



AGENDA

COUNCIL MEETING

THURSDAY, 23RD FEBRUARY, 2023 – 5.30 PM

Members of the Council are summoned to a meeting of the Mid Suffolk District Council at King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Thursday, 23rd February, 2023 at 5.30 pm.

A handwritten signature in black ink, appearing to read "Arthur Charvonja".

Arthur Charvonja
Chief Executive



MSDC COUNCIL	
DATE:	THURSDAY, 23 FEBRUARY 2023 5.30 PM
VENUE:	KING EDMUND CHAMBER, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH IP1 2BX

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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**

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| 6 | TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES | |

In accordance with Council Procedure Rule 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.

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| 7 | QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES | |
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The Chairman of the Council to answer any questions from the public of which notice has been given no later than midday three clear working days before the day of the meeting in accordance with Council Procedure Rule 12.

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

The Chairman of the Council, Chairs of Committees and Sub-Committees and Portfolio Holders to answer any questions on any matters in relation to which the Council has powers or duties or which affect the District of which due notice has been given in accordance with Council Procedure Rule 13.

9 **MC/22/35 GENERAL FUND BUDGET 2023/24 AND FOUR-YEAR OUTLOOK** 23 - 90

Cabinet Member for Finance

In accordance with Council Procedure Rule 19.3, immediately after any vote is taken at a budget decision meeting of the Council the names of Councillors who cast a vote for the decision or against the decision or who abstained from voting shall be recorded in the Minutes of that meeting.

At its meeting on 6 February 2023, Cabinet considered Paper MCa/22/41, the General Fund Budget for 2023/24 and four-year outlook. Paper MC/22/35 now includes all the relevant updated information together with the necessary recommendations. The tax base, precepts and council tax band information at parish level has also been updated with the exception of four Parishes where the formal written precept notification remains outstanding. Further details will be reported at the meeting.

10 **MC/22/36 HOUSING REVENUE ACCOUNT (HRA) 2023/24 BUDGET** 91 - 102

Cabinet Member for Finance

In accordance with Council Procedure Rule 19.3, immediately after any vote is taken at a budget decision meeting of the Council the names of Councillors who cast a vote for the decision or against the decision or who abstained from voting shall be recorded in the Minutes of that meeting.

At its meeting on 6 February 2023, Cabinet considered Paper MCa/22/42, the Housing Revenue Account Budget for 2023/24. Paper MC/22/36 includes all relevant updated information and includes the necessary recommendations.

11 **MC/22/37 CASE FOR A NEW JOINT DEPOT** 103 - 114

Cabinet Member for Assets & Investments

- 12 **MC/22/38 STOWMARKET, HEALTH, EDUCATION AND LEISURE FACILITIES (SHELF) UPDATE** 115 - 146

Cabinet Member for Economic Growth and Cabinet Member for Health and Wellbeing

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

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

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

PART 2

- 14 **RESTRICTED APPENDIX - CASE FOR A NEW JOINT DEPOT (Exempt information by virtue of Paragraph 1 of Part 1)** 147 - 166

Cabinet Member for Assets & Investments

- 15 **RESTRICTED APPENDIX - STOWMARKET HEALTH, EDUCATION AND LEISURE FACILITIES SCHEME (Exempt information by virtue of Paragraph 1 of Part 1)** 167 - 168

Cabinet Member for Economic Growth

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

PART 1

- 17 **MC/22/39 JOINT CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2023/24** 169 - 238

Co-Chair of Joint Audit and Standards Committee

At its meeting on 30 January 2023, Joint Audit and Standards Committee considered Paper JAC/21/42, the Joint Capital, Investment and Treasury Management Strategies. Paper MC/22/39 now includes all the relevant updated information, together with the necessary recommendations.

- 18 **COUNCILLOR APPOINTMENTS**

- 19 **MOTIONS ON NOTICE**

Date and Time of next meeting

The next meeting is scheduled for Monday, 20 March 2023 at 5.30 pm.

