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	INFORMAL BDC COUNCIL
DATE:	TUESDAY, 25 JANUARY 2022 5.30 PM
VENUE:	MICROSOFT TEAMS MEETING

Members		
Conservative Sue Ayres Melanie Barrett Simon Barrett Peter Beer Siân Dawson Mick Fraser Michael Holt Margaret Maybury Mary McLaren Mark Newman Zachary Norman Adrian Osborne (Chair) Jan Osborne John Ward	Independent Clive Arthey Trevor Cresswell Derek Davis Kathryn Grandon (Vice-Chair) John Hinton Elisabeth Malvisi Alastair McCraw John Nunn Lee Parker Stephen Plumb	Green and Labour Jane Gould Richard Hardacre Leigh Jamieson Robert Lindsay Alison Owen Liberal Democrat David Busby Sue Carpendale Bryn Hurren

This is an informal meeting as a result of the current risks relating to the Covid-19 Pandemic.

As this meeting is an informal meeting, the Councillors will not be able to make decisions and therefore there will be no voting on any items on the agenda.

Councillors are asked to discuss the items on the agenda and to confirm a steer for each item, which will be recorded, and decisions may then be taken by officers under delegation depending on the matter.

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 possible use of the images and sound recordings for webcasting/ training purposes.

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A G E N D A

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

Page(s)

1 **APOLOGIES FOR ABSENCE**

2 **DECLARATION OF INTERESTS BY COUNCILLORS**

Chair of Overview and Scrutiny Committee

Co-Chair of Joint Audit and Standards Committee

At its meeting on 29 November 2021, the Joint Audit and Standards Committee considered Paper JAC/21/10 – Half Year Report on Treasury Management 2021/22. The recommendations set out in the report were accepted.

It was RECOMMENDED TO COUNCIL:

1) **That the Treasury Management activity for the first six months of 2021/22 as set out in report JAC/21/10 and Appendices be noted.**

2) **That it be noted that Babergh District Council's treasury management activity for the first six months of 2021/22 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds by £136k, as mentioned in Appendix C, paragraph 5.4, the Council has complied with all the Treasury Management Indicators for this period.**

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

Cabinet Member for Housing

10	**IRBC/21/26 DRAFT COMMITTEE TIMETABLE FOR 2022/2023** Leader of the Council	59 - 62
11	**MOTIONS ON NOTICE**	

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

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Introduction to Public Meetings

Babergh and 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.

Protocol for Virtual Meetings

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2. The meeting will be live streamed and will be available to view on the Council's YouTube page as detailed below:

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

Recording of proceedings:

1. Proceedings will be conducted in video format.
2. A second Governance Officer will be present and will control the TEAMS call and Livestreaming.

Roll Call:

1. A roll call or electronic confirmation of attendance of all Members present will be taken during the Apologies for Absence to confirm all Members are present at the meeting.

Disclosable Pecuniary Interests:

1. A Councillor declaring a disclosable pecuniary interest will not be permitted to participate further in the meeting. Where practicable the Councillor will leave the virtual meeting, including by moving to a 'lobby' space and be invited to re-join the meeting by the Committee Officer at the appropriate time. Where it is not practicable for the Councillor to leave the virtual meeting, the Committee Officer will ensure that the Councillor's microphone is muted for the duration of the item.

Confidential items:

1. The Public and Press may be Excluded from the meeting by resolution in accordance with normal procedural rules. The Committee Officer will ensure that any members of the public and press are disconnected from the meeting.

Agenda Item 3

IRBC/21/23

BABERGH DISTRICT COUNCIL - 25 JANUARY 2022

CHAIRMAN'S ANNOUNCEMENTS

EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR
NOVEMBER 2021				
Great Cornard Remembrance Parade and Service	St Andrews Church, Great Cornard	14-Nov	✓	
Sudbury Remembrance Parade and Service	St. Gregory's Church, Sudbury	14-Nov	✓	
MSDC Chairman's Civic Service	Salvation Army Hall, Violet Hill Road, Stowmarket	21-Nov	✓	
DECEMBER 2021				

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BABERGH DISTRICT COUNCIL

TO:	**Council**	**REPORT NUMBER: IRBC/21/24**
FROM:	**Chair of Overview and Scrutiny Committee**	**DATE OF MEETING: 25 January 2022**

22 November 2021 Joint Overview and Scrutiny Committee Meeting - Chair Mary McLaren

10 Committee Members attended the meeting

JOS/21/13 REVIEW OF THE SHARED LEGAL SERVICE.

The Shared Legal Services Manager introduced the report to the Committee outlining that the service worked equally across Babergh, Mid Suffolk and West Suffolk Councils. The Service reported to a Steering Committee that had representatives from all three councils and also reported to leadership teams in each authority. Work was prioritised within the Service on when it was needed to be completed and not by which authority it came from. Three budgets had been split and agreed across the authorities, based on the case management system. However, it had now changed to look at the volume of cases coming from each authority to determine how that split would be managed in future. This would be considered by the Steering Group.

Questions raised by Members into the differing numbers of staff and whether employment conditions were the same, received re-assurances that due to different rates of pay across the three councils, people doing the same job role were employed by the same authority to avoid discrepancies in rates of pay. The Monitoring Officer (Steering Committee) added that whilst the number of direct employees differed from each authority, the costs of all the staff were split proportionally across the whole service.

Questions regarding records of external costs and the time spent on cases were satisfied that time spent on each individual case would be reported and recorded by the individual officers working on the case however whilst no cost per case was calculated if outsourcing was needed for any matter, it would be billed to the Shared Legal Service and sent to the relevant department. In relation specifically to time spent there was a complex scoping method for referrals in order to determine a predicted time frame that a case could be completed in.

Members expressed their views that more detail was needed to identify the differences between Babergh and Mid Suffolk Councils, clearer performance statistics to highlight progression and clearer reports on which departments were using the service and in what capacity.

By a unanimous vote

It was RESOLVED: -

1.1 That the Legal Services Steering Board review the re-charging mechanism for the costs of the legal service and consider whether the performance monitoring arrangements are sufficient and that the findings of the Legal Services Steering Board be presented back to the Overview and Scrutiny Committee via an information bulletin after its meeting in December 2021.

1.2 That the information bulletin in recommendation one also include historical and current performance monitoring data, which would enable the Committee to observe the trends in performance over time.

1.3 That a further information bulletin be presented to the Committee in six months into the financial year demonstrating the split of new legal matters between Babergh and Mid Suffolk Councils.

JOS/21/14 TASK AND FINISH GROUP FOR SCOPING OF TRANSPORT

Councillor Welham introduced the report to the Committee outlining that the Task and Finish Group had had their first meeting to which a number of witnesses had been called. This included officers from Suffolk County Council and service managers of Community Transport providers in Babergh and Mid Suffolk. The Task and Finish group found that the services provided had had little in way of promotion and publicity since 2016 (posted on Bus Shelters) as to what was available to residents and who were not aware of services provided by Community Transport providers.

Some Members stated that they had not been aware of Community Connections within in their wards.

Members were concerned that Suffolk County Council in its provision of bus operators would have little interest in the work of the Task and Finish Group which could be costly and that the Task and Finish Group needed to be clear in its aims to ensure communication of the existing services are improved and highlight where gaps exist.

With 7 votes for and 3 against

It was RESOLVED: -

That the Joint Overview and Scrutiny Committee resolved that the Task and Finish Group scope and carry out the exercise.

JOS/21/15 SCOPIING OF CITIZENS ADVICE REVIEW

Councillor Welham presented the report to the Committee outlining that two years ago a Task and Finish Group from the Overview and Scrutiny Committee had been set up to Review Citizens Advice. The Committee decided to do an annual review that would focus on recent impacts and allow the Committee to see where they could facilitate change and add value.
However, over the past two years the situation had changed. Financial support had been agreed to Babergh and Mid Suffolk CA's, the Covid Pandemic had changed the methods by which residents accessed the services and changes in employment and income had increased the number of residents seeking help. This had impacted the purpose of the original review.

It was agreed to develop a scoping document for the Committee and the Citizens Advice Services in order to inform the purpose and focus of the review and would allow the focus to be agreed between CA and the Committee.

It was also agreed that only two Citizen's Advice representatives would be invited and time limits would be put on the report giving.

By a unanimous vote

It was RESOLVED: -

That the Committee resolved to approve the scoping document included in the tabled papers with amendments as discussed at the meeting and that delegation be given to the Monitoring Officer to complete the remainder of the scoping document.

20 December 2021 Joint Overview and Scrutiny Committee Meeting – Chair Keith Welham

9 Committee Members attended the meeting

JOS/21/20 REVIEW OF LOCAL CITIZENS ADVICE

The Chief Officer of Citizens Advice (Sudbury) and the Chief Officer of Citizens Advice (Mid Suffolk) presented to the Committee how the Local Citizens Advice Services had adapted their services over the Covid-19 Pandemic. For the purpose of this report, I have omitted the comments by the Mid Suffolk LCA and Mid Suffolk Member's specific comments on the Mid Suffolk Service.

Sudbury & District LCA Activity: -

There has been a restart of some face to face appointments, but CA have found that the telephone help service has been massively successful and some of the issues presented by clients had been resolved without the need to see the clients face to face.

There has been an increase in the number of 25–35 year olds seeking advice and guidance and 50% of existing clients have an underlying health condition. The CA's Debt Advisor has been given additional funding, so the post is now secure for the next three years. However due to the current financial difficulties of many clients and the increasing numbers of debt problems within the general population, requirement for Debt Advice has increased and it takes one year for a Debt Advisor to be trained and fully accredited to respond competently to client need.

Recruitment and training of new staff and volunteers is a key priority. At the 1 December 2021, 13 new volunteers have been recruited since the April 2021. On the 20th of January 2022 the CA is looking to restart outreach services in Hadleigh once a month. It is also offering services from the Phoenix Centre in Sudbury on a monthly basis.

The Current Revenue Grant to Sudbury and District Citizens Advice Bureau 2021-2022 is £53,500 with the same amount agreed for 2022-2023 and 2023-2024. There is an expectation that there will be a continued increase in the number of clients and issues but are confident they have the systems and equipment in place to handle a large number and meet face to face with complex cases.

Questions around the following topics were raised by Members:

- What was the relationship between food banks and the LCA and how was an holistic approach achieved. Sudbury CA when making a Foodbank referral would also review the individual's wider situation to determine what may be causing the issue. Conversely budgeting advice and benefit checks were undertaken when the referral came to the CA from the Food Bank.
- Data protection was fully agreed between the food banks and the CA.
- Government funding such as the household support fund had been made available to clients, but this obviously had a time limit.
- Cross border use as in the Essex/Suffolk Border was no barrier to the use of the Sudbury LCA by Essex residents however no funding was received from Essex.
- Resource sharing was a rare occurrence in Sudbury however during the pandemic Sudbury LCA had outsourced debt provision to Ipswich LCA.
- Maximum wait times for telephone and email responses were within the same day and appointments were scheduled within the same week.
- Recognising that Sudbury and Hadleigh are the main locations for actual face to face advice, residents in other parts of the district had, prior to the pandemic, been seen in GP surgeries. Greater access has been through digital access and email advice. However, this did leave many residents digitally excluded and without a service in many parts of Babergh.

