
- 6.4 As this is a temporary measure for 2022/23, the Government is not changing the legislation around transitional relief or the supporting small business relief. Instead, the Government will, in line with the eligibility criteria set out in this guidance, reimburse billing authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, to grant relief. It will be for individual billing authorities to adopt a local scheme and determine in each individual case when, having regard to this guidance to grant relief under section 47.
- 6.5 The Government will fully reimburse billing authorities and major precepting authorities for their loss of income under the rates retention scheme as a result of awarding the relief that falls within the definitions in the guidance provided, using a grant under Section 31 of the Local Government Act 2003.
- 6.6 The Government expects local authorities to award the relief to eligible ratepayers in time for the new 2022/23 bill issued in March.
- 6.7 Properties that will benefit are those with a rateable value up to and including £100,000 who would have received transitional relief and/or Supporting Small Business Relief in 2022/23. In line with the existing thresholds in the transitional relief scheme, the £100,000 rateable value threshold should be based on the rateable value shown for 1 April 2017 or the substituted day in the cases of splits and mergers.
- 6.8 These changes do not apply to those in downward transition to lower bills – they will fall to their full bill on 1st April 2022.
- 6.9 These reliefs are discretionary, the Council can choose not to grant the relief if they consider that appropriate, for example where granting the relief would go against the Council's wider objectives for the local area. However, the Council need to recognise the support that these reliefs will give to local ratepayers and the local economy and the fact that the Government will fund these reliefs.
- 6.10 As with the other reliefs a discretionary policy is required to introduce these relief. Draft policies are contained in Appendices B and C.

7. LINKS TO CORPORATE PLAN

- 7.1 Taking measures to implement these relief schemes will support the local economy.

8. FINANCIAL IMPLICATIONS

Covid-19 Additional Relief Fund (CARF)

- 8.1 The Council has been allocated £1,738,801 for this scheme. This will be received as a section 31 payment. At the end of the year there will be a reconciliation process, with any unspent funding returned to Government.

- 8.2 The Government has stated it recognises that the implementation of this policy will place an additional burden on local authorities and as such will make a new burdens payment.

Retail, Hospitality and Leisure Discount, Transitional Relief and Supporting Small Business Scheme

- 8.3 The Government will reimburse the Council and those major precepting authorities for the actual cost to them under the rates retention scheme of the relief that falls 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 total cost for providing the relief in the National Non-Domestic Rate Return 1 (NNDR1) for 2022/23 and the actual outturn figures in the National Non-Domestic Rate Return 3 (NNDR3) 2022/23.
- 8.4 For 2021/22 there are currently around 624 Babergh ratepayers in receipt of the retail discount amounting to £5.1m of relief through the hospitality and leisure discount at no cost to the Council. 116 ratepayers receive £66k in transitional relief. This number will reduce further from the 1st April 2022. 9 ratepayers receive the supporting small business relief.

9. LEGAL IMPLICATIONS

- 9.1 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.

10. RISK MANAGEMENT

- 10.1 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
CARF is under or overspent.	3 – Probable	2 – Noticeable / Minor	Monitoring of expenditure and take-up Adjustment to policy if required.
Failure to apply the Government's subsidy rules in terms of discretionary relief awards could	2 – Unlikely	3 – Bad	Design process to include questions in respect of subsidy. Ensure all applicants complete

result in the Council not being fully reimbursed.			a subsidy declaration.
Failure to keep within the maximum level of allocations will result in the Government not fully reimbursing the Council for discretionary relief awards.	2- Unlikely	2 – Noticeable	Monitoring of expenditure and take-up. Adjustment to policy if required.

11. CONSULTATIONS

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

12. EQUALITY ANALYSIS

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

13. ENVIRONMENTAL IMPLICATIONS

13.1 None identified from this policy.

14. APPENDICES

Title	Location
(a) Babergh Draft Retail Hospitality and Leisure Policy	Attached
(b) Babergh Transitional Relief scheme	Attached
(c) Babergh Supporting Small Businesses scheme	Attached

**Babergh District Council
Retail, Hospitality & Leisure Discount
Business Rate Relief Policy 2022/23**

1. Background

- 1.1 The Government announced in the Budget on 27th October 2021 that it will provide a Business Rates Retail, Hospitality & Leisure Discount Scheme.
- 1.2 The relief will apply to occupied retail, leisure, and hospitality properties up to £110,000 per business in the year 2022/23. There will be no rateable value limit on the relief.
- 1.3 The value of the discount will be 50% 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 that are wholly or mainly being used:
 - (a) as shops, restaurants, cafes, drinking establishments, cinemas, live music venues,
 - (b) for assembly and leisure; or
 - (c) hotels, guest and boarding premises and self-catering accommodation.
- 2.2 The Council has decided to grant relief in accordance with Central Government guidelines and in accordance with this policy

3. Available relief

- 3.1. The total amount of government-funded relief available for each property for 2023/23 under this scheme is 50% of the bill, after mandatory reliefs and other discretionary reliefs funded by section 31 grants have been applied, excluding those where local authorities have used their wider discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants.
- 3.2 The eligibility for the discount and the discount itself will be assessed and calculated on a daily basis. The following formula should be used to determine the amount of relief to be granted for a chargeable day for a particular hereditament in the financial year 2022/23:

Amount of relief to be granted = $V \times 0.5$, where V is the daily charge for the hereditament for the chargeable day after the application of any mandatory relief and any other discretionary reliefs, excluding where local authorities have used their

discretionary relief powers introduced by the Localism Act which are not funded by section 31 grants.

This should be calculated ignoring any prior year adjustments in liabilities which fall to be liable on the day.

- 3.3 Hereditaments which benefit from the relief will be those which for a chargeable day in 2022/23 meet the eligibility criteria at Part 4 and the ratepayer for that chargeable day has not refused the relief for the eligible hereditament. The ratepayer may refuse the relief for each eligible hereditament anytime up to 30 April 2023. The ratepayer cannot withdraw their refusal for either all or part of the financial year.
- 3.4 For the purposes of section 47 of the 1988 Act, hereditaments where the ratepayer has refused the relief are outside of the scheme and outside of the scope of the decision of which hereditaments qualify for the discount and are therefore ineligible for the relief.
- 3.5 Ratepayers that occupy more than one property will be entitled to relief for each of their eligible properties up to the maximum £110,000 cash cap per business.
- 3.6 The relief should be applied on a day-to-day basis using the formula set out above. A new hereditament created as a result of a split or merger during the financial year, or where there is a change of use, should be considered afresh for the relief on that day.

4. **Awarding relief**

- 4.1 Properties that will benefit from the relief will be occupied properties up to £110,000 per business that are wholly or mainly being used as retail, leisure, and hospitality properties. There will be no rateable value limit on the relief.
- 4.2 We consider retail, leisure, and hospitality properties 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

iv. **Hereditaments which are being used as cinemas**

v. **Hereditaments that are being used as live music venues:**

Live music venues are hereditaments wholly or mainly used for the performance of live music for the purpose of entertaining an audience. Hereditaments cannot be considered a live music venue for the purpose of business rates relief where a venue is wholly or mainly used as a nightclub or a theatre, for the purposes of the Town and Country Planning (Use Classes) Order 1987 (as amended).

Hereditaments can be a live music venue even if used for other activities, but only if those other activities (i) are merely ancillary or incidental to the performance of live music (e.g. the sale/supply of alcohol to audience members) or (ii) do not affect the fact that the primary activity for the premises is the performance of live music (e.g. because those other activities are insufficiently regular or frequent, such as a polling station or a fortnightly community event).

