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AGENDA

COUNCIL MEETING

TUESDAY, 21ST SEPTEMBER, 2021 – 5.30 PM

Members of the Council are summoned to a meeting of the Babergh District Council at King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Tuesday, 21st September, 2021 at 5.30 pm.

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

Arthur Charvonia
Chief Executive

	BABERGH COUNCIL
DATE:	**TUESDAY, 21 SEPTEMBER 2021 5.30 PM**
VENUE:	**KING EDMUND CHAMBER, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH**

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

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

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

Page(s)

1 **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

2 **DECLARATION OF INTERESTS BY COUNCILLORS**

3 **BC/21/11 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 29 JULY 2021** 11 - 26

4 **BC/21/12 ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER** 27 - 28

In addition to any announcements made at the meeting, please see Paper BC/21/12 attached, detailing events attended by the Chairman and Vice-Chairman.

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

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

6 **QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES**

The Chairman of the Council to answer any questions by the public of which notice has been given no later than midday three clear working days before the day of the meeting in accordance with Council Procedure Rule No. 12.

7 **QUESTIONS BY COUNCILLORS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES**

The Chairman of the Council, the Chairmen of Committees and Sub-Committees and Portfolio Holders to answer any questions on any matters in relation to which the Council has powers or duties or which affect the District of which due notice has been given in accordance with Council Procedure Rule No. 13.

8 **BC/21/13 OVERVIEW AND SCRUTINY COMMITTEE REPORT** 29 - 32

Chair of Overview and Scrutiny Committee

9 **RECOMMENDATIONS FROM CABINET / COMMITTEES**

a **BC/21/14 ANNUAL TREASURY MANAGEMENT REPORT – 2020/21** 33 - 66

Chair of Joint Audit and Standards Committee

At its meeting on 26 July 2021, Joint Audit and Standards Committee considered Paper JAC/21/2, the Annual Treasury Management Report 2020/21. Paper BC/21/14 now includes all the relevant updated information following consideration by the Joint Audit and Standards Committee, together with the necessary recommendations.

10 **BC/21/15 CAPITAL INVESTMENT FUND COMPANY (CIFCO CAPITAL LTD) BUSINESS TRADING AND PERFORMANCE REPORT 2020/21 - PART 1** 67 - 168

Cabinet Member for Assets and Investments

11 **EXCLUSION OF THE PUBLIC (WHICH TERM INCLUDES THE PRESS)**

To consider whether, pursuant to Part 1 of Schedule 12A of the Local Government Act 1972, the public should be excluded from the meeting for the business specified below on the grounds that if the public were present during this item, it is likely that there would be the disclosure to them of exempt information as indicated against the item.

The author of the report proposed to be considered in Part 2 of the Agenda is satisfied that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART 2

Cabinet Member for Assets and Investments

13 **RE-ADMITTANCE OF THE PUBLIC (WHICH TERM INCLUDES THE PRESS)**

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

Cabinet Member for Communities

Leader of the Council

Cabinet Member for Planning

17 **COUNCILLOR APPOINTMENTS**

a **ELECTION OF CHAIRMAN OF LICENSING AND REGULATORY COMMITTEE**

18 **MOTIONS ON NOTICE**

a **TO CONSIDER THE MOTION ON NOTICE RECEIVED FROM COUNCILLOR MALVISI**

Motion on streetlighting in Babergh:
Babergh recognises that street-lighting is a significant aspect of our climate change and biodiversity action plans, and that lighting can be adapted and controlled to reduce energy use as well as the impacts on human health and wildlife – especially bats, owls and other nocturnal insect populations which are declining[1, 2]. The Council also notes that many communities and campaign groups are calling on local councils to protect dark skies.

Motion:
Babergh District Council recognises that light pollution is increasing and that it causes harm to wildlife and insects as well as being problematical for many people particularly when the light is high in intensity. Therefore the Council seeks to reduce the intensity and extent of outdoor lighting within its public realm and housing assets as well as in other lighting schemes where it has influence, to the extent practical. The Council will also include firm guidance in its Biodiversity Supplementary Planning Document to protect and enhance dark skies for the benefit of wildlife as well as human health and wellbeing.

Proposer – Cllr Elisabeth Malvisi
Seconder – Cllr Leigh Jamieson

To achieve these objectives the Council will include lighting control within the Biodiversity Supplementary Planning Document (SPD) which it has committed to preparing and will work with the planning team and also partner organisations such as Suffolk County Council, and its suppliers in order to reduce current levels of light pollution to the extent practical. The Council recognises the dichotomous role that artificial lighting plays in making people feel safe but also its negative impact on health, wellbeing and visual resources. The council will ensure that new or replacement artificial lighting whether in the form of street lighting, commercial and residential lighting or advertising signage is installed to meet the lowest possible level of intensity and visual intrusion in line with current evidence on lighting characteristics.

[1] BBC News: Light pollution from streetlamps linked to insect loss https://www.bbc.co.uk/news/science-environment-58333233?at_medium=RSS&at_campaign=KARANGA

[2] CPRE Dark Skies: https://www.cpre.org.uk/what-we-care-about/nature-and-landscapes/dark-skies/

Notes:

- *Streetlighting that uses LED lamps emits a brighter, whiter light with higher levels in the blue region of visible light (400-480 nm) than their traditional counterparts. This shift in the emitted spectral composition towards blue white light has well-known impacts on the biological rhythms and functions in both humans and animals, particularly in nocturnal insect species and bats and owls.*
- *Some estimates predict that 1 million species, or 40% of all insects will become extinct over the next few decades, and the negative contribution made by artificial lighting in this regard and especially in the blue white must be recognised and not dismissed.*
- *Illumination, especially in the short wavelength -ultraviolet and blue light- causes damage not only to human sight but also to our nocturnal friends. It causes disorientation in insects, affects their patterns of movement, their way of foraging and very importantly affects their ability to reproduce with catastrophic implications for their populations.*
- *By contrast long wavelength light - amber and red – has a lower impact on our nocturnal friends.*
- *LEDs can be engineered to emit light of any desired spectral range, their brightness can be controlled, and their usage can be limited to appropriate timeframes. Lighting can be triggered to come on for shorter periods using motion sensor technology, also they can be progressively dimmed. Lighting can be fixed at full cut-off to reduce skyglow and shielding (e.g. back baffles) can be installed to reduce light intrusion through windows. A problem of which many humans complain, and which causes disturbed sleep patterns resulting in mental health issues thus affecting our own wellbeing.*
- *Colour filters can be used to reduce or even remove the harmful wavelengths – true amber LED has a narrower bandwidth but is low efficacy (low lumen output per watt usage).*
- *Alternatives to current bright white LEDs include true-amber LED which has a narrower bandwidth but low efficacy (low lumen output per watt usage). Phosphor-converted amber (PCA) has a higher efficacy. However, such alternatives may be challenging to source in the UK but the use of warmer coloured LEDs must be sourced for our current wellbeing and our nocturnal friends survival upon whom we all depend.*

b **TO CONSIDER THE MOTION ON NOTICE RECEIVED FROM COUNCILLOR JAMIESON**

Motion:
The Council will sign up to be a Client Partner on the Considerate Constructor Scheme - https://www.ccscheme.org.uk/about-partnership/client-partners/

Becoming a Client Partner is free and demonstrates that the Council is an organisation that proactively chooses to demonstrate its commitment to raising standards in the construction industry. We will be recognised by the public and those working on site as an organisation that places huge importance on showing care and consideration towards the local community, the environment and the welfare of the workforce.

Client Partnership member companies agree to recommend Scheme registration to all sites under their control and are expected to encourage conformance with all aspects of the Scheme's Code on their registered sites.

Proposer – Cllr Leigh Jamieson
Seconder – Cllr Robert Lindsay

c **TO CONSIDER THE MOTION ON NOTICE RECEIVED FROM COUNCILLOR LINDSAY**

Motion:
This Council will consider returning to a committee system at the earliest opportunity after 20th December 2021 with implementation from the Annual Council meeting in May 2022.

Proposer – Cllr Robert Lindsay
Seconder – Cllr Leigh Jamieson

Date and Time of next meeting

The next meeting is scheduled for Tuesday, 23 November 2021 at 5.30 pm.

Webcasting/ Live Streaming

The Webcast of the meeting will be available to view on the Councils YouTube page: https://www.youtube.com/channel/UCSWf_0D13zmegAf5Qv_aZSg

For more information about this meeting, including access arrangements and facilities for people with disabilities, please contact the Committee Officer, Committee Services on: 01473 296472 or Email: Committees@baberghmidsuffolk.gov.uk

Introduction to Public Meetings

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

Domestic Arrangements:

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

Evacuating the building in an emergency: Information for Visitors:

If you hear the alarm:

1. Leave the building immediately via a Fire Exit and make your way to the Assembly Point (Ipswich Town Football Ground).

2. Follow the signs directing you to the Fire Exits at each end of the floor.

3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.

4. Use the stairs, not the lifts.

5. Do not re-enter the building until told it is safe to do so.

Agenda Item 3

BABERGH DISTRICT COUNCIL

Minutes of the meeting of **BABERGH DISTRICT COUNCIL** held in the Atrium, Wherstead Park, The Street, Wherstead, Ipswich on Thursday, 29 July 2021 at 5.30pm

PRESENT:

Councillor:	Adrian Osborne (Chair)	
	Kathryn Grandon (Vice-Chair)	
Councillors:	Clive Arthey	Simon Barrett
	Peter Beer	David Busby
	Sue Carpendale	Trevor Cresswell
	Derek Davis	Siân Dawson
	Mick Fraser	Jane Gould
	Richard Hardacre	John Hinton
	Michael Holt	Bryn Hurren
	Leigh Jamieson	Robert Lindsay
	Elisabeth Malvisi	Margaret Maybury
	Mary McLaren	Mark Newman
	John Nunn	Jan Osborne
	Alison Owen	Lee Parker
	Stephen Plumb	John Ward

In attendance:

Officers:
Chief Executive (AC)
Monitoring Officer (EY)
Assistant Director - Economic Development (FD)
Corporate Manager Governance and Civic Office (JR)

Apologies:

Sue Ayres
Melanie Barrett
Alastair McCraw
Zac Norman

16 DECLARATION OF INTERESTS BY COUNCILLORS

16.1 There were no declarations of interest.

17 BC/21/7 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 25 MAY 2021

17.1 On the proposal of Councillor Ward and seconded by Councillor Malvisi,

It was RESOLVED:-

That the Minutes of the meeting held on 25 May 2021 be confirmed and signed as a true record.

18 BC/21/8 ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER

18.1 On the proposal of Councillor Hinton and seconded by Councillor Maybury, a motion without notice to suspend Council Procedure Rule 1.4 of the Constitution was tabled. This was **PUT** to the Council.

It was RESOLVED:-

That Council Procedure Rule 1.4 be suspended.

18.2 The Chairman introduced his announcements which was for noting only.

18.3 The Chairman then invited the Leader to make his announcements.

18.4 Councillor Ward introduced his report and informed Councillors that he shared their frustrations at having to hold another Council meeting at Wherstead Park.

18.5 Whilst he welcomed the relaxation of social distancing measures as everyone began to live with Covid, the Council was still mindful of the current levels of local and national infection and therefore the need to remain vigilant and protect against the spread of infection remained.

18.6 In the workplace, which included Council meetings, there was specific government guidance which Councillors still needed to adhere to. Some Councils in Suffolk had cancelled their meetings this month as a result of the challenge of adhering to that guidance. Babergh District Council had taken a proportionate approach, as democracy needed to not just be done but seen to be done. The Council was therefore meeting to deal with motions, questions and urgent items of business. Whilst the Leader felt it was great to be meeting in person, the Council would return to Endeavour House to hold its Council meeting once the relevant guidance permits.

Covid-19

18.7 The Leader thought that everyone was surprised and pleased that there had been an unexpectedly quick turn-around in the rising infection numbers of the Delta variant in the third wave of Covid. This gave further optimism that the vaccination programme, coupled with a pragmatic response by the public in continuing to observe some restrictions and protection measures, was really bringing the virus under long-term control. Here in Babergh, cases had also started to decline in recent days and, while still the highest in the county, they were below the East of England and national figures.

18.8 Infections were still mostly in the 15-29 age group, but it was worrying that this group was showing increasing resistance to campaigns to get vaccinated. It did seem that relentless online disinformation, especially the particularly pernicious claim that the vaccines affect fertility, was having an impact, even among the well-educated. Councillors must do their best to support the government's message and constantly promote the benefits and efficacy of the vaccination programme for all age groups.

18.9 On behalf of the Local Outbreak Engagement Board, Councillor Ward urged Councillors to continue with caution and reminded Councillors of the need to ***'jab, test and protect the rest'***. He also urged Councillors to carry on wearing masks, use sanitisers and respect social distancing. In the words of our soundbite: '***this summer we need to spread kindness, not Covid***.'

Recent Announcements

18.10 Councillor Ward informed Council that a lot had been happening over the past two months since the Council had last met. There had been a lot of announcements that demonstrated that the Council was delivering on all of its Strategic Priorities.

18.11 The Leader was particularly pleased about the shortlisting of the Housing Solutions team for a national Community Heroes of the Year award by local government magazine the Municipal Journal. This was a fitting recognition for Heather Tucker, who had done so much for the Council and will be leaving soon to be the Head of Housing at ESC. She goes with our heartfelt thanks and best wishes for the future.

18.12 The other announcement the Leader was excited about was the Innovate Local programme to support business innovation on our high streets.
Business owners who would like to showcase their business on a market stall can be part of the pilot Innovate Local scheme at Hadleigh and Stowmarket. They will benefit from a free pitch at either market for a set period, along with advice, training and support before and after the pilot. The first participant in Hadleigh had already signed up and will start trading on 6th August.

18.13 In addition to the market stalls, the programme will be opening an innovation hub in Eye and a pop-up hub in Sudbury later this year. These hubs will provide small businesses with access to a work- space, mentoring programme as well as advice and training. The hubs are being delivered in partnership with the Innovation Labs and businesses will also be able to use Innovation Labs collaborative working space based in Stowmarket.

18.14 The Council's Carbon Reduction Management and Biodiversity Action Plans are under way with funding approved for a new water filtration system at the Kingfisher pool, biodiversity mapping and a tree canopy survey.

18.15 The Council has also just agreed to the completion of the project to replace streetlights in the district with LEDs, replacing the remaining 14 units. This will be funded from the Climate Change and Biodiversity reserve.

Women's Tour

18.16 The Leader announced that it was great news that our districts will host the final stage of this year's Women's Tour on 9th October. The world's top female cyclists will pass through Long Melford, Sudbury, the Waldingfields, Bildeston, Wattisham Flying Station and Stowmarket on their way to the finish line in Felixstowe.

Accounts

18.17 The Leader informed Council that the 2019/20 accounts were signed off yesterday. There have been audit delays outside of the Council's control and which have affected other local authorities as well, but we have finally got there!

18.18 The Chairman thanked the Leader for his updates.

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

19.1 There were no petitions received.

20 QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

Question 1 - Mr Morelli to Councillor M Holt, Cabinet Member for Economic Growth

"On the 5th July 2021, the Babergh Cabinet debated a report on Belle Vue Park in Sudbury – the recommendations from which the Council will consider today, at Agenda Item 11a of today's meeting.

"Prior to that Cabinet debate, Councillor Lindsay asked a question regarding the contract the Council has agreed with Churchill Retirement Living.

"In his question, Councillor Lindsay pointed out that Babergh District Council will not be paid by Churchill until (and unless) Churchill is granted planning permission for the works it intends to carry out. In addition, Councillor Lindsay stated that – under the contract agreed with Churchill – Babergh does not have to start work on the retaining wall until that time. Councillor Lindsay therefore asked why money to pay for the retaining wall needed to be borrowed before Churchill receives planning permission (should that occur), and therefore before the contract with Churchill completes and the Council is paid.

"In response, Councillor Holt stated that borrowing money in advance of contract completion was necessary because – to use Councillor Holt's own words – if Babergh does "not start this work prior to completion of the Churchill contract, [Babergh] will have insufficient time to meet the contract obligations to start on the site within three months". I therefore understand that – in essence – Babergh has signed up to a contract that requires it to borrow money before Churchill has even received planning permission for its intended development (again, should that occur).

"Could I therefore ask Councillor Holt, in his position as Cabinet Member for Economic Growth: If I am correct in the understanding that I have described, why was a contract agreed that necessitated Babergh borrowing money prior to the said contract's completion – from which funding is intended to be provided – especially given that there is no guarantee Churchill will receive planning permission for its development at all

Response:

The forward funding element proposed is predominantly to carry out design work, pre-build contract site studies and other work to enable construction to start on site within the timescales proposed in the contract with the purchaser.

Supplementary question from Mr Morelli to Councillor M Holt, Cabinet Member for Economic Growth

The risk impact was previously rated as 4 catastrophic and is now 3 bad. Email correspondence has not fully ascertained why the risk that was previously described as 4 catastrophic does not still exist and has been removed. So, can I therefore ask Councillor Holt if he can provide me with a full and complete explanation as to why the risk was downgraded from 4 catastrophic to 3 bad?

Response:

In the earlier draft report, it had an incorrect risk rating as this was an administrative error, so the risk was not downgraded.

21 QUESTIONS BY COUNCILLORS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

Question 1 - Councillor Hinton to Councillor Malvisi, Cabinet Member for the Environment.

Firstly: Based on the Secretary of State decision on the matter of Swaledale Council v Quinn Estates Ltd and Mulberry Estates (Sittingborne) Ltd concerning the conditions and matters of their planning decision concerning in particular "Climate Change"

A.) What is the relevance of this Council's decision to declare a "Climate Emergency" in respect of any meaningful actions that we can take to help achieve any result?

B.) How can the Cabinet's decision to spend thousands of pounds on an audit of the trees in the District have any relevance?

Response:

A) The Climate Emergency that the world faces is so immense, and thoroughly entwined in every decision we make as human beings that it will not be solved solely by planning legislation. It will be tackled by us, you and I, our communities, our businesses all taking responsibility for the emissions we create and doing what we can to reduce that. Of course, our emerging Joint Local Plan pushes us further towards this goal, and this Council will continue to push further where we can. Just like we are in other areas such as:

- **moving our fleet to Hydrotreated Vegetable Oil**
- **decarbonising our leisure centre buildings,**
- **piloting a water filtration system at Kingfisher Leisure Centre to reduce water use and reduce energy consumption**

- building solar car port
- moving to green energy tariffs
- investing in energy efficiency initiatives for our council homes
- creating an energy prospectus for Suffolk
- focusing on sustainable travel

…to name but a few!

B) This Council recognises the increasing pace with which natural habitat is being lost and that it too, has now become a biodiversity emergency. A biodiversity Task Force was established in July 2020. Whilst it would have been easy for the group to consider many ambitions, it was acknowledged by the Task Force that their focus should be on achievable actions that they have control or influence over. These centre on understanding and enhancing wildlife corridors and enhancing the Councils' arboricultural and environmental resources and expertise. Trees provide a multitude of benefits to people. Whilst some of the social and aesthetic benefits can be difficult to measure, there are tools which help quantify and value some of the environmental benefits provided by trees, including carbon storage, carbon sequestration, stormwater reduction, and pollution removal. We have limited data on the numbers of trees on Babergh land (current estimate 10,000 trees) and even less information about the trees that cover the rest of the district.

Our tree officers are managing an incredible natural capital asset, but until now we have had no way of quantifying what the combined asset is worth in terms of financial value or what the trees are providing us as ecosystem services. The tree canopy survey work will give us a complete picture and also makes the information easily available for all to see and understand.

Supplementary question from Councillor Hinton to Councillor Malvisi, Cabinet Member for the Environment.

Will the Council be writing to the Prime Minister to declare that his ambition of carbon-zero by 2030 is unattainable given the restrictions in place on local efforts to improve carbon efficiency, in planning decisions in particular. And the wilful destruction of trees which move and store carbon dioxide. And when you are referring to trees on council land, there is a piece of council land in my village with a tree on it which the council is proposing to chop down so that they can give the piece of land to the housing association, and it will be easier for them to cut the grass. And if that's not wilful destruction of a carbon soak, I don't know what is. Old trees can not be replaced with the same efficiency of carbon reduction by new whips no matter how many are planted. There have been items in the press recently about net-zero buildings cancelled to help curb housing emission. if building regulations were changed the planning committee could ask people to put in heat source pumps, solar panels and more climate effective measures.

Response:

There are essentially two parts to your question if I am not mistaken. One is building regulations which we as a council cannot rewrite. We would love to rewrite them, but we will definitely lobby, and it is currently happening that the building regulations do come through with an amendment. But your second question was that you have a tree threatened to be demolished and I would suggest that you email me with the details of that situation, and I will take it up and see if I can save the tree.

Question 2 - Councillor Hinton to Councillor Arthey, Cabinet Member for Planning

Is it correct that the "Joint Legal Teams" have contracted out the negotiation of S106 Planning notices to an independent company and if so when and who conducted the competitive tendering process?

Response:

No, negotiation of S106 planning notices has not been contracted out to an independent company. Sometimes our legal service outsources the drafting of S106 agreements to external solicitors due to resource issues, such as when other urgent matters need to be prioritised. If S106 agreements are outsourced there is no cost to the authority so there is no requirement to undertake any tendering process.

Supplementary question from Councillor Hinton to Councillor Arthey, Cabinet Member for Planning

Is the Council aware that there has been a transfer of legal expertise from the joint legal team to the outside contractor as a result of this action? And is the Council aware that the fees charged for producing these 106 agreements, which local builders are forced to pay, have increased by 50% making smaller builders in particular less competitive in a market and reducing the choice for our future and existing residents?

Response:

I cannot answer what the whole of Council are aware of I'm afraid. But, if he is asking me am I aware that the costs associated with the drafting of these agreements by outsourced solicitors is higher than it would be if it was done in house, the answer is yes, I am aware.

Question 3 - Councillor Dawson to Councillor Arthey, Cabinet Member for Planning

A local resident received planning permission for the erection of a single storey rear extension for an application registered 25 Mar 20. The development was permitted on condition that it was begun not later than the expiration of three years from the date of the permission.

Can you please advise if there have been any amendments due to Covid-19 to Section 91 of the Town and Country Planning Act 1990 (as amended) that can give applicants relief from this timescale?

I understand currently all applications have to be applied for again when the application expires, please confirm?

Response:

The answer to the first part of your question is no, but the Business and Planning Act 2020 did provide temporary modification to the Town and Country Planning Act 1990 and the Planning (Listed Buildings and Conservation Areas) Act 1990 to enable certain permissions which had lapsed, or were due to lapse, during 2020 to be extended. This was in recognition of the effect coronavirus has had on planning and construction and in particular the delays around commencement of new development.

Unimplemented planning permissions with time limits for implementation lapsing between 19th August 2020 and 31st December 2020 were automatically extended to 1st May 2021.

Unimplemented planning permissions with time limits for implementation which lapsed between 23rd March 2020 and 19th August 2020 also had time limits extended to 1st May 2021, provided an Additional Environmental Approval process was followed.

Outline permissions were also extended in the same way, whilst the deadline for submission of reserved matters which would have been due between 23rd March 2020 and 31st December 2020 was extended to 1st May 2021.

The legislation only applied to these specific periods and there has been no change to the statutory time period for the commencement conditions we apply.

The answer to the second part of your question is yes, if no work has been done that constitutes implementation of a consent another application would be required on expiry, or the planning permission will lapse.

Supplementary question from Councillor Dawson to Councillor Arthey, Cabinet Member for Planning

In February 2019 the Acting Chief Planning Officer recommended that planning consent be authorised to grant listed building consent for the Babergh offices at Corks Lane. Subject to the number one condition stated a standard time limit. This was a major condition put forward by myself at the time which was that building works would commence no later than 18 months from the date of permission granted. It has not commenced work within the timescale being 11th of June 2021 and this has been confirmed by Councillor Ward and minuted at recent meetings.

Therefore, in light of this, can you confirm that the Corks Lane development will not be exempt from breeching a major condition as no amendment has been made under Section 91 of the Town and Country Act. And I think now as we have a rainbow Cabinet, I would like to see Councillor Arthey as the Cabinet Member for planning and Councillor Plumb as Chair of the Planning Committee, please can you give a personal assurance that this application will be resubmitted and returned to Committee as soon as possible as all other applications from local residents will have to be. Any further delay will cause further financial costs in respect of the security which have already exceeded probably £300,000 since we vacated in 2015.

Response:

I cannot really answer that question now, the reason being that I will have to check the date of the decision, I will have to check the conditions attached to that decision, and I will have to check the date of expiry. So, I can give you a written answer out of meeting.

22 BC/21/9 OVERVIEW AND SCRUTINY COMMITTEE REPORT

22.1 Councillor McLaren introduced the report and apologised for not highlighting the footnote at the bottom of the report which stated that the June meeting had become inquorate at 1.27pm with all of the items of business still outstanding being transferred until the July meeting.

22.2 Councillor McLaren then invited questions from Councillors.

22.3 Councillor Lindsay made reference to the CIFCO report and sought clarification on when the £1.5m interest payments that were currently being withheld would be paid?

22.4 In response, the Chairman requested that Councillor Lindsay seek a detailed response from the relevant officer.

22.5 Councillor Dawson raised an issue about the formulation of Joint Task and Finish Groups and how the Chair would handle requests to place items on the work programme where there was a split vote between Councils.

22.6 In response, Councillor McLaren stated that she felt that Task and Finish Groups should be very focussed on the tasks that they were scrutinising and that the Joint Committee should think very carefully before setting up Joint Task and Finish Groups.

22.7 The Chairman thanked Councillor McLaren for her report.

23 COUNCILLOR APPOINTMENTS

23a TO CONSIDER WHETHER TO CONFIRM OR NOT THE VOTE OF NO CONFIDENCE IN THE CHAIRMAN OF LICENSING AND REGULATORY COMMITTEE

It was RESOLVED:-

That the vote of no confidence be not confirmed, and that Councillor Newman remain as Chairman of Licensing and Regulatory Committee.

24 ELECTION OF CHAIRMAN OF LICENSING AND REGULATORY COMMITTEE (IF REQUIRED)

24.1 Not required.

25 APPOINTMENT TO OUTSIDE BODY - SUFFOLK JOINT EMERGENCY PLANNING POLICY PANEL

It was RESOLVED:-

That Councillor Ward be appointed as the Council's representative on the Suffolk Joint Emergency Planning Policy Panel.

26 TO NOTE THE FOLLOWING APPOINTMENTS

Planning Committee
Councillor Simon Barrett (replacing Councillor Melanie Barrett)

Overview and Scrutiny Committee
Councillor Melanie Barrett (replacing Councillor Simon Barrett)

27 MOTIONS ON NOTICE

28 TO CONSIDER THE MOTION ON NOTICE RECEIVED FROM COUNCILLOR HINTON

28.1 Councillor Hinton **MOVED** his motion on notice and informed Councillors that the Council was in danger of losing the confidence of the public by not being open and transparent in its democratic dealings with the public.

28.2 Before 2016, questions from members of the public and Councillors were allowed at the Annual Council meeting, since then it seems to have disappeared at a time when the number of council meetings was also reducing.

28.3 Councillor Hinton felt that the ability to ask questions at the Annual Council meeting should be restored for both members of the public and councillors and that this be made a formality by the Council.

28.4 Councillor Owen **SECONDED** the motion and reserved the right to speak.

28.5 Councillor Ward stated that he had no objection to the principle of having questions at the Annual Council. However, he felt that the Motion was to wordy and should be more succinct and that the exact wording should be agreed by the Constitution Working Group or the Monitoring Officer.

28.6 Councillor Ward then moved the following amendment:-

This motion proposes that this council allows questions from councillors and members of the public at the Annual Meeting. At the moment, questions have to be held over until the next ordinary meeting following the annual meeting, which can sometimes interfere with democratic accountability because questions may no longer be current and thereby lose their relevance.

As this is a straightforward change to the Constitution, this motion proposes that council instructs the Monitoring Officer to make the appropriate changes to the Annual Meeting Order of Business in the Constitution.

28.7 Councillor Jan Osborne **SECONDED** the amendment.

28.8 Councillor Arthey queried the effect of the amendment and whether the result would be the same as the original.

28.9 The Chairman confirmed that this was the case.

28.10 The Chairman asked Councillor Hinton if he accepted the amendment?

28.11 In response, Councillor Hinton stated that he did not accept the amendment and asked Councillor Ward why if he had no objections to the Motion was he tabling an amendment?

28.12 In response, Councillor Ward stated that the amendment was essentially around how the Constitution was amended. This was normally carried out by either the Constitution Working Group or the Monitoring Officer rather than being directed by a motion.

28.13 Councillor Hinton said that the Constitution belonged to the Councillors and that the matter should be dealt with by the Council.

28.14 The Monitoring Officer gave a point of explanation and clarified that either way would be acceptable however it was custom and practice that the Monitoring Officer would supply the definitive wording for changes to the constitution.

28.15 The amendment was **PUT** to the Council and **CARRIED.**

28.16 The substantive motion as amended was **PUT** to the Council and **CARRIED**.

It was RESOLVED:-

This motion proposes that this Council allows questions from councillors and members of the public at the Annual Meeting. At the moment, questions have to be held over until the next ordinary meeting following the annual meeting, which can sometimes interfere with democratic accountability because questions may no longer be current and thereby lose their relevance.

As this is a straightforward change to the Constitution, this motion proposes that Council instructs the Monitoring Officer to make the appropriate changes to the Annual Meeting Order of Business in the Constitution.

29 RECOMMENDATIONS FROM CABINET

29a BC/21/10 BELLE VUE PARK (SUDBURY) FACILITIES AND ENTRANCE -PART 1

29a.1 Councillor Ward introduced the report on behalf of the Cabinet and informed Council that they were not here to discuss the part sale of the site or the house to Churchill Retirement Living as this was now part of the planning process and not appropriate for discussion tonight. Similarly, the Council have already decided that they would like to see a welcoming new entrance to the park with café and toilets funded from the sale both of these decisions had been taken by Cabinet on the 11th March 2021.

29a.2 This report was to seek Council approval and addition to the Capital Expenditure Programme, of the scheme to create a retaining wall, new high quality secure and accessible park entrance and new café/toilet block facilities (to Changing Places Standard).

29a.3 The report also sought forward funding for essential works by borrowing until the sale to Churchill went through and the capital receipt was received and to ensure that the overall site delivery programme including the retirement living development remained on track and in line.

29a.4 The forward funding would allow the work to progress on that basis and minimise the disruption and duration on site.

29a.5 Councillor Ward made reference to 2.1b in the report which would enable the commissioning of a multi-disciplinary team to support and deliver the stakeholder and community engagement, detailed design work, surveys and investigations, planning application, principal contractor procurement, liaison
with the retirement living professional team and construction delivery within the required time frame.

29a.6 These works were likely to cost within the region of £80k to £100k and although no physical works would start on site with regards to the retaining wall until planning permission was secured by Churchill and the contract with the Council was completed. The pre work did mean that construction could commence in accordance with the purchaser’s programme ie within 3 months of the contract’s completion.

29a.7 Councillor Ward clarified that this was the amount the Council was seeking funding for and not the full investment amount of £1.12m that it had already committed to spend on further improvements to the park and to the entrance all of which were detailed in the Vision for Prosperity for Sudbury.

29a.8 Councillor Ward added that a stakeholder group had been set up which included the Town Council and County Highways. This would enable stakeholders to have input in the design and thereby deliver an exceptional scheme in planning terms ensuring that the park will be a great asset for the town, residents and visitors. This group has been kept fully informed of the council's plans particularly the need for the retaining wall due to the significant difference in the two lands levels to ensure that the entrance was accessibility compliant.

29a.9 A public event will be held in the park in late summer to present a detailed design to members of the public.

29a.10 Finally, Councillor Ward informed Council that Cabinet had reviewed the benefits against the key risks and were satisfied that the schemed delivered benefits to the community and demonstrated its commitment to Sudbury.

29a.11 Councillor Holt seconded the report and reserved the right to speak.

29a.12 Councillor Parker requested that the recommendations 3.1 and 3.2 in the report were debated and voted on separately.

29a.13 This was **AGREED** by the Chairman.

29a.14 Councillor Ward raised concerns that if 3.1 was voted against 3.2 would become irrelevant and would not be able to proceed.

29a.15 Councillor Parker disputed this and stated that funding could be funded from other sources.

29a.16 Councillor Lindsay asked if recommendation 3.1 was voted down would the Council be in breach of contract with Churchill Living?

29a.17 In response the Assistant Director for Economic Development confirmed that there may be other funding available and that Cabinet could discuss how the capital receipt could be diverted.

29a.18 Councillor Beer questioned whether if money was spent on the retaining wall now, whether the wall would be affected later on in the development?

29a.19 In response the Assistant Director for Economic Development confirmed that work would not start until planning permission was granted the retaining wall was needed to deal with the difference of levels on the site in order to allow disabled access to the site.

29a.20 Councillor Maybury queried whether any structural survey had been undertaken as there was no estimate for remedial work and felt that this should be included.

29a.21 Councillor Hinton queried why if the Council had agreed the capital expenditure programme of up to £1.2m, the pre work was only estimated at £80 to £100K, why was there a vast difference in funds if no construction work was taking place and asked if recommendation 3.1 was actually needed?

29a.22 In response Councillor Ward confirmed that it was customary to put the full amount as a provision into the capital programme. the provision for the full amount had been committed to Churchill and the park. The Council did not need forward funding for anything other than the pre- planning work.

29a.23 Councillor Hinton asked normally when you are selling a piece of land once the contracts had been exchanged a completion date is set, why is there no completion date set?

29a.24 Councillor Ward responded by stating that the completion date would be set following planning approval this was part of the agreement with Churchill.

29a.25 Councillor Parker queried why if the recommendation in 3.1 was predicated on the provision of a café and toilet block, and the cost of providing the facilities on site were not yet known how could the Council be expected to approve it?

29a.26 Councillor Holt stated that it was usual practice to create a budget for a capital scheme where the costing of the actual facilities would be done at the next stage of the development.

29a.27 Councillor Busby asked what the £2m reserves were that were carried over from last year for Belle Vue and whether this could be used to cover the £1.2 m?

29a.28 Councillor Ward in response stated that the money was from the previous year's budget for general works on Belle Vue and would need Cabinet to agree that this could be made available. That decision would be taken at the Cabinet meeting on the 2nd August 2021.

29a.29 Councillor Parker queried why planning permission not being granted was not listed as a risk?

29a.30 In response, the Assistant Director for Economic Development stated that the risk of the developer not gaining planning permission was dealt with in their contract. The risk of the Council not gaining planning permission had not been dealt with yet as this was still a fairly early stage of the process.

29a.31 Councillor Maybury queried why the Council agreed to build the retaining wall?

29a.32 In response, Councillor Holt stated that the park entrance was brought forward through the Sudbury Steering Group, way in advance of the land sale. Once the land was sold the subsequent consultation happened and it made common sense that if the park entrance was to go ahead then the retaining wall would need to be built. The wall is for the accessibility of the park entrance. If the Council does not do this work now it will struggle to meet its contractual commitments that have been made with Churchill.

29a.33 On the proposal of Councillor Malvisi and seconded by Councillor Barrett, it was proposed that under 15.1 of Council Rules and Procedures the question now be put.

29a.34 This was **AGREED**

29a.35 Recommendation 3.1 was put to the Council as follows:-

That the Council approve the addition to the Capital Expenditure Programme of the Council's spend of up to £1.12m to create a new high quality, secure and accessible park entrance with supporting retaining wall structure and new café/toilet block facilities (to changing places or equivalent standard) at the Belle Vue Park Site in Sudbury.

29a.36 This was **LOST**.

29a.37 The Council resumed the question and debate on Recommendation 3.2

29a.38 Councillor Parker proposed an amendment as follows:-

That Council authorise forward funding of essential works by borrowing until the capital receipt is received, to enable the commissioning of a multi-disciplinary professional team to support and deliver the stakeholder and community engagement and detailed design work, surveys and investigations, planning, principal contractor procurement, liaison with the retirement living developer's professional team (including party wall matters) within the required timeframe. Any such borrowing should only be considered once existing reserves or other sources of external funding have been exhausted.

29a.39 Councillor Hurren seconded the amendment.

29a.40 The Chairman asked Councillor Ward if he accepted the amendment.

29a.41 Councillor Ward accepted the amendment subject to the word reserves being removed from the amendment.

29a.42 Councillor Lindsay asked why the Council had entered into a contract with a private developer that required the Council to borrow money before the guarantee that the work would go ahead.

29a.43 In response, the Assistant Director informed Council that the borrowed money would be going into the design work and retaining wall.

29a.44 Councillor Hinton commented that there was nothing to indicate when the planning application would be coming through and asked why the Council was sourcing money from many sources for the same thing.

29a.45 In response, Councillor Holt stated that if the Council was able to get additional funding it would fund additional improvements to the park, with any funding left over going towards improving Sudbury. The capital receipt would be used for improvements in the park.

29a.46 Councillor Maybury asked why the Council sold the land without the developer agreeing to building the entrance?

29a.47 In response, the Assistant Director for Economic Development informed Council that the entrance had already been designed before the site was sold to Churchill. Churchill have not contributed to the scheme because they have not yet gone through the planning process.

29a.48 Councillor Ward in summing up stated that many options had been looked and this scheme could be delivered and crucially funded. The combined projects retained and protected the house and delivered an improved park entrance as per the exhibition and consultation event held in January last year which the public wanted to see. This project has every chance of every success and would provide a wonderful showcase for the town.

29a.49 The substantive motion as amended was **PUT** to the meeting and **CARRIED.**

It was RESOLVED:-

That Council authorise forward funding of essential works by borrowing until the capital receipt is received, to enable the commissioning of a multi-disciplinary professional team to support and deliver the stakeholder and community engagement and detailed design work, surveys and investigations, planning, principal contractor procurement, liaison with the retirement living developer's professional team (including party wall matters) within the required timeframe. Any such borrowing should only be considered once other sources of external funding have been exhausted.

The business of the meeting was concluded at 8.36 pm.

……………………………………..
Chair

Agenda Item 4

BC/21/12

BABERGH DISTRICT COUNCIL - 21 SEPTEMBER 2021

CHAIRMAN'S ANNOUNCEMENTS

EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR
SEPTEMBER 2021				
Friends of St Peter's Celebration Party	St Peter's, Market Hill, Sudbury	12-Sep	✓	
Battle of Britain Parade and Thanksgiving Service	The Athenaeum, Angel Hill, Bury St Edmunds	19-Sep	✓	
Ipswich Civic Service	St Mary-le-Tower-Church, Tower Street, Ipswich	26-Sep	✓	

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Agenda Item 8

BABERGH DISTRICT COUNCIL

TO:	**Council**	**REPORT NUMBER:**	**BC/21/13**
FROM:	**Chair of Overview and Scrutiny Committee**	**DATE OF MEETING: 21September 2021**	

Chair: Mary McLaren

Members were advised at the last Council Meeting 29 July 2021 that the previous Joint Overview and Scrutiny Committee held on 28 June 2021 was closed prematurely due to some members of the Babergh Overview and Scrutiny Committee leaving the meeting early and thus rendering the meeting inquorate.
Both Chairs took advice from officers and the remaining agenda items of 28 June 2021 were transferred as an inclusive agenda for 19 July 2021 and the proposed agenda for August was deferred.
The August Meeting however was cancelled to allow further development of reports and presentations for the meeting to be held on 20 September 2021.

19 July 2021 - Joint Overview and Scrutiny of outstanding items from 28 June 2021 - Chair Keith Welham.

Questions by the Public

The Governance Officer reported that one question had been received from Mr Thomas Morelli. It was noted that this question had been read out at the previous meeting. The question was in regard to the Shared Legal Services which had been operating across both councils since July 2018.

In that time there had been a number of occasions relating to successful or conceded legal challenges against both councils e.g The recent part conceded case by Babergh District Council brought by Boxford Parish Council. This raised the potential issues of the quality advice provided by the Shared Legal Service.

This Item was fully debated in the later Work Plan Discussions

Information Bulletins are not for debate or discussion but are presented for information only and enable committee members to clarify the detail or request explanation of the text.

Land Adoption Policy Information Bulletin

The Assistant Director - Environment and Commercial Partnerships introduced the information bulletin on the Land Adoption Policy to the Committee alongside the Corporate Manager for Strategic Property.

Access to high quality open spaces and opportunities for sport and recreation make an important contribution to the health & wellbeing of communities.

There is no legal requirement for Councils to adopt open spaces arising as part of a new development though alternative management arrangements are being considered. However the National Planning Policy Framework requires local planning authorities to set out policies to guide and facilitate all aspirations around "open spaces"

Questions by Committee Members covered the possible requirements of developers to maintain the land within their development site or not, the maintenance of roadside verges within planned developments and the responsibility of planners to ensure these were protected at the outset. Recognising there is a joint responsibility with the County Council for maintaining grass verges, a policy document to support this decision-making process is being created.

Questions asked on the availability of a District Wide Map to highlight all open spaces on council and public land and how planning enforcement might be involved, received re-assurance that the Council's on-line mapping software was being updated to include many uses including involvement with the Local Plan.
The Corporate Manager for Strategic Property re-affirmed that the Land Adoption Policy review was intended to capture points such as ownership of open spaces, Section 106 Agreements within time constraints and the use of verges and their ownership.

Insourcing Public Realm Project Information Bulletin

The Assistant Director for Environment and Commercial Partnerships introduced the information bulletin.

Public Realm is one of only two services that remains to be integrated under the "Working Together" arrangements. At present Mid Suffolk District Council uses an in-house team to deliver services whilst Babergh District Council has an outsourced contract with IdVerde.

Following a Scrutiny session by this Committee, a Cabinet Decision in September 2020 resolved that the Public Realm services be brought together in a single in-house operation. It was also resolved that LATCo (A trading company - wholly owned) be retained as an option for the remainder of 2021.

The bulletin summarises the work of the group of cross-functional team of officers set up to manage development and delivery of the project. Areas covered were Staff, Data, Procurement, Finance and a Public Realm organisational review.

Questions by the Committee, about the possible TUPE transfer of existing outsourced staff to Council employment and how that may affect the level or quality of service proposed was significant. The Committee were re-assured that informal 1:1 meetings with all those concerned, had set out the standard of work required by the Council and the cultural change involved in joining the Council's insourced team and that the current standards of work were not acceptable.

Concerns raised that the current insourced team's work could be diluted by this change of incoming staff were reassured.

The Committee queried the amount of data in the bulletin however not all the data of changes were included in the bulletin. Questions on the method of procurement, the environmental impact on the service and concerns regarding staff shortages at the handover were all answered by the Assistant Director for the Environment and Commercial Partnerships and many of these concerns had been identified on the Council's Risk Register.

Both Information bulletins were noted by the Committee.