By a unanimous vote

It was RESOLVED: -

1.1 To thank the LCA Chief Officers and their respective staff for their work that they have carried out in the last year. Particularly during the pandemic.

1.2 The Committee are re-assured that both LCA's are operating effectively and efficiently and responded well to all questioning from Members.

1.3 That the councils take a single view of debt and implement an integrated system for dealing with housing rent and council tax debt.

1.4 That contact be made to food banks with a request that their clients are referred to the LCA for advice on nutrition, budgeting and cookery skills classes.

1.5 That remote virtual operational capability for LCA and other bodies should be provided on an accelerated programme as a matter of urgency defining locations, IT equipment and applications, training and connectivity.

1.6 That Cabinets be asked to consider the previous resolution of the Joint Overview and Scrutiny Committee that the 3 year rolling funding arrangements review be subject to indexation on an annual review basis.

1.7 That the Joint Overview and Scrutiny Committee review the Local Citizens Advice in December 2022.

By a unanimous Babergh District Council vote

It was RESOLVED: -

Recommendation to Babergh Cabinet that extra funding be provided to Sudbury Citizens advice to enable greater provision for debt advice across the whole district.

JOS/21/22 BABERGH OVERVIEW AND SCRUTINY WORK PLAN

It was RESOLVED: -

That with the following amendment the Babergh Overview and Scrutiny Work Plan be noted and updated:
Information Bulletin on the cost of maintenance of tenanted properties.

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BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: Joint Audit and Standards Committee	**REPORT NUMBER: JAC/21/10**
FROM: Katherine Steel, Assistant Director, Corporate Resources	**DATE OF MEETING: 29 November 2021**
OFFICER: Rebecca Hewitt, Acting Corporate Manager - Finance Operations Sue Palmer, Senior Finance Business Partner	**KEY DECISION REF NO. N/A**

HALF YEAR REPORT ON TREASURY MANAGEMENT 2021/22

1. PURPOSE OF REPORT

1.1 The report is part of the Councils' management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management ("the Code"). It provides Members with a comprehensive assessment of activities for the first six months of the financial year 2021/22.

1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, and the transactions executed during the first six months of 2021/22 and any circumstances of non-compliance with the Councils' treasury management policy statement and treasury management practices.

2. OPTIONS CONSIDERED

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

3. RECOMMENDATION TO BOTH COUNCILS

3.1 That the Treasury Management activity for the first six months of 2021/22 as set out in this report and Appendices be noted.

RECOMMENDATION TO BABERGH COUNCIL

3.2 That it be noted that Babergh District Council's treasury management activity for the first six months of 2021/22 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds by £136k, as mentioned in Appendix C, paragraph 5.4, the Council has complied with all the Treasury Management Indicators for this period.

RECOMMENDATION TO MID SUFFOLK COUNCIL

3.3 That it be noted that Mid Suffolk District Council's treasury management activity for the first six months of 2021/22 was in accordance with the approved Treasury Management Strategy, and that the Council has complied with all the Treasury Management Indicators for this period.

REASON FOR DECISION

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

4. KEY INFORMATION

4.1 The 2021/22 Treasury Management Strategy for both Councils was approved in February 2021.

4.2 The Strategy and activities are affected by several factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the first six months of 2021/22.

4.3 The Joint Treasury Management outturn report for 2020/21 was presented to Members at the Joint Audit and Standards Committee on 26 July 2021.

4.4 The Section 151 Officer is pleased to report that all treasury management activities undertaken in the first half of the year complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy and that, except for one occasion when Babergh exceeded its daily bank account limit with Lloyds by £136k, as mentioned in Appendix C, paragraph 5.4, the Council has complied with all the Treasury Management Indicators for this period.

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

4.6 Appendix D shows the position on key Treasury Management Indicators for the first six months of 2021/22.

4.7 Key points relating to activity for the first half of the year are set out below:

- The economic recovery from the coronavirus pandemic continued to dominate the first half of the financial year. Government initiatives continued to support the economy but came to an end on 30 September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

- The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

- The easing of restrictions boosted activity in the second quarter of the calendar year, helping push GDP up by 5.5% quarter on quarter.

- The Bank of England (BoE) maintained the official Bank Rate at 0.1%. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent.
- Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The BoE now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices.
- 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 overall debt reduced by £5.4m, due to repayments made on long term PWLB loans and by repaying short-term local authority loans.
- Mid Suffolk's overall debt reduced by £9.0m, due to making repayments on long term PWLB loans and by repaying short-term local authority loans.
- Both reductions reflect the ongoing impact of Covid19 on general income and expenditure activity. COVID grants and S.31 Business Rates grants are held in reserves pending their use to offset continuing expenditure and income losses and expenditure on capital projects continues to be delayed.

4.8 Money market funds, short-term deposits and call accounts are used to make short term investments on a daily basis.

4.9 Appendix A sets out the issues that are impacting on current and future treasury management activity.

5. LINKS TO JOINT CORPORATE PLAN

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

6. FINANCIAL IMPLICATIONS

6.1 As outlined in this report and appendices.

7. LEGAL IMPLICATIONS

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

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

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

8. RISK MANAGEMENT

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

8.2 The key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Councils lose the investments this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.
If the Councils achieve a poorer return on investments than planned, there will be fewer resources available to deliver services.	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.

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) Consultations on revised CIPFA Codes and MHCLG Capital Finance Framework	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 Treasury Management Strategy 2021/22 (Paper JAC/20/10).

13.3 Environmental, Social and Governance (ESG) Considerations for the Councils' Joint Treasury Management Strategy (JAC/20/21)

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Background, Economy and Outlook

1. Introduction

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

1.2 The Joint Treasury Management Strategy for 2021/22 was approved at both full Councils in February 2021. Both Councils have borrowed and invested substantial sums of money and are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Councils' Treasury Management Strategy.

1.3 The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Councils' Capital Strategy, for the financial year 2021/22, complying with CIPFA's Code requirement, was approved by both full Councils in February 2021.

1.4 The Statutory Guidance on Local Government Investments (MHCLG, 2018) requires local authorities to produce an investment strategy, covering investments that are not part of treasury management activity. The Councils' Investment Strategy, for the financial year 2021/22, was also approved by both full Councils in February 2021.

2. External Context

2.1 Economic background:

2.1.1 The economic recovery from the coronavirus pandemic continued to dominate the first half of the financial year. By the end of the period over 48 million people in the UK had received their first dose of a COVID-19 vaccine and almost 45 million their second dose.

2.1.2 The Bank of England (BoE) held the Bank Rate at 0.1% throughout the period and maintained its Quantitative Easing programme at £895 billion, unchanged since the November 2020 meeting. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% (from 2.9%), in part reflecting tighter supply conditions. The path of CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation. While the Monetary Policy Committee meeting ended with policy rates unchanged, the tone was more hawkish.

2.1.3 Government initiatives continued to support the economy over the quarter but came to an end on 30 September 2021, with businesses required to either take back the 1.6 million workers on the furlough scheme or make them redundant.

2.1.4 The latest labour market data showed that in the three months to July 2021 the unemployment rate fell to 4.6%. The employment rate increased, and economic activity rates decreased, suggesting an improving labour market picture. Latest data showed growth in average total pay (including bonuses) and regular pay (excluding bonuses) among employees was 8.3% and 6.3% respectively over the period. However, part of the robust growth figures is due to a base effect from a decline in average pay in the spring of last year associated with the furlough scheme.

2.1.5 Annual CPI inflation rose to 3.2% in August, exceeding expectations for 2.9%, with the largest upward contribution coming from restaurants and hotels. The BoE now expects inflation to exceed 4% by the end of the calendar year owing largely to developments in energy and goods prices. The Office of National Statistics' (ONS') preferred measure of CPIH which includes owner-occupied housing was 3.0% year on year, marginally higher than expectations for 2.7%.

2.1.6 The easing of restrictions boosted activity in the second quarter of the calendar year, helping push GDP up by 5.5% quarter on quarter (final estimate compared with 4.8% quarter on quarter initial estimate). Household consumption was the largest contributor. Within the sector breakdown production contributed 1.0% quarter on quarter, construction 3.8% quarter on quarter and services 6.5% quarter on quarter, taking all these close to their pre-pandemic levels.

2.1.7 The US economy grew by 6.3% in Q1 2021 (Jan-Mar) and then by an even stronger 6.6% in Q2 as the recovery continued. The Federal Reserve maintained its main interest rate at between 0% and 0.25% over the period but in its most recent meeting made suggestion that monetary policy may start to be tightened soon.

2.1.8 The European Central Bank maintained its base rate at 0%, deposit rate at -0.5%, and asset purchase scheme at €1.85 trillion.

2.2 **Financial markets:**

2.2.1 Monetary and fiscal stimulus together with rising economic growth and the ongoing vaccine rollout programmes continued to support equity markets over most of the period, albeit with a bumpy ride towards the end. The Dow Jones hit another record high while the UK-focused FTSE 250 index continued making gains over pre-pandemic levels. The more internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

2.2.2 Inflation worries continued during the period. Declines in bond yields in the first quarter of the financial year suggested bond markets were expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and EU, supply shortages and a dearth of HGV and lorry drivers, with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instances, lead to higher prices.

2.2.3 The 5-year UK benchmark gilt yield began the financial year at 0.36% before declining to 0.33% by the end of June 2021 and then climbing to 0.64% on 30 September. Over the same period the 10-year gilt yield fell from 0.80% to 0.71% before rising to 1.03% and the 20-year yield declined from 1.31% to 1.21% and then increased to 1.37%.

2.2.4 The Sterling Overnight Rate (SONIA) averaged 0.05% over the quarter.

2.3 **Credit background:**

2.3.1 Credit Default Swap spreads were flat over most of the period and are broadly in line with their pre-pandemic levels. In late September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but are now falling back. The gap in spreads between UK ringfenced and non-ringfenced entities continued to narrow, but Santander UK remained an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 53bps and Lloyds Banks Plc the lowest at 32bps. The other ringfenced banks were trading between 37-39bps and Nationwide Building Society was 39bps.

2.3.2 Over the period Fitch and Moody's upwardly revised to stable the outlook on a number of UK banks and building societies on our counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.

2.3.3 Fitch also revised the outlooks for Nordea, Svenska Handelsbanken and Handelsbanken plc to stable from negative. The rating agency considered the improved economic prospects in the Nordic region to have reduced the baseline downside risks it previously assigned to the lenders.

