AGENDA

COUNCIL MEETING

TUESDAY, 25TH OCTOBER 2022 – 5.30 PM

Members of the Council are summoned to a meeting of the Babergh District Council at King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Tuesday, 25th October, 2022 at 5.30 pm.

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

Arthur Charvonia
Chief Executive

	BABERGH COUNCIL
DATE:	TUESDAY, 25 OCTOBER 2022 5.30 PM
VENUE:	KING EDMUND CHAMBER, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH

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

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

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

Page(s)

1 **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

2 **DECLARATION OF INTERESTS BY COUNCILLORS**

3 **BC/22/24 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 6 OCTOBER 2022**

To follow

4 **BC/22/25 ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER** 7 - 8

In addition to any announcements made at the meeting, please see Paper BC/22/25 attached, detailing events attended by the Chairman and Vice-Chairman.

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

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

Chair of Joint Audit and Standards Committee

At its meeting on 25 July 2022, Joint Audit and Standards Committee considered Paper JAC/21/33 attached.

RECOMMENDATION TO BOTH COUNCILS

3.1 That the treasury management activity for the year 2021/22 as set out in this report and appendices be noted.
3.2 That it be noted that both Councils activity was in accordance with the approved Prudential Indicators for 2021/22.

RECOMMENDATION TO BABERGH COUNCIL

3.3 That it be noted that Babergh District Council's treasury management activity for 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, as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period

19 **COUNCILLOR APPOINTMENTS**

20 **MOTIONS ON NOTICE**

Date and Time of next meeting

The next meeting is scheduled for Tuesday, 22 November 2022 at 5.30 pm.

Webcasting/ Live Streaming

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

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

Introduction to Public Meetings

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

Domestic Arrangements:

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

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If you hear the alarm:

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

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

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

4. Use the stairs, not the lifts.

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

Agenda Item 4

BC/22/25

BABERGH DISTRICT COUNCIL - 25 OCTOBER 2022

CHAIRMAN'S ANNOUNCEMENTS

EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR
OCTOBER 2022				
Ipswich Mayor's Civic Service	St Mary Le Tower Church, Tower Street, Ipswich	16-Oct	✓	
Invitation from the Mayor of Ipswich - an evening with Terry Waite	The Royal Oak, 175 Felixstowe Road, Ipswich	19-Oct	✓	

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BABERGH DISTRICT COUNCIL

TO:	**Council**	**REPORT NUMBER: BC/22/26**
FROM:	**Chair of Overview and Scrutiny Committee**	**DATE OF MEETING: 25 October 2022**

OVERVIEW & SCRUTINY COMMITTEE REPORT TO BABERGH DISTRICT COUNCIL

1. PURPOSE OF REPORT

1.1 The purpose of this report is to update Babergh District Council on the business conducted at the Joint Overview and Scrutiny Committee on 27th June 2022 and 30th September 2022.

2. RECOMMENDATION

2.1 This report is for noting.

3. KEY INFORMATION

3.1 The Joint Overview and Scrutiny Committee met on 27th June 2022 and considered the following items:

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

The Director - Assets and Investments and Christopher Haworth presented a summary of the Business Plan to Members including the purpose of the Business Plan, the split of the portfolio between sectors, the Key Performance Indicators (KPI) for the next year, the Councils income for the previous year, and refurbishment that had been undertaken in properties over the last year.

Various members then posed questions to test the financial and managerial integrity of the processes surrounding the portfolio.

Members debated whether the Business Plan should continue to be reported to Full Council following scrutiny by the Committee, or whether the Committee should only refer the Business Plan to Full Council if they were not satisfied with the performance.

Councillor Barry Humphreys proposed the recommendation as follows:

That the Overview and Scrutiny Committee recommend to Full Council that future CIFCO business plans are scrutinised by the Councils' Joint Overview & Scrutiny Committee and only reported to Council if the Committee is not satisfied with the Company's business plan and performance.

Councillor David Muller seconded this motion.

This motion was lost by a vote of 5 For and 6 Against.

Councillor John Hinton then proposed the recommendation as follows:

That the Overview and Scrutiny Committee recommend to Full Council that future CIFCO business plans continue to be scrutinised by the Councils' Joint Overview & Scrutiny Committee and then reported to Council.

Councillor Sian Dawson seconded this motion.

By a vote of 6 For, 4 Against, and 1 Abstention

It was RESOLVED:

That the Overview and Scrutiny Committee recommend to Full Council that future CIFCO business plans continue to be scrutinised by the Councils' Joint Overview & Scrutiny Committee and then reported to Council.

Councillor Kathryn Grandon proposed the following recommendations:

That the Joint Overview and Scrutiny committee notes the CIFCO Business Plan and Business Trading and Performance and ask that the minutes of this meeting be taken into account at Full Council.

That the Joint Overview and Scrutiny Committee is satisfied that the CIFCO Business Plan and Business Trading and Performance is robust for 2022 – 2023

Councillor Terence Carter seconded the motion.

By a unanimous vote

It was RESOLVED:

That the Joint Overview and Scrutiny committee notes the CIFCO Business Plan and Business Trading and Performance and ask that the minutes of this meeting be taken into account at Full Council.

That the Joint Overview and Scrutiny Committee is satisfied that the CIFCO Business Plan and Business Trading and Performance is robust for 2022 – 2023

Members considered paragraph 2.2 in the report illustrated below:

The Business Plan has been approved by the Holding Companies and we seek the Councils' Joint Overview and Scrutiny Committee to consider whether:

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

Councillor James Caston proposed that the Joint Overview and Scrutiny Committee approves the statement as detailed in paragraph 2.2 in the report.

Councillor Barry Humphreys seconded the motion.

By a unanimous vote

It was RESOLVED:

That the Joint Overview and Scrutiny Committee approves the statement as detailed in paragraph 2.2 in the report.

I can therefore report that the detail and processes surrounding CIFCO have been scrutinised in detail and that with Council's endorsement will continue to be so with reports back to Council as appropriate.

3.2 The Joint Overview and Scrutiny Committee met on 30th September 2022 and considered the following items:

3.2.1 **BABERGH AND MID SUFFOLK DISTRICT COUNCILS PARKING STRATEGY**

Councillor Davis left the room as he had previously been involved in the Strategy creation through his previous position on the Babergh Cabinet.

The item was introduced by Councillor Fleming as the Cabinet Member for Environment at Mid Suffolk District Council. She was supported by the Director of Environment and Commerical Partnerships and the Parking Services Manager.

This is the first Parking Strategy for the Councils and involved considerable public consultation with significant levels of particularly online responses. The Joint Overview and Scrutiny Committee welcomed the Parking Strategy and made the following comments:

Members expressed concern over the uncertainty in predicting parking capacity and expressed the need to update predictions of car use and car park use as the project moves into the implementation phase.

There were queries over the governance of parking strategy implementation and a request that the business case for the implementation plan be made available for scrutiny at an appropriate time. Also, Information Bulletins at key stages of the implementation phase.

The collected data shows that some 40 -50% of journeys to a car park are 1.5 miles or less. The strategy needs to encourage implementation of proposals to discourage car use by providing opportunities for journeys to be undertaken by other means. This will involve working with partners, including SCC and the Sustainable Travel Officer.

Members asked why there was no data on problem areas and suggested producing a heat map showing reported instances of enforcement and issuing of penalty charge notices in hot spot areas.
Emphasis needs to be on trip reduction, not increasing the number of car parking spaces.

The strategy seems to accept that spend in town centres increases when on street parking is permitted. Officers should be asked to review case studies conducted in towns where the reverse has been shown to be the case.

Members expressed concern about the lack of flexibility in the strategy - data was collected before the sharp increase in fuel prices and the cost of living crisis.

Transport to school often leads to on street parking. A strategy for reducing the problems caused by parent parking needs to be developed, probably with SCC.

Members suggested that work is needed to investigate the (often unsatisfactory) parking of vehicles for car and van sharing, particularly along the A14 corridor.

Members agreed that the strategy has a limited scope as most car parking spaces are under the control of others, especially on street parking.

Most areas appear to have been covered in the formation of this Strategy but the real test will come with the drafting of the implementation plan.

By a unanimous vote

It was RESOLVED:

That the Joint Overview and Scrutiny Committee note the content of the report and that a verbal presentation of the comments made at this meeting be provided to Cabinet

That Cabinet is requested to carry out further work to replace carparking demands with alternatives by looking at other areas that have done so successfully.

That the Joint Overview and Scrutiny Committee asks that a report be provided to the Committee in due course to review the progress on the Parking strategy implementation plan.

3.2.2 **SHARED REVENUES PARTNERSHIP – COUNCIL TAX REDUCTION SCHEME**

The Committee also discussed the Council Tax Reduction Scheme report that was presented by the Corporate Manager for Finance Operations.

Four options were presented to the Committee – all the details were outlined and the “pros and cons” of each were explained.

The constant changes to various schemes have been amplified in recent months by Government proposals and the pressures on the lowest income groups in the community are of increasing concern. The proposals put forward were considered and the following recommendation was endorsed by the committee:

Overview and Scrutiny recommends to Cabinet that their preferred option for changes to the Council Tax Reduction Scheme is Option Three.

This was considered to give the most even benefit to residents and would assist staff in their processing of claims and speed up delivery with minimal financial impact on the council. All parties involved would gain.

By a unanimous vote

It was RESOLVED: -

That the Joint Overview and Scrutiny Committee recommends to Cabinet Option 3 as the preferred option for the Consultation for the Council Tax Reduction (Working Age) Scheme.

3.2.3 **INFORMATION BULLETIN – SHARED LEGAL SERVICE PERFORMANCE MONITORING AND SPLIT OF NEW LEGAL MATTERS**

The Committee also received a report from Nigel Dulieu on the Shared Legal Services performance and Monitoring and the split of new legal matters.

The costings and financial splits are reviewed by the Steering Board on a six monthly basis. The split on cases is split by Council and complexity. Figures are similar to the past year but the charts presented were not the easiest to extrapolate information from as they were for “New” cases. Guidance was suggested for future reports.

A question on staffing was responded to with a comment that the level of staffing is being maintained with a “churn” that is within normal parameters.

Other questions from Members included issues such as: the split in cases between Councils, the types of services provided, the workload, the increase in cases and their complexities for some Councils, and the financial impact.

The report was for noting.

3.2.4 **RECOMMENDATIONS FROM THE JOINT OVERVIEW AND SCRUTINY TASK AND FINISH GROUP FOR RURAL TRANSPORT**

The Committee then received a report on the conclusions of the Task and Finish Group for Transport.

There were different recommendations for each council and the ones for Babergh were:

That Babergh Overview and Scrutiny Committee recommends to Babergh Cabinet that an analysis of the unmet demand for community transport in the district be carried out.

Secondly that Overview and Scrutiny Committee recommends to Cabinet that Suffolk County Council be informed of the apparent lack of publicity of community transport across the District and to encourage joint working between Babergh and Mid Suffolk District Councils and Suffolk County Council to promote community transport services.

Thirdly, that the Overview and Scrutiny Committee recommends to Cabinet that the feasibility of providing an electric bus project throughout the district, similar to that being implemented by Mid Suffolk be investigated

These recommendations were unanimously agreed.

4. REPORT AUTHOR

Councillor John Hinton – Chair of Babergh Overview and Scrutiny Committee

Agenda Item 9

BABERGH DISTRICT COUNCIL CABINET MEMBER UPDATE

To: Council	**Report Number: CMU1**
From: Cllr David Busby Cabinet Member Assets & Investments	**Date of meeting: 25 October 2022**

TO PROVIDE AN UPDATE FROM THE CABINET MEMBER FOR ASSETS & INVESTMENTS

1. Overview of Portfolio

1.1 This report summarises the key areas of activity and sets out the priorities for this financial year for the Assets and Investments portfolio. This portfolio includes the management of operational and non-operational property for the Council, supporting the delivery of Council services as well as delivering income and regeneration for benefit of the district.

1.2 There have been significant challenges in recent years with the impact of Brexit, the pandemic and the Russian invasion of Ukraine. We are currently experiencing high inflation, increasing interest rates, a cost-of-living crisis and uncertainty in the market. We continue to monitor the market carefully to mitigate the impact of these risks across the portfolio.

2. Recommendation

2.1 That Council notes the report.

3. Key Activities

Company Activities BDC (Suffolk Holdings) Limited, CIFCO Capital Limited and Babergh Growth Ltd

3.1 End of year accounts for the companies have been successfully audited. CIFCO Capital Limited and BDC (Suffolk Holdings) Limited have now filed these accounts with Companies House. Babergh Growth Limited Accounts are due to be filed imminently.

3.2 The Council is due to consider CIFCO Capital's Business Plan for 2022/23 at this meeting, following the review by Overview and Scrutiny Committee in June this year. Overview & Scrutiny found the plan to be robust and had sufficient assurance in the management of the Company. To date CIFCO has continued to make full debt repayments to the Councils. Further details are provided within the CIFCO report which is also being considered at this meeting.

3.3 Babergh Growth Ltd started on site at Bowlers Croft (the Former HQ site) in Hadleigh in August. Demolition works are well underway along with the internal soft strip of the buildings being retained on site. Works on site is in line with expectations and we anticipate the first completions to occur in Summer 2023.

Marketing materials are currently being developed together with a scheme brand. Some expressions of interest have already been received and formal marketing will commence as the scheme progresses further.

Strategic Property

3.4 Contractors have now been appointed to deliver the changes to the Endeavour House gold floorplate. The contractors will mobilise on site in late October, commencing works 1st November. Completion of the work is anticipated in January 2023 with reoccupation of the gold floorplate from February 2023.

3.5 Project teams have been established to review our current depot and touchdown use and future needs, with a view to recommendations being made early in 2023.

3.6 A project team has been established to advance and develop our land and property ownership database requirements. Workstreams include asset reconciliation with the Fixed Asset Register, energy audits, condition data, and GIS mapping.

3.7 Two land assets, in Bures and Great Waldingfield, have been successfully transferred to their respective Parish Councils bringing them into community ownership and control.

3.8 Post-covid recovery of the Borehamgate shopping continues with occupancy by Innovation Labs and The Bridge project. The long leaseholds of 3 residential flats at Borehamgate have also been acquired; these will become temporary accommodation for Housing once renovations have completed.

4. Future Key Activities

Company Activities BDC (Suffolk Holdings) Limited, CIFCO Capital Limited and Babergh Growth

4.1 CIFCO Capital Limited will continue to manage the existing property portfolio in line with the aims of the business plan, delivering income to the Councils to support services.

4.2 Babergh Growth's focus will be on the delivery and marketing of Bowlers Croft in Hadleigh and seeking to develop a pipeline of development sites for the future to meet the aspiration to deliver high quality homes across the district.

4.3 A website for Babergh Growth is being developed which will be used to engage with both the market and key stakeholders on the company activities on behalf of the Council and to showcase schemes that are being developed.

4.4 Babergh Growth will continue to support teams within the Council with multidisciplinary expertise on architectural, technical design as well as cost and development management.

Strategic Asset Management

4.5 Oversee the changes to the gold floorplate in Endeavour House, delivering an inspiring and modern workspace.

4.6 Progress the review of the depot and touchdown accommodation and make recommendations.

4.7 Delivery of a new land and property database fulfilling our corporate need for intelligence that works with our existing finance, maintenance and compliance systems.

4.8 Completing asset specific reviews and energy audits to deliver agreed carbon reduction actions and move toward our net zero targets.

4.9 Identify surplus land for greening and wellbeing activities supporting the delivery of the wellbeing strategy and the biodiversity action plan.

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Agenda Item 10a

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: Joint Audit & Standards Committee		**REPORT NUMBER: JAC/21/33**
FROM:	**Melissa Evans, Director, Corporate Resources**	**DATE OF MEETING: 25 July 2022**
OFFICER:	**Rebecca Hewitt, Corporate Manager – Finance Operations**	

ANNUAL TREASURY MANAGEMENT REPORT – 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 financial year 2021/22.

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

1.3 The report also includes performance on Prudential Indicators which were set in the 2021/22 Treasury Management Strategy (shown in Appendix E).

1.4 The figures contained in this report are subject to the external auditor's review.

2. OPTIONS CONSIDERED

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

3. RECOMMENDATION TO BOTH COUNCILS

3.1 That the treasury management activity for the year 2021/22 as set out in this report and appendices be noted.

3.2 That it be noted that both Councils activity was in accordance with the approved Prudential Indicators for 2021/22.

RECOMMENDATION TO BABERGH COUNCIL

3.3 That it be noted that Babergh District Council's treasury management activity for 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, as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

	RECOMMENDATION TO MID SUFFOLK COUNCIL
3.4	That it be noted that, except for one occasion when the Council exceeded its investment limits in two of its Money Market Funds by £500k, as mentioned in Appendix C, paragraph 4.1, Mid Suffolk District Council's treasury management activity for 2021/22 was in accordance with the approved Treasury Management Strategy and Treasury Management Indicators for this period.
	REASON FOR DECISION **It is a requirement of the Code of Practice on Treasury Management that full Council notes the position for the financial year 2021/22.**

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

4.3 The Half Year Report on Treasury Management 2021/22 was presented to Members at the Joint Audit and Standards Committee on 29 November 2021.

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

4.5 Appendix D shows the position on key Treasury Management Indicators for 2021/22.

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

- Major issues over the period were the economic recovery from the coronavirus pandemic, the war in Ukraine, higher inflation and higher interest rates.

- CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially it was being driven by energy price effects and inflation in the retail and hospitality sectors. However, the surges in wholesale gas and electricity prices led to CPI for February 2022 as 6.2% year on year, up from 5.5% in the previous month.

- Bank Rate was 0.10% at the beginning of the reporting period and whilst the economy gathered momentum as the pandemic restrictions were eased, market expectations were that the Bank of England would delay rate rises until 2022. However, rising inflation changed that. The Bank increased its rate from 0.10% to 0.25% in December, to 0.50% in February and 0.75% in March.

- The Government's furlough scheme had insulated the labour market from the worst effects of the pandemic. Having peaked at 5.2% in December 2020, unemployment continued to fall and the labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%.

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

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

- Babergh's short-term debt reduced by £6m and long-term debt reduced by £0.7m. Mid Suffolk's short-term debt reduced by £13.5m, offset by an increase in medium/long-term borrowing of £6.3m to take advantage of lower short-term rates. Global rising costs, strong demand, supply shortages and transport problems have caused delays to the Council's capital programme and therefore less borrowing was required.

- Both Councils continued to hold additional cash from government grants received relating to Covid-19. This has increased treasury investment activity during the year.

4.7 Specific highlights relating to 2021/22 activity are provided below:

Area/Activity	**Babergh**	**Mid Suffolk**	**Comments**
Long Term Borrowing – average interest rate	3.20%	2.73%	All at fixed rates
Credit Risk Scores during the year (value weighted average)	4.80 – 5.38	4.38 – 5.12	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	✓	✓	See Appendix E

4.8 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 detailed in the report and appendices.

7. LEGAL IMPLICATIONS

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

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

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

8. RISK MANAGEMENT

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

8.2 Key risks are set out below:

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

9. CONSULTATIONS

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

10. EQUALITY ANALYSIS

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

11. ENVIRONMENTAL IMPLICATIONS

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

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

11.3 Following a report (Report JAC/20/21) on 17 May 2021 it was resolved by this Committee to recommend 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.

11.4 The Joint Audit and Standards Committee recognised that any decision to withdraw funds should be balanced against financial prudence.

12. APPENDICES

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

13. BACKGROUND DOCUMENTS

13.1 CIPFA’s Code of Practice on Treasury Management (“the Code”).

13.2 Joint Capital, Investment and Treasury Management Strategies 2021/22 (Paper JAC/20/10)

13.3 Half Year Report on Treasury Management 2021/22 (Paper JAC/21/10)

13.4 Environmental Social and Governance (ESG) Considerations for the Councils Joint Treasury Management Strategy (Paper JAC/20/21 and Minute no.37).

Appendix A

Background, Economy and Outlook

1. Introduction

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

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

1.3. Treasury risk management at the Councils is conducted within the framework of the CIPFA Code which requires the Councils to approve a treasury management strategy before the start of each financial year and, as a minimum, a half year and annual treasury outturn report. This report fulfils the Councils legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

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

2. External Context

2.1. **Economic background:**

2.2. The continuing economic recovery from coronavirus pandemic, together with the war in Ukraine, higher inflation, and higher interest rates were major issues over the period.

2.3. Bank Rate was 0.1% at the beginning of the reporting period. April and May saw the economy gathering momentum as the shackles of the pandemic restrictions were eased. Despite the improving outlook, market expectations were that the Bank of England would delay rate rises until 2022. Rising, persistent inflation changed that.

2.4. UK CPI was 0.7% in March 2021 but thereafter began to steadily increase. Initially driven by energy price effects and by inflation in sectors such as retail and hospitality which were re-opening after the pandemic lockdowns, inflation then was believed to be temporary. Thereafter price rises slowly became more widespread, as a combination of rising global costs and strong demand was exacerbated by supply shortages and transport dislocations.

2.5. The surge in wholesale gas and electricity prices led to elevated inflation expectations. CPI for February 2022 registered 6.2% year on year, up from 5.5% in the previous month and the highest reading in the National Statistic series. Core inflation, which excludes the more volatile components, rose to 5.2% year on year from 4.4%.

2.6. The Government's furlough scheme insulated the labour market from the worst effects of the pandemic. The labour market began to tighten and demand for workers grew strongly as employers found it increasingly difficult to find workers to fill vacant jobs. Having peaked at 5.2% in December 2020, unemployment continued to fall and the most recent labour market data for the three months to January 2022 showed the unemployment rate at 3.9% while the employment rate rose to 75.6%. Headline 3-month average annual growth rate for wages were 4.8% for total pay and 3.8% for regular pay. In real terms, after adjusting for inflation, total pay growth was up 0.1% while regular pay fell by 1.0%.

2.7. With the fading of lockdown – and, briefly, the 'pingdemic' restraints (the large-scale notification of members of the public by a contact-tracing app) – activity in consumer-facing sectors improved substantially as did sectors such as oil and mining with the reopening of oil rigs but materials shortages and the reduction in the real spending power of households and businesses dampened some of the growth momentum. Gross domestic product (GDP) grew by an upwardly revised 1.3% in the fourth calendar quarter of 2021 according to the final estimate (initial estimate 1.0%) and took UK GDP to just 0.1% below where it was before the pandemic. The annual growth rate was revised down slightly to 7.4% (from 7.5%) following a revised 9.3% fall in 2020.

2.8. Having increased Bank Rate from 0.10% to 0.25% in December, the Bank of England increased it further to 0.50% in February and 0.75% in March. At the meeting in February, the Monetary Policy Committee (MPC) voted unanimously to start reducing the stock of its asset purchase scheme by ceasing to reinvest the proceeds from maturing bonds as well as starting a programme of selling its corporate bonds.

2.9. In its March interest rate announcement, the MPC noted that the invasion of Ukraine had caused further large increases in energy and other commodity prices, with the expectation that the conflict will worsen supply chain disruptions around the world and push CPI inflation to around 8% later in 2022, even higher than forecast only a month before in the February Monetary Policy Report. The Committee also noted that although GDP in January was stronger than expected with business confidence holding up and the labour market remaining robust, consumer confidence had fallen due to the squeeze in real household incomes.

2.10. GDP growth in the euro zone increased by 0.3% in calendar Q4 2021 following a gain of 2.3% in the third quarter and 2.2% in the second. Headline inflation remains high, with CPI registering a record 7.5% year-on-year in March, the ninth successive month of rising inflation. Core CPI inflation was 3.0% year-on-year in March, was well above the European Central Bank's target of 'below, but close to 2%', putting further pressure on its long-term stance of holding its main interest rate of 0%.

2.11. The US economy expanded at a downwardly revised annualised rate of 6.9% in Q4 2021, a sharp in increase from a gain of 2.3% in the previous quarter. In its March 2022 interest rate announcement, the Federal Reserve raised the Fed Funds rate to between 0.25% and 0.50% and outlined further increases should be expected in the coming months. The Fed also repeated its plan to reduce its asset purchase programme which could start by May 2022.

2.12. **Financial Markets:**

2.13. The conflict in Ukraine added further volatility to the already uncertain inflation and interest rate outlook over the period. The Dow Jones started to decline in January but remained above its pre-pandemic level by the end of the period while the FTSE 250 and FTSE 100 also fell and ended the quarter below their pre-March 2020 levels.

2.14. Bond yields were similarly volatile as the tension between higher inflation and flight to quality from the war pushed and pulled yields, but with a general upward trend from higher interest rates dominating as yields generally climbed.

2.15. The 5-year UK benchmark gilt yield began the quarter at 0.82% before rising to 1.41%. Over the same period the 10-year gilt yield rose from 0.97% to 1.61% and the 20-year yield from 1.20% to 1.82%.

2.16. The Sterling Overnight Rate (SONIA) averaged 0.39% over the quarter.

2.17. **Credit background:**

2.18. In the first half of 2021/22 credit default swap (CDS) spreads were flat over most of period and are broadly in line with their pre-pandemic levels. In September spreads rose by a few basis points due to concerns around Chinese property developer Evergrande defaulting but then fell back. Fitch and Moody's revised upward the outlook on a number of UK banks and building societies on the Councils counterparty list to 'stable', recognising their improved capital positions compared to 2020 and better economic growth prospects in the UK.

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

2.20. The successful vaccine rollout programme was credit positive for the financial services sector in general and the improved economic outlook meant some institutions were able to reduce provisions for bad loans. However, in 2022, the uncertainty engendered by Russia's invasion of Ukraine pushed CDS prices modestly higher over the first calendar quarter, but only to levels slightly above their 2021 averages, illustrating the general resilience of the banking sector.

2.21. Having completed its full review of its credit advice on unsecured deposits, in September, Arlingclose extended the maximum duration limit for UK bank entities on its recommended lending list from 35 days to 100 days; a similar extension was advised in December for the non-UK banks on this list. As ever, the institutions and durations on the Councils counterparty list recommended by Arlingclose remains under constant review.

3. Local Context

3.1. On 31 March 2022, Babergh had a net borrowing requirement of £98m and Mid Suffolk had £116m arising from revenue and capital income and expenditure activities. This is a decrease of £18m for Babergh and £12m for Mid Suffolk from the 31 March 2021 position.

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

3.3. **Table 1: Borrowing Summary**

Babergh	**31.03.21 Actual £m**	**2021/22 Movement £m**	**31.03.22 Actual £m**
General Fund CFR	70.904	0.660	71.563
HRA CFR	89.306	(0.150)	89.156
Total CFR	**160.209**	**0.510**	**160.719**
Borrowing CFR			
Less: Usable reserves	(43.820)	(3.418)	(47.238)
Add / (Less): Working Capital	(0.104)	(15.214)	(15.318)
Net Borrowing Requirement	**116.285**	**(18.123)**	**98.162**

Mid Suffolk	**31.03.21 Actual £m**	**2021/22 Movement £m**	**31.03.22 Actual £m**
General Fund CFR	95.260	6.447	101.707
HRA CFR	88.509	6.761	95.271
Total CFR	**183.769**	**13.209**	**196.978**
Borrowing CFR			
Less: Usable reserves	(54.492)	(8.942)	(63.434)
Add / (Less): Working Capital	(1.526)	(16.142)	(17.668)
Net Borrowing Requirement	**127.751**	**(11.875)**	**115.876**

3.4. Both Councils net borrowing requirement has reduced due to a small rise in the CFR as capital expenditure was higher than the financing applied, including minimum revenue provision. Working capital and usable reserves increased due to the timing of receipts and payments, reflected in decreased short term debtors, and increased short term creditors.

3.5. The 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. Both Councils pursued their strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

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

3.7. The actual treasury management activity and position on 31 March 2022 and the year-on-year change is shown in Table 2 that follows.

Babergh	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2021/22 Average Rate %
Long-term borrowing	95.089	(0.693)	94.396	3.20%
Short-term borrowing	32.000	(6.000)	26.000	0.18%
Total borrowing	**127.089**	**(6.693)**	**120.396**	
Long-term investments	11.166	(0.031)	11.135	4.14%
Cash and Cash equivalents	1.840	(0.126)	1.714	0.01%
Total investments	**13.006**	**(0.157)**	**12.849**	
Net Borrowing	**114.083**	**(6.536)**	**107.547**	

Mid Suffolk	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2021/22 Average Rate %
Long-term borrowing	98.572	6.263	104.835	2.73%
Short-term borrowing	44.000	(13.500)	30.500	0.20%
Total borrowing	**142.572**	**(7.237)**	**135.335**	
Long-term investments	11.162	(0.031)	11.131	4.09%
Cash and Cash equivalents	3.518	(1.701)	1.817	0.01%
Total investments	**14.680**	**(1.732)**	**12.948**	
Net Borrowing	**127.892**	**(5.505)**	**122.387**	

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

3.9. Babergh and Mid Suffolk have both reduced short-term borrowing to finance capital expenditure during the year due to the increase in reserves and working capital held as shown in paragraph 3.3. There have also been delays in fulfilling the capital programme due to rising global costs and strong demand exacerbated by supply shortages and transport dislocations.

3.10. Cash and cash equivalents include funds held in current bank accounts for day-to-day cashflow purposes and short-term deposits. In addition, Babergh held £8m and Mid Suffolk held £6m in money market funds.

Appendix B

1. Borrowing Strategy during the year

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

1.1. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. 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. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

1.2. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

1.3. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year if they wish. Both Councils will adopt the revised reporting requirements from 2023/24.

1.4. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

1.5. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority’s function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

1.6. Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

1.7. The Councils are not planning to borrow to invest primarily for commercial return and so are unaffected by the changes to the Prudential Code. The Councils capital programme has been reviewed considering these changes to the CIPFA Prudential Code and PWLB lending arrangements to ensure that borrowing to invest after 2020/21 primarily for commercial return will no longer be undertaken (for example in CIFCO Ltd).

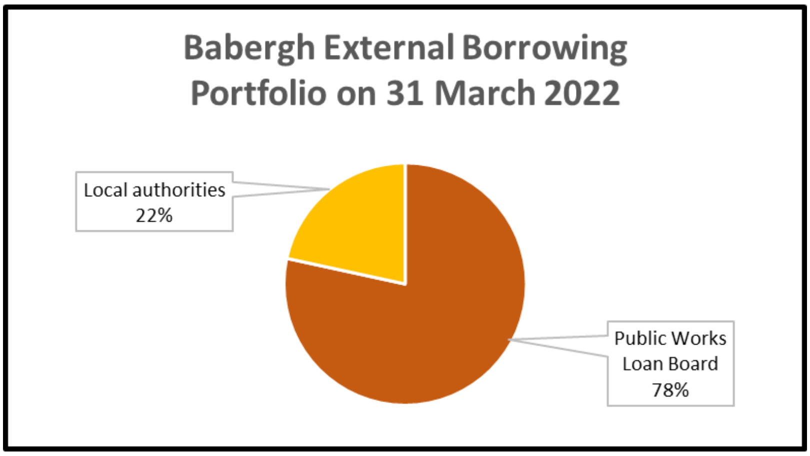
1.8. Babergh and Mid Suffolk both hold £49.8m each in commercial investments for CIFCO Ltd that were purchased prior to the change in the CIPFA Prudential Code.

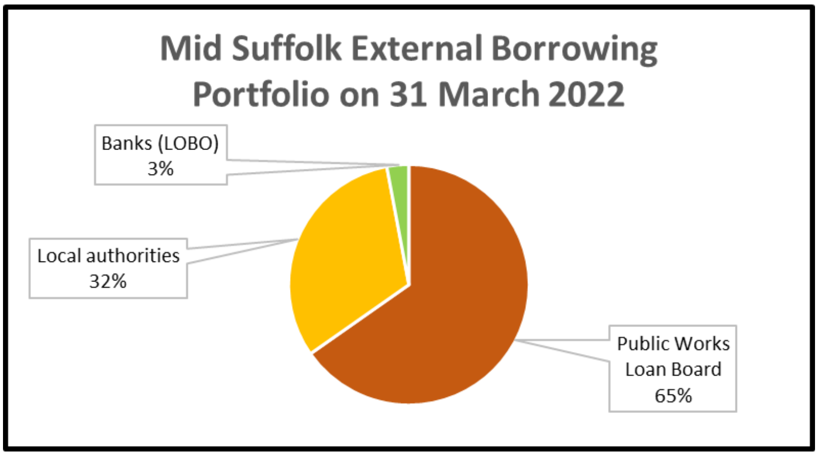
1.9. **Table 3: Borrowing Position**

Babergh	**31.03.21 Balance £m**	**2021/22 Movement £m**	**31.03.22 Balance £m**	**2021/22 Average Rate %**
Public Works Loan Board	95.089	(0.693)	94.396	3.20%
Local authorities (short-term)	32.000	(6.000)	26.000	0.18%
Total borrowing	**127.089**	**(6.693)**	**120.396**	

Mid Suffolk	**31.03.21 Balance £m**	**2021/22 Movement £m**	**31.03.22 Balance £m**	**2021/22 Average Rate %**
Public Works Loan Board	89.572	(1.237)	88.335	3.29%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (medium / long-term)	5.000	7.500	12.500	0.67%
Local authorities (short-term)	44.000	(13.500)	30.500	0.20%
Total borrowing	**142.572**	**(7.237)**	**135.335**	

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





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

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

1.13. The extended impact of Covid-19 on the economy caused delays in the Councils capital expenditure plans which has resulted in a temporary lower funding requirement.

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

1.15. Babergh did not take out any new medium or long-term borrowing in the period. Mid Suffolk took out £7.5m of medium-term loans from other local authorities to benefit from good rates on local authority borrowing for a longer period and reduce refinancing risk.