Task and Finish Group – Scoping of Transport in the Districts

The Chair introduced the item for a Task and Finish Group to scope a potential item for scrutinising Transport in the Babergh & Mid Suffolk districts with the possibility of co-opted officers providing professional advice and guidance.

Very strong feelings were expressed by individual members including the fact that most transport is a County Council function and any proposals would be costly and there is no money. This was balanced by members who felt strongly regarding the situations of all their residents in rural areas.

Members of the committee debated whether this would be a good use of the Council's resources when they had no power over the final decision being taken and whether a county wide approach would be better suited to the topic.

The Chairman reminded Members that the role of the proposed Task and Finish Group was to scope whether it was worthwhile to conduct a scrutiny and that the Group could return their findings that it was not worth undertaking.

A motion "That Overview & Scrutiny scoping Transport is outside the remit of the Committee" was lost. A counter motion to create a Task & Finish Group for the scoping of Transport was carried.

It was RESOLVED

That the Joint Overview and Scrutiny Committee does create a task and finish group for the scoping of transport in the districts

It was RESOLVED

That the Chairs of BDC and MSDC Overview and Scrutiny Committees formulate the task and finish group with 2 members from each Council excluding the Chairs.

Babergh Overview and Scrutiny Work Plan

It was RESOLVED

That the BDC workplan was noted and updated with the following additions

- **That the Shared Legal Service be reviewed in November 2021**
- **That the Land Adoptions Policy be reviewed in November 2021**

- **That the Review of Stella Maris be added to the BDC work plan only for December 2021**
- **That an information bulletin be brought before Members on the Electronic Complaints process.**
- **That a review of the Support given by the Suffolk Association of Local Councils (SALC) be added to the workplan.**

Agenda Item 9a

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO:	**BDC Council** **MSDC Council**	**REPORT NUMBER:**	**BC/21/14**
FROM:	**Katherine Steel, Assistant Director, Corporate Resources**	**DATE OF MEETING:**	**21 September 2021** **23 September 2021**
OFFICER:	**Melissa Evans, Corporate Manager, Finance and Commissioning & Procurement** **Rebecca Hewitt, Assistant Financial Accountant**	**KEY DECISION REF NO. N/A**	

ANNUAL TREASURY MANAGEMENT REPORT – 2020/21

1. PURPOSE OF REPORT

1.1 The report is part of the Councils management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the financial year 2020/21.

1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, and the transactions executed in the past year and any circumstances of non-compliance with the Councils' treasury management policy statement and treasury management practices.

1.3 The report also includes performance on Prudential Indicators which were set in the 2020/21 Treasury Management Strategy (shown in Appendix E).

1.4 The figures contained in this report are subject to the external auditor's review which should be concluded by the end of December.

2. OPTIONS CONSIDERED

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

3. RECOMMENDATION TO BOTH COUNCILS

3.1 That the Treasury Management activity for the year 2020/21 be noted. Further, that it be noted that performance was in line with the Prudential Indicators set for 2020/21.

3.2 That it be noted that both Councils treasury management activity for 2020/21 was in accordance with the approved Treasury Management Strategy, and that the Councils have complied with all the Treasury Management Indicators for this period.

REASON FOR DECISION

It is a requirement of the Code of Practice on Treasury Management that full Council notes the position for the financial year 2020/21.

4. KEY INFORMATION

4.1 The 2020/21 Treasury Management Strategy for both Councils was approved in February 2020.

4.2 The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the financial year.

4.3 The Half Year Report on Treasury Management 2020/21 was presented to Members at the Joint Audit and Standards Committee on 30 November 2020.

4.4 The Treasury Management Indicators aim to ensure that the capital investments of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice.

4.5 Appendix D shows the position on key Treasury Management Indicators for 2020/21.

4.6 Key points relating to activity for the year are set out below:

- The UK unemployment rate was 5.0% in the three months to January 2021. Unemployment is still expected to increase once the various Government job support schemes come to an end. The average annual growth rate for pay excluding bonuses was 3.4% in real terms in January 2021.

- Inflation has remained low over the 12-month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target.

- The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting.

- The COVID-19 pandemic dominated 2020/21, and the impacts of a global lockdown. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The UK Government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

- The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown from pandemic-related lockdowns and restrictions. The institutions and durations on the Councils' counterparty list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

- Investment of surplus funds - As market conditions, credit ratings and Bank ring fencing have changed during the year, institutions that the Councils invest with and the period of the investments have been reviewed.

- Credit risk scores were within the benchmark A- credit ratings.

- Babergh's short-term debt increased by £15.5m offset by a reduction in long-term debt of £1m, to take advantage of lower rates after the PWLB rates were increased. This was used towards the £19.3m of approved investment in the non-treasury investments of CIFCO Ltd.

- Mid Suffolk's short-term debt increased by £19.6m, offset by the repayment of £12.4m medium/long-term borrowing to take advantage of lower rates after the PWLB rates were increased. The increase in debt was mainly due to the £19.3m of approved investment in the non-treasury investments of CIFCO Ltd.

- Both Councils were able to take advantage of holding additional cash from government grants received relating to Covid-19 until they were paid out to support local businesses. This has increased treasury investment activity during the year.

4.7 Specific highlights relating to 2020/21 activity are provided below:

Area/Activity	**Babergh**	**Mid Suffolk**	**Comments**
Long Term Borrowing – average interest rate	3.19%	3.07%	All at fixed rates
Credit Risk Scores during the year (value weighted average)	4.88-5.38	4.49-5.20	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	✓	✓	See Appendix E

4.8 The Section 151 Officer can report that all treasury management activities undertaken complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy.

5. LINKS TO JOINT CORPORATE PLAN

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

6. FINANCIAL IMPLICATIONS

6.1 As detailed in the report and appendices.

7. LEGAL IMPLICATIONS

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

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

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

8. RISK MANAGEMENT

8.1 This report is most closely linked to the Councils' Significant Risk Register, Risk no. 13. "We may be unable to respond in a timely and effective way to financial demands".

8.2 Key risks are set out below:

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

9. CONSULTATIONS

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

10. EQUALITY ANALYSIS

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

11. ENVIRONMENTAL IMPLICATIONS

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

11.2 Both Councils have joined Arlingclose's ESG and Responsible Investment Service. This will provide advice for ESG integration in the Councils' investment portfolios.

11.3 A report was brought to this Committee (Report JAC/20/21) on 17 May 2021 which presented the key considerations for developing an ESG policy for the Councils in order to facilitate discussion on the preferred policy for the Councils.

12. APPENDICES

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

13. BACKGROUND DOCUMENTS

13.1 CIPFA's Code of Practice on Treasury Management ("the Code").

13.2 Joint Capital, Investment and Treasury Management Strategies 2020/21 (Paper JAC/19/13)

13.3 Half Year Report on Treasury Management 2020/21 (Paper JAC/20/3)

13.4 Environmental Social and Governance (ESG) Considerations for the Councils Joint Treasury Management Strategy (Paper JAC/20/21)

Appendix A

Background, Economy and Outlook

1. Introduction

1.1. In February 2012 the Councils adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the "CIPFA Code") which requires the Councils to approve treasury management half year and annual reports.

1.2. The Joint Treasury Management Strategy for 2020/21 was approved at both full Councils in February 2020. Both Councils have borrowed and invested substantial sums of money and both are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Councils' Treasury Management Strategy.

1.3. Treasury risk management at the Councils is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Councils to approve a treasury management strategy before the start of each financial year and, as a minimum, a half year and annual treasury outturn report. This report fulfils the Councils' legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

1.4. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Councils' Joint Capital Strategy, for the financial year 2020/21, complying with CIPFA's Code requirement, was approved by both full Councils in February 2020.

2. External Context

2.1. Economic background:

2.2. The global pandemic dominated events in 2020/21, but some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

2.3. A Brexit trade deal was agreed with only days to spare before the 11pm 31 December 2020 deadline having been agreed with the European Union on Christmas Eve.

2.4. In its March 2021 interest rate announcement, the Bank of England (BoE) noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

2.5. Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have help protect more than 11 million jobs.

2.6. Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

2.7. Inflation has remained low over the 12-month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year on year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year on year (1.0% expected).

2.8. After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% quarter on quarter, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. Figures for Q1 (Jan-Mar) 2021 show a decline of 1.6% due to the national lockdown.

2.9. After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over $5 trillion. The Federal Reserve cut its main interest rate to between 0% and 0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

2.10. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

2.11. **Financial Markets:**

2.12. Financial Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

2.13. Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

2.14. The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

2.15. 1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

2.16. The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

2.17. German bund yields continue to remain negative across most maturities.

2.18. **Credit background:**

2.19. After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

2.20. Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

3. Local Context

3.1. On 31 March 2021, Babergh had a net borrowing requirement of £119m and Mid Suffolk had £116m arising from revenue and capital income and expenditure activities. This is an increase of £18m for Babergh and £2m for Mid Suffolk from the 31 March 2020 position.

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

3.3. **Table 1: Borrowing Summary**

Babergh	**31.3.20 Actual £m**	**2020/21 Movement £m**	**31.3.21 Actual £m**
General Fund CFR	50.671	20.600	71.271
HRA CFR	89.260	(0.400)	88.860
Total CFR	**139.931**	**20.200**	**160.131**
Borrowing CFR			
Less: Usable reserves	(34.941)	(8.025)	(42.966)
Add / (Less): Working Capital	(3.872)	5.588	1.715
Net Borrowing Requirement	**101.118**	**17.763**	**118.881**

Mid Suffolk	**31.3.20 Actual £m**	**2020/21 Movement £m**	**31.3.21 Actual £m**
General Fund CFR	75.333	9.071	84.403
HRA CFR	87.359	0.000	87.359
Total CFR	**162.692**	**9.071**	**171.762**
Borrowing CFR			
Less: Usable reserves	(48.456)	(12.313)	(60.769)
Add / (Less): Working Capital	0.243	5.054	5.297
Net Borrowing Requirement	**114.479**	**1.812**	**116.291**

3.4. Babergh's net borrowing requirement has increased due to a rise in the CFR as capital expenditure was higher than the financing applied, including minimum revenue provision. Working capital increased and this was offset by an increase in usable reserves due to the timing of receipts and payments.

3.5. Mid Suffolk's net borrowing requirement has increased. There was a rise in the CFR as new capital expenditure was higher than the financing applied, including minimum revenue provision. Working capital increased and this was offset by an increase in usable reserves due to the timing of receipts and payments.

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

3.7. **Table 2: Treasury Management Summary**

3.8. The actual treasury management activity and position on 31 March 2021 and the year-on-year change is shown in Table 2 that follows.

Babergh	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	31.3.21 Average Rate %
Long-term borrowing	96.023	(0.934)	95.089	3.19%
Short-term borrowing	16.500	15.500	32.000	0.46%
Total borrowing	**112.523**	**14.566**	**127.089**	
Long-term investments	11.214	(0.048)	11.166	4.07%
Cash and Cash equivalents	3.375	(1.535)	1.840	0.01%
Total investments	**14.589**	**(1.583)**	**13.006**	
Net Borrowing	**97.934**	**16.149**	**114.083**	

Mid Suffolk	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	31.3.21 Average Rate %
Long-term borrowing	110.939	(12.367)	98.572	3.07%
Short-term borrowing	24.400	19.600	44.000	0.69%
Total borrowing	**135.339**	**7.233**	**142.572**	
Long-term investments	11.215	(0.053)	11.162	4.03%
Cash and Cash equivalents	10.448	(6.930)	3.518	0.01%
Total investments	**21.663**	**(6.983)**	**14.680**	
Net Borrowing	**113.676**	**14.216**	**127.892**	

3.9. The figures in Table 2 are from the balance sheet in the statement of accounts, adjusted to exclude operational cash, accrued interest and other accounting adjustments.

3.10. Babergh and Mid Suffolk have both increased short-term borrowing to finance capital expenditure during the year.

3.11. Cash and cash equivalents include funds held in current bank accounts for day-to-day cashflow purposes and short-term deposits. In addition, Mid Suffolk held £1.5m in money market funds.

Appendix B

1. Borrowing Strategy during the year

1.1. In November 2020 the Public Works Loan Board (PWLB) published its response to the consultation on 'Future Lending Terms'. Both Councils had responded to the consultation. From 26 November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing authority can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years.

1.2. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.

1.3. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that the Councils unwind problematic transactions, suspending access to the PWLB and repayment of loans with penalties.

1.4. Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.

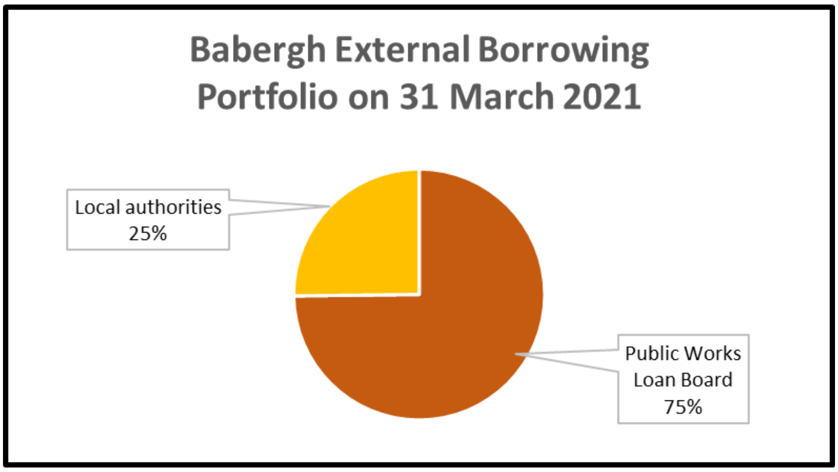
1.5. Both Councils are not planning to purchase any investment assets primarily for yield within the next three years and so are able to take advantage of the reduction in the PWLB borrowing rate.

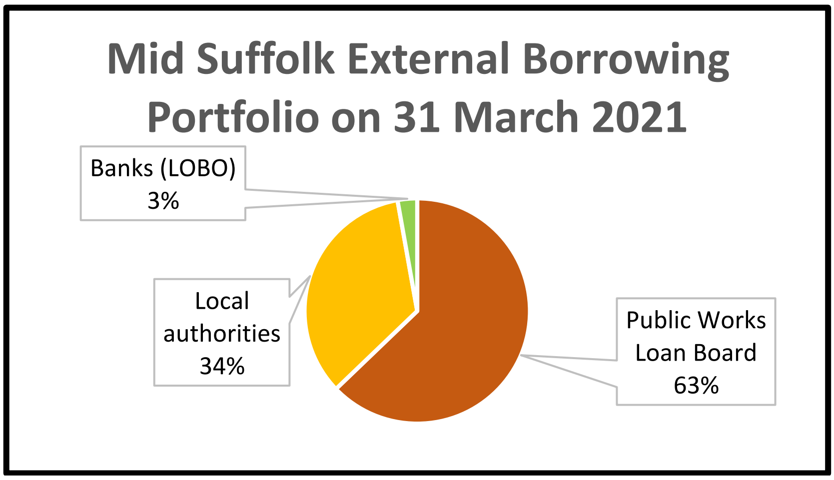
1.6. **Table 3: Borrowing Position**

Babergh	**31.3.20 Balance £m**	**2020/21 Movement £m**	**31.3.21 Balance £m**	**31.3.21 Average Rate %**
Public Works Loan Board	96.023	(0.934)	95.089	3.19%
Local authorities (short-term)	16.500	15.500	32.000	0.46%
Total borrowing	**112.523**	**14.566**	**127.089**	

Mid Suffolk	**31.3.20 Balance £m**	**2020/21 Movement £m**	**31.3.21 Balance £m**	**31.3.21 Average Rate %**
Public Works Loan Board	90.939	(1.367)	89.572	3.19%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (medium / long-term)	16.000	(11.000)	5.000	1.00%
Local authorities (short-term)	24.400	19.600	44.000	0.69%
Total borrowing	**135.339**	**7.233**	**142.572**	

1.7. **Table 3 - Charts: Borrowing Position**





1.8. The Councils' objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with a secondary objective of having flexibility to renegotiate loans should the Councils' long-term plans change.

1.9. With short-term interest rates remaining much lower than long-term rates, the Councils considered it more cost effective in the near term to use short-term loans instead.

1.10. The impact of Covid-19 caused delays in the Councils' capital expenditure plans which has resulted in a temporary lower funding requirement, but funding of CIFCO Ltd. was accelerated and fully invested by 31 March requiring additional short-term borrowing.

1.11. The Treasury Management Strategy shows that both Councils have increasing CFRs and estimated net borrowing requirements. The Councils' borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing was maintained.

1.12. The Councils did not take out any new medium or long-term borrowing in the period.

1.13. PWLB funding margins have lurched quite substantially and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80%, i.e., the PWLB borrowing rate. The Councils will evaluate and pursue these lower cost solutions and opportunities with their treasury advisor, Arlingclose.

1.14. LOBO loans: Mid Suffolk continues to hold £4m of LOBO loans (Lender's Option Borrower's Option) where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The banks did not exercise their option during 2020/21.

Appendix C

1. Treasury Investment Activity

1.1. During the year both Councils received central government funding to support small and medium sized businesses during the coronavirus pandemic through grant schemes. Babergh received £38.5m and Mid Suffolk received £33.9m, in total, which was temporarily invested in short-dated, liquid instruments such as Money Market Funds. By the end of March 2021, the total grants paid out were £34.9m for Babergh and £29.9m for Mid Suffolk. The remainder is expected to be paid out during 2021/22.

1.2. Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves. During 2020/21, Babergh's investment balance ranged between £11.8m and £39m. Mid Suffolk's investment balance ranged between £12.7m and £41.3m. These movements are due to timing differences between income and expenditure.

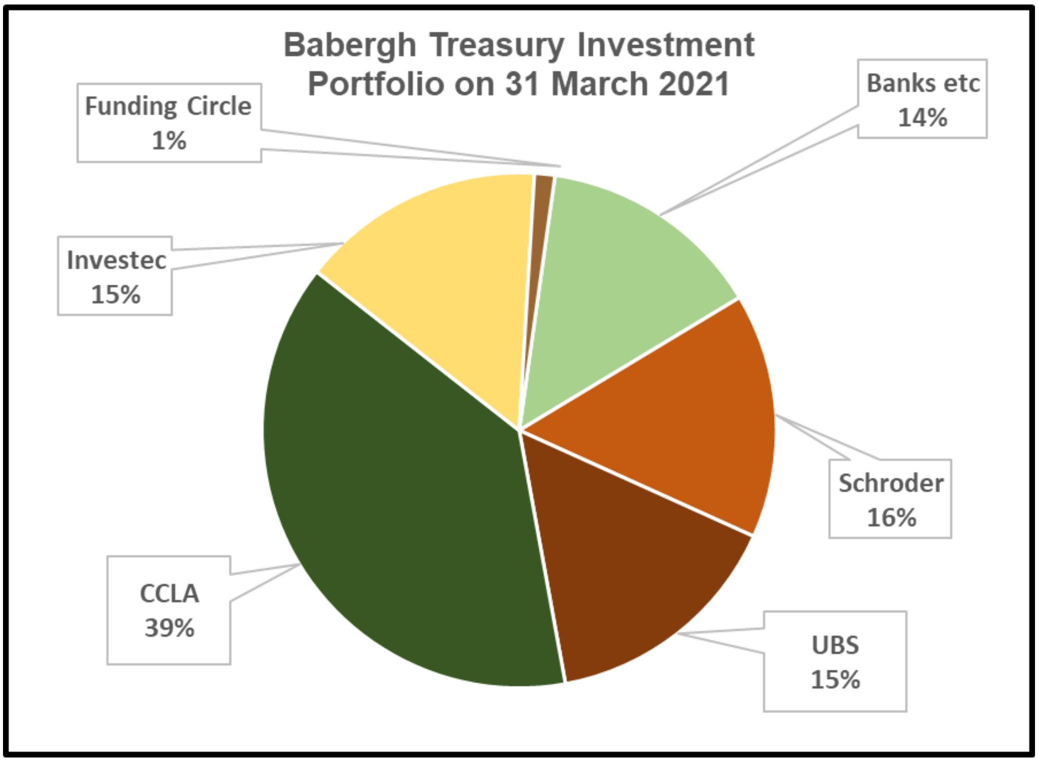
1.3. The year-end investment position and the year-on-year changes are shown in Table 4 that follows. Both Councils withdrew more of their investments in Funding Circle.

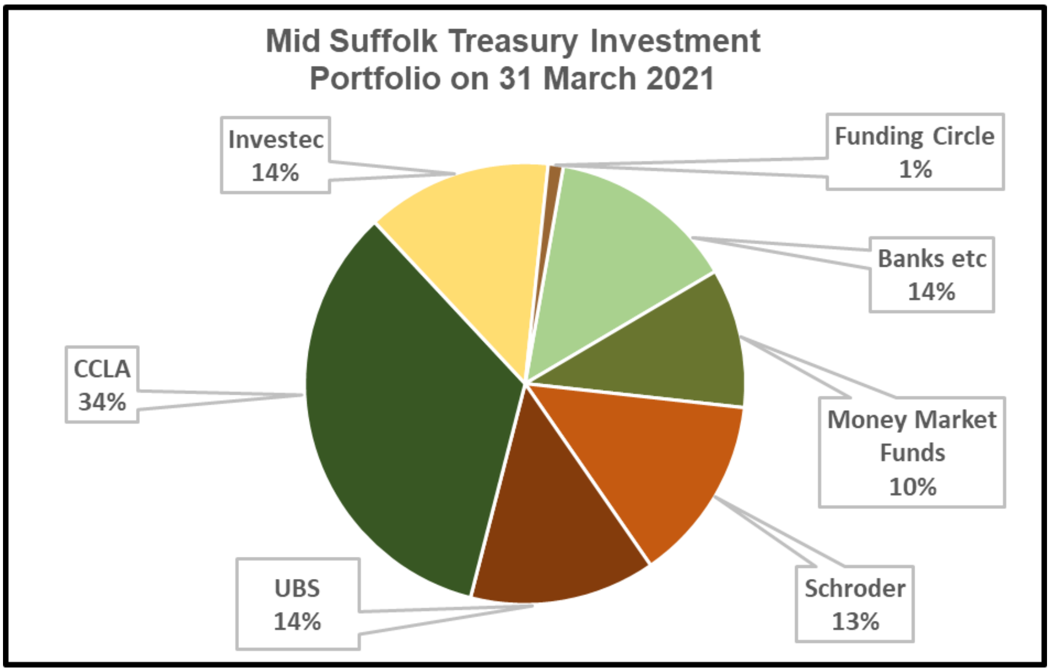
1.4. **Table 4: Treasury Investment Position**

Babergh	**31.3.20 Balance £m**	**2020/21 Movement £m**	**31.3.21 Balance £m**	**31.3.21 Average Rate %**
Banks & building societies (unsecured)	1.383	0.457	1.840	0.00%
Money Market Funds	2.000	(2.000)	0.000	0.01%
Schroder	2.000	0.000	2.000	4.76%
UBS	2.000	0.000	2.000	4.48%
CCLA	5.000	0.000	5.000	4.26%
Investec	2.000	0.000	2.000	3.72%
Funding Circle	0.214	(0.048)	0.166	3.14%
Total investments	**14.597**	**(1.591)**	**13.006**	

Mid Suffolk	**31.3.20 Balance £m**	**2020/21 Movement £m**	**31.3.21 Balance £m**	**31.3.21 Average Rate %**
Banks & building societies (unsecured)	1.450	0.567	2.018	0.00%
Money Market Funds	6.000	(4.500)	1.500	0.01%
Schroder	2.000	0.000	2.000	4.76%
UBS	2.000	0.000	2.000	4.48%
CCLA	5.000	(3.000)	2.000	4.20%
Investec	2.000	3.000	5.000	3.72%
Funding Circle	0.215	(0.053)	0.162	2.98%
Total investments	**18.665**	**(3.985)**	**14.680**	

1.5. **Table 4 - Charts: Investment Position on 31 March 2021.**





1.6. Both the CIPFA Code and government guidance requires Councils to invest their funds prudently, and to have regard to the security and liquidity of their treasury investments before seeking the optimum rate of return, or yield. The Councils' objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

1.7. Continued downward pressure on short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.

1.8. Deposit rates with the government's Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero.

1.9. The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March 2020, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns.

1.10. Babergh and Mid Suffolk have both followed the treasury management strategy to move investments into long term strategic pooled funds. Given the increasing risk and falling returns from short-term unsecured bank investments, the Councils diversified into more higher yielding asset classes; pooled property, multi asset and equity funds. As a result, investment risk was diversified.

1.11. Neither Council made further investments in these pooled funds during the year but continued reducing their investments in Funding Circle.

1.12. The average rate of return for these is significantly higher than the comparable average returns of Arlingclose's other clients, as shown in Table 5. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking for the year end in Table 5 that follows.

1.13. **Table 5: Investment Benchmarking - Treasury investments managed in-house.**

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2020	4.92	A+	93%	4.34%
On 31.03.2021	5.38	A+	93%	4.22%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2020	4.79	A+	96%	3.85%
On 31.03.2021	5.01	A+	99%	3.75%

Arlingclose Benchmarks for 31.03.2021	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
Similar Local authorities	4.63	A+	65%	1.38%
All Local authorities	4.63	A+	63%	0.90%

1.14. Bail-in involves the shareholders and creditors of a failing financial institution meeting the costs, instead of the government. As Babergh and Mid Suffolk have relatively small investment portfolios their bail-in exposure is proportionately higher than the local authorities in Arlingclose's benchmarking group. Babergh and Mid Suffolk have chosen to adopt a strategy of generating higher returns by investing funds available in banks and strategic pooled funds.

1.15. Babergh has £11.17m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £2.5m (average rate of return for the year 4.07%) which is used to support the Councils' service provision.

1.16. Mid Suffolk has £11.16m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £2.3m (average rate of return for the year 4.03%) which is used to support the Councils' service provision.

1.17. During the initial phase of the pandemic in March 2020, the sharp falls in corporate bond and equity markets had a negative impact on the value of both Councils' pooled fund holdings and was reflected in the 31 March 2020 fund valuations with every fund registering negative capital returns over a 12-month period. Since March 2020 there here has been improvement in market sentiment which is reflected in an increase in capital values of these pooled funds in the Councils' portfolios. The capital values are shown in Tables 8.1 to 8.5 below. The recovery in UK equities has lagged behind those of US and European markets.

1.18. Similar to many other property funds, dealing (i.e., buying or selling units) in the CCLA Local Authorities' Property Fund was suspended by the fund in March 2020 and lifted in September 2020. There was also a change to redemption terms; from September 2020 investors are required to give at least 90 calendar days' notice for redemptions.

1.19. These funds have no defined maturity date but are available for withdrawal after the notice period. Their performance and continued suitability in meeting the Councils' investment objectives are regularly reviewed. In light of their performance and the Councils' latest cash flow forecasts, investment in these funds has been maintained, except for Funding Circle which is being reduced over the period of the repayment of the remaining loans.

1.20. Since 2018/19, the International Financial Reporting Standards for pooled funds states that changes in valuations must be taken through the Comprehensive Income and Expenditure Statement. The Ministry of Housing, Communities and Local Government (MHCLG) has granted a statutory override until 2022/23 so these changes will have no impact on the "bottom line" until 2023/24.

1.21. It is intended to set aside any increases in valuation to a reserve to mitigate future potential losses. These pooled funds are long term investments and the Councils would not sell the units whilst their value was less than the original investment.

1.22. Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Councils had expected to receive significantly lower income from their cash and short-dated money market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent. Income from most of the Councils' externally managed funds will also be lower than in 2019/20 and earlier years. Whilst the arrival and approval of vaccines against COVID-19 and the removal of Brexit uncertainty that had weighed on UK equities were encouraging developments, dividend and income distribution was dependent on company earnings in a very challenging and uncertain trading environment as well as enforced cuts or deferral required by regulatory authorities. Comparisons of actual returns against budgeted interest receivable and payable in the year are shown in Table 7 that follows later.

2 Non-Treasury Holdings and Other Investment Activity

2.1 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Councils as well as other non-financial assets which the Councils hold primarily for financial return. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to include all such assets held partially for financial return.

2.2 Investment Property

2.3 During 2016/17 Babergh purchased Borehamgate Shopping Centre in Sudbury for £3.6m. This has been classified as an investment property and on 31 March 2021 it was assessed at fair value of £2.7m. Net Income, after the deduction of direct costs, was £127k in 2020/21 (£187k in 2019/20). Income from rentals reduced due to the impact of Covid-19 on businesses. The asset is being actively managed by the Council to secure new tenants in the short term and working towards longer term investment plans for that area.

2.4 Trading Companies

2.5 On 31 March 2021 Babergh held £3.9m of equity in BDC (Suffolk Holdings) Ltd and Mid Suffolk held £3.9m of equity in MSDC (Suffolk Holdings) Ltd. Both Councils own 100% shares in each holding company.

2.6 Babergh and Mid Suffolk's respective 50% share of the loss made by CIFCO Ltd in 2020/21 was £1.9m (2019/20 was £748k) and is reflected in the reduced value of each of the Council's equity holding in the company. These losses include the one-off costs of acquiring seven additional assets during 2020/21 (including stamp duty and fees) and an adjustment in portfolio valuation following the annual year-end revaluation reflecting a reduction in the portfolio value of 2.88%.

2.7 The total equity investment by both Councils to full investment (£99.3m) totalled £9.9m (10%). Equity value will fluctuate each year to reflect any fluctuations in market value.

2.8 On 31 March 2021 Babergh and Mid Suffolk each have £44.7m of loans in CIFCO Ltd, a subsidiary of BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd. These loans have generated £3.7m (gross) of investment income for each Council since the start of trading. The net position for 2020/21, including additional interest receivable from overdraft facilities given by the Councils and after borrowing costs, is shown later in Table 7.

2.9 Mid Suffolk also held £19.3m of loans in another subsidiary of MSDC (Suffolk Holdings) Ltd, Gateway 14 Ltd, which has generated £2.4m (gross) of accrued investment income since the initial loans were advanced by the Council in August 2018.

2.10 The loss incurred by Gateway 14 Ltd was £119k resulting in a reduction in the Council's overall equity holding to £1.2m. This company is still in the early stages of developing land and building projects for which it was created and has yet to generate income.

Table 6: Trading Companies – Loan activities

Babergh	Trading Companies - Loans				
	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
CIFCO Ltd					
Interest Receivable	(0.868)	(1.242)	(2.110)	(1.551)	(3.661)
Interest Payable	0.129	0.316	0.445	0.276	0.721
Cumulative Net Interest received from date of investments	**(0.739)**	**(0.926)**	**(1.665)**	**(1.275)**	**(2.940)**

Mid Suffolk	Trading Companies - Loans				
	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Interest Receivable					
CIFCO Ltd	(0.868)	(1.242)	(2.110)	(1.551)	(3.661)
Gateway 14 Ltd	(0.469)	(0.914)	(1.383)	(1.043)	(2.426)
Total Interest Receivable	**(1.337)**	**(2.156)**	**(3.493)**	**(2.594)**	**(6.087)**
Interest Payable					
CIFCO Ltd	0.246	0.541	0.787	0.532	1.319
Gateway 14 Ltd	0.141	0.219	0.360	0.180	0.540
Total Interest Payable	**0.387**	**0.760**	**1.147**	**0.712**	**1.859**
Net Interest					
CIFCO Ltd	(0.622)	(0.701)	(1.323)	(1.019)	(2.342)
Gateway 14 Ltd	(0.328)	(0.695)	(1.023)	(0.863)	(1.886)
Cumulative Net Interest received from date of investments	**(0.950)**	**(1.396)**	**(2.346)**	**(1.882)**	**(4.228)**

3 Treasury Performance

3.1 The Councils measure the financial performance of treasury management activities in terms of their impact on the General Fund and Housing Revenue Account revenue budgets as shown in Table 7 that follows.

3.2 **Table 7 Treasury Activity - Performance**

Babergh	2020/21 Budget £m	2020/21 Actual £m	Variance Adverse/ (Favourable) £m
Interest Receivable			
General Fund	(0.554)	(0.484)	0.070
Housing Revenue Account	(0.010)	(0.002)	0.008
CIFCO Ltd	(1.756)	(1.556)	0.200
Total Interest Receivable	**(2.320)**	**(2.042)**	**0.278**
Interest Payable			
General Fund	0.000	0.000	0.000
Housing Revenue Account	2.968	2.643	(0.325)
CIFCO Ltd	0.702	0.276	(0.426)
Total Interest Payable	**3.670**	**2.920**	**(0.750)**
Net Interest			
General Fund	(0.554)	(0.484)	0.070
Housing Revenue Account	2.958	2.641	(0.317)
CIFCO Ltd	(1.054)	(1.280)	(0.226)
Total Net Interest	**1.350**	**0.878**	**(0.472)**

Mid Suffolk	2020/21 Budget £m	2020/21 Actual £m	Variance Adverse/ (Favourable) £m
Interest Receivable			
General Fund	(0.540)	(0.459)	0.081
Housing Revenue Account	(0.009)	(0.001)	0.008
CIFCO Ltd	(1.756)	(1.556)	0.200
Gateway 14 Ltd	(1.033)	(1.050)	(0.018)
Total Interest Receivable	**(3.337)**	**(3.066)**	**0.271**
Interest Payable			
General Fund	0.097	0.002	(0.095)
Housing Revenue Account	2.968	2.643	(0.325)
CIFCO Ltd	0.616	0.532	(0.084)
Gateway 14 Ltd	0.421	0.180	(0.241)
Total Interest Payable	**4.102**	**3.357**	**(0.744)**
Net Interest			
General Fund	(0.443)	(0.457)	(0.014)
Housing Revenue Account	2.959	2.643	(0.316)
CIFCO Ltd	(1.140)	(1.024)	0.116
Gateway 14 Ltd	(0.612)	(0.870)	(0.259)
Total Net Interest	**0.765**	**0.291**	**(0.473)**

3.3 The interest receivable for Babergh and Mid Suffolk were both less than budgeted by £278k and £271k respectively. This is mainly due to investments in CIFCO Ltd being deferred during 2019/20 whilst suitable properties to purchase were being identified. The programme was accelerated during the year to be fully invested by the end of 2020/21.

3.4 The total interest payable for the year was under budget by £750k for Babergh and £744k for Mid Suffolk. This is due to the timing of the purchases for CIFCO Ltd as explained in 3.3 above and using short term local authority borrowing to fund CIFCO Ltd and Gateway 14 Ltd at lower rates. All Babergh's short term borrowing was attributable to CIFCO Ltd.

3.5 **Long term investment returns**

3.6 Babergh and Mid Suffolk have both invested in long term pooled funds. Tables 8.1 to 8.5 that follow show details of how these investments have performed during 2019/20 and 2020/21.

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

3.8 **Table 8.1 CCLA Performance**

CCLA	Babergh				
	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	5.004	(0.179)	4.825	(0.034)	4.791
Cumulative Net Interest received from date of initial investment	**0.799**	**0.217**	**1.016**	**0.213**	**1.230**
Annual Performance					
Net Interest received in year	**0.216**		**0.217**		**0.213**
Average Rate of Return for year	**4.32%**		**4.35%**		**4.26%**

CCLA	Mid Suffolk				
	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	4.927	(0.176)	4.750	(0.034)	4.717
Cumulative Net Interest received from date of initial investment	**0.743**	**0.215**	**0.958**	**0.210**	**1.167**
Annual Performance					
Net Interest received in year	**0.208**		**0.215**		**0.210**
Average Rate of Return for year	**4.17%**		**4.30%**		**4.20%**

3.9 Babergh and Mid Suffolk both invested into the Schroder Income maximiser fund on 10 February 2017.

3.10 **Table 8.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.876	(0.624)	1.253	0.288	1.540
Cumulative Net Interest received from date of initial investment	**0.317**	**0.143**	**0.460**	**0.095**	**0.555**
Annual Performance					
Net Interest received in year	**0.144**		**0.143**		**0.095**
Average Rate of Return for year	**7.20%**		**7.16%**		**4.76%**

Schroder Maximiser Fund	Mid Suffolk				
	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.876	(0.624)	1.253	0.288	1.540
Cumulative Net Interest received from date of initial investment	**0.317**	**0.143**	**0.460**	**0.095**	**0.555**
Annual Performance					
Net Interest received in year	**0.144**		**0.143**		**0.095**
Average Rate of Return for year	**7.20%**		**7.16%**		**4.76%**

3.11 Babergh invested in the UBS Multi Asset income fund on 26 November 2015, whilst Mid Suffolk invested in the fund on 28 March 2017.

3.12 **Table 8.3 UBS Performance**

UBS	Babergh				
	31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.899	(0.242)	1.657	0.174	1.831
Cumulative Net Interest received from date of initial investment	**0.274**	**0.089**	**0.363**	**0.090**	**0.452**
Annual Performance					
Net Interest received in year	**0.082**		**0.089**		**0.090**
Average Rate of Return for year	**4.09%**		**4.43%**		**4.48%**

UBS	Mid Suffolk				
	31.3.19 Balance £m	**2019/20 Movement £m**	**31.3.20 Balance £m**	**2020/21 Movement £m**	**31.3.21 Balance £m**
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.896	(0.242)	1.654	0.174	1.828
Cumulative Net Interest received from date of initial investment	**0.178**	**0.088**	**0.266**	**0.090**	**0.356**
Annual Performance					
Net Interest received in year	**0.082**		**0.088**		**0.090**
Average Rate of Return for year	**4.08%**		**4.42%**		**4.48%**

3.13 Both Councils invested in Funding Circle on 1 November 2015 and has varied the amounts invested since, gradually reducing the amount as loans have been paid off.

3.14 **Table 8.4 Funding Circle Performance**

Funding Circle	Babergh				
	31.3.19 Balance £m	**2019/20 Movement £m**	**31.3.20 Balance £m**	**2020/21 Movement £m**	**31.3.21 Balance £m**
Amount Invested - National	0.405	(0.191)	0.214	(0.048)	0.166
Amount Invested - Local	0.025	(0.025)	0.000	0.000	0.000
Total Amount Invested	**0.430**	**(0.216)**	**0.214**	**(0.048)**	**0.166**
Bad debts to date	(0.031)	(0.021)	(0.052)	0.005	(0.046)
Accrued Interest	0.022	(0.010)	0.012	(0.007)	0.005
Valuation	**0.421**	**(0.247)**	**0.174**	**(0.050)**	**0.125**
Income received	0.099	0.014	0.113	0.006	0.119
Servicing costs	(0.012)	(0.002)	(0.013)	(0.001)	(0.014)
Cumulative Net Interest received from date of initial investment	**0.087**	**0.012**	**0.099**	**0.005**	**0.105**
Annual Performance					
Net Interest received in year	**0.025**		**0.012**		**0.005**
Average Rate of Return for year	**5.02%**		**4.83%**		**3.14%**

Funding Circle	Mid Suffolk				
	31.3.19 Balance £m	**2019/20 Movement £m**	**31.3.20 Balance £m**	**2020/21 Movement £m**	**31.3.21 Balance £m**
Amount Invested - National	0.398	(0.183)	0.215	(0.053)	0.162
Amount Invested - Local	0.025	(0.025)	0.000	0.000	0.000
Total Amount Invested	**0.423**	**(0.208)**	**0.215**	**(0.053)**	**0.162**
Bad debts to date	(0.040)	(0.015)	(0.055)	0.004	(0.050)
Accrued Interest	0.016	(0.005)	0.011	(0.006)	0.005
Valuation	**0.399**	**(0.227)**	**0.172**	**(0.055)**	**0.117**
Income received	0.102	0.013	0.115	0.006	0.120
Servicing costs	(0.012)	(0.002)	(0.013)	(0.001)	(0.014)
Cumulative Net Interest received from date of initial investment	**0.090**	**0.011**	**0.101**	**0.005**	**0.106**
Annual Performance					
Net Interest received in year	**0.024**		**0.011**		**0.005**
Average Rate of Return for year	**4.78%**		**4.85%**		**2.98%**

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

3.16 **Table 8.5 Investec Performance**

Ninety One Series i Diversified Income Fund	Babergh 31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Amount Invested	0.000	2.000	2.000	0.000	2.000
Investment Valuation	0.000	1.815	1.815	0.180	1.995
Cumulative Net Interest received from date of initial investment	**0.000**	**0.075**	**0.075**	**0.074**	**0.149**
Annual Performance					
Net Interest received in year	**0.000**		**0.075**		**0.074**
Average Rate of Return for year	**0.00%**		**3.74%**		**3.72%**

Ninety One Series i Diversified Income Fund	Mid Suffolk 31.3.19 Balance £m	2019/20 Movement £m	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m
Amount Invested	0.000	2.000	2.000	0.000	2.000
Investment Valuation	0.000	1.815	1.815	0.180	1.995
Cumulative Net Interest received from date of initial investment	**0.000**	**0.075**	**0.075**	**0.074**	**0.149**
Annual Performance					
Net Interest received in year	**0.000**		**0.075**		**0.074**
Average Rate of Return for year	**0.00%**		**3.74%**		**3.72%**

4. <u>Compliance Report</u>

4.1. The Section 151 Officer can report that all treasury management activities undertaken complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy.

4.2. Compliance with the authorised limit and operational boundary for external debt is demonstrated in Table 9 as follows.

4.3. **Table 9: Debt Limits**

Total Borrowing	2020/21 Maximum £m	31.3.21 Actual £m	2020/21 Operational Boundary	2020/21 Authorised Limit	Complied
Babergh	128.739	127.089	178.000	193.000	✓
Mid Suffolk	142.722	142.572	194.000	209.000	✓

4.4. Since the operational boundary is a management tool for in-year monitoring, it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

4.5. **Table 10: Investment Limits**

Compliance with specific investment limits is demonstrated in Table 10 as follows.

Babergh	**2020/21 Maximum £m**	**31.3.21 Actual £m**	**2020/21 Limit £m**	**Complied**
Any single organisation, except the UK Central Government	1.900	1.840	2.000	✓
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.214	0.166	1.000	✓
Money Market Funds	2.000	2.000	2.000	✓

Mid Suffolk	**2020/21 Maximum £m**	**31.3.21 Actual £m**	**2020/21 Limit £m**	**Complied**
Any single organisation, except the UK Central Government	1.968	1.518	2.000	✓
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.215	0.162	1.000	✓
Money Market Funds	2.000	2.000	2.000	✓

4.6. It should be noted that both Council's treasury management activity for 2020/21 was in accordance with the approved Treasury Management Strategy, and that both Councils have complied with all the Treasury Management Indicators for this period.

Appendix D

1. Treasury Management Indicators

1.1. The Councils measure and manage their exposure to treasury management risks using the following indicators:

1.2. **Security:** Babergh and Mid Suffolk have adopted a voluntary measure of their exposure to credit risk by monitoring the value-weighted average credit score of their investment portfolios. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk. These are shown in Table 11 that follows.