2.3.4 The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.

2.3.5 At the end of the period Arlingclose had completed its full review of its credit advice on unsecured deposits. The outcome of this review included the addition of NatWest Markets plc to the counterparty list together with the removal of the suspension of Handelsbanken plc. In addition, the maximum duration for all recommended counterparties was extended to 100 days.

2.3.6 As ever, the institutions and durations on the Councils' counterparty list recommended by treasury management advisors Arlingclose remain under constant review.

3 Outlook for the remainder of 2021/22:

3.1 The Councils' treasury advisor, Arlingclose expects Bank Rate to rise in Q2 2022. They believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.

3.2 Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.

3.3 The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.

3.4 While Q2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Q3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.

3.5 Inflation rose to 3.2% in August. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.

3.6 The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increase in wages is possible given the pressures on businesses.

3.7 Government bond yields increased sharply following the September Federal Open Market Committee (FOMC) and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.

3.8 The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

3.9 Arlingclose – Forecast rates

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

4 Local Context

4.1 On 31 March 2021, Babergh had a net borrowing requirement of £117m and Mid Suffolk had a net borrowing requirement of £127m arising from revenue and capital income and expenditure.

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

4.3 **Table 1: Balance Sheet Summary**

Balance Sheet Summary	31.03.21 Babergh £m	31.03.21 Mid Suffolk £m
General Fund CFR	71.311	95.260
HRA CFR	89.185	88.509
Total CFR	**160.496**	**183.769**
(Less): Usable reserves	(43.820)	(54.492)
(Less) / Add: Working capital	0.131	(1.812)
Net borrowing requirement	**116.807**	**127.465**

4.4 Lower official interest rates have lowered the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. The current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

4.5 The treasury management position on 30 September 2021 and the change during the half year is shown in Table 2 that follows.

4.6 **Table 2: Treasury Management Summary**

Babergh	31.03.21 Balance £m	Movement £m	30.09.21 Balance £m	30.09.21 Rate %
Long-term borrowing	95.089	(0.420)	94.669	3.19%
Short-term borrowing	32.000	(5.000)	27.000	0.04%
Total borrowing	**127.089**	**(5.420)**	**121.669**	
Long-term investments	11.166	(0.031)	11.135	5.02%
Short-term investments	0.000	5.700	5.700	0.01%
Cash and Cash equivalents	1.840	(1.203)	0.637	0.00%
Total Investments	**13.006**	**4.466**	**17.472**	
Net borrowing	**114.083**		**104.197**	

Mid Suffolk	31.03.21 Balance £m	Movement £m	30.09.21 Balance £m	30.09.21 Rate %
Medium / Long-term borrowing	98.572	6.809	105.381	2.74%
Short-term borrowing	44.000	(15.800)	28.200	0.07%
Total borrowing	**142.572**	**(8.991)**	**133.581**	
Long-term investments	11.162	(0.031)	11.131	5.03%
Short-term investments	1.500	(1.500)	0.000	0.01%
Cash and Cash equivalents	2.018	(0.006)	2.012	0.00%
Total Investments	**14.680**	**(1.537)**	**13.143**	
Net borrowing	**127.892**		**120.438**	

5 Environmental, Social and Governance (ESG) considerations

5.1 At its meeting on 17th May 2021, the Joint Audit and Standards Committee considered a report on ESG considerations for the Councils' Joint Treasury Management Strategy and recommended that "the Cabinet pushes its fund managers to filter investments in respect of the ESG considerations, looking for positive contributions to tackling our carbon reduction priorities and that the Cabinet considers withdrawing funds from investors who do not adequately address these concerns." It was recognised that any decision to withdraw funds should be balanced against financial prudence. This recommendation will be taken forward to Cabinet in January 2022.

5.2 In October 2021 the Government published a report, Greening Finance: A Roadmap to Sustainable Investing: Greening Finance: A Roadmap to Sustainable Investing (publishing.service.gov.uk). Its aim is to support the financial services sector to align with the UK's net zero commitment and wider environmental goals.

5.3 The roadmap sets out the Governments plans to implement new Sustainability Disclosure Requirements (SDR) to create an integrated framework for decisions-useful disclosures on sustainability across the economy. This will include new requirements for asset managers and investment product disclosures.

5.4 Updates will be provided in future reports on any developments in this area.

1 Borrowing Strategy

1.1 On 30 September 2021 Babergh held £121.7m of loans, a decrease of £5.4m and Mid Suffolk held £133.6m of loans, a decrease of £9m since 31 March 2021.

1.2 Babergh has reduced net overall borrowing by making repayments on long term Public Works Loan Board (PWLB) loans and by repaying short-term local authority loans.

1.3 Mid Suffolk has reduced net overall borrowing by making repayments on long term PWLB loans and taking up new medium-term and repaying short-term loans with other local authorities.

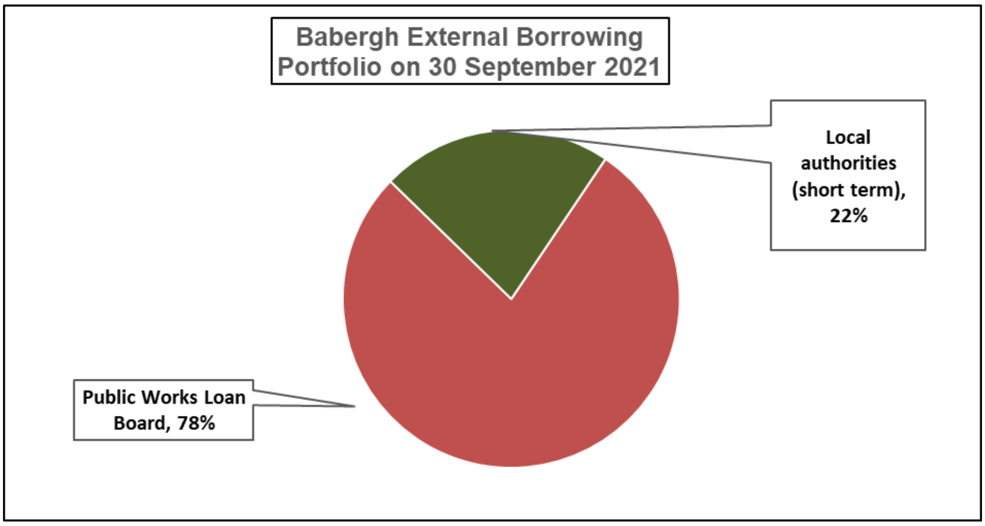
1.4 The borrowing position on 30 September 2021 is shown in Table 3 that follows.

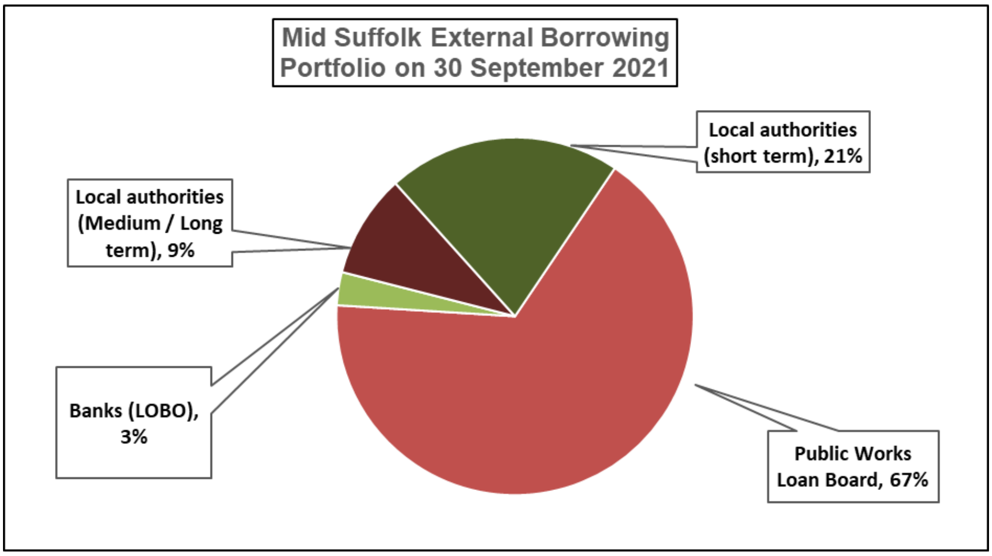
1.5 **Table 3: Borrowing Position**

Babergh	31.03.21 Balance £m	Movement £m	30.09.21 Balance £m	30.09.21 Weighted Average Rate %
Public Works Loan Board	95.089	(0.420)	94.669	3.19%
Local authorities (short term)	32.000	(5.000)	27.000	0.08%
Total borrowing	**127.089**	**(5.420)**	**121.669**	

Mid Suffolk	31.03.21 Balance £m	Movement £m	30.09.21 Balance £m	30.09.21 Weighted Average Rate %
Public Works Loan Board	89.572	(0.691)	88.881	3.28%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (Medium / Long term)	5.000	7.500	12.500	0.74%
Local authorities (short term)	44.000	(15.800)	28.200	0.22%
Total borrowing	**142.572**	**(8.991)**	**133.581**	

1.6 **Table 3 - Charts - The Councils' Borrowing Portfolios on 30 September 2021:**





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

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

1.9 The impact of Covid19 has caused delays in the Councils' capital expenditure plans which has resulted in a temporary lower funding requirement.

1.10 The Treasury Management Strategy shows that both Councils have increasing CFRs and estimated net borrowing requirements which are for capital expenditure on schemes including the HRA new build programme, the former HQ sites, Gateway 14 Ltd, solar car ports and vehicle renewals.

1.11 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 Mid Suffolk took out £7.5m of new medium-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 certainty borrowing rate. The Councils will evaluate and pursue these lower cost solutions and opportunities with its treasury advisor, Arlingclose.

1.14 LOBO loans: Mid Suffolk continues to hold £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the first half of 2021/22.

2 <u>Borrowing Update</u>

2.1 Local authorities can borrow from the PWLB provided they can confirm they are not planning to purchase 'investment assets primarily for yield' in the current or next two financial years, with confirmation of the purpose of the capital expenditure from the Section 151 Officer (Assistant Director, Corporate Resources). 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.

2.2 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

2.3 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. Further changes to the CIPFA Prudential Code expected in December 2021 are likely to prohibit borrowing for the primary purpose of commercial return even where the source of borrowing is not the PWLB.

2.4 The Councils are not planning to purchase any investment assets primarily for yield within the next three years and so are able to fully access the PWLB.

Revised PWLB Guidance

2.5 HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:

- Capital expenditure incurred or committed to before 26 November 2020 is allowable even for an ‘investment asset primarily for yield’.
- Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1 March and remain open all year. Returns must be updated if there is a change of more than 10%.
- An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.
- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

2.6 **Changes to PWLB Terms and Conditions from 8 September 2021**

2.7 The settlement time for a PWLB loan has been extended from two workings days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

2.8 Municipal Bonds Agency (MBA): The MBA is working to deliver a new short-term loan solution, available in the first instance to principal local authorities in England, allowing them access to short-dated, low rate, flexible debt. The minimum loan size is expected to be £25 million. Importantly, local authorities will borrow in their own name and will not cross guarantee any other authorities.