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

1.17. LOBO loans: Mid Suffolk continues to hold £4m of LOBO loans (Lender's Option Borrower's Option) where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The banks did not exercise their option during 2021/22.

Appendix C

1. Treasury Investment Activity

1.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

1.2. During the year both Councils received further central government funding to cover the costs of Covid-19 and to support small and medium sized businesses during the coronavirus pandemic through grant schemes. The Councils also received money from Government on 30 March 2022 for the Council Tax Energy Rebate, which was to be paid to residents during 2022/23. Babergh received £5.0m and Mid Suffolk £5.4m. These funds were temporarily invested in short-dated, liquid instruments such as Money Market Funds.

1.3. Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves. During 2021/22, Babergh's investment balance ranged between £12.3m and £33.4m. Mid Suffolk's investment balance ranged between £12.4m and £26.9m. These movements are due to timing differences between income and expenditure.

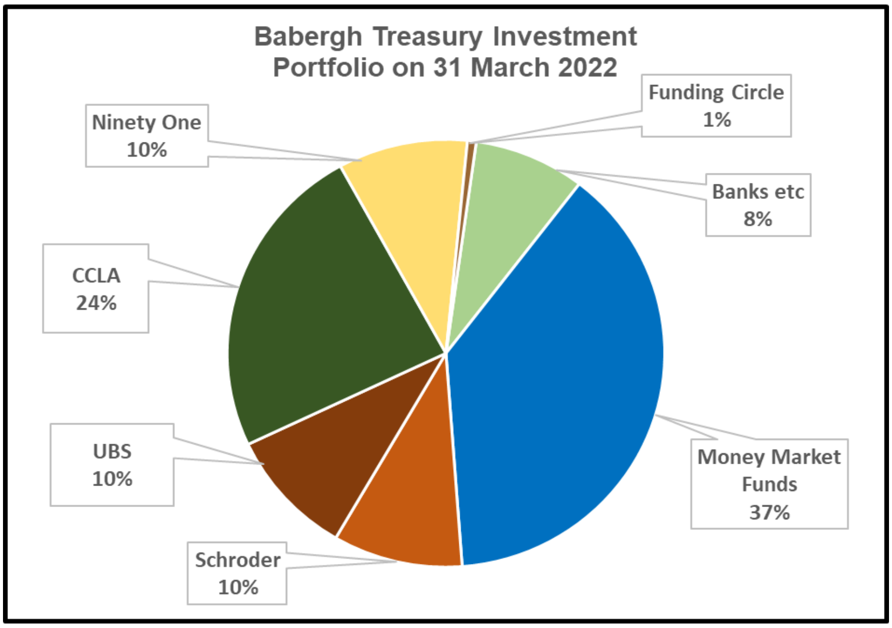
1.4. The year-end investment position and the year-on-year changes are shown in Table 4 that follows. Both Councils withdrew more of their investments in Funding Circle.

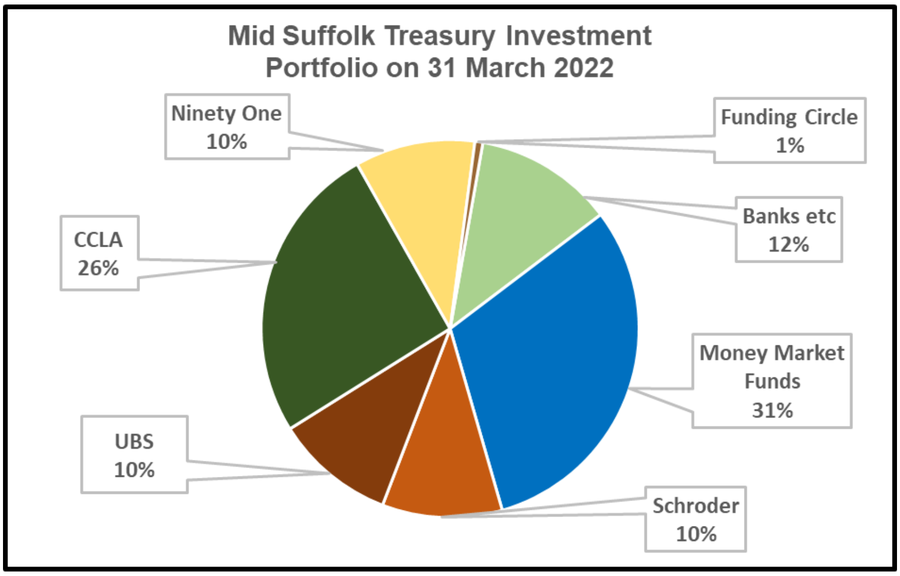
1.5. **Table 4: Treasury Investment Position**

Babergh	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2021/22 Average Rate %
Banks & building societies (unsecured)	1.840	(0.126)	1.714	0.00%
Money Market Funds	0.000	8.000	8.000	0.01%
Schroder	2.000	0.000	2.000	5.49%
UBS	2.000	0.000	2.000	4.15%
CCLA	5.000	0.000	5.000	3.64%
Ninety One	2.000	0.000	2.000	3.57%
Funding Circle	0.166	(0.031)	0.135	3.86%
Total investments	**13.006**	**7.843**	**20.849**	

Mid Suffolk	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2021/22 Average Rate %
Banks & building societies (unsecured)	2.018	0.299	2.317	0.00%
Money Market Funds	1.500	4.500	6.000	0.01%
Schroder	2.000	0.000	2.000	5.49%
UBS	2.000	0.000	2.000	4.14%
CCLA	5.000	0.000	5.000	3.58%
Ninety One	2.000	0.000	2.000	3.57%
Funding Circle	0.162	(0.031)	0.131	3.69%
Total investments	**14.680**	**4.768**	**19.448**	

1.6. **Table 4 - Charts: Investment Position on 31 March 2022.**





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

1.8. Ultra-low short-dated cash rates, which were a feature since March 2020 when Bank Rate was cut to 0.1%, prevailed for much of the 12-month reporting period which resulted in the return on sterling low volatility net asset value (LVNAV) Money Market Funds being close to zero even after some managers have temporarily waived or lowered their fees. However, higher returns on cash instruments followed the increases in Bank Rate in December, February and March. On 31 March, the 1-day return on the MMFs ranged between 0.46% - 0.50% p.a. for Babergh and 0.48% - 0.54% for Mid Suffolk

1.9. Similarly, deposit rates with the government's Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy rates increased to between 0.55% and 0.85% depending on the deposit maturity. The average return in the year on the Councils DMADF deposits was 0.01% for Babergh and 0.07% for Mid Suffolk. The Councils invest in the money market funds (MMFs) as a priority and then DMADF only when MMFs are fully invested. The majority of investments were made in the early part of the year, when interest rates were lower.

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

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

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

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

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2021	5.38	A+	93%	4.22%
On 31.03.2022	5.04	A+	99%	2.44%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2021	5.01	A+	99%	3.75%
On 31.03.2022	4.38	AA-	80%	2.57%

Arlingclose Benchmarks for 31.03.2022	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
Similar Local authorities	4.36	AA-	61%	1.18%
All Local authorities	4.39	AA-	60%	0.97%

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

1.15. Babergh has £11.14m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £2.9m (average rate of return for the year 4.14%) which is used to support the Councils service provision.

1.16. Mid Suffolk has £11.13m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £2.8m (average rate of return for the year 4.09%) which is used to support the Councils service provision.

1.17. In the nine months to December, improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of both Council's property, equity and multi-asset income funds in their portfolios. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.

1.18. In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.

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

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

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

2 Non-Treasury Holdings and Other Investment Activity

2.1 The definition of investments in CIPFA's revised 2021 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. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

2.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.

2.3 Investment Property

2.4 During 2016/17 Babergh purchased Borehamgate Shopping Centre in Sudbury for £3.6m. This has been classified as an investment property and on 31 March 2022 it was assessed at fair value of £2.7m. Net Income, after the deduction of direct costs, was £158k in 2021/22 (£127k in 2020/21). Income from rentals increased slightly as use began to pick up after the pandemic. The asset is being actively managed by the Council to secure new tenants in the short term and working towards longer term investment plans for that area.

2.5 Trading Companies

2.6 On 31 March 2022 Babergh held £3.9m of equity in BDC (Suffolk Holdings) Ltd and Mid Suffolk held £3.9m of equity in MSDC (Suffolk Holdings) Ltd. Both Councils own 100% shares in each holding company.

2.7 Babergh and Mid Suffolk's respective 50% share of the profit made by CIFCO Ltd in 2021/22 was £3.2m (2020/21 was £2.4m loss) and is reflected in the increased value of each of the Council's equity holding in the company. This includes changes in portfolio valuation following the annual year-end revaluation reflecting an increase in the portfolio value of 12%.

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

2.9 On 31 March 2022 Babergh and Mid Suffolk each have £44.7m of loans in CIFCO Ltd, a subsidiary of BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd. These loans have generated £5.9m (gross) of investment income for each Council since the start of trading. The net position for 2021/22, including additional interest receivable from overdraft facilities given by the Councils and after borrowing costs, is shown later in Table 7.

2.10 Mid Suffolk also held £23.8m of loans in another subsidiary of MSDC (Suffolk Holdings) Ltd, Gateway 14 Ltd, which has generated £3.6m (gross) of accrued investment income since the initial loans were advanced by the Council in August 2018.

2.11 The loss incurred by Gateway 14 Ltd was £174k resulting in a reduction in the Council's overall equity holding from £1,151k to £978k. This company is still developing land and building projects for which it was created and has yet to generate income.

Table 6: Trading Companies – Loan activities

Babergh	Trading Companies - Loans				
	31.3.20	2020/21	31.3.21	2021/22	31.3.22
	Balance	Movement	Balance	Movement	Balance
	£m	£m	£m	£m	£m
CIFCO Ltd					
Interest Receivable	(2.110)	(1.551)	(3.661)	(2.209)	(5.870)
Interest Payable	0.445	0.276	0.721	0.249	0.970
Cumulative Net Interest received from date of investments	**(1.665)**	**(1.275)**	**(2.940)**	**(1.960)**	**(4.900)**

Mid Suffolk	Trading Companies - Loans				
	31.3.20	2020/21	31.3.21	2021/22	31.3.22
	Balance	Movement	Balance	Movement	Balance
	£m	£m	£m	£m	£m
Interest Receivable					
CIFCO Ltd	(2.110)	(1.551)	(3.661)	(2.209)	(5.870)
Gateway 14 Ltd	(1.383)	(1.043)	(2.426)	(1.216)	(3.642)
Total Interest Receivable	**(3.493)**	**(2.594)**	**(6.087)**	**(3.425)**	**(9.512)**
Interest Payable					
CIFCO Ltd	0.787	0.532	1.319	0.481	1.800
Gateway 14 Ltd	0.360	0.180	0.540	0.080	0.620
Total Interest Payable	**1.147**	**0.712**	**1.859**	**0.561**	**2.420**
Net Interest					
CIFCO Ltd	(1.323)	(1.019)	(2.342)	(1.728)	(4.070)
Gateway 14 Ltd	(1.023)	(0.863)	(1.886)	(1.136)	(3.022)
Cumulative Net Interest received from date of investments	**(2.346)**	**(1.882)**	**(4.228)**	**(2.864)**	**(7.092)**

3 Treasury Performance

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

3.2 **Table 7 Treasury Activity - Performance**

Babergh	2021/22 Budget £m	2021/22 Actual £m	Variance Adverse/ (Favourable) £m
Interest Receivable			
General Fund	(0.554)	(0.450)	0.104
Housing Revenue Account	(0.010)	(0.003)	0.007
CIFCO Ltd	(2.180)	(2.209)	(0.029)
Total Interest Receivable	**(2.744)**	**(2.662)**	**0.082**
Interest Payable			
General Fund	0.000	(0.000)	(0.000)
Housing Revenue Account	3.161	2.797	(0.364)
CIFCO Ltd	0.380	0.249	(0.131)
Total Interest Payable	**3.541**	**3.045**	**(0.496)**
Net Interest			
General Fund	(0.554)	(0.450)	0.104
Housing Revenue Account	3.151	2.793	(0.358)
CIFCO Ltd	(1.800)	(1.960)	(0.161)
Total Net Interest	**0.797**	**0.383**	**(0.414)**

Mid Suffolk	2021/22 Budget £m	2021/22 Actual £m	Variance Adverse/ (Favourable) £m
Interest Receivable			
General Fund	(0.540)	(0.448)	0.092
Housing Revenue Account	(0.009)	(0.001)	0.008
CIFCO Ltd	(2.180)	(2.209)	(0.029)
Gateway 14 Ltd	(1.631)	(1.216)	0.415
Total Interest Receivable	**(4.360)**	**(3.874)**	**0.486**
Interest Payable			
General Fund	0.097	0.021	(0.076)
Housing Revenue Account	2.968	2.643	(0.325)
CIFCO Ltd	0.565	0.481	(0.084)
Gateway 14 Ltd	0.175	0.080	(0.095)
Total Interest Payable	**3.805**	**3.225**	**(0.580)**
Net Interest			
General Fund	(0.443)	(0.428)	0.015
Housing Revenue Account	2.959	2.642	(0.317)
CIFCO Ltd	(1.615)	(1.728)	(0.113)
Gateway 14 Ltd	(1.456)	(1.135)	0.320
Total Net Interest	**(0.555)**	**(0.649)**	**(0.094)**

3.3 The interest receivable for Babergh and Mid Suffolk were both less than budgeted by £82k and £486k respectively. This is mainly due to the low interest rates during the year. The investment programme in CIFCO Ltd was accelerated and fully invested at the end of 2020/21.

3.4 The total interest payable for the year was under budget by £496k for Babergh and £580k for Mid Suffolk. All Babergh's short term borrowing was attributable to CIFCO Ltd.

3.5 **Long term investment returns**

3.6 Babergh and Mid Suffolk have both invested in long term pooled funds. Tables 8.1 to 8.5 that follow show details of how these investments have performed during 2020/21 and 2021/22.

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

3.8 **Table 8.1 CCLA Performance**

CCLA	Babergh				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	4.825	(0.034)	4.791	0.841	5.631
Cumulative Net Interest received from date of initial investment	**1.016**	**0.213**	**1.230**	**0.182**	**1.412**
Annual Performance					
Net Interest received in year	**0.217**		**0.213**		**0.182**
Average Rate of Return for year	**4.35%**		**4.26%**		**3.64%**

CCLA	Mid Suffolk				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	4.750	(0.034)	4.717	0.828	5.544
Cumulative Net Interest received from date of initial investment	**0.958**	**0.210**	**1.167**	**0.179**	**1.347**
Annual Performance					
Net Interest received in year	**0.215**		**0.210**		**0.179**
Average Rate of Return for year	**4.30%**		**4.20%**		**3.58%**

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

3.10 **Table 8.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.253	0.288	1.540	0.167	1.707
Cumulative Net Interest received from date of initial investment	**0.460**	**0.095**	**0.555**	**0.110**	**0.665**
Annual Performance					
Net Interest received in year	**0.143**		**0.095**		**0.110**
Average Rate of Return for year	**7.16%**		**4.76%**		**5.49%**

Schroder Maximiser Fund	Mid Suffolk				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.253	0.288	1.540	0.167	1.707
Cumulative Net Interest received from date of initial investment	**0.460**	**0.095**	**0.555**	**0.110**	**0.665**
Annual Performance					
Net Interest received in year	**0.143**		**0.095**		**0.110**
Average Rate of Return for year	**7.16%**		**4.76%**		**5.49%**

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

3.12 **Table 8.3 UBS Performance**

UBS	Babergh				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.657	0.174	1.831	(0.094)	1.736
Cumulative Net Interest received from date of initial investment	**0.363**	**0.090**	**0.452**	**0.083**	**0.535**
Annual Performance					
Net Interest received in year	**0.089**		**0.090**		**0.083**
Average Rate of Return for year	**4.43%**		**4.48%**		**4.15%**

UBS	Mid Suffolk				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.654	0.174	1.828	(0.094)	1.733
Cumulative Net Interest received from date of initial investment	**0.266**	**0.090**	**0.356**	**0.083**	**0.439**
Annual Performance					
Net Interest received in year	**0.088**		**0.090**		**0.083**
Average Rate of Return for year	**4.42%**		**4.48%**		**4.14%**

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

3.14 **Table 8.4 Funding Circle Performance**

Funding Circle	Babergh				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested - National	0.214	(0.048)	0.166	(0.031)	0.135
Amount Invested - Local	0.000	0.000	0.000	0.000	0.000
Total Amount Invested	**0.214**	**(0.048)**	**0.166**	**(0.031)**	**0.135**
Bad debts to date	(0.052)	0.005	(0.046)	0.003	(0.044)
Accrued Interest	0.012	(0.007)	0.005	(0.004)	0.002
Valuation	**0.174**	**(0.050)**	**0.125**	**(0.032)**	**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	**0.099**	**0.005**	**0.105**	**0.001**	**0.106**
Annual Performance					
Net Interest received in year	**0.012**		**0.005**		**0.005**
Average Rate of Return for year	**4.83%**		**3.14%**		**3.86%**

Funding Circle	Mid Suffolk				
	31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested - National	0.215	(0.053)	0.162	(0.031)	0.131
Amount Invested - Local	0.000	0.000	0.000	0.000	0.000
Total Amount Invested	**0.215**	**(0.053)**	**0.162**	**(0.031)**	**0.131**
Bad debts to date	(0.055)	0.004	(0.050)	0.004	(0.047)
Accrued Interest	0.011	(0.006)	0.005	(0.003)	0.001
Valuation	**0.172**	**(0.055)**	**0.117**	**(0.031)**	**0.086**
Income received	0.115	0.006	0.120	0.001	0.121
Servicing costs	(0.013)	(0.001)	(0.014)	(0.000)	(0.014)
Cumulative Net Interest received from date of initial investment	**0.101**	**0.005**	**0.106**	**0.000**	**0.107**
Annual Performance					
Net Interest received in year	**0.011**		**0.005**		**0.005**
Average Rate of Return for year	**4.85%**		**2.98%**		**3.69%**

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

3.16 **Table 8.5 Ninety-One Series i Performance**

Ninety One Series i Diversified Income Fund	Babergh 31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.815	0.180	1.995	(0.097)	1.898
Cumulative Net Interest received from date of initial investment	**0.075**	**0.074**	**0.149**	**0.071**	**0.221**
Annual Performance					
Net Interest received in year	**0.075**		**0.074**		**0.071**
Average Rate of Return for year	**3.74%**		**3.72%**		**3.57%**

Ninety One Series i Diversified Income Fund	Mid Suffolk 31.03.20 Balance £m	2020/21 Movement £m	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.815	0.180	1.995	(0.097)	1.898
Cumulative Net Interest received from date of initial investment	**0.075**	**0.074**	**0.149**	**0.071**	**0.221**
Annual Performance					
Net Interest received in year	**0.075**		**0.074**		**0.071**
Average Rate of Return for year	**3.74%**		**3.72%**		**3.57%**

4. Compliance Report

4.1. It should be noted that both Council's treasury management activity for 2021/22 was in accordance with the approved Treasury Management Strategy, and that both Councils have complied with all the Treasury Management Indicators for this period, except on:

- 9 June 2021, Babergh's bank account balance went above the limit by £136k due to Lloyds bank online banking system being unavailable for the day and no balances could be invested.
- 10 March 2022, two of Mid Suffolk's money market funds (Federated and Blackrock) were each overinvested by £500k. The procedures in place at the time did not identify this but have since been reviewed and updated to ensure this does not occur again.

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

4.3. **Table 9: Debt Limits**

Total Borrowing	2021/22 Maximum £m	31.03.22 Actual £m	2021/22 Operational Boundary	2021/22 Authorised Limit	Complied
Babergh	129.089	120.396	163.000	178.000	✓
Mid Suffolk	142.572	135.335	195.000	210.000	✓

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

4.5. **Table 10: Investment Limits**

Compliance with specific investment limits is demonstrated in Table 10 as follows and non-compliance has been explained in 4.1 above.

Babergh	2021/22 Maximum £m	31.03.22 Actual £m	2021/22 Limit £m	Complied
Any single organisation, except the UK Central Government	2.136	1.714	2.000	X
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.166	0.135	1.000	✓
Any single Money Market Fund	2.000	2.000	2.000	✓

Mid Suffolk	2021/22 Maximum £m	31.03.22 Actual £m	2021/22 Limit £m	Complied
Any single organisation, except the UK Central Government	1.944	1.817	2.000	✓
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.162	0.131	1.000	✓
Any single Money Market Fund	2.500	2.000	2.000	X

Appendix D

1. Treasury Management Indicators

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

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

1.3. **Table 11: Credit Scores**

Credit Scores	31.3.22 Actual	2021/22 Target	Complied
Babergh Portfolio average Credit Score	5.04	7.00	✓
Mid Suffolk Portfolio average Credit Score	4.38	7.00	✓

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 rates are shown in Table 12 that follows.

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

Interest rate risk indicator	31.3.22 Actual	2021/22 Limit	Complied
Babergh upper impact on Revenue of a 1% increase in rates	0.067	0.111	✓
Mid Suffolk upper impact on Revenue of a 1% increase in rates	0.124	0.210	✓

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

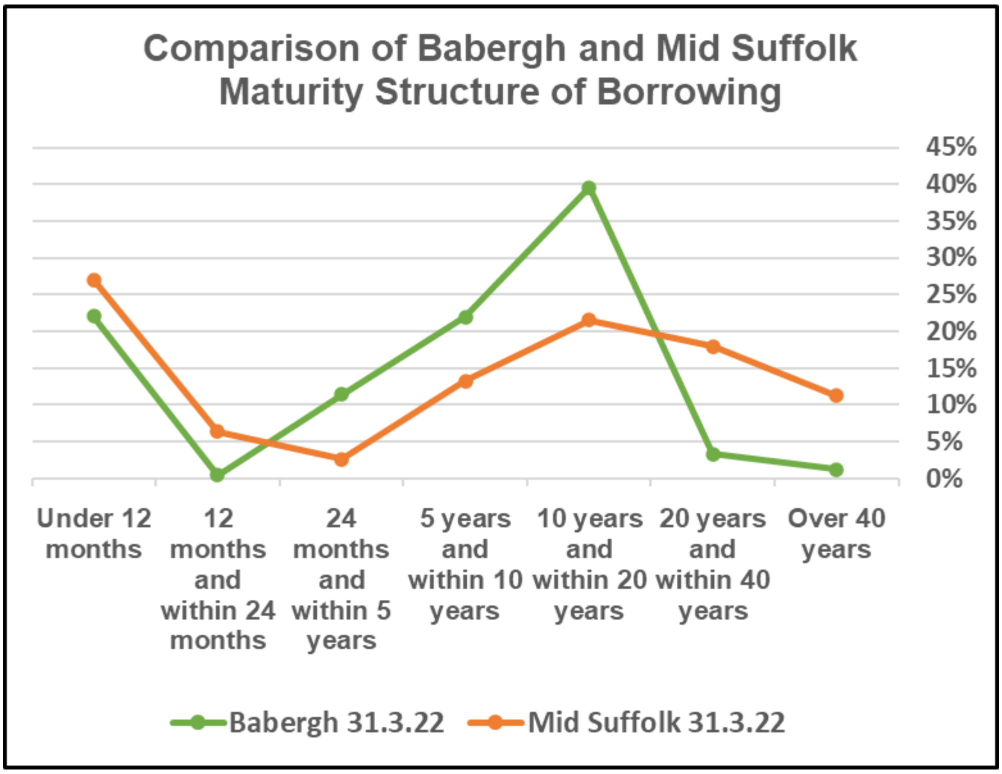
1.7. **Maturity Structure of Borrowing**: This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are shown in Table 13 as follows.

1.8. **Table 13: Maturity Structures**

Age Profile of Maturity	Babergh 31.3.22 Actual	Mid Suffolk 31.3.22 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	22.05%	27.05%	0%	50%	✓
12 months and within 24 months	0.47%	6.37%	0%	50%	✓
24 months and within 5 years	11.42%	2.59%	0%	50%	✓
5 years and within 10 years	21.98%	13.25%	0%	100%	✓
10 years and within 20 years	39.55%	21.54%	0%	100%	✓
20 years and within 40 years	3.33%	17.96%	0%	100%	✓
Over 40 years	1.19%	11.23%	0%	100%	✓

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

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



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

1.12. **Table 14: Principal Sums**

Babergh	2021/22	2022/23	2023/24
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

Mid Suffolk	2019/20	2022/23	2023/24
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

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

Appendix E

1. **Prudential Indicators**

1.1. **Introduction**

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

1.3. This report compares the approved indicators with the outturn position for 2021/22. Actual figures have been taken from, or prepared on a basis consistent with, the Councils draft Statements of Accounts for 2021/22.

1.4. **Capital Expenditure**

1.5. The Councils capital expenditure and financing for 2021/22 compared to budget is summarised in Table 15 that follows.

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

Babergh District Council			
Capital Expenditure and Financing	**2021/22 Budget including c/fwds £m**	**2021/22 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	20.792	4.632	(16.160)
HRA	27.505	16.798	(10.707)
Total Expenditure	**48.297**	**21.430**	**(26.867)**
Capital Receipts	4.880	3.535	(1.345)
Grants and Contributions	2.340	2.531	0.191
Revenue Contributions	3.030	2.586	(0.444)
Revenue Reserves	10.440	6.086	(4.354)
Major Repairs Reserve	4.280	4.595	0.315
Borrowing	23.327	2.098	(21.229)
Total Financing	**48.297**	**21.430**	**(26.867)**

1.7.

Mid Suffolk District Council			
Capital Expenditure and Financing	**2021/22 Budget including c/fwds £m**	**2021/22 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	30.028	13.592	(16.436)
HRA	39.959	13.923	(26.036)
Total Expenditure	**69.987**	**27.515**	**(42.472)**
Capital Receipts	6.100	2.722	(3.378)
Grants and Contributions	2.570	2.186	(0.384)
Revenue Contributions	1.510	1.021	(0.489)
Revenue Reserves	9.240	3.375	(5.865)
Major Repairs Reserve	3.910	3.468	(0.442)
Borrowing	46.657	14.742	(31.915)
Total Financing	**69.987**	**27.515**	**(42.472)**

2. Prudential Indicator Compliance

2.1. **Capital Financing Requirement**

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

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

Babergh District Council			
Capital Financing Requirement	**31.03.22 Budget £m**	**31.03.22 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	84.287	71.563	(12.724)
HRA	90.525	89.156	(1.369)
Total CFR	**174.813**	**160.719**	**(14.093)**

Mid Suffolk District Council			
Capital Financing Requirement	**31.03.22 Budget £m**	**31.03.22 Actual £m**	**Variance Adverse / (Favourable) £m**
General Fund	110.156	101.707	(8.449)
HRA	109.595	95.271	(14.324)
Total CFR	**219.752**	**196.978**	**(22.774)**

2.4. The CFR increased during the year by £0.51m for Babergh and by £13.2m for Mid Suffolk as capital expenditure financed by debt outweighed resources put aside for debt repayment. These figures are shown in Appendix A Table 1.

3. Actual Debt

3.1. The Councils actual debt on 31 March 2022 was as follows:

3.2. **Table 17: Total Debt**

Total Debt	31.03.22 Budget £m	31.03.22 Actual £m	Variance (Adverse) / Favourable £m
Babergh District Council	(138.730)	(120.396)	18.334
Mid Suffolk District Council	(184.970)	(135.335)	49.635

4. Gross Debt and the Capital Financing Requirement

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

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

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

Babergh District Council		
Debt and CFR	**31.03.22 Actual £m**	**31.03.22 Estimate £m**
Capital financing requirement	160.719	174.813
Total Debt	(120.396)	(138.729)
Headroom	**40.323**	**36.084**

Mid Suffolk District Council		
Debt and CFR	**31.03.22 Actual £m**	**31.03.22 Estimate £m**
Capital financing requirement	196.978	219.752
Total Debt	(135.335)	(184.970)
Headroom	**61.643**	**34.782**

5. Operational Boundary for External Debt

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

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

Operational Boundary and Total Debt	31.03.22 Limit £m	31.03.22 Actual Debt £m	Complied
Babergh District Council	(163.000)	(120.396)	✓
Mid Suffolk District Council	(195.000)	(135.335)	✓

6. Authorised Limit for External Debt

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

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

Authorised Limit and Total Debt	31.03.22 Limit £m	31.03.22 Actual Debt £m	Complied
Babergh District Council	(178.000)	(120.396)	✓
Mid Suffolk District Council	(210.000)	(135.335)	✓

7. Ratio of Financing Costs to Net Revenue Stream

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

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

Babergh District Council			
Ratio of Financing Costs to Net Revenue Stream	31.03.22 Budget %	31.03.22 Actual %	Variance Adverse / (Favourable) %
General Fund	(3.55)	(5.02)	(1.47)
HRA	19.38	17.01	(2.37)

Mid Suffolk District Council			
Ratio of Financing Costs to Net Revenue Stream	31.03.22 Budget %	31.03.22 Actual %	Variance Adverse / (Favourable) %
General Fund	(6.29)	(7.85)	(1.55)
HRA	20.10	18.02	(2.09)

8. Adoption of the CIPFA Treasury Management Code

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

9. HRA Limit on Indebtedness

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

Appendix F

Glossary of Terms

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

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BABERGH AND MID SUFFOLK DISTRICT COUNCILS

TO:	**BDC COUNCIL** **MSDC COUNCIL**	**REPORT NUMBER: BC/22/27**
FROM:	**Cllr Dave Busby, Cabinet Member Assets & Investments** **Cllr Peter Gould, Cabinet Member Assets & Investments**	**DATE OF MEETINGS:** **BDC: 25 October 2022** **MSDC: 27 October 2022**
OFFICER:	**Emily Atack – Director Assets & Investments, Managing Director CIFCO**	**KEY DECISION REF NO. N/A**

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

1. PURPOSE OF REPORT

1.1 This report presents the trading activity for CIFCO Capital Ltd (CIFCO) for 2021/22. Appended to the report (Confidential Appendix D) is the draft Business Plan 2022/23 which, subject to Council approval, will form the basis of CIFCO's trading in 2022/23. A redacted copy of the Business Plan is attached as Appendix C. CIFCO's performance against its business plan is monitored quarterly by the Holding Companies. The board of CIFCO directors continually assess the market and appropriately apply and adapt the guidelines of the business plan throughout each trading year.

2. OPTIONS CONSIDERED

2.1 The options available are to approve the 2022/23 CIFCO business plan for its adoption by CIFCO or to recommend amendments to the business plan.

2.2 The business plan has been prepared by the Board of CIFCO in consultation with its fund managers Jones Lang LaSalle (JLL). The Business Plan has been approved by the Holding Companies and the Councils' Joint Overview & Scrutiny Committee on the 27th June 2022 confirmed that:-

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

3.	RECOMMENDATIONS
3.1	**That Council notes CIFCO Capital Ltd trading activity and performance for the year to 31st March 2022**
3.2	**That Council approves CIFCO Capital Ltd's 2022/23 Business Plan for adoption by CIFCO Capital Limited.**
3.3	**That future CIFCO business plans are scrutinised by the Councils' Joint Overview & Scrutiny Committee and only reported to Council if the Committee is not satisfied with the Company's business plan and performance or if a decision is required that is reserved to Full Councils.**
REASON FOR DECISION **To provide appropriate governance and performance monitoring for the operation of CIFCO Capital Ltd.**	

4. KEY INFORMATION

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

4.2 A summary of the portfolio is set out below:

Category	Q1 2022
Total Asset Value	£94,110,000
Contracted Rent p.a.*	£5,355,618
ERV	£5,912,985
Number of Assets	21
Number of Tenants (Units)	78 (88)
WAULT	To break: 6 years 6 months To expiry: 6 years 7 months
Initial Yield	5.00%
Equivalent Yield	5.86%
Reversionary Yield	6.28%
Void Rate (ERV)	2.01%
Running Yield**	5.36%

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

Notes:
Asset values Knight Frank valuation as at 31.03.2022.
* As at 1.5.22
** Yield on gross purchase price.

4.3 CIFCO is a trading company that was set up jointly by Babergh and Mid Suffolk District Councils to acquire commercial property to generate a revenue stream. CIFCO is jointly owned by BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd which in turn are each 100% owned by their respective councils. An ownership structure chart is set out at Appendix B. Commercial properties are acquired by CIFCO with funding provided by the Councils by way of loans (90%) and equity investments (10%). The loans are secured against the properties acquired and shares are issued in respect of equity investments made with each new acquisition. The value of the shares (equity investment) fluctuates in line with the value of the portfolio. As the portfolio matures and the costs of acquisition (fees, stamp duty etc) are recovered, dividends will be payable to the Holding Companies and their respective Council owners as a return on the equity investment as well as revenue being generated through loan repayment.

4.4 Overall, the portfolio is recovering well from the impacts of the pandemic, due to the work of the board and professional team, the quality of the assets and diverse portfolio. Rent collection on a quarterly basis has been well above industry norms and exceeds our KPI, the company has continued to make full debt repayment to our shareholders.

4.5 The 2022/23 Business Plan focuses on the on-going management of the fund and the company to maximise revenue and return to our shareholders and to seek out opportunities to enhance the value of the portfolio wherever possible. The board continues to seek to maximise the sustainability of its portfolio and has seen some successes this year as detailed in the business plan. The board is proposing to align its sustainability KPI to proposed changes to MEES /EPC legislation – namely to ensure all properties within the portfolio have an EPC rating of C or above by 2027.