4.3 We consider assembly and leisure to mean:

i. Hereditaments that are being used for the provision of sport, leisure and facilities to visiting members of the public (including for the viewing of such activities):

- Sports grounds and clubs
- Museums and art galleries
- Nightclubs
- Sport and leisure facilities
- Stately homes and historic houses
- Theatres
- Tourist attractions
- Gyms
- Wellness centres, spas, massage parlours
- Casinos, gambling clubs and bingo halls

ii. Hereditaments that are being used for the assembly of visiting members of the public:

- Public halls
- Clubhouses, clubs, and institutions

4.4 We consider hotels, guest & boarding premises, and self-catering accommodation to mean:

i. Hereditaments where the non-domestic part is being used for the provision of living accommodation as a business:

- Hotels, guest, and boarding houses
- Holiday homes

- Caravan parks and sites

4.5 To qualify for the relief the hereditament should be wholly or mainly being used for the above qualifying purposes. 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.

4.6 As a guide, the list below sets out the types of uses that the Council does not consider to be an eligible use for the purpose of this discount:

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, short-term loan providers, betting shops)
- Medical services (e.g. vets, dentists, doctors, osteopaths, chiropractors)
- Professional services (e.g. solicitors, accountants, insurance agents/ financial advisers, employment agencies, estate agents, letting agents)
- 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 discount.

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

5.3. Decisions regarding discretionary 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. The cash cap and subsidy control

6.1 Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England.

6.2 Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps. A ratepayer shall be treated as having a qualifying connection with another:

a. where both ratepayers are companies, and

i. one is a subsidiary of the other, or

ii. both are subsidiaries of the same company; or

b. where only one ratepayer is a company, the other ratepayer (the “second ratepayer”) has such an interest in that company as would, if the second ratepayer were a company, result in its being the holding company of the other.

- 6.3 Furthermore, the Retail Hospitality and Leisure Scheme is likely to amount to subsidy. Any relief provided by local authorities under this scheme will need to comply with the UK’s domestic and international subsidy control obligations (See the [BEIS guidance for public authorities](#) which explains the subsidies chapter of the UK-EU Trade and Cooperation Agreement (TCA), World Trade Organisation rules on subsidies, and other international subsidy control commitments).
- 6.4 To the extent that a local authority is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9th December 2021) in a three-year period (consisting of the 2022/23 year and the two previous financial years). Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the 3 years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit should be counted.
- 6.5 In those cases where it is clear to the local authority that the ratepayer is likely to breach the cash cap or the Small Amounts of Financial Assistance limit then the authority should automatically withhold the relief. Otherwise, local authorities may include the relief in bills and ask the ratepayers, on a self-assessment basis, to inform the authority if they are in breach of the cash caps or Small Amounts of Financial Assistance limit.

7. Duration of awards

- 7.1. The award of the discount will be made for a fixed period ending on 31st March 2023. 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.

**Babergh District Council
Extension of Transitional Relief Scheme 2022/23**

1. Introduction

- 1.4 The Government announced in the Budget on 27th October 2021 that it will extend the current transitional relief scheme for small and medium properties for one year to the end of the current revaluation cycle.
- 1.5 The transitional relief scheme was introduced in 2017 to help those ratepayers who were faced with higher bills as a result of the revaluation. The scheme ends on 31st March 2022, as a result a small number of ratepayers will face a jump to their full rates bill from 1st April 2022.
- 1.6 The scheme will restrict increases in bills to 15% for businesses with small properties (up to and including £20,000 rateable value) and 25% for medium properties (up to and including £100,00 rateable value).
- 1.7 The Council will use its discretionary relief powers, under section 47 of the Local Government Finance Act 1988, to grant relief.
- 1.8 The Council has decided to grant relief in accordance with Central Government guidelines and in accordance with this policy.

2. Available relief

- 2.1 Properties that will benefit are those with a rateable value up to and including £100,000 who would have received transitional relief in 2022/23. In line with the existing thresholds in the transitional relief scheme, the £100,000 rateable value threshold is the rateable value shown for 1st April 2017 or the substituted day in the cases of splits and mergers.
- 2.2 This policy does not apply to those in downward transition to lower bills – they will fall to their full bill on 1st April 2022.

3. Awarding relief

- 3.1 The government will fund discretionary relief to ensure eligible properties receive the same level of protection they would have received had the statutory transitional relief scheme extended into 2022/23.
- 3.2 The practical effects of the transitional relief scheme will remain as it is in the current statutory scheme (As prescribed in the Non- Domestic Rating (Chargeable Amounts) (England) Regulations 2016 No. 1265) except that:
 - a. the cap on increases for small properties (with a rateable value of less than or equal to £20,000) in 2022/23 should be assumed to be 15% (before the increase for the change in the multiplier). Specifically, X in regulation

10(6) for the year commencing 1st April 2022 should be assumed to be 115. Q in regulation 10(12) should be assumed to be 1, and

b. the cap on increases for other properties (up to and including £100,000 rateable value) in 2022/23 should be assumed to be 25% (before the increase for the change in the multiplier). Specifically, X in regulation 10(4) for year commencing 1st April 2022 should be assumed to be 125. Q should be assumed to be 1.

- 3.3 As explained above, the scheme applies only to properties up to and including £100,000 rateable value based on the value shown for 1st April 2017 or the substituted day in the cases of splits and mergers. Changes in rateable value which take effect from a later date should be calculated using the normal rules in the transitional relief scheme (i.e., “N over J” for reductions or “N minus J” for increases). For the avoidance of doubt, properties whose rateable value is £100,000 or less on 1st April 2017 (or the day of merger) but increase above £100,000 from a later date will still be eligible for the relief. Where necessary the Valuation Office Agency will continue to issue certificates for the value at 31st March 2017 (regulation 17, SI 2016 No. 1265) or 1st April 2017 (regulations 16 and 18 SI 2016 No.1265). The relief should be calculated on a daily basis.
- 3.4 In cases where a ratepayer would have been in receipt of both Transitional Relief and Supporting Small Business Relief (SSB) in respect of 2022/23, this (and the resulting section 31 grant in respect of that account) will generate a single award of section 47 relief resulting in a chargeable amount equivalent to that had the original transitional relief and SSB schemes continued.
- 3.5 Under the existing statutory transition scheme which ends on 31st March 2022, transitional relief is measured before all other reliefs. But the extension of transitional relief into 2022/23 will be delivered via section 47 of the Local Government Finance Act 1988 which will be measured after other reliefs (including other funded reliefs granted under section 47 such as RHL relief).
- 3.6 Therefore, for the purposes of awarding relief and claiming section 31 grant, the Council will measure the extension of transitional relief after all other reliefs. To do this, the Council will:
- identify those eligible properties which would have qualified for transitional relief in 2022/23,
 - calculate the actual rates bill for those properties in 2022/23 after all other reliefs assuming transitional relief has ended,
 - calculate the rates bill for those properties in 2022/23 after all other reliefs assuming transitional relief continued (in line with the assumptions in this policy), and
 - calculate the difference between stage 2 and 3 and award a section 47 discount to that value.

4. Administration of applications for relief

- 4.1 The Council's Shared Revenues Partnership will identify the potential properties and determine the amount of relief to be awarded.
- 4.2 As with the current transitional relief scheme, the amount of relief awarded will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or to the hereditament. This change of circumstances could arise during the year in question or during a later year.
- 4.3 Under regulations made under section 47 of the Local Government Finance Act 1988 local authorities must give at least 12 months' notice of a revocation or variation of a rate relief scheme the effect of which would be to increase rate bills. Such a revocation or variation can only take effect at the end of a financial year (other than to comply with international agreements). But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria. If a change in circumstances renders a property ineligible, the relevant bill can be amended in the year to reflect the loss of the relief.