2.9 If the Councils intend future borrowing through the MBA, they will first ensure that they have thoroughly scrutinised the legal terms and conditions of the arrangement and are satisfied with them.

2.10 UK Infrastructure Bank: £4bn has been earmarked for lending to local authorities by the UK Infrastructure Bank which is wholly owned and backed by HM Treasury. The availability of this lending to local authorities, for which there will be a bidding process, is yet to commence. Loans will be available for qualifying projects at gilt yields plus 0.6%, which is 0.2% lower than the PWLB certainty rate.

Appendix C

1 Treasury Investment Activity

1.1 Since April 2020 both Councils have received central government funding to support small and medium businesses during the coronavirus pandemic through grant schemes. At 30th September 2021 Babergh had a balance of £2.4m that was received but yet to be paid out and Mid Suffolk had a balance of £2.6m, which was temporarily invested in short-dated, liquid instruments such as Money Market Funds.

1.2 Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves held. During the first half of 2021/22, Babergh's investment balances ranged between £12.4m and £24.1m. Mid Suffolk's investment balances ranged between £12.4m and £25.4m. These movements are due to timing differences between income and expenditure, in particular relating to the grant schemes discussed in paragraph 1.1 above.

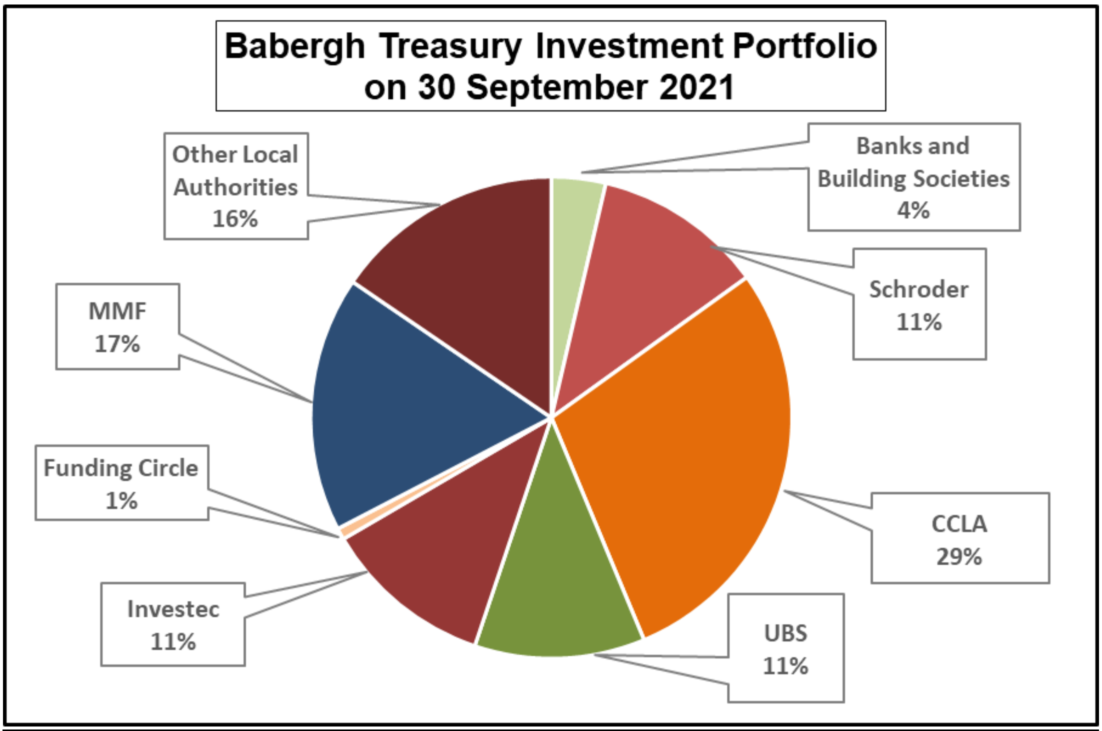
1.3 The investment position and weighted average rates during the first six months of the year is shown in Table 4 that follows.

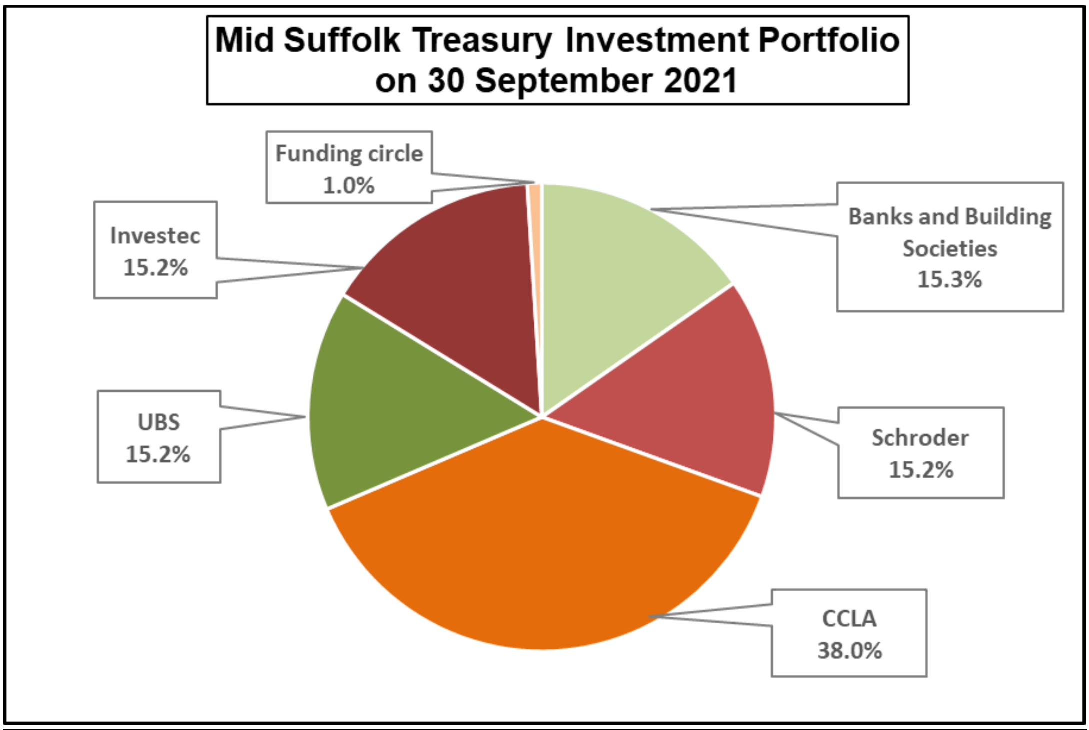
1.4 **Table 4: Treasury Investment Position**

Babergh	**31.03.21 Balance £m**	**Movement £m**	**30.09.21 Balance £m**	**30.09.21 Weighted Average Rate %**
Banks and Building Societies	1.840	(1.203)	0.637	0.00%
Money Market Funds	0.000	3.000	3.000	0.01%
Other Pooled Funds	11.166	(0.031)	11.135	5.02%
Other Local Authorities	0.000	2.700	2.700	0.01%
Total Investments	**13.006**	**4.466**	**17.472**	

Mid Suffolk	**31.03.21 Balance £m**	**Movement £m**	**30.09.21 Balance £m**	**30.09.21 Weighted Average Rate %**
Banks and Building Societies	2.018	(0.006)	2.012	0.00%
Money Market Funds	1.500	(1.500)	0.000	0.01%
Other Pooled Funds	11.162	(0.031)	11.131	5.03%
Total Investments	**14.680**	**(1.537)**	**13.143**	

1.5 The Councils' Investment Portfolios on 30 September 2021:





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

1.7 Ultra-low short-dated cash rates which have been a feature since March 2020 when Bank Rate was cut to 0.1% have resulted in the return on sterling low volatility net asset value money market funds (LVNAV MMFs) being close to zero even after some managers have temporarily waived or lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee cuts or waivers should result in MMF net yields having a floor of zero, but the possibility cannot be ruled out.

1.8 Deposit rates with the Debt Management Account Deposit Facility (DMADF) are also largely around zero.

1.9 Neither Council made further investments in strategic pooled funds (e.g. pooled property, multi asset and equity funds) during the period.

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

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

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2021	5.38	A+	93%	11	4.22%
30.06.2021	4.81	A+	100%	3	3.01%
30.09.2021	4.80	A+	100%	3	3.72%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
31.03.2021	5.01	A+	99%	6	3.75%
30.06.2021	4.89	A+	100%	4	3.56%
30.09.2021	5.12	A+	99%	3	4.19%

Arlingclose Benchmarks for 30.09.21	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return
Similar LAs	4.66	A+	69%	32	1.20%
All LAs	4.69	A+	69%	10	0.78%

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

1.13 Each Council has £11.1m of externally managed strategic pooled equity, property and multi assets funds where short-term security and liquidity are lesser considerations and the primary objectives instead are regular revenue income and long-term price stability. Since the date of the initial investments, these have generated a total income return, used to support service provision, of £2.72m for Babergh and £2.57m for Mid Suffolk. Both Councils have achieved an average rate of return for the period of 4.1%.

1.14 These pooled funds have no defined maturity date but are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Councils' investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years, but with the confidence that over a three to five-year period total returns will exceed cash interest rates. Investment in these funds has been maintained during the first six months of the year.

1.15 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 then MHCLG granted a statutory override until 2022/23 so these changes will have no impact on the "bottom line" until 2023/24.

1.16 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.

2 Long Term investments – Pooled Fund Performance

2.1 In a relatively short period since the onset of the COVID-19 pandemic in March 2020 and the ensuing enforced lockdown in many jurisdictions, the global economic fallout has been sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, business and individuals.

2.2 Both Councils are invested in equity, multi-asset and property funds. The falls in the capital values of the underlying assets, in particular equities, reflected in the 31 March 2020 fund valuations, with both funds registering negative capital returns over the 12-month period had made some recovery by 31 March 2021.

2.3 The improved market sentiment in the past 6 months is reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of the Councils' equity and multi-asset income funds in their portfolios. The prospect of higher inflation and rising bond yields resulted in muted bond fund performance.

2.4 The capital value of the property fund is above that on 31 March. Market values of all the pooled funds on 31 March and 30 September 2021 are as shown in Table 6 that follows.

2.5 The Councils' objective is to retain these investments in pooled funds to generate an income return. These are long-term investments and would only be redeemed when capital growth had been achieved. Table 6 that follows is a summary of performance by fund from initial investment date until the most recent return valuation available and details of interest received.