4.6 The 2022/23 Business Plan contains all the elements of the previous Business Plan approved by both Councils last year. The Plan includes:

- A review of performance over the last 12 months against key performance indicators together with strategy for the year ahead.
- A summary of the full market conditions assessment and revised investment strategy commissioned by the Company's Fund Manager, JLL.
- The key portfolio risks and attributes.
- The Business Plan incorporates high level financial cashflow back to the Council through loan repayments. CIFCO borrows at a fixed rate so interest rate fluctuations are mitigated. Cashflow and operational finance is dealt with quarterly by the Board alongside quarterly risk analysis.
- In addition, the Board's future revisions to its investment strategy are influenced by the quarterly portfolio analysis report from JLL which covers:

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

4.7 An updated portfolio summary, rent collection statistics and debt repayment details for Q2 (June to September 2022) are attached as Appendix A.

5. KEY PERFORMANCE INDICATORS (KPI)

5.1 The key performance indicators were set within the **2021/22** Business Plan, these are set out below together with performance against these targets:

KPI	Description	Target	Actual
1	Increase contracted rent from £5m p.a.by 1st April 2022	CPI + 1% (6.2%+1%=7.2%)	£5,368,674 (7.27%)
2	Equivalent Yield (EY)	6%	5.86%
3	Reduce EPC Portfolio Score from 7034 (Average D)	7034 (D)	6963 (D)
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%	Q June- 1.56% Q Sept- 1.76% Q Dec- 1.27% Q March- 1.63%

6. KEY PERFORMANCE INDICATORS (KPIs) 2022/23

6.1 The board propose to change the key performance indicators to reflect the continuing emphasis on portfolio management, focusing on income growth, return on investment, sustainability and rent collection.

KPI	Description	Target
1	Increase contracted rent from £5,368,674 per annum by 1st April 2023	>1%
2	Portfolio Equivalent Yield (EY) aligns with or above All Property Yield (currently 5.3%)	5.3%
3	All properties have an EPC rating (Currently 41.8% of portfolio are rated C or above)	C or above by 2027
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%

7. LINKS TO JOINT CORPORATE PLAN

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

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

8. COMPANY STRUCTURE AND IN-YEAR REPORTING

8.1 The Board of CIFCO Capital Ltd ('CIFCO') is responsible to its shareholders MSDC (Suffolk Holdings) Ltd and BDC (Suffolk Holdings) Ltd for the proper performance of the company against the business plan previously reviewed by The Joint Overview & Scrutiny Committee and subsequently approved by the two parent Councils usually in July each year. Please see Appendix B for a company ownership structure.

8.2 The Board meets regularly to review performance of the assets and fund, make portfolio decisions, appoint corporate advisers, and to put in place strategies and policies for company governance. A wide range of approvals have taken place throughout the year covering risk, performance management, governance, acquisitions, portfolio management, delegations and procurement. Since Lockdown in March 2020 the Board have been holding virtual Board meetings. This year the strategy day was held in person for the first time since 2019.

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

8.4 The CIFCO Board reviews its annual business plan and investment strategy continuously to ensure that it remains consistent with the marketplace and emerging risks and opportunities. Its investment strategy is developed with advice from JLL. The Business Plan is amended in full annually. The Business Plan is presented to both Holding Companies for consideration and approval before it progresses to Joint Overview & Scrutiny Committee and subsequently to both full Councils for final consideration. Subject to the approval, it is proposed that subsequent business plans will only be considered by Full Councils if required by Joint Overview & Scrutiny Committee. A redacted annual business plan will continue to be published on the CIFCO website.

9. FINANCIAL PERFORMANCE AND ACQUISITION PROGRESS

9.1 The Councils have received total net income of circa £9.27m since CIFCO's incorporation in 2017, details are set out in the table below:

CIFCO (Babergh)						
	£ 000					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Revenue Impact						
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(5,873)
Interest Paid	11	119	316	277	235	958
Net Interest	**(75)**	**(663)**	**(929)**	**(1,274)**	**(1,974)**	**(4,915)**
Other income/ Recharge	(9)	(25)	(32)	(35)	(35)	(136)
Total Revenue	**(84)**	**(688)**	**(961)**	**(1,309)**	**(2,009)**	**(5,051)**
	£ m					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Capital Movement						
Capital Borrowed	12.38	13.71	4.05	19.44	-	49.58
Loans Repaid	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.57)
Equity	1.23	1.37	0.41	1.94	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**49.01**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.57**

CIFCO (Mid Suffolk)						
	£ 000					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Revenue Impact						
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(5,873)
Interest Paid	11	235	541	533	468	1,788
Net Interest	**(75)**	**(547)**	**(704)**	**(1,018)**	**(1,741)**	**(4,085)**
Other income/ Recharge	(9)	(25)	(32)	(35)	(35)	(136)
Total Revenue	**(84)**	**(572)**	**(736)**	**(1,053)**	**(1,776)**	**(4,221)**
	£ m					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Capital Movement						
Capital Borrowed	12.38	13.71	4.05	19.44	-	49.58
Loans Repaid	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.57)
Equity	1.23	1.37	0.41	1.94	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**49.01**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.57**

9.2 The Councils have different treasury management approaches and as such whilst the gross amount receivable from CIFCO is the same, the net amounts differ depending upon the Councils' finance costs, as illustrated in the table below for 2021-22:

BDC **CIFCO Tranche 1 £26.097m**	**£m**	**MSDC** **CIFCO Tranche 1 £26.097m**	**£m**
Interest Receivable (From CIFCO)	**-1.156**	Interest Receivable (From CIFCO)	**-1.156**
Interest Payable		Interest Payable	
Short term loans Average rate 0.05%	0.004	Short term loans Average rate 0.51%	0.003
£5m 10 Year loans @ 1.71%	0.065	£10m 10 Year loans @ 1.71%	0.13
£6.25m 50 Year loans @ 2.63%	0.16	£12.5m 50 Year loans @ 2.63%	0.32
Total Interest Payable	**0.229**	Total Interest Payable	**0.453**
Net Return	**0.927**	**Net Return**	**0.703**
CIFCO Tranche 2 £23.492m		**CIFCO Tranche 2 £23.492m**	
Interest Receivable (From CIFCO)	**-1.053**	Interest Receivable (From CIFCO)	**-1.053**
Interest Payable		Interest Payable	
Loans Average rate 0.05%	**0.006**	Loans Average rate 0.51%	**0.014**
Net Return	**1.047**	**Net Return**	**1.039**

BDC		MSDC	
Total Net Return Tranche 1 and 2	**1.974**	Total Return Tranche 1 and 2	**1.741**
Total Capital borrowed	**49.58**	Total Capital borrowed	**49.58**
Percentage return	**3.98%**	**Percentage return**	**3.51%**

9.3 The Councils' investment in CIFCO was completed by 31st March 2021, with a total of c.£99.2m being drawn down by CIFCO over the full investment period.

9.4 CIFCO's year end accounts for 2021/22 are set out in Appendix 2 of the Business Plan. These accounts have been audited and will be submitted to Companies House. CIFCO's annual accounts (year ending March 2022) show a profit of £6.7m because of the increase in value of the portfolio over the period. The accounts also show that operating costs including finance costs currently exceed income from the fund. This is primarily a consequence of CIFCO continuing to make full debt repayments to the Councils. It is anticipated that operating cost will exceed income for the next 2 years based on full debt repayments being made, thereafter fund income levels will exceed pre-pandemic levels and the Company's income will exceed operating costs.

9.5 The portfolio was revalued as at 31st March 2022 by Knight Frank as independent valuers for the fund. The portfolio value has increased in value by 12.15% overall (£10.192m). Capital growth has been seen primarily within our industrial assets and Princes Gate in Harlow which has recovered following the impact of the pandemic last year.

9.6 The Councils' total interest repayments in respect of loans taken out to fund CIFCO equated to £703,000 in 2021/22 which is equivalent to an average of approximately 13% of the current contracted rent payable to CIFCO (4.5% Babergh DC & 8.9% Mid Suffolk DC). Rental collection by CIFCO would need to fall significantly before it was insufficient to cover the Councils' related debt.

9.7 The capital investment for the first phase of funding from Babergh and Mid-Suffolk District Councils is scheduled to be repaid in full by December 2068 with the second phase being repaid by 2071. During 2020/21 and 21/22 CIFCO has been able to maintain full debt repayment to the Councils, however CIFCO is still recovering from the impacts of the pandemic and is looking to make further capital improvements to the portfolio to enhance its sustainability. It is therefore helpful to continue to have the flexibility agreed with its shareholders last year in relation to debt repayments for the subsequent 2 years, namely the opportunity, if required, to defer debt repayments of 11% in 22/23, and 6% in 2023/24. Any deferred repayments will be accrued in the Councils' accounts and additional interest will be payable to the Councils in relation to these delayed repayments. The table below sets out the debt repayment schedule for the next 2 years together with additional interest charges.

Financial Year	Amount of Repayments to be Deferred	Full Repayment	Adjusted Repayment	Additional Late Payment Interest Payable by CIFCO on deferred amount
2022/23	£538,570	£4,867,981.25	£4,329,410.93	£15,876.58
2023/24	£293,493	£4,869,970.99	£4,576,478.47	£2,982.78
			Total	**£18,859.36**

10. RISK MANAGEMENT

This report most closely links with the following Significant Risk:

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

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

10.2 The Board continues to review the risk register regularly to ensure that risks were appropriately recorded and mitigated. This year the Board has undertaken a full review of the risk strategy and mechanism for quantifying risk to ensure that it robust and fit for purpose and has adopted some best practise improvements.

11. REVISED BUSINESS PLAN CONSULTATIONS

11.1 The Board of Directors together with the Chairs of the Holding Companies considered the 2022/23 business plan at its strategy day in March 2022 with its adviser JLL. The Business Plan has subsequently been developed with the Board of CIFCO and approved by both BDC and MSDC Holding Companies who recommend its approval by the Council for adoption by CIFCO.

11.2 The Joint Overview and Scrutiny Committee reviewed the CIFCO Business Plan on 27th June and supported the recommendations at 3.1 and 3.2 of this report. The committee did not support recommendation 3.3.

11.3 The Joint Overview & Scrutiny Committee confirmed that:-

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

12. EQUALITY ANALYSIS

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

13. ENVIRONMENTAL IMPLICATIONS

Sustainability

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

13.2 Please refer to section 14 of the Business Plan for further information.

14. APPENDICES

	Title	Location
(a)	Q2 update	Attached
(b)	Company ownership structure	Attached
(c)	DRAFT CIFCO CAPITAL LTD Business Plan 2022/23 Commercially sensitive information REDACTED	Attached
(d)	DRAFT CIFCO CAPITAL LTD Business Plan 2021/22 (CONFIDENTIAL)	Attached in Part 2
(e)	Joint O&S Committee Minutes	Attached

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Appendix A: CIFCO Quarter 2 Update

1. CIFCO Portfolio Summary

Category	Q2 2022
Total Asset Value	£94,110,000 (1&2)
Contracted Rent p.a.	£5,317,571(3)
ERV	£5,912,985
Number of Assets	21
Number of Tenants (Units)	78 (88)
WAULT	To break: 4 years 6 months To expiry: 6 years 4 months
Initial Yield	5.17%
Equivalent Yield	5.71%
Reversionary Yield	5.79%
Void Rate (ERV)	1.68%
Running Yield*	5.44%

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

Notes:

1. Asset values assume Knight Frank draft valuation at 31.03.2022.
2. Figures exclude Stanton; forward commitment exchanged conditionally at £1.4m
3. Contracted rent assumes nil rent for Unit 3 Kestrel Park, Braintree (AGI Trade)
4. * Yield on gross purchase price.

2. Rent Collection Statistics

June Qtr. 2022	
	CIFCO
Day 0	73.35%
Day 7	88.51%
Day 21	90.23%
Day 35	91.60%
05.09.2022	**95.00%**

The total current arrears as at 5th September 2022 equals £78,041.44 which is equivalent to 1.47% of the contracted rent.

3. Debt Repayment

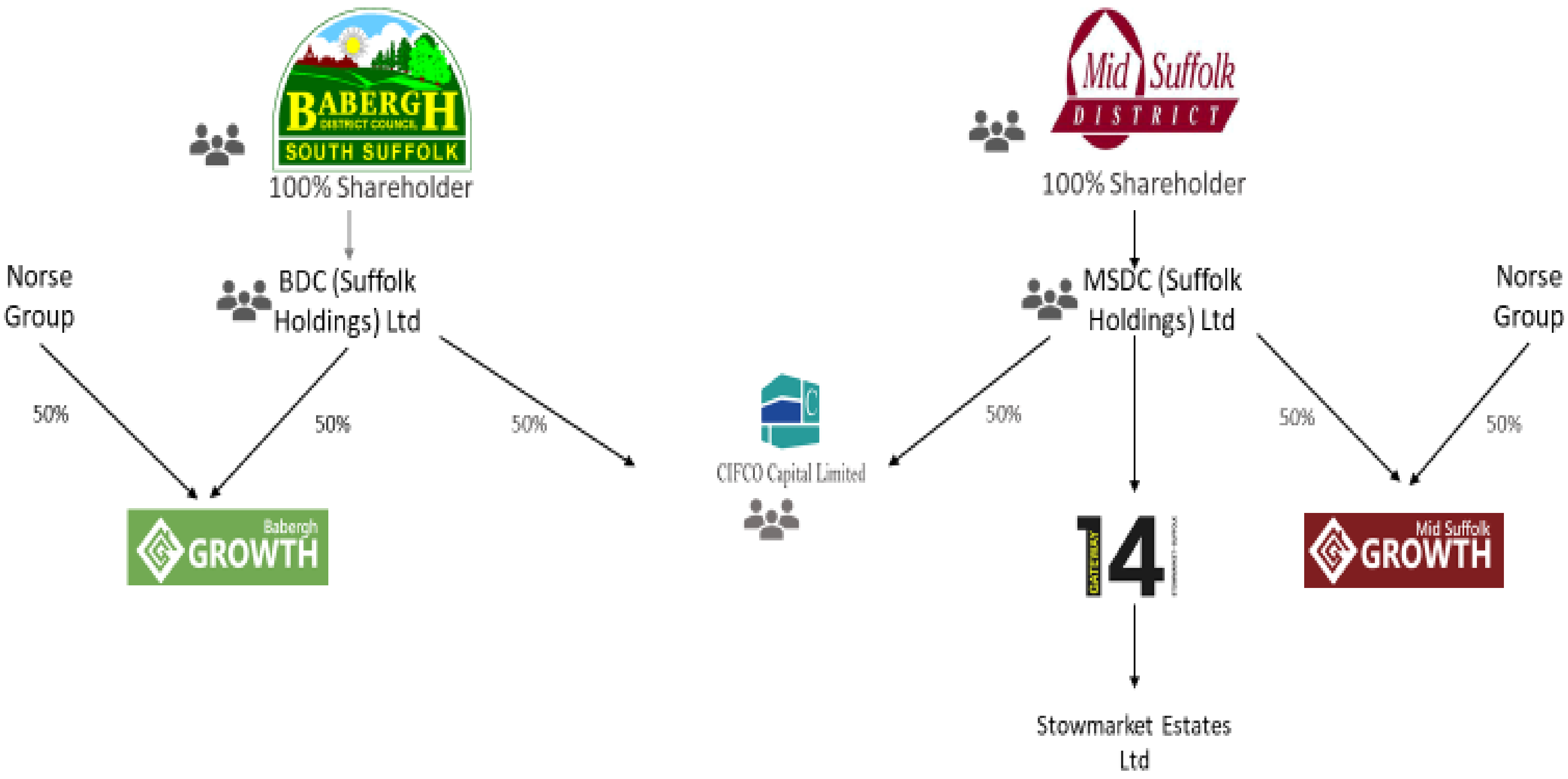
CIFCO made the full debt repayment to the Councils in June.

CIFCO (Babergh)							
				£ 000			
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 Q1	Cumulative
Revenue Impact							
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(549)	(6,422)
Interest Paid	11	119	316	277	235	95	1,053
Net Interest	**(75)**	**(663)**	**(929)**	**(1,274)**	**(1,974)**	**(454)**	**(5,368)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(9)	(145)
Total Revenue	**(84)**	**(688)**	**(961)**	**(1,309)**	**(2,009)**	**(463)**	**(5,513)**
				£ m			
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 Q1	Cumulative
Capital Movement							
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**		**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-		44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.06)	(0.63)
Equity	1.23	1.37	0.41	1.94	-		4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**(0.06)**	**48.95**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.06**	**0.63**

CIFCO (Mid Suffolk)							
				£ 000			
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 Q1	Cumulative
Revenue Impact							
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(549)	(6,422)
Interest Paid	11	235	541	533	468	136	1,924
Net Interest	**(75)**	**(547)**	**(704)**	**(1,018)**	**(1,741)**	**(413)**	**(4,498)**
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(9)	(145)
Total Revenue	**(84)**	**(572)**	**(736)**	**(1,053)**	**(1,776)**	**(421)**	**(4,643)**
				£ m			
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23 Q1	Cumulative
Capital Movement							
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-		44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.06)	(0.63)
Equity	1.23	1.37	0.41	1.94	-		4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**(0.06)**	**48.95**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.06**	**0.63**

Appendix B

Trading Companies' Structure



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APPENDIX C

REDACTED

CIFCO CAPITAL LTD
BUSINESS AND INVESTMENT PLAN
2022-23

April 2022

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Chairman's Statement

This year marks the first full year of trading for CIFCO Capital Ltd following the acquisition phase of the portfolio. The portfolio comprises 21 assets, with circa 80 tenants and a total rent roll of just over £5.37m. The portfolio is well-spread geographically, with 41% of assets in the eastern region. In terms of sector spread, there is an emphasis on the industrial sector, which has seen strong growth, and the best performing asset measured by growth in value was Pasadena Trading Estate in Harlow. The portfolio continues to demonstrate a strong emphasis on secure, well-let, prime assets. Contracts were exchanged in the previous financial year for the acquisition of a small pre-let supermarket asset and completion of this final addition to the portfolio is expected during the coming year.

The year has seen the beginning of the return to normality, following the unprecedented conditions of the previous year due to the pandemic. We have continued to work with our tenants to ease any ongoing problems and this has been reflected in strong quarterly rental recovery, well in excess of the market norm. Most pandemic issues have now been resolved. There is a small amount of the portfolio currently vacant, but this equates to about 1.7%, following the letting of two vacant units at Braintree and Harlow.

I am pleased to be able to report that the capital value of the portfolio, as valued at the end of March by Knight Frank, has increased by more than £10m over the valuation for the previous year that had been significantly affected by the pandemic. The current value is £94.11m, which exceeds by over £3m the original net purchase price of the assets. This increase in value is a result of the strengthening of the industrial market, rental growth, and a stabilisation and some growth in certain retail values. There is still some uncertainty in the office sector following the pandemic and this is reflected in some decreases in value of these assets, due in part to the pandemic and in part to shortening lease terms.

The Board and its advisers, Jones Lang LaSalle and Workman, have worked hard to maximise the rent from the portfolio on rent reviews and re-lettings. Over the year, the contracted rent has increased by 7% to £5.37m. In view of this growth and the focus on rent collection, I am very pleased to report that CIFCO has been able to maintain its debt repayments in full to its shareholders, providing them with significant surplus income.

A key focus for the Board during the year has been to identify opportunities to improve the quality of the assets, to create rental income growth but particularly to improve the sustainability credentials of the portfolio. Several projects have been implemented, including the refurbishment of units 2/3 of the Pasadena Trading Estate in Harlow, at a cost of just over £400,000. This resulted in a letting of the combined units for a significantly increased rent and was a major factor in the increase in value of this asset by almost 60%. The installation of solar panels was also recently completed as part of the refurbishment.

A number of asset management negotiations are currently underway or completed, aimed particularly at reducing the impact of the 'spike' in lease end dates/break clauses which occurs in 2026. The Board's focus for the coming year will be on increasing rental income, improving the quality of the assets by focussed capital investment where appropriate, and continuing to improve the sustainability credentials of the portfolio.

My thanks go to the executive team for their hard work in delivering what has been a strong year for the Company, and in particular to Clêr Hobbs for her hard work behind the scenes.

Sir Christopher Haworth Bt- Chairman

1. Corporate Governance

1.1. CIFCO Capital continues to have robust corporate governance, reporting quarterly to the BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd Boards, who in turn report to the Councils annually.

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

1.3. The Non-Executive Directors have signed service agreements laying out individual obligations. These agreements are aligned to the Company's adopted Articles. All directors complete conflict of interest and related parties' declarations on an annual basis and comply with the directors' code of conduct, which was updated this year to include the Nolan principles of public life.

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

1.5. The CIFCO website continues to be updated quarterly to include more information about the fund to increase transparency.

2. Corporate Advisers

2.1. During 2021/22, the Board worked with its corporate partners to support its investment activity:

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

2.2. The performance of these advisors is monitored on an on-going basis by the Board with annual reviews being undertaken at the annual Strategy meeting. We will seek new portfolio valuers for the year ending 31st March 2023 in line with RICS recommendations to rotate valuers periodically.

3. UK Economy and Property Market

3.1 UK Economic Overview

3.1.1 With inflation on the rise, central banks are moving to contain inflation as demand growth exceeds supply growth. US and UK inflation has risen to highest levels in almost 30 years at 7.5% and 6.2%.

3.1.2 Market expectations of future monetary policy moved sharply in Q4. In October 2021, the ECB announced a slowdown in its pandemic asset purchases. A small upward movement in its deposit rate is expected in 2022.

3.1.3 In December, the Bank of England raised its Bank Rate from 0.1% to 0.25%. There has since been further increases to 0.5% in February and 0.75% from 17Th March 2022. With higher interest rates, borrowing will become more expensive which would encourage savings, which central banks will hope reduces inflation.

3.1.4 The latest CIPS/Markit PMIs indicate growth expectations have slowed slightly from the very strong levels at the end of last year. February's PMI was 57.3, marginally down from 58.5 in November and 57.9 in December, but still well above the 50 mark which indicates expansion. This is largely on the back of staff absences due to COVID-19 and shortages of candidates to fill vacancies putting constraints on production growth. Nonetheless, backlogs of work decreased at the fastest rate since June 2020 as a combination of stalling new order growth and rising inventories helped to reduce pressure on business capacity.

3.2 UK Property Market Overview

3.2.1 All Property monthly total returns saw a decrease from 3.9% in December to 1.2% in January. This was largely on the back of a drop in industrial returns from 7.1% in December to 1.8% in January. Cumulative total returns in the 12 months to January were 20.7%, up from 19.9% in December. This was the highest 12-monthly total returns seen since September 2010 (22.6%).

3.2.2 January saw decreasing monthly All Property capital values, from 3.5% in December to 0.8% in January. All sectors saw declining performance. Industrial capital values fell from 6.8% in December to 1.5% in January. Similarly, retail, hotel and residential monthly capital values dropped from 2.0%, 2.3% and 1.3% in December to 0.6%, 0.1% and 0.2% in January. Office monthly capital values fell from 0.4% in December to 0.1% in January. Despite this, annual All Property capital value growth increased from 13.9% in the 12 months to December to 14.8% in the 12 months to January.

3.2.3 All Property rental value growth fell from 0.7% in December to from 0.2% in January. Industrial and residential rental value growth declined from 1.9% and 0.7% in December to 0.5% and 0.3% in January. However, retail and office sectors saw improved or stable performance from -0.2% and 0.1% in December to 0.0% and 0.1% in January.

3.2.4 Income returns remained stable for All Property at 0.4% in January.

3.3 UK Investment Market Overview

3.3.1 Despite the first quarter being usually the quietest, Propertydata.com record some £13.275bn investment transactions over the Q1 2022 period. If this rate of transactions continues it should lead to a record year. A major contributor to the turnover has been the office sector, at circa £5.4bn of deals, boosted by some major Central London transactions including the £1.26bn acquisition of 5 Broadgate by NPS Korea, £762m purchase of Central St Giles by Google, and £718m at Lime Street by Ho Bee Land. Provincial offices remain a twin speed market, with well let quality assets competitively sought, but poorer quality, short-leased assets with weak ESG credentials harder to transact. Life science style assets in major centres, especially the “CAMKOX” arc are the height of investor fashion, commanding premium levels.

3.3.2 The industrial/logistics sector has proven competitive with yields continuing to tighten, still heavily driven by US Private Equity Capital, and the REIT Industrial/warehouse specialists who have raised funds in the market. The institutional investors remain active for the better quality assets, but arguably may be becoming slightly more selective. Yields for better SE estates are now +/- 3% - 3.5%, and better provincial assets 3.5% - 4.25%. Aggregators have until now sought to buy in bulk, with Cain International and Oxford Properties each acquiring portfolios of £550m and £202m respectively this year. However as economic headwinds start to prevail, certain major aggregator investors have started to “profit take” and seek to market bulk portfolios of assets acquired in recent years. The logistics occupational market has held up well in Q1 despite Amazon curtailing expansion, but investor sentiment is now indicating that the market may have now peaked.

3.3.3 High Street Retail seems to have found some solid ground with better assets finding selective buyers, whilst supermarkets and “essential retail” are in strong demand, especially where there are leases of a reasonable length to good tenants. Retail warehousing is the rising star however, with strong investor demand, despite bank reticence to provide funding. Investors have seen considerable yield growth over the last year, of between 100-150bps, and a recent signal deal of St Martins Retail Park in Basingstoke (next to the CIFCO holding) achieved 4.25% despite relatively high rental levels averaging £24.14 psf.

3.3.4 Alternative assets (where rent increases are often index linked) should be set to benefit, though the majority of transactions in this sector have been undertaken by specialist student investors (3 x £300m+ portfolios), and specialist care home investors – mainstream investors have found limited suitable stock to acquire.

3.3.5 Economic headwinds are increasingly apparent; the invasion of Ukraine (aside from the humanitarian catastrophe) has created some political and economic uncertainties which investors have yet to calibrate. The Chinese lockdowns continue to cause component shortages and high container costs. Rocketing fuel costs not only impact consumer spending but are major contributors to manufacturing cost inflation; diesel shortages and cost will impact on the logistics sector, and wage push inflation will also hurt employers. Inevitably the ability of tenants to afford rapidly rising rents will be questionable, and investors need to curtail rental growth projections. Utilities costs will not only affect occupiers, potentially challenging survival of the weakest, but also bring the ESG agenda into even sharper focus, with institutional investors now keener than ever to only consider efficient buildings. The announcement on 5th May by the Bank of England that inflation may reach 10% later this year and that a small recession may be likely has had a dramatic effect on sentiment, and whilst the market statistics look very healthy, it is clear active investors are curtailing their forward market projections.

3.3.6 Finally, whilst there is a substantial flow of investment equity in the market, and most deals are with "cash buyers" cost of debt is still important, with buyers gearing up thereafter. All in borrowing costs are rising rapidly, with rates and increased margins, reflecting the perception that bank rates will need to rise rapidly to battle surging inflation. Whilst investment property has always been deemed a "hedge against inflation", the current low level of yields may be unsustainable in the medium term if rental growth is checked.

3.4 **UK Occupier Market Overview**

3.4.1 **Retail**

• A recent CBI survey has revealed that, while retailers reported slowing sales growth in February 2022, demand was stronger than normal for the time of year. The easing of COVID restrictions - including the end of work-from-home guidance – has clearly encouraged shoppers to return to retail destinations.

• The same survey revealed that online sales declined in the year to February (by 11%), only the second such fall in the survey's history. This follows recent data from ONS that showed online sales accounted for just 25% of all purchases in January, down from a peak of over 36% in early 2021.

• Online sales accounted less than 20% of total sales pre-pandemic, indicating that there has been a permanent shift in some consumers' shopping behaviour. However, there is now mounting evidence that points to slowing online growth – Global Data forecasts that online penetration will reduce from 26.9% of total retail sales in 2021 to 26.5% by 2025. This slowing online growth is contributing to the tangible recovery that we are witnessing in physical retail and leisure, in the wake of the pandemic.

• The retail landscape has changed fundamentally, but it is now universally accepted that stores remain (and always will) an essential component of omni-channel supply chains. This view is reinforced by recent research from Local Data Company, which indicates that vacancy rates are stabilising across the market. While chain stores saw a net decline of over 10,000 stores in 2021, this was offset by a significant uptick in independent retail and leisure businesses. We are effectively seeing a redefinition of the retail market, with a shakeout of traditional brands, and the emergence of new independent operators that have the potential to become the chains of the future. Looking ahead, macro consumer headwinds appear to be strengthening, with the cost-of-living crisis potentially exacerbated by the Russian invasion of Ukraine. Analysts are predicting that the resultant hike in global energy prices could reduce household real income by 3.1% in 2022 compared with a year earlier. Consumer spending is therefore likely to come under pressure in the coming months, as households draw back from non-essential purchases.

3.4.2 **Office**

• The Big Six office markets (Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester) witnessed pick- up in leasing during Q3 and Q4 2021, with each quarter recording higher take-up than the previous three-month period.

• H2 2021 take up reached 2.4 million sq. ft which was 50% ahead of the first 6 months of the year and just 4% down on H2 2019 the last period prior to the pandemic. This brought annual leasing volumes to just under 4.1 million sq. ft, almost 1 million sq. ft more than leased in 2020 but still 11% below the ten-year average.

• The largest transaction occurred in Q4 and was Roku leasing 115,066 sq. ft at the new build Circle Square in Manchester. The most active business sector by floorspace transacted during 2021 was professional services, with 23% of all take-up, followed by TMT with a 21% share.

• There were tentative signs of flexible workspace operators starting to be more active, after the retreat from the market in 2020. The sector was responsible for 9% of leasing, up from 3% in the previous year.

• Supply increased during 2021, reaching 6.2% by year end which was up from 5.3% at the end of December 2020. Having said this, the uplift in vacancy rate was largely in Q1 and had essentially been stable during the year, although it remained ahead of the five-year average (5.5%). Bristol and Leeds ended H2 with a lower vacancy rate than was evident 6-months ago, but all other markets continued to see an upward trend in supply.

• The increase in supply was driven largely by speculative development coming to the market during the year. In total there was 1.3 million sq. ft of speculative development completed across the Big 6, marginally down on the previous 12 months as more space was pre-let. An estimated 480,000 sq. ft of space started speculatively across the Big 6 in H2 2021, mainly in Bristol, where The Welcome Building (207,000 sq. ft) and Building B Assembly (30,000 sq ft) and Manchester, where Eden (Plot A3), New Bailey (110,000 sq. ft) began construction.

• Prime rents continued to increase across the Big 6 and rose by 2.4% in the year to December 2021 with Edinburgh and Glasgow seeing the strongest annual growth of 5.6% and 7.7%. All markets are characterised by rents and by the year end prime rents in three markets had reached £38.50 per sq. ft Birmingham, Bristol and Manchester.

• Looking ahead, prime rents are expected to see further growth and are forecast to increase on average by 2.4% per annum over the next 5 years, with several cities expected to reach £40.00 per sq. ft in the coming months

3.4.3 **Industrial/Warehouse**

• Around 6.0 million sq. ft of industrial and logistics floorspace was taken up in the Western Corridor in 2021, the second highest year on record and only surpassed by 2011 (6.1 million sq. ft).

• Available supply fell to a record low level over 2021. At the end of the year there was approximately 3.9 million sq. ft of industrial and logistics floorspace available, including space speculatively under construction. This figure was 31% lower than the end of 2020.

• Despite the strong levels of take-up, the market saw very little speculative development across the Western Corridor, which contributed to the fall in supply.

• Consequently, the market saw a surge in rental values in many locations. For example, prime standard industrial rents in Park Royal and Heathrow increased by more than 50% in the year and rents in Slough jumped by 28%. In the Thames Valley, prime rents stand at £22 in Slough, £16 in Maidenhead, £15 in Reading and £12.50 in Basingstoke. In addition, data from the MSCI Annual Index shows that industrial rental values rose by 16.1% in London during 2021 and by 9.2% in the South-East.

• Available supply across the UK fell by 19.3% over the year to 18.7 million sq. ft at the end of 2021, including 4.3 million sq. ft under offer. Total available supply represented a UK vacancy rate of 5.5%, or just 1.1% if speculative space under construction is excluded.

• With the current market dynamics, characterised by a lack of buildings and growing rents, investor and developer sentiment remain very positive but conditions remain challenging for businesses seeking to occupy space.

UK Economic Forecasts:

Bounce in GDP receding, inflation receding and interest rates up

UK Economic Forecasts

	2022	2023	2024
GDP	3.7	1.8	2.1
Retail Sales Index (volumes)	0.3	1.7	2.8
Inflation (CPI)	7.0	2.5	0.9
Bank of England Base Rate	0.8	1.0	1.1
10-year Gilt Yield	1.6	1.9	2.2

Source: Oxford Economics, February 22

Figure 1

4. Portfolio Summary 1 May 2022

- The portfolio holds a total of 21 properties, with a conditional commitment to acquire a further property by Winter 2022. The portfolio core statistics are set out below with more detailed information available on the CIFCO website https://cifcocapital.com/

Category	Q1 2022
Total Asset Value	£94,110,000
Contracted Rent p.a.*	£5,355,618
ERV	£5,912,985
Number of Assets	21
Number of Tenants (Units)	78 (88)
WAULT	To break: 6 years 6 months To expiry: 6 years 7 months
Initial Yield	5.00%
Equivalent Yield	5.86%
Reversionary Yield	6.28%
Void Rate (ERV)	2.01%
Running Yield**	5.36%

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

Notes:
Asset values Knight Frank valuation as at 31.03.2022.
* As at 1.5.22
** Yield on gross purchase price.