Webcasting/ Live Streaming

The Webcast of the meeting will be available to view on the Councils YouTube page:

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

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

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- 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 3

MID SUFFOLK DISTRICT COUNCIL

Minutes of the meeting of the **MID SUFFOLK COUNCIL** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Thursday, 26 January 2023 at 5.30pm.

PRESENT:

Councillor: James Caston (Chairman)
Paul Ekpenyong (Vice-Chair)

Councillors: Oliver Amorowson Gerard Brewster
David Burn Terence Carter
Austin Davies Rachel Eburne
John Field Julie Flatman
Jessica Fleming Dr Helen Geake
Peter Gould Kathie Guthrie
Lavinia Hadingham Matthew Hicks
Barry Humphreys MBE Sarah Mansel
John Matthissen Andrew Mellen
Richard Meyer Suzie Morley
Dave Muller Mike Norris
Penny Otton Timothy Passmore
Dr Daniel Pratt Harry Richardson
Keith Scarff Andrew Stringer
Rowland Warboys Keith Welham
John Whitehead

In attendance:

Officers: Chief Executive (AC)
Deputy Chief Executive (KN)
Monitoring Officer (IA)
Director Corporate Resources (ME)
Corporate Manager Finance, Commissioning and Procurement (RH)
Shared Revenues Partnership Operational Manager (AM)
Corporate Manager Governance & Civic Office (JR)
Assistant Manager Governance (HH)

Apologies:

None received.

77 DECLARATION OF INTERESTS BY COUNCILLORS

77.1 The Chair invited the Monitoring Officer to explain matters surrounding the 'other registrable interests' ahead of item 11 for dual hatters in the relevant parish areas.

77.2 The Monitoring Officer stated that it was not necessary for dual hatters to disclose interests in regard to item 11, however Councillors may choose to do so should they wish for transparency purposes. Furthermore, declarations of 'other registrable interests' are only mandatory if they effect the financial or wellbeing of the respective organisation.

77.3 Councillor Matthissen queried whether this applied to district councillors who represented the wards in question or those who were members of one of the listed parish councils. Additionally, Councillor Matthissen asked whether the parish councils impacted by a boundary move, would be subject to this aforementioned advice, such as Combs Parish Council.

77.4 The Monitoring Officer confirmed that parish councils impacted by a boundary move would be included and that Combs Parish Council would be added to the list. Furthermore, the Monitoring Officer clarified that the advice only applied to those sitting on the parish councils in question (dual hatters), as district representatives who do not sit on the listed parish councils do not have an 'other registrable interest'.

77.5 Council Field questioned the applicability of Baylham council meeting, as it had intentions towards becoming a parish council.

77.6 The Monitoring Officer confirmed that it would only become applicable once it had obtained parish council status.

77.7 Councillor Amorowson asked whether adjoining parish boundaries are also applicable.

77.8 The Monitoring Officer replied yes eventually, but not at this juncture.

77.9 Councillor Muller and Councillor Brewster declared themselves as members of Stowmarket Town Council and as members of the Community Governance Review.

77.10 Councillor Humphreys, Councillor Amorowson and Councillor Ekpenyong declared themselves as members of Stowmarket Town Council.

77.11 Councillor Caston invited Councillors to declare any further realised interests at any point during the meeting.

77.12 The Monitoring Officer recommended that affected Councillors request a dispensation from the Monitoring Officer in writing to enable participation in future discussions.

77.13 Councillor Mansel asked whether dispensations are required to discuss the council tax reduction scheme.

77.14 The Monitoring Officer confirmed that Councillors had already been granted dispensation for the council tax reduction scheme from the last Annual Council.

78 MC/22/28 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 24 NOVEMBER 2022

It was RESOLVED:-

That the Minutes of the meeting held on 24th November 2022 be confirmed and signed as a true record.