2.6 **Table 6: Pooled Fund Performance**

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

2.6.2 **Table 6.1 CCLA Performance**

CCLA	Babergh				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	4.825	(0.034)	4.791	0.334	5.125
Cumulative Net Interest received from date of initial investment	**1.014**	**0.209**	**1.224**	**0.092**	**1.316**
Annual Performance					
Net Interest received in year	**0.216**		**0.209**		**0.092**
Average Rate of Return for year	**4.35%**		**4.19%**		**3.67%**

CCLA	Mid Suffolk				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	5.000		5.000		5.000
Investment Valuation	4.750	(0.034)	4.717	0.329	5.046
Cumulative Net Interest received from date of initial investment	**0.965**	**0.206**	**1.171**	**0.089**	**1.260**
Annual Performance					
Net Interest received in year	**0.215**		**0.206**		**0.089**
Average Rate of Return for year	**4.30%**		**4.12%**		**3.55%**

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

2.6.4 **Table 6.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.253	0.288	1.540	0.046	1.586
Cumulative Net Interest received from date of initial investment	**0.460**	**0.098**	**0.558**	**0.062**	**0.620**
Annual Performance					
Net Interest received in year	**0.143**		**0.143**		**0.062**
Average Rate of Return for year	**7.16%**		**7.16%**		**6.14%**

Schroder Maximiser Fund	Mid Suffolk				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.253	0.288	1.540	0.046	1.586
Cumulative Net Interest received from date of initial investment	**0.460**	**0.098**	**0.558**	**0.062**	**0.620**
Annual Performance					
Net Interest received in year	**0.143**		**0.103**		**0.062**
Average Rate of Return for year	**7.16%**		**5.16%**		**6.14%**

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

2.6.6 **Table 6.3 UBS Performance**

UBS	Babergh				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.657	0.174	1.831	0.004	1.834
Cumulative Net Interest received from date of initial investment	**0.363**	**0.090**	**0.452**	**0.044**	**0.496**
Annual Performance					
Net Interest received in year	**0.089**		**0.103**		**0.044**
Average Rate of Return for year	**4.43%**		**5.16%**		**4.35%**

UBS	Mid Suffolk				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.654	0.174	1.828	0.004	1.831
Cumulative Net Interest received from date of initial investment	**0.268**	**0.093**	**0.361**	**0.044**	**0.405**
Annual Performance					
Net Interest received in year	**0.090**		**0.103**		**0.044**
Average Rate of Return for year	**4.52%**		**5.16%**		**4.34%**

2.6.7 Both Councils invested £2m each 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.

2.6.8 **Table 6.4 Investec Ninety-One Performance**

Investec Ninety One Series i Diversified Income Fund	Babergh				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.815	0.180	1.995	(0.056)	1.939
Cumulative Net Interest received from date of initial investment	**0.062**	**0.075**	**0.137**	**0.042**	**0.179**
Annual Performance					
Net Interest received in year	**0.062**		**0.075**		**0.042**
Average Rate of Return for year	**3.11%**		**3.75%**		**4.20%**

Investec Ninety One Series i Diversified Income Fund	Mid Suffolk				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount invested	2.000		2.000		2.000
Investment Valuation	1.815	0.180	1.995	(0.056)	1.939
Cumulative Net Interest received from date of initial investment	**0.062**	**0.075**	**0.137**	**0.042**	**0.179**
Annual Performance					
Net Interest received in year	**0.062**		**0.075**		**0.042**
Average Rate of Return for year	**3.11%**		**3.75%**		**4.20%**

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

2.6.10 **Table 6.5 Funding Circle Performance**

Funding Circle	Babergh 31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount Invested - National	0.214	(0.048)	0.166	(0.031)	0.135
Total Amount Invested	**0.214**	**(0.048)**	**0.166**	**(0.031)**	**0.135**
Bad debts to date	(0.052)	0.005	(0.046)	0.001	(0.045)
Accrued Interest	0.012	(0.007)	0.005	(0.002)	0.003
Valuation	**0.174**	**(0.050)**	**0.125**	**(0.031)**	**0.093**
Income received	0.113	0.006	0.119	0.001	0.120
Servicing costs	(0.013)	(0.001)	(0.014)	0.000	(0.014)
Cumulative Net Interest received from date of initial investment	**0.100**	**0.005**	**0.105**	**0.001**	**0.106**
Annual Performance					
Net Interest received in year	**0.013**		**0.005**		**0.001**
Average Rate of Return for year	**4.83%**		**3.14%**		**3.33%**

Funding Circle	Mid Suffolk 31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Amount Invested - National	0.215	(0.053)	0.162	(0.031)	0.131
Total Amount Invested	**0.215**	**(0.053)**	**0.162**	**(0.031)**	**0.131**
Bad debts to date	(0.055)	0.004	(0.050)	0.003	(0.048)
Accrued Interest	0.011	(0.006)	0.005	(0.002)	0.003
Valuation	**0.172**	**(0.055)**	**0.116**	**(0.030)**	**0.086**
Income received	0.115	0.005	0.120	0.001	0.121
Servicing costs	(0.014)	0.000	(0.014)	0.000	(0.014)
Cumulative Net Interest received from date of initial investment	**0.101**	**0.005**	**0.106**	**0.001**	**0.107**
Annual Performance					
Net Interest received in year	**0.011**		**0.005**		**0.001**
Average Rate of Return for year	**4.85%**		**2.98%**		**2.73%**

3 Non-Treasury Holdings and Other Investment Activity

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

Investment Property

3.2 On 5 August 2016 Babergh purchased Borehamgate Shopping centre in Sudbury for £3.56m. This has been classified as an investment property and on 31 March 2021, it was assessed at Fair Value of £2.7m.

Trading Companies

3.3 Babergh holds £5m of equity in Babergh Holdings Ltd and Mid Suffolk holds the same in Mid Suffolk Holdings Ltd.

3.4 The Capital Investment Fund Company (CIFCO Ltd) is a jointly owned subsidiary of both Babergh Holdings Ltd and Mid Suffolk Holdings Ltd (50% each) and both Councils have loans of £44.7m in CIFCO Ltd. These loans have generated £4.77m (gross) of investment income for each Council since the start of trading.

3.5 Mid Suffolk also holds £1.622m of equity and £21.6m of loans in another subsidiary of Mid Suffolk Holdings Ltd, Gateway 14 Ltd, which has generated £3m of accrued investment income since 13 August 2018.

3.6 Mid Suffolk holds £1m of loans in another subsidiary of Mid Suffolk Holdings Ltd, Mid Suffolk Growth Ltd.

3.7 Further details are shown in Table 7 that follows.

3.8 **<u>Table 7: Trading Companies activity</u>**

Babergh	Trading Companies				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
CIFCO Ltd					
Interest Receivable	2.110	1.551	3.661	1.105	4.766
Interest Payable	(0.446)	(0.264)	(0.709)	(0.049)	(0.758)
Cumulative Net Interest received from date of investments	**1.664**	**1.287**	**2.952**	**1.056**	**4.007**

Mid Suffolk	Trading Companies				
	31.3.20 Balance £m	2020/21 Movement £m	31.3.21 Balance £m	6 months Movement £m	30.9.21 Balance £m
Interest Receivable					
CIFCO Ltd	2.110	1.551	3.661	1.105	4.766
Gateway 14 Ltd	1.383	1.043	2.426	0.576	3.002
Total Interest Receivable	**3.493**	**2.594**	**6.087**	**1.681**	**7.768**
Interest Payable					
CIFCO Ltd	(0.789)	(0.494)	(1.283)	(0.108)	(1.391)
Gateway 14 Ltd	(0.360)	(0.180)	(0.540)	(0.038)	(0.578)
Total Interest Payable	**(1.149)**	**(0.675)**	**(1.823)**	**(0.145)**	**(1.969)**
Net Interest					
CIFCO Ltd	1.321	1.056	2.378	0.997	3.375
Gateway 14 Ltd	1.023	0.863	1.886	0.539	2.424
Cumulative Net Interest received from date of investments	**2.344**	**1.919**	**4.263**	**1.536**	**5.799**

4 Table 8: Debt Limits

4.1 Compliance with the authorised limit and operational boundary for external debt is demonstrated in the table that follows.

Borrowing	Actual Maximum	30.09.21 Actual	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied
Babergh	£127m	£122m	£178m	£193m	✓
Mid Suffolk	£145m	£135m	£227m	£242m	✓

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

5 Compliance

5.1 The Section 151 Officer can report that, except for one occasion when Babergh exceeded its daily bank account limit with Lloyds by £136k, as mentioned in Paragraph 5.4 below, all treasury management activities undertaken complied fully with the CIPFA Code of Practice and the Councils' approved Treasury Management Strategy.

5.2 Compliance with specific investment limits is demonstrated in Table 9 that follows.

5.3 **Table 9: Investment Limits**

Babergh	Actual Maximum	30.09.21 Actual	2021/22 Limit	Complied
Lloyds Bank	£2.136m	£0.637m	£2m	☒
Money market funds	44.87%	17.14%	50%	✓
DMADF	Nil	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.166m	£0.166m	£1m	✓

Mid Suffolk	Actual Maximum	30.09.21 Actual	2021/22 Limit	Complied
Lloyds Bank	£1.943m	£1.512m	£2m	✓
Barclays Bank	£0.500m	£0.500m	£2m	✓
Money market funds	32.10%	13.38%	50%	✓
DMADF	£3m	Nil	No limit	✓
CCLA	£5m	£5m	£5m	✓
UBS	£2m	£2m	£5m	✓
Investec	£2m	£2m	£5m	✓
Schroder	£2m	£2m	£5m	✓
Funding Circle	£0.162m	£0.162m	£1m	✓

5.4 It should be noted that both Council's treasury management activity for the first six months of 2021/22 was in accordance with the approved Treasury Management Strategy, and that, except for one day when Babergh exceeded its daily bank account limit with Lloyds by £136k, both Councils have complied with all the Treasury Management Indicators for this period. The Babergh exception was due to Lloyds bank online banking system being unavailable for the day and no balances could be invested, causing the limit to be exceeded.

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1 Treasury Management Indicators

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

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

Portfolio Average Credit Score	30.09.2021 Actual	2021/22 Target	Complied
Babergh	4.80	7.0	✓
Mid Suffolk	4.80	7.0	✓

1.3 **Liquidity:** The Councils have adopted a voluntary measure of exposure to liquidity risk by monitoring the amount they can borrow each period without giving prior notice.