Table 1

CIFCO Investment Portfolio – Core Statistics

CIFCO PORTFOLIO	31.3. 2022	31.3.2021	Comparison Movement
Net Asset Value	£94,110,000	£83,693,000	12.45%
Contracted Rent p.a.	£5,368,674	£5,004,824	7.27%
ERV	£5,912,985	£5,556,641	6.41%
No of Assets	21	21	0.00%
No of Tenants (units)	78 (88)	76 (90)	2 (-2)
WAULT (years)	To Break: 6.6	To Break: 7.0	-0.4
	To Expiry: 7.6	To Expiry: 8.6	-1
Initial Yield	5.00%	5.60%	-60 bps
Equivalent Yield	5.86%	6.15%	-29 bps
Reversionary Yield	6.28%	6.29%	-01 bps
Void Rate	1.72%	5.72%	-400 bps
Yield on Cost *	5.58%	5.20%	+38 bps

Notes:
1. Asset values represent Knight Frank valuation at 31.03.2022

2. Contracted rent includes rent on Units 2&3 Pasadena, Harlow and Unit 2 Princes Close, Harlow both of which are in rent free

3. * represents yield on gross purchase price

Table 2

Portfolio Five-Year Cashflow (including projected growth)

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

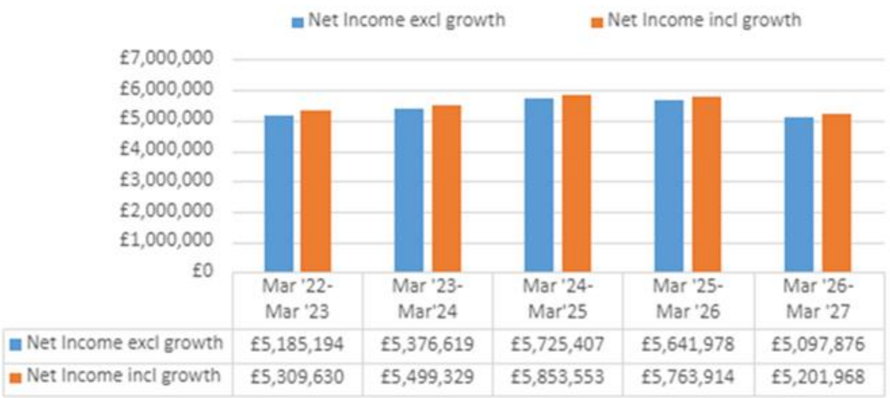


Figure 2

5. Key Performance Indicators (KPI) 2021/22

KPI	Description	Target	Actual
1	Increase contracted rent from £5m p.a.by 1st April 2022	CPI + 1% (6.2%+1%=7.2%)	£5,368,674 (7.27%)
2	Equivalent Yield (EY)	6%	5.86%
3	Reduce EPC Portfolio Score from 7034 (Average D)	<7034	6963
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%	Q June- 1.56% Q Sept- 1.76% Q Dec- 1.27% Q March- 1.63%

Table 3

6. Investment Guidelines

Investment Restrictions	%	Breach
No more than 10% of the gross income of the fund shall be derived from one tenant	8.0	No
Investment in UK Real Estate	100	No
No more than 15% of the portfolio to be invested in direct development at any one time	0	No
Maximum investment in one investment shall not exceed 20% of Gross Asset Value	11.0	No
No more than 20% of the portfolio to be invested in any one town	13.1	No
No more than 35% of the portfolio to be held in a specific sector at any one time	51	**Yes**

Table 4

6.1 Income

- There are currently no tenants over the 10% threshold. The largest tenant by income is the [redacted] which make up 8.0% of the total portfolio income.

6.2 Development

- No development properties have been acquired; however, the board did commit to acquiring a new build convenience store in 2021. The convenience store is yet to be completed and remains under review by the board.
- The Board completed the refurbishment of three properties within the portfolio during 2021/22 to enhance capital value and income.

6.3 Maximum Investment

- The largest asset in the portfolio is Hemel Hempstead which makes up 11% of the portfolio by value.

6.4 Location

- 11.1% of the Fund's total value is currently held in Epsom and 11.0% is held in Brentwood

6.5 Sector

- The portfolio is consciously weighted towards the industrial sector, which continues to deliver strong returns.

Q1 2022 Sector Splits		
Retail Warehouse	£5,150,000	5%
High Street Retail	£6,400,000	7%
Alternatives	£9,590,000	10%
Office	£25,070,000	27%
Industrial	£47,900,000	51%
Other		0%
Total	**£94,110,000**	100%

Table 5

7 Risk Management

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

7.2. The Managing Director also attends a group risk panel each quarter to report risk to Holding Company Chairs and shareholder senior risk officers.

7.3. The board continues to assess and manage risks in relation to the on-going management of portfolio, seeking to mitigate voids and maximise income generation.

Key Portfolio Risks	**Mitigation Actions**
Potential short-term revenue risk due to COVID 19	Has largely been mitigated however rent roll not expected to return to pre-covid levels for a further 12 months
After shock of pandemic could see rise in business failures	Continue to monitor rent collection carefully and engage with tenants well & regularly. Tenant covenant strength reviewed at least quarterly.
Retail continues to decline in short-term	Decline is slowing and some retail property seeing growing demand (retail warehouses). CIFCO has limited exposure to retail assets –12%.
Income weighted towards 6 key tenants (42%)	All strong covenants- 58% of portfolio diverse tenant mix.
Cost of ESG agenda and limited access to capital	Incremental improvements budgeted, however larger programmes of work will need alternative funding (grants, private borrowing, asset sale)
Office sector- Cap. Ex. costs of maintaining Grade A specification	Large office properties within the portfolio are let to good covenants. Work with tenants throughout lease term to manage repairs and improvements made by tenants. Use dilapidation payments at lease end to good effect. Opportunity for rental and capital growth following refurbishment or change of use if more financially attractive.
[redacted]	

Table 6

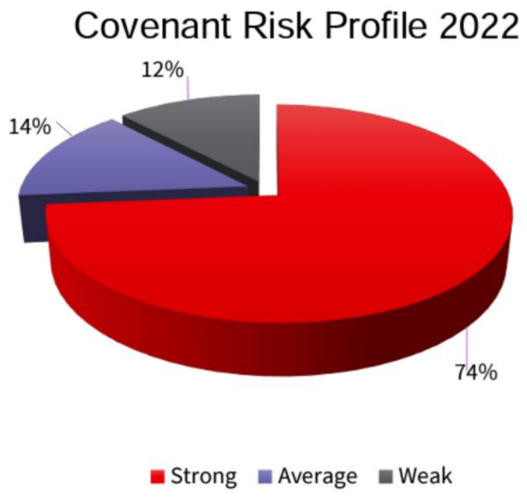
7.4. The board reviews changes in tenant covenant strength, voids and WAULT on a quarterly basis whilst income and tenant relationships are managed on an on-going basis to ensure a proactive approach to management. To control and limit risks within the portfolio, the following mitigation strategies are to be adopted:

7.5. Income security

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

7.6. Covenant Risk Profile

- Covenant risk profile is weighted towards strong covenants providing a lower portfolio risk profile.



Portfolio Risk Profile

Properties: 21
Tenants: 78
WAULT (break) 6.6 years
WAULT (expiry) 7.6 years

Average Rent £61,577 p.a., with three voids.

Figure 3

7.7. Value/Income volatility

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

8. Key Portfolio Attributes

- The capital deployed is well balanced across the portfolio
- The current higher sector weighting to industrial (51%) is favoured by investors
- Good WAULT to expiry and break
- Diversification of income
- No development exposure
- Modern buildings on predominantly FRI leases
- Low weighting to leisure and retail
- Low void rate 1.7%
- No links to Russian companies.

9. Key Strategic Objectives 2022/23

- Retain all assets at the current time with no sales anticipated
- Maximise revenue through pro-active tenant engagement and lease events
- Enhance ESG & Sustainability credentials – deliver current action plan and demonstrate achievements

- Maintain tight budgetary and credit control
- Manage lease expiries and events to reduce void risk
- Strategic deployment of Capital Expenditure
- Implement individual asset initiatives creating measurable added value
- Monitor markets for opportunities to enhance value and income- maintain asset liquidity.

10. Key Performance Indicators (KPIs) 2022/23

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

KPI	Description	Target
1	Increase contracted rent from £5,368,674 per annum by 1st April 2023	>1%
2	Portfolio Equivalent Yield (EY) aligns with or above All Property Yield (currently 5.3%)	5.3%
3	All properties have an EPC rating (Currently 41.8% of portfolio are rated C or above)	C or above by 2027
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%

Table 7

11. Financial Strategy

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

11.2. Since 2017 Babergh District Council has benefited from net income (after borrowing costs) of circa £4.9m, whilst Mid Suffolk District Council has benefitted from circa £4.2m. Annual income is set out in the tables below: -

CIFCO (Babergh)						
	£ 000					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Revenue Impact						
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(5,873)
Interest Paid	11	119	316	277	235	958
Net Interest	**(75)**	**(663)**	**(929)**	**(1,274)**	**(1,974)**	**(4,915)**
Other income/ Recharge	(9)	(25)	(32)	(35)	(35)	(136)
Total Revenue	**(84)**	**(688)**	**(961)**	**(1,309)**	**(2,009)**	**(5,051)**
	£ m					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Capital Movement						
Capital Borrowed	12.38	13.71	4.05	19.44	-	49.58
Loans Repaid	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.57)
Equity	1.23	1.37	0.41	1.94	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**49.01**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.57**

Table 8

CIFCO (Mid Suffolk)						
	£ 000					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Revenue Impact						
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(5,873)
Interest Paid	11	235	541	533	468	1,788
Net Interest	**(75)**	**(547)**	**(704)**	**(1,018)**	**(1,741)**	**(4,085)**
Other income/ Recharge	(9)	(25)	(32)	(35)	(35)	(136)
Total Revenue	**(84)**	**(572)**	**(736)**	**(1,053)**	**(1,776)**	**(4,221)**
	£ m					
	2017-18	2018-19	2019-20	2020-21	2021-22	Cumulative
Capital Movement						
Capital Borrowed	12.38	13.71	4.05	19.44	-	49.58
Loans Repaid	-	-	-	-	-	-
Gross Borrowing	**12.38**	**13.71**	**4.05**	**19.44**	**-**	**49.58**
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.57)
Equity	1.23	1.37	0.41	1.94	-	4.95
Gross Investment	**12.38**	**13.63**	**3.93**	**19.29**	**(0.22)**	**49.01**
Net Capital Movements	**-**	**0.08**	**0.12**	**0.15**	**0.22**	**0.57**

Table 9

11.3. During 2021/22 CIFCO has invested circa £765,000 of capital in the portfolio as follows:

Property	Town	Tenant	Description	Capital Investment
Epsom	Renaissance House Common Parts	[redacted]	Common Parts Reception & WC refurbishment	£ 100,000
Harlow	2& 3 Pasadena Way		Full refurbishment including roof replacement. New solar panels being installed May 22	£ 475,000
Harlow	Unit 2 Princes Gate		Refurbishment	£ 60,000
Norwich	24 Kingsway		Full refurbishment enabling new lease to Wurth	£ 85,000
Coventry	2a & 2b Pilot Business Park		Removal of mezzanine and refurbishment	£ 45,000
			2021/22	**£ 765,000**

Table 10

11.4. Capital investment in the portfolio is essential to protect and enhance the value of the portfolio ensuring that the properties remain fit for purpose and attract the highest possible rent and best tenants. For example, the refurbishment of 2 & 3 Pasadena Way resulted in a new letting which led to an increase in the capital value of the property from £1.9m in 2021 to £3.025m in 2022 an increase of 59.21%. This investment has also improved the sustainability of the property improving the EPC rating from a C to a B. A further £235,000 of capital investment is planned for 2022/23 and will include the following:

Property	**Description**	**Budget**
Epsom 1st Floor Renaissance House	Refurb/ Sub division	£ 125,000
Epsom Renaisance House	External Repairs	£ 45,000
EPC Upgrades		£ 50,000
Brentwood Luteas House	Condition Survey	£ 8,500
Southampton West Park House	Condition Survey	£ 6,500
		£ 235,000

Table 11

11.5. This capital investment will be funded by CIFCO capital reserves. There is no further investment by the Councils planned within the Councils' Medium Term Financial Strategies.

11.6. 2021/22 has been a year of recovery for CIFCO and many of our tenants following the impacts of the pandemic. Rent collection levels have consistently been above industry benchmarks and typically averaging over 97% each quarter. There have been fewer business failures and some strong rental growth particularly in the industrial sector this year but contracted rental levels still remain below pre-pandemic levels, we expect to see contracted rent exceed pre-pandemic levels in 2023/24.

11.7. Total arrears across the portfolio as at 11th of May 2022 equate to approximately 1.5% (c. £83,794) of the annual contracted rent. A further £16,368.59 (0.3% of the current contracted rent) was written off in 2021/22 due to tenant failures that occurred in the previous year ([redacted]).

11.8. The portfolio void rate has reduced throughout the last year from 5.6% in April 2021 to 1.72% in April 2022. The table below sets out the current portfolio voids, both of which are at Renaissance House in Epsom. An options appraisal is being undertaken to review opportunities to improve the marketability of these units at this currently challenging time for some office properties.

Property	Date Void	Area (sq ft)	Comments
First Floor, Renaissance House, Epsom	16/09/2020	3,685	Letting agents appointed & Common parts refurbishment completed. Review sub-division.
Part Third Floor, Renaissance House, Epsom	24/06/2020	840	Letting agents appointed and Common parts refurbishment completed.
		4,525	**Estimate Rental Value £90,000**

Table 12

11.9. The capital investment for the first phase of funding from Babergh and Mid-Suffolk District Councils is scheduled to be repaid in full by December 2068 with the second phase being repaid by 2071. During 2020/21 and 21/22 CIFCO has been able to maintain full debt repayment to the Councils, however CIFCO is still recovering from the impacts of the pandemic and is looking to make further capital improvements to the portfolio to enhance its sustainability. It is therefore helpful to continue to have the flexibility agreed with its shareholders last year in relation to debt repayments for the subsequent 2 years, namely the opportunity if required to defer debt repayments of 11% in 22/23, and 6% in 2023/24.

11.10. Any deferred repayments will be accrued in the Councils' accounts and additional interest will be payable to the Councils in relation to these delayed repayments. The table below sets out the debt repayment schedule for the next 2 years together with additional interest charges. CIFCO will continue to make full debt repayments wherever possible.

Financial Year	Amount of Repayments to be Deferred	Full Repayment	Adjusted Repayment	Additional Late Payment Interest Payable on deferred amount
2022/23	£538,570	£4,867,981.25	£4,329,410.93	£15,876.58
2023/24	£293,493	£4,869,970.99	£4,576,478.47	£2,982.78
			Total	**£18,859.36**

Table 13

11.11. The costs of operating the portfolio are borne by CIFCO Capital Limited and these include finance costs, management, legal, audit and accountancy fees, director costs and staffing costs (paid to the Council) and any property expenses such as repairs that are not the responsibility of the tenants. The running costs for 2021/22 excluding finance costs, equated to approximately £1.1m including recharges of £70,000 paid to the Council for staff and premises overheads. Operating budgets for the next three years are set out within Appendix 4.

11.12. CIFCO's year-end accounts for 2021/22 are set out in Appendix 3 these accounts have been audited and will shortly be submitted to Companies House. CIFCO's annual accounts (year ending March 2022) show a profit of £6.7m because of the increase in value of the portfolio over the period. The accounts also show that operating costs including finance costs currently exceed revenue from the fund. This is primarily a consequence of CIFCO continuing to make full debt repayments to the Councils – CIFCO was set up to maximise payments back to its shareholders rather than to accumulate profits within the company. It is anticipated that operating cost will exceed income for the next 2 years based on full debt repayments being made, thereafter income levels will exceed pre-pandemic levels and the Company's income will exceed operating costs.

11.13. The portfolio was revalued as at 31st March 2022 by Knight Frank as independent valuers for the fund. The portfolio value has increased in value by 12.15% overall (£10.192m). Capital growth has been seen primarily within our industrial assets and Princes Gate in Harlow which has recovered following the impact of the pandemic last year. A summary of the portfolio valuations is set out below with a full breakdown in Appendix 6 which details valuation movement since date of purchase: -

	March 2022 Market Valuation					
Property	**Value 2022**	**NIY**	**EQ**	**RY**	**Value Move**	**%**
Harlow (Pasadena)	[redacted]					59.21%
Basingstoke	[redacted]					32.09%
Harlow (Go-Outdoors)	[redacted]					28.75%
Coventry	[redacted]					26.35%
Norwich	[redacted]					26.03%
Ipswich (Olympus)	[redacted]					25.69%
Hemel Hempstead	[redacted]					25.61%
Ipswich (Cavendish)	[redacted]					23.44%
Luton	[redacted]					22.22%
Braintree	[redacted]					19.88%
Nottingham	[redacted]					3.28%
Milton Keynes (Johnsons)	[redacted]					0.00%
Peterborough	[redacted]					0.00%
Brentwood (M&S)	[redacted]					0.00%
Southampton	[redacted]					-1.09%
Brentwood (Lutea)	[redacted]					-1.65%
Lincoln	[redacted]					-1.91%
Milton Keynes (Volvo)	[redacted]					-1.96%
Epsom (Horizon)	[redacted]					-4.39%
Milton Keynes (Omron)	[redacted]					-5.49%
Epsom (Renaissance)	[redacted]					-11.67%
	£94,110,000				£10,192,000	12.15%

Table 14

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

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

Portfolio Total Return Vs MSCI All Property Returns

JLL

Portfolio

	Mar 2019	Mar 2020	Mar 2021	Mar 2022	3 year annualised TR	4 year annualised TR
Total Return	-2.9%	0.1%	-0.1%	16.7%	5.3%	3.2%
Income Return	5.1%	5.9%	5.7%	6.0%	5.9%	5.7%
Capital value	-8.0%	-5.8%	-5.8%	10.6%	-0.6%	-2.5%

Benchmark (MSCI All Property)

	Annual 2021/22	3 year annualised TR
Total Return	15.51%	4.29%
Income Return	4.40%	4.44%
Capital value	10.68%	-0.15%

Relative Performance

	Annual 2021/22	3 year annualised TR
Total Return	0.99%	0.97%
Income Return	1.57%	1.39%
Capital value	-0.05%	-0.45%

Table 15

Portfolio Total Return Projections

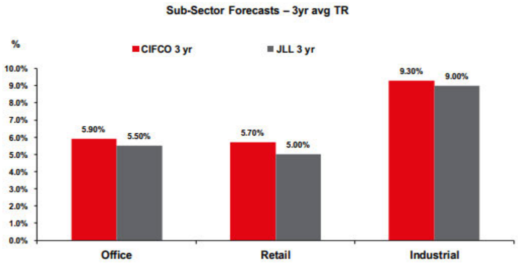
JLL

Total Return Projections

Total Return Projections	2022	3yr	5yr
Portfolio Returns	7.83%	7.67%	7.45%
JLL ALL Property	6.80%	6.48%	6.37%

Excess Return Against Benchmark

	2022	3yr	5yr
JLL ALL Property	0.96%	1.12%	1.02%



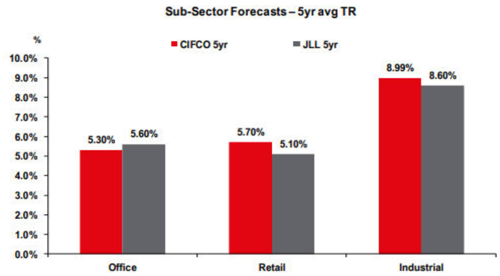


Figure 4

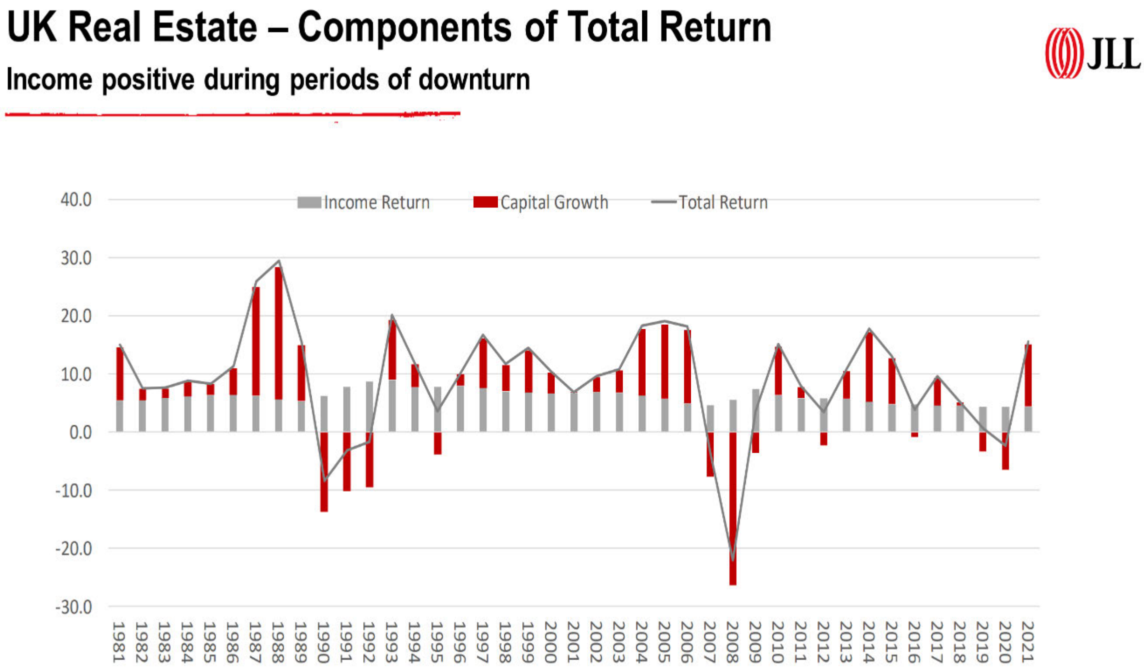


Figure 5

13. Property and Fund Management

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

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

13.3. During 2021/22 there were 15 transactions within the portfolio as set out below. These combined transactions add £91,259 of rental income to the portfolio per annum and the majority were agreed ahead of expectations (ERV) as set out below.

Property	Deal Type	Rent (pa)	Rent (psf)	ERV (psf)	Above ERV (%)	Previous rent passing	Above previous rent passing	Completed
[redacted]								
[redacted]								

Property	Deal Type	Rent (pa)	Rent (psf)	ERV (psf)	Above ERV (%)	Previous rent passing	Above previous rent passing	Completed
[redacted]								

Table 16

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

13.5. Rent Collection

13.5.1. Rent collection has continued to be a significant focus during the course of 21/22. There was limited recourse available to Landlord's to pursue debts throughout the majority of the trading year however Government restrictions limiting debt recovery were removed in March 2022.

13.5.2. In most situations our tenants have been keen to maintain a strong relationship with their landlord and have continued to make payments in line with their contractual commitments, in a limited number of cases payment terms have been varied for a period of time to allow monthly rather than quarterly payments or other concessions. The rent collection figures to date are set out below, against industry benchmarks (Alt Remit & Workman), these figures may increase further as arrears are recovered:

	June 2021 Qtr			September 2021 Qtr		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	58.00%	47.00%	49.10%	81.00%	63.00%	57.40%
Day 7	78.00%	61.00%	66.50%	86.77%	77.00%	72.10%
Day 21	81.00%	71.00%	73.90%	93.00%	85.00%	81.90%
Day 35	83.00%	77.00%	78.60%	94.89%	88.00%	85.20%
Day 90	100.00%	88.15%	90.70%	99.06%	90.29%	93.00%
	December 2021 Qtr			March 2022 Qtr		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	51.90%	63.13%	62.70%	43.00%	62.74%	65.00%
Day 7	72.46%	72.18%	71.80%	55.00%	75.41%	76.70%
Day 21	80.13%	83.79%	78.90%	87.10%	87.81%	86.20%
Day 35	81.04%	61.09%	83.30%	90.28%	90.92%	87.40%
Day 90	92.92%	92.66%	94.00%	98.37%	90.96%	95.60%

Table 17

14.Sustainability

14.1.CIFCO adopted its sustainability policy in 2021. Taking action on climate change and the greenhouse gas emissions which cause it, is a critical part of building a more sustainable future – and every business must play their part. Buildings account for 40% of emissions, creating an urgent need for the real estate sector to develop and implement plans to transition to net zero carbon.

14.2.Methods of measuring the sustainability of investment property portfolios are still developing, however whilst this is the case we will seek to measure the sustainability of our portfolio with the data currently available, namely EPC data. All the properties held within the portfolio have EPC ratings, which are summarised below

	Total	%
A	0	0.0%
B	15	17.4%
C	21	24.4%
D	28	32.6%
E	21	24.4%
F	1	1.2%
G	0	0.0%
Total	**86**	**100.0%**

Table 18

14.3. Last year we created a new target to reduce the average portfolio EPC rating. We have reduced the overall rating of the portfolio but it still remains an average D rating. We have made some significant progress with property refurbishments, the installation of our first solar panels including a power purchase arrangement with the new tenant and a shift towards green lease clauses being included in all new leases. On reflection the target set did not allow sufficient time to achieve and measure the improvements. We are therefore proposing a new target in line with proposed MEES/EPC legislation.

14.4. Current legislation requires all property let on new tenancies and the renewal of existing tenancies must have a minimum EPC rating of E. From 1st April 2023 there must be a minimum EPC rating of E for all properties, even those with existing tenancies. CIFCO currently has one property that falls below this requirement. By 2025 it is proposed that all landlords must present an EPC rating of at least a C. If the rating is below a C they have until 1st April 2027 to undertake improvements or register for an exemption. By 1st April 2028 Landlords will be required to present an EPC rating of B or above and will have until 1st April 2030 to undertake improvements or register for a valid exemption.

14.5. Whilst our tenants are largely responsible for maintaining and repairing their own demises, CIFCO must support tenants to improve their EPC ratings and to improve the ratings of buildings within our control, such as vacant properties and the common parts of multi-let buildings. For example, following the refurbishment of Pasadena Way we have reduced the EPC ratings from a C rating to a B rating. There are currently 12 EPC rating due for renewal, which will be undertaken along with improvement works during 22/23 including the current F rated property. A budget has been set aside for these works and a programme of EPC review and improvements will be undertaken with a view to achieving the proposed legislation changes by 2025 and 2028.

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

Sustainability Action Plan 2022/23

Property	Initiative	Measurement	Action Plan/Targets
Renaissance House, Epsom	Energy improvements 1st/third floors	EPC rating improvement/energy consumption	PIR LED lighting, thermostatic valves to radiators. Existing A/C units to be efficiency tested. Forms part of wider refurbishment assessment.
Renaissance House, Epsom	LED lighting to common parts	EPC rating improvement/energy consumption	Refurbishment common parts completed. New LED lighting installed. Measuring consumption.
Renaissance House, Epsom	Energy usage & EV Charging Points (2)	Smart Meters	Cost assessment being undertaken. Looking to install in 2022.
Horizon House, Epsom	Occupier and visitor wellbeing	Tenant feedback	Enhance external common areas with planting and seating.
Units 2&3 Passadena Way, Harlow	Refurbishment works/materials/lighting/insulation	Identify specific green construction ratings. EPC rating improvement	Refurbishment completed. EPC rating enhanced from C70 to B46 = 52% rating improvement.
Units 2&3 Pasadena Way, Harlow	PV panels feasibility completed for new roof installation	Solar generated power measured through separatly installed meters.	Solar panel installation programmed with a Power Purchase Agreement in place.
Unit 21 Norwich	Energy loss improvements combined with tenant refurbishment.	Energy consumption	Evaluating the installation of an insulated warehouse access door
Unit 24 Norwich	Refurbishment works/materials/lighting/insulation	Energy consumption and EPC improvement	EPC rating improved from D77 to C70 = 10% rating improvement plus 2027 compliant.
Olympus Park	Cycle Cage feasibility	Social and environ benefits	Installed - tenant survey on usage and benefit.
Omron House, Milton Keynes	Working with tenant on planned internal refurbishment. Energy improvements and EV Charging points	Energy consumption	PIR LED being installed throughout office areas. Four EV charging points installed (tenant cost). CIFCO evaluating contribution for toilet refurbishment plus disabled access doors and additional EV points
Green Leases	Workshop held with Birketts to review green covenants in leases and consents for alterations.	Tenant response and take up. Future engergy consumption measurement	Environmental (green) clauses inserted in to standard commercial lease
Coventry	Established use of existing solar panels by occupiers	Measure take up and energy consumption	Monitor energy consumption levels generated solar power
EPC energy ratings	Programme to improve energy ratings on EPC's that do not currently meet requirement for C rating by 2027.	Energy Consultant advising and assessing environmental value benefit	Roll out a programme of EPC iprovments over 2022/23 financial year

Table 19

Acknowledgement:

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

Appendix 1

Directors' Profiles

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

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

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

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

Elisabeth Malvisi (BDC Councillor Director)

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

Richard Meyer (MSDC Councillor Director)

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

Appendix 2 Company Accounts 2021-22 (see separate attachment)

Appendix 3
Budgets

[redacted]

Appendix 4

Loan Repayment Schedule

[redacted]

Appendix 5
Valuation movements

				March 2019 Market Valuation	March 2020 Market Valuation (Covid-19)	March 2021 Market Valuation	March 2022 Market Valuation				
Property (Town)	Address	Purchase Date	Net Purchase Price	Value 2019	Value 2020	Value 2021	Value 2022	NIY	EQ	Value Move (2021-22)	% Diff
Basingstoke	Basingstoke Business Parl	Dec-20	£5,375,000	[redacted]							32.09%
Braintree	Kestrel Park	Mar-21	£8,300,000	[redacted]							19.88%
Brentwood	Lutea House	Mar-19	£6,175,000	[redacted]							-1.65%
Brentwood	43-45 High Street (M&S)	Jan-18	£6,722,000	[redacted]							0.00%
Coventry	Pilot Trade Park	Jan-21	£5,540,000	[redacted]							26.35%
Epsom	Renaissance House	Jan-20	£2,990,000	[redacted]							-11.67%
Epsom	Horizon House	Nov-20	£7,970,000	[redacted]							-4.39%
Harlow	2-4 Pasadena Way	Feb-18	£1,825,000	[redacted]							59.21%
Harlow	Princes Gate (Go-Outdoor	Mar-18	£6,900,000	[redacted]							28.75%
Hemel Hempstead	2 Eastman Way	Jul-18	£7,800,000	[redacted]							25.61%
Ipswich	Olympus Way	Aug-18	£2,250,000	[redacted]							25.69%
Ipswich	Cavendish Street	Apr-21	£1,438,000	[redacted]							23.44%
Lincoln	SDI Fitness, Tritton Road	May-19	£2,200,000	[redacted]							-1.91%
Luton	Cosgrove Way	Oct-20	£2,475,000	[redacted]							22.22%
Milton Keynes	Honda, Greyfriars Court	Jan-20	£2,400,000	[redacted]							0.00%
Milton Keynes	Omron House	Jan-19	£4,735,000	[redacted]							-5.49%
Milton Keynes	Volvo Greyfriars Court,	Jan-18	£3,100,000	[redacted]							-1.96%
Norwich	20-25 Kingsway	Feb-18	£1,500,000	[redacted]							26.03%
Nottingham	Upper Parliament St	Jul-20	£2,750,000	[redacted]							3.28%
Peterborough	36.39 Long Causeway	Dec-17	£3,525,000	[redacted]							0.00%
Southampton	Westpark House	Dec-18	£5,095,000	[redacted]							-1.09%
Total			£91,065,000	£50,250,000	£52,490,000	£83,918,000	£94,110,000			£10,192,000	12.15%

Company Registration No. 10814415 (England and Wales)

CIFCO CAPITAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2022

CIFCO CAPITAL LIMITED

COMPANY INFORMATION

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

CIFCO CAPITAL LIMITED

CONTENTS

CIFCO CAPITAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their strategic report and the financial statements for the year ended 31 March 2022.

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

- Commercial property tends to generate higher income returns
- To avoid conflict with the Councils' housing policies as may arise from time to time
- Focus on investment in the Eastern Region (but not exclusive to), with the prime purpose of generating income to the Council for investment in services for the districts.
- To undertake sustainable long-term investment in commercial opportunities through the investment of an aggregated £100,000,000 representing £50,000,000 investment from each of the two shareholders
- To generate long term income to support the revenue gap arising from the reduction in central government funding

In carrying out the investment, the board's role has been: -

- To guide future investment decisions, asset management opportunities and the management of the investment fund
- To ensure that investment opportunities taken are ethical and fit with the values of the two shareholding Councils

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

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

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

Development and performance
This period marks the first full year of trading following completion of the acquisition phase of the portfolio. The construction of one asset, a small Coop store in Stanton, remains to be completed and therefore this acquisition has not yet been completed.

The Portfolio, with a value of £94,110,000, is currently comprised of 21 assets. This value has increased by £10,192,000 since the 31st March 2021. The current contracted rental income is £5,355,618 per annum from these properties with an estimated full rental value of £5,912,985 per annum. This has resulted in the shareholder Councils benefitting from net income after borrowing costs of £3,785,000 in 2021/22.

A number of refurbishment projects have been carried out, when units have become vacant, and significant progress has been made in improving the sustainability credentials of these assets, as well as substantial increases in rental values.

Key performance indicators

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

KPI	Description	Target	Actual
1	Increase contracted rent from £5m p.a.by 1st April 2022	CPI + 1% (6.2%+1%=7.2%)	£5,368,674 (7.27%)
2	Equivalent Yield (EY)	6%	5.3%
3	Reduce EPC Portfolio Score from 7034 (Average D)	7034	6963
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%	Q June- 1.56% Q Sept- 1.76% Q Dec- 1.27% QMarch- 1.63%

Rent collection has been a significant focus during 21/22 in response to the pandemic, however the diverse portfolio of assets mitigated CIFCO Capital Limited's risk in this respect, with rent collection figures exceeding many other funds. During 21/22 CIFCO Capital Limited maintained full debt repayments to its lenders. It is continuing to trade and receive regular rent.

On behalf of the board

....
Sir C Haworth
Director

Date: 22 August 2022

CIFCO CAPITAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2022

The directors present their annual report and financial statements for the year ended 31 March 2022.