5. Subsidy control

- 5.1 The extension of transitional relief scheme is likely to amount to subsidy. Any relief provided under this scheme will need to comply with the UK's domestic and international subsidy control obligations (The BEIS guidance for public authorities explains the subsidies chapter of the UK-EU Trade and Cooperation Agreement (TCA), World Trade Organisation rules on subsidies, and other international subsidy control commitments).
- 5.2 To the extent that the Council is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9th December 2021) in a three-year period (consisting of the 2022/23 financial year and the two previous financial years) Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the 3 years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit, should be counted.
- 5.3 In those cases where it is clear to the Council that the ratepayer is likely to breach the Small Amounts of Financial Assistance Allowance then the Council will automatically withhold the relief.

6. Duration of awards

- 6.1 The award of the relief will be made for a fixed period ending on 31st March 2023.

7. Right of appeal

- 7.1 There is no statutory right of appeal against a decision made by the Council in respect of discretionary relief.

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

Babergh District Council Supporting Small Business Relief Scheme 2022/23

1. Introduction

- 1.1 The Government announced in the Budget on 27th October 2021 that it will extend the current Supporting Small Business Relief Scheme (SSB) for one year to the end of the current revaluation cycle.
- 1.2 The scheme will restrict increases in bills to 15% plus inflation (or a cash value increase of £600 if greater).
- 1.3 As this is a temporary measure for 2022/23, the Government is not changing the legislation around transitional relief or the supporting small business relief. Instead, the Government will, in line with the eligibility criteria set out in this guidance, reimburse billing authorities that use their discretionary relief powers, under section 47 of the Local Government Finance Act 1988, to grant relief.
- 1.4 The Council will adopt the scheme as set out in this document.

2. Background

- 2.1 In 2017, the Government announced that a new scheme of relief would be made available to those ratepayers facing large increases as a result of the loss of small business or rural rate relief due to revaluation. The scheme is known as 'Supporting Small Businesses Scheme'.
- 2.2 The SSB scheme helps those ratepayers who as a result of the change in their rateable value at the revaluation lost some or all of their small business or rural rate relief and, as a result, are facing large increases in their bills.
- 2.3 To support these ratepayers, the SSB ensured that the increase per year in the bills was limited to the greater of
 - a. A percentage increase per annum of 5%, 7.5%, 10%, 15% and 15% 2017/18 to 2021/22 all plus inflation. For the first year of the scheme the percentage increase was taken against the bill for 31st March 2017 after small business rate relief or rural rate relief; or
 - b. A cash value of £600 per year (£50 per month).
- 2.4 The cash minimum increase ensures that those ratepayers paying nothing or very small amount in 2016/17 after small business rate relief were brought into paying something.
- 2.5 In the first year of the scheme, it meant ratepayers losing some or all of their small business rate relief or rural rate relief would see the increase in their bill capped at £600. The cash minimum increase is £600 per year thereafter. This meant the ratepayers who in 2016/17 paid nothing under the small business rate relief and are losing all of their entitlement to relief, would under this scheme be paying £3,000 in year 5.

- 2.6 The Government also decided that those on the SSB scheme whose 2017 rateable values are £51,000 or more will not be liable to pay the supplement (1.3p) to fund small business rate relief while they are eligible for SSB.
- 2.7 Ratepayers remained in the SSB scheme for either 5 years or until they reach the bill they would have paid without the scheme.
- 2.8 A change of ratepayer will not affect eligibility for the SSB, but eligibility will be lost if the property falls vacant or becomes occupied by a charity or community amateur sports club.
- 2.9 The amount of award of SSB is recalculated in the event of a change of circumstances including the following: -
- a. This could include, for example, a backdated change to the rateable value or the hereditament; or
 - b. The awarding of another relief
- 2.10 This policy extends the SSB scheme for a further financial year 2022/23

3. Available relief

- 3.1 Properties that will benefit are those with a rateable value up to and including £100,000 who would have received SSB in 2022/23. In line with the existing thresholds in the transitional relief scheme, the £100,000 rateable value threshold is the rateable value shown for 1st April 2017 or the substituted day in the cases of splits and mergers.

4. Awarding relief

- 4.1 The government will fund discretionary relief to ensure eligible properties receive the same level of protection they would have received had the statutory SSB scheme extended into 2022/23.
- 4.2 The SSB scheme will remain as it is in the current non-statutory scheme with a percentage cap in 2022/23 of 15% plus inflation (or a cash value increase of £600 if greater).
- 4.3 In cases where a ratepayer would have been in receipt of both Transitional Relief and SSB in respect of 2022/23, this (and the resulting section 31 grant in respect of that account) will generate a single award of section 47 relief resulting in a chargeable amount equivalent to that had the original transitional relief and SSB schemes continued.
- 4.4 The extension of SSB into 2022/23 will be delivered via section 47 of the Local Government Finance Act 1988 which will be measured after other reliefs (including other funded reliefs granted under section 47 such as RHL relief).
- 4.5 Therefore, for the purposes of awarding relief and claiming section 31 grant, the Council will measure the extension of SSB after all other reliefs. To do this, the Council will:

- identify those eligible properties which would have qualified for SSB in 2022/23,
- calculate the actual rates bill for those properties in 2022/23 after all other reliefs assuming SSB has ended,
- calculate the rates bill for those properties in 2022/23 after all other reliefs assuming SSB continued (in line with the assumptions in this policy), and
- calculate the difference between stage 2 and 3 and award a section 47 discount to that value.

5. Administration of applications for relief

- 5.1 The Council's Shared Revenues Partnership will identify the potential properties and determine the amount of relief to be awarded.
- 5.2 As with the current transitional relief scheme, the amount of relief awarded will be recalculated in the event of a change of circumstances. This could include, for example, a backdated change to the rateable value or to the hereditament. This change of circumstances could arise during the year in question or during a later year.
- 5.3 Under regulations made under section 47 of the Local Government Finance Act 1988 local authorities must give at least 12 months' notice of a revocation or variation of a rate relief scheme the effect of which would be to increase rate bills. Such a revocation or variation can only take effect at the end of a financial year (other than to comply with international agreements). But within these regulations, local authorities may still make decisions which are conditional upon eligibility criteria. If a change in circumstances renders a property ineligible, the relevant bill can be amended in the year to reflect the loss of the relief.

6. Subsidy control

- 6.1 The extension of the SSB scheme is likely to amount to subsidy. Any relief provided under this scheme will need to comply with the UK's domestic and international subsidy control obligations (The BEIS guidance for public authorities explains the subsidies chapter of the UK-EU Trade and Cooperation Agreement (TCA), World Trade Organisation rules on subsidies, and other international subsidy control commitments).
- 6.2 To the extent that the Council is seeking to provide relief that falls within the Small Amounts of Financial Assistance Allowance, Article 364 of the TCA allows an economic actor (e.g. a holding company and its subsidiaries) to receive up to 325,000 Special Drawing Rights (£343,000 as at 9th December 2021) in a three-year period (consisting of the 2022/23 financial year and the two previous financial years) Expanded Retail Discount granted in either 2020/21 or 2021/22 does not count towards the £343,000 allowance but BEIS business grants (throughout the 3 years) and any other subsidies claimed under the Small Amounts of Financial Assistance limit, should be counted.

- 6.3 In those cases where it is clear to the Council that the ratepayer is likely to breach the Small Amounts of Financial Assistance Allowance then the Council will automatically withhold the relief.

7. Duration of awards

- 7.1 The award of the relief will be made for a fixed period ending on 31st March 2023.