1.3. **Table 11: Credit Scores**

Credit Scores	31.3.21 Actual	2020/21 Target	Complied
Babergh Portfolio average Credit Score	5.38	7.00	✓
Mid Suffolk Portfolio average Credit Score	5.01	7.00	✓

1.4. **Interest Rate Exposures**: This indicator is set to control the Councils' exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal borrowed are shown in Table 12 that follows.

1.5. **Table 12: Fixed Interest rate exposure**

Interest rate risk indicator	31.3.21 Actual	2020/21 Limit	Complied
Babergh upper impact on Revenue of a 1% increase in rates	0.083	0.490	✓
Mid Suffolk upper impact on Revenue of a 1% increase in rates	0.264	0.708	✓

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

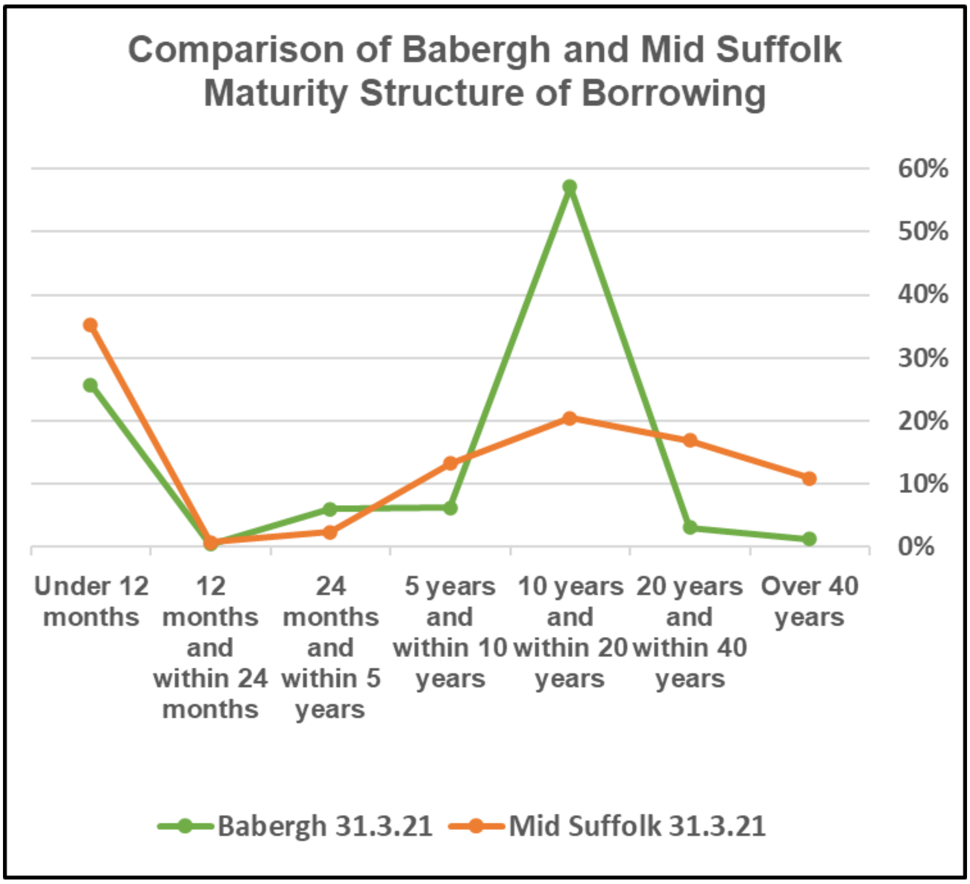
1.7. **Maturity Structure of Borrowing**: This indicator is set to control the Councils' exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are shown in Table 13 as follows.

1.8. **Table 13: Maturity Structures**

Age Profile of Maturity	Babergh 31.3.21 Actual	Mid Suffolk 31.3.21 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	25.72%	35.24%	0%	50%	✓
12 months and within 24 months	0.44%	0.78%	0%	50%	✓
24 months and within 5 years	6.08%	2.41%	0%	50%	✓
5 years and within 10 years	6.28%	13.30%	0%	100%	✓
10 years and within 20 years	57.12%	20.41%	0%	100%	✓
20 years and within 40 years	3.09%	16.95%	0%	100%	✓
Over 40 years	1.27%	10.92%	0%	100%	✓

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

1.10. **Table 13 Chart: Maturity Structures**



1.11. **Principal Sums Invested for Periods Longer than 365 days:** The purpose of this indicator is to control the Councils' exposure to the risk of incurring losses by seeking early repayment of investments. The limits on the long-term principal sum invested to final maturities beyond the period end are shown in Table 14 that follows.

1.12. **Table 14: Principal Sums**

Babergh	2020/21	2021/22	2022/23
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

Mid Suffolk	2019/20	2021/22	2022/23
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

1.13. Whilst the investments that have been made in UBS, Schroder, Investec and Funding Circle are intended to benefit from longer term higher returns, they can be redeemed on a short-term basis. CCLA requires 90 days' notice.

1.14. **Other Treasury Matters**

1.15. **CIPFA consultations:** In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year. Both Councils responded to these consultations.

1.16. In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e., recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.

1.17. Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.

1.18. **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

Appendix E

1. **Prudential Indicators**

1.1. **Introduction**

1.2. The Local Government Act 2003 requires the Councils to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that councils have fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

1.3. This report compares the approved indicators with the outturn position for 2020/21. Actual figures have been taken from, or prepared on a basis consistent with, the Councils' draft Statements of Accounts for 2020/21.

1.4. **Capital Expenditure**

1.5. The Councils' capital expenditure and financing for 2020/21 compared to budget is summarised in Table 15 that follows.

1.6. **Table 15: Capital Expenditure and Financing**

Babergh District Council			
Capital Expenditure and Financing	**2020/21 Budget including c/fwds £m**	**2020/21 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	37.284	23.229	(14.055)
HRA	28.824	12.602	(16.222)
Total Expenditure	**66.108**	**35.831**	**(30.277)**
Capital Receipts	0.720	6.931	6.211
Grants and Contributions	2.680	2.615	(0.065)
Revenue Contributions and Reserves	3.220	0.151	(3.069)
Major Repairs Reserve	3.310	4.316	1.006
Borrowing	56.178	21.818	(34.360)
Total Financing	**66.108**	**35.831**	**(30.277)**

Mid Suffolk District Council			
Capital Expenditure and Financing	**2020/21 Budget including c/fwds £m**	**2020/21 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	34.189	26.463	(7.726)
HRA	24.868	11.146	(13.721)
Total Expenditure	**59.057**	**37.610**	**(21.447)**
Capital Receipts	2.840	4.819	1.979
Grants and Contributions	4.500	1.688	(2.812)
Revenue Contributions and Reserves	12.150	5.738	(6.412)
Major Repairs Reserve	3.710	3.918	0.208
Borrowing	35.857	21.446	(14.411)
Total Financing	**59.057**	**37.610**	**(21.447)**

2. **Prudential Indicator Compliance**

2.1. **Capital Financing Requirement**

2.2. The Capital Financing Requirement (CFR) measures the Councils' underlying need to borrow for capital purposes.

2.3. **Table 16: Capital Financing Requirement**

Babergh District Council			
Capital Financing Requirement	**31.3.21 Budget £m**	**31.3.21 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	79.334	71.271	(8.062)
HRA	98.440	88.860	(9.580)
Total CFR	**177.774**	**160.131**	**(17.643)**

Mid Suffolk District Council			
Capital Financing Requirement	**31.3.21 Budget £m**	**31.3.21 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	97.784	84.403	(13.381)
HRA	95.627	87.359	(8.268)
Total CFR	**193.411**	**171.762**	**(21.649)**

2.4. The CFR increased during the year for Babergh by £20m and for Mid Suffolk by £9m as capital expenditure financed by debt outweighed resources put aside for debt repayment. These figures are shown in Appendix A Table 1.

3. Actual Debt

3.1. The Councils' actual debt on 31 March 2021 was as follows:

3.2. **Table 17: Total Debt**

Total Debt	31.3.21 Budget £m	31.3.21 Actual £m	Variance Adverse / (Favourable) £m
Babergh District Council	138.210	127.089	(11.121)
Mid Suffolk District Council	169.900	142.572	(27.328)

4. Gross Debt and the Capital Financing Requirement

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

4.2. The total debt remained below the CFR during the forecast period, which shows compliance with the indicator.

4.3. **Table 18: Debt and Capital Financing Requirement**

Babergh District Council		
Debt and CFR	**31.3.21 Actual £m**	**31.3.22 Estimate £m**
Capital financing requirement	160.131	174.810
Total Debt	(127.089)	(138.730)
Headroom	**33.042**	**36.080**

Mid Suffolk District Council		
Debt and CFR	**31.3.21 Actual £m**	**31.3.22 Estimate £m**
Capital financing requirement	171.762	219.750
Total Debt	(142.572)	(184.970)
Headroom	**29.190**	**34.780**

5. Operational Boundary for External Debt

5.1. The operational boundary is based on the Councils' estimate of the most likely (i.e., prudent but not worst case) scenario for external debt. It links directly to the Councils' estimates of capital expenditure, the capital financing requirement, and cash flow requirements, and is a key management tool for in-year monitoring.

5.2. **Table 19: Operational Boundary and Total Debt**

Operational Boundary and Total Debt	31.3.21 Boundary £m	31.3.21 Actual Debt £m	Complied
Babergh District Council	163.000	127.089	✓
Mid Suffolk District Council	189.000	142.572	✓

6. Authorised Limit for External Debt

6.1. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Councils can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

6.2. **Table 20: Authorised Limit and Total Debt**

Authorised Limit and Total Debt	31.3.21 Limit £m	31.3.21 Actual Debt £m	Complied
Babergh District Council	178.000	127.089	✓
Mid Suffolk District Council	204.000	142.572	✓

7. Ratio of Financing Costs to Net Revenue Stream

7.1. This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income (shown as a percentage).

7.2. **Table 21: Ratio of Financing Costs to Net Revenue Stream**

Babergh District Council			
Ratio of Financing Costs to Net Revenue Stream	31.3.21 Budget %	31.3.21 Actual %	Variance Adverse / (Favourable) %
General Fund	(3.50)	(3.79)	(0.29)
HRA	18.92	17.21	(1.71)

Mid Suffolk District Council			
Ratio of Financing Costs to Net Revenue Stream	31.3.21 Budget %	31.3.21 Actual %	Variance Adverse / (Favourable) %
General Fund	(5.04)	(6.59)	(1.55)
HRA	19.92	18.29	(1.64)

8. Adoption of the CIPFA Treasury Management Code

8.1. Both Councils adopted the Chartered Institute of Public Finance and Accountancy's "Treasury Management in the Public Services: Code of Practice 2011 Edition" in February 2012.

9. HRA Limit on Indebtedness

9.1. The limit imposed on the Council's HRA borrowing by the Ministry for Housing, Communities and Local Government (MHCLG) has been removed.

Appendix F

Glossary of Terms

BPS	Base Points. A unit of percentage measure equal to 0.01%. Basis points are commonly used when discussing changes to interest rates, equity indices, and fixed-income securities.
CDS	Credit Default Swap. In effect, insurance against non-payment. Through a CDS, the buyer can mitigate the risk of their investment by shifting all or a portion of that risk onto an insurance company or other CDS seller in exchange for a periodic fee. In this way, the buyer of a credit default swap receives credit protection, whereas the seller of the swap guarantees the credit worthiness of the debt security.
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CPI	Consumer Price Index. This measures changes in the price level of consumer goods and services purchased by households.
CCLA	Churches, Charities and Local Authority Property Fund
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
Investec	Investec Diversified Income Fund (UK) – a pooled fund.
LIBID	London Interbank Bid Rate. The interest rate at which banks bid to take short-term deposits from other banks in the London interbank market.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MHCLG	Ministry of Housing, Communities and Local Government. This is a ministerial department.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
Schroder	Schroder Income Maximiser Fund
SONIA	Sterling Overnight Index Average. Replacing LIBOR (the London Interbank interest rate) as the Bank of England's preferred short term interest rate benchmark for the UK.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.

BABERGH and MID SUFFOLK DISTRICT COUNCILS

TO:	**BDC Council** **MSDC Council**	**REPORT NUMBER:**	**BC/21/15**
FROM:	**Cllr David Busby BDC Cabinet Member for Assets & Investments;** **Cllr Peter Gould MSDC Cabinet Member for Assets & Investments**	**DATE OF MEETING:**	**21 September 2021** **23 September 2021**
OFFICER:	**Emily Atack – Assistant Director Assets & Investments, Managing Director CIFCO**	**KEY DECISION REF NO. N/A**	

CAPITAL INVESTMENT FUND COMPANY ('CIFCO CAPITAL LTD') BUSINESS TRADING AND PERFORMANCE REPORT

1. PURPOSE OF REPORT

1.1 This report presents the trading activity for CIFCO Capital Ltd (CIFCO) for 2020/21. Appended to the report (Confidential Appendix C) is the draft business plan 2021/22 which, subject to Council approval, will form the basis of CIFCO's trading in 2021/22. CIFCO's performance against its business plan is monitored quarterly by the Holding Companies. The board of CIFCO directors continually assess the market and appropriately apply and adapt the guidelines of the business plan throughout each trading year. This report sets out performance to 23rd June 2021 in line with usual reporting timelines, however an update on performance from 24th June 2021 to 6th September 2021 is set out in appendix A for information.

2. OPTIONS CONSIDERED

2.1 The options available are to approve the 2021/22 CIFCO business plan for its adoption by CIFCO or to recommend amendments to the business plan.

2.2 The business plan has been prepared by the Board of CIFCO in consultation with its fund managers Jones Lang LaSalle (JLL). The Business Plan has been approved by the Holding Companies and reviewed by the Councils' Joint Overview & Scrutiny Committee. The Councils' Joint Overview & Scrutiny Committee were satisfied that:

- The current performance of CIFCO delivers good value to the Councils
- That the KPIs are appropriate measures of performance
- The business plan is robust and appropriate for the next 12 months
- There is sufficient confidence in the management of CIFCO

3. RECOMMENDATIONS

3.1 That Council notes CIFCO Capital Ltd trading activity and performance for the year to 31st March 2021

3.2 That Council approves CIFCO Capital Ltd's 2021/22 business plan for adoption by CIFCO Capital Limited.

REASON FOR DECISION

3.3 **To provide appropriate governance and performance monitoring for the operation of CIFCO Capital Ltd for the 2021/2022 period.**

4. KEY INFORMATION

4.1 CIFCO has been trading since 2017, CIFCO has completed the second phase of investment which was approved by Council in 2019. CIFCO now holds 21 diverse commercial assets primarily in the industrial and office sectors. Details of these assets can be found on the CIFCO website https://cifcocapital.com/our-portfolio/.

4.2 A summary of the portfolio is set out below:

	Q1 2021
Total Asset Value	£83,918,000
Contracted Rent p.a.	£5,004,824
ERV	£5,556,641
Number of Assets	21
Number of Tenants	90
WAULT	To break 7 years 0 months To expiry: 8 years 6 months
Initial Yield	5.60%
Equivalent Yield	6.16%
Reversionary Yield	6.24%
Void Rate	5.72%
Running Yield*	5.20%

ERV = Estimated Rental Value. WAULT = Weighted Average Unexpired Lease Term

4.3 CIFCO is a trading company that was set up jointly by Babergh and Mid Suffolk District Councils to acquire commercial property to generate a revenue stream. CIFCO is jointly owned by BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd which in turn are each 100% owned by the respective councils. An ownership structure chart is set out at Appendix B. Commercial properties are acquired by CIFCO with funding provided by the Councils by way of loans (90%) and equity investments (10%). The loans are secured against the properties acquired and shares are issued in respect of equity investments made with each new acquisition. The value of the shares (equity investment) fluctuates in line with the value of the portfolio.

As the portfolio matures and the costs of acquisition (fees, stamp duty etc) are recovered, dividends will be payable to the Holding Companies and their respective Council owners as a return on the equity investment as well as revenue being generated through loan repayment.

4.4 Since the last business plan was approved in July 2020, 7 assets have been acquired by CIFCO completing the Councils' investment in the fund and increasing contracted rent to c. £5m per annum showing a net initial yield of 5.6% to CIFCO and increasing the Councils' gross annual income from £2.49m to £3.1m. This has increased net income (after Councils' borrowing costs) to £1.274m for Babergh DC and £1.018m for Mid Suffolk DC (£2.291m in total). The differing net amounts reflect the Councils' different treasury management strategies. These figures are equivalent to 22.06% of income generated by Babergh DC from Council Tax and 16.7% of income generated from Council tax by Mid Suffolk DC. This income makes a significant contribution to the Councils' budgets being equivalent to 13.6% of the Councils' staff costs.

4.5 In addition to the 7 assets acquired over the last 12 months the board has also committed to acquire a new build convenience store in Stanton, East Anglia. This acquisition will be completed when the development and lease to the occupier completes (anticipated late Autumn 2021). All funds to complete this acquisition were drawn down from the Councils before the end of the financial year (i.e. before 31st March 2021).

4.6 The year has been an extremely challenging one for all of us, and the pandemic has been difficult for some of our occupiers. Some tenants have been lost and we have worked hard with others, as a responsible landlord, to ensure their continuing ability to trade successfully. Overall, the portfolio has held up well, due to the work of the board and professional team, the quality of the assets and diverse portfolio. Rent collection on a quarterly basis has been well above industry norms and by day 90 broadly in line with our KPI, we expect this to improve further and return to normal levels by the end of this financial year. In spite of the very challenging year, the company has continued to make full debt repayment to our shareholders.

4.7 The 2021/22 business plan focuses on the on-going management of the fund and the company, to maximise revenue and return to our shareholders and to seek out opportunities to enhance the value of the portfolio wherever possible. The board is also keen to maximise the sustainability of its portfolio. With the majority of assets held on Full Repairing and Insuring (FRI) leases, the main opportunity will be to work with occupiers to put in place measures to reduce the carbon footprint. Where refurbishment is required at lease end, this will be carried out with a focus on sustainability. The board is adopting a new KPI this year providing a means to measure our impact on reducing the carbon footprint of the portfolio. This will help us to explore what can be achieved in subsequent years.

4.8 The updated investment strategy for 2021/22 commissioned by the Board and developed by the Board's Fund Manager, Jones Lang La Salle (JLL) is designed not only to give strong short-term results but medium and long-term income resilience. CIFCO does <u>not</u> specifically target Capital growth and its projections are not based upon such growth, but a focus on income growth.

4.9 This medium to long term resilience is based upon:

- A current average WAULT (weighted average unexpired lease term) to expiry of 8 Years 6 months
- A strategy that balances the portfolio so that a significant number of the assets are 'Core' and liquid
- A strategy that balances other attributes such as geography, asset class and sector so that resistance to medium and longer-term market stresses in any individual attribute can be mitigated
- A company structure that allows flexibility in asset acquisition and disposal.

4.10 The 2021/22 Business Plan contains all the elements of the previous Business Plan approved by both Councils last year. The Plan includes:

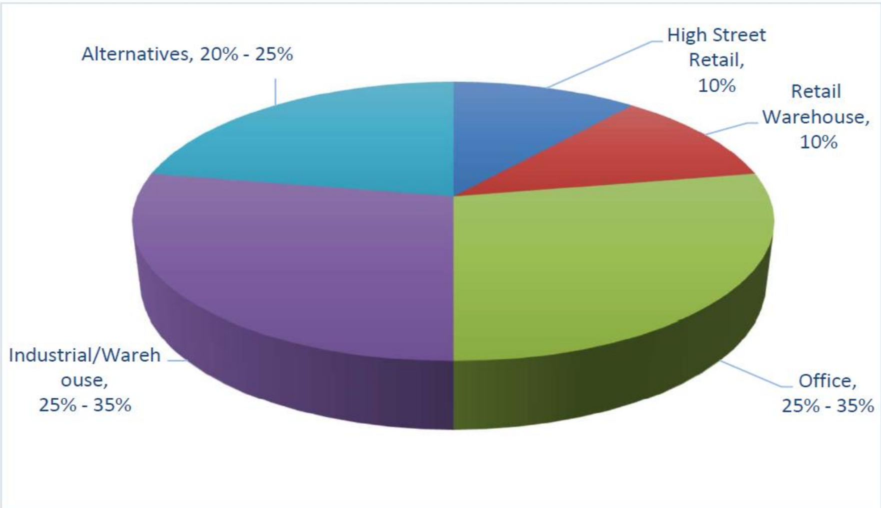
- A review of performance over the last 12 months against key performance indicators together with strategy for the year ahead.
- A summary of the full market conditions assessment and revised investment strategy commissioned by the Company's Fund Manager, JLL.
- The JLL market assessment, upon which the business plan is based, looks at the individual attributes of each asset class.
- The risks of investment in individual asset classes specifically reflecting the increased challenges in the high street retail sector.
- The business plan is not the document to analyse the strengths and weaknesses of individual tenant covenant. This is a matter for the Board in its due diligence as those assets arise in the marketplace and for the quarterly portfolio covenant review by the Board undertaken independently by fund manager JLL. However, the business plan does review the proportion of the fund let to different strengths of covenant.
- The Business Plan incorporates high level financial cashflow back to the Council through loan repayments. CIFCO borrows on a fixed rate so interest rate fluctuations are mitigated. Cashflow and operational finance is dealt with quarterly by the Board alongside quarterly risk analysis.
- In addition, the Board's future revisions to its investment strategy are influenced by quarterly portfolio analysis report from JLL which covers:

    - Investment Guidelines
    - JLL IPD (a UK benchmarking index) Forecasts
    - Tenant Covenant Log
    - Critical Dates Schedule
    - Individual Property Business Plans
    - Tenancy Schedule
    - Arrears
    - EPC Schedule

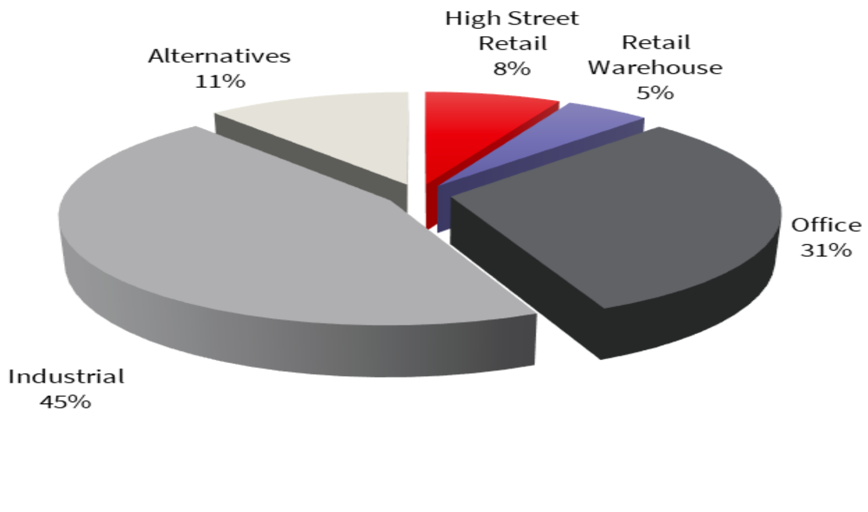
4.11 The original target when CIFCO was established was to hold no more than 25% of the fund in any sector, however with the weakening retail sector over the years since CIFCO was established and which has been exacerbated by the pandemic, the board has continued to successfully diversify the portfolio away from high street retail investments and has increased its exposure to the industrial sector which continues to perform well. The leisure sector has been particularly impacted by the pandemic with few suitable leisure investments being marketed during 20/21. The charts below show the current make-up of the portfolio versus the 2020 strategy.

Portfolio Sector Split 2021 versus 2020 Strategy

Target Core Weightings



Actual Sector Split Weightings March 2021



5. KEY PERFORMANCE INDICATORS (KPI)

5.1 The key performance indicators were set within the **2020/21** Business Plan, these are set out below together with performance against these targets: -

KPI	Description	Target	Actual
1	Net Initial Yield (NIY)	5.75%	5.6%
2	Equivalent Yield (EY)	6%	6.15%
3	Progress against 24 Month full investment target to be achieved by April 2021	£100M	£99.2M
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%	Q1-5.22% Q2-6.86% Q3-3.42% Q4-3.29%

6. KEY STRATEGIC OBJECTIVES 2021/22

- Retain all assets at the current time with no sales anticipated
- Complete purchase of Convenience Store asset and no further acquisitions to be made now fund fully invested
- Maximise revenue through pro-active tenant engagement and lease events
- Post- Covid Restriction Re-ignite inspection regime and direct tenant engagement – assess tenant business direction plus repair and maintenance of property
- Enhance ESG & Sustainability credentials – deliver current action plan and demonstrate achievements
- Maintain tight budgetary and credit control
- Manage lease expiries
- Strategic deployment of Capital Expenditure
- Monitor markets for opportunities to enhance value and income
- Implement individual asset initiatives creating measurable added value

7. KEY PERFORMANCE INDICATORS (KPIS) 2021/22

7.1 The board propose to change the key performance indicators to reflect the end of the acquisition phase and to reflect the emphasis on portfolio management, focusing on income growth, return on investment, sustainability and rent collection.

KPI	Description	Target
1	Increase contracted rent from £5m per annum by 1st April 2022	CPI + 1%
2	Equivalent Yield (EY)	6%
3	Reduce Portfolio EPC Score from 6628 (Average D Rating)	-10%
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%

The Board anticipates that KPI 4 may be challenging in the short term due to the continuing impact of the pandemic but aspire to returning to meet this target longer term.

8. LINKS TO JOINT CORPORATE PLAN

8.1 A resilient and robust business plan for CIFCO Capital Ltd will contribute to the strong governance of the Company and its performance. The Business plan aligns with The Councils' Corporate Plan and Medium-Term Financial Strategies delivering an important income stream into our districts to support the delivery of services and projects within our districts.

8.2 The investment in CIFCO is a long-term investment which will create a legacy for future generations.

9. COMPANY STRUCTURE AND IN-YEAR REPORTING

9.1 The Board of CIFCO Capital Ltd ('CIFCO') is responsible to its shareholders MSDC (Suffolk Holdings) Ltd and BDC (Suffolk Holdings) Ltd for the proper performance of the company against the business plan approved by the two parent Councils usually in July each year.

9.2 The Board meets regularly to review performance of the assets and fund, make portfolio decisions, appoint corporate advisers, and to put in place strategies and policies for company governance. A wide range of approvals have taken place throughout the year covering risk, performance management, governance, acquisitions, portfolio management, delegations and procurement.

Since Lockdown in March 2020 the Board have been holding virtual Board meetings and has also held virtual strategy days.

9.3 Each acquisition is recommended to the Board by JLL, approved in the first instance by the CIFCO Board subject to satisfactory due diligence and then reported to each Holding Company Board for further consideration and approval before funds are released. No acquisition can be made without the approval of both Holding Company Boards.

9.4 Each quarter the Chairman of CIFCO reports progress at a simultaneous Holding Company Boards meeting. He presents his assessment of the market and company activity during the last quarter and performance data relating to that activity.

9.5 The CIFCO Board reviews its annual business plan and investment strategy continuously to ensure that it remains consistent with the marketplace and emerging risks and opportunities. Its investment strategy is developed with advice from JLL. The Business Plan is amended in full annually. The Business Plan is presented to both Holding Companies for consideration and approval before it progresses to both full Councils for final consideration.

10. BOARD DIRECTOR PROFILES

10.1 The Board of CIFCO comprises 3 non-executive directors, the managing director (who is also the Assistant Director for Assets & Investments) and two Councillor directors- one from each shareholder, Cllr Rick Meyer and Cllr Elisabeth Malvisi who joined the Board in April 2021 to replace Cllr Holt.

10.2 The Board provides Council shareholders' perspective (through the appointment of two elected member Directors and the Managing Director) balanced with a strong commercial property industry expertise (through the appointment of three industry expert Directors not linked to the Council and the Managing Director who is Chartered Surveyor with experience in the property investment market). All Directors undergo a mandatory skills assessment before appointment.

Directors' Profiles

Chris Haworth (Non-Executive Director and Chair) - BSc in Estate management from Reading University, fellow of the Royal Institution of Chartered Surveyors, and a member of the National landlords Association. Partner of Carter Jonas for 12 years, until August 2012, and Head of the National Commercial Division for 8 years.

Emily Atack (Managing Director and Assistant Director Assets & Investments) – Emily is a Member of the Royal Institution of Chartered Surveyors. She has approximately 20 years' experience in both the private and public sector, primarily in dealing with commercial property transactions.

Henry Cooke (Non-Executive Director)- Investment banking professional with over 30 years' experience in roles across research, sales, trading, structuring, origination, syndication and asset management of US, UK, Australian and European mortgage backed, asset backed, whole-business and real estate financing

Mark Sargeantson (Non-Executive Director) – Fellow of the Royal Institution of Chartered Surveyors, partner of Cluttons, until early 1991. Acted for a wide range of property owners and investors mostly in portfolio and asset management in London and across the UK. Joined Fenn Wright, Ipswich in April 1991 and was a partner until 2008 and a consultant to the practice to the present day.

Elisabeth Malvisi (BDC Councillor Director)

Elisabeth has over 20 years' experience gained in the retail sector with such household names as Marks & Spencer and the university of Stirling Institute for Retail studies. Established a world leading provider of automotive waste. Elected as a District Councillor in May 2019.

Richard Meyer (MSDC Councillor Director)

Retired security risk management professional with senior management experience in: the Armed Forces, RAF Regiment; the Private Sector, De Beers; and the Public Sector with the British Library. He was elected as a District Councillor in May 2019.

11. CORPORATE GOVERNANCE

11.1 CIFCO Capital continues to have robust corporate governance, reporting quarterly to the BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd Boards. The Councils' internal audit team completed a review of the company's transaction and property management processes in 2019/20 and found that substantial assurances are in place, with no recommendations for improvement.

11.2 CIFCO Capital has complied fully with all Companies House registration and filing requirements. Ensors are the company's financial auditors. CIFCO Capital Ltd.'s financial year aligns with the shareholders financial year ending 31st March. The Non-Executive Directors have signed service agreements laying out individual obligations. These agreements are aligned to the Company's adopted Articles.

11.3 Board Members have completed Director training focusing on Corporate Law and Director requirements and the Board has an adopted director guidance code which aligns with other companies within the group and clearly sets out the expectations, responsibilities and obligations for all directors.

11.4 A self – evaluation and an evaluation of the Chair is undertaken by the Board annually.

12. FINANCIAL PERFORMANCE AND ACQUISITION PROGRESS

12.1 The Councils have received total net income of circa £5.49m since CIFCO's incorporation in 2017, details are set out in the table below:

CIFCO (Babergh)					
	£ 000				
	2017-18	**2018-19**	**2019-20**	**2020-21**	**Cumulative**
Revenue Impact					
Interest Received	(86)	(782)	(1,245)	(1,551)	(3,664)
Interest Paid	11	119	316	277	723
Net Interest	**(75)**	**(663)**	**(929)**	**(1,274)**	**(2,941)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(101)
Total Revenue	**(84)**	**(688)**	**(961)**	**(1,309)**	**(3,042)**
	£ m				
	2017-18	**2018-19**	**2019-20**	**2020-21**	**Cumulative**
Capital Movement					
Capital Borrowed	12.38	13.71	4.05	19.44	49.58
Loans Repaid	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.35)
Equity	1.23	1.37	0.41	1.94	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**49.23**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.35**

CIFCO (Mid Suffolk)					
	£ 000				
	2017-18	**2018-19**	**2019-20**	**2020-21**	**Cumulative**
Revenue Impact					
Interest Received	(86)	(782)	(1,245)	(1,551)	(3,664)
Interest Paid	11	235	541	533	1,320
Net Interest	**(75)**	**(547)**	**(704)**	**(1,018)**	**(2,344)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(101)
Total Revenue	**(84)**	**(572)**	**(736)**	**(1,053)**	**(2,445)**
	£ m				
	2017-18	**2018-19**	**2019-20**	**2020-21**	**Cumulative**
Capital Movement					
Capital Borrowed	12.38	13.71	4.05	19.44	49.58
Loans Repaid	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.35)
Equity	1.23	1.37	0.41	1.94	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**49.23**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.35**

12.2 The Councils have different treasury management approaches and as such whilst the gross amount receivable from CIFCO is the same, the net amounts differ depending upon the Councils' finance costs, as illustrated in the table below for 2020-21:

BDC **CIFCO Tranche 1 £26.097m**	**£m**	**MSDC** **CIFCO Tranche 1 £26.097m**	**£m**
Interest Receivable (From CIFCO)	**-1.162**	Interest Receivable (From CIFCO)	**-1.162**
Interest Payable		Interest Payable	
£14.847m Short term loans Average rate 0.32%	0.029	£3.597m Short term loans Average rate 0.51%	0.026
£5m 10 Year loans @ 1.71%	0.073	£10m 10 Year loans @ 1.71%	0.147
£6.25m 50 Year loans @ 2.63%	0.162	£12.5m 50 Year loans @ 2.63%	0.324
Total Interest Payable	**0.264**	Total Interest Payable	**0.497**
*NB. £11.25 PWLB borrowing **not yet** taken*		*NB. All £22.5m PWLB borrowing taken*	
Net Return	**0.898**	**Net Return**	**0.665**
CIFCO Tranche 2 £23.492m		**CIFCO Tranche 2 £23.492m**	
Interest Receivable (From CIFCO)	**-0.389**	Interest Receivable (From CIFCO)	**-0.389**
Interest Payable		Interest Payable	
Short term loans Average rate 0.32%	**0.013**	Short term loans Average rate 0.51%	**0.037**
NB.PWLB borrowing taken		*NB.PWLB borrowing taken*	
Net Return	**0.376**	**Net Return**	**0.352**

BDC	**£m**	**MSDC**	**£m**
Total Return Tranche 1 and 2	1.274	Total Return Tranche 1 and 2	1.017
Total Capital borrowed	49.58	Total Capital borrowed	49.58
Percentage return	2.57%	Percentage return	2.05%

12.3 The Councils' investment in CIFCO was completed by 31st March 2021, with a total of c.£99.2m being drawn down by CIFCO over the full investment period. This included a sum of approximately £4.5m for transactions that were due to complete after the 31st of March (Cavendish Street, Ipswich & Convenience Store in Stanton, East Anglia) and approximately £1.6m for future capital investments in the portfolio. Approximately £810,000 of this is due to be invested during this financial year as set out below: -

Property	Town	Tenant	Description	Capital Investment
Epsom	Renaissance House Common Parts	Common Areas	Common Parts Reception & WC refurbishment	£ 120,000
Harlow	2& 3 Pasadena Way	Vacant	Full refurbishment including roof replacement for reletting.	£ 425,000
Harlow	Unit 2 Princes Gate	Under Offer Sports Bike Shop Ltd	Refurbishment to enable reletting	£ 120,000
Norwich	24 Kingsway	Wurth	Full refurbishment enabling new lease to Wurth	£ 100,000
Coventry	2a & 2b Pilot Business Park	Agreement to lease Nisbetts	Removal of mezzanine and refurbishment	£ 45,000
			2021/22	**£ 810,000**

12.4 Capital investment in the portfolio is essential to protect and enhance the value of the portfolio ensuring that the properties remain fit for purpose and attract the highest possible rent and best tenants. For example, the refurbishment of 2 & 3 Pasadena Way will increase the ERV (estimate rental value) from £7 psf to £10 psf once the works are completed as well as ensuring that the property attracts a better tenant with a stronger covenant and therefore enhancing the investment (capital) value of the property. The remaining £835,000 will be held by CIFCO for future capital investments in the portfolio. There are no further investments by the Councils planned within the Councils' Medium Term Financial Strategies.

12.5 The CIFCO accounts for the year ending 31st March 2021 show a loss of £4.58m before taxation. This loss includes the one-off costs of acquiring the 6 additional assets during 2020/21 (including stamp duty and fees of circa £1.9m) and an adjustment in portfolio valuation following the annual year-end revaluation (£2.4m) and bad debt write off of £300k. This is primarily a capital loss as a result of the reduction in the value of assets held on the company's balance sheet and the costs of acquisition. The value of this company is effectively the same as the value of the assets (properties) it owns and as such the company value (and equity or shares within it) will fluctuate in line with the property values. This "paper loss" does not require any additional capital or equity to be invested within the company and would only be realised in the event that properties are sold. The reduction in value of the portfolio and costs of acquisition are recorded as an impairment within the trading accounts. This impairment is also reflected in the shareholders accounts to reflect the changing value of the company. The total loss across the company structure in this regard is £4.58m for 2020/21, with a total capital loss since inception of approximately £12.6m (Acquisition costs of circa £5.5m and Reduction in value of £7.1m).

12.6 The portfolio was revalued as at 31st March 2021 by Knight Frank as independent valuers. The portfolio value reduced by 2.88% (c. £2.4m) overall. Whilst some of the asset values have increased, others remained stable, a number have been adjusted downwards particularly in the retail sector, reflecting the structural change and malaise in the High Street which has been accentuated by COVID 19.

12.7 Trading conditions were challenging during 2020/21 and quarterly rent collection was below our long term KPI for June and December 2020, however significantly better than some other funds- particularly retail and leisure weighted funds. The rent collection figures to date are set out below, against some industry benchmarks (Alt Remit & Workman) these figures may increase further as arrears continue to be recovered:

	June 2020 Qtr			**September 2020 Qtr**		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	54.41%	47.01%	37.80%	63.80%	56.73%	50.50%
Day 7	69.10%	61.33%	50.70%	67.03%	70.82%	62.00%
Day 21	73.84%	71.08%	59.20%	68.99%	74.84%	67.80%
Day 35	74.01%	77.37%	63.30%	73.91%	83.37%	72.70%
Day 90	**94.78%**	87.89%	72.50%	**93.14%**	87.89%	79.10%
	December 2020 Qtr			**March 2021 Qtr**		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	75.32%	64.48%	52.60%	63.47%	55.49%	46.40%
Day 7	81.37%	70.31%	59.50%	67.59%	68.09%	60.50%
Day 21	82.27%	73.34%	67.20%	78.41%	77.57%	67.30%
Day 35	82.60%	77.58%	71.70%	88.12%	80.63%	71.80%
Day 90	**96.58%**	82.89%	78.60%	**96.71%**	84.70%	80.70%

12.8 Overall arrears as at 24th June 2021 were £184,807.55 which represents approximately 3% of the annual contracted rent. Rent collection has been a significant focus during the course of 20/21 with approximately 20 requests from tenants to vary payment terms, including moving from quarterly to monthly rental payments and some requests for rental concessions. All requests were considered on a fair and reasonable basis and in the context of limited recourse being available to Landlord's to pursue debts- Government restrictions limiting debt recovery are currently in place until March 2022.

12.9 In most situations CIFCO tenants have been keen to maintain a strong relationship with their landlord and payment plans have been agreed. In addition to informal agreements in relation to rental payment, CIFCO has been subject to some tenants entering into administration and 1 CVA (with Nero Holdings Limited). The CVA has resulted in an agreement for 30% of the rental arrears being paid with the balance written off and a turnover rent being paid for 3 years- the CVA is currently subject to a third-party legal challenge. Overall, approximately £300,000 of bad debt has been written off (approximately 6% of the current contracted rent) for the trading year 2020/21. Further details are set out below: -

Property	Tenant Administration	Current Position
Princes Gate Retail Park, Edinburgh Way, Harlow	Go Outdoors Ltd	Assignment to Go Outdoors Retail Limited
Princes Gate Retail Park, Edinburgh Way, Harlow	Lewis's Home Retail Ltd.	Let to Sports Bikes Limited
Unit 24 Kingway, City Trading Estate, Norwich	Economy German Kitchens Ltd	Let to Wurth Ltd
Units 2-3 Pasadena Trading Estate, Harlow	Majestic Shower Company Ltd	Vacant- Refurbishment Underway
DW FITNESS, Tritton Road, Lincoln	Dave Whelan Sports Ltd	Assignment to SDI Fitness Ltd.
36-39 Long Causeway, Peterborough	Nero Holdings Ltd	Nero remain in occupation subject to CVA

12.10 Whilst rent collection was challenging throughout the last financial year, the diversity of the portfolio in terms of tenant, location and sector mitigated the impact of COVID 19 on the fund and helped to maintain an important income stream for the Councils, with full debt repayments being made to the Councils. The Councils' total interest repayments in respect of loans taken out to fund CIFCO equated to £810,000 in 2020/21 which is equivalent to an average of approximately 16% of the current contracted rent payable to CIFCO (5.5% Babergh DC & 10.7% Mid Suffolk DC). Rental collection by CIFCO would need to fall significantly before it was insufficient to cover the Councils' related debt.

12.11 The capital investment for the first phase of funding from Babergh and Mid-Suffolk District Councils is scheduled to be repaid in full by December 2068 with the second phase being repaid by 2071. During 2020/21 CIFCO has been able to maintain full debt repayment to the Councils, however this may not be the case for the next 3 years as the fund continues to recover from the impacts of the pandemic. It is proposed that debt repayments are deferred for 13% of the portfolio during 21/22, 11% in 22/23, and 6% in 2023/24. All deferred repayments will be accrued in the Councils' accounts and additional interest will be payable to the Councils in relation to these delayed repayments. The table below sets out the debt repayment schedule for the next 3 years together with additional interest charges. In the event that income levels exceed expectations, CIFCO will endeavour to make full debt repayments.

Financial Year	Amount of Repayments to be Deferred	Full Repayment	Adjusted Repayment	Additional Late Payment Interest Payable by CIFCO on deferred amount
2021/22	£654,678	£4,867,981.25	£4,213,303.49	£35,349.19
2022/23	£538,570	£4,867,981.25	£4,329,410.93	£15,876.58
2023/24	£293,493	£4,869,970.99	£4,576,478.47	£2,982.78
			Total	**£54,208.55**

12.12 The costs of operating the portfolio are borne by CIFCO Capital Limited and these include finance costs, management, legal, audit and accountancy fees, director costs and staffing costs (paid to the Council) and any property expenses such as repairs that are not the responsibility of the tenants. The running costs for 2020/21 excluding finance costs, impairment and bad debts equated to approximately £838,000 including recharges of £70,000 paid to the Council for staff and premises overheads. Operating budgets for the next three years are set out within Appendix 4 of the business plan.

12.13 The Board has considered the merits of acquiring 111 assets, rejected 85 as unsuitable, submitted offers on 26 and acquired 7 assets. Details of which are set out in Appendix 2 along with the other properties within the portfolio.

13. CORPORATE APPOINTMENTS

13.1 In 2021/2022, the Board will work with the following corporate partners to support its investment activity:

- JLL – Fund Manager and Acquisitions Adviser
- Birketts LLP - Legal Adviser
- Zurich UK – Corporate Insurer
- Axa - Portfolio Insurer
- Aquilla Insurance Brokers Ltd - Insurance Broker
- Lloyds Bank PLC – Corporate Banking
- Ensors – Accountancy and Audit
- Grant Thornton – Tax and Strategic Finance Advice
- Workman LLP – Property Management

The portfolio valuation contract is due to be reviewed during 2021/22.