Principal activities

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

Results and dividends

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

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

Directors

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

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

Financial instruments

Liquidity risk

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

Interest rate risk

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

Credit risk

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

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

Future developments

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

Auditor

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

Statement of disclosure to auditor

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

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

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

On behalf of the board

....

Sir C Haworth

Director

Date: 22 August 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CIFCO CAPITAL LIMITED

Opinion

We have audited the financial statements of CIFCO Capital Limited (the 'company') for the year ended 31 March 2022 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the United Kingdom; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

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

Responsibilities of directors

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

Date: 6 September 2022

Chartered Accountants
Statutory Auditor

Connexions
159 Princes Street
Ipswich
IP1 1QJ

CIFCO CAPITAL LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	2022 £	2021 £
Revenue	3	5,489,091	3,878,395
Gross profit		5,489,091	3,878,395
Administrative expenses		(910,076)	(950,238)
Operating profit	4	4,579,015	2,928,157
Investment revenues	7	616	7
Finance costs	8	(4,430,548)	(3,125,830)
Other gains and losses	9	9,404,401	(4,383,962)
Profit/(loss) before taxation		9,553,484	(4,581,628)
Income tax expense	10	(2,838,633)	(217,222)
Profit/(loss) and total comprehensive income for the year		6,714,851	(4,798,850)

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

CIFCO CAPITAL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Notes	2022 £	2021 £
Non-current assets			
Investment property	**11**	94,110,000	82,480,000
Current assets			
Trade and other receivables	**13**	1,546,663	1,090,906
Cash and cash equivalents		3,359,237	6,301,537
		4,905,900	7,392,443
Current liabilities			
Trade and other payables	**18**	1,382,117	1,139,388
Current tax liabilities		307,103	-
Borrowings	**15**	1,675,765	969,200
Deferred revenue	**20**	1,512,147	1,893,429
		4,877,132	4,002,017
Net current assets		28,768	3,390,426
Non-current liabilities			
Borrowings	**15**	87,620,711	88,598,750
Deferred tax liabilities	**19**	2,748,733	217,203
		90,369,444	88,815,953
Net assets/(liabilities)		3,769,324	(2,945,527)
Equity			
Called up share capital	**21**	9,917,494	7,995,728
Share premium account	**22**	1,192	1,922,958
Retained earnings		(6,149,362)	(12,864,213)
Total equity		3,769,324	(2,945,527)

The financial statements were approved by the board of directors and authorised for issue on 22 August 2022 and are signed on its behalf by:

....
Sir C Haworth
Director

Company Registration No. 10814415

CIFCO CAPITAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Notes	Share capital	Share premium account	Retained earnings	Total
		£	£	£	£
Balance at 1 April 2020		6,029,190	4	(8,065,363)	(2,036,169)
Year ended 31 March 2021:					
Loss and total comprehensive income for the year		-	-	(4,798,850)	(4,798,850)
Issue of share capital	**21**	1,966,538	1,922,954	-	3,889,492
Balance at 31 March 2021		7,995,728	1,922,958	(12,864,213)	(2,945,527)
Year ended 31 March 2022:					
Profit and total comprehensive income for the year		-	-	6,714,851	6,714,851
Bonus issue	**21**	1,921,766	(1,921,766)	-	-
Balance at 31 March 2022		9,917,494	1,192	(6,149,362)	3,769,324

CIFCO CAPITAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

		2022		2021	
	Notes	**£**	**£**	**£**	**£**
Cash flows from operating activities					
Cash generated from operations	**28**		3,984,705		3,740,104
Interest paid			(4,430,548)		(3,125,830)
Tax paid			-		(129,102)
Net cash (outflow)/inflow from operating activities			(445,843)		485,172
Investing activities					
Purchase of investment property		(2,225,599)		(34,373,962)	
Interest received		616		7	
Net cash used in investing activities			(2,224,983)		(34,373,955)
Financing activities					
Proceeds from issue of shares		-		3,889,492	
Proceeds from borrowings		-		35,527,769	
Repayment of borrowings		(271,474)		(506,162)	
Net cash (used in)/generated from financing activities			(271,474)		38,911,099
Net (decrease)/increase in cash and cash equivalents			(2,942,300)		5,022,316
Cash and cash equivalents at beginning of year			6,301,537		1,279,221
Cash and cash equivalents at end of year			3,359,237		6,301,537

1 Accounting policies

Company information

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

The financial statements of CIFCO Capital Limited for the year ended 31 March 2022 were authorised for issue by the board of directors on 22 August 2022 and the Statement of Financial Position was signed on the board's behalf by Mr C Haworth.

1.1 Accounting convention

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

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

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

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors acknowledge that currently the company has net current liabilities but the company has the support of its owners. The directors expect that in the long term the value of the properties held by the company will increase, in the meantime the properties continue to provide robust income for the company. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

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

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

1.4 Investment properties

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

1.5 Cash and cash equivalents

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

1 Accounting policies **(Continued)**

1.6 Financial assets

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

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

Financial assets held at amortised cost

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

1.7 Financial liabilities

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

Other financial liabilities

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

Derecognition of financial liabilities

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

1.8 Equity instruments

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

1.9 Taxation

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

Current tax

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

1 Accounting policies **(Continued)**

Deferred tax

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

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

2 Critical accounting estimates and judgements

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

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

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

Critical judgements

Valuation of investment properties

Investment properties, disclosed in note 11, are valued at open market value by the directors with reference to recent property transactions. The directors obtain third party valuations of investment properties at regular intervals to ensure that the fair value of these properties is kept up to date.

Provision for bad debts

The company has trade debtors owed by tenants. Trade debtors are assessed at each period end and the total recoverable amount is estimated based on the directors and advisors knowledge of the customer and their financial position. Any balances not considered recoverable are provided against. Where recovery is uncertain, a provision is made based on the likelihood that the debt will be recovered. The bad debts provision is disclosed in note 13.

3 Revenue

	2022	2021
	£	£
Revenue analysed by class of business		
Rental income from investment properties	5,489,091	3,878,395

4 Operating profit

	2022	2021
	£	£
Operating profit for the year is stated after charging/(crediting):		
Impairment loss recognised on trade receivables	-	301,673
Reversal of impairment loss recognised on trade receivables	(73,697)	(5,414)

5 Auditor's remuneration

	2022	2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	7,000	6,600
For other services		
Other services	13,902	25,056

6 Employees

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

	2022	2021
	Number	Number
	3	3

7 Investment income

	2022	2021
	£	£
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	616	7

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

8 Finance costs

	2022	2021
	£	£
Other interest payable	4,430,548	3,125,830

9 Other gains and losses

	2022	2021
	£	£
Changes in the fair value of investment properties	9,404,401	(4,383,962)

10 Income tax expense

	2022	2021
	£	£
Current tax		
UK corporation tax on profits for the current period	307,103	-
Adjustments in respect of prior periods	-	19
Total UK current tax	307,103	19
Deferred tax		
Origination and reversal of temporary differences	2,531,530	217,203
Total tax charge	2,838,633	217,222

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

	2022	2021
	£	£
Profit/(loss) before taxation	9,553,484	(4,581,628)
Expected tax charge/(credit) based on a corporation tax rate of 19.00% (2021: 19.00%)	1,815,162	(870,509)
Effect of expenses not deductible in determining taxable profit	90,962	70,744
Change in unrecognised deferred tax assets	560,423	876,009
Adjustment in respect of prior years	-	19
Transfer pricing and thin capitalisation adjustments	372,086	140,959
Taxation charge for the year	2,838,633	217,222

11 Investment property

	2022	2021
	£	£
Fair value		
At 1 April 2021	82,480,000	52,490,000
Additions through acquisition	2,225,599	34,373,962
Fair value adjustment	9,404,401	(4,383,962)
At 31 March 2022	94,110,000	82,480,000

11 Investment property (Continued)

The fair values of investment properties are based on valuations performed by Knight Frank LLP, a firm of valuers independent of CIFCO Capital Limited. The independent valuers hold professional qualifications with the Royal Institute of Chartered Surveyors.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period totalled £554,511 (2021: £270,006).

12 Credit risk

Cash deposits and financial transactions give rise to credit risk in the event that counter parties fail to perform under the contract. The company regularly monitors the credit ratings of its counter parties and the probability of material loss is considered to be at an acceptable level.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the company's maximum exposure to credit risk.

The company does not hold any collateral or other credit enhancements to cover this credit risk.

13 Trade and other receivables

	2022	2021
	£	£
Trade receivables	776,483	1,082,067
Provision for bad and doubtful debts	-	(318,602)
	776,483	763,465
Other receivables	402,458	149,788
Prepayments	367,722	177,653
	1,546,663	1,090,906

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

14 Trade receivables - credit risk

Fair value of trade receivables

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Ageing of impaired trade receivables

Trade receivables have been impaired at the year end where the directors consider it is unlikely that specific tenants will be able to pay their rent arrears.

14 Trade receivables - credit risk **(Continued)**

Movement in the allowances for doubtful debts	**2022**	**2021**
	£	**£**
Balance at 1 April 2021	318,602	22,343
Amounts written off as uncollectible	-	301,673
Amounts recovered in the year	(73,697)	(5,414)
Allowance reversed	(244,905)	-
Balance at 31 March 2022	-	318,602

15 Borrowings

	Current		**Non-current**	
	2022	**2021**	**2022**	**2021**
	£	**£**	**£**	**£**
Borrowings held at amortised cost:				
Loans from parent undertakings	1,675,765	969,200	87,620,711	88,598,750

	2022	**2021**
	£	**£**
Secured borrowings included above:		
Loans from parent undertakings	89,296,476	89,567,950

Borrowings are secured on the investment properties of the company.

16 Market risk

Market risk management
Market risk is the risk that changes in market prices, such as interest rates and property prices, will affect the company's income or the value of its assets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk
The company pays interest on long term borrowings. CIFCO Capital Limited has no exposure to fluctuations in interest rates as the rates payable by the company have been fixed for the full term of the loan agreements.

Property price risk
The company is exposed to market risks associated with its investment property assets held at fair value.

The company mitigates its exposure to fluctuations in the market price of investment property by holding a diverse portfolio of assets. The portfolio includes properties located in different geographical areas of the United Kingdom and a mix of retail and manufacturing properties.

17 Fair value

The fair value of financial assets and liabilities held at fair value has been estimated using the following fair value hierarchy:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability).

There have been no transfers between categories in the current or preceding period.

The company holds investment properties at fair value. These are categorised as Level 3 in the above fair value hierarchy. The effect of the fair value measurement of these assets is shown in note 9 to these financial statements.

18 Trade and other payables

	2022	2021
	£	£
Trade payables	124,749	122,705
Amount owed to parent undertakings	559,332	528,843
Accruals	109,601	130,642
Social security and other taxation	180,327	207,407
Other payables	408,108	149,791
	1,382,117	1,139,388

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated Capital Allowances	Revaluation of investment properties	Total
	£	£	£
Deferred tax balance at 1 April 2020	-	-	-
Deferred tax movements in prior year			
Charge/(credit) to profit or loss	217,203	-	217,203
Deferred tax liability at 1 April 2021	217,203	-	217,203
Deferred tax movements in current year			
Charge/(credit) to profit or loss	174,879	2,356,651	2,531,530
Deferred tax liability at 31 March 2022	392,082	2,356,651	2,748,733

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

20 Deferred revenue

	2022	2021
	£	£
Arising from rental contracts	1,512,147	1,893,429

All deferred revenues are expected to be settled within 12 months from the reporting date.

21 Share capital

	2022	2021	2022	2021
Ordinary share capital	**Number**	**Number**	**£**	**£**
Issued and fully paid				
Ordinary A shares of £1 each	4,958,747	3,997,864	4,958,747	3,997,864
Ordinary B shares of £1 each	4,958,747	3,997,864	4,958,747	3,997,864
	9,917,494	7,995,728	9,917,494	7,995,728

A and B shares rank pari passu in all respects.

21 Share capital (Continued)

Reconciliation of movements during the year:

	Ordinary A Shares Number	Ordinary B Shares Number
At 1 April 2021	3,997,864	3,997,864
Bonus issue	960,883	960,883
At 31 March 2022	4,958,747	4,958,747

During the year ended 31 March 2022, a bonus issue of Ordinary A and B shares has been made to reduce the share premium account balance.

22 Share premium account

	2022 £	2021 £
At the beginning of the year	1,922,958	4
Issue of new shares	-	1,922,954
Bonus issue of shares	(1,921,766)	-
At the end of the year	1,192	1,922,958

As at 31st March 2021, a share issue remained outstanding in respect of properties purchased prior to the year end. The equity funding in relation to this property was recognised as share premium on the issue of share capital during the period. During the year ended 31 March 2022, a bonus issue of Ordinary A and B shares has been made to reduce the share premium account balance.

23 Other leasing information

Lessor

Revenue includes income from the lease of investment properties to third parties. Lease terms vary across the property portfolio.

At the reporting end date the company had contracted with tenants for the following minimum lease payments:

	2022 £	2021 £
Within one year	4,880,097	4,328,975
One to two years	4,418,975	3,867,702
Two to three years	4,013,697	3,608,773
Three to four years	3,529,001	3,403,530
Four to five years	2,586,345	2,861,959
Over five years	5,597,406	4,855,807
Total undiscounted lease payments receivable	25,025,521	22,926,746

23 Other leasing information **(Continued)**

No contingent rental income has been recognised.

24 Capital risk management

The company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company consists of debt, cash and cash equivalents and equity comprising share capital, share premium and retained earnings. The company regularly reviews the capital structure and as part of this review considers the cost of capital and the risks associated with each class of capital.

The company has a target gearing ratio of 90% determined as the proportion of debt to equity.

The majority of capital introduced to the company is immediately used for the purchase of investment properties and is therefore considered to be low risk.

The company is not subject to any externally imposed capital requirements.

25 Capital commitments

CIFCO Capital Limited has exchanged conditional contracts to purchase a new build convenience store pre-let to the Co-op, a deposit has been paid and is being held by the vendors solicitors as stakeholders. The transaction will complete subject to the convenience store being delivered and the Co-op completing the lease for the building by the longstop date in 2024. If the conditions are not met by the longstop date the contract will terminate and the deposit will be returned to CIFCO Capital Limited.

26 Related party transactions

Other transactions with related parties
During the year the company entered into the following transactions with related parties:

	Finance costs		Recharged overhead costs	
	2022	**2021**	**2022**	**2021**
	£	**£**	**£**	**£**
Entities with joint control or significant influence over the company	4,430,548	3,125,830	70,000	70,000

The following amounts were outstanding at the reporting end date:

Amounts due to related parties	**2022** £	**2021** £
Entities with joint control or significant influence over the company	89,939,808	90,210,794

Amounts owed to related parties are secured on the company's investment properties.

No guarantees have been given or received.

26 Related party transactions **(Continued)**

The company is under the joint ownership of MSDC (Suffolk Holdings) Limited, a 100% subsidiary of Mid Suffolk District Council and BDC (Suffolk Holdings) Limited, a 100% subsidiary of Babergh District Council.

During the year ended 31 March 2022, CIFCO Capital Limited incurred finance costs totaling £2,215,274 (2021: £1,562,915) payable to Babergh District Council. At 31 March 2022 it owed £44,927,904 (2021: £45,063,397) to Babergh District Council.

During the year ended 31 March 2022, CIFCO Capital Limited incurred finance costs totaling £2,215,274 (2021: £1,562,915) payable to Mid Suffolk District Council. At 31 March 2022 it owed £44,927,904 (2021: £45,063,397) to Mid Suffolk District Council.

In addition, CIFCO Capital Limited incurred overhead costs in the year to 31 March 2022 totaling £70,000 (2021: £70,000) payable to Babergh and Mid Suffolk District Councils. £70,000 was payable to the Councils at each year end in respect of these costs.

27 Directors' transactions

During the year a total of £38,000 (2021: £36,000) in management fees were paid to three non executive directors.

28 Cash generated from operations

	2022 £	2021 £
Profit/(loss) for the year after tax	6,714,851	(4,798,850)
Adjustments for:		
Taxation charged	2,838,633	217,222
Finance costs	4,430,548	3,125,830
Investment income	(616)	(7)
Other gains and losses	(9,404,401)	4,383,962
Movements in working capital:		
Increase in trade and other receivables	(455,757)	(477,948)
Increase in trade and other payables	242,729	185,784
(Decrease)/increase in deferred revenue outstanding	(381,282)	1,104,111
Cash generated from operations	3,984,705	3,740,104

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TO:	**BDC COUNCIL**	**Appendix E to Paper BC/22/27**
FROM:	**Joint Overview and Scrutiny Committee**	**DATE OF MEETING: 25 October 2022**
OFFICER:	**Henriette Holloway Senior Governance Officer**	**KEY DECISION REF NO. N/A**

COUNCIL IS ASKED TO CONSIDER THE RECOMMENDATIONS BELOW FROM THE JOINT OVERVIEW AND SCRUTINY COMMITTEE HELD ON 27 JUNE 2022

RECOMMENDATIONS TO COUNCIL

1. **That the Overview and Scrutiny Committee recommend to Full Council that future CIFCO business plans continue to be scrutinised by the Councils' Joint Overview & Scrutiny Committee and then reported to Council.**

2. **That the Joint Overview and Scrutiny committee notes the CIFCO Business Plan and Business Trading and Performance and ask that the minutes of this meeting be taken into account at Full Council.**

3. **That the Joint Overview and Scrutiny Committee is satisfied that the CIFCO Business Plan and Business Trading and Performance is robust for 2022 – 2023.**

4. **That the Joint Overview and Scrutiny Committee approves the statement as detailed in paragraph 2.2 in the report.**

APPENDICES

Title	Location
Draft Minute from the Joint O&S Committee	Attached

DRAFT MINUTE RELATING TO THE RECOMMENDATION TO COUNCIL FROM THE JOINT OVERVIEW AND SCRUTINY COMMITTEE HELD ON 27 JUNE 2022

6 JOS/22/2 CAPITAL INVESTMENT FUND COMPANY ('CIFCO CAPITAL LTD') BUSINESS TRADING AND PERFORMANCE REPORT

6.1 Councillor David Busby introduced the report to the Committee including outlining that the value of the portfolio had risen over the previous year, that there had been greater investment in improving sustainability of the properties within the portfolio, and that the councils had received £3.75 million in income over the previous year.

6.2 The Director - Assets and Investments and Christopher Haworth presented a summary of the Business Plan to Members including the purpose of the Business Plan, the split of the portfolio between sectors, the Key Performance Indicators (KPI) for the next year, the Councils income for the previous year, and refurbishment that had been undertaken in properties over the last year.

6.3 Councillor Grandon questioned whether, in a changed marketplace following the pandemic, the balance of the portfolio was suitable going forward. Christopher Haworth responded that whilst the retail sector had struggled, retail warehousing had a rise in demand. Also, there had still been a demand for office space despite the rise in working from home. Neville Pritchard added that as the portfolio was balanced, where one sector may be in decline it was balanced out by other sectors.

6.4 Councillor Muller queried how arrears were dealt with. The Director for Assets and Investment responded that tenant engagement had been the most effective method, when dealing with arrears, as it gave reminders to the tenant and allowed for the set up of payment plans where necessary. In cases where this had not worked other methods, such as bailiffs, had been used.

6.5 Councillor Scarff questioned what the equivalent yield had been based on. The Director - Assets and Investments responded that it was a benchmark that had been used across the industry and reflected market conditions.

6.6 Councillor Barrett questioned whether CIFCO had been using grants and additional funding for sustainability updates. The Director for Assets and Investment responded that where possible external funding would be used, options such as solar panels that gave a return would also be considered.

6.7 Members asked questions on the improvements to EPC (Energy Performance Certificate) ratings of properties and how these would be achieved, whether tenants' needs were considered during the improvement process, and whether there were short term targets ahead of the 2027 goal. The Director for Assets and Investments responded to these questions stating that there was currently £50,000 allocated in the budgets for improvements, and when tenants carried out their own refurbishments, suggestions were made by CIFCO on ways that sustainability could be improved. Additionally, EPC assessors took tenants needs into account when suggesting improvements.

Lastly whilst there were no intermediate targets for improvements, progress would be monitored annually.

6.8 Councillor Welham questioned why the interest paid was different for both Councils. The Director - Assets and Investment responded that due to the different borrowing strategies of the Councils there were different interest rates, therefore the cost of debt was different.

6.9 Members debated whether the Business Plan should continue to be reported to Full Council following scrutiny by the Committee, or whether the Committee should only refer the Business Plan to Full Council if they were not satisfied with the performance.

6.10 Councillor Barry Humphreys proposed the recommendation as follows:

6.11 That the Overview and Scrutiny Committee recommend to Full Council that future CIFCO business plans are scrutinised by the Councils' Joint Overview & Scrutiny Committee and only reported to Council if the Committee is not satisfied with the Company's business plan and performance.

6.12 Councillor David Muller seconded this motion.

By 5 votes for and 6 votes against.

The motion was lost.

6.13 Councillor John Hinton proposed the recommendation as follows:

6.14 That the Overview and Scrutiny Committee recommend to Full Council that future CIFCO business plans continue to be scrutinised by the Councils' Joint Overview & Scrutiny Committee and then reported to Council.

6.15 Councillor Sian Dawson seconded this motion.

By 6 votes for, 4 votes against, and 1 abstention.

It was RESOLVED: -

That the Overview and Scrutiny Committee recommend to Full Council that future CIFCO business plans continue to be scrutinised by the Councils' Joint Overview & Scrutiny Committee and then reported to Council.

6.16 Councillor Kathryn Grandon proposed the following recommendations:

6.17 That the Joint Overview and Scrutiny committee notes the CIFCO Business Plan and Business Trading and Performance and ask that the minutes of this meeting be taken into account at Full Council.

6.18 That the Joint Overview and Scrutiny Committee is satisfied that the CIFCO Business Plan and Business Trading and Performance is robust for 2022 – 2023

6.19 Councillor Terence Carter seconded the motion.

By a unanimous vote.

It was RESOLVED: -

That the Joint Overview and Scrutiny committee notes the CIFCO Business Plan and Business Trading and Performance and ask that the minutes of this meeting be taken into account at Full Council.

That the Joint Overview and Scrutiny Committee is satisfied that the CIFCO Business Plan and Business Trading and Performance is robust for 2022 – 2023

6.20 Members considered paragraph 2.2 in the report:

The Business Plan has been approved by the Holding Companies and we seek the Councils' Joint Overview and Scrutiny Committee to consider whether:

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

6.21 Councillor James Caston proposed that the Joint Overview and Scrutiny Committee approves the statement as detailed in paragraph 2.2 in the report.

6.22 Councillor Barry Humphreys seconded the motion.

By a unanimous vote.

It was RESOLVED: -

That the Joint Overview and Scrutiny Committee approves the statement as detailed in paragraph 2.2 in the report.

6.23 A short comfort break was taken between 12:15 pm – 12:20 pm.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

Agenda Item 15

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO:	**BDC COUNCIL** **MSDC COUNCIL**	**REPORT NUMBER:** **BC/22/28**	
FROM:	**Councillors Clive Arthey and David Burn, Cabinet Members for Planning**	**DATE OF MEETINGS:** **BDC:** 25 October 2022 **MSDC:** 27 October 2022	
OFFICER:	**Tom Barker** **Director – Planning and Building Control**	**KEY DECISION REF NO. N/A**	

JOINT LOCAL DEVELOPMENT SCHEME 2022-2025

1. PURPOSE OF REPORT

1.1 To approve the Babergh and Mid Suffolk Joint Local Development Scheme (October 2022).

1.2 The Councils are legally required to prepare and maintain a Local Development Scheme (LDS), which is the local planning authority's work programme for the preparation of development plan documents.

1.3 Following Examination Hearings held in 2021, correspondence from and a meeting with the Planning Inspectors undertaking the Examination in December 2021, it was proposed to split the Joint Local Plan into two parts. A review of the LDS is necessary to bring up-to-date the current timetable for the preparation of the Joint Local Plan, and to detail the splitting of the Joint Local Plan into two parts. This LDS sets out the stages and timescales for the preparation of these documents.

1.4 It is also necessary to review the LDS to progress the Part 1 Joint Local Plan document to adoption.

1.5 In addition, the LDS introduces an update for the preparation of revised Babergh and Mid Suffolk Community Infrastructure Levy (CIL) Charging Schedules and introduces nine Supplementary Planning Documents (SPDs).

2. OPTIONS CONSIDERED

2.1 To adopt a revised LDS would enable the Councils to provide clarity on anticipated timescales for the preparation of planning documents and is necessary to progress the Part 1 Joint Local Plan to adoption.

To not adopt a revised LDS would mean that progress could not be made on the Joint Local Plan.

3. RECOMMENDATION

3.1 That the Babergh and Mid Suffolk Joint Local Development Scheme 2022-2025 (October 2022) (Appendix A) is agreed to be brought into effect from 31st October 2022.

REASON FOR DECISION

To bring the timetable for the preparation of the Joint Local Plan up-to-date, reflecting a Part 1 and a Part 2 document, to set out the timetable for the review of the CIL Charging Schedules and for the preparation of Supplementary Planning Documents.

4. KEY INFORMATION

4.1 The existing LDS was published in July 2020. It is necessary to bring the LDS up-to-date to reflect the changes to the Joint Local Plan arising from the Examination and to bring up-to-date the current timetable.

4.2 The draft LDS (appendix A) details the progress made on the Part 1 Joint Local Plan with consultation on modifications to be undertaken in Autumn 2022 and subject to the Examination, adoption in Spring 2023. The Part 1 Joint Local Plan sets out the vision and objectives for development in Babergh and Mid Suffolk Districts and contains a set of strategic and local policies to guide development in the period to 2037.

4.3 The Part 2 Joint Local Plan will follow the Part 1 document and will contain the following:

- an up-to-date settlement hierarchy;
- a spatial distribution of any housing allocations;
- housing requirement figures for Neighbourhood Plan areas;
- site allocations;
- up-to-date settlement boundaries reflecting commitments and site allocations;
- open space designations with a relevant development management policy;
- an up-to-date assessment of need for accommodation for Gypsies, Travellers, Travelling Showpeople and Boat Dwellers, together with relevant development management policies and, if necessary, allocations to provide for this need.

4.4 Work is being undertaken to inform the Part 2 Joint Local Plan, for example a detailed open space assessment by the Public Realm team. Further evidence gathering will be undertaken ahead of an Issues and Options stage programmed for Summer 2023.

4.5 Nine SPDs are introduced in the LDS together with associated timescales for their production. SPDs build upon and provide more detailed guidance on policies in an adopted Local Plan document. The SPDs are to follow adoption of a Part 1 Joint Local Plan. They cannot introduce new planning policies into the Development Plan, but they are a material consideration in the determination of planning applications. These cover the following topics:

- Affordable Housing;
- Biodiversity and Trees;

- Wellbeing and Health;
- Design – Part A: Sustainable Construction;
- Design – Part B: Local Design Codes;
- Intensive Livestock and Poultry;
- Renewable and Low Carbon Energy;
- Natural and Historic Environment; and
- Guidance to Marketing of Employment and Community Uses.

4.6 An updated programme for revisions to the CIL Charging Schedules for each District is set out. Following the Joint Local Plan Examination, it is necessary to revise the Charging Schedules and undertake consultation ahead of submission for a CIL Examination.

5. LINKS TO CORPORATE PLAN

5.1 The LDS sets out the preparation of the Joint Local Plan documents, SPDs, CIL Charging Schedules and Neighbourhood Plans within the two Districts, which enable the Councils to fulfil their corporate priorities in terms of housing, the economy, the environment, communities and wellbeing.

6. FINANCIAL IMPLICATIONS

6.1 There is an annual budget to support costs associated with the preparation of the Joint Local Plan and the CIL Charging Schedules, together with associated Examination costs and legal expenses. The budget also supports the preparation of SPDs.

7. LEGAL IMPLICATIONS

7.1 In accordance with section 15 of the Planning and Compulsory Purchase Act 2004 (as amended), the LDS must be revised at such times as the Local Planning Authority thinks appropriate or at the direction of the Secretary of State. To bring the LDS into effect, the Local Planning Authority must resolve that the scheme to have effect, and in the resolution, specify the date from which the scheme is to have effect.

7.2 The Planning and Compulsory Purchase Act 2004 also requires Local Planning Authorities to prepare Local Plans. The Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended) sets out the procedures to be followed in the preparation of Local Plans.

7.3 Every Local Plan must be informed and accompanied by a Sustainability Appraisal, which also incorporates Strategic Environmental Assessment (SEA) to meet the statutory requirement that a Local Plan is subject to the process of environmental assessment as set out in the SEA Regulations 2004.

7.4 The Joint Local Plan is also subject to a Habitats Regulations Assessment.

7.5 SPDs are prepared in accordance with the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended).

7.6 The CIL Charging Schedule is defined by section 211(1) of the Planning Act 2008. The preparation of a CIL Charging Schedule is undertaken in accordance with the Community Infrastructure Levy Regulations 2010 (as amended).

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Councils' Significant Risk No. 8 / The Councils will not be carbon neutral by 2030. A further key risk is set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Legal requirement to have an up-to-date published LDS when adopting a Local Plan. The consequence of not having one would mean the Plan would not be able to be adopted.	Unlikely (2)	Disaster (4)	Producing an LDS prior to consultation on the Modifications to the Joint Local Plan stage of the Examination.

9. CONSULTATIONS

9.1 There are no statutory requirements for public consultation as part of the preparation of an LDS.

10. EQUALITY ANALYSIS

10.1 An Equality Impact Assessment (EIA) is not required. This is undertaken for the Joint Local Plan.

11. ENVIRONMENTAL IMPLICATIONS

11.1 The Joint Local Plan is accompanied by a Strategic Environmental Assessment incorporating a Sustainability Appraisal document. An Appropriate Assessment also accompanies the Joint Local Plan as required by a Habitats Regulation Assessment to identify the impact of the Plan on Protected Habitats and appropriate mitigation.

11.2 SPDs are introduced covering a number of topics as detailed in paragraph 4.5.

12. APPENDICES

Title	Location
(a) Draft Babergh and Mid Suffolk Joint Local Development Scheme 2022-2025 (October 2022)	Attached

13. BACKGROUND DOCUMENTS

13.1 Babergh and Mid Suffolk Joint Local Development Scheme (July 2020).

https://www.babergh.gov.uk/assets/Strategic-Planning/LDS-Update-July-2020.pdf

https://www.midsuffolk.gov.uk/assets/Strategic-Planning/LDS-Update-July-2020.pdf

13.2 Correspondence from Planning Inspectors – Babergh and Mid Suffolk Joint Local Plan Examination, 9 December 2021

https://www.babergh.gov.uk/assets/Strategic-Planning/JLPExamination/CoreDocLibrary/G-ExaminationCorrespondence/G09-Letter-Inspectors-to-BMSDC.pdf

https://www.midsuffolk.gov.uk/assets/Strategic-Planning/JLPExamination/CoreDocLibrary/G-ExaminationCorrespondence/G09-Letter-Inspectors-to-BMSDC.pdf

14. REPORT AUTHOR

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Appendix A

Babergh District Council
and
Mid Suffolk District Council

Joint Local Development Scheme 2022-2025

October 2022

Contents

1. Introduction

The Local Development Scheme (LDS) sets out the Councils' timetable for adopting new planning documents which will help guide development in the Districts of Babergh District Council and Mid Suffolk District Council (B&MSDC). This LDS covers the period 2022 to 2025.

Since 2011 the production of an LDS has been guided by the requirements of s.111 of the Localism Act 2011 which amended s. 15 of the Planning and Compulsory Purchase Act 2004 and is further supported by the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended).

The LDS:

- Provides a brief description of all the Local Plan documents (the Joint Local Plan), Supplementary Planning Documents (SPDs) and the Community Infrastructure Levy (CIL) Charging Schedules to be prepared and the content and geographical area to which they relate.

- Explains how the different documents relate to each other and especially how they relate to the forthcoming Joint Local Plan.

- Sets out the timetable for producing these documents, including their publication, submission in the case of Local Plan documents and the CIL Charging Schedules, and adoption of the document.

- Provides an overview of Neighbourhood Planning.

- Provides information on other related planning documents outside the formal Local Plan, being the Statement of Community Involvement and Authority Monitoring Report.

This LDS will update and replace the Joint LDS adopted in July 2020. Progress of the LDS is reviewed at least annually as part of the Authority Monitoring Process.

2. Planning Context

The current adopted Local Plan Documents for Babergh District Council are the saved policies of the Babergh Local Plan (2006) together with the Core Strategy and Policies Development Plan Document (DPD) (2014).

For Mid Suffolk District Council these are the saved policies of the Mid Suffolk Local Plan (1998) together with the Core Strategy DPD (2008), Core Strategy Focused Review DPD (2012) and Stowmarket Area Action Plan DPD (2013).

Babergh and Mid Suffolk District Councils have been working together on a Joint Local Plan, which was submitted to the Secretary of State for Housing, Communities and Local Government in March 2021 for independent Examination. This Local Plan was intended to replace all earlier Local Plan and Development Plan Documents mentioned above.

In December 2021 as part of the Babergh and Mid Suffolk Joint Local Plan Examination, the Inspectors undertaking the Examination wrote to the Councils setting out a proposed way forward for the Joint Local Plan, which is explained in section 4 of this document.

For minerals and waste matters, Suffolk County Council are the authority responsible for the production of the Minerals and Waste Local Plan, which forms part of the Babergh and Mid Suffolk Development Plans. The Suffolk Minerals and Waste Local Plan was adopted in July 2020. More information can be found on the Suffolk County Council website (www.suffolk.gov.uk).