79 MC/22/29 CHAIRMAN'S ANNOUNCEMENTS

79.1 The Chair referred Councillors to paper MC/22/29 for noting.

79.2 The Chair declared his attendance at his chosen charity, Stowmarket ASD Saturday Clubs on 21st January 2023 for their grand prize draw. In addition, he invited Councillors to his Civic Service at Bramford Church on 5th February 2023.

80 LEADER'S ANNOUNCEMENTS

80.1 The Leader of the Council made the following announcements: -

Freeport East

Since our last meeting, I am pleased to say Freeport East has received final Government approval, allowing it to move forward into the delivery phase.

The development of the Freeport, which includes Gateway 14 at Stowmarket as one of the three main development sites, is expected to create up to 13,500 new jobs.

Getting to this major milestone is an important moment, and the result of much hard work from a number of different organisations, including Mid Suffolk District Council. The opportunities to welcome businesses to the region, as well as to create employment for people in and around Stowmarket and the Mid Suffolk area, will provide a huge boost to our local economy.

And I am pleased to report that this afternoon, I attended a ground breaking ceremony for The Range.

Solar car ports

Our new solar car ports have been unveiled at Mid Suffolk Leisure Centre in Stowmarket, and I was delighted to see this pioneering project complete. 70 solar carports are located at the centre, providing up to almost 24% of the centre's annual electricity demand.

We are among the UK's first rural local authorities to trial the technology, which will not only reduce the centre's reliance on the grid, but also cut carbon emissions. The site also includes battery storage so excess energy produced during sunnier periods can be saved for later, as well as electric vehicle charging points.

Combined with a similar scheme at Kingfisher Leisure Centre in Sudbury, the works cost £1.4m which was funded by £800,000 match funding from the DLUHC's Getting Building Fund - awarded by the New Anglia Local Enterprise Partnership. This was topped up by a combined £650,000 from the councils. It is a good example of the innovative work we are doing to reduce carbon emissions.

Voter ID

As you will be aware, the Government has introduced a requirement for voters to show photo ID when voting at a polling station. The local and parish elections in May will be the first time that electors will need to show voter ID.

Mid Suffolk District Council is committed to ensuring residents are fully aware of what is happening and will be using our full range of communication channels to support the Electoral Commission's national campaign within our district. Members can also play a key role in raising awareness of these changes and there are resources available to help.

All members should have been sent details of these changes to help you respond to any questions. This includes a summary of the accepted forms of photo ID that can be used in polling stations. It also shows how residents without any of the accepted forms of photo ID can apply for a free voter ID document, known as a Voter Authority Certificate, online or complete a paper application form.

More details are available on our website or the Electoral Commission website.

New fleet of bin lorries

And finally... our new fleet of environmentally-friendly bin lorries has now hit the road, and I want to say thank you to the hundreds of our residents who suggested names for them.

The two-week long competition saw over 400 individual name suggestions from people of all ages, which was a great response. The councils' crews and waste team chose just 22 from the shortlist and came up with an excellent list.

So, we warmly welcome Ed Sheerbin and Gary Bineker, among others, to their new rounds.

80.1 Councillor Eburne requested clarification on whether the £650,000 top up for solar carports was from both Councils.

80.2 Councillor Morley believed it was from both Councils but would check.

80.3 Councillor Matthissen, in regard to voter ID, asked where paper applications would be able to be obtained for those without access to the internet.

80.4 The Chief Executive replied that it would be answered outside of the meeting.

80.5 Update: Those who require a paper application or are in need of assistance, can do so by contacting the Council for the form or help respectively. Contact can be either via one of the Council's Customer Access Points, the main telephone number: 0300 1234000 or emailing: elections@baberghmidsuffolk.gov.uk

Guidelines for the paper application process:-

When applying for a Voter Authority Certificate, you will need to provide your:

- name
- address
- date of birth
- National Insurance number

You should apply using the same name that you used to register to vote.

You will not need to provide your gender, and your certificate will not have a gender marker.