Total sum borrowed in the past 3 months without prior notice	30.09.21 Actual	2021/22 Target	Complied
Babergh District Council	Nil	£5m	✓
Mid Suffolk District Council	Nil	£5m	✓

1.4 **Interest Rate Exposures:** This indicator is set to control the Councils' exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest was:

Upper impact on Revenue of a 1% increase in rates	30.09.21 Actual	2021/22 Target	Complied
Babergh District Council	£0.034m	£0.111m	✓
Mid Suffolk District Council	£0.116m	£0.210m	✓

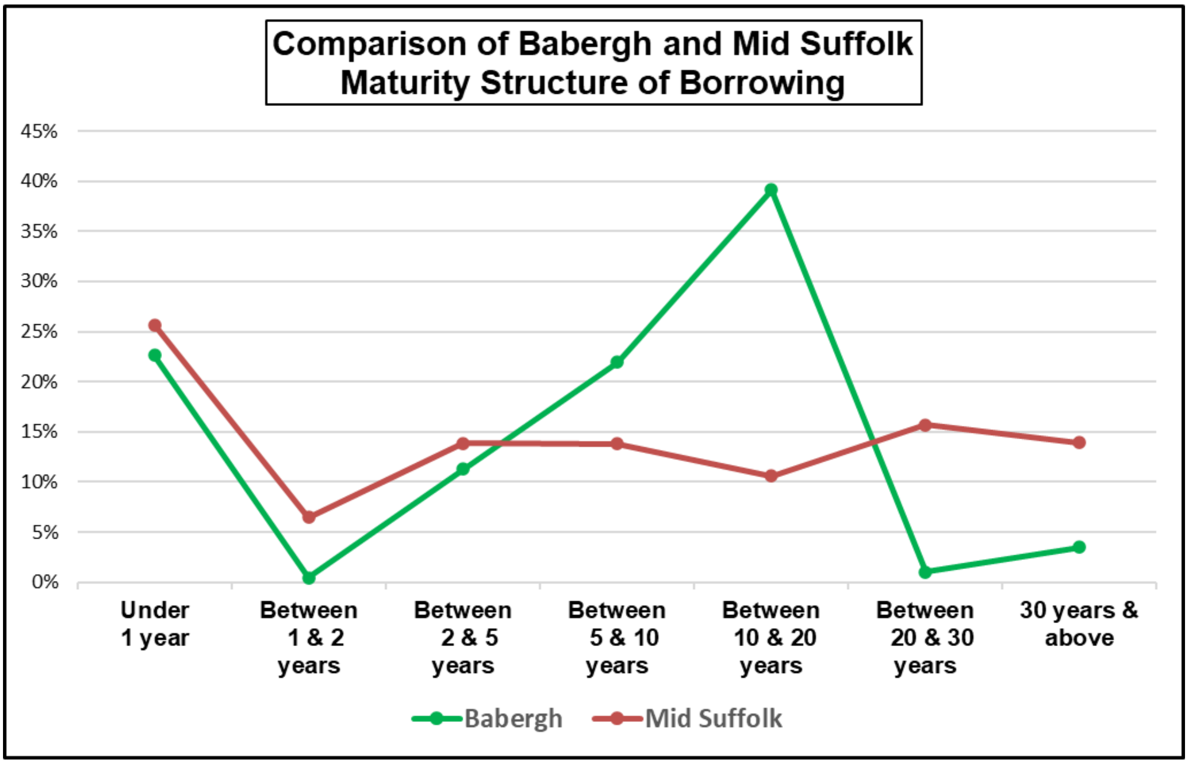
1.5 The impact of a change in interest rates is calculated on the assumption that maturing loans and investment will be replaced at current rates.

1.6 **Maturity Structure of Borrowing:** This indicator is set to control the Councils' exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing are shown in the following table:

1.7 Table to show Maturity Structure of Borrowing:

Age Profile of Maturity	Babergh 30.09.21 Actual	Mid Suffolk 30.09.21 Actual	Lower Limit	Upper Limit	Complied
Under 1 year	22.64%	25.67%	0%	50%	✓
Between 1 & 2 years	0.46%	6.45%	0%	50%	✓
Between 2 & 5 years	11.29%	13.83%	0%	50%	✓
Between 5 & 10 years	21.97%	13.81%	0%	100%	✓
Between 10 & 20 years	39.13%	10.58%	0%	100%	✓
Between 20 & 30 years	1.03%	15.72%	0%	100%	✓
30 years & above	3.49%	13.94%	0%	100%	✓

1.8 Chart to show the Maturity Structure of Borrowing:



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

1.10 **Principal Sums Invested for Periods Longer than a year:** The purpose of this indicator is to control the Councils' exposure to the risk of incurring losses by seeking early repayment of their investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

Actual Principal invested beyond year end	**2021/22**	**2022/23**	**2023/24**
Babergh Actual	Nil	Nil	Nil
Mid Suffolk Actual	Nil	Nil	Nil
Limit on principal invested beyond year end	**£2m**	**£2m**	**£2m**
Babergh Complied	✓	✓	✓
Mid Suffolk Complied	✓	✓	✓

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Appendix E

Consultations on revised CIPFA Codes and Department of Levelling Up, Housing and Communities (DLUHC - formerly MHCLG) Capital Finance Framework

1 Revisions to the CIPFA Codes of Practice

1.1 In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

1.2 In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The changes include:

- Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority.

- Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes.

- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.

- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).

- Prudential Indicators

    - New indicator for net income from commercial and service investments to the budgeted net revenue stream.

    - Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority's full debt maturity profile.

    - Excluding investment income from the definition of financing costs.

- Incorporating ESG issues as a consideration within TMP 1 Risk Management.

- Additional focus on the knowledge and skills of officers and elected members involved in decision making.

2 DLUHC Improvements to the Capital Finance Framework

2.1 DLUHC published a brief policy paper in July outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that "while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk".

2.2 The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that DLUHC regulations enforce guidance from CIPFA and the new PWLB lending arrangements.

2.3 A further consultation on these matters is expected soon.

MHCLG	A Government department – The Ministry of Housing, Communities and Local Government
MiFID	The Markets in Financial Instruments Directive (2014/65/EU) (MiFID II). The EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded.
MPC	Monetary Policy Committee. A committee of the Bank of England which decides the Bank of England's Base Rate and other aspects of the Government's Monetary Policy.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing
NAV	Net Asset Value. The NAV is the value of a fund's assets less the value of its liabilities on a per unit basis.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
Schroder	Schroder Income Maximiser Fund
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) – a pooled fund.

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Agenda Item 9

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO:	**BDC Council** **MSDC Council**	**REPORT NUMBER: IRBC/21/25**
FROM:	**Cllr Jan Osborne** **BDC Cabinet Member for Housing** **Cllr Lavinia Hadingham** **MSDC Cabinet Member for Housing**	**DATE OF MEETING: 25 January 2022** **27 January 2022**
OFFICER:	**Gavin Fisk – Assistant Director Housing**	**KEY DECISION REF NO. N/A**

THE DEVELOPMENT OF HOUSING REVENUE ACCOUNT BUSINESS PLANS

1. PURPOSE OF REPORT

1.1 This report sets out the work that has taken place to date to develop robust and financially sustainable Housing Revenue Account (HRA) Business Plans for the period 2022 - 2052 for both Babergh and Mid Suffolk District Councils. It provides an oversight of the consultation with key stakeholders and how this feedback and insight has shaped and developed the plan to date.

1.2 This report provides an initial evidence base highlighting the priorities that have been defined for the forthcoming HRA Business Plans. The final plan will be presented to Council in April 2022 along with evidence the plan has been robustly stress tested and which is deliverable both in the medium and longer term.

1.3 This report seeks approval to develop plans based on the priorities set out in this report.

2. OPTIONS CONSIDERED

2.1 To continue with the current version of the HRA Business Plans, which were adopted in 2017. However, it is felt this would prevent us managing the HRA effectively as many changes have occurred since 2017, including the Climate Emergency declared by both Councils in 2019.

2.2 To develop HRA Business Plans that both individually and collectively support both Babergh and Mid Suffolk District Councils Vision for the Housing Revenue Accounts. These business plans will take into consideration the changing external factors, as well as the Councils own aspirations. It will seek to consider opportunities to not only review the financial capacity within the HRA, but the approach and direction to the delivery of Council Housing Services, including meeting the requirements set out in the Social Housing White Paper.

3. RECOMMENDATIONS

3.1 It is recommended that Full Council note the approach that has been taken and the progress that has been made in developing the HRA Business Plans along with the overarching aims as set out in this report.

3.2 It is recommended that Full Council approve the creation of a new HRA Business Plan.

3.3 A final draft of the plan including any financial costings will be presented to Full Council in April 2022, after the 2022/23 budget setting process has been completed.

REASON FOR DECISION

3.4 To provide oversight of the work to date, to develop a financially sustainable HRA Business Plan, including the results of consultation.

4. KEY INFORMATION

4.1 The Housing Revenue Account (HRA) Business Plans set out the priorities, plans and actions for council housing over the next 30 years. The HRA Business Plans for both Councils were last revised in May 2017, therefore, it is pertinent that after five years, a fundamental review of the plans and its priorities takes place.

4.2 The purpose of such plans is to show that we can maintain our existing housing assets and deliver a quality customer-focused service, as well as improve homes and neighbourhoods, whilst supporting and endeavouring to achieve the visions of the current organisations' key strategies.

4.3 An effective HRA Business Plan has become ever more crucial since central government announced the reform of the rules governing local authority housing finance and the introduction of the self-financing system a decade ago.

4.4 Work to date on the development of the HRA Business Plans has been focussed heavily on research, this includes ensuring the final version of the plans are specfic, measurable, realistic, achievable, and timed.

4.5 To do so, research and development has been invested in the organisations proposed '*New Build Design Guide'* and '*Technical Specification'*. Along with far greater intelligence and insight on the energy performance of our existing stock portfolio. This specific piece of work has led to working with the Energy Saving Trust to produce individual reports on every council owned home, which is based on more than 80 separate measures. This work has allowed us to accurately predict the levels of future expenditure and investment required to ensure every Council owned home meets the Government target of EPC C, by 2030.

4.6 To ensure the plan is achievable it has required officers to produce a baseline position taking into account actual income and expenditure including planned works.

4.7 Summer 2021 saw both tenant, staff and member consultation with more than 2,000 separate survey responses to three separate consultations that is evidenced in section nine of this report. As a direct result of this feedback, we intend that the final version of the HRA Business Plans which will be fully costed will provide the following outcomes for all stakeholders, associated with the Housing Revenue Accounts.

What will our Plans deliver?

4.8 **Investing in our Homes**

4.9 It is intended that we will see significant investment in retrofitting of existing homes to make them energy efficient (EPC Level C), and compliant with existing legislation. With an aspiration to provide additional investment in existing homes to support them reaching a higher level of energy performance above EPC C during the lifespan to these plans.

4.10 We will need to make decisions in the future in relation to our stock profile, this could include making decisions on which HRA assets to develop, redevelop, or dispose of to ensure we consistently provide homes which are cost effective to maintain and provide the highest levels of quality for tenants.

4.11 Ensure our homes exceed tenants' expectations, this includes the fabric and condition of the home as well as the services they receive. In the future this is likely to include investment in 'smart' technology to allow homes to be monitored for future repair or maintenance or standards e.g. Smart sensors to monitor the boiler or moisture within the home.