14. RISK MANAGEMENT

This report most closely links with the following Significant Risk:

Risk Description	Likelihood	Impact	Score	Mitigation Measures
10) If the Capital Investment Fund (CIFCO) does not generate forecast investment returns, we may be unable to meet the income projections for the Councils	2	3	6	The adoption of the proposed business plan will provide governance, accountability, and a framework for the management of the property fund. CIFCO activity continues to be closely monitored, together with market conditions and any changes or prospective changes in government legislation.

14.1 The Board of CIFCO Capital Ltd actively manages risk and considers the fund risk register formally at the Board meetings each quarter. There is a comprehensive risk management strategy in place which requires the Managing Director to attend a group risk panel each quarter to report on risk to the Holding Company Chairs and shareholder senior risk officers.

14.2 The Board continues to review the risk register regularly as a consequence of COVID 19 to ensure that risks were appropriately recorded and mitigated. This year the Board has undertaken a full review of the risk strategy and mechanism for quantifying risk to ensure that it robust and fit for purpose particularly in the light of the pandemic.

15. REVISED BUSINESS PLAN CONSULTATIONS

15.1 The Board of Directors considered the 2021/22 business plan at a virtual strategy day in March with its adviser JLL. The Business Plan has subsequently been developed with the Board of CIFCO and approved by both BDC and MSDC Holding Companies who recommend its approval by the Council for adoption by CIFCO.

15.2 The Councils' Joint Overview & Scrutiny Committee reviewed the business plan in June 2021 and were satisfied that:

- The current performance of CIFCO delivers good value to the Councils
- That the KPIs are appropriate measures of performance
- The business plan is robust and appropriate for the next 12 months
- There is sufficient confidence in the management of CIFCO

16. EQUALITY ANALYSIS

16.1 An Equality Impact Assessment was originally completed in September 2016. The outcome of the assessment was that the strategy itself will not impact residents, staff or any specific protected characteristics.

17. ENVIRONMENTAL IMPLICATIONS

Sustainability

17.1 During 20/21 CIFCO adopted a sustainability policy attached at Appendix 7. Taking action on climate change and the greenhouse gas emissions which cause it, is a critical part of building a more sustainable future – and every business must play their part. Buildings account for 40% of emissions, creating an urgent need for the real estate sector to develop and implement plans to transition to net zero carbon.

17.2 Methods of measuring the sustainability of investment property portfolios are still developing, however whilst this is the case, we will seek to measure the sustainability of our portfolio with the data currently available, namely EPC data. All of the properties held within the portfolio have EPC ratings, 71.5% are rated D and above with the 27.3% rated E and 1.3% rated F. The table below sets out the current portfolio rating, together with target ratings to achieve by the end of this financial year. The target equates to a 10% reduction in portfolio rating, which would move the portfolio from a D rating to a C rating.

Total Portfolio Rating	**6628**
Average Portfolio Score	**83**
Average Portfolio Rating	**D**
Target Portfolio Rating April 2022	**5965**
Target Average Portfolio Score April 2022	**75**
Target Average Portfolio Rating April 2022	**C**

17.3 Whilst our tenants are largely responsible for maintaining and repairing their own demises, CIFCO is keen to support tenants to improve their EPC ratings and to improve the ratings of buildings within our control, such as vacant properties and the common parts of multi-let buildings.

17.4 The following action plan, details current planned or potential sustainability improvements and how they are to be measured. As initiatives are implemented JLL and Workman will record and measure the benefit for future reporting purposes.

CIFCO Sustainability Action Plan 2021/22

Property	Initiative	Measurement
Renaissance House, Epsom	LED lighting 1st/3rd floor	EPC rating improvement/energy consumption
Renaissance House, Epsom	LED lighting to common parts	EPC rating improvement/energy consumption
Renaissance House, Epsom	Smart Meters	Energy consumption
Units 2&3 Passadena Way, Harlow	Refurbishment works/materials/lighting/smart meters/insulation	Identify specific green construction ratings. EPC rating improvement
Units 2&3 Pasadena Way, Harlow	PV panels feasibility study to new roof	Energy savings
Unit 24 Norwich	Refurbishment works/materials/lighting/smart meters/insulation	Identify specific green construction improvements
Olympus Park	Cycle Cage feasibility	Social and environ benefits
Unit 2 Princes Close, Harlow	Engage with prospective tenant on refurbishment works – identify green initiatives	
Renaissance, Epsom	Electric charging points in car park - feasibility	Support use of green energy through take up
Green Leases	Workshop with Birketts to review green covenants in leases and consents for alterations	Identify lease improvements
Coventry	Establish use of existing solar panels	Measure take up and energy consumption

18. APPENDICES

Title	Location
(a) Quarter 2 Performance Update	Attached
(b) Company ownership structure	Attached
(c) DRAFT CIFCO CAPITAL LTD Business Plan 2021/22 (CONFIDENTIAL)	Redacted Attached Unredacted Attached in Part 2

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Appendix A: CIFCO Quarter 2 Update

1. **CIFCO Portfolio Summary as at 12th July 2021**

	Q2 2021
Total Asset Value	**£83,918,000**
Contracted Rent p.a.	**£5,051,940**
ERV	**£5,538,963**
Number of Assets	**21**
Number of Tenants	**90**
WAULT	To break 6 years 9 months To expiry: 7 years 2 months
Initial Yield	**5.60%**
Equivalent Yield	**6.35%**
Reversionary Yield	**6.17%**
Void Rate (ERV)	**5.40%**
Running Yield*	**5.25%**

ERV = Estimated Rental Value. WAULT = Weighted Average Unexpired Lease Term

Notes:

1. Asset values assume Knight Frank valuation at 31.03.2021.
2. Stated void rate includes Unit 2, Princes Gate, Harlow where an agreement for lease has been executed. On completion the void rate will fall to 4.0%. Lease subsequently completed 17th August
3. * represents yield on gross purchase price.

2. **Rent Collection Statistics**

June Qtr. 2021	
	CIFCO
Day 0	57.51%
Day 7	78.55%
Day 21	81.80%
Day 35	90.46%
Day 90	**94.17%**

The total current arrears as at 7th September 2021 equals £169,416 which is equivalent to 3.35% of the contracted rent.

3. Debt Repayment

CIFCO made the full debt repayment to the Councils in June.

CIFCO (Babergh)						
	£ 000					
	2017-18	2018-19	2019-20	2020-21	2021-22 Q1	Cumulative
Revenue Impact						
Interest Received	(86)	(782)	(1,245)	(1,551)	(552)	(4,215)
Interest Paid	11	119	316	277	95	818
Net Interest	**(75)**	**(663)**	**(929)**	**(1,274)**	**(457)**	**(3,397)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(9)	(110)
Total Revenue	**(84)**	**(688)**	**(961)**	**(1,309)**	**(465)**	**(3,507)**
	£ m					
	2017-18	2018-19	2019-20	2020-21	2021-22 Q1	Cumulative
Capital Movement						
Capital Borrowed	12.38	13.71	4.05	19.44	-	49.58
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.05)	(0.40)
Equity	1.23	1.37	0.41	1.94	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.05)**	**49.18**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.05**	**0.40**

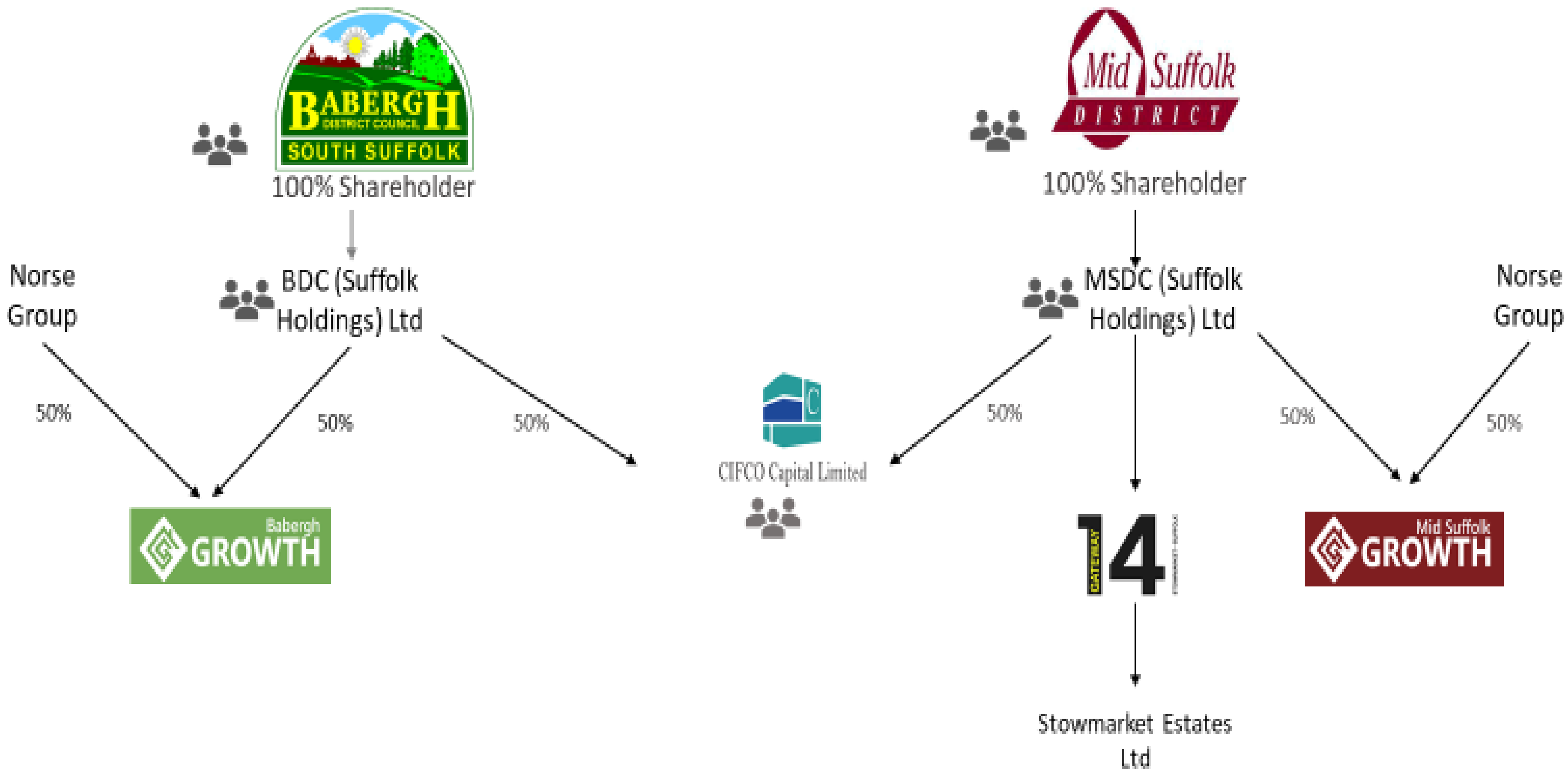
CIFCO (Mid Suffolk)						
	£ 000					
	2017-18	2018-19	2019-20	2020-21	2021-22 Q1	Cumulative
Revenue Impact						
Interest Received	(86)	(782)	(1,245)	(1,551)	(552)	(4,215)
Interest Paid	11	235	541	533	141	1,461
Net Interest	**(75)**	**(547)**	**(704)**	**(1,018)**	**(410)**	**(2,754)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(9)	(101)
Total Revenue	**(84)**	**(572)**	**(736)**	**(1,053)**	**(419)**	**(2,864)**
	£ m					
	2017-18	2018-19	2019-20	2020-21	2021-22 Q1	Cumulative
Capital Movement						
Capital Borrowed	12.38	13.71	4.05	19.44	-	49.58
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.05)	(0.40)
Equity	1.23	1.37	0.41	1.94	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.05)**	**49.18**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.05**	**0.40**

4. Capital Works Update

Property	Town	Tenant	Description	Capital Investment	Status September 2021
Epsom	Renaissance House Common Parts	Common Areas	Common Parts Reception & WC refurbishment	£ 120,000	In progress
Harlow	2& 3 Pasadena Way	Vacant	Full refurbishment including roof replacement for reletting.	£ 425,000	Works commenced
Harlow	Unit 2 Princes Gate	Sports Bike Shop Ltd	Refurbishment to enable reletting	£ 120,000	Works & Letting completed
Norwich	24 Kingsway	Wurth	Full refurbishment enabling new lease to Wurth	£ 100,000	Works & Letting Completed
Coventry	2a & 2b Pilot Business Park	Nisbetts	Removal of mezzanine and refurbishment	£ 45,000	Works & Letting Completed
			2021/22	**£ 810,000**	

Appendix A

Trading Companies' Structure



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CIFCO CAPITAL LTD
BUSINESS AND INVESTMENT PLAN 2021-22

June 2021

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Chairman's Statement

CIFCO Capital Ltd. has reached a somewhat seminal moment in its growth, in that it has completed the acquisition stage of its portfolio. A further seven properties have been acquired this year and the portfolio now comprises 21 assets, with 90 tenants and a total rent roll of just over £5m. The portfolio is well-spread geographically, with 41% of assets in the eastern region. In terms of sector spread, there is an emphasis on the industrial sector, which has seen strong growth, and the best performing asset measured by growth in value was an industrial estate in Ipswich. 45% of assets are in the industrial sector, 31% offices, 11% alternatives, 8% high street retail and 5% retail warehouse. The final portfolio has a strong emphasis on secure, well-let, prime assets and these account for 69% of the portfolio. The remaining 31% also comprise secure, well-let assets but with more opportunity for income and value enhancement.

The year has been an extremely challenging one for all of us, and the pandemic has been difficult for some of our occupiers. We have lost one or two tenants and have worked hard with others, as a responsible landlord, to ensure their continuing ability to trade successfully. Overall, the portfolio has held up very well, due to the hard work of the board and professional team, and the quality of the assets and diverse portfolio. Rent collection on a quarterly basis has been well above industry norms and broadly in line with our KPI. I expect rent collection to return to normal levels by the end of this financial year. In spite of the very challenging year, the company has continued to make full debt repayment to our shareholders.

The key activities for the year ahead will be to continue to maximise revenue and return to our shareholders, and to seek out opportunities for value enhancement wherever possible.

The board is also keen to maximise the sustainability of its portfolio. With the majority of assets held on Full Repairing and Insuring leases, the main opportunity will be to work with occupiers to put in place measures to reduce the carbon footprint. Where refurbishment is required at lease end, this will be carried out with a focus on sustainability. The board is adopting a new KPI this year providing a means to measure our impact on reducing the carbon footprint of the portfolio. This will help us to explore what can be achieved in subsequent years.

Board meetings have been held virtually during the lockdown and a virtual strategy day was held with our investment advisers to set the strategy for the continuing growth of the portfolio and to ensure the efficient management and value maximisation of the existing assets. Whilst virtual meetings have proved to be an efficient and sustainable forum for decision-making, I hope that we will shortly be able to hold at least some meetings on a face-to-face basis.

At the end of the year, we were sorry to learn that Michael Holt had decided to step down from the board. His contribution, in what has been a challenging year, has been extremely valuable to the working of the board and we shall miss his input. However, we are very pleased to welcome Elisabeth Malvisi in his place. As in previous years, thanks must go to Clêr Hobbs, who works tirelessly in the background to ensure the smooth running of the board and the company.

Sir Christopher Haworth Bt
Chairman

1. Corporate Governance

1.1. CIFCO Capital continues to have robust corporate governance, reporting quarterly to the BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd Boards, who in turn report to the Councils annually. The Councils' internal audit team are scheduled to undertake further review work during 2021/22.

1.2. CIFCO Capital has complied fully with all Companies House registration and filing requirements.

1.3. The Non-Executive Directors have signed service agreements laying out individual obligations. These agreements are aligned to the Company's adopted Articles. All directors complete conflict of interest and related parties declarations on an annual basis and comply with the code of conduct.

1.4. A self – evaluation and an evaluation of the Chair is undertaken by the Board annually to identify areas of improvement and training requirements.

1.5. During 20/21 CIFCO has updated its website to include more information about the fund to increase transparency.

2. Corporate Advisers

2.1. During 2020/21, the Board worked with its corporate partners to support its investment activity:

- JLL – Fund Manager and Investment Adviser
- Birketts LLP - Legal Adviser
- Zurich UK – Corporate Insurer
- AXA- Portfolio Insurer
- Aquilla Insurance Brokers Ltd - Insurance Broker
- Lloyds Bank PLC – Corporate Banking
- Ensors – Accountancy and Audit
- Grant Thornton – Tax and Strategic Finance Advice
- Workman LLP – Property Management
- Knight Frank – Independent Portfolio Valuers

The performance of these advisors is monitored on an on-going basis by the Board with annual reviews being undertaken at the annual Strategy meeting. Contracts with JLL and Birketts were reviewed and renewed during the year.

3. UK Economy and Property Market

3.1. UK Economic Overview

- While COVID-19 uncertainty persists, and restrictions will remain in place through much of the first half of the year, forecasts suggest that the UK economy should see a strong rebound in economic growth by the end of 2021, further strengthening during 2022.
- Service sector employment is expected to see solid growth, driven by professional services and the technology sector which should help support office market performance in the longer term.
- In 2021, total office employment is expected to decrease by -2.2% in Greater London but expected to increase by 7.8% in 2022. Similarly, the professional and technological sector is forecast to see a decline of -2.1% in 2021 but growth of 3.9% in 2022.
- Looking at short term trend, Accenture reported UK business optimism rising to its highest since 2015, fuelled by the Covid-19 vaccination rollout and the forthcoming reopening of domestic hospitality after lockdown restrictions. These forecasts suggest that UK businesses intend to boost spending plans in anticipation of an economic rebound during the latter half of 2021. The net balance for capital expenditure moved into positive territory, rising from -10% to +9% in February.
- UK Consumer confidence rose to the highest level since before the first lockdown in March 2020, fuelling hopes of a spending rebound. The index reported an increase from -23 in February to -16 in March. Anticipation of reduced restrictions continued strong government spending and the recent vaccine boost have fuelled the largest monthly jump in consumer confidence in almost a decade.

3.2. UK Property Market Overview

- All Property monthly total returns increased to 0.6% from 0.5% in January. This was largely on the back of an increase in industrial returns from 1.1% in January to 1.4% in February. Cumulative total returns in the 12 months to February were -0.5%, up from -0.8% in January. This was the highest 12-monthly total returns seen since March 2020 (0.1%).
- Monthly All Property capital values slightly increased to 0.1% in February, up from 0.0% in January. Across the different sectors, performance was varied. While retail was the most affected, and capital value growth is still negative at -0.5%, it has seen the highest total returns (0.2%) in February since May 2018 (0.3%).
- Both office and residential sectors experienced a slight decrease, -0.4% monthly capital value growth in February, down from -0.3% in January. The industrial sector saw improved performance from the previous month, from 0.7% in January to 1.1% in February. Similarly, hotel monthly capital growth jumped from 0.0% in January to 0.2% in February.

- Annual All Property capital value growth saw a slight increase from -6.1% in the 12 months to January to -5.8% in the 12 months to February.
- While income returns remain stable, All Property rental value increased from -0.1% in January to 0.0% in February. The industrial sector's rental value growth increased from 0.1% in January to 0.3% in February. The office sector remained constant at 0.0% in both January and February.

3.3. UK Investment Market Overview

- Investment volume remained muted over the first quarter of 2021 with total investment of around £5.7bn.
- Demand for Industrial and alternative assets were strong, accounting for nearly 70% of the total investment volume.
- Looking ahead, with a falling number of Covid-19 cases amid the ongoing vaccination rollout, the UK economy is expected to have a strong rebound in the second half of the year. City centres have suffered throughout the periods of lockdown but are expected to remain central to the UK's growth prospects going forward. From JLL's investor survey, 44% of respondents believe that there will be more than previous investment and development into major city centres, while only 29% believe that investment and development will be less than previously.
- JLL's latest European Prime Office forecasts indicate UK markets will offer strong capital value growth over the next three years. The UK regional cities are expected to perform particularly strongly. Forecasts suggest that the three-year average annual capital value growth for Glasgow is 3.5%, followed by Manchester (3.0%), Cardiff (2.6%), Leeds (2.5%), and Edinburgh (2.3%).
- It is also a positive story in terms of rental growth, with JLL's latest forecasts indicating that prime rents across the UK will rise by 2.1% on average in 2021-2023. Over the next three years, Glasgow and Manchester are again expected to deliver the strongest growth in the UK, with average annual growth forecast at 3.5% and 3.0% respectively.

3.4. UK Occupier Market Overview

Retail

- The impact of the structural change sweeping through the retail sector continues with John Lewis announcing that a further eight branches will not reopen when lockdown restrictions end. The closures at Ashford, Basingstoke, Chester, Tunbridge Wells, Aberdeen, Peterborough, Sheffield and York are in addition to the eight shops that did not reopen when restrictions were lifted last year.
- Despite the closures, which take John Lewis' UK-wide store estate to 34, the retailer said department stores 'remain critical to our future success'. Alongside a growing online business and the expansion of next-day click and collect, the partnership will invest in in-store services and experiences, as well as new, smaller

neighbourhood formats, plus the introduction of John Lewis ranges in more Waitrose shops.

- By contrast, two of the retailers that have benefitted from the COVID pandemic reported positive results this week. B&Q and Screwfix owner, Kingfisher, has reported adjusted pre-tax profits of £756m in the year to 31 March (up 634% YoY), while full-year like for like sales rose by 7.1%, with a 15.5% increase in Q4 and a 24.2% rise in the present quarter.
- Sales at Ocado Retail, meanwhile, rose 39.7% to £599m in its first quarter, with the most recent lockdown boosting at-home food consumption.

Office

- With the pandemic impacting on everyday life for much of 2020, and office-based workers largely working from home, it was no surprise that occupiers delayed decisions. Big 6 (Leeds, Birmingham, Edinburgh, Manchester, Glasgow, Bristol) leasing activity was muted to say the least, with activity for the full year reaching just under 3.1 million sq ft, which was virtually on a par with the lowest year on record, back in 2011.
- Encouragingly, quarter-on-quarter activity increased in the second half of 2020, from the low of just 258,000 sq ft back in Q2. This was not enough to prevent H2 2020 recording the lowest 6-monthly volumes since H1 2011, at just under 1.5 million sq ft. This was over 40% down on the same period on 2019 and more than a third down on the 10-year H2 average.
- The level of supply on the market continued to rise, due to a combination of the subdued leasing market and increasing volumes of both new and second-hand space being marketed. The vacancy rate moved up to 5.1% at year-end, which remained marginally below the 5-year average of 5.3% and still some way under the 10-year average of 7.4%.
- Despite the pandemic, prime rental growth was evident across most Big 6 markets and prime rents across the board are at peak levels. Occupiers are willing to pay record rents in order to secure the best space.
- Looking forwards, while the pandemic will act as a brake on leasing activity in the first half of the year, as recovery starts occupiers are expected to secure the best quality spaces. This will drive prime rental values higher, albeit to varying degrees depending on the supply/demand balance of highly specified space within each city.

Industrial/Warehouse

- Around 3.5 million sq ft of industrial and logistics floorspace was taken-up in the Western Corridor in 2020, 2.2 million sq ft in West London and 1.3 million sq ft in the Thames Valley. Take-up in 2020 was 29% down on 2019 and 31% lower than the 5-year average, partially due to a lack of supply.
- At the end of 2020 supply in West London was 26% lower than 12 months earlier and in the Thames Valley it was 20% down.

- Despite continuing lockdown conditions at the start of 2021, the industrial and logistics market in the Western Corridor is proving to be remarkably resilient as highlighted by the continuing upward pressure on rents.
- Data from MSCI suggests 'Standard Industrial – London' saw an annual rental growth of 3.1% to December 2020 compared with -3.2% for the 'All Property' sector.
- Sentiment among investors/developers remains very positive with many markets characterised by a lack of buildings to satisfy the continuing demand from occupiers.

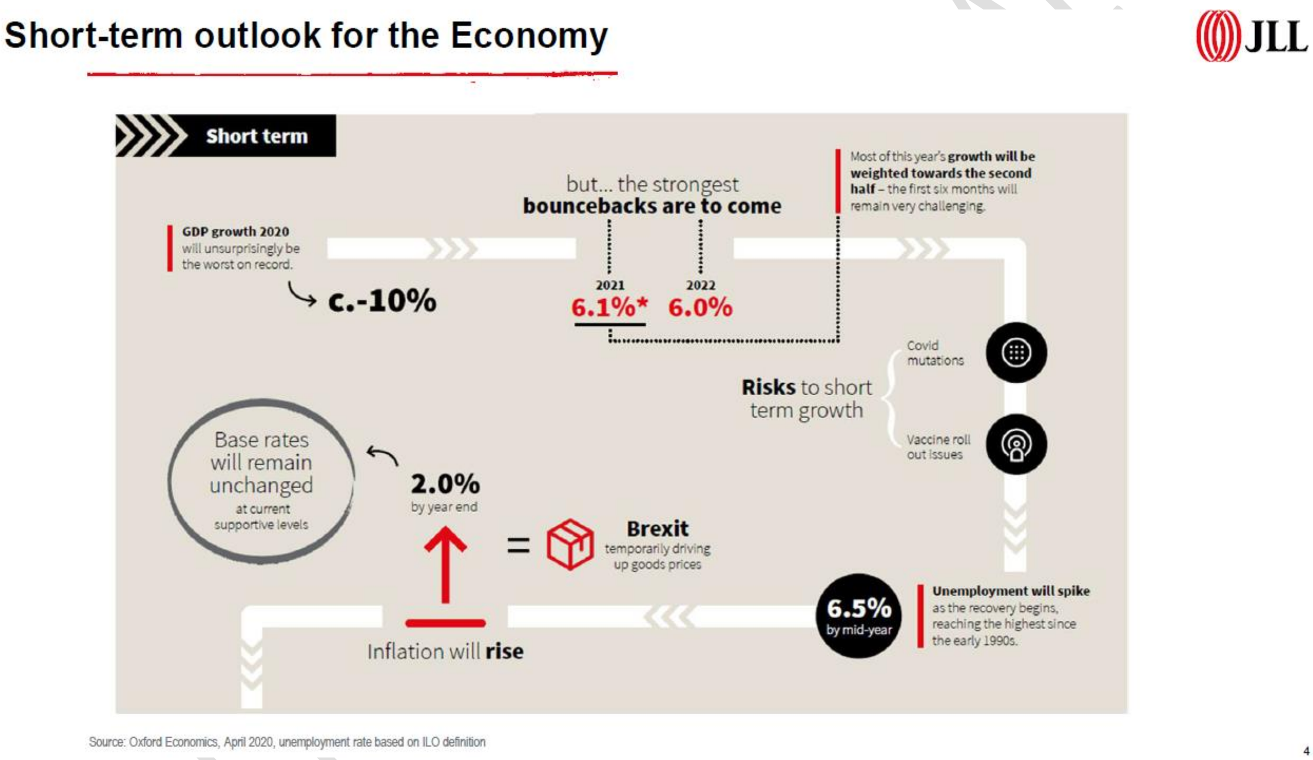


Figure 1

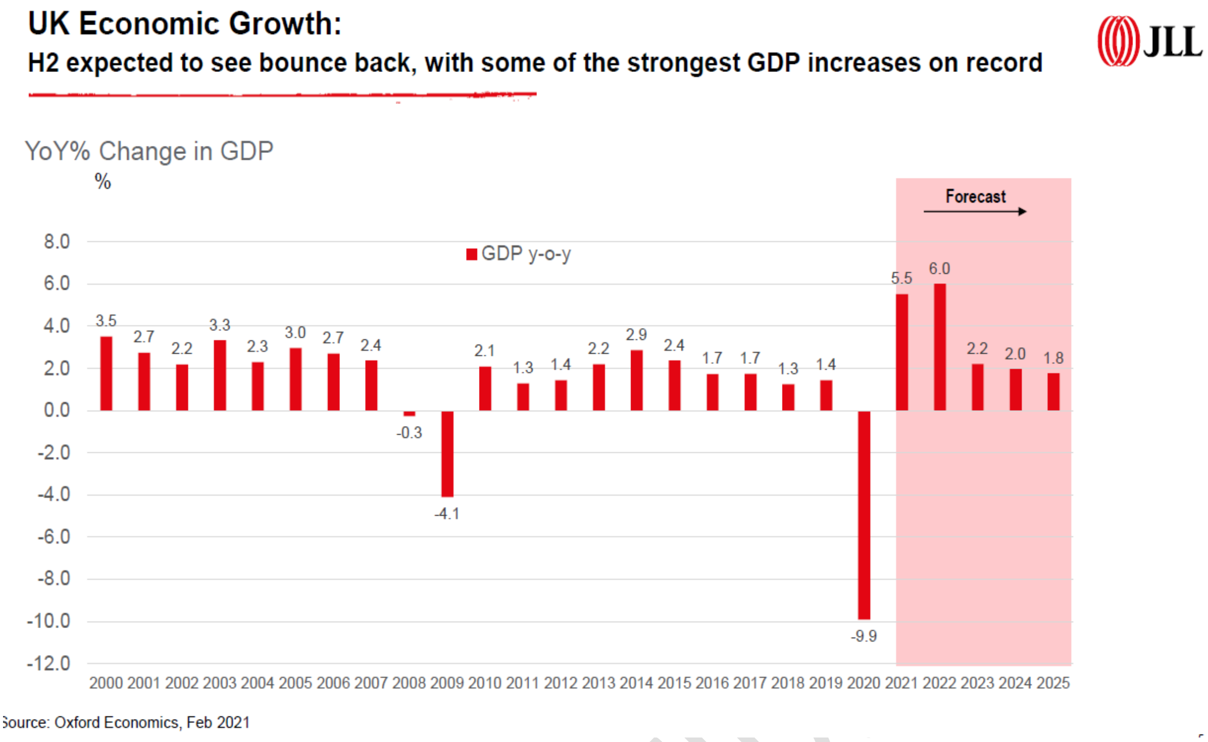


Figure 2

4. Portfolio Summary April 2021

- The Board has successfully acquired a further 7 properties within the last 12 months, bringing the portfolio to a total of 21 properties, with a commitment to acquire a further property in Autumn 2021. The portfolio core statistics are set out below with more detailed information on these within Appendix 2.

	Q1 2021
Total Asset Value	£83,918,000
Contracted Rent p.a.	£5,004,824
ERV	£5,556,641
Number of Assets	21
Number of Tenants	90
WAULT	To break 7 years 0 months To expiry: 8 years 6 months
Initial Yield	5.60%
Equivalent Yield	6.16%
Reversionary Yield	6.24%
Void Rate	5.72%
Running Yield*	5.20%

ERV = Estimated Rental Value. WAULT = Weighted Average Unexpired Lease Term

Table 1

The net income figures are calculated on a projected 5-year cashflow which is based on ERV assumptions of the existing portfolio and known reversions but does not allow for forecast rental growth

5-year cashflow

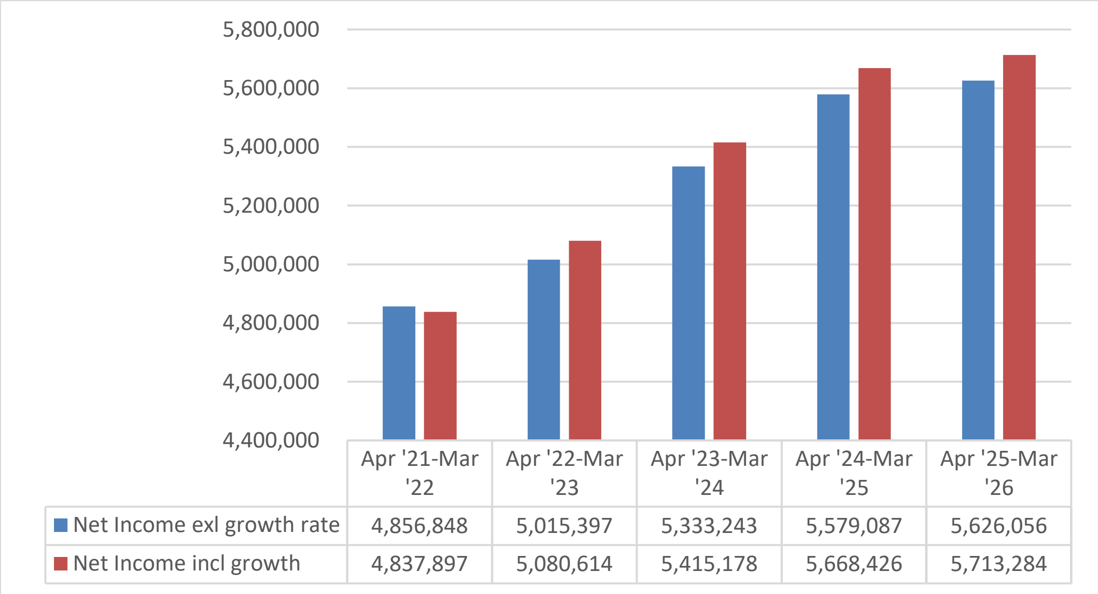


Figure 3

5. Key Performance Indicators (KPI) 2020/21

KPI	Description	Target	Actual
1	Net Initial Yield (NIY) Performance against target	5.75%	5.60%
2	Equivalent Yield (EY)	6%	6.15%
3	Progress against 24 Month full investment target to be achieved by April 2021	£100M	£99.2M
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%	Q June- 5.22% Q Sept- 6.86% Q Dec- 3.42% Q March- 3.29%

Table 2

6. 2020/21 Investment Strategy Performance Review

6.1. The 2020/21 Business Plan outlined the fundamental characteristics and criteria the fund was required to use when acquiring assets as set out below: -

- **Total Target Investment Fund £100m**
- **From April 2019 –** period of 36 months to full investment by October 2021
- **Regional bias towards the Eastern Region**
- **Investment property only** - No speculative development
- **Target blended yield** of circa 5.75% plus. This is to meet cost (and opportunity cost) of funds and provide income from surplus. Targeting an investment yield spread of NIY 5.25% to 6.5%.
- **Sector** - Balanced sector split, weighted towards industrial and office sectors (see target chart below)
- **Location** - No more than 15% invested in any one town.
- **Lot size** in range £3m - £15m. No one asset should be over 20% portfolio value
- **Tenant diversification** - A single tenant to account for no more than 10% of total income
- **Development**- No more than 10% of the portfolio to be invested in direct development at any one time.

6.2. **Target Blended Yield**

6.2.1. It is recognised that the timing, type and mix of investment acquired is dependent upon both market conditions and opportunity. With its professional advisers, the Board has continued to revise the investment strategy to take account of material changes in occupational markets and emerging investment markets. The current Net Initial Yield of the portfolio is 5.6% against a target Net Initial Yield of 5.75%. This aligns with the market focusing more on secure property investments, resulting in an increase in property prices (and therefore a lower yield) for prime assets particularly in the industrial sectors.

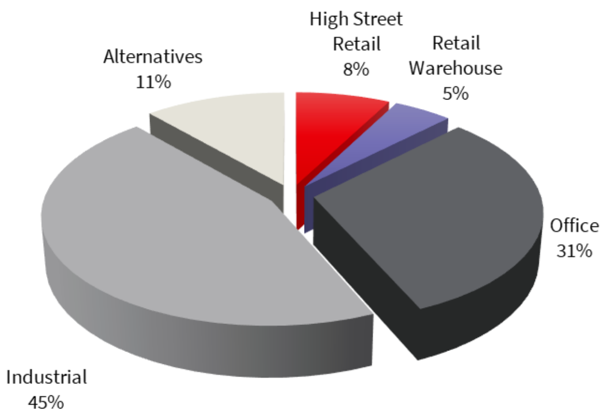
6.2.2. The downward trend in yields in some prime sectors of the market and the fact that it was not possible to acquire opportunistic assets at yields attractive enough to justify the increased risk has resulted in a portfolio with a lower risk profile than originally envisaged but with a marginally lower target return. The portfolio therefore comprises core and core plus assets only. This lower risk profile has been beneficial in the face of the COVID 19 market challenges resulting in rent collection rates throughout the past year exceeding the market norm and a lower-than-average tenant failure rate.

Categories		Target Weighting	Actual Weighting	Asset Profile
Core		**65-70%**	69%	Let on long leases to good covenants. Modern buildings well located. Liquid assets.
Core Plus/ Value Add		**25-30%**	31%	Mix of long and short leases likely to be multi let buildings with varying tenant profiles. Good asset management opportunities to improve value. Liquid in stable markets.
Opportunistic		**0-5%**	0%	Re-generation/development-based investments that can generate good future returns. Generally illiquid in early years until potential released with a drag on cash during development phase

Table 3

6.3. **Sector**

6.3.1. The original target when CIFCO was established was to hold no more than 25% of the fund in any sector, however with the weakening retail sector over the years since CIFCO was established and which has been exacerbated by the pandemic, the board has continued to successfully diversify the portfolio away from high street retail investments and has increased its exposure to the industrial sector which continues to perform well. The leisure sector has been particularly impacted by the pandemic with few suitable leisure investments being marketed during 20/21.



Actual Sector Split 2021

Figure 4

Target Core Weightings

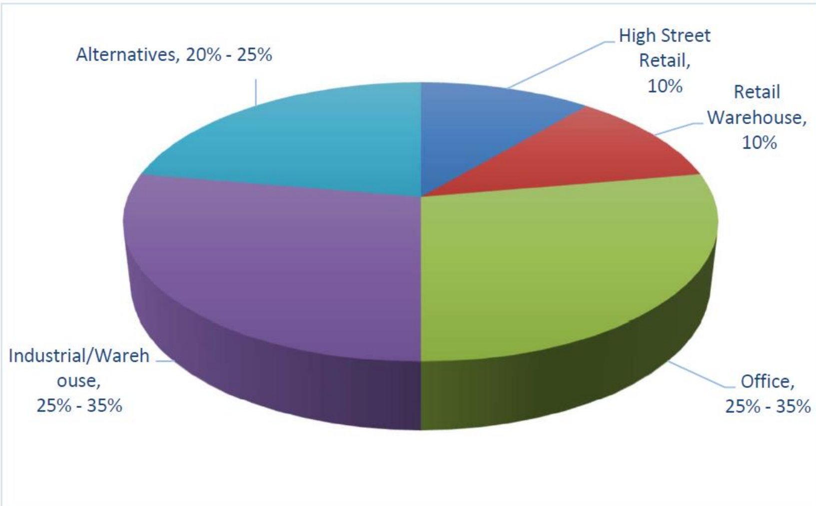


Figure 5

6.4. **Location**

6.4.1. The portfolio has 21 assets, 41% of these are in the Eastern region, 49% in the South East and 10% in the Midland. Whilst CIFCO had hoped to secure more assets within the Eastern region, it was not possible to acquire enough assets meeting the investment criteria within the Eastern Region. The fund does however have a greater weighting towards the eastern region than is typical.

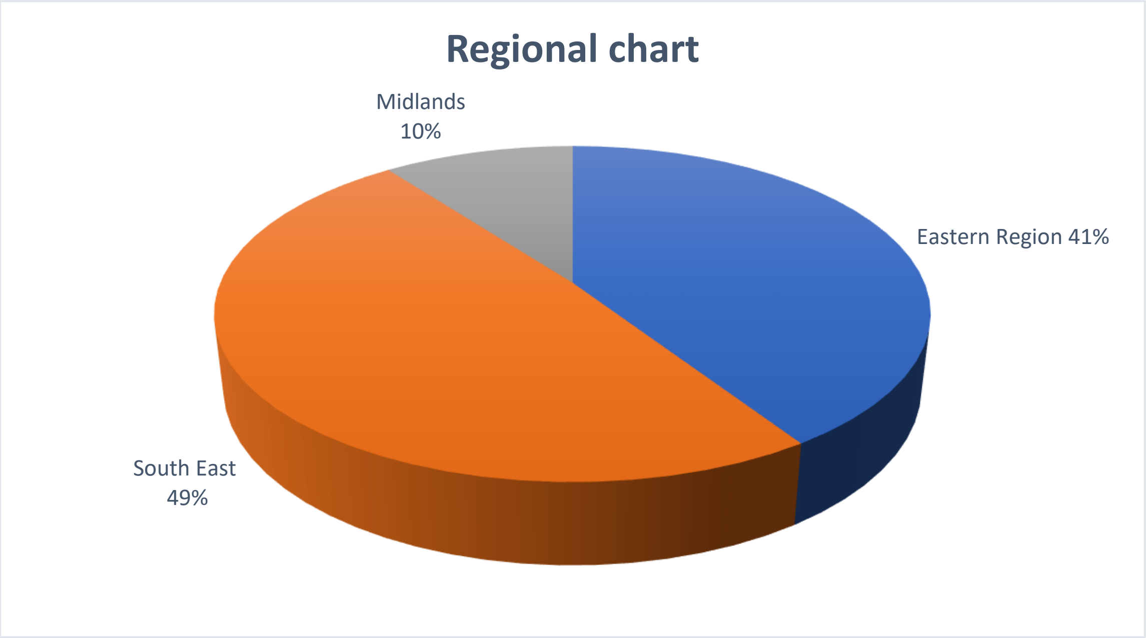


Figure 6

6.5. **Lot size**

6.5.1. The 21 assets held by the portfolio have ranged in lot size from £1.53m to £8.3m. The largest single investment represents 10% of the portfolio value.

6.6. Tenant diversification

6.6.1. A single tenant to account for no more than 10% of total income. The portfolio has 90 tenants, none of which exceed 10% of the total income of the portfolio. The portfolio has a good mix of small, medium and large tenants across different sectors and locations.

6.6.2. It should be noted that 46% of the Weak category is made up of Go-Outdoors which acquired the previous business in a pre- pack out of Administration. Given the business has been acquired as a going concern and effectively re-capitalised we would expect the covenant to improve quickly notwithstanding difficult trading conditions.

6.6.3. The covenant allocation, whilst based on trading figures, is representative of JLL's view of how the covenant of each tenant will be regarded in the investment market in a normalised market. Whilst lockdown restrictions are easing and businesses are starting to trade, the true impact of the current Covid-19 pandemic may alter this view over the coming months. JLL will provide further advice and updates in due course. Approximately 74% of the fund's income is currently attributable to strong covenants.