If you don't know your National Insurance number or don't have one, you can find your National Insurance number on:

- payslips
- official letters about tax, pensions or benefits

You can still apply if you don't know your National Insurance number, or don't have one, you will need to provide other forms of proof of identity, such as a birth certificate, bank statement and a utility bill. Your local council will contact you to arrange this.

If you don't have any other accepted proof of identity, you can ask someone you know to confirm your identity. This is known as an attestation.

Providing a photograph:

You will need to submit a photo with your application. The requirements for the photo are similar to the requirements for a passport photo.

If you need help taking a photo, then your local council will be able to do this for you. To be accepted, the photo you provide must meet certain requirements in terms of style, quality and size.

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

81.1 None received.

82 QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

82.1 None received.

83 QUESTIONS BY COUNCILLORS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

83.1 None received.

84 MC/22/30 OVERVIEW AND SCRUTINY COMMITTEE REPORT

84.1 The Chair invited Councillor Welham, Chair of Overview & Scrutiny Committee to introduce report MC/22/30 which was for noting.

84.2 Councillor Passmore asked for further clarity on the Council facilitating a collaborative approach between organisations.

84.3 Councillor Welham responded that the approach is a recognised area of improvement to be worked on.

84.4 Councillor Scarff referred to pg. 20-21 where the Joint Overview & Scrutiny Committee supported a 30% uplift to local citizens advice and recommended a 2 year continuity and requested an update on the situation.

84.5 Councillor Welham confirmed the unanimous support of the O&S Committee and the inclusion of the item in the upcoming budget.

84.6 Councillor Pratt asked whether the report included considerations towards people experiencing rural poverty and lack of transport to reach urban centres.

84.7 Councillor Welham acknowledged there was sparse debate around the issue but mentioned that various Councillors did voice rural and urban differentiations and also that the Council is responsible for making sure rural residents are not disadvantaged.

84.8 Councillor Davies requested that the Council support SALC formally and financially as West and East Suffolk have done so already.

84.9 Councillor Welham commented that the request was outside the scope of the O&S Committee but agreed that the issue should be looked into by the communities portfolio.

84.10 Councillor Mansel referred to pg.21, section 3.2.2 and sought assurance that the protocol would improve the working relationship between Cabinet and O&S Committee.

84.11 Councillor Welham gave assurances that the O&S Committee welcomed the protocol and acknowledged the need for the protocol, providing examples.

85 RECOMMENDATIONS FROM CABINET / COMMITTEES

86 MCA/22/34 COUNCIL TAX REDUCTION (WORKING AGE) SCHEME 2023/24

86.1 The Chair invited Councillor Whitehead, Cabinet Member for Finance, Assets and Investments to introduce report MCA/22/34.

86.2 Councillor Whitehead **PROPOSED** the Recommendations which was **SECONDED** by Councillor Ekpenyong.

86.3 Councillor Eburne asked what the expected cost of the scheme was, and whether the government's council tax fund allocation was to be used in addition to the scheme.

86.4 Councillor Whitehead directed the Council to option 2 within the report in regard to the scheme's cost and further detailed the cost breakdown. Councillor Whitehead confirmed that the £114,000 government fund would be used in its entirety to be distributed to qualifying residents.

86.5 Councillor Eburne asked for confirmation that the total cost of the scheme was £16,600 and queried where the £26,100 in option C was placed.

86.6 Councillor Whitehead explained that as the scheme is dependent on qualifying residents, an anticipated cost of £26,100 had been reserved from the Council's Covid-19 earmarked reserve.

86.7 Councillor Eburne asked whether that meant the cost was in actually £42,700 from two financial resources.

86.8 Councillor Whitehead confirmed the total was £42,700 plus the addition of £6,600 subsidies for parish councils.

86.9 Councillor Eburne noted her dissatisfaction with the clarity of the figures.

86.10 Councillor Whitehead mentioned that simplified administration costs beyond year 1 would also save some expenses.

86.11 Councillor Mansel voiced concern to the survey results in Appendix D, which entailed a survey figure of 53 people, and asked how the survey was conducted. Additionally, Councillor Mansel expressed her disappointment on pg.34 that monetary figures were used instead of percentages.