Neighbourhood Plans are key planning documents that also form part of the Babergh and Mid Suffolk Development Plan. As of 1st September 2022, there are 11 made (adopted) Neighbourhood Plans in Babergh and 15 in Mid Suffolk.

3. Documents to be prepared during 2022 to 2025 – an overview

The chart below illustrates the main milestones, as set out in the Town and Country Planning (Local Planning) (England) Regulations 2012 (as amended), for the production of each of the documents the Councils intend to prepare over the next three years. The tables later in the document set out each stage of plan preparation and the amount of time the Councils expect each stage to be completed. The LDS is kept under review to reflect any changes in local circumstances and/or Government policy.

LDS Timetable 2022-2025

	2022		2023				2024				2025			
Document	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter	Spring	Summer	Autumn	Winter
Joint Local Plan Part 1														
Joint Local Plan Part 2														
Affordable Housing SPD														
Biodiversity and Trees SPD														
Wellbeing and Health SPD														
Design – Part A: Sustainable Construction SPD														
Design – Part B: Local Design Codes SPD														
Intensive Livestock and Poultry SPD														
Renewable and Low Carbon Energy SPD														
Natural and Historic Environment SPD														
Guidance to Marketing for Employment and Community Uses SPD														
Authority Monitoring Report														
Community Infrastructure Levy Charging Schedules														

	Document preparation
	Councillor approval
	Public consultation
	Submission to Secretary of State
	Hearing sessions
	Inspector’s Report
	Publish modifications
	Document adoption

4. Local Plan Documents

Babergh and Mid Suffolk Joint Local Plan 2018-2037

The Councils' Joint Local Plan is currently at Examination following submission of the document to the Secretary of State in March 2021. An Issues and Options consultation was carried out between August and November 2017, followed by Preferred Options consultation between July and September 2019, and consultation on the Pre-Submission version between November and December 2020.

Examination hearings took place in June, September and October 2021. An Exploratory Meeting was held in December 2021, and it was proposed that the Joint Local Plan be split into two parts. Consultation on Modifications to the Joint Local Plan is programmed for the autumn of 2022 with adoption of Part 1 programmed for the spring of 2023.

The Part 1 Plan will set out the vision and objectives for development in the two Districts. It will contain a set of strategic and local policies to guide development in the period to 2037.

The Part 2 Plan, which will focus on key matters including:

- an up-to-date settlement hierarchy;
- a spatial distribution of any housing allocations;
- housing requirement figures for Neighbourhood Plan areas;
- site allocations;
- up-to-date settlement boundaries reflecting commitments and allocations;
- open space designations with a relevant development management policy;
- an up-to-date assessment of need for accommodation for Gypsies, Travellers, Travelling Showpeople and Boat Dwellers, together with relevant development management policies and, if necessary, allocations to provide for this need.

The Part 2 Plan is programmed to reach Issues and Options consultation in the summer of 2023, with Preferred Options anticipated during the spring of 2024 and Pre-Submission consultation during the autumn of 2024. Submission of the document to the Secretary of State for Examination is anticipated during the winter of 2024/25 with adoption programmed for the winter of 2025.

5. Neighbourhood Planning

Neighbourhood Plans once made (adopted) following a 'yes' vote at a Referendum, are part of the District's Development Plan. There are currently 36 areas in Babergh and 26 areas in Mid Suffolk either with made Neighbourhood Plans or in the process of working towards this.

For an up-to-date position regarding Neighbourhood Plans, please visit:

Neighbourhood Planning in Babergh
Neighbourhood Planning in Mid Suffolk

6. Supplementary Planning Documents

Supplementary Planning Documents (SPDs) build upon and provide more detailed guidance on policies in an adopted Local Plan document. The SPDs are to follow adoption of a Part 1 Joint Local Plan. They cannot introduce new planning policies into the Development Plan, but they are a material consideration in the determination of planning applications.

They are produced in accordance with regulations and are subject to public consultation. Whilst, not required to set out SPDs, this LDS sets out those which the Councils intend to produce over the next three years as follows:

- Affordable Housing;
- Biodiversity and Trees;
- Wellbeing and Health;
- Design – Part A: Sustainable Construction;
- Design – Part B: Local Design Codes;
- Intensive Livestock and Poultry;
- Renewable and Low Carbon Energy;
- Natural and Historic Environment; and
- Guidance to Marketing of Employment and Community Uses.

Any additional SPDs that the Councils decide they wish to produce will be reported to the Babergh and Mid Suffolk Full Council meetings and may or may not require an amendment to the LDS.

7. Other Local Development Documents

Statement of Community Involvement (SCI)

The Joint Statement of Community Involvement (SCI) for Babergh and Mid Suffolk was adopted in February 2019. In response to COVID-19 restrictions, an addendum to the SCI was produced and adopted in November 2020. The Councils will keep the SCI and addendum under review.

Authority Monitoring Report (AMR)

The Authority Monitoring Report (AMR) is published each year, normally towards the end of the calendar year, to demonstrate the progress of the objectives of the adopted Local Plan and focuses on a monitoring period from 1st April to 31st March.

8. Community Infrastructure Levy Charging Schedules

The Community Infrastructure Levy (CIL) is a fixed rate payment that councils can charge on new buildings in their area. This is in order to offset the impacts of additional homes and businesses on facilities such as:

- public transport infrastructure;
- schools;
- open spaces; and
- health centres (infrastructure).

CIL also enables sustainable growth.

Section 106 (S106) legal agreements will be used alongside CIL to secure onsite infrastructure and other provisions that are not infrastructure (for example affordable housing).

Babergh and Mid Suffolk District Councils adopted CIL Charging Schedules on 20th and 21st January 2016 respectively, charging CIL on all relevant planning permissions granted and all relevant permitted developments started from 11th April 2016.

The Councils are currently undertaking a review of these Charging Schedules.

9. Documents to be prepared during 2022 to 2025 – detailed profiles

Details of the documents Babergh and Mid Suffolk District Councils (B&MSDC) intend to produce in the next three years follow in the tables below. The timetable for the production of documents reflects previous experience.

Joint Local Plan Part 1

Title	Joint Local Plan Part 1
Subject and Scope	This document will set out the vision and objectives for development in Babergh and Mid Suffolk Districts. It will contain a set of strategic and local policies to guide development in the period to 2037. A Part 2 document will address matters not covered in the Part 1 document and provide the opportunity to update any matters as appropriate.
Status	Local Plan Document.
Chain of conformity	Must be in conformity with the National Planning Policy Framework.
Geographic coverage	Babergh and Mid Suffolk Districts.
Initial document preparation	January 2016 – August 2017.
Councillor approval – Issues and Options	August 2017.
Consultation on Issues and Options and Sustainability Appraisal	August – November 2017.
Councillor approval – Preferred Options	July 2019.
Consultation on Preferred Options and Sustainability Appraisal	July – September 2019.
Councillor approval – Submission Draft	November 2020.
Consultation on Submission Draft	November – December 2020.
Submission of Joint Local Plan and representations received to Secretary of State	March 2021.
Independent Examination of Joint Local Plan (Hearings)	June 2021, September – October 2021.
Inspectors' Post Hearings Letter on Joint Local Plan	9th December 2021, 28th April 2022.

Consultation on modifications	Autumn 2022.
Inspector's Report	Winter 2022/23.
Adoption	Spring 2023.
Arrangements for production	Led by the Strategic Planning team with support from all internal directorates and Suffolk County Council as appropriate. The SCI outlines how external parties and members of the public will be involved. Will be informed by public consultation, which will include a press notice and letter / e-mails.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through the Authority Monitoring Report, with the review period being within five years.

Joint Local Plan Part 2

Title	Joint Local Plan Part 2
Subject and Scope	This document will follow the Joint Local Plan Part 1. It will contain the following: • an up-to-date settlement hierarchy; • a spatial distribution of any housing allocations; • housing requirement figures for Neighbourhood Plan areas; • site allocations; • up-to-date settlement boundaries reflecting commitments and site allocations; • open space designations with a relevant development management policy; • an up-to-date assessment of need for accommodation for Gypsies, Travellers, Travelling Showpeople and Boat Dwellers, together with relevant development management policies and, if necessary, allocations to provide for this need.
Status	Local Plan Document.
Chain of conformity	Must be in conformity with the National Planning Policy Framework and the Joint Local Plan Part 1.
Geographic coverage	Babergh and Mid Suffolk Districts.
Initial document preparation	Evidence gathering commenced Spring 2022.
Councillor approval – Issues and Options Document	Summer 2023.
Consultation on Issues and Options Document and Sustainability Appraisal	Summer 2023.
Councillor approval – Preferred Options Document	Spring 2024.
Consultation on Preferred Options Document and Sustainability Appraisal	Spring 2024.
Councillor approval – Submission Draft	Autumn 2024.

Consultation on Submission Draft and Sustainability Appraisal	Autumn 2024.
Submission of Joint Local Plan and representations received to Secretary of State	Winter 2024/25.
Independent Examination of Joint Local Plan (Hearings)	Spring 2025.
Consultation on modifications	Summer 2025.
Inspector's Report	Autumn 2025.
Adoption	Winter 2025.
Arrangements for production	Led by the Strategic Planning team with support from all internal directorates and Suffolk County Council as appropriate. The SCI outlines how external parties and members of the public will be involved. Will be informed by public consultation, which will include a press notice and letter / e-mails.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through the Authority Monitoring Report, with the review period being within five years.

Affordable Housing SPD

Title	Affordable Housing SPD
Role and content	To provide further guidance and detail for affordable housing delivery within development proposals in the two Districts.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Spring 2023. • Public consultation – Summer 2023. • Adoption – Autumn 2023.
Arrangements for productions	B&MSDC strategic planning, strategic housing, building services, housing delivery and development management teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Biodiversity and Trees SPD

Title	Biodiversity and Trees SPD
Role and content	To provide further guidance and detail for the provision of biodiversity and trees within development proposals in the two Districts.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Spring 2023. • Public consultation – Summer 2023. • Adoption – Autumn 2023.
Arrangements for productions	B&MSDC strategic planning, public realm and development management teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Wellbeing and Health SPD

Title	Wellbeing and Health SPD
Role and content	To provide further guidance and detail on integrating wellbeing and health into the natural and built environment, including social value appraisal within development proposals in the two Districts.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Spring 2023. • Public consultation – Summer 2023. • Adoption – Autumn 2023.
Arrangements for productions	B&MSDC strategic planning, communities, public realm, economy & business, climate change and development management teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Design – Part A: Sustainable Construction SPD

Title	Design – Part A: Sustainable Construction SPD
Role and content	To provide further guidance and detail on design relating to sustainable construction within development proposals in the two Districts.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Spring 2023. • Public consultation – Summer 2023. • Adoption – Autumn 2023.
Arrangements for productions	B&MSDC strategic planning, development management, heritage, building services, housing delivery, public protection and building control teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Design – Part B: Local Design Codes SPD

Title	Design – Part B: Local Design Codes SPD
Role and content	To provide further guidance and detail on design through the development of local design codes for development proposals in the two Districts.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Spring 2024. • Public consultation – Summer 2024. • Adoption – Autumn 2024.
Arrangements for productions	B&MSDC strategic planning, development management teams and heritage teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Intensive Livestock and Poultry SPD

Title	Intensive Livestock and Poultry SPD
Role and content	To provide further guidance and detail for development proposals related to livestock and poultry processing.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Autumn 2023. • Public consultation – Winter 2023/24. • Adoption – Spring 2024.
Arrangements for productions	B&MSDC strategic planning, economy & business, public protection and development management teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Renewable and Low Carbon Energy SPD

Title	Renewable and Low Carbon Energy SPD
Role and content	To provide further guidance and detail for renewable and low carbon energy projects with development proposals in the two Districts.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Autumn 2023. • Public consultation – Winter 2023/24. • Adoption – Spring 2024.
Arrangements for productions	B&MSDC strategic planning, economy & business, climate change and development management teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Natural and Historic Environment SPD

Title	Natural and Historic Environment SPD
Role and content	To provide further guidance and detail on landscape and historic environment considerations for development proposals in the two Districts.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Spring 2024. • Public consultation – Summer 2024. • Adoption – Autumn 2024.
Arrangements for productions	B&MSDC strategic planning, public realm, heritage and development management teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Guidance to Marketing of Employment and Community Uses SPD

Title	Guidance to Marketing of Employment and Community Uses SPD
Role and content	To provide further guidance and details for development proposals involving the loss of employment and community facilities.
Status	Supplementary Planning Document.
Chain of conformity	The SPD will support the policies within the Joint Local Plan once adopted.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	• Councillor approval for consultation – Spring 2024. • Public consultation – Summer 2024. • Adoption – Autumn 2024.
Arrangements for productions	B&MSDC strategic planning, economy & business, communities and development management teams. Will be informed by public consultation, which will include a press notice and letter / e-mails. This will be an online consultation.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption through a review of planning applications and through the Authority Monitoring Report.

Authority Monitoring Report

Title	Authority Monitoring Report
Role and content	To provide analysis of how the planning policies in the Babergh and Mid Suffolk Joint Local Plan are performing against a range of indicators identified in the Joint Local Plan Monitoring Framework.
Status	Annual production, non-statutory but required to show evaluation of the effectiveness of policies.
Chain of conformity	None.
Geographic coverage	Babergh and Mid Suffolk Districts.
Timetable and milestones	Publication towards the end of the calendar year.
Arrangements for productions	B&MSDC strategic planning team with support from internal teams and Suffolk County Council where necessary.

Community Infrastructure Levy Charging Schedules

Title	Community Infrastructure Levy Charging Schedules
Role and content	To set out the amount of Community Infrastructure Levy to be charged on new buildings in the two Districts.
Geographic coverage	Babergh and Mid Suffolk Districts, with each District having a separate charging schedule.
Timetable and milestones	• Councillor approval for consultation – Spring 2023. • Public consultation – Spring / Summer 2023. • Submission for Examination – Autumn 2023. • Adoption – Winter 2023/24.
Arrangements for productions	B&MSDC strategic planning team.
Post-production – Monitoring and review mechanisms	B&MSDC to monitor after adoption on an annual basis.

10. Monitoring and Review

Monitoring

The Authority Monitoring Report (AMR) is undertaken each year and analyses the period from April in the previous year to March in the current year. The AMR focuses on:

- Progress of document production against the timescales and milestones set out in the LDS;
- An overview of Neighbourhood Plan preparation;
- Progress against Local Plan monitoring indicators; and
- Whether any policies or documents need to be reviewed.

Review

Once a Development Plan Document has been adopted, it will be kept under review through the annual monitoring process. If it is deemed necessary that either part or all of the Development Plan Document requires updating, this will be detailed in a future revision of the LDS.

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Agenda Item 16

BABERGH DISTRICT COUNCIL

TO:	**Council**	**REPORT NUMBER: BC/22/29**
FROM:	**Chief Executive**	**DATE OF MEETING: 25 October 2022**
OFFICER:	**Janice Robinson, Deputy Monitoring Officer**	

DECISIONS TAKEN BY THE CHIEF EXECUTIVE UNDER DELEGATED POWERS IN ACCORDANCE WITH PART 2 OF THE CONSTITUTION

1. PURPOSE OF REPORT

1.1 This report details the decisions taken by the Chief Executive in consultation with the Chair of the Council using his delegated powers.

1.2 The Chief Executive is required by the Constitution to report these decisions to Council meetings under Part 2 of the Constitution.

2. RECOMMENDATIONS

2.1 That Council ratifies the decision taken under delegated powers by the Chief Executive as detailed in Appendix A.

REASON FOR DECISION

Under Part 2 of the Constitution, Delegations to Officers, Paragraph 7.2 the decision must be reported Council.

3. KEY INFORMATION

3.1 Detailed in Appendix A.

4. LINKS TO THE CORPORATE PLAN

4.1 N/A

5. FINANCIAL IMPLICATIONS

Detailed in Appendix A.

6. LEGAL IMPLICATIONS

6.1 To comply with the Council’s Constitution.

7. RISK MANAGEMENT

7.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
That the key decisions in Appendix A taken under delegated powers do not follow the Council's Constitutional Decision process thereby making them unlawful and open to challenge.	Unlikely (2)	Noticeable (2)	To follow the Constitutional decision process

8. CONSULTATIONS

8.1 N/A

9. EQUALITY ANALYSIS

9.1 N/A

10. ENVIRONMENTAL IMPLICATIONS

10.1 N/A

11. APPENDICES

Title		Location
(A)	List of Decisions taken by the Chief Executive under Delegated Powers	Attached

12. BACKGROUND DOCUMENTS

Decision - BDC Urgent Action - Appointment of Interim Monitoring Officer » Babergh and Mid Suffolk District Councils

DECISION TAKEN BY THE CHIEF EXECUTIVE DELEGATED POWERS IN ACCORDANCE WITH PART 2 OF THE CONSTITUTION

Decision Number	**Decision Date**	**Decision**
BDC - 0022	13.10.2022	That Ifty Ali, as the interim Director for Law, Governance and Regulatory Services be appointed as the Council's Interim Monitoring Officer from 17 October 2022.

Agenda Item 17

BABERGH DISTRICT COUNCIL

TO: COUNCIL	**REPORT NUMBER: BC/22/30**
FROM: Councillor John Ward, Leader of the Council	**DATE OF MEETING: 25 October 2022**

DRAFT TIMETABLE OF COMMITTEE MEETINGS 2023-24

1. PURPOSE OF REPORT

1.1 The purpose of this report is to agree the Timetable of Committee meetings for 2023/24 to ensure that Members and officers can plan accordingly.

2. RECOMMENDATIONS

2.1 That the draft Committee Timetable for 2023/24, attached as Appendix A be approved.

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 2023/24	Attached

12. BACKGROUND DOCUMENTS

12.1 None.

Appendix A

DRAFT TIMETABLE OF COMMITTEE MEETINGS 2023-24

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

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

Agenda Item 18

BABERGH DISTRICT COUNCIL

To:	**BDC Council**	**Report Number:**	**BC/22/31**
From:	**Independent Remuneration Panel**	**Date of meeting:**	**25 October 2022**
Officer:	**Janice Robinson** **Corporate Manager – Governance & Civic Office**		

RECOMMENDATION FROM THE INDEPENDENT REMUNERATION PANEL

1. PURPOSE OF REPORT

1.1 To consider recommendations from the Independent Remuneration Panel ('IRP') following a review of the Members' Scheme of Allowances as required under the Local Authorities (Members' Allowances) (England) Regulations 2003 ("the Regulations") and approve a revised scheme of allowances having regard to the recommendations made by the IRP.

1.2 To agree an implementation date for the revised scheme of allowances.

1.3 To instruct the Monitoring Officer to make necessary amendments to the Members Scheme of Allowances following approval of the recommendations.

2. RECOMMENDATIONS

2.1 That Council considers whether it wishes to adopt all or part of the recommendations of the Independent Remuneration Panel (IRP):

a) That the Basic (Ward Representation) Allowance be set at £5,669.

b) That the Special Responsibility Allowances (SRA) be set at:-

Chairman of the Council	£5,699
Deputy Chairman of the Council	£2,834
Leader of Council	£14,172
Deputy Leader of the Council	£7,086
Chair of Planning Committee	£5,669
Vice-Chair of Development Control Committee	£2,834
Chair of the Joint Scrutiny Committee	£5,669
Vice Chair of the Joint Scrutiny Committee	£2,834
Chair of Joint Audit and Standards Committee	£2,834
Planning Committee Members	£708
Group Leaders with more than five members	£4,251
Group Leaders with less than five members	£1,472

Chair of Regulatory Committee	£2,834
Vice-Chair of Regulatory Committee	£1,472
Cabinet Member with Portfolio	£7,086
Cabinet Member Without Portfolio	£2,834
Member with Special Responsibility	£4,251

c) That only one SRA shall be paid to any one Member. Where two SRAs are applicable the higher rate SRA shall be applied.

d) That the Travel and Subsistence Allowance remain at:-

Mileage Rate 45p per mile
Cycle Mileage Rate 27.7p per mile
Passenger Allowance 5p per mile

e) That the Childcare and Dependants Allowance remain at:-

Childcare Allowance up to £13 per hour (subject to a receipt)
Dependants Relative Care/Specialist Nursing Care Allowance up to £30 per hour (subject to a receipt)

with no monthly maximum claim when undertaking approved duties and that the scheme is promoted before and during elections.

2.2 That the revised Member Allowance Scheme will take effect from the 1st May 2023.

2.3 That the revised Members Allowance Scheme be increased in line with the Local Government Officer pay awards until the scheme is next reviewed in 2026 or earlier.

2.4 That a Parental Leave policy be formulated on the principles set out in the Panel's report and brought back to Council for approval.

2.5 That a revised Members Allowances Scheme incorporating the decisions of the Council be prepared by the Monitoring Officer. Further, that the Monitoring Officer be authorised to make any typographical and other minor / consequential amendments prior to publication of the final document.

2.6 That the Council formally records its thanks to the Independent Remuneration Panel for their work in preparing the report.

3. KEY INFORMATION

3.1 Council appointed a pool of five people to form an Independent Remuneration Panel at the Council meeting on 21st March 2021.

3.2 The Corporate Manager for Democratic Services contacted the IRP members and provided them with Terms of Reference to carry out a review of the Members' Allowance Scheme as it was four years since the last review. The Terms of Reference are attached at Appendix B.

3.3 An IRP was formed of four members, from a pool of five, under the Local Authorities (Members Allowances) (England) Regulations 2003. The IRP has undertaken an extensive review exercise including conducting a questionnaire for all members, holding workshops, interviewing members and officers, and considering the schemes operated by other similar local authorities. The IRP have held their meetings using Teams and have been supported by the Governance and Civic Office team. The IRP's report and recommendations are attached at Appendix A.

4. Financial Implications

4.1 There is provision in the budget for the proposed amendment to the Scheme of Allowances based on Council accepting the recommendation of the IRP.

Type of Allowance	Current Costs 2021/2022 £	Projected Costs 2023/24 based on IRP report £
Basic Allowance	170,624	181,408
Special Responsibility Allowance	94,108	106,450
Total per Annum	264,732	287,858

(Projected costs are based on current placings and 1 SRA)

4.2 A one-off cost of approximately £2,800 has been incurred for expenses associated with the IRP process, for which there is budgetary provision.

5. Legal Implications

5.1 Under the Local Authorities (Members' Allowances) (England) Regulations 2003 ("the Regulations"), the Council is required to establish and maintain an Independent Remuneration Panel to make recommendations to it about the allowances to be paid to Members. It is important that the Council appoints an Independent Remuneration Panel and has regard to the views of the Panel before any decisions are made in respect of changes to the scheme of allowances for Members. As the current scheme is indexed link a review must be carried out within four years of the last review.

6. Risk Management

6.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No.5C *Failure to develop clear governance arrangements that enable the right decisions to be taken that are appropriate for the environment that we are operating in.* Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Inability to attract candidates to become district Councillors	Unlikely (2)	Noticeable (2)	The IRP have been asked to consider a scheme of allowances that would enable a wider demographic of people to be councillors taking into account childcare costs and working councillors.
Reputational risk to the council of adopting a Scheme of Allowances which is disproportionate or without having regard to the IRP	Unlikely (2)	Noticeable (2)	
Not having a lawful scheme of allowances	Unlikely (2)	Noticeable (2)	The Council reviews its allowance scheme at least every 4 years in line with statutory requirements

7. Consultations

7.1 The IRP has undertaken an extensive review exercise including conducting a survey for all members, holding workshops, interviewing members and officers, and considering the schemes operated by other similar local authorities.

8. Equality Analysis

8.1 The recommended changes to the scheme of allowances are most likely to have a positive equality impact, for example by introducing a parental leave scheme that will hopefully attract more people into becoming councillors. A full EQIA is attached at Appendix D.

9. Links to the Corporate Plan

9.1 This decision will support the delivery of the Council’s strategic priorities by helping to ensure that are communities are democratically represented and that we have sufficient councillors to fill our decision- making structures.

10. Environmental Implications

10.1 There are no environmental implications arising from this report.

11. APPENDICES

Title	Location
(A) Independent Remuneration Panel report	Attached
(B) Terms of Reference	Attached
(C) Summary of recommendations	Attached
(D) Equality Impact Assessment	Attached
(E) Summary of Councillor Questionnaire	Attached
(F) Amendments from cross party Task Group	Attached

12. BACKGROUND DOCUMENTS

12.1 Existing Babergh District Council Scheme of Member Allowances.

BDC Members Allowance Scheme

12.2 Report and Minutes to Council 21 March 2021 Appointment of An Independent Remuneration Panel.

Report of Appointment of IRP

Minutes IRP

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INDEPENDENT REMUNERATION PANEL REPORT

APPENDIX A

CONTENTS

1. INTRODUCTION AND BACKGROUND

1.1.1 The Local Authorities (Members' Allowances) (England) Regulations 2003 ("the 2003 Regulations"), as amended, require all local authorities to appoint an independent remuneration panel (IRP) to advise on the terms and conditions of their scheme of councillors' allowances.

1.1.2 Mid Suffolk & Babergh District Councils formally appointed the following persons to undertake this process and make recommendations on its future scheme.

Amanda Orchard (Chair)
John Clough
Monica Garcia Calbio
Sue Putters

1.1.3 Our terms of reference were in accordance with the requirements of the 2003 Regulations, together with "Guidance on Consolidated Regulations for Local Authority Allowances" issued jointly by the former Office of the Deputy Prime Minister and the Inland Revenue (July 2003). Those requirements are to make recommendations to the Council as to:

(a) the amount of basic allowance to be payable to all councillors;

(b) the level of allowances and whether allowances should be payable for:

- (i) special responsibility allowances,
- (ii) travelling and subsistence allowance;
- (iii) dependants' carers' allowance;
- (iv) parental leave and.
- (v) co-optees' allowance.

and the amount of such allowances.

(c) whether payment of allowances may be backdated if the scheme is amended at any time to affect an allowance payable for the year in which the amendment is made.

(d) whether adjustments to the level of allowances may be determined according to an index and if so which index and how long that index should apply, subject to a maximum of four years before its application is reviewed.

1.1.4 One of the key objectives of this IRP was to align the two schemes as much as possible between the two authorities.

2. CURRENT SCHEME

2.1.1 The last review of councillors' allowances was undertaken by the IRP for both Councils in 2018

2.1.2 The Scheme currently provides that all councillors are each entitled to a total basic allowance of £5,332 per annum, with effect from 1st April 2021. In addition, some councillors receive special responsibility allowances for undertaking additional duties.

2.1.3 Councillors may also claim the cost of travel and subsistence expenses and for expenditure on the care of children or dependants whilst on approved duties.

3. PRINCIPLES UNDERPINNING OUR REVIEW

3.1 The Public Service Principle

3.1.1 This is the principle that an important part of being a councillor is the desire to serve the public and, therefore, not all of what a councillor does should be remunerated. Part of a councillor's time should be given voluntarily. The consolidated guidance notes the importance of this principle when arriving at the recommended basic allowance.[1] Moreover, we found that a public service concept or ethos was articulated and supported by most of the councillors we interviewed and in the responses to the questionnaire completed by councillors as part of our review.

3.1.2 To provide transparency and increase an understanding of the Panel's work, we will continue to recommend the application of an explicit Public Service Discount (or PSD). Such a PSD is applied to the time input necessary to fulfil the role of a councillor. Further explanation of the PSD to be applied is given below in section 4.

3.2 The Fair Remuneration Principle

3.2.1 Alongside the belief that the role of the elected Councillor should, in part, be viewed as unpaid voluntary service, we advocate a principle of fair remuneration. The Panel in 2022 continues to subscribe to the view promoted by the independent Councillors' Commission:

> *Remuneration should not be an incentive for service as a councillor. Nor should lack of remuneration be a barrier. The basic allowance should encourage people from a wide range of backgrounds and with a wide range of skills to serve as local councillors. Those who participate in and contribute to the democratic process should not suffer unreasonable financial disadvantage as a result of doing so.*[2]

3.2.2 We are keen to ensure that our recommended scheme of allowances provides reasonable financial compensation for councillors. Equally, the scheme should be fair, transparent, logical, simple, and seen as such.

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[1] The former Office of Deputy Prime Minister – now the Department for Communities, Housing and Local Government, and Inland Revenue, *New Council Constitutions: Guidance on Consolidated Regulations for Local Authority Allowances*, London: TSO, July 2003, paragraph 68.
[2] Rodney Brooke and Declan Hall, *Members' Remuneration: Models, Issues, Incentives and Barriers*. London: Communities and Local Government, 2007, p.3.

3.2.3 Hence, we continue to acknowledge that:

(i) allowances should apply to roles within the Council, not individual councillors;

(ii) allowances should represent reasonable *compensation* to councillors for expenses they incur and time they commit in relation to their role, not *payment* for their work; and

(iii) special responsibility allowances are used to recognise the *significant* additional responsibilities which attach to some roles, not merely the extra time required.

3.2.4 In making our recommendations, we have therefore sought to maintain a balance between:

(i) the voluntary quality of a councillor's role;

(ii) the need for appropriate financial recognition for the expenses incurred and time spent by councillors in fulfilling their roles; and

(iii) the overall need to ensure that the scheme of allowances is neither an incentive nor a barrier to service as a councillor.

3.2.5 The Panel wishes to ensure that the scheme of allowances is understandable in the way it is calculated. This includes ensuring the bandings and differentials of the allowances are as transparent as possible.

3.2.6 In making our recommendations, we wish to emphasise that any possible negative impact they may have is not intended and should not be interpreted as a reflection on any individual councillor's performance in the role.

4. OUR INVESTIGATION

4.1 Background

4.1.1 As part of this review, a questionnaire was issued to all councillors to support and inform the review. Responses were received from 39 of the 66 current councillors (59% response). The information obtained was helpful in informing our deliberations.

4.1.2 We interviewed 8 current councillors using a structured questioning process within focus groups across both authorities. We are grateful to all our interviewees for their assistance.

4.1.3 We also gave opportunities for individual councillors to be interviewed if they wished/submit comments to the panel.

4.1.4 We reviewed the following documents: the current schemes for both authorities and highlighted differences/anomalies, comparative reviews from other similar authorities, report from previous review, Councillor role descriptions and terms of reference.

4.1.5 The panel had a meeting with the Chief Executive.

4.2 Councillors’ views on the level of allowances

4.2.1 A summary of the councillors’ responses to the questionnaire are attached as Appendix E.

5. CONSIDERATIONS AND RECOMMENDATIONS

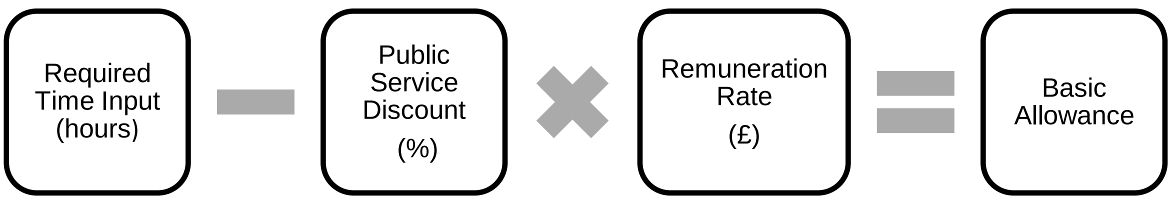
5.1 Basic Allowance

5.1.1 A Council’s scheme of allowances must include provision for a basic allowance, payable at an equal flat rate to all councillors. The guidance on arriving at the basic allowance states, “Having established what local councillors do, and the hours which are devoted to these tasks the local authorities will need to take a view on the rate at which, and the number of hours for which, councillors ought to be remunerated.”[3]

5.1.2 In addition to the regular cycles of Council and committee meetings, a number of working groups involving councillors may operate. Many councillors are also appointed by the Council to a number of external organisations.

5.1.3 We recognise that councillors are responsible to their electorate as:
- Representatives of a particular ward;
- Community leaders;
- Decision makers for the whole Council area;
- Policy makers for future activities of the Council;
- Scrutineers and auditors of the work of the Council; and
- Regulators of planning, licensing and other matters required by Government.

5.1.4 The guidance identifies the issues and factors an IRP should have regard to when making a scheme of allowances.[4] For the basic allowance we considered three variables in our calculation: the time required to execute the role effectively; the public service discount; and the rate for remuneration.



5.1.5 Each of the variables is explained below.

Required Time Input

[3] The former Office of Deputy Prime Minister – now the Department for Housing, Communities and Local Government, and Inland Revenue, *New Council Constitutions: Guidance on Consolidated Regulations for Local Authority Allowances*, London: TSO, July 2003, paragraph 67.
[4] The former Office of Deputy Prime Minister – now the Department for Communities and Local Government, and Inland Revenue, *New Council Constitutions: Guidance on Consolidated Regulations for Local Authority Allowances*, London: TSO, July 2003, paragraphs 66-81.

5.1.6 We ascertained the average number of hours necessary per week to undertake the role of a councillor (with no special responsibilities) from questionnaires and interviews with councillors and through reference to the relevant Councillor Role Profiles. In addition, we considered information about the number, range, and frequency of committee meetings.[5]

5.1.7 Discounting attendance at political meetings (which we judged to be centred upon internal political management), we find that the average time commitment required to execute the role of a councillor with no special responsibilities is 14 hours per week.

Public Service Discount (PSD)

5.1.8 From the information analysed, we found councillors espoused a high sense of public duty. Given the weight of evidence presented to us concerning, among other factors, the levels of responsibility, the varied nature of the role, the need for learning and development, and the increasing accessibility and expectations of the public, we recommend a Public Service Discount of 40 per cent to the calculation of the basic allowance. This percentage sits within the upper range of PSDs applied to basic allowances by councils. We considered this to be a reasonable range taking into account the current economic climate.

Remuneration Rate

5.1.9 After establishing the expected time input to be remunerated, we considered a remuneration rate. We came to a judgement about the rate at which the councillors ought to be remunerated for the work they do taking into account the current cost of living crisis.