8. Right of appeal

- 8.1 There is no statutory right of appeal against a decision made by the Council in respect of discretionary relief.
- 8.2 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 11

BABERGH DISTRICT COUNCIL

TO: BDC Cabinet	REPORT NUMBER: BCa/21/38
FROM: Cabinet Member for Assets & Investments	DATE OF MEETING: 07/02/2022
OFFICER: Assistant Director for Assets and Investments	KEY DECISION REF NO. CAB329

Accommodation & Agile Strategy – Endeavour House

1. PURPOSE OF REPORT

- 1.1 To consider the business case for proposed changes to BMSDC (Babergh and Mid Suffolk District Council) accommodation within Endeavour House in alignment with the Strategic Asset Management Plan (SAMP) adopted by the Councils in January 2021 and the Councils' developing Accommodation and Agile programme.
- 1.2 The Accommodation and Agile programme seeks to deliver fit for purpose workspace that reinforces our organisational culture, enables collaboration, networking, learning and promotes well-being; and that supports the delivery of effective and efficient services for residents.
- 1.3 The reconfiguration as set out within this report will deliver savings of approximately £675,000 whilst also delivering modern fit for purpose workspace for our organisations.
- 1.4 The Accommodation and Agile programme in accordance with the SAMP will review all BMSDC operational workspaces, in addition to Endeavour House, which is the first workspace to be reviewed.

2. OPTIONS CONSIDERED

- 2.1 **Option 1** Do nothing: retain the current office accommodation and layout within Endeavour House. This is not a viable option as working practises have changed significantly since the pandemic and demand for traditional desk spaces in an office environment has reduced, whilst demand for space to collaborate with colleagues has increased. Doing nothing would fail to align with the adopted SAMP principles to ensure that our properties are well used, collaborative spaces that offer good value for money.
- 2.2 **Option 2** Relocate to alternative premises. Babergh and Mid Suffolk District Councils jointly relocated to Endeavour House in 2017 and committed to 10-year leases with break options at the fifth year. Endeavour House continues to offer BMSDC high quality office accommodation and our occupation aligns with all the principles of the SAMP. At Endeavour House we share accommodation and services with partner organisations such as Suffolk County Council, who for example deliver IT services to BMSDC but co-location also helps to support partnership working across the public sector. Endeavour House is well-located with easy access to public transport and has good communal facilities such as a canteen, café and informal meeting spaces which have helped to attract and retain staff. Relocating to other premises at this time is not

viable. There are very few buildings across the County that would be able to provide shared services and spaces similar to those we use at Endeavour House and as such it is likely that relocating would increase our space requirements and costs.

- 2.3 **Option 3** Become fully digital Councils without a Headquarters building. Whilst working practises and technology have changed significantly there is still a need for in-person meetings from a legal perspective, such as full Council meetings and planning committees but also from a practical perspective to support our people who are unable to safely work remotely and to support collaborative work and training across teams, service areas and organisations. This is therefore not a viable option.
- 2.4 **Option 4** Reconfigure accommodation within Endeavour House to meet changing working practices. Endeavour House is well located to meet organisational needs however over the last 2 years our use of office accommodation has changed significantly with more people working remotely and growing demand for collaboration spaces when people do attend Endeavour House. Our existing office accommodation could be reconfigured to deliver the desk and collaboration spaces needed by the Councils within 1 floorplate enabling the remaining floor plate to be returned to the landlords by instigating the break clause in March 2022. This option will deliver a creative and efficient workspace with increased opportunities to collaborate, align with the principles of SAMP as well as offering financial savings.

3. RECOMMENDATIONS
<p>3.1 That the Cabinet agrees to reduce and reconfigure the floorspace demised to the Councils within Endeavour House in accordance with this report</p> <p>3.2 That the Cabinet delegates authority to the Assistant Director of Assets & Investments to deliver the reconfiguration of the floorspace including finalising the detailed design, the appointment of contractors and suppliers and completing negotiations with the landlords.</p>
<p>REASON FOR DECISION</p> <p>To create a fit for purpose workspace at Endeavour House to reinforce our organisational culture, enable collaboration, networking and learning whilst promoting well-being and supporting the delivery of effective and efficient services for residents.</p> <p>To deliver financial savings over the term of the original lease period.</p> <p>To enable the timely, efficient, and effective delivery of the project.</p>

4. KEY INFORMATION

4.1 Context

- 4.1.1 BMSDC moved to Endeavour House and adopted an agile approach to working in 2017 which included office based and remote working. Since the first lockdown in March 2020, our working practises have changed and as such we have taken this opportunity to review our accommodation needs moving forward and ahead of our

lease break option in September 2022. Many public and private sector organisations have already decided that they will not return to how they worked pre COVID-19, this report focuses on the office space provided by our occupation of Endeavour House and looks to the future vision of how we can use and occupy this space to meet our developing and future needs to support our agile workforce. Our accommodation and agile programme seeks to review all our operational workspaces in accordance with the Strategic Asset Management principles within the SAMP.

4.2 Strategic Asset Management Principles

4.2.1 The SAMP describes the Councils' approach to the management of its assets and provides links to the operational and technical details that underpin the overall strategy.

4.2.2 The SAMP adopts the following Asset Management Principles which have been embedded into the Accommodation & Agile Programme:

			
Occupying Efficiently & Purposefully	Meeting Customer Needs	Sustainability	Meeting our People Needs
Well maintained	Accessible Services	Sustainable financial resources	Protecting personal and private space
Well used/Fit for purpose	A Positive experience	Transport /Minimise Travel	Protecting confidentiality
Good value for money	Partner Collaboration	Reducing Consumption	Ensuring fairness and equality when making future decisions
Minimise Accommodation Need		Carbon Neutral	Working Patterns
Effective Collaboration Space		Safe and healthy environments that support physical and mental wellbeing	
Shared Spaces			
Spaces that stimulate creative thinking			

4.3 Endeavour House Occupation

4.3.1 The Councils currently hold leases for the Lime and Gold blocks on the first floor of Endeavour House on the following terms:

- Term – 10 years from 1st October 2017
- Break option – to determine the day before the 5th anniversary on no less than 6 months prior written notice (notice to be given no later than 31st March 2022 to expire 30th September 2022)
- Alterations – internal and non-structural permitted with Landlord consent

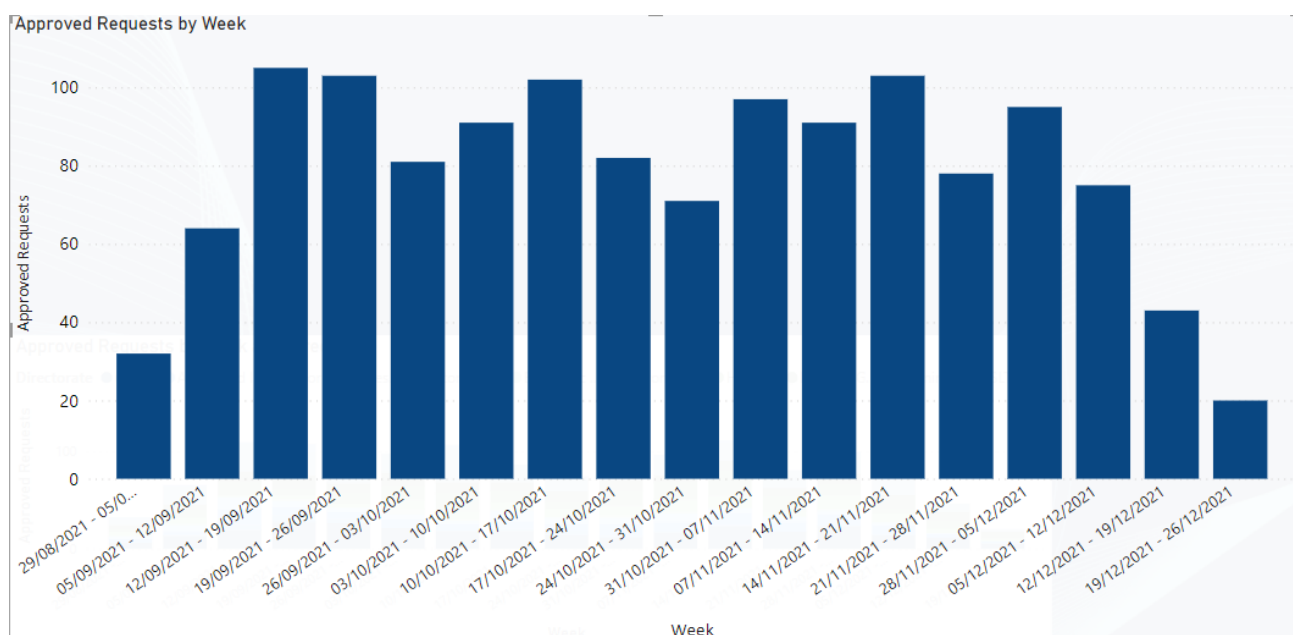
4.3.2 This accommodation currently provides a total desk number of 212 equally split across both Gold and Lime floorplates as well as meeting capacity for 58 people within 10 meeting rooms contained within these floorplates.