86.12 The Director of Corporate Resources substantiated the survey process.

86.13 Councillor Whitehead clarified that 53 responded over and above the statutory requirement and defended the number as normal for a non-contentious item.

86.14 Councillor Pratt enquired what the eligibility for the council tax reduction scheme would be for people with a recognised disability who were not necessarily using universal credit.

86.15 The Shared Revenues Partnership Operational Manager explained that the scheme is a change to an existing scheme, with the simplification that those who work pay something and those who do not work pay nothing. Additionally, eligibility is low-income inclusive.

86.16 Councillor Passmore declared an interest as a police and crime commissioner with the agenda item impacting the policing budget. Councillor Passmore requested clarity on houses with multiple incomes.

86.17 The Shared Revenues Partnership Operational Manager explained that council tax is a household tax and therefore council tax reduction takes into consideration all household incomes. With regard to Universal Credit, the Department of Work and Pensions take over the means test and eligibility.

86.18 Councillor Stringer asked what determines a deserving recipient.

86.19 The Shared Revenues Partnership Operational Manger answered that the award was for anybody in receipt of council tax reduction, with the exception of those who obtain 100% council tax reduction as the £25 award is only deductible on remaining balances.

86.20 Councillor Carter sought clarification on whether the 100% reduction applies to those with UC and/or to those on the council tax reduction scheme.

86.21 Councillor Whitehead confirmed both.

86.22 Councillor Matthissen requested a communications release to clarify the process.

86.23 Councillors debated the matter in support of the recommendation to assist the financially vulnerable. During the debate some concern was raised regarding residents who might not quite qualify though the cost-of-living strategy was acknowledged as another avenue of support. Concern was also voiced towards the arrangements for the subsequent financial year, as well as concern towards the clarity of the financial reporting due to the entanglement with other districts and the Ipswich Borough in the Shared Revenues Partnership. In addition, it was acknowledged that the scheme would provide a reduction in administrative expenses and staff pressures.

It was RESOLVED:

1. That Council approved Option 3 (as set out in Appendix C of this report) be used as the basis for a revised (Working Age) Council Tax Reduction Scheme for 2023/24. In addition, the following recommendations as a result of the Governments announcements in the Provisional Settlement relating to the additional local Council Tax Support award for 2023/24
2. That Council approved the introduction of an additional Local Council Tax Support award for 2023/24 of up to at least £25 per recipient where residual liability for Council Tax exists, as permitted under Section 13A (1) (c) of the Local Government Finance Act 1992.
2. That Council gives authority to the Director for Corporate Resources in consultation with the Cabinet Member for Finance to agree Local Discretionary Policy as permitted under Section 13A (1) (c) of the Local Government Finance Act 1992 to determine the method of distribution for any funds remaining from the additional Council Tax Support Fund for 2023/24.

87 JAC/21/38 HALF YEAR REPORT ON TREASURY MANAGEMENT 2022/23

87.1 The Chair invited Councillor Muller, the Co-Chair of Joint Audit and Standards Committee to introduce report JAC/21/38.

87.2 Councillor Muller and the Corporate Manger for Finance, Commissioning and Procurement corrected errors within the report:

- On pg.43 point 9 of 4.7, it should state that Mid Suffolk's overall debt decreased by £7million in line with table 3 appendix B.
- On pg.53 in table 2 in appendix A, it should state medium/long-term borrowing of £104,835million and short-term borrowing of £30.5million at 31/3/22 and medium/long-term borrowing of £99.285million and short-term borrowing of £29million at 30/9/22. Table 3 on pg.55 show the corrected borrowing figures.

87.3 Councillor Muller **PROPOSED** the Recommendations which was **SECONDED** by Councillor Caston.

87.4 Councillor Warboys enquired in regard to pg.42 as to why barriers to trade, in particular with the Eurozone, were not included in the context of how the report was made.