5.1.10 To help identify an hourly rate for calculating allowances, we utilised relevant statistics about the local labour market published by the Office for National Statistics. We selected the average (median), full-time gross[6] wage per hour for the area £32.3k for Babergh and £35.5k for Mid Suffolk[7].

Calculating the basic allowance

5.1.11 After determining the amount of time required each week to fulfil the role (14 hours), the level of PSD to be applied (40%) and the hourly rate to be used (£12.98), we calculated the basic allowance as follows:

728 hours p.a. (14 hours per week x52 weeks)	−	40%	×	£12.98	=	£5669 per annum

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[5] The summary responses to the questionnaires are available on request.
[6] The basic allowance, special responsibility allowance, dependants' carers' allowance, and co-optees' allowance are taxable as employment income.
[7] The Nomis official labour market statistics: Hourly Pay – Gross median (£) For full-time employee jobs by place of residence: UK December 2019.

5.1.12 The gross Basic Allowance before the PSD is applied is **£9,449**. Following the application of the PSD this leads to a basic allowance of **£5,669** per annum.

5.1.13 This amount is intended to recognise the overall contribution made by councillors, including their work on council bodies, and ward work and attendance on external bodies.

5.1.14 We did also note the levels of basic allowance currently allocated by other councils (see table below).

#	**Council**	**Current Basic Allowance Rate**	**Previous Basic Allowance Rate**	**+/- Difference**	**Last reviewed**
1	East Suffolk	£7,500.00	£4,883.00	+ 2,617.00	March 2022
2	Colchester	£7,115.66	£6,976.14	+ £139.52	2020/2021
3	Norwich	£6,687.00	£6,380.00	+ £307.00	March 2021
4	Basildon	£6,408.72	£6,237.28	+ £171.44	June 2021
5	Brentwood	£6,010.31	£5,950.80	+ £59.51	December 2020
6	Tendring	£6,000.00	£6,000.00	-	July 2021
7	West Norfolk	£5,999.75	£5,750.00	+ £249.75	October 2021
8	West Suffolk	£5,992.00	£5,900.00	+ £92.00	May 2019
9	Chelmsford	£5,991.00	£5,991.00	-	December 2019
10	East Cambridgeshire	£5,665.68	£5,406.00	+ £259.68	October 2019
11	Breckland	£5,625.00	£5,569.26	+ £55.74	March 2021
12	North Norfolk	£5,578.00	£5,254.00	+ £324.00	November 2021
13	Uttlesford	£5,254.56	£5,100.00	+ £154.56	December 2021
14	**Babergh**	£5,240.00	£5,240.00	-	June 2018
15	**Mid Suffolk**	£5,240.00	£5,240.00	-	June 2018
16	Maldon	£5,065.96	£4,930.37	+ £135.59	February 2019
17	Braintree	£5,065.28	£4,827.00	+ £238.28	2020/2021
18	South Cambridgeshire	£5,010.00	£5,010.00	-	February 2020
19	Fenland	£4,957.00	£4,770.72	+ £186.28	May 2021
20	Cambridge City	£4,931.30	£4,906.00	+ £25.30	February 2022
21	South Norfolk	£4,770.00	£4,963.00	- £193.00	February 2022
22	Broadland	£4,770.00	£4,963.00	- £193.00	February 2022
23	Great Yarmouth	£4,739.00	£4,634.77	+ £104.23	2016/20217
24	Harlow	£4,575.00	£4,575.00	-	2020/2021
25	Huntingdonshire	£4,500.00	£4,500.00	-	July 2021
26	Ipswich	£4,326.00	£4,007.00	+ £319.00	September 2020
27	Castle Point	£3,500.00	£3,550.00	-	2019/2020

5.1.15 The Panel wished to ensure the level of basic allowance does not constitute a barrier to candidates from all sections of the community standing, or re-standing, for election as councillors.

WE THEREFORE RECOMMEND that the Basic Allowance payable to all members be £5,669 per annum.

5.2 Special Responsibility Allowances (SRAs)

5.2.1 Special Responsibility Allowances are awarded to councillors who perform significant additional responsibilities over and above the roles and expenses covered by the basic allowance. These special responsibilities must be related to the discharge of the council's functions.

5.2.2 The 2003 Regulations do not limit the number of SRAs which may be paid, nor do they prohibit the payment of more than one SRA to any one councillor. They do require that an SRA be paid to at least one councillor who is not a member of the controlling group of the Council. As the guidance suggests, if the majority of councillors receive an SRA, the local electorate may rightly question the justification for this.[8]

5.2.3 We conclude from the evidence we have considered that the following offices bear *significant* additional responsibilities:

- Leader of the Council
- Deputy Leader of the Council
- Chairman of the Council
- Vice Chairman of the Council
- Cabinet Members with Portfolio
- Chair of Development Control/Planning
- Chair of Scrutiny
- Lead Member & Political Group Leader with 5 members or more
- Vice Chair of Council
- Vice Chair of Development Control/Planning
- Vice Chair of Scrutiny
- Chair of Joint Audit & Standards
- Chair of Regulator Committee
- Cabinet Member Without Portfolio
- Political Group Leader
- Vice Chair of Regulatory Committee
- Planning Committee Members

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[8] The former Office of Deputy Prime Minister – now the Department for Housing Communities and Local Government, and Inland Revenue, *New Council Constitutions: Guidance on Consolidated Regulations for Local Authority Allowances*, London: TSO, July 2003, paragraph 72.

One SRA Only Rule

5.2.4 To improve the transparency of the scheme of allowances, we feel that no councillor should be entitled to receive at any time more than ***one SRA***. If a councillor can receive more than one SRA, then the public are unable to ascertain the actual level of remuneration for an individual councillor from a reading of the Scheme of Allowances.

Moreover, the One SRA Only Rule avoids the possible anomaly of the Leader receiving a lower allowance than another councillor. If two or more allowances are applicable to a councillor, then the higher-valued allowance would be received. The One SRA Only Rule is common practice for many councils. Our research has not been able to identify any similar authorities whose schemes allow more than one SRA to be claimed.

5.2.5 Our calculations for the SRAs are based on this principle, which should be highlighted:

WE THEREFORE RECOMMEND that that no councillor shall be entitled to receive at any time more than one Special Responsibility Allowance and that this One SRA Only Rule be adopted into the Scheme of Allowances.

The Maximum Number of SRA's Payable

5.2.6 In accordance with the 2006 Statutory Guidance (paragraph 72) the Panel is of the view that the Council should adhere to the principal that no more than 50% of Council Members should receive an SRA at any one time.

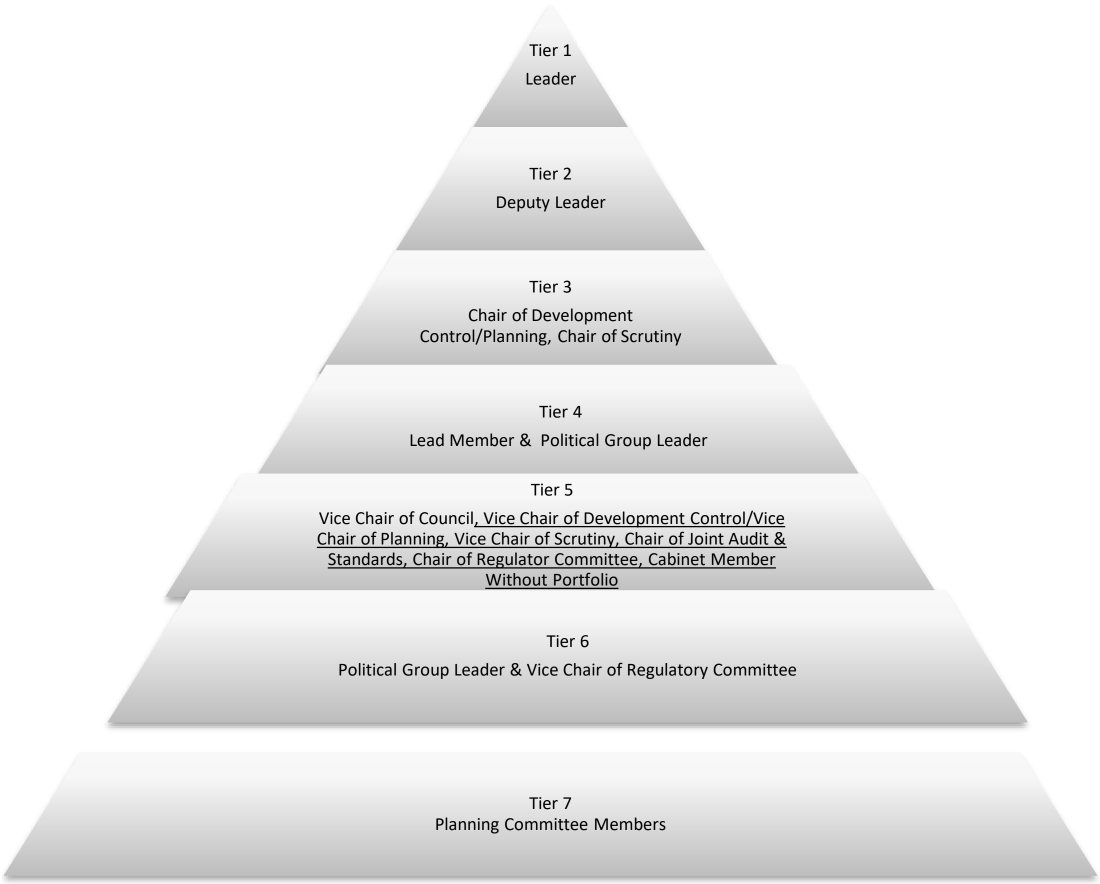
WE THEREFORE RECOMMEND that the Council should adhere to a maximum number of SRA's payable at any one time that does not exceed 50% of Council Members.

Calculating SRAs

5.2.7 The Panel continued to the criteria and formula for calculating the Leader of the Council allowance. Based on a multiplier of the Basic Allowance, this role carries the most significant additional responsibilities and is the most time consuming.

5.2.8 We applied a multiplier of the basic allowance to establish the Leader's SRA. Other SRAs are then valued downwards as a percentage of the Leader's allowance. This approach has the advantage that, when future adjustments to the SRAs are required, changing the Leader's SRA will have a proportionate and easily calculable effect on the other SRAs within the scheme.

We grouped together in Tiers those roles that we judged to have a similar level of responsibility. The outline result of this approach is illustrated in a pyramid of responsibility:



The rationale for these six tiers of responsibility is discussed below.

Leader (Tier One)

5.2.9 The Council elects for a four-year term of office a Leader who is ultimately responsible for the discharge of all executive functions of the Council. The Leader is the principal policy maker and has personal authority to determine delegated powers to the rest of the Executive. The Leader is also responsible for the appointment (and dismissal) of members of the Cabinet and their respective areas of responsibility.

5.2.10 The multiplier we applied to calculate the Leader's SRA is 250% (2.5 x times) the basic allowance. If the recommended option of a basic allowance with a PSD of 40% is adopted, this results in a Leader's Allowance of £14,172.

WE RECOMMEND that the Leader of the Council continue to receive a Special Responsibility Allowance of 250% of the basic allowance, £14,172.

Deputy Leader & Cabinet member with Portfolio (Tier Two)

5.2.11 The Deputy Leader usually acts on the Leader's behalf in their absence. From the information we gathered, we continue to consider this additional responsibility should be reflected in the level of allowance. Therefore, we recommend the Deputy Leader's SRA be set at 50% of the Leader's SRA. If our recommendations concerning the basic allowance and the Leader's SRA are adopted, this results in an allowance of £7,086.

WE RECOMMEND that the Deputy Leader receive a Special Responsibility Allowance of 50% of the Leader's Allowance, £7,086.

5.2.12 The Cabinet Members with Portfolios hold significant responsibilities. From the information we gathered, we continue to consider this additional responsibility should be reflected in the level of allowance. Therefore, we recommend these member SRAs be set at 50% of the Leader's SRA. If our recommendations concerning the basic allowance and the Leader's SRA are adopted, this results in an allowance of £7,086.

WE RECOMMEND that The Cabinet Members with Portfolios receive a Special Responsibility Allowance of 50% of the Leader's Allowance, £7,086.

<u>Chair of Council, Chair of Development Control/Chair of Planning, Chair of Scrutiny (Tier Three)</u>

5.2.13 From the evidence gathered, including questionnaire responses, face to face interviews and the Council's Role Profiles, we consider the Chair positions of the Council, Development Control/Planning and Scrutiny should receive an allowance of £5,669, 40% of the Leader's Allowance.

5.2.14 Evidence from the interviews we undertook with councillors, underlines the responsibility of these chair functions on these committees. In addition, we found the time commitment for the role to be significant.

WE RECOMMEND that <u>Chair of Council, Chair of Development Control/Chair of Planning, Chair of Scrutiny</u> **should receive a Special Responsibility Allowance of 40% of the Leader's Allowance, £5,669**.

<u>Lead Member & Political Group Leader with 5 members or more (Tier Four)</u>

5.2.15 The <u>Lead Member role</u> continues to be a key role within a decision-making committee with high local impact across the Council area.

The panel also felt that the main political opposition had a great deal of work to do which wasn't been fairly recognised presently so suggested this fall within this tier.

WE RECOMMEND that the <u>Lead Member and Political Group Leader</u> **should receive a Special Responsibility Allowance of 30% of the Leader's Allowance, £4,251.**

Vice Chair of Council<u>, Vice Chair of Development Control/Vice Chair of Planning, Vice Chair of Scrutiny, Chair of Joint Audit & Standards, Chair of Regulator Committee, Cabinet Member Without Portfolio (Tier Five)</u>

5.2.16 The Panel was of the view that these roles continue to have a high impact and profile across the Council. We identified the vice chair role of planning was out of step with other vice roles so sought to address the balance here. We therefore recommend that the role continues to be recognised at Tier Five and receive an allowance of £2,834, 20% of the Leader's Allowance.

WE RECOMMEND that Vice Chair of Council, Vice Chair of Development Control/Vice Chair of Planning, Vice Chair of Scrutiny, Chair of Joint Audit & Standards, Chair of Regulator Committee, Cabinet Member Without Portfolio **should receive an allowance of 20% of the Leader's allowance, £2,834.**

Political Group Leader & Vice Chair of Regulatory Committee (Tier Six).

5.2.17 The Panel was of the view that these two roles were comparable with responsibilities and therefore should receive an allowance of 10% of the Leader's

WE RECOMMEND that the Political Group Leader and the Vice Chair of Regulatory Committee should receive an allowance of 10% of the Leader's Allowance £1,472.

Planning Committee Members (Tier Seven).

5.2.18 This was bought in at the last IRP and the panel felt that attending the planning meetings involved a great deal of reading and this allowance should remain.

WE RECOMMEND that members of the Planning Committee should receive an allowance of 5% of the Leader's Allowance £708.

5.3 Travelling and Subsistence Allowance

5.3.1 A scheme of allowances may provide for any councillor to be paid for travelling and subsistence undertaken in connection with any of the duties specified in Regulation 8 of the 2003 Regulations (see paragraph 5.10).

WE RECOMMEND that travelling and subsistence allowance should be payable to councillors in connection with any approved duties. The amount of travel and subsistence payable shall continue to be at the maximum levels payable to council staff in line with HM Revenue ad Customs' rates. We propose no changes to the current travel and subsistence allowances.

5.4 Child and Dependant Carers' Allowance

5.4.1 The child and dependant carers' allowance should ensure that potential candidates are not deterred from standing for election and should enable current councillors to continue despite any change in their personal circumstances. The current scheme awards reimbursement of actual reasonable costs incurred in using childminders, babysitters or other sitters for dependants while carrying out Approved duties. The scheme also allows for specialist Dependent Relative Care to be reimbursed at the actual cost upon production of receipts. In the case of reimbursement for specialist care, medical evidence that this type of care is required should also be provided.

5.4.2 The Panel therefore is of the view that the Child and Dependant Carers' Allowance should continue to be reimbursed for the actual cost incurred by the councillor upon production of receipts. In respect of specialist care provision medical evidence that this type of care provision is required should also be provided and approved by an appropriate officer of the Council.

WE THEREFORE RECOMMEND that the Child and Dependant Carers' Allowance should continue as outlined in the current Scheme of Allowances and be based at cost upon production of receipts and in the case of specialist care a requirement of medical evidence that this type of care be required, the allowance should have no monthly maximum claim when undertaking Approved duties.

WE ALSO RECOMMEND that the Council should also actively promote the allowance to prospective and new councillors both before and following an election. This may assist in supporting greater diversity of councillor representation.

5.5 Parental Leave

5.5.1 There is no uniform national policy to support councillors who require parental leave for maternity, paternity, or adoption leave. According to the Fawcett Society (Does Local Government Work for Women, 2018) a '*lack of maternity, paternity provision or support' is a real barrier for women aged 18-44 to fulfil their role as a councillor*.

5.5.2 We are of the view that support should be provided for parental leave although we do not wish to stipulate an exact policy/procedure. The Panel is aware that the Local Government Association has developed a model policy that has been adopted by a growing number of councils across the country.

5.5.3 There is no legal right to parental leave of any kind for people in elected public office. However, as a way of improving the diversity of Councillors, the Panel would recommend that the Members' Allowance Scheme should be amended to include provisions that clarify that:

- All Councillors shall continue to receive their Basic Allowance in full for a period up to six months in the case of absence from their Councillor duties due to leave related to maternity, paternity, adoption shared parental leave or sickness absence

- Councillors entitled to a Special Responsibility Allowance shall continue to receive their allowance in full for a period of six months, in the case of absence from their Councillor duties due to leave related to maternity, paternity, adoption, shared parental leave or sickness absence

- Where for reasons connected with sickness, maternity leave, adoption leave, paternity leave or shared parental leave a Councillor is unable to attend a meeting of the Council for a period of six months, a dispensation by Council can be sought in accordance with Section 85 of the Local Government Act 1972

- If a replacement to cover the period of absence under these provisions is appointed by Council or the Leader (or in the case of a party group position the party group) the replacement shall be entitled to claim a Special Responsibility Allowance pro rata for the period over which the cover is provided.

- If a Councillor stands down, or an election is held during the period when a Councillor is absent to due to any of the above and the Councillor is not re-elected or decides not to stand down for re-election, their Basic Allowance any Special Responsibility Allowance will cease from the date they leave office.

5.5.4 The Panel is conscious that these provisions do not replicate the LGA policy but that policy introduces elements that are more akin to employees which in terms of employment legislation does not include Councillors. We feel that our recommendations more simply and adequately reflect the situation relating to Councillors and clarify for them what they can expect. District Councillors however may wish to further develop the above recommendations so that they reflect the LGA policy.

WE RECOMMEND that the approach outlined is adopted as a basis of a policy to support parental leave for councillors. Should a policy on Parental Leave for Councillors be approved it should be actively promoted to prospective and current Councillors alongside the Dependants' Carers Allowance. This should form part of a wider 'Be A Councillor' (LGA led initiative) programme led by the Council and supported by political groups; to enhance and increase the diversity of councillor representation.

5.6 Indexing of Allowances

5.6.1 A scheme of allowances may make provision for an annual adjustment of allowances in line with a specified index. The present scheme makes provision for the basic allowance and the special responsibility allowances to be adjusted annually in line with staff salaries.

WE RECOMMEND that the basic allowance, each of the SRAs and the Co-Optees' /Independent Persons Allowance be increased annually in line with the percentage increase in staff salaries for a period of up to four years. After this period, the Scheme shall be reviewed again by an independent remuneration panel.

5.7 Revocation of current Scheme of Allowances / Implementation of new Scheme

5.7.1 The 2003 Regulations provide that a scheme of allowances may only be revoked with effect from the beginning of a financial year, and that this may only take effect on the basis that the authority makes a further scheme of allowances for the period beginning with the date of revocation.

WE THEREFORE RECOMMEND that the new scheme of allowances to be agreed by the Council be implemented with effect from the beginning of the 2022 financial year, at which time the current scheme of allowances will be revoked.

6. APPROVED COUNCILLOR DUTIES

6.1.1 The Panel reviewed the recommended duties for which allowances should be payable and recommend that no changes be made.

WE THEREFORE RECOMMEND: That no changes are made to the Approved Duties as outlined in the Members' Allowance Scheme.

Appendix B

INDEPENDENT REMUNERATION PANEL

TERMS OF REFERENCE

1. Background

1.1 The principal legislation/guidance governing modern day member allowances is: -

- the Local Government and Housing Act, 1989 Section 18 (as amended by the Local Government Act, 2000) - the underlying authority for basic, special responsibility and child and dependent carers' allowances
- the Local Government (Members Allowances) Regulations 2003
- Government Guidance issued at the time of the 2003 consolidated Regulations;

1.2 Under the provisions of this legislation, local authorities are required to make a Scheme of Allowances and can exercise local discretion as to the amounts to be paid under their Scheme. Local authorities must also establish and maintain an independent Panel to make recommendations to the council on allowances matters. Local authorities must have regard to the recommendations of its Independent Panel in determining allowances matters.

1.3 The following chart summarises the legal provisions relating to individual types of allowance. It includes the list of duties for which allowances are payable.

Mandatory	**Optional**			
Basic Allowance	**Special Responsibility Allowance**	**Dependent Carers' Allowance**	**Travelling and Subsistence Allowance**	**Co-optees Allowance**
There must be a basic allowance and it must be the same amount for every member. The level of allowance must be set each year. The basic allowance must be payable pro-rata. The Scheme may withhold pro-rata a portion of basic allowance covering a period of suspension or partial suspension	The Scheme may provide SRAs to members in one or more of the following categories: a. Leader or deputy Leader of a political group; b. Executive member; c. Chairman of a committee, sub committee, joint committee or sub committee of a joint committee; d. Representative of the LA at another body's meeting; e. Member of a committee or sub committee that meets frequently or sits for lengthy periods;	Payable to cover expenses in arranging care for dependents as a result of: a. Attending official committee, sub committee meetings and attending other bodies as authority rep. b. Attending meetings authorised by the authority, a committee, sub committee of joint committee; c. Attending meetings of an authority association the authority is a member of; d. Attending executive meetings;	Payable for motorised and non-motorised travel in connection with duties specified in the scheme and within one or more of the following categories: a. Attending official committee, sub committee meetings and attending other bodies as authority rep. b. Attending meetings authorised by the authority, a committee, sub committee of joint committee; c. Attending meetings of an authority association the authority is a member of;	Payable for attendance at conferences and meetings. If the member is chair of an overview and scrutiny committee with delegated education functions, the co-opted allowance must be at least equal to any SRA payable to any other committee or sub committee chair. Co-optees Allowance applies to members of an authority's committees and sub committees who are not members of the authority.

	f. Spokesperson of a political group on a committee or sub committee; g. Member of an adoption panel; h. Member of a committee or sub committee with any licensing responsibilities; i. Carrying out any other activity involving time and effort equal to or greater than any of the above. The level of SRA can be variable. If the authority does pay any SRAs then if there is an opposition group, at least one opposition member must receive an SRA under category a. or f. above	e. Performance of duties requiring member presence under section 135 of LGA 1972; f. Performance of any duty involving official inspection or authorisation of inspection of premises; g. Performance of any duty relating to arrangements for pupil attendance at non-maintained special schools; h. Any other duty involving discharge of functions of the authority or any of its committees and sub committees.	d. Attending executive meetings; e. Performance of duties requiring member presence under section 135 of LGA 1972; f. Performance of any duty involving official inspection or authorisation of inspection of premises; g. Performance of any duty relating to arrangements for pupil attendance at non-maintained special schools; h. Any other duty involving discharge of functions of the authority or any of its committees and sub committees. All committee or sub committee members are counted as authority members. The Authority includes waste disposal authorities and joint boards on which any relevant body in category a. to h. is represented.	

2. Scope of Review

2.1 The Independent Remuneration Panel (IRP) are asked to review members allowances as they have not been reviewed since 2018 and where an authority has regard to an index for the purpose of annual adjustment of allowances it must not rely on that index for longer than a period of four years before seeking a further recommendation from the independent remuneration panel established in respect of that authority on the application of an index to its scheme. This review will also focus on each of the allowances paid to members to ensure that both Babergh and Mid Suffolk are paying the appropriate allowances.

2.2 The Panel (as stated in Government Guidance) is to make recommendations to both the local authorities on:

- the level of basic allowance;
- which duties or responsibilities should lead to the payment of special responsibility allowances and the amount of such allowances;
- the duties for which travelling, and subsistence allowances can be paid and the amount of those allowances;
- the level of co-optees' (or non-councillor) allowance (an example of a non-councillor would be the independent members appointed to serve on a Council's Standards Committee);

- whether the Scheme of Allowances for expenses of councillors in arranging child care or dependent relative care is sufficient;

- whether there should be any backdating of an allowance to the start of the financial year, in the event of any change to allowances mid-year;

- the nature of any index by which allowances are updated annually and for how long any such an index should apply;

(NB councillors are no longer eligible to join the Local Government Pension Scheme – effective April 2014).

2.3 It is proposed that the two reviews are run concurrently.

Author Jan Robinson

2/6/2021

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Appendix C

Recommended Councillor Allowances

BABERGH

Element Name	Previous Allowance (As of 1st April 2021)	Recommended Allowance
BAMSC Members Basic Allowance	£ 5,332.00	**£ 5,669.00**
Chairman of the Council BDC	£ 5,332.00	**£ 5,669.00**
Vice-Chair of the Council BDC	£ 2,666.00	**£ 2,834.00**
Leader of the Council	£ 13,330.00	**£ 14,172.00**
Deputy Leader	£ 6,665.00	**£ 7,086.00**
Chairman of Planning Committee	£ 5,332.00	**£ 5,669.00**
Vice-Chair of Planning	£ 1,333.00	**£ 2,834.00**
Chairman of Scrutiny Committee	£ 5,332.00	**£ 5,669.00**
Vice-Chair of Overview and Scrutiny Committee	£ 2,666.00	**£ 2,834.00**
Chairman of Joint Audit and Standards Committee	£ 2,666.00	**£ 2,834.00**
Planning Committee Members	£ 533.00	**£ 708.00**
Group Leaders(more than 5 members)	£ 1,066.00	**£ 4,251.00**
BDC Chairman of Regulatory Committee	£ 2,666.00	**£ 2,834.00**
Vice-Chair of Regulatory	£ 1,333.00	**£ 1,472.00**
Portfolio Holder	£ 6,665.00	**£ 7,086.00**
Cabinet member without portfolio	£ 2,666.00	**£ 2,834.00**
Group Leaders(less than 5 members)	£ -	**£ 1,472.00**

Appendix C

MID SUFFOLK

Element Name	Previous Allowance (As of 1st April 2021)		Recommended Allowance	
Members Basic Allowance	£	5,332.00	£	5,669.00
Chairman of the Council MSDC	£	5,332.00	£	5,669.00
Vice-Chair of the Council MSDC	£	2,666.00	£	2,834.00
Leader of the Council	£	13,330.00	£	14,172.00
Deputy Leader	£	6,665.00	£	7,086.00
Chairman of Dev Control Committee	£	5,332.00	£	5,669.00
Vice-Chair of Dev Control	£	1,333.00	£	2,834.00
Chairman of Scrutiny Committee	£	5,332.00	£	5,669.00
Vice-Chair of Overview and Scrutiny Committee	£	2,666.00	£	2,834.00
Chairman of Joint Audit and Standards Committee	£	2,666.00	£	2,834.00
Planning Committee Members	£	533.00	£	708.00
Group Leaders (more than 5 members)	£	1,066.00	£	4,251.00
MSDC Chairman of Regulatory Committee	£	2,666.00	£	2,834.00
Vice-Chair of Regulatory	£	1,333.00	£	1,472.00
Cabinet Member with Portfolio	£	6,665.00	£	7,086.00
Cabinet Member without Portfolio	£	2,666.00	£	2,834.00
Group Leaders (less than 5 members)	£	-	£	1,472.00

Equality Impact Assessment (EIA)
Initial Screening Form

Screening determines whether the policy has any relevance for equality, ie is there any impact on one or more of the 9 protected characteristics as defined by the Equality Act 2010. These are:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership*
- Pregnancy and maternity
- Race
- Religion or belief (including lack of belief)
- Sex
- Sexual orientation

1. Policy/service/function title	Review of Councillor Allowances
2. Lead officer (responsible for the policy/service/function)	Jan Robinson Independent Remuneration Panel
3. Is this a new or existing policy/service/function?	New Existing Councillor Allowances are reviewed every 4 years
4. What exactly is proposed? (Describe the policy/service/ function and the changes that are being planned?)	A review of the allowances paid to councillors including travel expenses and carers allowance
5. Why? (Give reasons why these changes are being introduced)	It is a statutory requirement that councillor allowances are reviewed every four years
6. How will it be implemented? (Describe the decision making process, timescales, process for implementation)	The decision is taken by Council having due regard to the Independent Remuneration Panel's recommendations.

7. Is there potential for differential impact (negative or positive) on any of the protected characteristics?	Yes there is a potential positive impact if a parental leave policy was introduced This may encourage more people to stand as councillors which would help to provide a more diverse council
8. Is there the possibility of **discriminating unlawfully**, directly or indirectly, against people from any protected characteristic?	No
9. Could there be an effect on **relations between certain groups?**	No
10. Does the policy explicitly involve, or **focus on a particular equalities group**, i.e. because they have particular needs?	No
If the answers are 'no' to questions 7-10 then there is no need to proceed to a full impact assessment and this form should then be signed off as appropriate. If 'yes' then a full impact assessment must be completed.	
Authors signature J M Robinson Date of completion 23rd June 2022	

Any queries concerning the completion of this form should be addressed to the Equality and Diversity Lead.
* Public sector duty does not apply to marriage and civil partnership.

Equality Impact Assessment (EQIA)

The characteristics protected by the Equality Act 2010 are:

Disability	**Age**	**Sex (gender)**
Gender reassignment	**Marriage/civil partnership**	**Pregnancy/maternity**
Race	**Sexual orientation**	**Religion/belief**

By law we must have due regard to the need to:

(a) eliminate discrimination, harassment, victimisation, and any other conduct that is prohibited by or under the Act

(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it

(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

In effect, this means that we need to ensure that our policies and services are fair, equitable and proportionate and where possible mitigate against any adverse impacts on people from the different protected characteristics.

In addition to the above protected characteristics, you should consider the impact of living in a **rural area** as part of this assessment. Where people live is not a characteristic protected by law, but for an organisation such as Babergh and Mid Suffolk District Councils it is good practice to consider carefully how location may affect people's experience of a policy or service.

The Rural-Urban definition defines the rurality of very small census-based geographies. Census Output Areas forming settlements with populations of over 10,000 (which are urban), while the remainder are defined as one of three rural types: *town and fringe, village, or hamlet and dispersed.*

Details	
Service or policy title	Law, Governance & Regulatory
Lead officer *(responsible for the policy or service/function)*	Corporate Manager Governance and Civic Office
Officers carrying out the EQIA *(at least one must have done EQIA training, and it is recommended that an officer responsible for the policy or service/function is involved in completion)*	Jan Robinson
Is this new or a revision? *(If revision state when previous EQIA undertaken)*	Revision 2016
Is this the first time this policy or function has been assessed?	no
Date of completing this EQIA	23rd June 2022

Description

Equality Impact Assessment (EQIA)

What exactly is proposed *Review of Councillor Allowances Scheme*
Why? *It is a statutory requirement that the Councillor Allowances Scheme is reviewed every 4 years.*
What will the effect of the changes be? Members will have an enhanced Councillor Allowance Scheme with the introduction of a parental leave scheme
How will it be implemented? *The decision will be taken at full Council with an agreed date of implementation.*
When is it due to start? May 2023
Any other relevant details

Data about the population
Members are made up from a diverse range of people. However, because of the nature of the work they undertake it is difficult to take time off formerly from their duties for more than six months without being disqualified from office. The agreement to introduce a parental leave policy will encourage people who are thinking about starting a family and enable them to continue in office throughout their pregnancy and parental leave including adoption leave.
What is the profile or make up of your service users by protected characteristics? This information is not available

Implications for communities and workforce	
Disability	
What is the impact on people with a disability (including children with additional needs) and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances The scheme has a dependent carers allowance which can be paid on the production of receipts with no limit of the amount of hours you can claim. This enables an individual councillor to carry out their duties with some additional financial recompense for childcare and caring duties.
How does it have a positive or negative impact?	This is a positive impact and would allow members who are carers and parents the ability to attend council

	meetings and undertake other council business as appropriate
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is one the web site and is promoted as part of the becoming a councillor information.
Age	
What is the impact on people of different ages and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances
How does it have a positive or negative impact?	No impact
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is one the web site and is promoted as part of the becoming a councillor information.
Sex (gender)	
What is the impact on people of different genders and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances. The scheme has a dependent carers allowance which can be paid on the production of receipts with no limit of the amount of hours you can claim. This enables an individual councillor to carry out their duties with some additional financial recompense for childcare and caring duties.
How does it have a positive or negative impact?	No impact
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is one the web site and is promoted as part of the becoming a councillor information.
Gender reassignment	
What is the impact on people who have undergone gender reassignment (i.e., transgender people) and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances.
How does it have a positive or negative impact?	No impact

What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is one the web site and is promoted as part of the becoming a councillor information.
Marriage/civil partnership	
What is the impact on people who are married or in a civil partnership and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances.
How does it have a positive or negative impact?	No impact
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is on the web site and is promoted as part of the becoming a councillor information.
Pregnancy/maternity	
What is the impact on people who are pregnant women or those with a young child and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances The agreement to introduce a parental leave policy will encourage people who are thinking about starting a family and enable them to continue in office throughout their pregnancy and parental leave including adoption leave. The scheme has a dependent carers allowance which can be paid on the production of receipts with no limit of the amount of hours you can claim. This enables an individual councillor to carry out their duties with some additional financial recompense for childcare and caring duties.
How does it have a positive or negative impact?	Positive
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is on the web site and is promoted as part of the becoming a councillor information.