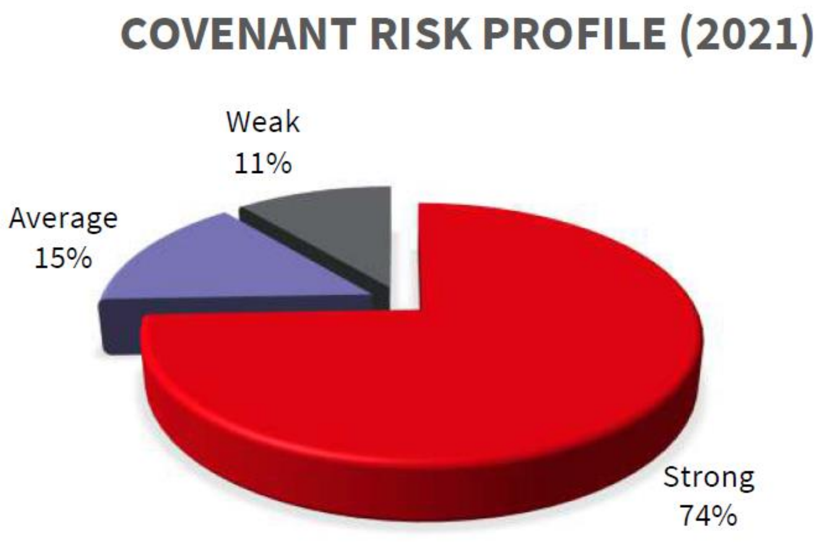


Figure 7

Tenant	Turnover	Net Assets	Profit Trend	Rent (pa)	% of Fund Income	RAG	Covenant Assessment
[redacted]	X	X	X	[redacted]	8.8%		Strong
[redacted]	£13,703,242	£17,035,874	↗	[redacted]	8.2%		Strong
[redacted]	£417,000,000	£758,200,000	↗	[redacted]	7.7%		Strong
[redacted]	£10,181,900,000	0214436	↘	[redacted]	7.2%		Strong
[redacted]	£36,116,161	£5,146,786	↘	[redacted]	6.5%		Strong
[redacted]	£18,259,059	£7,030,265	↗	[redacted]	6.5%		Strong
[redacted]	£240,222,000	£14,414,000	↘	[redacted]	5.0%		Weak
[redacted]	X	£165,439	X	[redacted]	4.6%		Strong
[redacted]	£912,668,000	£61,946,000	↘	[redacted]	3.6%		Strong
[redacted]	£457,234,000	£23,635,000	↘	[redacted]	3.1%		Strong

Table 4

7. Development

7.1. No development properties have been acquired to date, however, the board has committed to acquiring a new build convenience store which is currently under construction and is due for completion in Autumn 2021.

7.2. The Board has reviewed the portfolio of 21 assets and considers that it represents a balanced portfolio in terms of sector, location and risk profile delivering a secure income stream.

7.3. The Board has approved the refurbishment of two properties within the portfolio to enhance capital value and income. Further information is set out in the finance section below.

8. Risk Management

8.1. The Board has a robust approach to risk assessment and management, at a corporate and portfolio level. The Board has a corporate risk register which it reviews at least quarterly. This year the Board has undertaken a full review of the risk strategy and mechanism for quantifying risk to ensure that it is robust and fit for purpose particularly in the light of the pandemic.

8.2. The Managing Director also attends a group risk panel each quarter to report risk to Holding Company Chairs and shareholder senior risk officers. At the portfolio level, every acquisition is assessed to limit risks within the portfolio. The following risk mitigation strategies are adopted:

- Quality location, with limited supply and underlying occupier demand. Tight planning regime. Re-lettable if tenant failure, limited volatility in value and rent generation.
- Modern fabric, or classic building with occupational flexibility. Minimising depreciation, sustainability, retaining occupational demand.
- Full Repairing and Insuring (FRI) leases to quality tenants. Rent secured on tenants with strong financial profiles, who undertake to meet all property costs. Liquidity.

- Upward only rent reviews or indexed growth. During the lease lifetime, income returns can only increase. RPI linked increases protect against inflation.
- Asset value volatility- invest for long term with focus on income. Limit exposure to development. Professional support to investment timing/decisions and business planning. Ability to re-cycle capital.
- With the advent of COVID 19 the Board has rigorously assessed risk and updated our Risk register accordingly. The Board has applied additional due diligence particularly in relation to tenants' business strength and security of income, when considering further assets for acquisition. This approach has enabled the Board to complete the investment of the fund with appropriate risk mitigation in place.

9. On-going Portfolio Management Risk Mitigation

9.1 In addition to managing acquisition risk, the board continues to assess and manage risks in relation to the on-going management of portfolio, seeking to mitigate voids and maximise income generation. The board reviews changes in tenant covenant strength, voids and WAULT on a quarterly basis whilst income and tenant relationships are managed on an on-going basis to ensure a proactive approach to management. To control and limit risks within the portfolio, the following mitigation strategies are to be adopted:

Income security

- spread risk through covenant diversification and lease length. A single tenant to account for no more than 10% of total income.

Value/Income volatility

- invest in the portfolio for the long term to enhance and ensure it retains modern buildings fit for purpose, with a focus on income.

10. Key Strategic Objectives 2021/22

- Retain all assets at the current time with no sales anticipated
- Complete purchase of convenience store asset and no further acquisitions to be made now fund fully invested
- Maximise revenue through pro-active tenant engagement and lease events
- Post- Covid Restriction re-ignite inspection regime and direct tenant engagement – assess tenant business direction plus repair and maintenance of property
- Enhance ESG & Sustainability credentials – deliver current action plan and demonstrate achievements
- Maintain tight budgetary and credit control
- Manage lease expiries
- Strategic deployment of Capital Expenditure
- Monitor markets for opportunities to enhance value and income
- Implement individual asset initiatives creating measurable added value

11. Key Performance Indicators (KPIs) 2021/22

11.1. The board propose to change the key performance indicators to reflect the end of the acquisition phase and to reflect the emphasis on portfolio management, focusing on income growth, return on investment, sustainability and rent collection.

KPI	Description	Target
1	Increase contracted rent from £5m per annum by 1st April 2022	CPI + 1%
2	Equivalent Yield (EY)	6%
3	Reduce Portfolio EPC Score from 6628 (Average D Rating)	-10%
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%

The Board anticipates that KPI 4 may be challenging in the short term due to the continuing impact of the pandemic but aspire to returning to meet this target longer term.

Table 5

12. Financial Strategy

12.1. CIFCO Capital Limited was created in 2017 to provide Babergh and Mid Suffolk District Councils with additional income to respond to the reduction in funding from Central Government, thereby mitigating the need for cuts to services and enabling balanced budgets.

12.2. Since 2017 Babergh District Council has benefited from net income (after borrowing costs) of circa £3m, whilst Mid Suffolk District Council has benefitted from circa £2.45m. Annual income is set out in the table below: -

CIFCO (Babergh)					
	£ 000				
	2017-18	2018-19	2019-20	2020-21	Cumulative
Revenue Impact					
Interest Received	(86)	(782)	(1,245)	(1,551)	(3,664)
Interest Paid	11	119	316	277	723
Net Interest	**(75)**	**(663)**	**(929)**	**(1,274)**	**(2,941)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(101)
Total Revenue	**(84)**	**(688)**	**(961)**	**(1,309)**	**(3,042)**
	£ m				
	2017-18	2018-19	2019-20	2020-21	Cumulative
Capital Movement					
Capital Borrowed	12.38	13.71	4.05	19.44	49.58
Loans Repaid	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.35)
Equity	1.23	1.37	0.41	1.94	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**49.23**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.35**

CIFCO (Mid Suffolk)					
	£ 000				
	2017-18	2018-19	2019-20	2020-21	Cumulative
Revenue Impact					
Interest Received	(86)	(782)	(1,245)	(1,551)	(3,664)
Interest Paid	11	235	541	533	1,320
Net Interest	**(75)**	**(547)**	**(704)**	**(1,018)**	**(2,344)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(101)
Total Revenue	**(84)**	**(572)**	**(736)**	**(1,053)**	**(2,445)**
	£ m				
	2017-18	2018-19	2019-20	2020-21	Cumulative
Capital Movement					
Capital Borrowed	12.38	13.71	4.05	19.44	49.58
Loans Repaid	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.35)
Equity	1.23	1.37	0.41	1.94	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**49.23**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.35**

Table 6

12.3.The Councils' investment in CIFCO was completed by 31st March 2021, with a total of £99.2m being drawn down by CIFCO over the full investment period. This included a sum of approximately £4.5m for transactions that were due to complete after the 31st of March (Cavendish Street, Ipswich & Convenience Store in East Anglia) and approximately £1.6m for future capital investments in the portfolio. Approximately £810,000 of this is due to be invested during this financial year as set out below: -

Property	Town	Tenant	Description	Capital Investment
Epsom	Renaissance House Common Parts	N/A	Common Parts Reception & WC refurbishment	£ 120,000
Harlow	2& 3 Pasadena Way	Vacant	Full refurbishment including roof replacement for reletting.	£ 425,000
Harlow	Unit 2 Princes Gate	Under Offer Sports Bike Shop Ltd	Refurbishment to enable reletting	£ 120,000
Norwich	24 Kingsway	Wurth	Full refurbishment enabling new lease to Wurth	£ 100,000
Coventry	2a & 2b Pilot Business Park	Agreement to lease Nisbetts	Removal of mezzanine and refurbishment	£ 45,000
			2021/22	**£ 810,000**

Table 7

12.4. Capital investment in the portfolio is essential to protect and enhance the value of the portfolio ensuring that the properties remain fit for purpose and attract the highest possible rent and best tenants. For example, the refurbishment of 2 & 3 Pasadena Way will increase the ERV (estimate rental value) from £7 psf to £10 psf once the works are completed as well as ensuring that the property attracts a better tenant with a stronger covenant and therefore enhancing the investment (capital) value of the property. The remaining £835,000 will be held by CIFCO for future capital investments in the portfolio. There is no further investment by the Councils planned within the Councils' Medium Term Financial Strategies.

12.5.2020/2021 has been a challenging year with the pandemic continuing to see business failures and impact on rent collection. Total arrears across the portfolio as at 23rd June 2021 equate to approximately 3% (c. £185,000) of the annual contracted rent, however a further £300,000 (6% of the current contracted rent) was written off in 2020/21 due to tenant failure and administrations noted below: -

Property	Tenant Administration	Current Position
Princes Gate Retail Park, Edinburgh Way, Harlow	Go Outdoors Ltd	Assignment to Go Outdoors Retail Limited
Princes Gate Retail Park, Edinburgh Way, Harlow	Lewis's Home Retail Ltd.	Let to Sports Bikes Limited
Unit 24 Kingway, City Trading Estate, Norwich	Economy German Kitchens Ltd	Let to Wurth Ltd
Units 2-3 Pasadena Trading Estate, Harlow	Majestic Shower Company Ltd	Vacant- Refurbishment Underway
DW FITNESS, Tritton Road, Lincoln	Dave Whelan Sports Ltd	Assignment to SDI Fitness Ltd.
36-39 Long Causeway, Peterborough	Nero Holdings Ltd	Nero remain in occupation subject to CVA

Table 8

12.6.Despite the administrations above and challenging market conditions, the portfolio has maintained a low void rate throughout the last year and it has reduced from 5.6% in April 21 to 4.0% with the letting of Unit 2 Princes Gate, Harlow and 24 Kingsway, Norwich during May 2021. The table below sets out the current portfolio voids.

Property	Date Void	Area (sq ft)	Comments
First Floor, Renaissance House, Epsom	16/09/2020	3,685	Letting agents appointed & Common parts refurbishment to be undertaken
Part Third Floor, Renaissance House, Epsom	24/06/2020	840	Letting agents appointed and Common parts refurbishment to be undertaken
Units 2 & 3, Pasadena Trading Estate, Harlow	In Admin	12,603	Refurbishment works to be undertaken Summer 2021
		17,128	**Estimate Rental Value £221,000**

Table 9

12.7.The capital investment for the first phase of funding from Babergh and Mid-Suffolk District Councils is scheduled to be repaid in full by December 2068 with the second phase being repaid by 2071. During 2020/21 CIFCO has been able to maintain full debt repayment to the Councils, however this may not be the case for the next 3 years as the fund continues to recover from the impacts of the pandemic. It is proposed that debt repayments are deferred for 13% of the portfolio during 21/22, 11% in 22/23, and 6% in 2023/24. All deferred repayments will be accrued in the Councils accounts and additional interest will be payable to the Councils in relation to these delayed repayments. The table below sets out the debt repayment schedule for the next 3 years together with additional interest charges. In the event that income levels exceed expectations, CIFCO will endeavour to make full debt repayments.

Financial Year	Amount of Repayments to be Deferred	Full Repayment	Adjusted Repayment	Additional Late Payment Interest Payable on deferred amount
2021/22	£654,678	£4,867,981.25	£4,213,303.49	£35,349.19
2022/23	£538,570	£4,867,981.25	£4,329,410.93	£15,876.58
2023/24	£293,493	£4,869,970.99	£4,576,478.47	£2,982.78
			Total	**£54,208.55**

Table 10

12.8.The costs of operating the portfolio are borne by CIFCO Capital Limited and these include finance costs, management, legal, audit and accountancy fees, director costs and staffing costs (paid to the Council) and any property expenses such as repairs that are not the responsibility of the tenants. The running costs for 2020/21 excluding finance costs, impairment and bad debts equated to approximately £838,000 including recharges of £70,000 paid to the Council for staff and premises overheads. Operating budgets for the next three years are set out within Appendix 4.

12.9.CIFCO's draft year end accounts for 2020/21 are set out in Appendix 3 these accounts are currently being audited and will be submitted to the Companies House as soon as practical. CIFCO's annual accounts (year ending March 2021) show a loss of £4.58m before tax. This loss comprises an adjustment in the portfolio value following the revaluation as at 31st March 2021 and the one-off costs of acquiring the 7 additional assets during 2020/21 (including stamp duty and professional fees). The professional fees and stamp duty costs of acquisitions during 2020/21 equated to circa £1,900,000. The costs of acquiring assets equates to approximately 6.75% of the total acquisition costs including stamp duty and professional fees.

12.10.The portfolio was revalued as at 31st March 2021 by Knight Frank as independent valuers for the fund. The portfolio value has reduced by 2.88% overall (£2.42m) including the acquisitions of Braintree and Cavendish Street in Ipswich in March and April 2021. Whilst values have been largely stable, capital growth has been seen primarily with our industrial assets and those let on long term leases to good covenants (e.g., Nottingham). Those within the retail and leisure sectors have been adjusted downwards reflecting the structural change and malaise in the High Street which continues to be accentuated by COVID 19. A summary of the portfolio valuations is set out below and in Appendix 6 which also details valuation movement since date of purchase: -

		March 2021 Market Valuation				
Property		Value 2021	NIY	EQ	Value Move	%
Town	Address				Value (Mar 2020 - Mar 2021	%
Ipswich	Olympus Way	[redacted]			£465,000	20.58%
Norwich	20-25 Kingsway	[redacted]			£225,000	14.06%
Nottingham	Upper Parliament St	[redacted]			£300,000	10.91%
Hemel Hempstead	2 Eastman Way	[redacted]			£400,000	5.13%
Epsom	Renaissance House	[redacted]			£10,000	0.33%
Milton Keynes	Honda, Greyfriars Court	[redacted]			£0	0.00%
Luton	Cosgrove Way	[redacted]			£0	0.00%
Epsom	Horizon House	[redacted]			£0	0.00%
Basingstoke*	Basingstoke Business Parl	[redacted]			£0	0.00%
Coventry*	Pilot Trade Park	[redacted]			£0	0.00%
Brentwood	Lutea House	[redacted]			-£175,000	-2.81%
Harlow	2-4 Pasadena Way	[redacted]			-£65,000	-3.31%
Milton Keynes	Omron House	[redacted]			-£200,000	-4.21%
Milton Keynes	Volvo Greyfriars Court,	[redacted]			-£115,000	-4.32%
Southampton	Westpark House	[redacted]			-£325,000	-6.60%
Brentwood	43-45 High Street (M&S)	[redacted]			-£775,000	-15.27%
Peterborough	36.39 Long Causeway	[redacted]			-£410,000	-16.33%
Lincoln	SDI Fitness, Tritton Road	[redacted]			-£330,000	-17.37%
Harlow	Princes Gate (Go-Outdoor	[redacted]			-£1,425,000	-26.27%
Braintree*	Kestrel Park	[redacted]			£0	0.00%
Ipswich*	Cavendish Street	[redacted]			£0	0.00%
Total		£83,918,000			-£2,420,000	-2.88%

*Book cost

Table 11

12.11. The current portfolio profile is weighted towards core lower risk assets which is also reflected in the secure income flow and yield profile. Given current economic uncertainty we consider that this represents a stable/ defensive position for CIFCO to take.

12.12.In the short to medium term portfolio capital growth is expected to be through asset management and rental growth. The focus for the portfolio management therefore remains on income growth. CIFCO performance has been benchmarked by JLL against MSCI. MSCI is a property investment industry standard benchmarking tool. The tables below set out CIFCO's total return and relative performance over the last 3 years together with a graph showing JLL's projection of CIFCO returns against the benchmark, showing a trend of outperforming the benchmark and increasing returns as the portfolio matures. CIFCO out-performance reflects the focus on core and core plus assets and a sector split which has limited exposure to retail and leisure assets that have been particularly impacted by the pandemic.

Portfolio Total Return Vs MSCI All Property Returns

Portfolio TR Including acquisition costs

	CIFCO Total Return	Benchmark TR (All Property)	Relative Performance
2018	-2.90%	5.12%	-7.63%
2019	-0.83%	0.56%	-1.38%
2020	-0.61%	-2.35%	1.78%

Portfolio TR excluding acquisition costs

	CIFCO Total Return	Benchmark TR (All Property)	Relative Performance
2018	2.09%	5.12%	-2.88%
2019	0.08%	0.56%	-0.48%
2020	2.02%	-2.35%	4.48%

Table 12

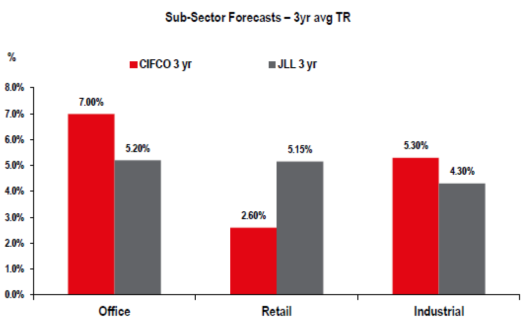
Portfolio Total Return Projections

Total Return Projections

Total Return Projections	2021	3yr	5yr
Portfolio Returns	5.63%	6.00%	6.80%
JLL ALL Property	5.09%	4.70%	5.01%

Excess Return Against Benchmark

	2021	3yr	5yr
JLL ALL Property	0.70%	1.30%	1.70%



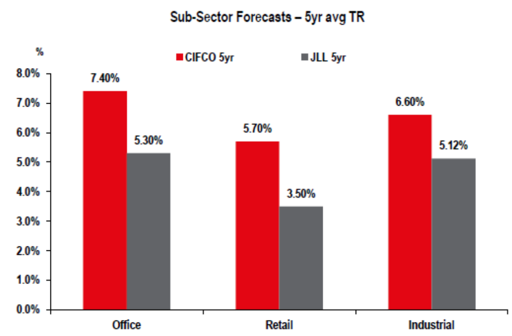


Table 13

13. Property and Fund Management

13.1. The Board appointed Jones Lang LaSalle (JLL) as portfolio fund manager in October 2017. JLL report quarterly to the Board on asset management opportunities, capital expenditure predictions linked to asset management, rental streams, predicted growth and tenant covenant strength.

13.2. The day-to-day management of the portfolio is undertaken by Workman LLP. This includes rent collection, management of service charges, tenant liaison and other estate/property management matters. Workman were formally appointed by the board in Autumn 2018.

13.3. During 2020/21 there were 10 transactions within the portfolio including five open market lettings, two lease renewals and three rent review as set out below. These combined transactions add £34,816 of rental income to the portfolio per annum and the majority were agreed ahead of expectations (ERV) as set out below.

Unit	Estate	Tenant	Deal Type	Area (sq ft)	Rent (pa)	Rent (psf)	ERV (psf)	Above ERV (%)	Previous Rent Passing	Above Previous Rent Passing	Completed
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total					[redacted]				[redacted]	[redacted]	

Table 14

13.4. In addition to the above transactions two assignments have also been negotiated following the Go Outdoors and DW Fitness administrations. Whilst these assignments mitigated void periods within the portfolio, they did result in a reduction in the passing rents for these units of circa 30% in relation to the Go Outdoors Unit and 10% in respect of the DW unit.

13.5. In the forthcoming year we anticipate approximately 20 transactions will occur including rent reviews, lease renewals and open market lettings, which provide opportunities to increase rents in line with ERV, which will have a positive impact on capital values. These are primarily in respect of small business units in Ipswich, Norwich and Basingstoke (Olympus Close, Kingsway, Basingstoke Business Centre) but also the reletting of void units such as Unit 2 Princes Gate in Harlow, Pasadena Way and Renaissance House.

13.6.Rent Collection

13.6.1. Rent collection has been a significant focus during the course of 20/21 with approximately 20 requests from tenants to vary payment terms, including moving from quarterly to monthly rental payments and some requests for rental concessions. All requests were considered on a fair and reasonable basis and in the context of limited recourse being available to Landlord's to pursue debts- Government restrictions limiting debt recovery are currently in place until March 2022 but could yet be extended further.

13.6.2. In most situations our tenants have been keen to maintain a strong relationship with their landlord and payment plans agreed. In addition to informal agreements in relation to rental payment, CIFCO has been subject to administrations (as listed above) and 1 CVA with Nero Holdings Limited. The CVA has resulted in an agreement for 30% of the rental arrears being paid with the balance written off and a turnover rent being paid for 3 years. The rent collection figures to date are set out below, against industry benchmarks (Alt Remit & Workman), these figures may increase further as arrears are recovered:

	June 2020 Qtr			**September 2020 Qtr**		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	54.41%	47.01%	37.80%	63.80%	56.73%	50.50%
Day 7	69.10%	61.33%	50.70%	67.03%	70.82%	62.00%
Day 21	73.84%	71.08%	59.20%	68.99%	74.84%	67.80%
Day 35	74.01%	77.37%	63.30%	73.91%	83.37%	72.70%
Day 90	**94.78%**	87.89%	72.50%	**93.14%**	87.89%	79.10%
	December 2020 Qtr			**March 2021 Qtr**		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	75.32%	64.48%	52.60%	63.47%	55.49%	46.40%
Day 7	81.37%	70.31%	59.50%	67.59%	68.09%	60.50%
Day 21	82.27%	73.34%	67.20%	78.41%	77.57%	67.30%
Day 35	82.60%	77.58%	71.70%	88.12%	80.63%	71.80%
Day 90	**96.58%**	82.89%	78.60%	**96.71%**	84.75%	80.70%

Table 15

14. Sustainability

14.1. During 20/21 CIFCO adopted a sustainability policy attached at Appendix 7. Taking action on climate change and the greenhouse gas emissions which cause it, is a critical part of building a more sustainable future – and every business must play their part. Buildings account for 40% of emissions, creating an urgent need for the real estate sector to develop and implement plans to transition to net zero carbon.

14.2. Methods of measuring the sustainability of investment property portfolios are still developing, however whilst this is the case we will seek to measure the sustainability of our portfolio with the data currently available, namely EPC data. All of the properties held within the portfolio have EPC ratings, 71.5% are rated D and above with the 27.3% rated E and 1.3% rated F. The table below sets out the current portfolio rating, together with target ratings to achieve by the end of this financial year. The target equates to a 10% reduction in portfolio rating, which would move the portfolio from a D rating to a C rating.

Total Portfolio Rating	**6628**
Average Portfolio Score	**83**
Average Portfolio Rating	**D**
Target Portfolio Rating April 2022	**5965**
Target Average Portfolio Score April 2022	**75**
Target Average Portfolio Rating April 2022	**C**

Table 16

14.3. Whilst our tenants are largely responsible for maintaining and repairing their own demises, CIFCO is keen to support tenants to improve their EPC ratings and to improve the ratings of buildings within our control, such as vacant properties and the common parts of multi-let buildings.

14.4. The action plan below details current planned or potential sustainability improvements and how they are to be measured. As initiatives are implemented JLL and Workman will record and measure the benefit for future reporting purposes.

Sustainability Action Plan 2021/22

Property	Initiative	Measurement
Renaissance House, Epsom	LED lighting 1st/3rd floor	EPC rating improvement/energy consumption
Renaissance House, Epsom	LED lighting to common parts	EPC rating improvement/energy consumption
Renaissance House, Epsom	Smart Meters	Energy consumption
Units 2&3 Passadena Way, Harlow	Refurbishment works/materials/lighting/smart meters/insulation	Identify specific green construction ratings. EPC rating improvement
Units 2&3 Pasadena Way, Harlow	PV panels feasibility study to new roof	Energy savings
Unit 24 Norwich	Refurbishment works/materials/lighting/smart meters/insulation	Identify specific green construction improvements
Olympus Park	Cycle Cage feasibility	Social and environ benefits
Unit 2 Princes Close, Harlow	Engage with prospective tenant on refurbishment works – identify green initiatives	
Renaissance, Epsom	Electric charging points in car park - feasibility	Support use of green energy through take up
Green Leases	Workshop with Birketts to review green covenants in leases and consents for alterations	Identify lease improvements
Coventry	Establish use of existing solar panels	Measure take up and energy consumption

Table 17

Acknowledgement:

The market summary and all tables and charts reproduced in this document have been provided by Jones Lang Lasalle (JLL)

Appendix 1

Director's Profiles

Chris Haworth (Non-Executive Director and Chair) - BSc in Estate management from Reading University, fellow of the Royal Institution of Chartered Surveyors, and a member of the National landlords Association. Partner of Carter Jonas for 12 years, until August 2012, and Head of the National Commercial Division for 8 years.

Emily Atack (Managing Director) – Emily is a Member of the Royal Institution of Chartered Surveyors (RICS). She has approximately 20 years' experience in both private and public sector, primarily in dealing with commercial property transactions.

Henry Cooke (Non-Executive Director)- Investment banking professional with over 30 years' experience in roles across research, sales, trading, structuring, origination, syndication and asset management of US, UK, Australian and European mortgage backed, asset backed, whole-business and real estate financing

Mark Sargeantson (Non-Executive Director) – Fellow of the Royal Institution of Chartered Surveyors, partner of Cluttons, until early 1991. Acted for a wide range of property owners and investors mostly in portfolio and asset management in London and across the UK. Joined Fenn Wright, Ipswich in April 1991 and was a partner until 2008 and a consultant to the practice to the present day.

Elisabeth Malvisi (BDC Councillor Director)

Elisabeth has over 20 years' experience gained in the retail sector with such household names as Marks & Spencer and the university of Stirling Institute for Retail studies. Established a world leading provider of automotive waste. Elected as a District Councillor in May 2019.

Richard Meyer (MSDC Councillor Director)

Retired security risk management professional with senior management experience in: the Armed Forces, RAF Regiment; the Private Sector, De Beers; and the Public Sector with the British Library. He was elected as a District Councillor in May 2019.

Appendix 2

Acquisitions Completed *(Asset Commentary relates property details at the date of acquisition)*

36-39 Long Causeway, Peterborough (Completed 18 December 2017)

The property presented a good opportunity to invest in a centrally located asset within the prime retail pitch in Peterborough. The units are well let to strong covenants [redacted] expiry). Additionally, both units are let off rebased rents in line with the market, providing an opportunity for future rental growth as the retail market in Peterborough continues to strengthen.

- Purchase Price: £3,525,000
- NIY – 5.2%
- Let to Wagamama Ltd and Nero Holdings Ltd
- The property is classified as a ‘Core’ asset

20-25 Kingsway, Norwich. (Completed 14 February 2018)

The property presented a good opportunity to invest in a fully let estate within an established industrial location in Norwich. The units are fully let to a variety of smaller local and regional traders, although risk is spread across 6 separate tenants. 2 have been in occupation since the 1980s. [redacted] years (to expiry) are reasonable but provide opportunities for asset management initiatives and the capture of rental growth within the strengthening industrial market.

- Purchase Price: £1,500,000
- NIY – 5.83%
- Fully let to 6 tenants, [redacted]
- The property would be classified as a ‘Core Plus’ asset

43-45 High Street, Brentwood. (Completed 15 January 2018)

The property provides a well let, recently refurbished retail unit in an established prime retail location. The long unexpired term and fixed rental uplifts of 1.95% per annum will generate an increasing annual income for the fund with minimal exposure to capital expenditure. Marks and Spencer PLC provide a strong covenant and a [redacted] Going forward the Brentwood location should also benefit from the soon to open Crossrail transport links.

- Purchase Price: £6,722,000
- NIY: 4.75%
- Fully let to Marks and Spencer PLC
- The property would be classified as a 'Core' asset of the portfolio.

Greyfriars Court, Milton Keynes. (Completed 31 January 2018)

The property is a well-located asset within an established dealership location. The showroom is let to a good covenant with the additional benefit of a guaranteed lease. The recent refurbishment, FRI lease and [redacted] provide income for an extended period with minimal need for capital expenditure. The building comprises the head office for the [redacted]

- Purchase Price: £3,100,000
- NIY: 5.45%
- Fully let to [redacted], with the lease guaranteed by [redacted]
- The property is classified as a 'Core' asset of the portfolio

2-4 Pasadena Trading Estate, Harlow. (Completed 14 February 2018)

The property presents a good opportunity to invest in an industrial asset within a promising south-eastern location. The units are both let to local covenants, although market evidence demonstrates that the acquisition is underpinned by VP values, which are currently higher than the agreed investment value being paid. [redacted] provide a good income stream as well as presenting asset management opportunities. The strengthening industrial market and lack of competing stock provides a good basis for future rental growth.

- Purchase Price: £1,825,000
- NIY: 6.45%
- Fully let to 2 tenants, [redacted]
- The property is classified as a ‘Core Plus’ asset of the portfolio.

[redacted]**, Princes Gate Retail Park, Harlow. (Completed 23 March 2018)**

The property presents a good opportunity to secure a retail warehouse within an established south-eastern location. [redacted] provide a good income stream as well as presenting asset management opportunities. The strengthening local market provides a good basis for future rental growth.

- Purchase Price: £6,900,000
- NIY: 6.41%
- Fully let to 2 tenants, [redacted]
- The property is classified as a ‘Core’ asset of the portfolio.

2 Eastman Way, Hemel Hempstead (Completed 17 July 2018)

Situated in the established 'Maylands BusinessPark, surrounded by similar uses and occupiers.

The unit is let on a long lease to a good covenant providing secure long-term income.

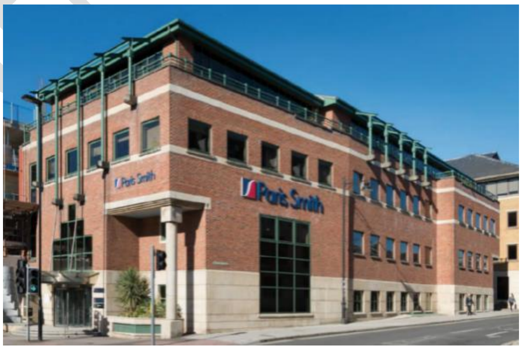
- Purchase Price: £7,800,000
- Yield Profile NIY: 4.99%,
- Fully let to [redacted] on a [redacted]
- This property is classified as a Core asset.

Olympus Business Park, Ipswich (Core Plus)

- Purchase Price: £2,250,000
- Yield Profile on Purchase: NIY: 5.82%,
- Fully let to 15 tenants
- A well located industrial asset in an established location. The units are well let to a range of tenants, diversifying the income risk and providing a [redacted] Approaching lease events provide the opportunity to secure tenants on longer terms and demonstrate rental growth.

Lutea House, Brentwood (Completed 12 March 2019)

- Purchase Price: £6,175,000
- Yield Profile on Purchase: NIY:5.75%, EY: 6.29%; RY: 6.81%
- Fully let to [redacted]
- The property provides a well let office building in an established business location in Brentwood.
- [redacted] provides a good income, with fixed rental uplifts, for the fund without exposure to capital expenditure. [redacted] provides a strong covenant with minimal risk of failure.
- The property is classified as a 'Core' asset of the portfolio.



Westpark House, 23 Cumberland Place, Southampton (Completed 19 Dec 2018)

- Purchase Price: £5,100,000
- Yield Profile on Purchase: NIY: 5.98%, EY: 5.98%, RY: 5.98%
- Fully let to [redacted]
- The property provides a well let office building in an established business location in Southampton.
- Following the removal of the tenant's break, the long unexpired term [redacted] expiry) provides a good income for the fund without exposure to capital expenditure. [redacted] provides a strong covenant with minimal risk of failure.
- The property is classified as a 'Core' asset of the portfolio.

Omron, Opal Drive, Milton Keynes (Completed 9 Jan 2019)

- Purchase Price: £4,735,000
- Yield Profile on Purchase: NIY: 6.44%, EY: 6.44%, RY: 6.44%
- Fully let to [redacted] Ltd.
- The property provides a well located, fully let and recently refurbished office building. Milton Keynes has been projected to be a leading growth centre in the UK.
- A strong tenant covenant combined with a low rental base provides the opportunity to generate an increasing income for the fund, especially if the tenant's break can be removed.
- [redacted]
- The property is classified as a 'Core' asset of the portfolio.

DW Fitness, Lincoln (Completed 15 May 2019)

- Purchase Price: £2,200,000
- Yield Profile on Purchase: NIY: 5.95%, EY: 6.92%, RY: 6.90%
- Fully let to Dave Whelan Sports Ltd
- The property provides a well located, fully let building currently fitted out for gym/leisure use.
- A good tenant covenant combined with fixed rental uplifts provides the opportunity to generate an increasing income for the fund.
- [redacted]
- The property is classified as a 'Core' asset of the portfolio.

[redacted] Honda, Greyfriars Court, Milton Keynes (Completed 15 January 2020)

- Purchase Price: £2,400,000
- [redacted].
- Yield Profile on Purchase: NIY:6.02% EY: 6.02%, RY: 6.02%
- A purpose-built car showroom occupying a prominent position, fronting an agglomeration of car dealerships including Mercedes Benz, Volvo, VW and Skoda.
- Freehold with a leaseback to [redacted]
- The tenant operates 46 showrooms across England from Southport to Slough. They have a 4A2 Dun and Bradstreet Rating.
- The property is adjacent to CIFCO's existing holding let to Volvo and is classified as a 'Core' asset of the portfolio.

Renaissance House, Epsom (Completed 15 January 2020)

- Purchase Price: £2,990,000
- [redacted]
- Yield Profile on Purchase: NIY:6.26%, EY: 7.08%, RY: 7.78%
- Multi let town centre office fully let to 5 tenants all with a "very low" or "moderate" covenant risk of failure.
- Virtual freehold (999 years at a peppercorn rent).
- The asset forms a modern well let office building in an established business location in Epsom.
- [redacted] to expiry the asset is seen as a value-add opportunity with the rents reversionary in a tight market with limited supply.

Health Centre, 62-64 Long Row & 77/77A Upper Parliament Street, Nottingham (17th July 2020)

- Purchase Price: £2.75m
- [redacted]
- Yield profile: 8.23% NIY, 9.36% EQ, 9.57% RY
- Freehold Health Centre comprising 20,230 sq ft (GIA) and a small retail unit
- [redacted].

Units 8B & 9 Cosgrove Way Industrial Estate, Cosgrove Way, Luton (30th October 2020)

- Purchase price £2,475,000
- [redacted]
- Yield Profile NIY 5.4%, EQ 5.4%, RY 5.4%.
- Two individual industrial units totalling 17,673 sq ft GIA in an established trade/industrial area of Luton. Both units are let to Wolseley UK Ltd on separate FRI leases.
- [redacted]

Horizon House, 28 Upper High Street, Epsom (6th November 2020)

- Purchase price £7,970,000
- [redacted]
- Yield Profile: NIY 5.20%, EQ 5.20%, RY 5.20%
- The property is held freehold and includes the long leasehold interest of Renaissance House, Epsom which CIFCO acquired in 2019. Built in 1988 the building forms 21,819 sq ft of modern office accommodation and was extensively refurbished in 2017/18 and let in 2020.

Basingstoke Business Centre, Winchester Road, Basingstoke (29th December 2020)

- Purchase price: £5,375,000
- [redacted]
- Yield Profile: NIY 5.27%, EQ 5.76%, RY 5.91%
- 20 industrial/trade units arranged over five terraces, built in the late 1980s, providing a gross internal area of 23,229 sq ft. The estate was refurbished in 2019
- [redacted].

Units 2 – 8c Pilot Trade Centre, Pilot Drive, Coventry (Completed 29th January 2021)

- Purchase Price: £5,540,000
- [redacted]
- Yield Profile NIY 5.2%, EQ 5.37%, RY 5.38%.
- New build, modern Trade Park comprising 14 units
- Freehold
- [redacted].

Kestrel Park, Springwood Industrial Estate, Braintree (Acquired 30th March 2021)

- Purchase price £8,300,000
- [redacted]
- Yield Profile NIY 4.67%, EQ 5.38%, RY 5.56%
- Freehold Industrial estate constructed in 1987, consisting of 13 light industrial/warehouse units arranged in four terraces and a single detached unit, providing a gross internal area of 49,913 sq ft (4,637.07 sq m)
- [redacted]
- Completion took place on 30th March 2021

Cavendish Street, Ipswich – (30 April 2021)

Purchase price of £1,438,000

[redacted]

•Yield Profile 5.85% NIY, 6.02% EQ, 6.07% RY

•The property comprises 4 trade counter units occupied by three tenants totalling 11,937 sq ft with an ancillary hand car wash which may provide future development opportunities

•[redacted].

Co-Op Food store, East Anglia,

- Purchase Price £1,370,000
- [redacted]
- Yield Profile (NIY 5.37%).
- [redacted]
- The transaction forms a forward commitment with an aim to complete towards the end of October 2021.

Appendix 3
Annual Accounts – see separate document

Appendix 4
Budgets

[redacted]				[redacted]		[redacted]
		[redacted]		[redacted]		[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]				
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]						
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Appendix 5

Loan Repayment Schedule

[redacted]

Appendix 6
Valuation movements

					[redacted]		[redacted]			March 2021 Market Valuation				
Property		**Purchase Date**	**Net Purchase Price**	**NIY**	**Value 2019**	**NIY**	**Value 2020**	**NIY**	**EQ**	**Value 2021**	**NIY**	**EQ**	**Value Move**	**%**
Town	**Address**												**Value (Mar 2020 - Mar 2021)**	%
Ipswich	Olympus Way	Aug-18	£2,250,000	5.82%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	20.58%
Norwich	20-25 Kingsway	Feb-18	£1,500,000	5.82%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	14.06%
Nottingham	Upper Parliament St	Jul-20	£2,750,000	8.23%						[redacted]	[redacted]	[redacted]	[redacted]	10.91%
Hemel Hempstead	2 Eastman Way	Jul-18	£7,800,000	4.99%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	5.13%
Epsom	Renaissance House	Jan-20	£2999,000	6.26%				[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0.33%
Milton Keynes	Honda, Greyfriars Court	Jan-20	£2,400,000	6.02%			[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0.00%
Luton	Cosgrove Way	Oct-20	£2,475,000	5.30%						[redacted]	[redacted]	[redacted]	[redacted]	0.00%
Epsom	Horizon House	Nov-20	£7,970,000	5.21%						[redacted]	[redacted]	[redacted]	[redacted]	0.00%
Basingstoke*	Basingstoke Business Park	Dec-20	£5,375,000	5.27%						[redacted]	[redacted]	[redacted]	[redacted]	0.00%
Coventry*	Pilot Trade Park	Jan-21	£5,540,000	5.43%						[redacted]	[redacted]	[redacted]	[redacted]	0.00%
Brentwood	Lutea House	Mar-19	£6,175,000	5.75%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-2.81%
Harlow	2-4 Pasadena Way	Feb-18	£1,825,000	6.45%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-3.31%
Milton Keynes	Omron House	Jan-19	£4,735,000	6.44%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-4.21%
Milton Keynes	Volvo Greyfriars Court,	Jan-18	£3,100,000	5.45%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-4.32%
Southampton	Westpark House	Dec-18	£5,100,000	5.95%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-6.60%
Brentwood	43-45 High Street (M&S)	Jan-18	£6,722,000	4.75%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-15.27%
Peterborough	36.39 Long Causeway	Dec-17	£3,525,000	5.20%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-16.33%
Lincoln	SDI Fitness, Tritton Road	May-19	£2,200,000	5.95%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-17.37%
Harlow	Princes Gate (Go-Outdoors	Mar-18	£6,900,000	6.41%	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	-26.27%
Braintree*	Kestrel Park	Mar-21	£8,300,000	4.46%						[redacted]	[redacted]	[redacted]	[redacted]	0.00%
Ipswich*	Cavendish Street	Apr-21	£1,438,000	5.82%						[redacted]	[redacted]	[redacted]	[redacted]	0.00%
Total			**£91,070,000**		[redacted]		[redacted]			**£83,918,000**			[redacted]	-2.88%

*Book cost

Appendix 7
Sustainability Policy

CIFCO Capital Limited

Sustainability Policy 2020/21

CIFCO Capital Limited (CIFCO) is a property investment company established in 2017 and wholly owned by Babergh District Council (BDC) and Mid Suffolk District Council (MSCD) group. The core objective of the company is to generate income to the Councils from property investment to support the provision of services to their Districts, communities and residents. Babergh District Council and Mid Suffolk District Council declared a climate emergency in 2019 and CIFCO is keen to assist its shareholder in mitigating its impact on the environment.

CIFCO invests in commercial real estate across all sectors of the UK property market targeting an aggregated income return of c.6% per annum. The geographical area is national with a bias towards the East of England region. Investment strategy balances attributes such as location, asset class and sector, so that resistance to medium and longer-term market stresses in any individual sector can be mitigated.

Governance of the company is exercised by the CIFCO Board which comprises elected councillors and industry-experts. The Board operates under a strong risk management framework and closely scrutinises property investment opportunities with appointed legal and professional investment advisors. This ensures that the criteria approved by the Council shareholders are met.

The principal investment advisor is Jones Lang LaSalle Limited (hereafter referred to as JLL), domiciled in the UK and part of JLL Inc, headquartered in USA. JLL provide investment strategy and investment acquisition advice as well as ongoing investment management of the portfolio.

This sustainability policy incorporates the approaches of CIFCO and of JLL as those who are the principal advisors in strategic decision-making for the property portfolio.

CIFCO Capital Limited Sustainability Policy 2020/21

CIFCO commits to the following sustainability goals:-

- We will meet and, where appropriate, exceed legislative and other requirements which include global, national and corporate commitments, Local Government and other stakeholder expectations, and pledges made to meet industry best practice standards across our business.
- We shall support compliance with internationally recognised human rights across our business activities.
- We are committed to continual improvement and protection of the environment, including prevention of pollution, sustainable resource use, climate change mitigation, and protect and enhance biodiversity and green/blue spaces through application of best practice.
- We seek to mitigate the impacts of climate change, through a long-term energy and greenhouse gas (GHG) emissions efficiency targets which align with ratified EU targets, where appropriate.
- We will maintain through our advisors an environmental management system (EMS), aligned with the international standard ISO 14001 (2015), to manage deliverable actions derived from our Sustainable strategy. *[Board note: both JLL and Workman hold ISO 14001 certification]*
- We are committed to supporting the health, safety, security, wellbeing, inclusivity, heritage, prosperity and productivity need of our customers, suppliers, communities and places.
- Our Directors, responsible for governing our commitments and ensuring they are implemented, will undertake sustainability focussed training to ensure they are competent to deliver our sustainability programme.
- We shall continuously review the effectiveness of our Sustainable Policy to ensure it delivers its stated aims commensurate with our investment objectives.
- We will seek commitments from our partners and consultants that they will mitigate their impact on the environment.