4.12 Enhanced 'Void' standards which ensure that when empty homes are returned to the Council as a landlord, we are focussed on quality rather than cost and time. In the longer term it is envisaged this will lead to savings on repairs and maintenance and improved levels of tenant satisfaction.

4.13 **Climate Change**

4.14 Investment in all homes to improve overall energy efficiency will be a key focus and will require long term investment beyond historic and existing levels of investment in capital improvements.

4.15 This will be led through retrofitting and improved energy efficiency of homes. Supported by practical education for tenants on how to best use and manage the home to gain the greatest benefits, leading to lower energy costs for tenants.

4.16 This work will support both organisational and Suffolk wide Climate change ambitions, which will be complemented by greater levels of Biodiversity within our estates and neighbourhoods. A practical example of this approach could be community allotments, which provide a sense of place and belonging, and which exceed tenants needs.

4.17 **Building and Buying New Council Homes**

4.18 There will continue to be ambition to build or acquire additional new homes, through the development of the HRA Business Plans, the Councils will be able identify how many new homes it can build and develop over the medium term. These new homes will be developed by using the New Build Design Guide and Technical Specification. Whilst the Councils will continue to work with Homes England to obtain funding through the Affordable Homes Programme, which will enable more homes to be developed than solely funding development via the HRA.

4.19 An emphasis on good quality design, energy efficiency, low running costs, sustainability, and the use of modern methods of construction, where appropriate.

4.20 Right to Buy receipts will be used efficiently ensuring they are maximised and contribute effectively to any affordable housing programme.

4.21 Whilst there will continue to be a focus on new homes, the Business Plans will focus on how the HRA's and the council housing service makes efficient use of existing homes through for example, incentives to downsize.

4.22 Within the housing portfolio opportunities will continue to be reviewed through acquisition, disposal, and remodelling, of existing HRA assets to maximise revenues and minimise the cost of maintenance, repair and renewal of stock which is poorly performing.

4.23 **Improving the service we provide to our tenants**

4.24 It is imperative that we continually improve on existing levels of service and performance. We must ensure that every single tenant feels listened to and satisfied with the service they receive, whilst identifying BMSDC Landlord services as being exemplar in its approach to placing Tenants at the 'Heart' of what we do including decision making.

4.25 This will require a greater emphasis on performance, scrutiny, and satisfaction ensuring building safety and compliance at all times with regulation and Housing law.

4.26 We will learn from every complaint. Measuring satisfaction in real time and ensure we do not only meet the new regulatory framework and standards as set by the Regulator of Social Housing but exceed them.

4.27 **Improving our Neighbourhoods**

4.28 We know all stakeholders identified improvements that could or should be made through the consultation. Therefore, this is an area that we will identify and target to ensure improvements for which tenants identify and benefit from. To support this important work and to take account for the variety of neighbourhoods throughout the two districts a Neighbourhoods Strategy will be developed to provide an overarching approach.

4.29 We will develop a programme to reduce the number of garages in areas where there is low demand and utilise this space for alternative uses e.g., additional parking, housing solutions or amenity land.

4.30 Improve existing car parking provision and develop the opportunities for Electrical Vehicle (EV) charging.

4.31 Increased Biodiversity and Environmental Improvements.

4.32 Improved quality of estates through enhanced standards and quality which may be achieved through effective service charging, where appropriate.

4.33 These and other measures and improvements will aim to ensure neighbourhoods are identified as being safe, secure, pleasant, enjoyable and fun to live within, which leads to increases in tenant satisfaction as a direct result.

4.34 **Involving Tenants in running of the service**

4.35 We will ensure that through the business plans there are opportunities for active decision making for tenants through a person-centred approach.

4.36 Development of an innovative Governance model that could introduce a Housing Board (equivalent to our Companies or a Housing Association Board) with officers, tenant/s, members and key specialists actively involved and part of decision making, performance and the development of the service in the long term.

4.37 Delivery of an action plan that supports a model of engagement that places tenants at the heart of decision making (in line with Tenant Participatory Advisory Service (TPAS) accreditation).

4.38 **Digital Transformation**

4.39 The service will move to a cloud-based software system, which enables greater flexibility for staff and tenants and creates efficiencies.

4.40 We will support more tenants with both the skills and tools to embrace digital methods as a result of direct feedback from our digital skills survey. This will enable and encourage users of the service to self-serve 'on the go'. For those that desire, we will provide digital tenancies that are more intuitive and that negate the need to use traditional communication channels to engage with the landlord service, providing a greater level of self-serve on the go than is currently available.

4.41 Whilst the use of digital tools and technology will support staff to manage the service effectively e.g., Using digital dashboards to provide a clear picture of performance in 'real time' along with greater functionality using tablets and software.

5. LINKS TO CORPORATE PLAN

5.1 Homes and Housing is one of the six key priorities within 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'.

5.2 The intention is to ensure that the Councils own Housing stock and its tenants are supported through the Business Plan to maintain our housing stock and continue providing good quality, sustainable council homes, which meet a range of needs for today and for future generations. We will do this by:

5.2.1 Achieving and maintaining high standards of housing management and effective tenant involvement;

5.2.2 Assisting people in housing need to access social housing; Support vulnerable tenants in maintaining their tenancy and living independently;

5.2.3 Responding to and pre-empting changing demand patterns by maintaining a balanced portfolio of housing which addresses a wide range of needs;

5.2.4 Increasing the environmental sustainability of our housing stock

5.3 Our work is inherently about the provision of safe, affordable and decent homes, which support people's quality of life, sense of place and identity. The HRA Business plans must therefore prioritise the way all of its Housing services operate and how we can influence others to play their part.

5.4 The Housing Revenue Account Business Plans will signpost to the other strategies in the Corporate Plan that play a key role in delivering Council Housing outcomes and which enables our tenants to feel empowered to have their say in how their homes are managed and to ensure everyone has accommodation they are proud to call home.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications associated with this report. However, the implementation of the HRA Business Plans will have financial implications for both Councils.

6.2 The plans coming forward in April will include actual income and expenditure both now and projected going forward, along with evidence to support the plans as to what is and what is not affordable and how the finite income associated to the HRA Accounts will be apportioned to meet both the medium term aims of these plans for the period 2022 – 2027 and the long term aims for the period 2022 – 2052.

7. LEGAL IMPLICATIONS

7.1 There are no legal implications of this report.

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 13. We may be unable to react in a timely and effective way to financial demands. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to develop a financially sustainable HRA Business plan could lead to in year deficits and an inability to provide an effective Housing service in the long term	1 – Highly Unlikely	4- Disaster	Regular monitoring of the HRA Business Plan through effective budget monitoring and budget setting. Approved by Cabinet.

			The use of specialist external consultancy to act as a critical friend and business support. The use of a independent business model which ensures all medium and long-term income and expenditure is recorded
Failure to accurately identify and plan for all future investment and expenditure could lead to the Councils being unable to provide both the quality of accommodation and landlord services that everyone expects	2 - Unlikely	4 - Disaster	Research, profiling and insight into future costs of investment and expenditure have been conducted using specialist support. The plan articulates where legislation requires a specific approach going forward Budgets are monitored on a monthly basis and monitored through quarterly outturn reports with a robust budget setting process
The HRA Business Plan is not relatable to by its stakeholders and hence does not achieve the outcomes and goals desired	2 - Unlikely	3 – Bad/Serious	Consultation has taken place with all stakeholders. Research has taken place on what the plan needs to achieve to provide the highest levels of service to tenants and to be an exemplar.

9. CONSULTATIONS

9.1 During a period in the second half of 2021 there were a total of 619 consultees that responded to an online survey (584 tenants, 27 Staff and 8 Members). A further 14 took part in a virtual workshop.

9.2 The following seven areas were identified in priority order with details of the key issues identified during the consultation.

9.3 Investing in our current homes

- 71% of respondents did not feel we invested enough in existing homes.
- Improving home insulation, installing environmentally friendly heating systems and upgrading doors and windows were the priority investment items identified for all existing homes.

9.4 Climate change

- 70% of respondents felt we should be doing more to address climate change.
- Improving the energy efficiency of homes should be the top priority.

9.5 Building and buying new Council housing

- Consultees were concerned about a lack of local affordable housing.
- Building more homes and encouraging under occupiers were considered the most effective ways to increase supply of affordable homes.

9.6 Improving the services, we provide our tenants

- Staff thought Housing Officers should visit tenants in their home once a year; tenant preference was for only when requested.
- 83% of tenant respondents did not want the Housing Service to provide non-housing advice

9.7 Improving our neighbourhoods

- 87% of tenants like the neighbourhoods they live in. The friendliness of existing communities was particularly highly valued.
- Lack of car parking was the issue tenants were most unhappy about.
- Staff and Members felt neighbourhoods looked untidy or unkempt and poorly maintained.

9.8 Involving tenants in the running of the housing service

- 56% felt tenants should be given more opportunities to be involved.
- 61% of tenants did not feel listened to.
- Digital surveys were the preferred method for tenants to have their say (however, this may be because this consultation exercise was digital, therefore, those without digital access were not as represented).

9.9 Digital Transformation

- There was generally a low awareness of the online 'My Home' portal amongst tenants and Members
- Only 28% of tenants had signed up to the 'My Home' portal
- Tenants mainly use it to contact a member of the housing service
- 46% of staff said they actively promote Digital channels to tenants
- Not being aware of the My Home portal was the main reason for not signing up
- Being able to book and track repairs was the favoured feature to add to the My Home Portal.

9.10 A further 1,500 separate surveys were received in relation to Sheltered Housing and Digital Access and Skills of tenants. These results will help shape further changes to our 'offer'.

10. EQUALITY ANALYSIS

10.1 There are no equality and diversity implications arising directly from this report, at this stage. When specific projects are identified as part of the final version of the HRA Business Plan screening, and where necessary, full Equality Impact Assessments will be carried out.

10.2 It should be noted that a key component of the Business Plans will be to ensure equality and diversity as well as ensuring anyone with a protected characteristic is supported whilst as a tenant of Babergh or Mid Suffolk District Councils.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no environmental implications arising directly from this report, at this stage.

11.2 It is intended that there will be positive environmental implications associated with the HRA Business Plans, specifically, that of our existing Carbon Reduction Management Plan and Bio-Diversity Plan and the emerging wider Environmental Strategy.

11.3 This will include:

11.3.1 Improving the existing energy efficiency of all council owned homes ensuring that every home meets an Energy Performance Certificate (C) by 2030;

11.3.2 All existing council owned homes are carbon neutral (wherever possible) by 2050;

11.3.3 New affordable housing built in the future by the Councils will be delivered to the highest levels of energy performance and standards achievable (on a scheme-by-scheme basis);

11.3.4 Along with ensuring HRA amenity land provides greater levels of biodiversity which will support and enhance the natural environment and the wellbeing of local communities.