87.5 The Director of Corporate Resources advised that the economic context is provided by treasury advisors and that she would ask them about the inclusion of barriers to trade for reports going forward.

87.6 Councillor Otton queried pg.62 paragraph 1.14-17 in regard to the department of levelling up, stating the decision as yet to be announced with unusable reserves and requested further clarity on possible changes in how councils are able to manage.

87.7 The Corporate Manager for Finance, Commissioning & Procurement replied that since the report was prepared, an announcement had been received on the issue and this entails an accounting adjustment which negates the impact of rises and falls of the values of these investments on Council's revenue budget and has been extended up to the financial year of 24/25.

87.8 Councillor Eburne asked in regard to the review of all council activities and ESG considerations pg.44 paragraphs 11.1 and 11.3, what work was being carried out by cabinet to progress these points. Additionally, Councillor Eburne enquired about the lack of initial investment figures listed on pg.68 for all investment tables.

87.9 The Director for Corporate Resources confirmed issues will be taken forward with the treasury advisors.

87.10 Councillor Amorowson asked whether there was an error on pg.64 with tables 6.2 and 6.3 due to their similarity.

87.11 The Corporate Manager for Finance, Commissioning & Procurement responded that the tables will be checked for accuracy. Councillor Matthissen asked a question related to pg.60 whether the CIPFA code and government guidance on treasury has yet to recommend ESG criteria, as well as security, liquidity and prudence.

87.12 The Director for Corporate Resources was not aware of any current conversations with CIPFA but recognised that more work is required on the matter.

87.13 Councillor Mansel questioned the inclusion of the climate change task group on pg.44 section 11.

87.14 The Director for Corporate Resources confirmed that while the task group is no longer active, activities will still be reviewed through the guise of the work on climate change.

87.15 Councillors debated the report. Comments were made on mitigating risk. Discontent was voiced with the errors within and delay to the report, and concern towards the lack of diversity of investments. Conversely, it was acknowledged that the report is a snapshot in time, and that a periodic review may be more preferable. In addition, it was advised that officers and the audit committee perform more rigorously going forward.

87.16 The Chair explained the report required formal noting.

It was RESOLVED:

- 1) That the Treasury Management activity for the first six months of 2022/23 as set out in report JAC/21/38 and Appendices be noted.
- 2) That it be noted that Mid Suffolk District Council's treasury management activity for the first six months of 2022/23 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.

88 MC/22/31 COMMUNITY GOVERNANCE REVIEWS 2022

88.1 The Chair invited the Monitoring Officer to introduce report MC/22/31.

88.2 The Recommendation was **PROPOSED** by Councillor Richardson and **SECONDED** by Whitehead.

88.3 Councillor Otton queried why the community governance working group has been presented with a boundary review that the group was not tasked to oversee.

88.4 The Chair stated the importance of the current Monitoring Officer not being in post at the time when the review commenced and that historic actions will not be able to be commented on.

88.5 The Monitoring Officer explained that the implication of the parish submissions entailed a boundary review.

88.6 Councillor Pratt asked why adequate consultation had not been carried out within the time frame and how much more time would be needed.

88.7 The Monitoring Officer said he was unable to comment on why adequate consultations were not conducted within the timeline but that a new timeline could be established once liaison with the boundary commission had taken place, to ensure their requirements are met.

88.8 The Monitoring Officer clarified that the initial review only reached parish and town councils without having taken the next level of consultation involving residents, housing associations, and other stakeholders. The depth of consultation is a discretionary matter for the Council; however, the Monitoring Officer cautioned that the current level of consultation would not be adequate for the boundary commission to accept.

88.9 Councillor Scarff voiced concern at whether the working group was provided the right brief and asked what lessons could be learnt from the situation.

88.10 The Monitoring Officer apologised that he was unable to comment.

88.11 Councillor Scarff requested that questions raised by the Council on the matter be looked into and answered at a later date.