JLL Sustainability Approach and Commitments

JLL's vision is to create spaces, buildings, and cities where everyone can thrive, Building a Better Tomorrow everywhere it can. JLL is committed to partnering with its stakeholders to achieve shared ambitions for a sustainable future.

In the UK specifically, JLL seeks to transform the property sector by integrating sustainability in to its advice, by delivering leading sustainability expertise, by working in partnership to address social issues, and by playing a leading role in the UK's transition to a net zero carbon, circular economy.

JLL has an established environmental management system which covers operations and all services certified to ISO 14001. JLL have a specific EPC Policy which governs all compliance with the suite of UK government legislation relating to display of EPCs during sale or leasing and with regards to tightening minimum standards for EPCs in use.

JLL also has a full suite of sustainability policies which govern our business activities and staff behaviours, including an Environmental Policy, a Health & Safety Policy, a Code of Business Ethics, a Modern Slavery Statement and a Vendor Code of Conduct. These policies are available via their web site www.jll.com

Application of the sustainability commitments of CIFCO and JLL to the property investment portfolio (fund)

The signatories to this policy commit to applying CIFCO and JLL's sustainability policies to the investment decisions and active asset management of the property investment portfolio. As CIFCO invests in and manages commercial real estate in the UK, the primary sustainability goals of CIFCO and JLL relate the appropriate screening of sustainability factors during acquisition due diligence, and the integration of sustainability during refurbishment and development, and to the active environmental management of the investment properties.

On behalf of its stakeholders, CIFCO/JLL will ensure it actively:

- Identifies asset management sustainability improvement opportunities
- Promotes sustainability initiatives with its customers
- Adds sustainability requirements in lease clauses
- Tracks and monitors the environmental performance of assets under management where appropriate (e.g. EPCs, energy, water, waste, flood risk)
- Considers the environmental impact of assets prior to acquisition
- Reduces their own impact on the environment by reducing travel and consumption of materials

This Policy will be reviewed annually and will be actively communicated to stakeholders and key suppliers. CIFCO and our supply chain partners are responsible for implementation of this Policy and will create an action plan to measure performance and progress in achieving the company's sustainable goals.

CIFCO Capital Limited

Dated: 9.9.2020

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Company Registration No. 10814415 (England and Wales)

CIFCO CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

CIFCO CAPITAL LIMITED

COMPANY INFORMATION

Directors	Mr H W Cooke	
	Sir C Haworth	
	Mr M Sargeantson	
	Mrs E Brightman	
	Mr R Meyer	
	Ms E Malvisi	(Appointed 17 May 2021)
Company number	10814415	
Registered office	C/O B&Msdc Endeavour House 8 Russell Road Ipswich Suffolk IP1 2BX	
Auditor	Ensors Accountants LLP Connexions 159 Princes Street Ipswich Suffolk IP1 1QJ	

CIFCO CAPITAL LIMITED

CONTENTS

CIFCO CAPITAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their strategic report and the financial statements for the year ended 31 March 2021.

Fair review of the business

The incorporation of CIFCO Capital Limited and its associated structure are borne out of a necessity to supplement, and ultimately replace, central Government financial support to Babergh and Mid Suffolk District Councils ("the Shareholders"). In order to deliver this, CIFCO Capital Limited was incorporated as a Special Purpose Vehicle (SPV) to invest in commercial assets to generate income. The rationale for commercial assets being targeted is:

- Commercial property tends to generate higher income returns
- To avoid conflict with the Councils' housing policies as may arise from time to time
- Focus on investment in the Eastern Region (but not exclusive to), with the prime purpose of generating income to the Council for investment in services for the districts.
- To undertake sustainable long-term investment in commercial opportunities through the investment of an aggregated £100,000,000 representing £50,000,000 investment from each of the two shareholders
- To generate short/medium term income to support the revenue gap arising from the reduction in central government funding
- To guide future investment decisions, asset management opportunities and the management of the investment fund
- To ensure that investment opportunities taken are ethical and fit with the values of the two shareholding Councils

CIFCO Capital Limited completed its drawdown of approved funds from the Councils in 2020/21.

The structure is based upon each Council's wholly owned holding company which has a 50% equal shareholding in the jointly owned investment company limited by shares. Each of the Councils' own companies are a holding/ parent company.

Principal risks and uncertainties

The principal risks and uncertainties impacting the entity are: the portfolio fails to realise returns due to its nature, structure or management; asset obsolescence over time; void periods resulting in the fund making a net loss or falling short of Business plan targets.

Development and performance

The Board has considered some 111 assets during the period. Out of these opportunities, offers were submitted on 26 and 7 assets were acquired.

This has resulted in the investment of some £99m as authorised by our shareholders and the formation of a secure and well-balanced portfolio, in terms of sector, location and tenant covenant

The Portfolio, with a value of £83,918,000, is currently comprised of 21 assets. The company receives £5,004,824 in rental income per annum from these properties. This has resulted in the shareholder Councils benefitting from net income after borrowing costs of £2,342,000 in 2020/21.

Key performance indicators

Management use a range of measures to monitor and manage the business. The Key Performance Indicators are:

KPI	Description	Target	Actual
1	Net Initial Yield (NIY) Performance against target	5.75%	5.60%
2	Equivalent Yield (EY)	6.00%	6.15%
3	Progress against 24 Month full investment target to be achieved by April 2021	£100M	£99.2M
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%	Q June - 5.22% Q Sept - 6.86% Q Dec - 3.42% Q Mar - 3.29%

Rent collection has been a significant focus during 20/21 in response to the pandemic, however the diverse portfolio of assets mitigated CIFCO Capital Limited’s risk in this respect, with rent collection figures exceeding many other funds. During 20/21 CIFCO Capital Limited maintained full debt repayments to its lenders. It is continuing to trade and receive regular rent.

On behalf of the board

Sir C Haworth
Director

19 August 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The directors present their annual report and financial statements for the year ended 31 March 2021.

Principal activities
The principal activity of the company is to purchase and manage commercial properties with a view to earning rental income.

Results and dividends
The results for the year are set out on page 9.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr H W Cooke	
Sir C Haworth	
Mr M Sargeantson	
Mrs E Brightman	
Mr M Holt	(Resigned 31 March 2021)
Mr R Meyer	
Ms E Malvisi	(Appointed 17 May 2021)

Financial instruments
Liquidity risk
The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business.

Interest rate risk
The company is exposed to fair value interest rate risk on its fixed rate borrowings. The directors believe the exposure to interest rate risk is minimal given the availability of flexible funding and support from the ultimate shareholders of the business.

Credit risk
Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

Customers are tenants of the Company's investment properties and signed lease agreements are in place for all tenants. Trade receivables are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Future developments
The company aims to manage the invested portfolio to maximise the income from the assets and their long term value. The company has completed the drawdown of investment funds from the Councils comprising a total of £99.25m.

Auditor
The auditor, Ensors Accountants LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board

Sir C Haworth
Director

19 August 2021

CIFCO CAPITAL LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CIFCO CAPITAL LIMITED

Opinion

We have audited the financial statements of CIFCO Capital Limited (the 'company') for the year ended 31 March 2021 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Our audit was designed to include tests of detail together with an assessment of the control environment to enable us to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud. Through discussion with directors and management, and from our own knowledge of and experience of the sector in which the company operates we identified the following areas where we consider there is a higher risk of fraud: transactions with related parties, revenue recognition, investment property valuation, and management override of systems and control. We note that the use of external advisors and service organisations has helped to reduce the susceptibility of the company to material misstatement due to fraud.

We performed audit procedures to address the risks noted above, which included the following:

- Enquiry of management, those charged with governance and the entity’s solicitors around actual and potential litigation and claims
- Reviewing minutes of board meetings
- Testing journal entries and other adjustments for appropriateness, and evaluating the business rationale of significant transactions
- Reviewing the objectivity and qualifications of the third party property valuers, and reviewing their assumptions for reasonableness
- Reconciling turnover to underlying lease agreements for each investment property

Auditor's responsibilities for the audit of the financial statements (continued)
There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is we would become aware of non-compliance.

Material misstatements that arise due to fraud can be harder to detect that those that arise from error as they may involve deliberate concealment of collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Helen Rumsey (Senior Statutory Auditor)
For and on behalf of Ensors Accountants LLP

23 August 2021

Chartered Accountants
Statutory Auditor

Connexions
159 Princes Street
Ipswich
Suffolk
IP1 1QJ

CIFCO CAPITAL LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2020 £
Revenue	**3**	3,878,395	3,304,144
Gross profit		3,878,395	3,304,144
Administrative expenses		(950,238)	(584,269)
Exceptional items	**4**	(4,383,962)	(3,646,173)
Operating loss		(1,455,805)	(926,298)
Investment revenues	**7**	7	2,541
Finance costs	**8**	(3,125,830)	(2,483,886)
Loss before taxation		(4,581,628)	(3,407,643)
Income tax expense	**9**	(217,222)	(123,562)
Loss and total comprehensive income for the year		(4,798,850)	(3,531,205)

The income statement has been prepared on the basis that all operations are continuing operations.

CIFCO CAPITAL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Notes	2021 £	2020 £
Non-current assets			
Investment property	**10**	82,480,000	52,490,000
Current assets			
Trade and other receivables	**11**	1,090,906	612,958
Cash and cash equivalents		6,301,537	1,279,221
		7,392,443	1,892,179
Current liabilities			
Trade and other payables	**16**	1,139,388	953,604
Current tax liabilities		-	129,083
Borrowings	**13**	969,200	537,457
Deferred revenue	**18**	1,893,429	789,318
		4,002,017	2,409,462
Net current assets/(liabilities)		3,390,426	(517,283)
Non-current liabilities			
Borrowings	**13**	88,598,750	54,008,886
Deferred tax liabilities	**17**	217,203	-
		88,815,953	54,008,886
Net liabilities		(2,945,527)	(2,036,169)
Equity			
Called up share capital	**19**	7,995,728	6,029,190
Share premium account	**20**	1,922,958	4
Retained earnings		(12,864,213)	(8,065,363)
Total equity		(2,945,527)	(2,036,169)

The financial statements were approved by the board of directors and authorised for issue on 19 August 2021 and are signed on its behalf by:

Sir C Haworth
Director

Company Registration No. 10814415

CIFCO CAPITAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	Share capital	Share premium account	Retained earnings	Total
		£	£	£	£
Balance at 1 April 2019		4,565,908	653,574	(4,534,158)	685,324
Year ended 31 March 2020:					
Loss and total comprehensive income for the year		-	-	(3,531,205)	(3,531,205)
Issue of share capital	**19**	809,712	-	-	809,712
Bonus issue	**19**	653,570	(653,570)	-	-
Balance at 31 March 2020		6,029,190	4	(8,065,363)	(2,036,169)
Year ended 31 March 2021:					
Loss and total comprehensive income for the year		-	-	(4,798,850)	(4,798,850)
Issue of share capital	**19**	1,966,538	1,922,954	-	3,889,492
Balance at 31 March 2021		7,995,728	1,922,958	(12,864,213)	(2,945,527)

CIFCO CAPITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Cash flows from operating activities					
Cash generated from operations	**26**		3,740,104		2,542,997
Interest paid			(3,125,830)		(2,242,415)
Tax paid			(129,102)		(9,075)
Net cash inflow from operating activities			485,172		291,507
Investing activities					
Purchase of investment property		(34,373,962)		(8,086,173)	
Interest received		7		2,541	
Net cash used in investing activities			(34,373,955)		(8,083,632)
Financing activities					
Proceeds from issue of shares		3,889,492		809,712	
Proceeds from borrowings		35,527,769		7,286,026	
Repayment of borrowings		(506,162)		(91,707)	
Net cash generated from financing activities			38,911,099		8,004,031
Net increase in cash and cash equivalents			5,022,316		211,906
Cash and cash equivalents at beginning of year			1,279,221		1,067,315
Cash and cash equivalents at end of year			6,301,537		1,279,221

1 Accounting policies

Company information

CIFCO Capital Limited is a private company limited by shares incorporated in England and Wales. The registered office is C/O B&Msdc Endeavour House, 8 Russell Road, Ipswich, Suffolk, IP1 2BX.

The financial statements of CIFCO Capital Limited for the year ended 31 March 2021 were authorised for issue by the board of directors on ....and the Statement of Financial Position was signed on the board's behalf by Mr C Haworth.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment property. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors acknowledge that currently the Company has net current liabilities but the Company has the support of its owners. The Company has made a loss this year, however this is due to the impairment of the costs of acquiring properties throughout the year as well as an adverse adjustment in value of investment properties. This is an unrealised loss and the directors expect that in the long term the value of the properties held by the company will increase, in the meantime the properties continue to provide robust income for the company and in the course of time the Company will be profitable. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

The Company's financial statements are prepared on an accruals basis. Income is recognised in the accounts in the accounting period in which the effect of the relevant transaction takes place and not in the period in which the cash is received.

This means that rental income and other receipts are accounted for as income at the date the Company provides the relevant service. Where income has been recognised but cash has not yet been received, a debtor for the relevant amount is recorded in the Statement of Financial Position.

1.4 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost and subsequently measured using the fair value model and stated at its fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

1.5 Cash and cash equivalents

Cash and cash equivalents are represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1 Accounting policies **(Continued)**

1.6 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

1.7 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

1.8 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2 Critical accounting estimates and judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Valuation of investment properties

Investment properties, disclosed in note 10, are valued at open market value by the directors with reference to recent property transactions. The directors obtain third party valuations of investment properties at regular intervals to ensure that the fair value of these properties is kept up to date.

Provision for bad debts

The company has trade debtors owed by tenants. Trade debtors are assessed at each period end and the total recoverable amount is estimated based on the directors and advisors knowledge of the customer and their financial position. Any balances not considered recoverable are provided against. Where recovery is uncertain, a provision is made based on the likelihood that the debt will be recovered. The bad debts provision is disclosed in note 11.

3 Revenue

	2021	2020
	£	£
Revenue analysed by class of business		
Rental income	3,878,395	3,304,144

4 Exceptional items

	2021	2020
	£	£
Impairment	(4,383,962)	(3,646,173)

Investment properties have been impaired at the year end to accurately reflect the fair value at the balance sheet date. This impairment includes professional fees capitalised on acquisition of these properties.

5 Auditor's remuneration

	2021	2020
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	6,600	6,400
For other services		
Other services	25,056	45,843

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021	2020
	Number	Number
	3	3

7 Investment income

	2021	2020
	£	£
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	7	2,541

Income above relates to assets held at amortised cost, unless stated otherwise.

8 Finance costs

	2021 £	2020 £
Other interest payable	3,125,830	2,483,886

9 Income tax expense

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	-	129,083
Adjustments in respect of prior periods	19	(5,521)
Total UK current tax	19	123,562
Deferred tax		
Origination and reversal of temporary differences	217,203	-
Total tax charge	217,222	123,562

The charge for the year can be reconciled to the loss per the income statement as follows:

	2021 £	2020 £
Loss before taxation	(4,581,628)	(3,407,643)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(870,509)	(647,452)
Effect of expenses not deductible in determining taxable profit	70,744	469
Change in unrecognised deferred tax assets	876,009	679,994
Adjustment in respect of prior years	19	(5,521)
Transfer pricing adjustments	140,959	96,072
Taxation charge for the year	217,222	123,562

10 Investment property

	2021 £	2020 £
Fair value		
At 1 April 2020	52,490,000	48,050,000
Additions through acquisition	34,373,962	8,086,173
Fair value adjustment	(4,383,962)	(3,646,173)
At 31 March 2021	82,480,000	52,490,000

10 Investment property **(Continued)**

With the exception of three properties purchased since December 2020, as at 31 March 2021 the fair values of investment properties are based on valuations performed by Knight Frank LLP, a firm of valuers independent of CIFCO Capital Limited. The independent valuers hold professional qualifications with the Royal Institute of Chartered Surveyors.

The Knight Frank valuation as at 31 March 2020 included a material valuation uncertainty, as a result of the COVID-19 pandemic, meaning that less certainty and a higher degree of caution should be attached to their valuation than would normally be the case. Accordingly, as a result of the adverse impact of the COVID-19 pandemic, a material uncertainty existed in relation to the valuation of investment properties as at 31 March 2020.

There is no material uncertainty in respect of the valuation of investment properties as at 31 March 2021.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period totalled £270,006 (2020: £135,053).

11 Trade and other receivables

	2021 £	2020 £
Trade receivables	1,082,067	422,263
Provision for bad and doubtful debts	(318,602)	(22,343)
	763,465	399,920
Other receivables	149,788	142,532
Prepayments	177,653	70,506
	1,090,906	612,958

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

12 Trade receivables - credit risk

Fair value of trade receivables
The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Ageing of impaired trade receivables
Trade receivables have been impaired at the year end where the directors consider it is unlikely that specific tenants will be able to pay their rent arrears.

12 Trade receivables - credit risk **(Continued)**

Movement in the allowances for doubtful debts	**2021**	**2020**
	£	**£**
Balance at 1 April 2020	22,343	-
Additional allowance recognised	318,602	22,343
Amounts written off as uncollectible	(22,343)	-
Balance at 31 March 2021	318,602	22,343

13 Borrowings

	Current		**Non-current**	
	2021	**2020**	**2021**	**2020**
	£	**£**	**£**	**£**
Borrowings held at amortised cost:				
Loans from parent undertaking	969,200	537,457	88,598,750	54,008,886

	2021	**2020**
	£	**£**
Secured borrowings included above:		
Loans from parent undertaking	89,567,950	54,546,343

Borrowings are secured on the investment properties of the Company.

14 Market risk

Market risk management

Market risk is the risk that changes in market prices, such as interest rates and property prices, will affect the Company's income or the value of its assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company pays interest on long term borrowings. CIFCO Capital Limited has no exposure to fluctuations in interest rates as the rates payable by the Company have been fixed for the full term of the loan agreements.

Property price risk

The Company is exposed to market risks associated with its investment property assets held at fair value.

The Company mitigates its exposure to fluctuations in the market price of investment property by holding a diverse portfolio of assets. The portfolio includes properties located in different geographical areas of the United Kingdom and a mix of retail and manufacturing properties.

15 Fair value

The fair value of financial assets and liabilities held at fair value has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

There have been no transfers between categories in the current or preceding period.

The Company holds investment properties at fair value. These are categorised as Level 3 in the above fair value hierarchy. The effect of the fair value measurement of these assets is shown in note 4 to these financial statements.

16 Trade and other payables

	2021	2020
	£	£
Trade payables	122,705	124,003
Amount owed to parent undertaking	528,843	494,880
Accruals	130,642	71,271
Social security and other taxation	207,407	120,918
Other payables	149,791	142,532
	1,139,388	953,604

17 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	ACAs
	£
Deferred tax liability at 1 April 2019 and 1 April 2020	-
Deferred tax movements in current year	
Charge to profit or loss	217,203
Deferred tax liability at 31 March 2021	217,203

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

18 Deferred revenue

	2021	2020
	£	£
Arising from rental contracts	1,893,429	789,318

Analysis of deferred revenue

Deferred revenues are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2021	2020
	£	£
Current liabilities	1,893,429	789,318

19 Share capital

	2021	2020	2021	2020
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary A shares of £1 each	3,997,864	3,014,595	3,997,864	3,014,595
Ordinary B shares of £1 each	3,997,864	3,014,595	3,997,864	3,014,595
	7,995,728	6,029,190	7,995,728	6,029,190

A and B shares rank pari passu in all respects.

Reconciliation of movements during the year:

	Ordinary A Shares Number	Ordinary B Shares Number
At 1 April 2020	3,014,595	3,014,595
Issue of fully paid shares	983,269	983,269
At 31 March 2021	3,997,864	3,997,864

983,269 Ordinary £1 A Shares and 983,269 Ordinary £1 B Shares were issued during the year to finance the acquisition of investment property.

20 Share premium account

	2021	2020
	£	£
At the beginning of the year	4	653,574
Issue of new shares	1,922,954	-
Bonus issue of shares	-	(653,570)
At the end of the year	1,922,958	4

As at 31st March 2021, a share issue remained outstanding in respect of properties purchased prior to the year end. The equity funding in relation to this property was recognised as share premium on the issue of share capital during the period. During the year ended 31 March 2022, a bonus issue of Ordinary A and B shares has been made to reduce the share premium account balance.

21 Other leasing information

Lessor

Revenue includes income from the lease of investment properties to third parties. Lease terms vary across the property portfolio.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2021	2020
	£	£
Within one year	4,328,975	3,336,287
One to two years	3,867,702	2,611,586
Two to three years	3,608,773	1,931,450
Three to four years	3,403,530	1,256,980
Four to five years	2,861,959	990,392
Over five years	4,855,807	2,352,956
Total undiscounted lease payments receivable	22,926,746	12,479,651

No contingent rental income has been recognised.

22 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, cash and cash equivalents and equity comprising share capital, share premium and retained earnings. The Company regularly reviews the capital structure and as part of this review considers the cost of capital and the risks associated with each class of capital.

The Company has a target gearing ratio of 90% determined as the proportion of debt to equity.

The majority of capital introduced to the Company is immediately used for the purchase of investment properties and is therefore considered to be low risk.

22 Capital risk management (Continued)

The Company is not subject to any externally imposed capital requirements.

23 Events after the reporting date

On 15 July 2021 the company made a bonus issue of 960,883 Ordinary A Shares and 960,883 Ordinary B Shares to convert share premium to share capital.

24 Related party transactions

Other transactions with related parties

During the year the Company entered into the following transactions with related parties:

	Finance costs		Recharged overhead costs	
	2021	2020	2021	2020
	£	£	£	£
Entities with joint control or significant influence over the company	3,125,830	2,483,886	84,626	83,106

The following amounts were outstanding at the reporting end date:

	2021	2020
Amounts due to related parties	£	£
Entities with joint control or significant influence over the company	90,210,794	55,114,345

Amounts owed to related parties are secured on the Company's investment properties.

No guarantees have been given or received.

The company is under the joint ownership of MSDC (Suffolk Holdings) Limited, a 100% subsidiary of Mid Suffolk District Council and BDC (Suffolk Holdings) Limited, a 100% subsidiary of Babergh District Council.

During the year ended 31 March 2021, CIFCO Capital Limited incurred finance costs totalling £1,562,915 (2020: £1,241,943) payable to Babergh District Council. At 31 March 2021 it owed £45,063,397 (2020: £27,520,612) to Babergh District Council. In addition, CIFCO Capital Limited incurred overhead costs in the year to 31 March 2021 totalling £84,626 (2020: £83,106) payable to Babergh District Council.

During the year ended 31 March 2021, CIFCO Capital Limited incurred finance costs totalling £1,562,915 (2020: £1,241,943) payable to Mid Suffolk District Council. At 31 March 2021 it owed £45,063,397 (2020: £27,520,612) to Mid Suffolk District Council.

25 Directors' transactions

During the year a total of £36,000 (2020: £30,000) in management fees were paid to three non executive directors.

26 Cash generated from operations

	2021	2020
	£	£
Loss for the year after tax	(4,798,850)	(3,531,205)
Adjustments for:		
Taxation charged	217,222	123,562
Finance costs	3,125,830	2,483,886
Investment income	(7)	(2,541)
Fair value loss on investment properties	4,383,962	3,646,173
Movements in working capital:		
Increase in trade and other receivables	(477,948)	(397,896)
Increase in trade and other payables	185,784	354,934
Increase/(decrease) in deferred revenue outstanding	1,104,111	(133,916)
Cash generated from operations	3,740,104	2,542,997

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 12

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BABERGH DISTRICT COUNCIL

TO:	**Council**	**REPORT NUMBER:**	**BC/21/16**
FROM:	**Councillor Derek Davis, Cabinet Member for Communities**	**DATE OF MEETING:**	**21 September 2021**
OFFICER:	**Vicky Moseley, Corporate Manager, Communities & Wellbeing**	**KEY DECISION REF NO. N/A**	

JOINT WELLBEING STRATEGY

1. PURPOSE OF REPORT

1.1 The Council's Joint Corporate Plan sets out six strategic priorities, namely Communities, Environment, Economy, Customers, Housing and Wellbeing.

1.2 This report seeks approval for the Council's first Wellbeing Strategy to support that priority.

2. OPTIONS CONSIDERED

2.1 To develop a Wellbeing Strategy or not.

2.2 By developing a Wellbeing Strategy the Council is able to set out its strategic vision, approach, outcomes and objectives to support the wellbeing priorities of its local communities, using this to most effectively direct resources, measure impact and change tactics if necessary. Understanding and addressing the wellbeing of our communities has rarely been more important than at present as we live in the shadow of a global pandemic.

2.3 Without such a strategy need may not be well understood and the allocation of resources may not be targeted effectively to support our communities.

3. RECOMMENDATIONS

It is recommended that:

3.1 The Joint Wellbeing Strategy, attached as Appendix 1, is approved.

3.2 The Assistant Director for Communities and Wellbeing, in consultation with the Cabinet Member for Communities, be delegated authority to make future amendments and updates to the Strategy, in response to changing needs.

3.3 After the Strategy has been approved, that the Assistant Director for Communities and Wellbeing in consultation with the Cabinet Member for Communities, be delegated authority to develop and implement a Delivery Plan.

REASON FOR DECISION

That the Council has a clear strategy and delivery plan to ensure that wellbeing within our communities is effectively addressed and supported.

4. KEY INFORMATION

Defining Wellbeing

4.1 Wellbeing, put simply, is about 'how we are doing' as individuals, within communities and society and how sustainable that is for the future. This is a holistic view of peoples' lives, taking in not just health, but our opportunities, engagement and success in other areas of life including social, civic, economic and the built and natural environment.

Measures of National Wellbeing

4.2 The Office for National Statistics collects the Measures of National Wellbeing, which organises nationally surveyed and gathered data into different areas of life affecting wellbeing. We have adopted these 10 areas, set out in the table below, as themes that will provide a framework for our outcomes and objectives.

Theme	Definition
Personal Wellbeing	Personal Wellbeing includes individual's feelings of satisfaction with life, whether they feel the things they do in their life are worthwhile and their positive and negative emotions.
Our Relationships	Positive relationships have one of the biggest impacts on our quality of life and happiness. This theme includes satisfaction with personal relationships and feelings of loneliness.
Health	An individual's health is recognised as an important component of their well-being. This theme contains both subjective and objective measures of physical and mental health.
What we do	How an individual spends their time and whether they find those activities rewarding. Includes work and leisure activities and the balance between them.
Where we live	Reflects an individual's dwelling, their local environment and the type of community in which they live. Measures include having a safe, clean and pleasant environment, access to facilities and being part of a cohesive community.
Personal Finance	An individual's financial circumstances, recognising the role of income in realising other aspects of wellbeing and the pressure caused by financial hardship. Includes household income and wealth, its distribution and stability.
The Economy	Provides context for well-being as economic conditions drive outcomes for work, health, education, and crime. Includes measures of inflation and public sector debt.
Education and Skills	Includes aspects of education and the stock of human capital in the labour market with some more information about levels of educational achievement and skills.
Governance	The sense of empowerment in government and of proper representation is important to individual wellbeing. It reflects a view of societal fairness and personal agency.
The Natural Environment	This theme concerns our engagement with the natural world now and our collective future. It reflects areas such as climate change, the natural environment and the effects our activities have on the global environment.

The Wellbeing Strategy and its focus

4.3 This strategy sets out the vision for the wellbeing of our communities, defines the long and short term outcomes, describes the approaches we will adopt and identifies the strategic objectives that need to be achieved to get the right results. Once the strategy has been agreed, we will build on existing wellbeing programmes and develop a detailed Delivery Plan and measures of success against which progress and impact will be evaluated.

4.4 Our priority is to do everything we can to stimulate and enhance the social, economic, environmental and cultural wellbeing of our communities. It is well recognised that the broader determinants of health are particularly important in ensuring a healthy and happy population and these are also the types of well-being issues over which Councils have some control and influence; for example, stimulating our local economy, managing our environment, developing and managing our homes or providing leisure facilities. This strategy therefore does not duplicate the wellbeing impacts already contained within our Economy, Housing, Environment and Communities Strategies. These other strategies will however be reviewed to ensure wellbeing outcomes are being optimised through those strategies; and performance in relation to those aspects will be included when we are reporting on our performance in respect of wellbeing.

4.5 This Wellbeing Strategy will focus most particularly on **personal wellbeing, relationships, Health, the local communities where we live and what we do with our time.** The outcomes, objectives and actions associated with this strategy will be planned and delivered in partnership with both internal and external stakeholders.

Strategic Vision for Well-Being

4.6 Our vision is that:

‘The residents of Babergh and Mid Suffolk will have the best possible conditions for good wellbeing and have lives that are healthy, happy and rewarding.’

A summary of the key local well-being challenges

4.7 In considering **the Approach, Outcomes and Objectives** for this Strategy we have taken into account:

- the feedback from internal and external stakeholders during the workshops and briefings;
- the findings for Babergh & Mid Suffolk from the ONS Measures of National Well-Being survey and data; and
- Local information about the impact of the Covid-19 pandemic on our communities.

4.8 In summary, we are amongst the least deprived third of Local Authority areas in England, but relative deprivation is rising. Deprivation is made more challenging as it is often hidden, dispersed amongst areas with more affluent households. Housing costs are high, which when combined with low wages and skills levels, and now increased unemployment and significantly more people claiming out of work benefits, leads to financial hardship, ill health and inequality. Homelessness has risen during the pandemic, as has food poverty. We have comparatively high levels of fuel poverty. As an aging demographic, dementia is a growing issue and there is a need to support our growing aging population to remain independent and in good health for as long as possible. Mental health issues have increased during the pandemic for all age groups and referrals to mental health services have risen significantly. Domestic abuse has also increased. Isolation and loneliness have become an even bigger issue over the last year for both young and old. A quarter of the population don’t take regular exercise and 1:4 year 6 children are overweight or obese. Anti-Social Behaviour and County Line drug related issues are an issue of concern in some parts of the districts.

As predominantly rural districts, many of our places lack adequate transport provision and sometimes also broadband. Access to green spaces, parks and woodlands involves more travel and has a lower reported rate of use than might be expected. Some residents therefore experience barriers to opportunities and social mobility.

4.9 Comments from stakeholders reflected that they had observed the above similar patterns and were keen to see these prioritised in the strategy. They were also keen to see an increase in support for families and young people as they were concerned about lasting social, economic, emotional and educational impacts of the pandemic for these groups. Digital isolation was also an area of concern as there was recognition that increasingly digital isolation can also exacerbate social isolation, having become an important part of community connectivity and communication in addition to in person contact.

4.10 Overall, there was recognition of the importance of enabling and supporting individuals at greatest risk, and those experiencing the greatest health inequalities, to be better able to take care of themselves and their health. Similarly, there was concern to identify groups and communities who find it more difficult to seek help.

4.11 The importance of delivering wellbeing improvements through behavioural change, integrated working and pooling resources and expertise was also recognised.

4.12 Stakeholders were keen to build on the unprecedented levels of community volunteering during the pandemic to increase social capital and strengthen civic participation. Similarly, they wanted to see a continuation of the collaborative approaches and innovative ways of working adopted by partners during this period.

4.13 The importance of prevention and early intervention was an underpinning theme in many of the discussions.

4.14 Finally, our engagement work identified a shared ambition to enable communities to live and stay well, take control of their own mental and physical wellbeing and to be able to do so locally, where they live and work.

<u>What does our Well-Being Strategy 2021 – 2027 aim to achieve?</u>

4.11 Our long-term outcomes will focus on enabling:

- *Families to lead active, healthy, safe, and independent lives and manage their own health & wellbeing;*
- *All communities to have sustainable and inclusive places, and spaces, which maximise health & wellbeing opportunities and benefits; and*
- *A reduction in Health inequalities.*

4.12 As this strategy spans the period to 2027, our long-term outcomes are supported by a set of shorter-term outcomes that will focus on the next two years and are accompanied by more detailed objectives set out in the strategy at Appendix One of this report.

Current Wellbeing activity

4.15 It's important to note that while we have been developing the Strategy our Wellbeing work has not stood still in two regards.

4.16 Firstly, over the last 18 months we have been at the heart of the Covid-19 response to communities, contacting more than 6,000 Clinically Extremely Vulnerable residents and making over 25,000 calls to our housing tenants to support their needs during lockdown. We also dealt with over 1,500 calls into the Home But Not Alone Service, with many cases presenting with complex challenges. We provided support and community grants for 107 projects in Babergh (total value £600k) as well as administering the Member Locality Grant awards. We are currently working with partners to support community groups with advice and Restart Grants to enable them to get back up and running following the easing of Covid-19 restrictions.

4.17 In addition, we have been working with partners and local communities on other well-being projects. Examples include:

- Active Well-Being is providing ongoing support for community activity programmes in Glemsford and Shotley and for Fit Village classes.

- The Active Schools programme has delivered in 8 locations in each district, for Babergh these were Acton, St Gregory & St Peter (Sudbury), Gt Waldingfield, Woodhall (Sudbury), Hadleigh Beaumont, Bures, Wells Hall (Gt Cornard) and Pot Kiln (Gt Cornard).

- The extended school holiday programme offered 11 projects in Babergh including swimming, drama, cookery, dance, football camp, arts activity days and science workshops.

- Free school holiday swimming for children and young people continues at our leisure centres.

- Piloting 'Our Parks' project, which was run at the recreation ground beside the Stevenson Centre in Great Cornard and was developed to target inactivity by providing free activity sessions led by an instructor in outdoor spaces.

- Contributing to community safety campaigns on Anti-Social Behaviour and Domestic Abuse.

- Overhauling Anti-Social Behaviour systems, including Community Trigger process, case management software, improvements to the website and the implementation of our anti-social behaviour action plan.

- Working with the Integrated Neighbourhood Teams (CCG) on the wider determinants of community health on a variety of projects, most involving social prescribing, whether linked to mental health, aging well, dementia or work with young parents.

5. STAKEHOLDER ENGAGEMENT/CONSULTATIONS

5.1 This Strategy has been developed through discussions and workshops with Councillors, key internal officers and with many of our partner organisations in the public, health and voluntary sector, recognising the additional impact of a collaborative internal and external partnership approach to create the conditions for happy, healthy, vibrant communities. Further engagement will take place during the development of the Delivery Plan.

6. LINKS TO CORPORATE PLAN

6.1 Wellbeing is one of the six key priorities in the Joint Corporate Plan and plays a significant role in achieving the Council's overarching vision to build 'great communities with bright and healthy futures that everyone is proud to call home.'

6.2 The intention is to ensure that the Council adopts a wellbeing culture in everything it does; that our work is inherently about people's quality of life, sense of place and of identity. The wellbeing strategic priority must therefore affect the way all services and strategies operate and how we can influence others to play their part.

6.3 The Wellbeing Delivery Plan will signpost to the other strategies in the Corporate Plan that play a key role in delivering wellbeing outcomes.

7. FINANCIAL IMPLICATIONS

7.1 There are no direct financial implications associated with this report. However, the implementation of the strategy could, in the future, have financial implications, which will be addressed through external bids or applications to the Strategic Priorities Reserve.

8. LEGAL IMPLICATIONS

8.1 There are no legal implications associated with this report.

9. RISK MANAGEMENT

9.1 The risk in the Significant Risk Register most closely associated with this strategy is Risk 16 – Failure to achieve our vision and strategic priorities and ambitions.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to achieve our Vision and Strategic priorities and ambitions because: The Wellbeing Strategy does not reflect the needs of local communities.	2 (Unlikely)	2 (Noticeable / Minor)	The Strategy is deliberately 'High Level' and is informed by a sound evidence base, which will be kept under review. The Delivery Plan will be informed by dialogue with statutory, voluntary and community sector partners, Town & Parish Councils and internal service areas. The Delivery Plan will be monitored continuously and flexed to respond to immediate and changing needs.
Failure to achieve our Vision and Strategic priorities and ambitions because: The Wellbeing Strategy is not achievable.	2 (Unlikely)	2 (Noticeable / Minor)	Progress and effectiveness will be monitored by the Communities & Wellbeing Programme Board and quarterly progress will be reported to Cabinet. Projects will not be agreed until corresponding resources are identified. Partners/Stakeholders will be part of the Delivery Plan recognising that the Strategy cannot be delivered by the Council on its own.
Failure to achieve our Vision and Strategic priorities and ambitions because: We are unable to develop strong partnerships to deliver Wellbeing initiatives	2 (Unlikely)	2 (Noticeable / Minor)	Partners/Stakeholders have been involved in the development of the Strategy and will continue to be involved in the development of the Delivery Plan. There is already substantial engagement at both a strategic and operational level across the partnerships that most closely support well-being, including the Health &Wellbeing Board, the two Alliances and the West Suffolk Community Safety Partnership.

10. EQUALITY ANALYSIS

10.1 There are no equality and diversity implications arising directly from the Wellbeing Strategy at this stage. The Equality Impact Screening Assessment is attached at Appendix Four of this report. When specific projects are identified as part of the Delivery Plan, further screening, and where necessary, full Equality Impact Assessments will be carried out.

10.2 It should be noted that reducing health and wellbeing inequalities is a key outcome of this strategy.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are positive environmental implications associated with this Strategy. Specifically, that our existing Carbon Reduction Management Plan and Bio-Diversity Plan and the emerging wider Environmental Strategy will support the theme of the Natural Environment to enhance the wellbeing of local communities. Our rich and diverse environment is a significant contributor to people's wellbeing and their association with place.

12. APPENDICES

Title	Location
Appendix 1 - Joint Wellbeing Strategy	Attached
Appendix 2 - Wellbeing Case Studies	Attached
Appendix 3 - Equality Impact Screening Assessment	Attached

BACKGROUND DOCUMENTS

12.1 Joint Corporate Plan

Babergh Corporate Plan 2019-2027

Leisure, Sport & Physical Activity Strategy

Babergh Cabinet Report - SPLA Refresh 05 July 2021

Leisure, Sport & Physical Activity Strategy

REPORT AUTHOR

Vicky Moseley – Corporate Manager for Communities & Well-Being

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Wellbeing Strategy 2021 -2027

Our Vision:

'The residents of Babergh and Mid Suffolk will have the best possible conditions for good wellbeing and have lives that are healthy, happy and rewarding.'

Contents

Foreword

People could be forgiven for not immediately recognising the significance of our Councils' role in promoting the wellbeing of communities. When we think about wellbeing the natural tendency is to focus on the type of health interventions that diagnose and treat illnesses and the public health messages that promote healthy lifestyle choices so we can all remain fit and independent for as long as possible.

The connections between our health and our wellbeing are well established. Making people feel optimistic, connected and happy is heavily influenced by other things; their home, the environment in which they live, their job and training prospects, the schools their children attend and how they can influence the things which really matter to them.

We believe, as your Council, that we should proactively configure the services we provide, and how we provide them, to optimise our impact upon these broader determinants of health and wellbeing. We have an opportunity to have more of a wellbeing impact in everything we do.

Some of our activities, such as housing those who are rough sleeping or homelessness, have an obvious positive wellbeing impact on our residents' lives, but we believe we can go further in everything we do. This strategy, therefore, offers us the chance to ensure we have a more comprehensive, pro-active, and connected approach.

The development of our Wellbeing Strategy has taken place in the shadow of Covid-19. This national emergency has caused anxiety and uncertainty across our communities. However, through this difficult time we have witnessed the determination, resilience and adaptability of our communities, residents, volunteers, partners and our own organisation. We have been overwhelmed, but not surprised, by the continued willingness and generosity of people of all ages and backgrounds to give their time and expertise as volunteers.

Our approach as your Council has also changed in response to the pandemic - supporting our communities and the local economy in novel ways, and planning for a swift recovery so that our districts can bounce back fully and continue to thrive. The wellbeing of our residents, communities and businesses will be key to this recovery.

We have listened to our partners, our Councillors, and staff from across the Councils to identify our wellbeing objectives and what we need to do to achieve them.

The long-term ambition and focus of this strategy is to enable families to lead active, healthy, safe and independent lives and manage their own health & wellbeing; to create sustainable places and spaces which maximise health and wellbeing opportunities and for health inequalities to be reduced.

Our aim is to do everything we can to stimulate and enhance the social, economic, environmental ,and cultural wellbeing of our communities and this will be achieved not only through this strategy, but by ensuring that well-being also continues to be embedded in the delivery of the strategies that support the Councils' five other strategic priorities.

Cllr Harry Richardson,
Mid Suffolk Cabinet Member for Health & Wellbeing

Cllr Derek Davis,
Babergh Cabinet Member for Communities

Introduction

The Strategy has been developed through discussions and workshops with Councillors, key internal officers, and many of our partner organisations in the public, health and voluntary sector, recognising the additional impact of a collaborative internal and external partnership approach to create the conditions for happy, healthy, vibrant communities.

The Councils' overarching vision is to build '**great communities with bright and healthy futures that everyone is proud to call home**.' Wellbeing is one of six key overlapping and intertwined priorities to deliver that vision.

Well-Being is already a consistent theme across many of our Councils' adopted plans and policies, for example, our commitment to the environment and tackling climate change, our work to eradicate homelessness, our plans to increase leisure, sport and physical activity, our development of Planning policy and our work to support the realisation of resilient, sustainable communities. We now want to build on this and ensure that we adopt a wellbeing culture in everything we do; that our work is inherently about people's quality of life, sense of place and of identity.

In seeking to improve wellbeing in our communities the Councils are also strongly committed to continuing to work closely with statutory, voluntary and community sector partners and town and parish councils.

This strategy is based upon the current and likely future needs as we and our partners understand them at this point in time. We will continue to monitor the impact of Covid-19 and other local developments through evidence and insight and adapt the strategy to ensure what we do remains relevant and effective.

The Framework for this Strategy

This Framework:

- Sets out the overall **Vision** for the wellbeing of our communities;
- Defines the required Strategic long and short term **Outcomes** for the well-being our communities;
- Describes the approaches we will adopt; and
- Identifies the Strategic **Objectives** that need to be achieved to help get the right results.

A **Delivery Plan** to support this Wellbeing Strategy will set out the specific **Actions** required to meet the objectives. The Delivery Plan will be an operational document, meaning that it will be updated and reviewed on an ongoing basis to reflect project work and progress toward the Objectives.