12. APPENDICES

12.1 None

13. BACKGROUND DOCUMENTS

13.1 None

14. REPORT AUTHORS

14.1 Gavin Fisk – Assistant Director Housing

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BABERGH DISTRICT COUNCIL

TO: **COUNCIL**	**REPORT NUMBER:** **IRBC/21/26**
FROM: **Councillor John Ward, Leader of the Council**	**DATE OF MEETING:** **25 January 2022**

DRAFT TIMETABLE OF COMMITTEE MEETINGS 2022-23

1. PURPOSE OF REPORT

1.1 The purpose of this report is to agree the Timetable of Committee meetings for 2022/23 to ensure that Members and officers can plan accordingly.

2. RECOMMENDATIONS

2.1 Members are asked to check and discuss the draft Committee Timetable for 2022/23.

2.2 That the Chief Executive calls the meetings in accordance with the agreed Timetable unless there is insufficient business for the meeting to go ahead.

3. KEY INFORMATION

3.1 The draft Timetable is attached at Appendix A and Members are asked to check the proposed Committee dates to ensure that there are no reasons why the Committees should not go ahead on these dates.

4. LINKS TO JOINT STRATEGIC PLAN

4.1 Good governance and democratic, sound and transparent decision-making support the delivery of the Joint Strategic Plan.

5. FINANCIAL IMPLICATIONS

There are no financial implications arising from this report.

6. LEGAL IMPLICATIONS

6.1 Approval of the recommendation will ensure that Committee dates are placed well in advance into Member and officer diaries and the appropriate meeting rooms are booked. This will help to ensure that the Council complies with the statutory requirements for the summons to meetings and publication of papers.

7. RISK MANAGEMENT

7.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Dates are not booked in advance and the Committee is inquorate and unable to take decisions	1 – Highly unlikely	3 - Bad	Early approval of draft timetable of meetings will ensure that dates are placed into diaries as soon as possible.

8. CONSULTATIONS

8.1 SLT and Committee Chairs have been consulted.

9. EQUALITY ANALYSIS

9.1 An Equality Impact Assessment is not required as none of the protected characteristics will be affected by the recommendations within this report.

10. ENVIRONMENTAL IMPLICATIONS

10.1 There are no environmental implications associated with this report.

11. APPENDICES

Title	Location
(a) Draft Timetable of Meetings 2022/23	Attached

12. BACKGROUND DOCUMENTS

12.1 None.

DRAFT TIMETABLE OF MEETINGS 2022-23

May-22										
M	2	BANK HOLIDAY	9	MSDC CABINET (10.30) BDC CABINET (2pm)	16	JOINT AUDIT (9.30)	23	BDC OVERVIEW & SCRUTINY (9.30)	30	
T	3		10		17		24		31	Suffolk Show
W	4	DEVELOPMENT CONTROL A (9.30)	11	PLANNING (9.30)	18	DEVELOPMENT CONTROL B (9.30)	25	BDC ANNUAL COUNCIL (5.30)		
T	5		12		19	MSDC OVERVIEW & SCRUTINY (9.30) (SCC Annual Council 2pm)	26	MSDC ANNUAL COUNCIL (5.30)		
F	6		13		20		27			
Jun-22										
M			6	MSDC CABINET (10.30) BDC CABINET (2pm)	13		20	BDC OVERVIEW & SCRUTINY (9.30)	27	
T			7		14		21	BDC COUNCIL (5.30) Provisional	28	
W	1	Suffolk Show	8		15	PLANNING (9.30)	22	DEVELOPMENT CONTROL A (9.30)	29	PLANNING (9.30)
T	2	BANK HOLIDAY	9		16	MSDC OVERVIEW & SCRUTINY (9.30)	23		30	
F	3	BANK HOLIDAY	10	MSDC LICENSING & REG (10.30)	17	BDC LICENSING & REG (9.30)	24			
Jul-22										
M			4	MSDC CABINET (10.30) BDC CABINET (2pm)	11		18	BDC OVERVIEW & SCRUTINY (9.30)	25	JOINT AUDIT (9.30)
T			5		12		19	BDC COUNCIL (5.30)	26	
W			6	DEVELOPMENT CONTROL B (9.30)	13	PLANNING (9.30)	20	DEVELOPMENT CONTROL A (9.30)	27	PLANNING (9.30)
T			7	(SCC 2pm)	14	MSDC OVERVIEW & SCRUTINY (9.30)	21	MSDC COUNCIL (5.30)	28	
F	1		8		15		22		29	
Aug-22										
M	1	MSDC CABINET (10.30) BDC CABINET (2pm)	8		15		22	BDC OVERVIEW & SCRUTINY (9.30)	29	BANK HOLIDAY
T	2		9		16		23	BDC COUNCIL (5.30) Provisional	30	
W	3	DEVELOPMENT CONTROL B (9.30)	10	PLANNING (9.30)	17	DEVELOPMENT CONTROL A (9.30)	24	PLANNING (9.30)	31	DEVELOPMENT CONTROL B (9.30)
T	4		11		18	MSDC OVERVIEW & SCRUTINY (9.30)	25			
F	5	MSDC LICENSING & REG (10.30)	12	BDC LICENSING & REG (9.30)	19		26			
Sep-22										
M			5	MSDC CABINET (10.30) BDC CABINET (2pm)	12		19	BDC OVERVIEW & SCRUTINY (9.30)	26	JOINT AUDIT (9.30)
T			6		13		20	BDC COUNCIL (5.30)	27	
W			7	PLANNING (9.30)	14	DEVELOPMENT CONTROL A (9.30)	21	PLANNING (9.30)	28	DEVELOPMENT CONTROL B (9.30)
T	1		8		15	MSDC OVERVIEW & SCRUTINY (9.30)	22	MSDC COUNCIL (5.30)	29	
F	2		9		16		23		30	
Oct-22										
M	3	MSDC CABINET (10.30) BDC CABINET (2pm)	10		17		24	BDC OVERVIEW & SCRUTINY (9.30)	31	
T	4		11		18		25	BDC COUNCIL (5.30) Provisional		
W	5	PLANNING (9.30)	12	DEVELOPMENT CONTROL A (9.30)	19	PLANNING (9.30)	26	DEVELOPMENT CONTROL B (9.30)		
T	6		13		20	MSDC OVERVIEW & SCRUTINY (9.30) (SCC 2pm)	27			
F	7	MSDC LICENSING & REG (10.30)	14	BDC LICENSING & REG (9.30)	21		28			
Nov-22										
M			7	MSDC CABINET (10.30) BDC CABINET (2pm)	14		21	BDC OVERVIEW & SCRUTINY (9.30)	28	JOINT AUDIT (9.30)
T	1		8		15		22	BDC COUNCIL (5.30)	29	
W	2	PLANNING (9.30)	9	DEVELOPMENT CONTROL A (9.30)	16	PLANNING (9.30)	23	DEVELOPMENT CONTROL B (9.30)	30	PLANNING (9.30)
T	3		10		17	MSDC OVERVIEW & SCRUTINY (9.30)	24	MSDC COUNCIL (5.30)		
F	4		11		18		25			

Dec-22										
M			5	MSDC CABINET (10.30) BDC CABINET (2pm)	12		19	BDC OVERVIEW & SCRUTINY (9.30)	26	BANK HOLIDAY
T			6		13		20	BDC COUNCIL (5.30) Provisional	27	BANK HOLIDAY
W			7	DEVELOPMENT CONTROL A (9.30)	14	PLANNING (9.30)	21	DEVELOPMENT CONTROL B (9.30)	28	
T	1	(SCC 2pm)	8		15	MSDC OVERVIEW & SCRUTINY (9.30)	22		29	
F	2	MSDC LICENSING & REG (10.30)	9	BDC LICENSING & REG (9.30)	16		23		30	
Jan-23										
M	2	BANK HOLIDAY	9	MSDC CABINET (10.30) BDC CABINET (2pm)	16		23	BDC OVERVIEW & SCRUTINY (9.30)	30	JOINT AUDIT (9.30)
T	3		10		17		24	BDC COUNCIL (5.30)	31	
W	4		11	PLANNING (9.30)	18	DEVELOPMENT CONTROL A (9.30)	25	PLANNING (9.30)		
T	5		12		19	MSDC OVERVIEW & SCRUTINY (9.30)	26	MSDC COUNCIL (5.30)		
F	6		13		20		27			
Feb-23										
M			6	MSDC CABINET (10.30) BDC CABINET (2pm)	13		20	BDC OVERVIEW & SCRUTINY (9.30)	27	
T			7		14		21	BDC COUNCIL (5.30)	28	
W	1	DEVELOPMENT CONTROL B (9.30)	8	PLANNING (9.30)	15	DEVELOPMENT CONTROL A (9.30)	22	PLANNING (9.30)		
T	2		9	(SCC pm)	16	MSDC OVERVIEW & SCRUTINY (9.30)	23	MSDC COUNCIL (5.30)		
F	3	MSDC LICENSING & REG (10.30)	10	BDC LICENSING & REG (9.30)	17		24			
Mar-23										
M			6	MSDC CABINET (10.30) BDC CABINET (2pm)	13		20	BDC OVERVIEW & SCRUTINY (9.30) MSDC COUNCIL (5.30)	27	JOINT AUDIT (9.30)
T			7		14		21	BDC COUNCIL (5.30)	28	
W	1	DEVELOPMENT CONTROL B (9.30)	8	PLANNING (9.30)	15	DEVELOPMENT CONTROL A (9.30)	22	PLANNING (9.30)	29	DEVELOPMENT CONTROL B (9.30)
T	2		9		16	MSDC OVERVIEW & SCRUTINY (9.30) (SCC pm)	23		30	
F	3		10		17		24		31	
Apr-23										
M	3	MSDC CABINET (10.30) BDC CABINET (2pm)	10	BANK HOLIDAY	17		24	BDC OVERVIEW & SCRUTINY (9.30)		
T	4		11		18		25	BDC COUNCIL (5.30) Provisional		
W	5	PLANNING (9.30)	12	DEVELOPMENT CONTROL A (9.30)	19	PLANNING (9.30)	26	DEVELOPMENT CONTROL B (9.30)		
T	6		13		20	MSDC OVERVIEW & SCRUTINY (9.30)	27			
F	7	BANK HOLIDAY	14	MSDC LICENSING & REG (10.30)	21	BDC LICENSING & REG (9.30)	28			
May-23										
M	1	BANK HOLIDAY	8	MSDC CABINET (10.30) BDC CABINET (2pm)	15		22	BDC OVERVIEW & SCRUTINY (9.30) MSDC ANNUAL COUNCIL (5.30)	29	BANK HOLIDAY
T	2		9		16		23	BDC OVERVIEW & SCRUTINY (9.30)	30	
W	3	PLANNING (9.30)	10	DEVELOPMENT CONTROL A (9.30)	17	PLANNING (9.30)	24		31	Suffolk Show
T	4	Elections	11		18	MSDC OVERVIEW & SCRUTINY (9.30)	25	(SCC Annual Council 2pm)		
F	5		12		19		26			