4.4 Phased Return to the Workplace

- 4.4.1 At the outset of the pandemic in March 2020 the Councils announced that staff would continue to work from home as the default position to end of the financial year to align with the review of agile working practices during the pandemic and beyond. All offices and touchdown points were closed during the initial response to the pandemic whilst the depot sites remained open for operational staff only. Endeavour House remained open for business-critical activities only, with a booking system and eligibility criteria being introduced in Autumn 2020 enabling approximately 50 desks to be made available in a COVID secure manner.
- 4.4.2 With the easing of restrictions last Summer, we moved into the next phase of a return to the workplace from August 2021 increasing the number of COVID safe desks on the booking system to approximately 90 desks and opening the office up for all staff to attend Endeavour House through the booking system provided they are well and there is sufficient COVID safe capacity. Endeavour House remains open although from December 2021 until January 2022 in line with Government advice we were continuing to advise staff to work from home if they could do so.

4.5 Occupancy and Use Data

- 4.5.1 During the autumn of 2019 we undertook some occupancy studies to assess the average usage of desks over a two-week period. This showed an average of 60% occupancy across both floorplates with maximum occupancy levels at 197 people and minimum levels at 77 people although typical occupation levels were around 127 people, the busiest days being Mondays and Tuesdays, with the Gold floorplate generally being busier than Lime. Approximately 65% of Meeting room capacity was used.
- 4.5.2 With the benefit of an online booking system, we are now able to monitor occupancy on a daily and weekly basis. Since the phased return to our workspace in Endeavour House we have seen occupancy data fluctuate as set out below:



- 4.5.3 Between August and the beginning of December 2021 we saw attendance at Endeavour House increase to about 100 people a week with Wednesdays being the busiest days.
- 4.5.4 The review of data collected before and during the pandemic supports the reduced need for traditional desk spaces and the need for more agile working spaces within Endeavour House to support our people to deliver services across our districts efficiently and effectively.
- 4.5.5 Staff and Councillor working groups were established in Summer 2021 to help to develop a brief for consultants to redesign our office accommodation in Endeavour House and to ensure that the needs of the organisation were reflected. The working groups have considered what worked well and not worked whilst working remotely during the pandemic, on-going and future workspace needs as well as reviewing the consultant's proposals and helping to review the current agile policies and framework in place. In addition, an all-staff survey was undertaken to determine future work patterns and consequently anticipated capacity.
- 4.5.6 It is proposed that one floorplate is returned to the landlords and the other floorplate retained and reconfigured to deliver accommodation that is fit for our future. Capacity will be reduced to deliver approximately 60% of the workspaces provided previously and will include both traditional and agile workspaces.

4.6 The Endeavour House workspace vision

- 4.6.1 The Proposals will create a current and future-proofed, fit for purpose and agile workspace at Endeavour House as a destination that reinforces our organisational culture, enables collaboration, and enhances activity. It will create a workspace destination with a sense of belonging where networking, learning, collaboration and bringing people together to solve complex problems that meet our core strategic objectives and deliver effective and efficient services for residents. Our people will be able to take advantage of a flexible workspace based on our vision and values to support them now and in the future adapting to change and the ways we work for the wellbeing of all.
- 4.6.2 Focussing on our headquarter workspace initially will embed our organisational identity and create a welcoming and inspiring workspace that we connect to as an organisation. It will create the opportunity and facilitate the ability to come together when needed, enabling our people to carry out the right task, in the right place at the right time. Whilst acknowledging not everyone can work from home, or to accommodate those tasks that are not appropriate to undertake remotely, we want to accommodate our people's needs and ensure the right balance and space for a refreshed working environment that promotes and protects their private and personal space.
- 4.6.3 Works to Endeavour House to deliver a minimum of 128 workspaces with meeting rooms in a collaborative and agile environment will be funded by savings generated by returning one floorplate to the landlord in accordance with the break options within the leases.

4.7 The Endeavour House Proposal

- 4.7.1 We commissioned Concertus to review, design and manage the accommodation programme for Endeavour House. Concertus provided layout options for development in June 2021, and these were widely considered by the project team, staff working group, members working group and ELT.
- 4.7.2 Following feedback from our stakeholders we gave Concertus a final brief in November 2021 to produce the concept design and develop a cost plan for the Gold Floorplate to accommodate a minimum of 128 workspaces in a collaborative and agile environment. The concept plan is attached as appendix 1.
- 4.7.3 The developed proposal provides 48 fixed/hot desks that will re-use existing furniture. The agile working environments will provide working spaces for 68 individuals. In addition, dedicated meeting space can accommodate a further 46 individuals. The total maximum occupancy accommodated will be 162 individuals. We do not anticipate 100% occupancy levels as it is likely that people will use multiple spaces throughout their time in the office.

4.8 Program

- 4.8.1 Having now completed the Concept Design work the next steps are:

January 2022	Spatial co-ordination
February - March	Technical Design, Tendering
March -August	Configuration of new workspace
August - September	Handover
Late September 2022	Use of new workspace

- 4.8.2 The timetable above is subject to change subject to the availability of contractors and materials but will need to be managed in relation to our lease timeline commitments.

4.9 Organisational Culture and Hybrid Working Practices

- 4.9.1 BMSDC have enabled and supported agile working since moving to Endeavour House in 2017 and as such have existing policies in place that support working in this way. The principles behind our existing agile policy and guidelines therefore continue to apply but the documentation will be streamlined with more detail around how these work in practice and will include detailed Q & A guidance to provide increased support for our people now that agile working has become embedded within our culture and working practices.

4.9.2 The well-being of our people is at the core of the agile and accommodation programme and the pandemic has illustrated that working in a truly agile/ hybrid way needs a proactive approach to well-being. This programme has considered what good looks like when working in a hybrid way and considerable progress has already been made with new initiatives being implemented during the pandemic to support well-being for example, we have introduced a central Wellbeing Hub on Connect, the development of a Staff Wellbeing Strategy and monthly webinars covering a range of areas to support mental health.

4.9.3 The guiding principles for supporting our people to work in an agile and hybrid way are set out below: -

- Enable Ways of working that support mental and physical health and wellbeing to promote good work / life balance.
- Health and Safety is never compromised
- Our people feel able to separate work life and home life
- Everyone can be productive – they have focus space, confidential space, and space where they can come together with colleagues
- Our people have the tools required to do their job
- Everyone has access to all the training required to work anywhere and the development to lead / manage / support remotely – Staff and Line Managers have been asked for feedback around extra support and tools required to work in a hybrid way and a programme of work will be designed once all feedback has been collated and analysed.
- Our training and development is accessible to everyone, irrespective of their role – supported by equipment and access for all teams
- People are actively engaged in the process, feel on board, and are consulted on any longer-term changes to their ways of working.

4.10 Health and Safety Implications

4.10.1 There are a few health and safety (H&S) implications associated with hybrid working. These include:

- Display Screen Equipment,
- A safe working environment,
 - lone working,
 - fire safety and
 - accidents.