Defining Wellbeing

Wellbeing, put simply, is about 'how we are doing' as individuals, within communities, in our local areas and society and how sustainable that is for the future. This is a holistic view of peoples' lives, taking into account not just health, but our opportunities, engagement and success in other areas of life including social, civic, economic and the built and natural environment.

The illustration above, from the What Works Wellbeing Centre, illustrates how the things we do, our interactions and our context contribute to our overall sense of wellbeing. The different aspects of our lives that affect our wellbeing are reflected in the variety of different measures for these factors. The Office for National Statistics collects the Measures of National Wellbeing, which organises data from national surveys and other sources into different areas of life affecting wellbeing. The full set of headline measures of national well-being are organised into the 10 areas set out below and includes both objective data and subjective data.

We have adopted these 10 areas as themes that help us understand what our strategic objectives should be and how we will address the need in our Districts.

Personal Wellbeing

Personal wellbeing includes individuals' feelings of satisfaction with life, whether they feel the things they do in their life are worthwhile and their positive and negative emotions.

Our Relationships

Positive relationships have one of the biggest impacts on our quality of life and happiness. This theme includes satisfaction with personal relationships and feelings of loneliness.

Health

An individual's health is recognised as an important component of their well-being. This theme contains both subjective and objective measures of physical and mental health.

What we do

How an individual spends their time and whether they find those activities rewarding. Includes work and leisure activities and the balance between them.

Where we live

Reflects an individual's dwelling, their local environment and the type of community in which they live. Measures include having a safe, clean, and pleasant environment, access to facilities and being part of a cohesive community.

Personal Finance

Reflects an individual's financial circumstances, recognising the role of income in realising other aspects of wellbeing and the pressure caused by financial hardship. Includes household income and wealth, its distribution and stability.

The Economy

Provides context for well-being as economic conditions drive outcomes for work, health, education, and crime. Includes measures of inflation and public sector debt.

Education & Skills

Includes aspects of education and the stock of human capital in the labour market with some more information about levels of educational achievement and skills.

Governance [Trust & involvement in decision making]

The sense of empowerment in government and of proper representation is important to individual wellbeing. It reflects a view of societal fairness and personal agency and includes participation in democracy and trust in institutions.

The Natural Environment

This theme concerns our engagement with the natural world now and our collective future. It reflects areas such as climate change, the natural environment and the effects our activities have on the global environment.

Our Strategic Vision for Well-Being

Our overarching vision for wellbeing in Babergh and Mid Suffolk is intended to encompass the themes of the Measures of National Wellbeing and provides a holistic approach to supporting residents' lives. The vision is that:

'The residents of Babergh and Mid Suffolk will have the best possible conditions for good wellbeing and have lives that are healthy, happy and rewarding.'

A summary of the key local well-being issues at this point

In considering **the Approach, Outcomes and Objectives** for this Strategy we have taken into account:

- the feedback from internal and external stakeholders during the workshops and briefings;
- the findings for Babergh & Mid Suffolk from the ONS Measures of National Well-Being survey and data; and
- Local information about the impact of the Covid-19 pandemic on our communities.

In summary, we are amongst the least deprived third of Local Authority areas in England, but relative deprivation is rising. Deprivation is made more challenging as it is often hidden, dispersed amongst areas with more affluent households. Housing costs are high, which when combined with low wages and skills levels, and now increased unemployment and significantly more people claiming out of work benefits, leads to financial hardship, ill health and inequality. Homelessness has risen during the pandemic, as has food poverty. We have comparatively high levels of fuel poverty. As an aging demographic, dementia is a growing issue and there is a need to support our growing aging population to remain independent and in good health for as long as possible. Mental health issues have increased during the pandemic for all age groups and referrals to mental health services have risen significantly. Domestic abuse has also increased. Isolation and loneliness has become an even bigger issue over the last year for both young and old. A quarter of the population don't take regular exercise and 1:4 year 6 children are overweight or obese. Anti-Social Behaviour and County Lines drug related issues are an issue of concern in some parts of the districts. As predominantly rural districts, many of our places lack adequate transport provision and sometimes also broadband. Access to green spaces, parks and woodlands involves more travel and has a lower reported rate of use than might be expected. Some residents therefore experience barriers to opportunities and social mobility.

Comments from stakeholders reflected that they had observed the above similar patterns and were keen to see these prioritised in the strategy. They were also keen to see an increase in support for families and young people as they were concerned about lasting social, economic, emotional, and educational impacts of the pandemic for these groups. Digital isolation was also an area of concern as there was recognition that increasingly digital isolation can also exacerbate social isolation, having become an important part of community connectivity and communication in addition to in person contact.

Overall, there was recognition of the importance of enabling and supporting individuals at greatest risk, and those experiencing the greatest health inequalities, to be better able to take care of themselves and their health. Similarly, there was concern to identify groups and communities who find it more difficult to seek help.

The importance of delivering wellbeing improvements through behavioural change, integrated working and pooling resources and expertise was also recognised.

Stakeholders were keen to build on the unprecedented levels of community volunteering during the pandemic to increase social capital and strengthen civic participation. Similarly, they wanted to see a continuation of the collaborative approaches and innovative ways of working adopted by partners during this period.

The importance of prevention and early intervention was an underpinning theme in many of the discussions.

Finally, our engagement work identified a shared ambition to enable communities to live and stay well, take control of their own mental and physical wellbeing and to be able to do so locally, where they live and work.

Our Approach

Our approach to realising the Wellbeing Strategy reflects the views from the stakeholder engagement and is set out in the diagram below. While being similar to the principles in the Babergh & Mid Suffolk Communities Strategy, it is also in line with the jointly agreed approaches in the Suffolk Health & Well-Being Strategy, the Ipswich & East and West Suffolk Alliance Strategies and Western Suffolk Community Safety Partnership Plan.

A place based approach

We will work with people and communities based on where they live or work, not on our internal organisational structures or administrative boundaries.

A collaborative approach

We will work more effectively across teams, with our partners and communities, so we are more integrated in our approach to local issues.

A devolved approach

We will promote local decision making and local management of assets and other resources.

A preventative approach

We will build on early interventions that have the greatest long-term impact and we will encourage and enable communities to deliver and sustain preventative work themselves.

An enabling approach

We will provide resources and toolkits, as well as personalised advice, to help empower and enable communities to deliver the things they really want.

A needs based approach

We will utilise locally expressed needs as well as other data and evidence to prioritise our resources on places and people experiencing hardship or disadvantage where our support is needed most.

An intelligence led approach

We will develop and maintain data and local intelligence, so we understand more about our localities, their current and future challenges and opportunities, and how to target our interventions to best effect.

A partnership approach

We will identify and work with partners who are best placed and suitably skilled to support shared outcomes.

An inclusive approach

We will reach out to under-represented groups, supporting them to be active in their communities and to play a part in the decisions that affect them..

A values-based approach

We will ensure that our organisational values of positivity, honesty and personal responsibility underpin the new relationship with our communities..

What does our Wellbeing Strategy aim to achieve?

Our priority is to do everything we can to stimulate and enhance the social, economic, environmental and cultural wellbeing of our communities and these broader 'determinants of health' are also the types of issues over which Councils have some control and influence.

Our long-term outcomes to 2027

Our long-term focus will be on enabling:

- **Families to lead active, healthy, safe, and independent lives and manage their own health & wellbeing;**
- **All communities to have sustainable and inclusive places, and spaces, which maximise health & wellbeing opportunities and benefits; and**
- **A reduction in Health inequalities.**

As this strategy spans the period to 2027, our long-term outcomes are supported by a set of shorter-term outcomes that will focus on the next two years and are accompanied by more detailed objectives set out later in this document.

These short and medium term outcomes for the next two years have been themed in line with **the 5 Measures of Wellbeing that this strategy will focus on most, namely personal wellbeing, our relationships, Health, the local communities where we live and what we do with our time.** The other 5 Measures of Well-Being will be led primarily through other strategies and delivery plans, as set out in the table below.

Measure of well-Being	**Primary Babergh & Mid Suffolk strategy that will focus on this area of Well-Being**
Personal Wellbeing	Wellbeing Strategy
Our relationships	Well-Being Strategy
Health	Well-Being Strategy
What we do (includes both work and non-work time)	Well-Being Strategy *(with the key skills and employment aspects being led through the Economy Strategy)*
Where we live	Well-Being Strategy, Homes & Housing Strategy & Joint Local Plan
Personal Finance	Communities Strategy
The Economy	Economy Strategy (soon to be revised)
Education & Skills	Economy Strategy (soon to be revised)
The natural environment	Carbon Reduction Management Plan & Bio-Diversity Plan and the wider Environment Strategy due to be developed in 2021/22.
Governance (Trust and involvement in local decision making)	Communities Strategy

Our short to medium term outcomes

Wellbeing Theme: Personal Wellbeing

The identities and contributions made by people, communities, and local organisations to life in our Districts will be celebrated and further encouraged and developed.
People will have access to resources and activities that support good mental wellbeing and reduce anxiety
Wellbeing Theme: Our Relationships
People will have opportunities for social connection, whatever their situation, and fewer people will feel lonely.
People who care for and help others will be well supported and valued.
Support will be available to people who are abused or exploited and action will be taken against those that abuse others
Wellbeing Theme: Health
People will have good mental and physical health throughout most of their lives, and will be supported by the right opportunities, facilities and activities.
People with disabilities, long term health conditions and additional needs will be supported to access and enjoy all aspects of a full life, as independently as possible.
Wellbeing Theme: What we do
People will be able to participate in a rich choice of sport, arts and culture across the districts.
People will be equipped and empowered contribute to their communities as part of a thriving community, voluntary and charitable sector.
Wellbeing Theme: Where we live
People will have areas in which to live that are safe, clean, and pleasant.
People will be able live without fear of crime, anti-social behaviour, hate or exploitation.
People will have access to homes that are affordable, well-built, sustainable, attractive and in tune with their surroundings
People will be part of cohesive, vibrant, and active communities that embrace identity and heritage.
People will have convenient access to services.
People will have access to natural spaces.

Our Objectives to Support the Short to Medium Term Outcomes

The table below details the supporting objectives that will steer the activity to be delivered and developed as part of the Wellbeing Delivery Plan.

Outcomes	Objectives
Wellbeing Theme: Personal Wellbeing	
The identities and contributions made by people, communities, and local organisations to life in our Districts will be celebrated and further encouraged and developed.	The Councils will champion the commitment and impact of individuals living and working in our District on the quality of life for others.
	The Councils will champion the work of local charitable organisations in support of our communities.
	The Councils will work with VCSE organisations, Health partners and schools to develop a Youth Social Prescribing Programmes to support young people and their families reduce levels of anxiety, low self esteem and poor mental and physical health.
People will have access to resources and	The Councils will work in partnership with other organisations and with communities to tackle social isolation and loneliness.

activities that support good mental wellbeing and reduce anxiety	The Councils will enable and support community health and wellbeing activities by partners to reduce obesity, mental health concerns, loneliness and social isolation.
	The Councils will ensure continued staff training and development on the links between homelessness, mental health, drugs and alcohol, gangs, county lines, 'Making Every Contact Count' and Domestic Abuse/Violence.
	The Councils will collaborate with partners on social prescribing schemes and non-medical referral options to improve wellbeing.
	The Councils will work with partner organisations to reduce levels of anxiety and poor mental health caused by concerns about money, benefits, housing and employment.
	The Councils will support and promote the work of VCSE and other charitable organisations to ensure that individuals and families know where they can go for support when facing a crisis
	The Councils will emphasise their Active Wellbeing programme and enhance their physical activity offer, focusing on older people and those living in rural areas to remain active and connected to their communities.
	The Councils will promote and provide opportunities that support good mental health and wellbeing in our communities.
Outcomes	**Objectives**
Wellbeing Theme: Our Relationships	
People will have opportunities for social connection, whatever their situation, and fewer people will feel lonely	The Councils will work in partnership with other organisations and with communities to tackle social isolation, loneliness and mental health.
	The Councils will enable and support community health and wellbeing activities to reduce obesity, mental health concerns, loneliness, and social isolation.
	The Councils will work to enable social connections for those at greatest risk of loneliness and support others to do the same.
People who care for and help others will be well supported and valued	People with caring responsibilities will have access to support to maintain their own wellbeing.
	People with caring responsibilities will have access to activities to prevent them becoming isolated.
Support will be available to people who are abused or exploited, and action will be taken against those that abuse others	Agencies will work together to promote awareness and prevent domestic abuse, give support to those in abusive relationships and to those fleeing abuse.
	Agencies will work together to promote awareness and prevent radicalisation, to identify and support those at risk and tackle those wishing to exploit people through extreme ideologies
	Agencies will work together to identify and tackle incidents of 'mate crime' where criminals prey on vulnerable members of the community and use their resources for crime, such as 'cuckooing' for drug crime.
Wellbeing Theme: Health	
People will have good mental and physical health throughout most of their lives, supported by the right opportunities, facilities, and activities.	Reduced levels of inactivity and obesity amongst communities and in localities experiencing greater health inequalities.
	Increased opportunities to move more through a diverse, inclusive, and accessible programme of activities.
	Sustainable community sport, leisure and physical activity facilities that enable and support people to be active.
	Green and open spaces providing formal and informal opportunities to be 'everyday active'.
	A strong, sustainable and strategically aligned ecosystem of partnerships supporting residents to be more active
	The Councils will promote healthy communities through services and facilities that we provide.
	The Councils will work with other organisations to create opportunities for people to be healthier and more active and to sustain this so that they can age well.
	People will be supported by the Councils, in partnership with others, to have healthy lifestyles for all life stages including healthy eating and habits for good mental health so that people can live ang age well.
	People will be supported by the Councils, in partnership with others, to avoid risky behaviours and reduce the impact of smoking, drinking and substance misuse on our communities.

	The Integrated Neighbourhood Teams (INTs) (part of the multi-agency Connect Programme) will establish programmes for specific local needs and prevalent conditions.
	Where people struggle to provide healthy food for themselves through financial hardship they will be supported to secure necessities in the short term and improve their financial circumstances in the long term.
People with disabilities, long term health conditions and additional needs will be supported to access and enjoy all aspects of a full life, as independently as possible	Everyone has a suitable home, and residents are able to live as healthily, safely, independently as possible within sustainable Communities
	Homebuilders will be encouraged to consider the changing needs of our population and include homes within major developments that address those needs.
	The Councils will consider the needs of people with disabilities, mobility issues or additional needs in all their buildings and make all reasonable and practicable adjustments
	The Councils will consider the needs of people with disabilities or additional needs in the design and delivery of their services.
	The Councils will consult with representative organisations for people with disabilities or additional needs when taking major decisions that may affect them.
Outcomes	**Objectives**
Wellbeing Theme: What we do	
People will be able to participate in a rich choice of sport, arts and culture across the districts.	Support the rich culture and arts in our communities and ensure that it is celebrated and promoted. We will do this by aiding the development of venues, growth of organisations and creation of new activities not just in the towns but more widely.
	The venues and organisations that enable cultural activity in our Districts will be supported to thrive.
	People will be able to access cultural organisations, venues and events that increase their wellbeing and understanding of others
	Settlements across Babergh and Mid Suffolk, many of which contain historic assets, tourism, and leisure facilities, play an important role within the districts. New development that supports this role will be encouraged, where appropriate in the scale, character, and nature of their locality.
	People will be able to participate in cultural activities that contribute to their wellbeing and engagement with others.
	People will be happier, more resilient, and more connected through taking part in cultural activity.
	Develop insight into which groups in our communities are less physically active and where, to ensure resource is targeted where it is most needed and will have the most impact
	Increase the number and frequency of people from identified target groups and localities taking part in regular physical activity
	Encourage and increase locally based sports provision through more community use of schools, community centres, village halls and sports club facilities
People will be equipped and empowered contribute to their communities as part of a thriving community, voluntary and charitable sector.	The Councils will support community and charitable organisations to develop and to grow their contribution to life in our communities
	The Councils will support and help coordinate volunteering activities across our districts as part of the Suffolk Volunteering Strategy.
	The Councils will encourage our staff to take up volunteering opportunities, playing a direct role in the communities in which they live.
	We will support community and charitable organisations to develop projects and their contribution in our communities.
Outcomes	**Objectives**
Wellbeing Theme: Where we live	
People will have areas in which to live that are safe, clean, and pleasant	The Councils will work in partnership with others to tackle crime and Anti-Social Behaviour across our Districts.
	Our communities will be supported to feel and be safer through refocused and improved community safety work.

	People will be able to report fly-tipping easily and the Councils will take action to deter and enforce against fly-tippers and to ensure fly-tipping is cleared.
	The Councils will protect the environment in which people live and work, in relation to noise, waste and pollution.
	The Councils will ensure that licensable activities are appropriately permitted, and conditions are observed.
People should be able live without fear of crime, anti-social behaviour, hate or exploitation.	The Councils will support the work of the Western Suffolk Community Safety Partnership to tackle the challenges across our Districts, including Modern Day Slavery, Hate Crime, Violence Against Women & Girls and Anti-Social Behaviour.
	The places that we build or are built by others where the Councils are able to influence, will be designed to deter crime.
	Anti-Social Behaviour affecting our tenants or by them will be tackled using enforcement, mediation, and referrals for treatment interventions where necessary.
People will have access to homes that are affordable, well-built, sustainable, attractive and in tune with their surroundings	People live in vibrant and well-connected communities; and homes and communities continue to meet the changing needs of residents.
	Everyone has a suitable home, and residents are able to live as healthily, safely, independently as possible within sustainable communities.
	The Councils have strong relationships with residents, developers and other partners that enable the delivery of housing, infrastructure and services effectively, innovating where appropriate.
People will be part of cohesive, vibrant, and active communities that embrace identity and heritage	The Councils will contribute to vibrant communities and seek to embody the same, through richness and diversity of culture, experience and perspectives.
	People will have many opportunities to build social connections and reduce loneliness.
	Activities will be supported that bring together different sections of society and foster social cohesion, for example inter-generational activities, mentoring, cultural showcases, and inter-faith work.
	People will feel encouraged and enabled to volunteer in their community.
	Encourage civic and community engagement to improve a sense of belonging and create strong links within the wider communities.
People will have access to natural spaces	People will have access to high quality parks, open spaces, countryside sites and play areas.
	Use of natural and green spaces will be encouraged through activities provided by the Councils and others.

Working in Partnership

In seeking to improve wellbeing in our communities the Councils are strongly committed to continuing to work closely with statutory, voluntary and community sector partners and town and parish councils.

On this specific strategy there is particularly strong alignment with the Suffolk Health and Well-Being Board and the Ipswich & East and West Suffolk Alliances.

The Babergh and Mid Suffolk Wellbeing Strategy is consistent with the broader ambitions contained within the Suffolk-wide Health & Well-Being Board's Health & Wellbeing Strategy, including a focus on prevention, reducing health inequalities and enabling resilient communities. Other priority areas are also aligned including supporting people to optimise their own health and well-being, a focus on young people, supporting older people to age well and giving people the opportunity to improve mental health and wellbeing.

There is similar alignment with both of the Alliance Strategies, which have similar shared principles. [61,62]. We are supporting this work through our involvement locally through the Connect areas in the joint delivery of Integrated Neighbourhood Team Action Plans and activities that will enable people to stay well in their communities and retain their independence and good health and wellbeing for as long as possible.

The Connect Programme harnesses the statutory, voluntary and community sectors to work together to improve the health and well-being of communities. Babergh and Mid Suffolk is covered by five Integrated Neighbourhood Teams, namely Sudbury, Stowmarket, Eye/North West, South Rural and Bury Rural.

The Strategy will also support the priorities of the Western Suffolk Community Safety Partnership working alongside the police, local authorities, fire and rescue, probation service and health to address, local issues like anti-social behaviour, drug or alcohol misuse, domestic abuse and re offending.

A new joint Assistant Director post for Wellbeing, funded by Babergh & Mid Suffolk District Councils and the two Clinical Commissioning Groups, has been established to lead this new Wellbeing Strategy.

What do we know from local data and national research about the impact of Covid on Wellbeing of our Communities?

It is clear that the pandemic and the social distancing and lockdown measures imposed to manage Covid-19 have impacted on individuals, households and communities through the restrictions imposed on everyday social and economic activities.

Public Health England research has shown that the risk of catching Covid-19 and the likely outcomes are not evenly distributed within society, and this is true within our Districts. Greater age correlates to greater risk of serious illness and death from a Covid-19 infection. Other characteristics also infer greater risk; gender, deprivation, ethnicity and occupation all affected risk.

- *Despite making up 46% of diagnosed cases, men make up almost 60% of deaths from COVID-19 and 70% of admissions to intensive care units.*
- *The mortality rates from COVID-19 in the most deprived areas were more than double the least deprived areas, for both males and females.*
- *The highest…[rates] were in people of Black ethnic groups …and the lowest were in people of White ethnic groups…People of Chinese, Indian, Pakistani, Other Asian, Black Caribbean and Other Black ethnicity had between 10 and 50% higher risk of death when compared to White British.*
- *ONS reported that men working as security guards, taxi drivers and chauffeurs, bus and coach drivers, chefs, sales and retail assistants, lower skilled workers in construction and processing plants, and men and women working in social care had significantly high rates of death from COVID-19.*[45]

The instability in the economy undermines individual and family wellbeing, especially for the unemployed and those experiencing the prospect of redundancy, wage reductions and a reliance on benefits. Homelessness and the challenges of accessing social housing have a disproportionate impact on the most disadvantaged.

While the impact and duration of these changes is unknown, there has been a marked impact on employment in the data available so far. In January 2020, the unemployment rate for Suffolk was 2.4% and in December 2020 it had risen to 4.0% (people aged 16-64yrs).[46] This impact particularly affected young people aged 16-19 years where the rate rose from 7.2% to 22% in the same period[47]. This has been reflected in the number of people claiming unemployment benefits, which increased significantly at the first lockdown and remains high. For Babergh the count jumped from 861 to 2,110 claimants and in Mid Suffolk from 796 to 1,900 claimants for the same period[48].

The number of people claiming Universal Credit, which includes both people out of work and on low incomes, increased correspondingly during 2020 with rates in both Districts approximately doubling (Babergh 98.6%, Mid Suffolk 103.5%)[49]. The increases were approximately 55% greater amongst male claimants in both Districts[50]. By the end of June 2020, when the furlough scheme was closed to new individuals, 12,400 (32.3%) employments in Babergh and 13,700 (30.6%) employments in Mid Suffolk had been furloughed at some point since the scheme was launched in March 2020. This was in line with regional (30%) and national (32%) averages[51].

As well as challenges to people's incomes, different sections of the economy have been affected differently. New job postings in Suffolk jumped significantly in the first three months of 2020 for Transportation & Storage (53 new job postings in January 2020 to 854 in March 2020) and for Wholesale & Retail (906 new job postings in January 2020 to 2,285 in March 2020). This growth in advertised jobs was temporarily set back by each of the national 'lock downs' but continued an upward trend through to the most recent data (1,509 for Transportation and Storage and 3,272 for Wholesale & retail in May 2021). The same trend was evident to a lesser degree in Construction and Manufacturing. Other sectors dropped significantly before the pandemic, recovering slightly since - Administrative & Support, Information & Communication, Professional, Scientific & Technical and the Visitor economy[52].

The period before the first lockdown correlates to Britain's exit from the European Union and since March 2020 correlates to dramatic changes to people's routines, lifestyles, and spending habits due to the restrictions of the pandemic, in many cases switching activity online. Regardless of any interpretation of the causes, effects and long-term trends, the combined period has clearly been and remains volatile for people's employment, finances, and prospects.

Periods of highest social restriction or 'lockdowns' are associated with impacts on people's emotional wellbeing, relationships and mental health. Domestic abuse saw an increase in support cases referred, third party calls to the police and changing perpetrator profiles[53]. More than 1 in 3 people in Suffolk are estimated to have experienced high anxiety[54]. Depression in health care workers (50%) and burnout in doctors (44%) are issues highlighted by Public Health Suffolk[55].

Some studies have shown that the pandemic and restrictions have changed many people's habits nationally; some for better and some for worse. Many people changed their drinking habits (34.4%). Many increased (49% overall) but some heavier drinkers (40.1% of that group), particularly younger heavy drinkers (91.5%), decreased. 1 in 10 smokers stopped during the pandemic (12.9%) but those that still smoke, smoke more (39%)[56]. There is evidence that some non-gamblers took up online betting during lockdown (4% of study). Some of those continued after lockdown ended (1.4%), with 14.1% gambling more often.[57].

For young people there are particularly acute challenges. The Education Select Committee on the impact of the pandemic received evidence that the loss of learning disproportionately affected school children from deprived backgrounds, increasing their disadvantage[58]. They also heard that 83% of respondents in a survey of young people with existing mental health needs during the first lockdown felt the pandemic was making their mental health worse[59]. Young people were more likely to feel lonely before the pandemic [60], and it is reasonable to believe their social interactions will have been particularly affected by the restrictions on hospitality venues. As already stated, young adults are also more likely to be negatively affected in employment terms.

These factors provide an immediate challenge to the wellbeing of people in our Districts and a clear need for us to act. This Wellbeing Strategy underpins our actions, and we will continue to monitor and adapt it as the pandemic and its effects evolve.

What does the Office of National Statistics tell us about Wellbeing in our Districts according to the Measures of National Wellbeing?

Personal Wellbeing

In pre-pandemic polling, on average residents in Mid Suffolk scored their personal wellbeing and levels of anxiety as close to the England average. Residents in Babergh scored their wellbeing slightly higher than average[1,2] and their anxiety lower[3]. The incidence of mental ill health was lower than the national average in both districts.[4]

Generally, while a minority of residents face personal wellbeing challenges, life could be described as happy and unworried for many.

It is a note of concern however that for the latest period available the suicide rate was above the national average for both districts, particularly amongst men.[5] Referrals to mental health services for all ages has increased.

Our Relationships

The percentage of residents describing themselves as often or always lonely was above the England average in Mid Suffolk and below the average in Babergh[6]. Even at the lower rate in Babergh, more than one in twenty people being often or always lonely suggests that social isolation is a wellbeing challenge we need to address.

For both districts around a third of adults were not living as a couple (i.e., single, divorced, separated, widowed, or married and living apart)[7] and around a quarter were living alone[8] at the last Census. While social connection outside of the home is of importance to most it will be crucial to a significant minority.

Health

Overall, the physical and mental health of people in both Districts is generally similar or better than the national average[9] and life expectancy is higher[10,11], so people in Babergh and Mid Suffolk are in relatively good health. Most people in both districts take some form of regular exercise, though around one in four do not[12,13].

The healthy life expectancy for most people is comparatively high[14,15,] and the proportion of people living with a disability is low[16].

There are, however, areas to improve. For instance, whilst childhood obesity is below the national average, still more than 1 in 4 year 6 children were overweight or obese[17] with the associated lifetime health implications.

Supporting healthy lifestyles at all ages and in particular reaching those that are inactive or with poor diets would be beneficial.

What we do

The level of unemployment in both Districts is low, relative to others, but has increased during the pandemic,[18,19] with younger people being most affected. Recent data was not available for the proportion of people that felt they had 'good jobs' however in 2016 it was around half.[20]

The level of participation in sport[12] and volunteering are higher than the England average.[21] Both districts are rich in heritage assets and museums which are well visited.[22,23] Access to green spaces, parks and woodlands involves more travel and has a lower reported rate that might be expected.[24,25]

Where we live

People are affected by the rural nature of both Districts in that residential and employment locations are dispersed and transport is very reliant on car ownership. People are less likely to walk or cycle for travel than the national average.[26,27] They are likely to travel for longer to reach services[28] and slightly more likely to be killed or seriously injured on the road.[29]

The level of crime is comparatively low in most areas,[30] though some communities will require support with anti-social behaviour and County Lines drug crime is a threat to vulnerable and young residents.

Making it happen

Building upon the proposed long and shorter-term Outcomes and Objectives described in the tables above, the next stage is to build on our existing work on wellbeing and develop a Delivery Plan to support this new strategy.

The key actions will be subject to ongoing review and will be developed in partnership with key internal and external stakeholders to ensure joined up planning, delivery and resourcing.

The next stage will focus on:

1. **What?**
   What key actions are needed to achieve the Strategic Objectives and contribute to the Strategic Outcomes?

2. **How?**
   How are these key actions will be achieved and what are the more specific detailed actions that sit below these?

3. **Who?**
   Who will lead on the actions and what role will partners play in helping to deliver them?

In addition to this, the Councils' other key strategies will be reviewed to ensure that well-being outcomes are being optimised through those strategies and performance in relation to those aspects will be included when we are reporting on performance in respect of well-being.

Measuring and reporting on progress

The progress and effectiveness of the strategy will be tracked in a number of ways:

- ONS surveys and data gathered against the Measures of National Well-Being will continue to be used as a high level measure;
- More detailed measures of success will be drawn up as part of the outcomes and performance framework currently being developed to support the Councils' Corporate Plan;
- The Communities and Well-Being Programme Board will oversee progress, in detail, against the Wellbeing Delivery Plan and strategic outcomes;
- Performance will be reported quarterly to Cabinet;
- Progress against the strategy will be reported twice yearly at All Member briefings;
- Key measures from the underpinning data for this strategy will form a dashboard to track changing conditions for wellbeing and will inform whether our tactics need to change.

Appendices & footnotes

Appendix 1: *Wellbeing Strategy 2021 - 2027*

Appendix 2: *Case Studies*

Appendix 3: *Equality Impact Assessment Initial Screening*

Personal Wellbeing

1	Survey where respondents were asked to score their satisfaction with life out of 10: (10 is better)	Babergh 8.24/10	Mid Suffolk 7.18	England 7.66	Annual personal well-being estimates - ONS	2019-20
2	Survey where respondents were asked to score how happy they felt yesterday: (10 is better)	Babergh 7.86/10	Mid Suffolk 7.55	England 7.48	Annual personal well-being estimates - ONS	2019-20
3	Survey where respondents were asked to score how anxious they felt yesterday: (0 is better)	Babergh 2.81/10	Mid Suffolk 3.02	England 3.05	Annual personal well-being estimates - ONS	2019-20
4	Estimated prevalence of common mental disorders % of population 16+yrs:	Babergh 14.1%,	Mid Suffolk 12.7%	England 13.7%	Public Health Profiles - PHE	2017
5	Suicide rate per 100,000	Babergh 10.3	Mid Suffolk 10.8	England 10.1	Public Health Profiles - PHE	2017-19

Our Relationships

6	Percentage of people who "often or always" felt lonely:	Babergh 5.92%	Mid Suffolk 8.76%	England 7.26	Loneliness rates and well-being indicators - ONS	Oct 20 – Feb 21
7	Percentage of adults who are not living as a couple:	Babergh 34.0%	Mid Suffolk 31.7%		Census Data	2011
8	Percentage of 1-person households:	Babergh 28.2%	Mid Suffolk 25.4%		Census Data	2011

Health

9	Local Authority Health Profile	Babergh PHE	Mid Suffolk PHE		As left	2019
10	Life expectancy at birth: Female	Babergh 85.2yrs	Mid Suffolk 85.0yrs	England 83.4yrs	Suffolk Observatory – Data Explorer	2017-19

11	Life expectancy at birth: Male	Babergh 81.8yrs	Mid Suffolk 81.8yrs	England 79.8yrs	Suffolk Observatory – Data Explorer	2017-19
12	Amount of at least moderate intensity physical activity a week: less than 30 minutes	Babergh 22.9%	Mid Suffolk 24.3%	England 24.6%	Active Lives Results - SportEngland.org	Nov 2019-20
13	Amount of at least moderate intensity physical activity a week: 30-149+ minutes	Babergh 77.1%	Mid Suffolk 75.7%	England 75.6%	Active Lives Results - SportEngland.org	Nov 2019-20
14	Healthy life expectancy (upper age band 85+) Male	Babergh 67.5yrs	Mid Suffolk 67.6yrs	England 63.5yrs	Local Health - PHE*withdrawn	
15	Healthy life expectancy (upper age band 85+) Female	Babergh 68.5yrs	Mid Suffolk 68.7yrs	England 64.8yrs	Local Health – PHE*withdrawn	
16	Persons aged 16-64 registered disabled at Equality Act core level:	Babergh 18%	Mid Suffolk 12.6%	England 19.5%	Suffolk Observatory	Dec 2020
17	Children in year six classified as overweight or obese	Babergh 29.7%	Mid Suffolk 29.7%	England 34.3%	Public Health Profiles - PHE	2018-19

What we do

18	Unemployment rate: March 2020	Babergh 2.8%,	Mid Suffolk 2.5%	England 4%	Suffolk Observatory	Mar 2020
19	Unemployment rate: December 2020	Babergh 3.2%,	Mid Suffolk N/A	England 5%	Suffolk Observatory	Dec 2020
20	Economically active adults who view themselves as having 'good jobs':	Babergh 48.91%	Mid Suffolk sample too small	Suffolk 51.2% England 53.3%	Office for National Statistics	Dec 2016
21	Adults that volunteered at least twice in the last year in any role:	Babergh 19.2%	Mid Suffolk 18.4%	England 13.3%	Sport England	Nov 2019-20
22	Heritage assets score in 2016:	Babergh 223 out of 325	Mid Suffolk 299	N/A	Heritage Index - Royal Society for Arts, manufactures and commerce	2016
23	Population visiting heritage assets	Babergh heritage sites 62%, museums 42%, industrial heritage sites 18%,	Mid Suffolk heritage sites 66%, museums 59%, industrial heritage sites 26%,	N/A	Heritage Index - Royal Society for Arts, manufactures and commerce	2020

		historic parks and gardens 61%,	historic parks and gardens 32%			
24	Population with access to a 2hectare or greater woodland within 4,000m:	Babergh 32.5%,	Mid Suffolk 45.2%,	United Kingdom 67.9%	Woodland Trust	2017
25	Proportion of land classed as 'natural':	Babergh 3%	Mid Suffolk 2%,	United Kingdom 35%	BBC News (European Environment Agency)	2017

Where we live

26	Adults that walked for travel at least three days a week:	Babergh 14.3%	Mid Suffolk 12.2%	England 22.7%	Public Health Profiles - PHE	2018/19
27	Adults that cycled for travel at least three days a week:	Babergh 0.4%	Mid Suffolk 1.5%	England 3.1%	Public Health Profiles - PHE	2018/19
28	Average minimum travel time to reach nearest services by car:	Babergh 14.2 minutes	Mid Suffolk 14.6 minutes	England 10.8 minutes	Journey time statistics - GOV.UK	2017
29	Killed and seriously injured casualties on roads per 100,000:	Babergh 44.8	Mid Suffolk 46.6	England 42.6	Public Health Profiles - PHE	2016-18
30	Rate of all crime types (excluding fraud) per 1,000 persons over one year:	Babergh 53.9	Mid Suffolk 41.9	England 79.9	LG Inform	2020

The impact of Covid

45	Disparities in the risk and outcomes of COVID-19	Public Health England	Aug 2020
46	Suffolk CoronaWatch dashboard: Rate of Unemployment	Suffolk Office of Data & Analytics	Jan 2020-Dec 2020
47	Suffolk CoronaWatch dashboard: Rate of Unemployment	Suffolk Office of Data & Analytics	Jan 2020-Dec 2020
48	Suffolk CoronaWatch dashboard: Alternative Claimant Count	Suffolk Office of Data & Analytics	Jan 2020-Dec 2020
49	Suffolk CoronaWatch dashboard: People Claiming Universal Credit – Local Authority	Suffolk Office of Data & Analytics	Jan 2020-Dec 2020

50	Suffolk CoronaWatch dashboard: Profile of People Claiming Universal Credit	Suffolk Office of Data & Analytics	Jan 2020-Dec 2020
51	Suffolk CoronaWatch dashboard: Unique Job Postings	Suffolk Office of Data & Analytics	Jan 2020-Dec 2020
52	Impact of COVID-19 on Suffolk What do we know so far?	SODA - Healthy Suffolk (request)	Apr 2021
53	Domestic abuse and Covid-19: A year into the pandemic	Houses of Parliament Library	May 2021
54	Suffolk work completed and underway in support to Mental Health and Emotional Wellbeing	Public Health Suffolk (Health & Wellbeing Board presentation)	July 2020
55	Suffolk work completed and underway in support to Mental Health and Emotional Wellbeing	Public Health Suffolk (Health & Wellbeing Board presentation)	July 2020
56	Over a third have changed their drinking habits over the past year	UCL News - UCL – University College London	Apr 2021
57	Predictors and patterns of gambling behaviour across the COVID-19 lockdown: findings from a UK cohort study	Fluharty & Fancourt	Dec 2020
58	Covid-19 and Education Inequality: a missed opportunity?	Parliamentary Committee - Written Evidence	Mar 2021
59	Coronavirus: Impact on young people with mental health needs	YoungMinds - Report	March 2020
60	32.7% of 16-24yr olds reported feeling lonely some of the time, often or always - Loneliness - What characteristics and circumstances are associated with feeling lonely?	Office for National Statistics	2016-2017

Making it happen

61	Ipswich and East Suffolk Alliance Strategy 2018-2023	Ipswich and East Suffolk Alliance CCG	2018
62	West Suffolk Alliance Strategy 2018-23	West Suffolk Alliance CCG	2018

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The Arbons

Young family living in a small town

"We're exhausted most of the time and we want to be healthier"

Ages:	32, 34, 7 and 5
Household:	Couple with two children
Living:	Private renting
Occupations:	Teaching Assistant and Personal Support Worker

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The Arbon family are busy with work, school and childcare but their leisure time is mostly sitting watching TV. Mealtimes are in a rut, where the family often fall back on convenience cooking and takeaways. Everyone lacks energy and it's hard to be positive and motivated. The tightness of the household budget adds worry for Mum and Dad.

Their eldest comes home from school with a leaflet about free cookery classes in the town and later they hear some good things about the classes from other parents. The family are ready to give it a try and joined up to a 4-week cookery class together.

The classes give mealtimes a boost and Mum and Dad are more confident and inspired to cook. There are fewer takeaways and food is more fun. They're pleased to save money on the food bill and feel more energised.

The Arbons found it was fun to have an activity and the children have since used the free holiday programme at the Leisure Centre and now the family regularly swim together at the weekends.

The family are feeling happier and healthier and are spending more active time together.

The cookery classes are a project developed by the Councils' Communities Team in partnership with a local restaurant

The free children's activities are provided by the Councils through the companies running the leisure centre

The swimming pool is a facility provided by the Councils

Jenny

Jenny is a new mother in housing need

"Having Jack has been a total rethink and too much drama. Now I want a new life where I can stand on my own and Jack is still number one"

Personal wellbeing	
Our relationships	✓
Health	
What we do	✓
Where we live	✓
Personal finance	
The economy	
Education & skills	✓
Governance	
Natural environment	

Ages: 18
Family: Living alone with one child
Living: Renting social housing
Occupations: Not in education or employed

Jenny was attending college when she fell pregnant. She decided to have her baby but as her pregnancy progressed, she struggled to keep up her studies as she intended. The travel and study are too much, and she dropped out.

There have been a lot of arguments at home and Jenny stopping her studies ed to a big row. Her dad tells her she must move out. She isn't in a relationship with the baby's father and has nowhere permanent to go. Jenny stays on a friend's sofa and contacts the Council for help.

After talking to the team, she moves into a bed and breakfast while they work on a permanent solution. Unfortunately, Jenny and her father are unable to reconcile and by now Jenny is heavily pregnant and things are tough. After a short while Jenny moves into a housing association flat in the nearest town. Her mum visits her most days and is able to help when baby Jack arrives.

Having Jack is amazing (and tiring) and life is more settled and secure. Jenny misses seeing other adults (besides her mother) so she joins a local social media group for mums. Through it she joins a 'new mums coffee morning' that a few of her friends from the group attend.

By the time Jack is 18 months, Jenny is keen to find a part-time job and is worried about not finishing her course. Jenny is helped by her Work Well Suffolk Coach to find an apprenticeship with a firm nearby so she can earn and gain a qualification.

The Housing Solutions Team help people in housing need to find places in private rented and social housing.

The Communities Team worked with the Parish Council to decide what activities were needed in the area and identified social activities for new parents.

The Economic Development Team promote apprenticeships to local business and support them to access apprenticeship schemes

Gladys

A health problem has limited Gladys' social contact and made it hard to manage her home.

"My bad hip has been awful. It's so hard to get around and impossible to see my dancing friends. I'm desperate to get my life back"

Ages:	71
Family:	Lives alone
Living:	Privately owned
Occupations:	Retired

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Gladys recently underwent hip replacement surgery and wanted to return from hospital without delay. She struggles with the stairs and steps around her home, so her family made a referral directly to Council's Housing Solutions Team to see if she was eligible for funding to make some minor housing adaptations.

Her application was assessed by the team and she was able to have some changes to her house, like new handrails and a ramp, paid for by the Councils.

Gladys talked to the team about how hard it had been not being able go to her ballroom dancing while her hip was so painful. She'd felt trapped at home and felt lonely more often. She was worried about going home without a social activity to look forward to.

The team put her in touch with a Community Connector called Liz, based at the GP. Liz talked to Gladys about her interests and worries and was able to introduce her to the local Knit and Natter group at the village hall. The group are friendly and welcoming and the village hall is bright and modern.

In time Gladys recovers and returns to her dancing and she keeps up her Knit and Natter group. She is more active than before her operation and has made new friends

The Housing Solutions Team help people to access suitable housing and stay in their homes.

Community Connectors are part of a Social Prescribing programme. It connects people to activities to improve their wellbeing instead of using medical interventions. Referring Gladys is part of working together with our partners.

Village halls across the districts have received funding for refurbishment and modernisation through Community Infrastructure Levy, secured through Planning

Cecil

Older man living alone in a rural village

"I want to be with people, rather than sitting on my own at home".

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Ages:	81
Family:	Widower with no children
Living:	Privately owned
Occupations:	Retired construction worker

Cecil came to Britain from the Caribbean in the 60s and worked for over 30 years in the building trade as a carpenter. Sadly, Cecil lost his wife 2 years ago and over the last decade the friends from his working life have passed away. His brother lives in London so and he doesn't get to see him very often.

Cecil has always been active and an upbeat personality, but recently he's been struggling to keep busy. When he sees that the local Men's Shed group is looking for volunteers with DIY skills, he decides to find out more.

The Men's Shed is new for Cecil, but he's pleased to be able to pick up his tools again and pass on some of his carpentry skills. He and the other volunteers make and mend for the local community, like making bird boxes for the local school.

Cecil's upbeat way is welcome at the group and he is soon friends with the other volunteers. Derek invites him to join him at the local walking group too. Once a week the group take a gentle walk and talk through the local park and nature area.

Cecil feels boosted by his new activities: it's good to have the extra push to get outdoors and the work at the Men's Shed is rewarding.