Race	
What is the impact on people from different races or ethnic groups and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances
How does it have a positive or negative impact?	No impact
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is on the web site and is promoted as part of the becoming a councillor information.
Sexual orientation	
What is the impact on people according to their sexual orientation and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances
How does it have a positive or negative impact?	No impact
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is on the web site and is promoted as part of the becoming a councillor information.
Religion/belief	
What is the impact on people according to their religion or belief and what evidence do you have? *(If you do not believe there is any impact describe why not)*	The Councillor Allowance Scheme provides for a basic allowance which is paid to all councillors whatever their circumstances
How does it have a positive or negative impact?	No impact
What could be done to mitigate any adverse impact or further promote positive impact?	The councillor allowance scheme is on the web site and is promoted as part of the becoming a councillor information.

Rurality	
Where people live is not a characteristic protected by law: but for Babergh and Mid Suffolk District Councils it is good practice to consider carefully how location may affect people's experience of a policy or service.	
What is the impact on people according to whether they live in an urban or rural environment and what evidence do you have? *(If you do not believe there is any impact describe why not)*	Mileage and expenses can be claimed for Councillors carrying out approved duties
How does it have a positive or negative impact?	positive
What could be done to mitigate any adverse impact or further promote positive impact?	The scheme is published on the web site and is part of the becoming a councillor information.

Making Decisions	
Having completed this equality impact assessment indicate which decision is recommended to be taken.	
Should the policy or service be implemented as the correct course of action?	yes
Should the policy or service be amended as suggested by the report so that mitigating actions are taken to address an adverse or negative impact on any characteristic?	No
Should the policy or service be reviewed and revised more significantly to take into account its impact on different groups?	No
Should the policy or service not be actioned as there are too many negative impacts?	No

Monitoring Impact	
Assessing the impact on equality is an ongoing process that does not end once a policy or service had been agreed or implemented.	
How frequently will the policy or service be reviewed?	At least every four years
Who will be involved?	IRP and Corporate Manager for Governance and Civic Office

Will there need to be an action plan completed for any amendments?	None
What further evidence or consultation will be needed to check that the policy or service is working well?	All councillors are consulted at each review

Completion	
Author's signature	J M Robinson
Date of completion	23 June 2022

Additional sources of data can be found on the following links:

http://www.suffolkobservatory.info/Default.aspx

http://www.nomisweb.co.uk/

https://www.ons.gov.uk/

http://suffolkcf.org.uk/publications/hidden-needs-2016/

https://www.nao.org.uk/

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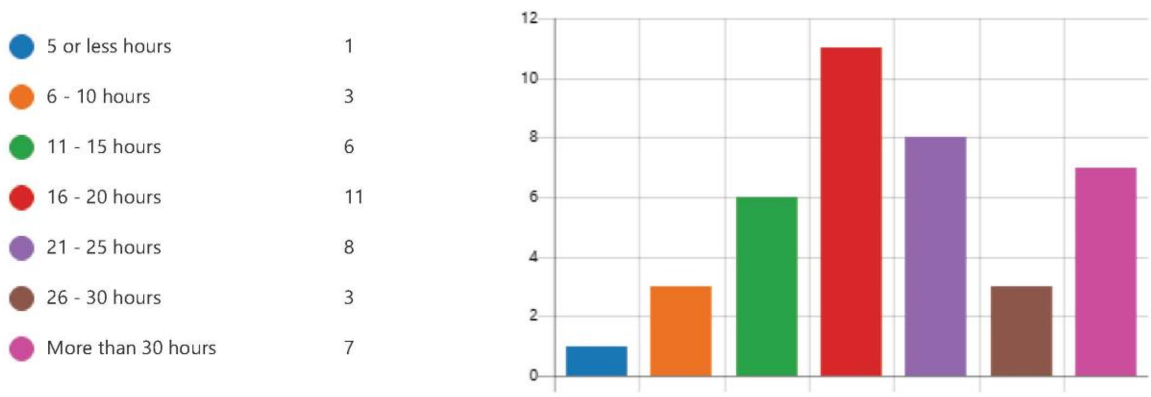
Independent Remuneration Panel Councillor Questionnaire Results

1. In a typical week how many hours do you spend on council business?



2. In the last couple of years (discounting the impact of Covid if possible) do you believe your workload has significantly increased, decreased or remained the same?

Reply	Number of replies
Increased	17
Significantly increased	6
Increased only slightly	1
Increased marginally from more responsibilities taken on	1
Increased but varies from week to week	1
Increased mainly due to number of planning applications	1
Increased as ward expanded in Boundary review	1
Remained the same	4
Remained the same but travelling time has reduced	1
About the same but virtual meetings involve less travel time	1
Decreased	2
Elected in 2019 so cannot compare	1

3. If you hold a specific role(s) within the Council i.e Group Leader, Chair/Vice Chair etc, how many hours do you spend in a typical week on Council business relevant to the role(s). Please specify specific roles below and hours spent on each role.

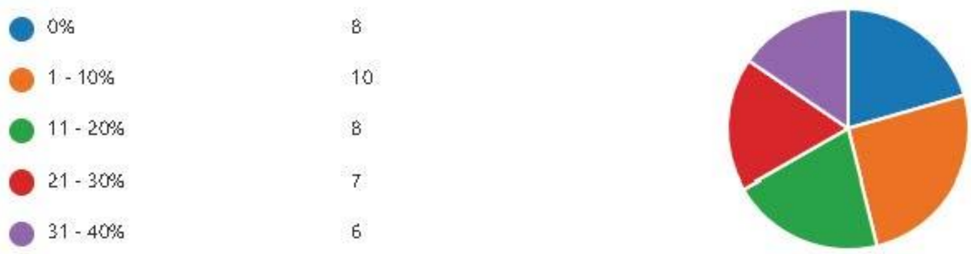
Reply	Number of replies
N/a	8
Armed Forces Champion for Suffolk. 2-hours per week.	1
As a Cabinet Member about 10 - 15 hours per week	14
As a member of the planning committee .	2
Chair of Overview and Scrutiny - no typical week. Average is 20 hours per month, or 5 per week.	1
Chair Planning Committee 20 hours	1
Cifco 0-10hrs	1
Trustee MEAL 0-5 hrs	1
Council leader (inc cabinet chair): 20 to 30 hours	2

Ward Business 5 to 10 hours	2
Holding Company 0-10 hrs Funding Partnership 0-5 hrs	1
Group leader: 1-2 hours	1
As a Cabinet Member 30 hours per week	2
Opposition Leader 5 to 10 hours per week	1
Vice Chair 4 to 5 hours	2
Planning – 5 to 10 hours	3
Licensing - 2 hours Overview & Scrutiny - 2 hours	1
Group Leader - 1 hour a week	1
Audit & Standards - 2 hours	1
Portfolio holder and Cabinet Member - 20 hours	1
Deputy Leader 5 to 10 hours a week	1

4. Do you incur any significant costs which you believe are not covered by your present allowance?

Reply	Number of replies
No	24
No just printing.	1
No: I claim travel expenses separately.	1
No but it is difficult to quantify loss of production within the day job	1
Costs would include extensive use of internet, and almost exclusive use of a room in the house to work and to store documents. The allowance is used to cover these.	1
Electricity, Internet, and home office space.	1
I do not claim any allowances	1
I have to employ a carer .	1
Just expenses of running an office from home.	1
Only travel costs, which I claim back.	1
only people with good employers or the retired are able to be Councillors, which limits those that have plenty to offer but cant afford to carry out the role.	1
Superfast broadband.	1
The allowance is taxed. It is therefore not to cover expenses.	1
There are additional consumables costs (such as printer paper, toner/ink) incurred in increased correspondence as a result of now being a ward member for more parishes, and also general correspondence in respect of planning applications from agents/objectors/supporters. There are also increased travelling costs incurred as a result of attending an increased number of parish council meetings, which I do not claim for as they are of a local nature.	1
With the increase in on line communication the need for home printing and its associated costs has increased. Computers are electronic devices prone to errors and the loss of some documents would be unacceptable.	1

5. Government guidance states that "it is important that some element of the work of Councillors continues to be voluntary". As part of their deliberations, Independent Remuneration Panels will assess what Public Service Discount should apply to the basic allowance - that is the percentage of their time Councillors expect to give without any financial remuneration. What do you feel is an acceptable amount of time to be given unremunerated, if any, expressed as a percentage?

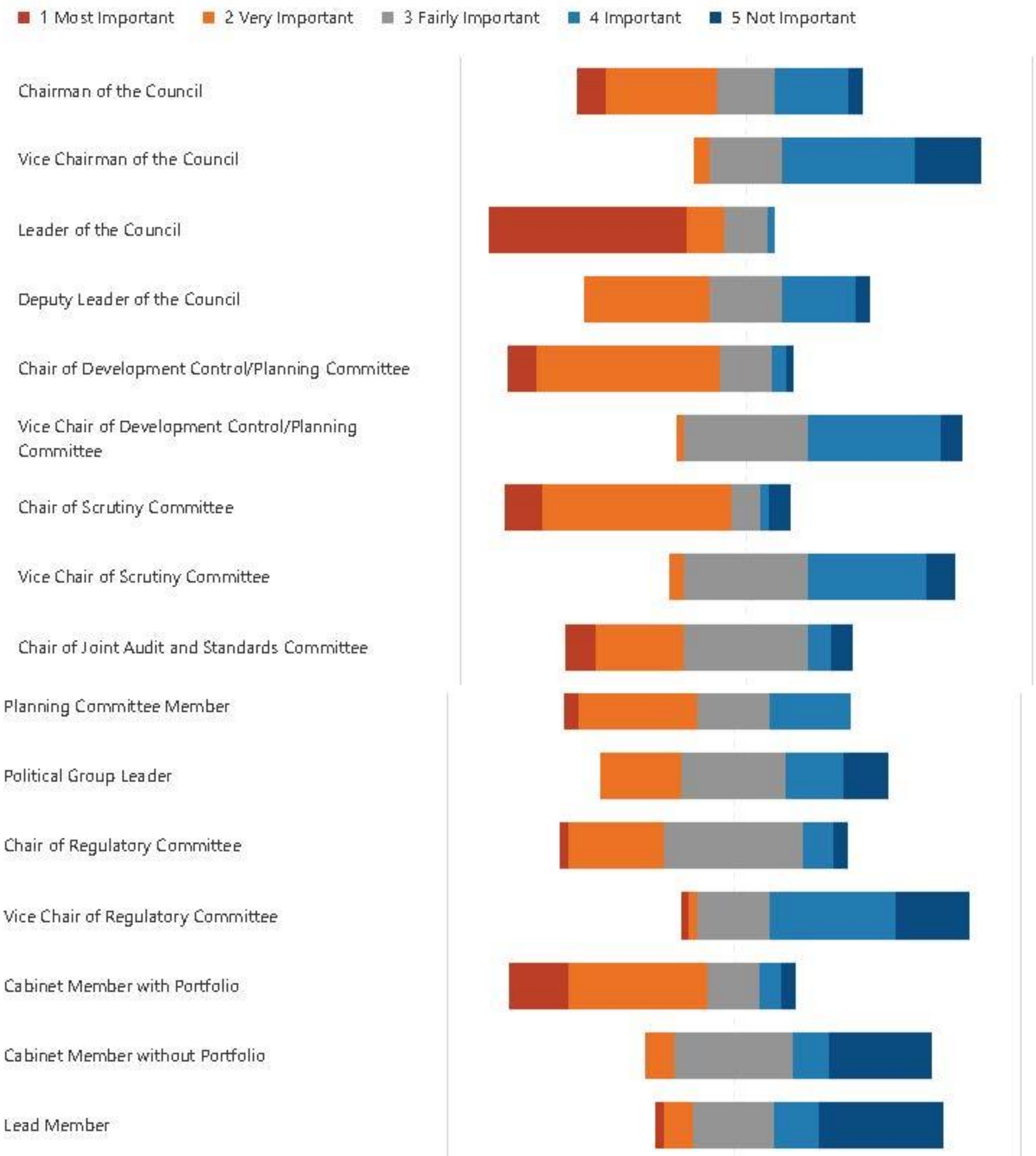


6. The present level of Basic Allowance payable to all Councillors is £5,240. Do you think this is:

7. Special Responsibility Allowances (SRAs) are currently paid as follows:

Chairman of the Council	**£5,240**
Vice-Chairman of the Council	**£2,620**
Leader of Council	**£13,101**
Deputy Leader of the Council	**£6,550**
Chair of Development Control Committee	**£5,240**
Vice-Chair of Development Control Committee	**£1,310**
Chair of Scrutiny Committee	**£5,240**
Vice-Chair of Scrutiny Committee	**£2,620**
Chair of Joint Audit and Standards Committee	**£2,620**
Planning Committee Members	**£524**
Political Group Leaders	**£1,048**
Chair of Regulatory Committee	**£2,620**
Vice-Chair of Regulatory Committee	**£1,310**
Cabinet Member with Portfolio	**£6,550**
Cabinet Member without Portfolio	**£2,620**
Lead Member (MSDC)	**£3,930**
Lead Member (BDC)	**£2,620**

To assist the Panel to produce a more consistent group of allowances, please can you score each role/position in respect of importance and impact.



8. Would you like to see any changes made to these allowances?

Reply	Number of replies
No	8
Yes	2
Yes - Cabinet members spend significantly more time on council work - much more than double the time and responsibility. You should be able to have the Planning Committee allowance on top of the Cabinet one.	1

Yes because they do not reflect the amount of work involved to do it properly	1
Yes, some of these allowances could be increased. Certain positions require significant hours work if the job is to be done correctly	1
Yes. Why are other appointments not recognised in a similar manner?	1
Based on the effectiveness of the "cabinet" system cabinet member allowances should be reduced to the same as that for Planning committee members.	1
Cabinet Members as I have found out have such an increased workload, in my years as a councillor I can appreciate the difference from just representing your Ward,	1
Chairman of O&S very over paid same as Chairman of council	1
I do not believe that any one Councillor should hold the position of Chair of more than one committee as in certain circumstances this may well be perceived by the public as a potential conflict of interest.	1
I think allowances should at least keep pace with inflation if so this is fine. However, I would not like to see any reduction in allowances and I say that in the belief that a person doing a good job, should receive the level of remuneration that the role(s) deserves	1
If you are a vice chair i believe you should only get paid when chairing a meeting shouldn’t be paid being a political leader	1
Increase linked to rate of inflation	1
Just pay every role ~£2k that'll make it simpler	1
Leader of the Council now has an enormous workload, almost full-time, and has to be very knowledgable across the entire Council agenda. Chairs of committees, and portfolio holders - if their jobs are done properly, will also have a significant workload. These allowances should be increased. Group Leaders do not receive an allowance unless they have four or more members in the group, but this does not reflect the additional meetings and consultations they undertake.	1
Leader/Deputy and Cabinet members with portfolio make all the major decisions and have a heavy work load. The district needs strong members for these roles.	1
Most increase to basic rate	1
Not in percentage terms.	1
Not sure of the role of a 'Lead Member' Are there any at MSDC? If so, and is they are not members of cabinet, I am unaware of their contribution	1
Planning committee members have a high workload, this should be reflected more. Vice Chair of Council has a very limited role and is paid too much.	1
Reduce allowances	1
Remove the cabinet member without portfolio.	1
The allowance for planning committee members should be doubled, at least. I don't understand why political group leaders should receive an allowance unless it is as a means of complying	1

with the regulation that one SRA should go to a councillor who is not a member of the controlling group.	
The relative values seem about right.	1
There should not be a Cabinet member without portfolio so this should not have an allowance. What is a lead member at MSDC? Why is this different to a Cabinet member?	1
They should still be based on multipliers of the basic allowance, but the multipliers used for Council Leader, Cabinet Member, Chairs of Scrutiny and Planning, and Planning Committee Member need to be increased to reflect the workload, importance and impact of these roles. Just for information: we don't have a vice-chair of Scrutiny, cabinet members without portfolio or lead members at Babergh.	1
Why does the vice chair of scrutiny receive double the amount than vice chair of planning ?	1

9. Would you like to see any new SRAs introduced?

Reply	Number of replies
No	18
No - except to recognise the work of all group leaders.	1
No - this is inappropriate. Special responsibilities should be shared in any case, and not place in the hands of a few councillors.	1
Yes	2
Yes. Council board members of Council Companies employing Non Exec directors are expected to shoulder the same workload and responsibility for no additional remuneration.	1
A case could be made for creating a deputy role to assist some of the more onerous cabinet positions.	1
A role specifically for leading climate change initiatives	1
Already too many	1
At the last review following comments from an Opposition Member there was a suggestion that a member should not receive more than two SRA's, that obviously conflicts in some way with my comment above, however I think perhaps 2SRA's carried out well by a single member works well and indeed provides the opportunity to bring a much better standard to that particular role.	1
I believe there are sufficient SRAs in place already.	1
MSDC: Leader, and deputy leader of the Opposition. They do a huge amount of work in holding the Cabinet to account - including reading (and understanding and questioning) ALL of the Cabinet reports regardless of portfolio. At MSDC the Opposition Group is half of all councillors and does a great deal of work. (Portfolio holders / Cabinet members can focus on their one allocated portfolio.)	1

Not as the Council presently set up. I think if the two councils were to merge then additional Cabinet support members with SRAs could be justified.	1
Only if it makes sense at that time.	1
Opposition group leaders increase	1
Overview & Scrutiny. Very time consuming and deserves remuneration as it is regular and more work than planning.	1
Possibly but would only vote yes when understanding the criteria	1
There is currently no allowance for leader of the opposition, apart from the political group leader allowance which is fairly small. In the current situation the leader of the opposition represents half the council, yet gets the same allowance as if she or he was leading a group of 4 or 5 Councillors.	1

10. The 2003 Regulations do not limit the number of SRAs which may be paid, nor do they prohibit the payment of more than one SRA to any one councillor. They do require that an SRA be paid to at least one councillor who is not a member of the controlling group of the Council. As the guidance suggests, if the majority of councillors receive an SRA, the local electorate may rightly question the justification for this. Do you feel it is appropriate to hold more than one SRA and why?

Reply	Number of replies
No	5
No but Dev Control membership should be regarded as separate because of the amount of work involved	1
No I do not think it appropriate for members to hold more than one SRA	1
No waste of public funds.	1
No, more roles should be shared with the opposition	1
No, not if the overall remuneration is fair and just.	1
No, the roles should be distributed across the members forcing cross-party working and collaboration. People should not be wearing multiple hats,	1
No. Any Councillor who holds more than one should in my opinion only get the highest one. As the Administration refuses to share any of the S.R.A.s with the opposition this is a problem. If they were shared out no Councillor would receive more than one S.R.A except for Development Control Committee members!	1
no. One SRA per councillor	1
No. The holding of multiple positions that carry an SRA effectively makes it a financial commitment. The more members that hold additional positions of responsibility in addition to their ward responsibilities means that experience is gained and those with experience can contribute it to the council.	1
Yes - Planning takes up a considerable amount of time and is high profile.	1

Yes - some Councillors have more than one extra responsibility	1
Yes - The more committees etc Members are on, they are rightfully spending more time in preparation etc and this should be reflected in the allowances paid.	1
Yes , I do feel it is appropriate, following an election there is often an influx of new and inexperienced Councillors providing the Leader of the election winning group having to look to those with experience to form a Cabinet. and also Chairs of Committees. Given the situation within Mid Suffolk at the last election where there was a 50/50 split, it was the case that experience was essential, meaning that some members needed to take on 2 SRA's to ensure the Council had that experience in its administration while keeping a team of back bench members who could man the 50/50 Committees. Therefore I suggest it is appropriate for the Leader to have the flexibility to be able to appoint experienced Councillors to at least 2 SRA's if the need arises and if they so wish.	1
Yes if sitting on multiple committees (e.g. planning committee member + Cabinet, or committee Chair) given the time commitment involved	1
Yes, if carrying out more than one SRA	1
Yes, if one has the time to dedicate to these roles when not having to hold down full-time employment elsewhere.	1
Yes. The amount of time and commitment to these additional responsibilities should be recognised.	1
Yes. These roles are dependent on ability and skill base, or should be, and it may be that ability and skill base enables you to have several roles.	1
I do think it appropriate that Councillor's hold more than one SRA.	1
I don't think that any one councillor should receive more than one SRA. There are enough councillors within the council as a whole for this not to be necessary for an individual councillor to hold two positions. If this happens then the councillor does not actually have enough time to do both jobs satisfactorily.	1
If a Member chairs more than one committee then they should get a SRA for each but I think there should be very limited circumstances, if any, where a single Member is given more than one chairmanship.	1
Only appropriate in exceptional circumstances.	1
Only if it is in relation to planning committees due to the volume of paper work and training required. Otherwise only one SRA per member.	1
Only in situations where there is a paucity of available members who can devote sufficient time to take on such a role. I do not think it is appropriate for cabinet members with portfolio to hold more than SRA because their available time would be spread too thinly to do either job properly.	1

Realistically no Councillor should be chair or vice chair on more than one committee. However, certain roles require a lot of time commitment on members and in certain circumstances a max of two SRA's could be paid.	1
The flexibility to hold more than one SRA, should the council circumstances require it, is essential. There will always be insufficient councillors available for each to hold just one SRA - either because of time constraints or other factors. With fewer councillors than before, there will always be a majority who will hold an SRA.	1
The SRA's have to be set at the right amounts, if this was the case there would be no need for this question	1
Where SRA's are appropriate to the workload, they should be available to those members, perhaps no more than two rather than one.	1

11. The current scheme of travel allowances is linked to that recommended by HMRC and based on the rate for employees. Do you have any comments on the current scheme for Councillors?

Reply	Number of replies
No	18
No, it is fair and appropriate.	1
No, wish we could use public transport but none available at the moment that would get me to Ipswich in time for the start of many meetings.	1
Councillors should share transport to reduce costs	1
Don't claim too much hassle	1
Fair & Equitable	1
Has not changed in over 5 years, should reflect a link to rate of inflation.	1
I believe that the current scheme is too predicated on specific regular journeys and does not sufficiently reflect the amount of local travel entailed in carrying out the functions of a District Councillor - it would be difficult to fulfil this role without your own transport being available 24/7, particularly in rural areas where public transport is almost non-existent.	1
I believe the current rate of travel allowances are adequate as recommended by HMRC and they should remain,	1
I consider it to be adequate.	1
I do not claim as it is too complicated.	1
If I were not able to claim mileage allowance to attend formal meetings the cost of the round trip would be too much and I would be unable to continue as a Councillor.	1
If the Government changes the rules to allow for hybrid meetings, and that is adopted by our Council, then I am happy to forgo travel allowance. If I HAVE to travel to get to the Council Chamber, then I feel that at the least I should be compensated for the fuel and wear and tear on my car. There is no public transport I can take and I am not prepared to cycle down the A14.	1

It is fair.	1
Perhaps an increase to the allowance for cyclists and to add e-cycles	1
Rates are fine - wish it was easier to make a claim as it can take quite a while to enter all the information	1
Seems fair at present, though it does not take account of the travel time some members have to get to in-person meetings.	1
The rate at the moment seems fair	1
The travel allowances should encourage more councillors to travel by sustainable means. Currently those who drive will gain more. This does not fit with the declaration of a climate emergency.	1
Works fine.	1

12. Parental Leave Policy for Councillors – Currently there is no uniform national policy to support councillors who require parental leave for maternity, paternity, or adoption leave. However the LGA have developed a model policy that has been adopted by a number of councils which seeks to improve the diversity of these councils. Would you be supportive of a Parental Leave Policy for Councillors?

Reply	Number of replies
Yes	18
Yes - but this does not need to be as long as that for employees - a month, perhaps. Councillors still have ward case work and representational issues to attend to. It would assist greatly if they could attend meetings virtually in these circumstances.	1
Yes to encourage younger and more diverse councillors to be able to afford to undertake the work.	1
yes, and more allowances should be made for women who are going through the menopause.	1
Yes, but it is of little value as the vast majority of Councillors are 60 plus. The system is broken and does not represent the electorate. Adding parental leave is just fiddling round the edges	1
Yes, if it improves the attraction of being a councillor for the younger generation of potential councillors.	1
Yes, in principle.	1
Yes, it is vital to enable a more diverse council.	1
Yes, we need to attract younger members especially stay-at-home parents.	1
Yes. Anything we can do to widen the representation and diversity should be implemented. The current allowances really do not help with achieving this.	1
As being elected is a personal choice it is one which should be balanced against ones life responsibilities. The electorate should not have to pay for the changes that it may bring to your life balance.	1

Difficult one if the Leader went on a years leave this could be problematic, I would rather see reduced hours and with the new found world we find ourselves in remote meetings would be possible.	1
I would not be against this subject to this not affecting the efficient working of council, which could be for instance administration and opposition having an really sound agreement around pairing members, so that a vote in council or committee can be secured and not lost because a single member is taking maternity, paternity or adoption leave	1
Ideally yes	1
No strong views either way.	1
No. This is really part of the role.	1
Not sure it is relevant or workable. Who would represent your residents in your absence?	1
This may help encourage a wider age group to take on the role so then yes I would be supportive.	1
We need to encourage young people to come forward as councillors so this is important	1

13. **Dependent Relative Care Allowance – This should ensure that potential candidates are not deterred from standing for election and should enable current councillors to continue despite any change in their personal circumstances. Currently this is reimbursed at cost for registered/professional carers to £30 per hour but there is no provision for non professional people to undertake this role (e.g. other family members who don’t normally reside with the councillor). Do you believe this is correct or should the scheme be extended (e.g. to allow this with appropriate receipts at an hourly rate based on the real living wage?)**

Reply	Number of replies
Yes, should be extended to include other help	14
This should be extended with receipts on a real living wage	1
It should be extended to other non-professional carers at living wage rate.	1
In principle, yes, but safeguards will be needed to ensure that it wouldn't get abused.	1
I think an allowance should be payable to a non professional	1
Yes should be extended to allow a family member or neighbour to be the paid carer	1
The scheme should be extended to take account of some real world situations that can only be expected to become more frequent.	1
the scheme should recognize non professional carers too	1
No	1
Leave as is	1
I have no view on this.	3
Cannot be extended as it would be too expensive.	1
Didn't know this existed, I should apply?	1

From personal experience I recognise that a responsible family member is more acceptable to the dependant Relative, however a professional and responsible and registered carer often has the experience of a different level of training. So I would suggest this could be allowed but with a lower level of hourly funding.	1
I would never have put my council work before my partner needs so the allowance would not have been needed. As has been mentioned, its a vocation rather that a job, and as we receive "allowances" rather than wages so are not employees this has to be considered.	1
I believe that relatives are insufficiently supported and any step in that direction would be good	1
I believe that the scheme should be extended, for the reason that I have given in my reply to question 12 above.	1
I think that the scheme should be expanded, non-professional carers play a huge role supporting families.	1
If structured correctly i see no reason why not.	1
Not sure. I support the current arrangements, but would want any extension of those arrangements to be properly protected from being abused.	1
Paying family members is fraught with danger. The system should remain as it is.	1

14. If you have any other comments on Members' Allowances, please detail below:

Reply
Allowances are what 'allow' many members to undertake the role in the first place. A sacrifice in income is still involved, which accounts for the public service element in Question 5. At these levels of allowance the public service discount is automatically built in. A calculated hourly rate would involve levels that would be considered illegal elsewhere.
Basic Member allowance is to low.
I am very happy that on top of my Members Allowances, we receive really good IT kit and support to allow us to operate remotely. I want to continue to encourage that as it cuts down on our fuel emissions, time travelling, fuel costs etc
I do think that the statement: 'Government guidance states that "it is important that some element of the work of Councillors continues to be voluntary".' belongs to a different age. This may still apply to parish councillors, but the role of a district or county councillor has changed significantly over the past 30 years and requires a far more professional and dedicated approach.
I generally feel that allowances are far too low. A substantially higher allowance would encourage competition and attract a better calibre of Councillor in to the role. At present, the system tends to encourage retired people in the main. One has to question what relevance a retired member has to a large number of their constituents

In my experience, there has been a significant increase in personal stress caused by increased workload and resident expectations. More residents communicate in an unpleasant, rude, or confrontational manner and it feels that we are figures that deserve to be treated in such unkind and abrupt manner. There is no call for this, but the situation is worsening and not improving, and remuneration needs to reflect this behaviour we councillors have to encounter.
In the main Councillors seem to be in the older age group with many retired. In order to attract younger people to take on the role, possibly with families, the allowances should be at a sufficient level to make it affordable. Even if the Councillor had to take on a part time job to make up the pay to an average wage. At the moment it is very difficult for younger, or even middle aged, people to commit to the role.
Members play a valuable link for communities and councils with less coming forward each election. More members don't stand for a second term because of the work load.
Personally I believe councillors should be paid more, across the country, at the minute the small allowance combined with the requirement to attend, for example, committee meetings during the day, strongly discourages people who work full time from entering politics, meaning that the majority of positions are held by people who can afford to do it as a hobby! Thus we're not getting proper representation
The arrangements at Babergh differ from those at Mid Suffolk by only allowing one SRA to be claimed. For the reasons I have given to previous answers I think this is completely wrong. We need to properly reflect the additional workload. I also attend Parish Council meetings in my ward (as do most councillors) and deal with issues and enquiries both individually and at a parish level. I have not included this in my figures, but have always taken the view that this commitment is partly the 'voluntary' (unremunerated) work referred to in question 5 and partly covered by the Basic Allowance.
The system should be structured to encourage younger people to stand for election. Why are the majority of councillors old? Because they have the time and money to take on the role.
The total cost of allowances (and expenses) should be reported to Council annually.
To maintain and attract Councillors in the future allowances have to reflect the time and commitment given by members.
You will note that on the percentage of Unremunerated amount of time that I would expect in a voluntary capacity is considered to be zero, this is because I look at Case Work which has grown in this past period and also the other work I do which I consider to be already given in a voluntary capacity and is not included in my time.

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Appendix F

1. AMENDMENT TO RECOMMENDATIONS - LEADER OF THE COUNCIL

1.1 That Council considers whether it wishes to adopt all or part of the recommendations of the Independent Remuneration Panel (IRP), as reviewed by the joint, cross party, Task and Finish Group of Councillors, and set out below:-

a) That the Basic (Ward Representation) Allowance be set at £6,510. This is based on a 35% public service discount calculation; and uplifted by 6%. This latter percentage has been calculated in line with paragraph 1.3 below. It is aligned to the equivalent officer inflation increase for 2022/23. The officer pay offer for 2022/23 is an identical payment of £1,925 for each officer (regardless of grade). For the purposes of councillors, a percentage has been calculated by applying £1,925 to the average officer salary (as at 1st April 2022) of £32,284. This is in line with 1.3 below.

b) That the Special Responsibility Allowances (SRA) be set at:-

Role	Multiplier	Amount
Chairman of the Council	1	£6,510
Deputy Chairman of the Council	0.5	£3,255
Leader of Council	2.5	£16,275
Deputy Leader of the Council	1.25	£8,137
Chair of Planning Committee	1	£6,510
Vice-Chair of Planning Committee	0.5	£3,255
Chair of the Joint Scrutiny Committee	1	£6,510
Vice Chair of the Joint Scrutiny Committee	0.5	£3,255
Chair of Joint Audit and Standards Committee	0.5	£3,255
Planning Committee Members	0.125	£814
Political Group Leaders 5 or more members	0.75	£4,882
Political Group Leaders less than 5 members	0.25	£1,627
Chair of Regulatory Committee	0.5	£3,255
Vice-Chair of Regulatory Committee	0.25	£1,627
Cabinet Member with Portfolio	1.25	£8,137
Cabinet Member without Portfolio	0.5	£3,255
Lead Member	0.75	£4,882

c) That no Councillor will be entitled to claim more than two SRA's.

d) That the Travel and Subsistence Allowance be set as the maximum levels payable to council staff in line with HM Revenue advertised Customs' rates. Currently at:-

Mileage Rate 45p per mile
Cycle Mileage Rate 27.7p per mile
Passenger Allowance 5p per mile

e) That the Childcare and Dependants Allowance be set at:-

Childcare Allowance up to £13 per hour (subject to a receipt)
Dependants Relative Care/Specialist Nursing Care Allowance up to £30 per hour (subject to a receipt)

With no cap on the maximum amount you can claim per month for approved duties.

1.2 That the revised Member Allowance Scheme will take effect from 8th May 2023.

1.3 That the revised Basic Allowance be increased in line with the Local Government Officer pay awards until the scheme is next reviewed in 2026 or earlier. If a future officer pay award was to be in the form of a lump sum the increase would be calculated by establishing the percentage increase of the lump sum using the council's average officer wage.

1.4 That a Parental Leave policy be formulated on the principles set out in the Panel's report and brought back to Council for approval.

1.5 That a revised Members Allowances Scheme incorporating the decisions of the Council be prepared by the Monitoring Officer. Further, that the Monitoring Officer be authorised to make any typographical and other minor / consequential amendments prior to publication of the final document.

1.6 That the Council formally records its thanks to the Independent Remuneration Panel for their work in preparing the report.

2. Financial Implications

2.1 Provision will be made in the budget for the proposed amendments to the Scheme of Allowances based on Council accepting the recommendations.

Type of Allowance	Current Costs 2021/2022 £	Projected Costs 2023/24 based on IRP report	Projected Costs 2023/24 based on members amendments to IRP report
Basic Allowance	170,624	181,408	208,320
Special Responsibility Allowance	94,108	106,450	151,352
Total per Annum	264,732	287,858	359,672

(Projected costs are based on current placings and 2 SRA's)

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