4.10.2 Within the office setting the majority of these are addressed through the provision of appropriate furniture, work equipment, good housekeeping, workplace first aiders, fire wardens and workplace supervision. With agile and hybrid working staff are provided with home working ICT kits, access to an additional computer screen and if needed a DSE (Display Screen Equipment) compliant chair to set up a workstation at home. To check that the home working arrangements for DSE and the suitability of the home working environment, an annual DSE compliance checklist must be completed by each member of staff who works from home.

4.10.3 As a result of recent Health and Safety Executive Guidance (November 2021); what an employer is now required to do to ensure suitable home working arrangements has been clarified. This specifically addresses DSE arrangements. In particular, the employer must confirm that the employee is able to work with the required posture to be DSE compliant.

4.10.4 Where this survey reveals that the home working arrangements for the individual employee do not meet this posture standard the Council will either need to provide adequate DSE compliant office capacity such as that being provided at Endeavour House; or alternatively, there will be the option to provide additional furniture and/or equipment to enable DSE compliance to be achieved in individual member of staff's home.

4.11 ICT Implications

4.11.1 There are three key ICT implications that arise from both the office redesign and continued agile/hybrid approach. These relate to connectivity, collaboration, and resource booking.

4.11.2 Connectivity – this is about ensuring that ICT devices are able, where necessary, to connect to the corporate network.

- Staff will be able to connect via both fixed network points (cabled), and where fixed network points are not readily available, via the Corporate Wi-Fi provision.
- Some remedial cabling work may be required to ensure the connectivity of other devices (such as printers).
- Once final designs are in place, the potential need to re-locate any fixed network ports will be determined for fixed devices and for any network points required in the collaborative and agile work zones.

4.11.3 Collaboration – this is about ensuring that we have, particularly in agile, collaborative and meeting spaces, the relevant devices that support hybrid working.

- MS Teams compatible devices will be available to support Large Hybrid Meetings and meetings of smaller groups.
- Where reasonably practicable, Microsoft compatible electronic whiteboards will be available for collaboration purposes.

4.11.4 Resource Booking – this is about ensuring that resources (desks, storage, agile zones etc) can be booked by staff as appropriate.

- We continue to work with ICT colleagues across the sector to determine the best fit solution, one that is intuitive to use from PCs, Laptops, Tablets and Smartphones, but also:
 - Allows for quick and easy addition and removal of bookable resource types (desks, storage etc),
 - Enables automated approval processes,
 - Integrates with existing toolsets (e.g., MS Outlook),
 - Can utilise digital signage to show statuses of certain resource types

- Can utilise sensor technology to automate the freeing up of unused resources
- Provides detailed insights of usage over time.

4.11.5 In addition to the above implications and with the aim of supporting our staff to get the most out of our existing collaboration tools, BMSDC ICT have introduced Bytesize training sessions for staff. Currently these cover topics such as Digital Collaboration, MS Teams and Supporting Wellbeing through Technology. It is the aim of BMSDC IT to continue to add to this list of topics over time and, early in this calendar year, develop specific sessions for Councillors.

5. LINKS TO CORPORATE PLAN

- 5.1 The Joint Corporate Plan (2019-27) is designed to address the challenges and seize the opportunities facing the districts and their organisations for the foreseeable future. The Councils' vision is to have 'great communities with bright & healthy futures that everyone is proud to call home.'
- 5.2 For each theme there are priorities which Strategic Asset Management has a significant part to play in supporting, ensuring that the Councils make the best of their assets underpinning the ability to achieve the priorities set out in the corporate plan. Specific links are detailed in the Strategic Asset Management Plan adopted in January 2021 to show how these are met through managing corporate assets effectively and efficiently and investing to generate income.

6. FINANCIAL IMPLICATIONS

- 6.1 The proposals set out above to release the Lime floorplate would result in saving for rent, rates, and service charges in excess of £200,000 per annum – this would be pro-rata'd for 2022/23 based on the date the floorplate is released back to the Landlord and adjusted to allow for any dilapidations due in respect of this floorplate. Dilapidations works or payments are required under the lease whether it is terminated by operating the break or expiry of the full term and as such this payment or expense would be brought forward by operating the break.
- 6.2 Assuming the break is operated to terminate the lease from 30th September 2022, gross revenue savings of circa £1.17m could be achieved to the end of the lease in October 2027.
- 6.3 Work to improve our collaborative workspace would be self-funded through the savings we can achieve through operating the break for one floorplate and thereby reducing our office accommodation in Endeavour House from 2 floorplates to 1. There will be costs of works and equipment to deliver our aspirations for the remaining floorplate and these have been estimated as £500,000 based on a cost plan provided by our consultants. These works would be funded by borrowing. Provision has been made in both Council's Budgets for 22/23 for £300,000 to cover to Endeavour House and the wider accommodation and agile programme.
- 6.4 Over the duration of the Lease term the cost/savings for Endeavour House up to and including 2027/2028 are as follows:

Item	Total	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28*
Capital (Charged through MRP)	500	500	0	0	0	0	0
Revenue Items							
MRP	500	0	97	99	100	101	103
Dilapidations	0	0	0	0	0	0	0
Less savings from rent, rates, service charge for Lime floorplates.	- 1,176	-116	-231	-231	-231	-231	-135
Total Net Revenue	-676	-116	-134	-133	-131	-130	-32
Costs per Council	250	250	0	0	0	0	0
Total Net Revenue per Council	-338	-58	-67	-66	-66	-65	-16

**To end October 2027 i.e., 7 months*

- 6.5 Over the duration of the Lease term to October 2027 the total costs to MRP would be £500,000.
- 6.6 The total savings would be £1,176,000 giving a net saving for the project of £676,000.
- 6.7 The total costs per Council would be £250,000 and the total net savings per Council would be £338,000.
- 6.8 The Capital costs are estimated and will be refined during the Technical Design Stage of the project.
- 6.9 The dilapidations in respect of surrendering the Lime floorplate have not been quantified yet and will be part of early discussions with our Landlord, Suffolk County Council. We have reasonable provision in the Corporate Buildings revenue budget to enable us to satisfy our responsibilities under the terms of the Lease around repair, maintenance and yielding up the space back to the Landlord.

7. LEGAL IMPLICATIONS

- 7.1 BMSDC are Tenants of Suffolk County Council under a Lease from 1st October 2017 for Gold and Lime floorplates.
- 7.2 Break Option - we can determine the Lease the day before the 5th anniversary (i.e., 30th September 2022) on no less than 6 months prior written notice. We have already indicated to Suffolk County Council that it is our intention to exercise the break and notice is to be served no later than 31st March 2022 to ensure compliance with the Lease.

- 7.3 Landlord's consent is required for all internal and non-structural alterations, such consent is not to be unreasonably withheld. We have shared early information about our vision and concept design with Suffolk County Council to aid detailed change control conversations about alterations to the demise in line with the Lease. These conversations will continue through the Technical Design phase to ensure Landlord consent is in place at the right time.

8. RISK MANAGEMENT

- 8.1 This report is most closely linked with the Significant Business Risk No. 15 that the safety, health & wellbeing of individuals may be compromised and No. 16 failure to achieve vision and strategic priorities and ambition (as per corporate plan).
- 8.2 The following have been identified as key risks pertaining to this report:

Risk Description	Likelihood	Impact	Mitigation Measures
Price inflation/availability of contractors &/delays	3 Probable	3 Bad	Programme includes a 2-week float
Failure to exercise the Break Option	2 Unlikely	3 Bad	Early discussions and instructions to legal to prepare Notice and reach agreement according to Programme and the Lease
Failure to deliver required outcomes or keep project within allocated budget	2 Unlikely	3 Bad	Project management will be undertaken and controls in place with competent consultants and contractors

9. CONSULTATIONS

- 9.1 The Accommodation & Agile programme aligns with the Strategic Asset Management Plan (SAMP) adopted by the Councils in January 2021 and includes the principles repeated in this report.
- 9.2 Following adoption of the SAMP broad engagement and consultation has taken place with Officers, Members and Staff to ensure that there is a collective buy-in to the Accommodation & Agile approach for Endeavour House through a series of briefings, working groups, surveys, and updates to the intranet pages on Connect.