The Men's Shed group is supported by Community Grant funding from the Councils

The Walking Group was set up with help and advice from the Communities Team

The Planning Team ensured the community land was created as part of new houses being built

Screening determines whether the policy has any relevance for equality, ie is there any impact on one or more of the 9 protected characteristics as defined by the Equality Act 2010. These are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership*
- Pregnancy and maternity
- Race
- Religion or belief (including lack of belief)
- Sex
- Sexual orientation

1. Policy/service/function title	Wellbeing Strategy
2. Lead officer (responsible for the policy/service/function)	Vicky Moseley Corporate Manager Communities
3. Is this a new or existing policy/service/function?	New
4. What exactly is proposed? (Describe the policy/service/ function and the changes that are being planned?)	Adoption of a Strategy for setting and delivering outcomes for both Districts under the Wellbeing strategic priority.
5. Why? (Give reasons why these changes are being introduced)	Wellbeing is one of the 6 Corporate Strategic Priorities. The Strategy identifies outcomes for the wellbeing of residents, communities and staff that the Councils will seek to achieve. The documents supporting the Strategy identify actions and areas of work across the organisation that contribute to delivering the outcomes. The purpose is to focus and give impetus to the organisation's work to improve the wellbeing of the residents of Babergh & Mid Suffolk.
6. How will it be implemented? (Describe the decision making process, timescales, process for implementation)	The Strategy will go to Babergh Council with a recommendation to adopt on 21 September 2021 and to Mid Suffolk Council on 23 September 2021. If adopted, an action plan to deliver each outcome within the strategy will be developed and progress reported in a number of ways, including through the quarterly performance reports to Cabinet. Service Areas will be expected to address the Wellbeing Strategy, alongside the other Strategies, in their Service Plans.

7. Is there potential for differential impact (negative or positive) on any of the protected characteristics?	No The Wellbeing Strategy is intended to inform work for residents across all characteristics in positive ways and a major thrust of the strategy is to address health and well-being inequalities. The Strategy itself does not prescribe the detailed actions to achieve the wellbeing outcomes it describes. However, some of the future work on delivery will be targeted according to demand or circumstances more commonly experienced by people with particular characteristics. In this way the effect may be different for different groups but should contribute to reducing existing differences. **For example**, unhappy relationships and personal safety affect personal wellbeing and both in turn are negatively affected in cases of domestic abuse. Significantly more women are affected by domestic abuse than men. The Councils will work to tackle domestic abuse and to promote and support help for those affected, both women and men. In doing so it will help meet its outcomes under the Wellbeing Strategy and the Communities Strategy to fulfil its Community Safety duties. There will be a differential impact as more women will require and benefit from positive interventions, both universal and selective, than men. **Another example** would be that loneliness and social connection affect wellbeing and that feelings of loneliness are more likely to be experienced by older single people or people in their late teens or early twenties. By instigating work to reduce loneliness, it may be appropriate to prioritise these groups. So that the impact of actions related to this strategy are properly considered, an Equality Impact Assessment will be carried out for the Wellbeing Strategy Delivery Plan and for any significant project created to deliver the outcomes of the strategy. In the previous example the EQIA would be undertaken before the loneliness project was implemented to identify differential need and opportunities to achieve fairer outcomes.
8. Is there the possibility of **discriminating unlawfully**, directly or indirectly, against people from any protected characteristic?	No None identified

9. Could there be an effect on **relations between certain groups?**	No negative effects identified. The Strategy has specific outcomes about supporting social connection and cohesive, vibrant communities. The effect on relations, where there is one, should be one of improvement.
10. Does the policy explicitly involve, or **focus on a particular equalities group**, i.e. because they have particular needs?	No. The Strategy is intended to address the wellbeing of all residents, communities and staff. Where projects are undertaken to address wellbeing needs a separate Equality Impact Assessment will be undertaken to identify particular needs, impacts and mitigations.

If the answers are 'no' to questions 7-10 then there is no need to proceed to a full impact assessment and this form should then be signed off as appropriate.

If 'yes' then a full impact assessment must be completed.

In the light of the responses to questions 7-10 a full impact assessment is not required.

Authors signature	Vicky Moseley
Date of completion	02 July 2021

Any queries concerning the completion of this form should be addressed to the Equality and Diversity Lead.

* Public sector duty does not apply to marriage and civil partnership.

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Agenda Item 15

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO:	**BDC Council** **MSDC Council**	**REPORT NUMBER: BC/21/17**
FROM:	**Leader of the Council**	**DATE OF MEETING: 21 September 2021** **23 September 2021**
OFFICER:	**Suzanne Hughes, Corporate Manager for Human Resources & Organisational Development**	**KEY DECISION REF NO. N/A**

PAY POLICY REPORT

1. PURPOSE OF REPORT

1.1 To consider whether to amend the current pay scales for the Assistant Directors, Strategic Director and Chief Executive.

2. OPTIONS CONSIDERED

2.1 To enhance the non-financial incentives and rewards for officers rather than increasing salaries. The Councils are in favour of this approach, as described in section 5 below, however given the Councils' current offer for all employees it is not believed that significantly more can be done in this regard which can sufficiently compensate for the shortfall in senior officer salaries which are available from other local authorities in the East of England.

2.2 The Councils have a 'market forces' policy that they could seek to utilise for the current vacancies within the Senior Leadership Team ('SLT'). Given the more fundamental issues highlighted in Appendix B, across all members of SLT, it is not considered appropriate, effective or sustainable to seek to address the challenge in this way.

3. RECOMMENDATIONS

3.1 That the salary for the Assistant Directors should be set at £78,000 to £90,000 with a scale of 3 points (£78,000, £84,000, and £90,000).

3.2 That the salary for the Strategic Director should be set at £100,000 to £120,000 with a scale of 3 points (£100,000, £110,000, and £120,000).

3.3 That the salary for the Chief Executive should be set at £140,000 to £160,000, with a scale of 3 points (£140,000, 150,000 and £160,000).

3.4 That delegated authority be granted to the Corporate Manager for Human Resources to make any consequential amendments to the current Pay Policy arising from recommendations 3.1 to 3.3

REASON FOR DECISION
Revisions to the Councils' Pay Policy and pay bands for senior officers are proposed in order to strike an appropriate and effective balance between providing adequate salaries for senior officers to secure and retain high quality employees, whilst at the same time recognising that this is public money.

4. BACKGROUND

4.1 With the support of Councillors, the Chief Executive has made incremental changes to the Senior Leadership Team ('SLT') over the last 4 years.

4.2 These changes have involved the removal of previous reliance on interim / consultant support within SLT and the deletion of the Deputy Chief Executive and one of the Strategic Director roles.

4.3 The Assistant Director roles have also been reconfigured to create more dedicated resources, aligned to the Councils' strategic priorities, for Economic Growth, Planning, Communities & Wellbeing and Customers & Digital Services.

4.4 The current structure chart, including all Corporate Manager roles is attached at Appendix A. It should also be noted that through restructuring during 2019 the importance and role of managers was recognised and professionalised. The number of Corporate Managers was also reduced by 6 post to 22.

4.5 The most recent change to SLT was made in April 2021 with the creation of the Assistant Director for Communities & Wellbeing role. This is a four-way shared role between Babergh and Mid Suffolk, and also both local Clinical Commissioning Groups. Unfortunately, however we failed to recruit to this role following advertisement earlier this year.

4.6 As a result of feedback during the recruitment process, in particular with regard to salary levels, the East of England Local Government Association ('EELGA') were commissioned to carry out a benchmarking review of our senior leadership salaries and to make recommendations to the Councils. This report and its recommendations are attached at Appendix B.

4.7 The Council's Chief Finance Officer (Section 151 Officer) has indicated her intention to retire in early 2022. As part of a managed transition and proper succession planning the Councils intend to advertise this role in the Autumn 2021.

4.8 The Council's Assistant Director for Economy also recently handed in her notice having secured a promotion to Strategic Director level with another Council elsewhere in the East of England. However, she has subsequently decided to stay at Babergh and Mid Suffolk for now. This is a critical role for the delivery of key Council projects; and to ensure that our local economy continues to recover, bounce back and thrive following the impacts of the pandemic.

5. REWARD & RECOGNITION

5.1 The Councils' approach to reward and recognition is much broader than just levels of pay. The Councils' have developed a wider package and culture of support, development, wellbeing, working environment, flexibility, agile working, values and behaviours that combined has helped attract, recruit and retain officers. This has enabled the Councils to recruit excellent officers whose skills and leadership have made a significant difference to the delivery of Councillors' political priorities and outcomes for local residents. Many other organisations in the public and private sector have however now adopted similar approaches as a result of the pandemic. The Councils are operating in an increasingly competitive market with officers able to further their local government careers anywhere else in the country.

5.2 Unlike other positions within the Council, which can and have been re-graded within the existing pay structures, the pay scales for the majority of SLT have not been reviewed since 2011. The Council's Pay Policy is clear that, "In the context of managing scarce public resources, remuneration at all levels needs to be adequate to secure and retain high quality employees, but at the same time needs to recognise that this is public money." EELGA's report highlights that in the two years since the Councils last recruited to SLT the salaries offered by Babergh and Mid Suffolk have become increasingly uncompetitive.

6. PAY POLICY

6.1 The Councils' Pay Policy is reviewed, as required by law, on an annual basis. It was last reviewed by Council in March 2021, ahead of the recent attempted recruitment. No changes were made to the Pay Policy in 2021. The risk section of the Council report however highlighted that "We have been advised by an LGA pay consultant that the current senior manager pay levels are lower than similar councils. We will therefore need to keep this under review."

6.2 The Pay Policy sets out:

a) The level and elements of remuneration for each chief officer

b) The remuneration of the Councils' lowest paid employees

c) The relationship between the remuneration of the Councils' chief officers and other officers

d) Other specific aspects of chief officers' remuneration, use of performance related pay and bonuses, termination payments and transparency.

6.3 The Chief Executive's post was last evaluated 5 years ago ahead of the recruitment of the current Chief Executive. The Assistant and Strategic Director roles have not been re-evaluated since the Councils began working together over 10 years ago.

6.4 The Pay Policy specifies that the Chief Executive's salary will "normally be no greater than 8 times the full time equivalent ('FTE') salary range of a grade 1 'green book' employee. This is well within the recommended multiplier of no more than 12 times the lowest paid employee". The Councils' lowest paid employee's salary is £18,933. If recommendation 3.3 is approved then the top of the Chief Executive's salary band would be 8.5 times that of our lowest paid employee.

6.5 The Pay Policy also contains similar ratios for the Strategic and Assistant Directors. These are respectively normally no greater than 7 times and 5 times the FTE salary range of a Grade 1 'Green Book' employee.

6.6 If recommendation 3.2 is approved then the top of the Strategic Director's salary band would be 6.3 times that of our lowest paid employee.

6.7 If recommendation 3.1 is approved then the top of the Assistant Director's salary band would be 4.8 times that of our lowest paid employee.

7. REVISED PAY SCALES

7.1 The recommendations, and reasons for them, are set out in detail within the attached EELGA report. The pay band recommendations have been developed in line with the Councils' Pay Policy of being "adequate to secure and retain high quality employees, but at the same time needs to recognise that this is public money".

7.2 It is recommended that the pay bands for the Assistant Directors, Strategic Director and Chief Executive be increased and simplified so that there are just three salary points within each band. There is also a further simplification proposed which would amalgamate the additional payment currently made to the two statutory officers (Chief Finance Officer and Monitoring Officer) into their base salary.

7.3 The pay bands for Assistant and Strategic Directors have not been reviewed for 10 years, and 5 years for the Chief Executive. The proposed amendments are designed to provide stability for the next 5 to 10 years. EELGA's recommendations are:

- that the salary for the Assistant Directors should be set at £78,000 to £90,000 with a scale of 3 points (£78,000, £84,000, and £90,000).
- that the salary for the Strategic Director should be set at £100,000 to £120,000 with a scale of 3 points (£100,000, £110,000, and £120,000).
- that the salary for the Chief Executive should be set at £140,000 to £160,000, with a scale of 3 points (£140,000, 150,000 and £160,000).

8. LINKS TO CORPORATE PLAN

8.1 It is essential to the leadership and delivery of the Councils' priorities that the Councils are able to continue to recruit and retain highly skilled and effective senior officers.

9. FINANCIAL IMPLICATIONS

9.1 The costs of all officer roles, including those within the senior leadership team, are shared between Babergh and Mid Suffolk Councils. Those currently below the revised lowest pay band would be uplifted to the new lowest pay point. All other officers would be transferred across to their nearest new pay point. Any future progress within the revised pay bands would remain subject to performance delivery.

9.2 The financial impact of the recommendations is shown in the tables below. All of the figures shown in the tables are per council, per year, excluding on costs.

Table 1

Per Council, per year (excluding on costs)	2021/22 (current year)	2022/23	2023/24	2024/25
Ongoing savings from removal of 2nd Strategic Director post	-£33,500	-£33,500	-£33,500	-£33,500
Savings from delayed / failed recruitment of Assistant Director for Communities & Wellbeing	-£9,286.50	0	0	0
Additional cost of EELGA recommendations	£9,156	£21,670	£26,500	£3,000

Table 2

Per Council, per year (excluding on costs)	2021/22 (current year)	2022/23	2023/24	2024/25
Net cumulative cost or savings per council against 2021/22 budget	£33,630.50 saving	£6,482 cost	£32,982 cost	£35,982 cost

9.3 The financial impact of implementing the recommendations is shown in the bottom row of Table 1. For example, in the current financial year, the cost to each Council of implementing the recommendations is £9,156. This is figure has been calculated assuming implementation on 1st October 2021.

9.4 Assuming good performance and that all members of SLT progress up the recommended pay scales then the additional costs per council, per year, rise in the subsequent two years to £21,670 and £26,500 respectively. By 2024/25 there is a smaller increase of £3,000 because Table 1 assumes by then that the majority of SLT will have progressed to the top of their recommended pay scale. If there is any staff turnover within SLT during that period then the actual costs may be lower. Table 1 therefore represents the maximum potential additional costs to each Council, each year.

9.5 Table 2 provides a summary of the impact to the base budget of each Council. These figures are net of the savings made from deleting the second Strategic Director post and the savings in 2021/22 of not yet having appointed to the new Assistant Director for Communities & Wellbeing post. These figures are also cumulative, showing the impact in each year of not just the additional costs of SLT progressing up their pay scales in that year, but also the impact of them having done so in each of the previous years.

9.6 Assuming all members of SLT reach the top of the recommended new grades then the ongoing annual impact to each council's budget, compared to the salary structures before the second strategic director post was deleted, is £35,982 as shown in the column for 2024/25 in Table 2. The Councils assume on costs of 33% on top of senior salaries. Including on costs the ongoing annual impact to each council's budget, compared to the salary structures before the second strategic director post was deleted, is £47,856. It is intended that the costs be met through efficiencies rather than through any direct increase in the base budget.

10. LEGAL IMPLICATIONS

10.1 The recommendations contained within this report, including amendments to the Councils' Pay Policy, are in line with the requirements of the Localism Act 2011.

11. RISK MANAGEMENT

Risk Description	Likelihood	Impact	Mitigation Measures
If the salary ranges for the Chief Officers are set too low to attract suitable candidates or too high, then it could result in failure to recruit, or attract adverse publicity.	Probable - 3	Bad - 3	Adopted amended pay scales for SLT in line with recommendations from EELGA.
If the Councils are unable to recruit to one or more roles within the Senior Leadership Team for a prolonged period then this will impact upon the capacity to deliver key political projects or result in significant additional costs through the use of interims / consultants to fill the roles.	Probable - 3	Bad - 3	Adopted amended pay scales for SLT in line with recommendations from EELGA.
If the pay policy legal framework is not complied with, then it could make any appointments null and void.	Unlikely - 2	Bad - 3	Formal approval required and through annual reviews.
If the pay policy is not applied fairly to all staff, then this could lead to equal pay claims which could also result in successful tribunal claims, leading to reputational damage and costs to the organisation.	Unlikely - 2	Bad - 3	HR involvement to ensure that policy is applied equally.

12. CONSULTATIONS

12.1 Human Resources advice has confirmed that there is no requirement for staff consultation arising from the proposed recommendations.

13. EQUALITY ANALYSIS

13.1 Human Resources advice has confirmed that there are no equalities issues arising from the proposed recommendations.

14. ENVIRONMENTAL IMPLICATIONS

14.1 N/A

15. APPENDICES

Title	Location
(a) Structure chart	https://www.babergh.gov.uk/assets/ADMIN/ELT-Structure-Chart-August-2021.pdf https://www.midsuffolk.gov.uk/assets/ADMIN/ELT-Structure-Chart-August-2021.pdf
(b) EELGA salary benchmarking review and recommendations	Attached

16. BACKGROUND DOCUMENTS

16.1 Pay Policy adopted by the Councils in March 2021

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Appendix B

East of England
Local Government Association

Babergh and Mid Suffolk District Councils pay report

Improving the East

1. Introduction

Babergh and Mid Suffolk councils have a wholly shared staff group but serve both councils as independent sovereign councils. Both councils are ambitious for their “places” and are delivering an ambitious and forward focussed agenda.

The two councils have a widely recognised “brand” and are driven by a strong value set with highly aspirational aims and objectives.

The councils want to attract recruit and retain the very best staff, and this is critical to their success especially in delivering on their aspirations.

A recent all Councillor workshop, held in May 2021 identified the key challenges across the two districts as..

- Covid
- Economy
- Climate change and bio-diversity
- Planning including responding to the government’s plans to change the National Planning Policy framework
- Housing including Social Housing
- Building safety
- Communities
- Health reforms/new Health landscape
- Future Local Government funding
- Customers (focus and meeting expectations)
- Using data to drive decision making

The council will want and need the best possible staff to deliver the agenda, not just in terms of recruitment but retention too.

2. Recruitment and retention

EELGA has been asked to undertake a job evaluation exercise and pay and grading review for Babergh and Mid Suffolk.

The strong value set, ambitious agenda, and the ability to work at a corporate level across a multimillion pound business undoubtedly makes the two councils an attractive proposition; but the councils are not unique in this regard.

The councils share some challenges but also have their own set of objectives. This adds complexity to the roles that staff undertake especially those at a very senior level. This complexity can attract some staff but equally can provide a disincentive for those who would prefer to work in a single council and perhaps in an urban environment.

The location of the modern offices in Ipswich with good public transport access can also be seen as beneficial.

Previously staff have been recruited from within Suffolk/Norfolk and Essex, those being the most easily commutable areas in relation to the two councils. These high quality candidates have been able to make an immediate impact for communities and continue to do so. More recently it has proved very difficult to recruit at a senior level.

The current recruitment market is incredibly competitive, given the changes in working practices during Covid, hybrid and agile working means that staff can now choose to work almost anywhere and in any industry, and this presents both opportunities and threats.

There is the ability to recruit from across wider industry and geographical areas, but also the ability for existing staff to consider roles in other places too, without having to relocate.

The two councils have a good record of recruiting staff when the salaries offered have been competitive and have been less successful when the salaries offered fall short of the market expectations. There is no doubt that salary will play a role when competing for top talent, especially within the public sector.

It will be important to understand the current market including pay and reward arrangements across local government in order to ensure that Babergh and Mid Suffolk are able to recruit and retain the key staff required to deliver the two councils' aspirations and objectives and to be the best that they can be for their communities.

There is an issue with the current pay and grading structure within the senior team. The councils' pay policy determines the pay of staff including those at a senior level and relative to that of the lowest paid employee.

A balance must be struck between pay that attracts and retains high calibre staff and good value for the public purse. Recruiting and retaining the very best staff has a direct impact on outcomes, failure to do so will undermine the organisations' ability to deliver for residents. It is especially unhelpful if key roles cannot be filled or become vacant as the loss of key staff will impact on the ability to deliver key outcomes.

There have been serious difficulties for Babergh and Mid Suffolk when seeking to recruit to tier three, Assistant director posts. A recent example was having been out to recruitment for a new post once in spring 2021. The councils knew salaries had fallen behind with AD salaries, so advertised the post at £75k with a note that a pay review was pending. The councils had a good response through Linkedin messages and on the phone from a range of candidates with the right level of skills. However, a consistent theme soon began to emerge whereby prospective candidates said that they would be taking a £12 - £15k pay cut to take up the post, despite the joint Local Government/Health nature of the position making it attractive. Senior colleagues in the local Partnerships, who were asked to repost the Linkedin advert, also said the salary that was being pitched was close to £15k too low. The equivalent level in the CCG is late £80,000s. The councils received 14 applications in response to the job advert. The bulk of the applicants would have made good Corporate Managers but were not of the calibre required to perform the role and indications were that the salary fell short of expectations.

The role was also advertised through LGA, Management Journal and Suffolk Jobs Direct, choosing their enhanced recruitment packages. Health colleagues also undertook to advertise through their local NHS networks.

This recent experience at Babergh and Mid Suffolk is shared by a number of councils in the region. Most of those councils are reviewing pay and grading for senior posts in response to market pressures and skills shortages.

Skills shortages are becoming increasingly acute, especially in senior and professional areas. A recent report commissioned by Chief Executives in the East of England identified skills shortages as a major barrier to delivering their corporate agenda, an increased reliance on interims and consultancy is emerging, however longer term solutions have included market forces supplements and salary increases at senior level to attract and retain key staff.

Typically, interims and consultants will be engaged on a day rate rather than at the substantive salary. Dependent on the role day rates can vary between £500 and £1000 per day, with senior posts usually towards the top end of the range. For a full time member of staff this can very quickly overtake the annual salary for the post. At £500 per day for 13 weeks (a short term solution) can cost £32,500 and £130,000 for 12 months. At £700 per day for 13 weeks the cost is £45,500 and £182,000 over a full year.

The higher the day rate and the longer the period of time the more it may cost.

3. Job evaluation

The LGA Senior Manager scheme has been used to evaluate SLT roles including the Chief Executive, Strategic Director, and the Assistant Directors (ADs).

For the Assistant Director roles, a series of conventions have been used to reflect features common to all AD roles.

These are.

- All ADs are engaged in strategic planning across the entire range of services. Including horizon scanning/planning for future challenges.
- Guidance for their work comes from the Chief Executive/Strategic Director and senior members.
- ADs contribute to corporate policy.
- That ADs are responsible for more than one service area.
- ADs have internal influence across the departments/services.- Cross cutting themes are common to all roles.
- All ADs have influence and responsibilities for external relationships/stakeholders/partners to some degree.

Statutory responsibilities (Monitoring Officer and Section 151 officer) have been included in the evaluation.

Job evaluation in and of itself does not set pay. There is a pay to grade exercise required to translate the scores into a grading structure. Pay for staff, including senior staff is set locally and is a matter for the two councils. Recommendations for pay are at section 5 of this report.

4. Benchmarking

There are 39 Districts/Boroughs in the East of England, the councils vary in size (geographically and population) and have differing characteristics, e.g., rural/urban mix, proximity to London, Coastal or Port authority responsibilities and differing levels of economic or social challenge. All of these things can influence recruitment and retention and therefore salaries offered.

There are some issues to consider when benchmarking salaries. Whilst every council must have a Head of Paid Service (usually included in a Chief Executive or Managing Director role) and two statutory officers (Monitoring officer and Section 151 officer) the exact configuration of post below the Head of Paid Service differs across councils.

The number of officers at tier two; usually called Director and at tier three, variously called Assistant Directors/Heads of Service can be quite different.

The configuration and content of roles at tiers two and three can also be significantly different.

It is unlikely that roles at tiers two and three will have direct comparators at other councils, except for the level at which they operate.

In order to understand the current market EELGA has undertaken benchmarking into pay at Chief Executive, tiers two and three for similar councils for the types of role that exist in Babergh and Mid Suffolk .

The data that has been used for benchmarking is current published data for councils according to their pay policies and information about role content provided by councils directly to EELGA as part of a research project into senior pay across the region.

EELGA has recently surveyed councils on salary levels at tiers 1 to 4. This historical data is contained in a report submitted to the region's Chief Executives however evidence suggests that senior salaries are being reviewed across the region.

4.1 Shared arrangements

The shared arrangement at Babergh /Mid Suffolk creates an additional dimension to roles at a senior level. Whilst there are shared services across councils for specific service areas or for individual shared posts, there are no other district/borough in the East of England that have the complexity of the wholly shared arrangement currently in place at Babergh and Mid Suffolk. Only Broadland and South Norfolk have similar arrangements.

Both East Suffolk and West Suffolk previously had this dimension but have now formed a single council from the previous shared arrangements. Breckland and South Holland have recently dissolved their partnership and the shared arrangements between Peterborough and Cambridgeshire County are not comparable to arrangements at a district level as at Babergh and Mid Suffolk.

East Suffolk and West Suffolk were previously shared arrangements, and the salaries were set when the sharing was in place.

The only other shared arrangement is at South Norfolk and Broadland. The shape of the senior teams is quite different in each of East Suffolk, West Suffolk and in Broadland/South Norfolk.

In tier two there are at least two Directors in each case and the title, number and configuration of tier three posts also differ considerably.

Exact numbers are shown below in the table in brackets. Babergh and Mid Suffolk have one of the smallest senior team and the lowest paid Chief Executive.

Table two

Council	**Chief Exec/MD**	**Directors**	**ADs (or equivalent)**	**Total number in senior team**
Babergh/Mid Suffolk	£118,767-£138,202	£82,170-£96,804 (1 Director post)	£59,658 to £74,292(9 posts, including 1 post 50% funded by Health) Additional payments for MO, S151 and AD Assets and Investments.	11
Broadland/South Norfolk	£140,000-£160,000	£80,000-£100,000 (3 Director posts)	£61,200, - £80,999 (8 Assistant Director posts)	12

East Suffolk	£153,615.	£96,215 - £105,022. (2 Director posts)	£63,956 - £75,080 £77,861 - £88,503 (13 posts - total including two partnership-shared roles)	14 + two shared roles
West Suffolk	£130,000 to £142,500.	£97,500- £106,875 (2 Director posts)	£78,000 -£85,500 (6 posts)	9

4.2 Chief Executive pay

The pay of the Chief Executive essentially provides a "ceiling" and caps the pay of staff at the levels below.

It is often used to determine pay at lower levels within the organisation by expressing senior pay as a percentage of Chief Executive pay which broadly equates to the "weight" of the role.

The Chief Executive pay for districts and boroughs in the region varies significantly. This is related to a number of factors; the size of the council often linked to population size. The complexity of the council; key features such as commercial activity, specific features such as ports/airports or coastal responsibilities and the affordability for the council in relation to market forces at play when the post was last recruited to.

In terms of Chief Executive pay in shared (or previously shared) arrangements Babergh/Mid Suffolk is the lowest and no longer reflects the market. The most recent shared appointment in the region is at South Norfolk/Broadland at £140,000-£160,000. This salary was market tested after benchmarking at the point of advertising the role.

4.3 Director pay

The Single Director/Deputy Chief Executive (DCE) model is unusual in District councils in the region, but some roles still exist in very small councils. There are usually Director roles in addition in the structure at tier two alongside the DCE rather than the stand alone post as at Babergh and Mid Suffolk.

There are very few Deputy Chief Executive roles across the region. Where these do exist, there are usually Director roles also in the structure. Salaries for DCE roles range from £110,000 and a maximum of £125,000. This is currently within the Chief Executive pay band for Babergh and Mid Suffolk.

Director roles in similar sized councils tend to have a higher upper pay point than those at Babergh/Mid Suffolk, typically to around £100,000 to £105,000

4.4 Assistant Director pay

The AD roles are much more difficult to benchmark as tier three can be very different in each council. The numbers of tier three posts and the organisation of work make direct comparisons difficult.

In some councils tier three roles are wholly operational, especially where there are a larger number of posts at tier two, in others they are more corporate with a balance of cross cutting themes and operational responsibilities. Generally. the more corporate the role the higher the salary to reflect the higher level at which they operate.

In Babergh/Mid Suffolk roles, and with a single Director, roles are more strategic with a corporate focus and responsibility across both councils. They are also more autonomous with direct contact with senior politicians, partners, and stakeholders.

The nearest comparators are roles in shared arrangements. There have been difficulties recruiting staff at this level for the two councils and this may in part be due to the fact that Babergh/Mid Suffolk has the lowest starting salary, with a low level at the top of the grade.

The detail of the shared and previously shared arrangements are shown in table two above.

5. Recommendations on pay and reward

The councils are currently recruiting to a vacant post at AD level. Salary has been a barrier to recruiting the senior staff that are needed to deliver the ambitions and corporate priorities of the two councils.

The benchmarking exercise has identified that Babergh/Mid Suffolk are some way behind what the market would suggest are the appropriate and necessary levels of pay to recruit and retain staff. The overall pay structure is supressed by the level of the Chief Executive's salary. In order to address the AD salaries, it will be necessary to deal with both the Chief Executive and Strategic Director salaries in order to create headroom for the AD salaries to be improved.

There is a balance to be found between ensuring that salaries are adequate to recruit and retain staff but are still good value for the public purse.

If this approach is taken the council can demonstrate pragmatism and prudence. Salaries that will attract high quality, high performing staff who can make an immediate and on going contribution to the two councils and the need to ensure that salaries are set at a realistic level to deliver value for local taxpayers.

The recommended levels of pay for the top three tiers of the council are shown below.

5.1 Chief Executive

The salary at West Suffolk is, £130,000 to £142,500. At East Suffolk it is a spot salary of £153,615, it is recommended that the salary for the Chief Executive should be set at the same level as the most recent shared appointment (South Norfolk/Broadland) £140,000 to £160,000, with a scale of 3 points (£140,000, 150,000 and £160,000)

5.2 Strategic Director

Salaries for DCE or single Director roles are noticeably higher than Strategic Director role across the region, however both East Suffolk and West Suffolk have two Directors.

The salary for Director roles at West Suffolk is, £97,500- £106,875 and at East Suffolk it is £96,215 - £105,022., it is recommended that the salary for the Strategic Director should be set at £100,000 to £120,000 with a scale of 3 points (£100,000, £110,000, and £120,000). This recommendation acknowledges the single Director model at Babergh and Mid Suffolk and more accurately reflects the responsibilities of the role.

5.3 Assistant Directors

The salary for Assistant Director roles at West Suffolk is, £78,000 -£85,500 and at East Suffolk it is in two grades of £63,956 - £75,080 and £77,861 - £88,503. Realistically it is the higher grade that is most comparable to the roles at Babergh and Mid Suffolk but even so is slightly below salaries paid elsewhere in the region for roles at tier three.

It is recommended that the salary for the Assistant Directors should be set at £78,000 to £90,000 with a scale of 3 points (£78,000, £84,000, and £90,000).

It is worth noting that EELGA is currently supporting a number of restructures across the region. In all cases tier three is proving the most difficult to recruit to; salaries are being adjusted to aid recruitment in response to the market.

Implementation

The implementation date and exact costs of transitioning to the new pay bands needs to be considered and balanced against the immediate need to recruit and affordability.

The annual pay negotiations are not yet complete, with the pay award (if any) due to be backdated to April 2021 once this has been agreed. The current offer is 1.5%. This has not been reflected in recommendations above.

Agenda Item 16

BABERGH DISTRICT COUNCIL / MID SUFFOLK DISTRICT COUNCIL

TO:	**BDC Council** **MSDC Council**	**REPORT NUMBER: BC/21/18**
FROM:	**Cabinet Members for Planning**	**DATE OF MEETING: 21 September 2021** **23 September 2021**
OFFICER:	**Tom Barker - Assistant Director for Planning**	**KEY DECISION REF NO. N/A**

REVISIONS TO INTERNAL NEIGHBOURHOOD PLANNING PROCEDURES

1. PURPOSE OF REPORT

1.1 This report seeks a revision to the procedures that currently govern the way Neighbourhood Plans (NPs) are dealt with following receipt of the independent examiner's report. The opportunity is also taken to review where delegated authority lays for decision making during the earlier NP preparation stages.

1.2 If the recommendations set out below are implemented, they would deliver tangible benefits, including reducing administrative workload and ensuring that the Councils are better able to meet their statutory obligations under Sections 17A and 18A of the Neighbourhood Planning (General) Regulations 2012 (as amended).

2. OPTONS CONSIDERED

2.1 The alternative would be to continue with the existing procedures. These require all post-examination NPs to be taken through the Cabinet reporting process before they can be advanced to a local referendum, and, for the default position to be that all NPs that receive majority 'yes' votes at referendum to be taken to a Full Council meeting before they can be formally adopted. For the reasons set out further below, both options are no longer considered practical or necessary.

3. RECOMMENDATIONS

3.1 To change the procedure for automatically taking a post-examination Neighbourhood Plan to Cabinet seeking approval to proceed to Referendum. The proposal would automatically allow a Plan to proceed to referendum where the parish and district council have agreed to implement any required modifications. Where there are other considerations, a report will still be presented to Cabinet. The revised procedures would allow prompt publication of a decision notice, reduced administrative work, and ensure closer compliance with the relevant regulations.

3.2 To change the procedure that requires taking a post-Referendum Neighbourhood Plan with a majority 'yes' vote to Council seeking formal adoption. The new proposal, which would be to obtain Chief Executive approval endorsed by the Cabinet Members for Planning, would enable a Neighbourhood Plan agreed at Referendum to be formally adopted quickly, efficiently, and within the eight-week statutory time limit

4. KEY INFORMATION

4.1 The Neighbourhood Planning Regulations, which were first introduced in 2012, have been updated on several occasions. While the most recent update focuses on modifying already adopted plans, it is important to recognise that as the Regulations have been amended, and the wider body of public knowledge and awareness of NPs has grown, so have the expectations of individual groups to see their Plans progressed in a timely manner.

Neighbourhood Planning Regulation 17A [Decision on Examiner's recommendations]

4.2 Regulation 17A sets out the prescribed date by which the local planning authority must decide what action to take in response to each recommendation made by the [examiners] report. That date is either:

- 17A(5)(a) where the local planning authority and the qualifying body [i.e., the parish council] agree a date, OR
- 17A(5)(c) in all other cases, the date which is the last day of the period of 5 weeks beginning with the day immediately following that on which the local planning authority receives the [examiners] report.

4.3 Having analysed data for all 25 NPs that have been through the Cabinet or Executive Committee process to date, this shows that the duration between receipt of an Examiner's Report and this being considered at a formal meeting is increasing:

Period (# of NPs)	Jun 2016 - Dec 2019 (6 NPs)	Mar 2019 - Jan 2020 (8 NPs)	Jun 2020 - Jul 2021 (11 NPs)*
Average time	5.2 weeks	5.8 weeks	9 weeks

** Note: The June 2020 - July 2021 figure also includes an allowance for 3 NPs where the duration has been shortened by 30 days because the nominal Cabinet meeting feel in an election purdah period, i.e., instead of being reported to a Cabinet meeting in May, the NPs went to the June meeting.*

4.4 This perceived delay needs to be balanced against the fact that, in almost every case, both parish and district councils have agreed to implement the examiner's recommendations in full. On some occasions, these modifications have already been made before the Plan gets to Cabinet. In other words, reality has been overtaking procedural need.

4.5 The recommendation set out in paragraph 3.1 therefore seeks to recognise what is happening and to automate this process as much as possible, while still retaining appropriate checks and balances should one or other party disagree with the examiner's recommendations. It is further suggested that a sign-off template; similar to that used for other 'Action Out of Meeting' decisions, is used which, with relevant e-mail correspondence, will provide a permanent record of the agreement by both parish and district council to make all the required modifications.

Neighbourhood Planning Regulation 18A [Prescribed date for making a neighbourhood development plan]

4.6 Regulation 18A requires a local planning authority to 'make' (adopt) a neighbourhood plan within 8-weeks of it receiving a majority yes vote at a local referendum. As already mentioned in paragraph 4.2 above, 16 plans have been adopted to date and at least eight others have potential to be at a local referendum before this year is out.

4.7 No specific analysis has been undertaken of the gap between the referendum result being declared and the Plan being formally adopted. However, it should be noted that all Plans adopted to date have been 'made' within the required time period.

4.8 Where purdah periods etc. have meant that either Council has been in danger of not complying with Regulation 18A, the 'Action Out of Meeting' process has been used to ensure that the adoption requirement is met. The recommendation set out in paragraph 3.2 proposes that this becomes the default mechanism. This change would also deliver benefits in terms of making better use of both Council and Officer time.

Delegated Authority

4.9 While the main purpose of this report is to seek a change in the delegated procedures that govern the way NPs are dealt with following receipt of the independent examiner's report it is an appropriate opportunity to also draw the Councils' attention to the wider issue of operational procedures linked to the regulatory processes that govern neighbourhood planning.

4.10 In April 2016, and at their respective meetings, Babergh Council and Mid Suffolk Council agreed to a set of procedures which set out where delegated authority lay for decision making at key stages. Those procedures have served both Councils well but, when drafted, nobody could have foreseen the significant uptake in neighbourhood planning. At that time, approximately 12 parishes had started the process. Today, and across both districts, around 40 plans are in progress, with 16 others having already been adopted. With many groups also working to similar timeframes, both unintentionally and through necessity, the delegation procedures have not always been followed and a more fluid arrangement now exists whereby the Portfolio Holders / Head of Service are involved where they have to be, but otherwise the practical day-to-day decisions are now made by or on behalf of the Corporate Manager for Strategic Planning.

4.11 Table 1 (appended to this report) replicates what was presented in 2016, but now includes a new column that sets out the current working practice.

5. LINKS TO CORPORATE PLAN

5.1 Ensuring that well-prepared neighbourhood plans can be advanced in a timely manner will continue to help build local confidence in the plan-making process and allow both Councils to fulfil their wider corporate priorities in terms of housing delivery, business growth and community capacity building.

6. FINANCIAL IMPLICATIONS

6.1 There are no specific financial implications arising from this report.

7. LEGAL IMPLICATIONS

7.1 The Localism Act, 2011 confers specific functions to local authorities in relation to neighbourhood planning, including a duty to provide support to groups preparing a Plan. As with any decision made by a public body there is a risk of legal challenge to the policies and proposals contained within a NP and/or a judicial review of the Councils' decision to forward a Plan to a local referendum and in its decision to adopt that Plan if the former requires it. These processes are managed by ensuring that the Regulations are followed and decision-making processes are clear and transparent.

8. RISK MANAGEMENT

8.1 This report is most closely linked with Significant Business Risk No. 9 - We may not be able to help communities to become more sustainable. The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
NP are not progressed in a timely manner	Unlikely - 2	Bad - 3	Continuing to engage effectively with groups, especially during the early plan drafting stages.
Legal challenges to the content of a NP and/or Judicial Review of District Council decisions.	Unlikely - 2	Bad - 3	Ensuring relevant Regulations are followed and that decision making processes remain clear and transparent.

9. CONSULTATIONS

9.1 The Portfolio Holders for Planning are regularly briefed on the wider NP picture, are aware of the resource needed to ensure that processes continue to run smoothly, and have been involved in discussions on how working practices could be improved.

10. EQUALITY ANALYSIS

10.1 There are no equality or diversity implications arising from the content of this report.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications arising from the content of this report.

12. APPENDICES

Report to:	Location
Babergh Council 26 April 2016	https://baberghmidsuffolk.moderngov.co.uk/documents/s2072/260416-Neighbourhood%20Planning.pdf
Mid Suffolk Council 28 April 2016	https://baberghmidsuffolk.moderngov.co.uk/documents/s1009/C-25-16%20Neighbourhood%20Planning.pdf

Table 1: Operating Framework at Key Decision Stages for Neighbourhood Plans: Agreed Practice (2016) - v - Current Practice

Stage	Activity	Action Required	Agreed Practice (2016)	Current Practice
One	Designation of Neighbourhood Plan Area	Deciding the area which the NDP will cover, following consultation. (This will usually be the whole parish.)	Head of Service *(NB - this was agreed by the Executive and Strategy Committees in July 2013)*	Neighbourhood Plan Officer (NPO). *[The regulations now state that LPAs cannot refuse single parish applications. Multi-parish area applications must still be consulted on in the first instance.]*
Two	Preparation of draft NDP or Order	Provision of informal guidance and comments on emerging proposals to the Town or Parish Council.	Head of Service	NPO in consultation with the Corporate Manager. *[Informal guidance is now primarily dealt with at the officer level, with input from other teams, Senior Officers and the Corporate Manager for Strategic Planning as required.]*
	Strategic Environmental Assessment (SEA) Determination or EIA Screening	Technical determination on whether the plan is likely to have significant environmental effects.	Head of Service	Determination made by SEA / HRA Consultants. Process managed by NPO in consultation with Corporate Manager. *[The SEA / HRA Screening of NDPs' is now contracted out to our preferred consultancy services. This screening is offered as a 'benefit in kind' to our NP Groups and is cost neutral, being retrospectively funded by the grant payment we receive following the decision to advance a NDP to a referendum.]*

Three	Formal response to [Reg 14] Pre-submission consultation	Provision of comments on the content of the draft NDP or Order to ensure the District Council's planning strategy and any other interests are clearly and firmly put forward, and any outstanding issues addressed as far as possible.	Head of Service in consultation with the relevant Portfolio Holder	NPO in consultation with the Corporate Manager. *[As with Stage Two, responses are now primarily prepared at the officer level, with input from other Teams and Senior Officers as required.]*
Four	Submission [at Reg 15] of the draft NDP or Order	Decision on whether the NDP or order is complete and legally compliant. If so, deciding extent & timing of consultation in light of statutory requirements, resources available, and other consultations in progress at the time.	Head of Service	NPO in consultation with Corporate Manager *[It is now not uncommon for either Council to have several Plans out for public consultation at the same time.]*
	Formal representations [at Reg 16] on submitted NDP or Order	This is a key stage at which any outstanding concerns can be put forward for consideration at the examination.	Head of Service, in consultation with the relevant Portfolio Holder	NPO in consultation with Corporate Manager / Head of Service. *[Improved dialogue and the use of professional consultants by individual groups has all but eliminated the need to make further / detailed representations at this stage. Where issue(s) remain, a formal responses is discussed and agreed with the Corporate Manager and as required, the Head of Service.*]
Five	Appointment of an Independent Examiner	Selecting a 'suitably qualified and experienced' person to conduct the examination, and agreeing choice with Town/Parish Council.	Head of Service in consultation with the Town or Parish Council	NPO in consultation with the Town or Parish Council *[Both Councils have built up valuable working relationship with*

				a small pool of Independent Examiners. They have become the 'go to' persons for both the Council and NP Groups – an arrangement that continues to work well for all parties involved.]
Six	Consideration of Examiners Report and Decision on whether the NDP or Order should proceed to Referendum	A decision as to whether (in light of the Examiner's recommendations) the NDP should proceed, with or without modifications, to Referendum or a different decision should be made in the light of new evidence.	Executive or Strategy Committee	See recommendation set out in paragraph 3.1 of this report.
Seven	Bringing the NDP or Order into force	If the NDP or Order passes the Referendum the District Council must 'make' (adopt) the plan or order.	Full Council (formal ratification)	See recommendation set out in paragraph 3.2 of this report.

[Ends]

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