88.12 Councillor Mansel queried whether any other process was required for the movement of ward boundaries.

88.13 The Monitoring Officer advised that clarification from the boundary commission would take precedence, and anticipated ward boundaries would entail greater consultation.

88.14 Councillor Eburne noted that it would have been useful for the original report Officer to have been in attendance and additionally noted that the Leader of the Council was also behind the original report and suggested questions be directed towards them.

88.15 Councillor Ekpenyong recommended seeking answers from the previous Monitoring Officer, other officers and the Chief Executive.

88.16 The Chief Executive acknowledged the complexity of the matter and believed the focus should be placed towards moving forward with lessons learnt. The Chief Executive stated that future governance reviews would be managed differently.

88.17 Councillor Matthissen requested that the scope of the governance review group be clarified in regard to ward boundaries changes, in reference to 4.2.

88.18 Councillor Otton **PROPOSED** an amendment to support the recommendation of appendix A and defer recommendation 3.2 **SECONDED** by Councillor Mansel.

88.19 The Chief Executive sought clarity on whether the amendment was to defer the consideration within Council or to defer the governance review in its entirety.

88.20 Councillor Otton clarified that the amendment would be to remove recommendation 3.2 from Council.

88.21 The Monitoring Officer explained that should 3.2 be deferred, the process would continue in motion as the process has not reached a conclusion.

88.22 Councillor Mansel read out recommendation 3.2 and reiterated that the recommendation is for Council to note. As such, Councillor Mansel stated that there was a need for more explanation before Council could note the matter.

88.23 Councillor Passmore pressed for moving the review forward and reasoned that outstanding queries could be addressed in addition.

88.24 Councillor Richardson contested the amendment and agreed with Councillor Passmore.

88.25 Councillor Otton withdrew her amendment.

88.26 Councillor Mansel disputed the necessity for Council to accept 3.2, as the process would continue and requested the separation of the recommendations.

88.27 The Chair asked the Council whether they were content to vote on each recommendation individually.

88.28 Councillor Scarff asked for legal position of the Council for non-determination of the matter within the 12-month period.

88.29 The Monitoring Officer informed the Council that they would be subject to judicial review in any situation but advised that continuing the process would provide the Council grounds to defend against any potential legal challenges.

88.30 Councillor Warboys raised confusion about the status of the review as 'ongoing'.

88.31 The Monitoring Officer clarified that the process is ongoing as the wider consultation has not taken place as well as accounting for the next 5 years of developments.

88.32 Councillor Scarff contended that a review could have been held earlier and commented that Stowmarket Town Council is not financed for providing services to the residents in the new developments in the disputed boundary area.

88.33 Councillor Mansel disputed the relevancy of Councillor Scarff's comments.

88.34 Councillor Welham invited the proposer and seconder to withdraw recommendation 3.2. Councillor Richardson withdrew recommendation 3.2.

It was RESOLVED:

That Council agreed the recommendations in Appendix A

89 MC/22/32 SPECIAL URGENT DECISIONS TAKEN BY OFFICERS UNDER DELEGATED POWERS IN ACCORDANCE WITH PART 2 OF THE CONSTITUTION

89.1 The Chair invited the Chief Executive to introduce report MC/22/32 which was for noting.

89.2 Councillor Fleming asked how many new devices were provided and for the division of goods versus services for the cost and noted that a breakdown would have been appreciated.

89.3 The Chief Executive provided a breakdown of 3,078 carbon monoxide detectors and 2,937 smoke detectors into tenant properties.

89.4 Councillor Eburne requested whether this decision was taken to comply with the new regulations from the social housing regulator and whether additional compliance issues will arise from this that will entail Council spending and other contracts.

89.5 The Chief Executive confirmed the decision links the 2022 regulations and anticipated further future compliances.

89.6 Councillor Whitehead asked whether the figures provided encompassed both Councils.

89.7 The Chief Executive clarified that the figures provided were only related to Mid Suffolk and that the inclusion of Babergh would essentially double those figures.