- 9.3 The Unions have continued to be informed and updated in respect of this programme and we will be consulting further as the Concept Design for Endeavour House is approved and the programme moves into its technical design phase. There are no changes to terms and conditions as employees will continue to work at Endeavour House as a contractual base, nor are there any significant changes to ways of working, and so there is requirement to formally consult.

10. EQUALITY ANALYSIS

In delivering this project, due consideration has been given to the Council's statutory Equality Duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations, as set out in Section 149(1) of the Equality Act 2010.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 The design and workspace planning have associated environment impacts. The detailed environment implications and mitigations are to be considered through the design and construction phases and into use of the new workspace. Overall, it is intended that the new workspace will re-use and recycle furniture and equipment where possible and appropriate and seek to reduce consumption and travel where possible.

12. CONCLUSIONS

- 12.1 There are significant benefits to our approach to agile and hybrid working and the subsequent proposals for Endeavour House which are designed to support our people in delivering quality services to our residents in an effective and efficient manner. The main benefits of these proposals are: -

- Reduced accommodation costs
- Improved resource efficiency
- Providing effective workspace that supports everyone to deliver organisational outcomes – enabling greater productivity, improved morale, and workspace that attracts/staff retention/attracting new employees
- Empowering staff choice – doing the right tasks in the right place, with the right resources and which will drive performance and productivity
- Supports transformation of the organisation and helps to drive cultural change
- Prevents a return to 'traditional' ways of working – enabling more flexible environments and positive impact on wellbeing
- Enables collaborative working at all levels
- Significant improvements in working environment - enables targeted investment in better facilities and to respond to staff feedback in meaningful way, improving morale and motivation through an improved office environment which is designed to support smarter ways of working with a variety of suitable workstation styles
- Enables social distancing and managing occupational levels in the short term and control of occupancy in potential future pandemics
- Carbon savings through reduced consumption and travel
- Identity & Culture of organisation promoted through workspace and agile approach.

- 12.2 Agile and hybrid working practices, combined with digital processes and service delivery, will reduce operating costs, improve productivity, and staff well-being therefore enabling the Councils to focus on the outcomes that best serve our communities.

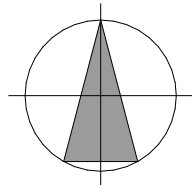
13. APPENDICES

Title	Location
(a) Drawing No 120333-CDP-ZZ-01-DR-I-0004-P2 Endeavour House – Space Planning for BMSDC Ipswich – Gold Floor 1 Developed Proposal	Attached
(b)	
(c)	
(d)	

14. BACKGROUND DOCUMENTS None




15. **REPORT AUTHORS** Sara Cameron – Corporate Manager Strategic Property, Suzanne Hughes Head of HR & OD, Matthew Harding Corporate Manager ICT & Programmes

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APPENDIX A

Key

-  *Existing Walls*
 -  *New Proposed Walls*
 -  *Walls to be Demolished*

Occupancy Levels | Gold, Floor 1

Fixed / Hot Desking

- 48No. Desks
(Based upon a 1600W x 800D desk size).
Total: 48No.

Agile Working Environments

- 14No. to Agile Working Environment 1
 - 8No. to Agile Working Environment 2
 - 8No. to Agile Working Environment 3
 - 8No. to Agile Working Environment 4
 - 8No. to Agile Working Environment 5
 - 10No. to Agile Working Environment 6
 - 4No. to Agile Working Environment 7
 - 8No. to Agile Working Environment 8
- Total: 68No.**

- 20No. to Central Boardroom
 - 10No. to Meeting Room 1
 - 10No. to Meeting Room 2
 - 6No. to Meeting Room
- Total: 46No.**

Total Occupancy Level: 162No. Individuals

The above figures indicate maximum occupancy levels to each space however, levels will fluctuate when in use.

Briefing Occupancy Figures

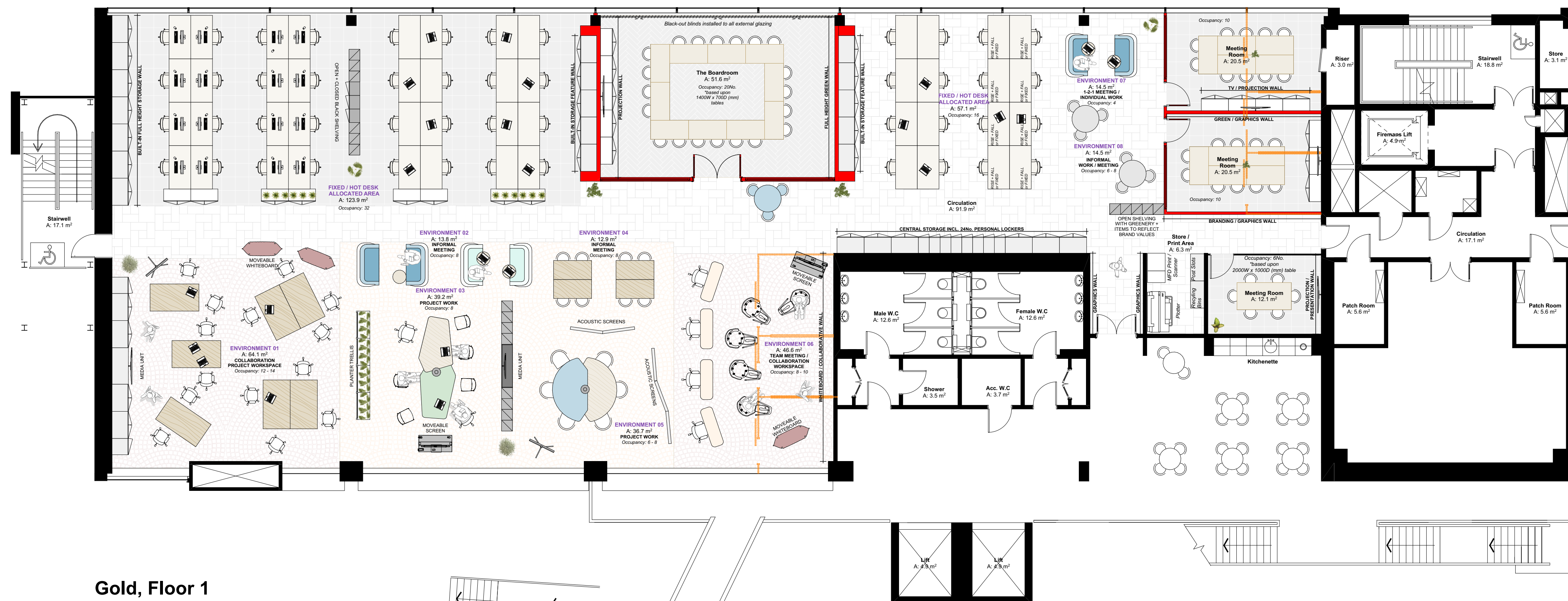
- 50No. spaces allocated to traditional / hot desks.
- 78No. spaces for Agile / Collaborative work zones.

General Design + Scope of Works Notes

Note that the above figures do not consider COVID-19 social distancing measures in place and can be advised and undertaken during the next project stage.

During the next project stage, the design team will determine and re-configure the power and data services to suit the new desk layout as well as the agile working environments.

Where new meeting rooms have been proposed to be demolished, mechanical and electrical services would need to be co-ordinated to suit the new layout, re-configured and stripped back where necessary.



Gold, Floor 1

The above illustrates an option to demolish 6No. existing glazed meeting rooms and in lieu construct stud partitions to form 2No. larger meeting rooms. This would address individual Meeting Room acoustics. Each Meeting Room features full height glazing with a glazed internal door, providing transparency through the spaces.

Disclaimer.

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REV	DATE	BY	DESCRIPTION	CHK
P1 P2	07.01.2022 24.01.2022	KC KC	First Issue. Plan revised to Option 2.	BE

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Agenda Item 12

BABERGH DISTRICT COUNCIL

TO: Cabinet	REPORT NUMBER: BCa/21/39
FROM: Cabinet Member for Economic Growth	DATE OF MEETING: 7 th February 2022
OFFICER: Fiona Duhamel, Assistant Director for Economy and Regeneration	KEY DECISION REF NO. CAB332

HAVEN GATEWAY PARTNERSHIP

1. PURPOSE OF REPORT

- 1.1 Cabinet are asked to consider whether or not the Council should retain its membership of the Haven Gateway Partnership beyond 31st March 2022.

2. OPTIONS CONSIDERED

- 2.1 Option 1 – To remain within the partnership from end of March 2022 working with the Haven Gateway team to review a new vision for the future
- 2.2 Option 2 – To decide not to remain within the Haven Gateway Partnership and to withdraw from membership at end of March 2022

3. RECOMMENDATIONS
3.1 That the key information in this report which outlines the current economic funding and policy landscape and the range of partnerships which now exist across the East of England which support the Babergh/Mid Suffolk economy, be noted.
3.2 That the withdrawal of the Council's membership of the Haven Gateway Partnership from 31 March 2022 be approved.
3.3 That delegated authority be given to the Assistant Director Economic Development and Regeneration in consultation with the Portfolio Holder for Economic Growth to finalise any legal documents associated with a withdrawal from the Partnership.
REASON FOR DECISION
To ensure future resources are diverted to areas and partnerships to drive greatest growth and support, especially as part of covid 19 recovery.

4. KEY INFORMATION

- 4.1 The Council was a founder member of the Haven Gateway Partnership when it was established in 2001. It was then and remains now, an unincorporated partnership based upon voluntary membership. It undertakes its activities through its Chairman and a small executive, facilitated through its Accountable Body - Essex County Council.
- 4.2 The Partnership came into existence to support the interests of what its partners believed at the time to be a distinct economic sub-region, based upon a study

undertaken by Dr Peter Townoe, a visiting professor at the University of Essex. His work and the collective efforts of the Partnership eventually achieved recognition in 2003/04 when the Haven Gateway was specifically identified as a policy area in documents such as the Regional Spatial Strategy for the East of England. This was later supported by its designation as a "Growth Point" by the Government and the award of substantial development funding.

- 4.3 Today the funding and regional policy landscape has significantly changed, due in part to the winding-up of Government Office East, the East of England Regional Development Agency and the East of England Regional Assembly and following the establishment of Local Enterprise Partnerships and more lately the ongoing discussions around Freeport East and possible Devolution.
- 4.4 Aside than successfully securing key funding through Growth Point status, the Partnership has delivered some notable successes, particularly strong lobbying to secure enhancements to the A120 between Colchester and Harwich.
- 4.5 In recent years the business of the Partnership has been mostly confined to securing support for two ERDF funded projects (I-Construct and TALE), which are managed by the Partnership's small executive. The Partnership has also played a role (chairing Project Board meetings and contributing to some of the work streams) in the development of the February 2021 Freeport East application, which has led to the successful confirmation of Freeport status.
- 4.6 However, at a time when there are competing priorities for staff resources and local authority funding and taking note that cross border projects and collaboration are naturally increasing across the East, it has been appropriate to review the future vision and purpose of the Haven Gateway Partnership.
- 4.7 The cost of £7k pa each from Babergh and Mid Suffolk and the current and future work proposed by the Partnership have been reviewed against other strong partnerships for the Districts such as the Suffolk Growth Economic Partnership and the Local Enterprise Partnership, plus new and emerging collaborations such as the Suffolk Climate Change Partnership. These existing and new partnerships appear to have stronger links to businesses in our Districts, provide new opportunities for routes into funding and are built upon strong governance and a united vision for the future for Suffolk and the East.
- 4.8 Whilst the HGP does provide a unique link to Essex and in particular, North Essex, the emergence of Freeport East has led to strong collaboration between Suffolk and Essex Authorities which will be in place for at least the next 25 years and will seek to provide access to funding for delivery of cross boundary projects for many years to come. The emergence of the North Essex Economic Board will also be important in particular to Babergh over the coming years, given the natural link between some of the districts towns and villages to Essex services and opportunities.
- 4.9 During the pandemic there has been limited support for our businesses from the HGP, largely due to the small nature of the resource in its executive. As we edge towards recovery from covid, it is important to focus our resources and time on partnerships which can help our businesses to rebuild and become more resilient in the face of future possible waves. Strengthening partnerships with our local and Suffolk chambers and other local stakeholders and continuing the strong relationship with partners mentioned above, especially with the Growth Hub will all help our

businesses to grow and bounce back from these difficult times. Supporting new initiatives such as Innovation Labs has already delivered growth in innovation business start ups and had led to small business growth.

- 4.10 Within Essex the North Essex Economic Board (NEEB) has been established and is proactively working to establish a programme of interventions designed to assist businesses in Central/North Essex recover from the economic ravages of the pandemic, whilst also focussing on the structural transformation of the Central/North Essex economy – interventions that will bring about a long term sustainable change by focussing on productivity and the sub-regions key growth, and opportunity sectors. Given its proximity to North Essex there is the opportunity for Babergh to develop closer links with the NEEB and work on its shared priorities. This will be explored further in the coming months.
- 4.11 The growth and importance in the Greater South East Energy Hub (GSEEH) has led to close working and sharing of information across not just Suffolk districts but also from Norfolk, Cambridgeshire, Essex and Kent. The GSEEH, funded by BEIS have provided invaluable guidance, access to funding and support to our districts for a range of net zero and low carbon projects including the solar car ports, the G14 Net Zero study and GSEEH representatives presented at the Districts' first Local Energy showcase event.
- 4.12 Having fully assessed the current value to the District of the Haven Gateway Partnership, particularly having reviewed as set out above the growing number of other partnership opportunities in the East, that it is proposed that the Council expresses its thanks for the good work and strong relationships that have been fostered since its inception but withdraw from the Partnership from end of March 2022 whilst continuing to maintain a strong relationship with Haven Gateway going forward and continue to foster collaboration with other authorities and large businesses in North Essex and Suffolk.
- 4.13 While the decision to withdraw is recommended to Babergh and Mid Suffolk having considered the factors above, it should be noted that other partners have also decided to withdraw from the Partnership in a similar timescale; notably the University of Essex, Colchester Borough Council and Tendring District Council. The University of Essex already have executive approval to withdraw and Tendring District Council have Portfolio Holder approval. Colchester Borough will be taking a report to its executive shortly. Essex County Council, whilst remaining as accountable body, withdraw from the Partnership a number of years ago.
- 4.14 It is important therefore to provide the HGP executive with sufficient time to review the future of the Partnership and to consider next steps, both for the Partnership but also for the withdrawal process. We expect to hear further detail on the any terms for withdrawal at the next Board meeting.

5. FINANCIAL IMPLICATIONS

- 5.1 The Council pays £7k per year for membership. By providing notice now it is expected that these payments will cease upon withdrawal on the 31st March 2022.

Any costs arising from the impact of the District's decision not to renew for further years are expected to be met by Essex County Council as accountable body.

6. LEGAL IMPLICATIONS

There are no expected legal implications from withdrawal of the partnership

7. RISK MANAGEMENT

7.1 There are no identified risks from withdrawal from the Partnership.

8. CONSULTATIONS

N/A

9. EQUALITY ANALYSIS

N/A

10. ENVIRONMENTAL IMPLICATIONS

10.1 N/A

11. BACKGROUND DOCUMENTS

Original HGP papers