90 COUNCILLOR APPOINTMENTS

90.1 There were no changes to placings.

91 MOTIONS ON NOTICE

91.1 None received.

The business of the meeting was concluded at 8.15pm

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Chair

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Agenda Item 4

MC/22/34

MID SUFFOLK DISTRICT COUNCIL - 23 FEBRUARY 2023

CHAIRMAN'S ANNOUNCEMENTS

EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR
JANUARY 2023				
Visit to the Chairman's charity, Stowmarket ASD Saturday Clubs	The Hub, Crown Street, Stowmarket	21-Jan	✓	
Babergh Chairman's Charity Dinner	Royal Hospital School, Holbrook	28-Jan	✓	
FEBRUARY 2023				
Gateway 14, Stowmarket - road opening	Gateway 14, Stowmarket	01-Feb	✓	
MSDC Chairman's Civic Service	St Mary the Virgin church, Bramford	05-Feb	✓	

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Agenda Item 9

MID SUFFOLK DISTRICT COUNCIL

TO: Council	REPORT NUMBER: MC/22/35
FROM: Councillor John Whitehead, Cabinet Member for Finance	DATE OF MEETING: 23 February 2023
OFFICER: Melissa Evans, Director, Corporate Resources	KEY DECISION REF NO. N/A

GENERAL FUND BUDGET 2023/24 AND FOUR-YEAR OUTLOOK

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the General Fund Budget for 2023/24 and four-year outlook.
- 1.2 To enable Members to consider key aspects of the 2023/24 Budgets, including Council Tax and to approve the final budget.

2. OPTIONS CONSIDERED

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

3. RECOMMENDATIONS

- 3.1 That the General Fund Budget proposals for 2023/24 and four-year outlook set out in the report be approved.
- 3.2 That the General Fund Budget for 2023/24 is based on no increase to the Band D Council Tax.

REASON FOR DECISION

To bring together all the relevant information to enable Members to approve the Councils 2023/24 General Fund Budget.

4. KEY INFORMATION

Background

- 4.1 In February 2022 Mid Suffolk District Council approved the General Fund Budget 2022/23 and Four-Year Outlook. The budget setting approach for 2022/23 recognised that the Council has tended to underspend the budget that has been set in recent years, primarily due to additional income being received.
- 4.2 Managers have traditionally used a worst-case scenario when putting their budget proposals together. Amalgamating these assumptions across the whole organisation has, in recent years, resulted in underspends. The unintended consequence is that resources are committed during the budget process that could be used for other priorities or alternatively savings must be made that are not actually needed.
- 4.3 For 2022/23 stretching, but realistic, assumptions were used when putting budget proposals together across both expenditure and income. However, global events, rising inflation and interest rates have created an unprecedented financial challenge for the Council resulting in a likely overspend against budget as detailed in 4.10 below.

National Economic Position

- 4.4 The national economic position has changed significantly since the budget for 2022/23 was set.
- 4.5 The Office for Budget Responsibility's (OBR) economic forecasts, provided alongside the Chancellor's Autumn Statement in November, showed a worse position than the numbers from March 2022. A lower growth rate for Gross Domestic Product (GDP) is the driving factor behind the UK's worsening economic prospects. In March 2022, the Office for Budget Responsibility (OBR) forecast that the UK would recover from the economic impact of the pandemic, and then continue to grow at around 1.7% per year from 2023 onwards.
- 4.6 The Bank of England forecast in its November Monetary Policy Committee (MPC) report that the economy will contract by 0.75% in the second half of 2022, and then continue to fall during 2023 and into the first half of 2024. The OBR is not quite as pessimistic but still forecasts a recession starting in the second half of 2022 and extending into 2023.
- 4.7 The pandemic led to a massive increase in public sector borrowing and the current crisis will lead to a second (smaller) peak. Increased borrowing is caused by higher interest rates (impact on the Government's debt payments), higher inflation (pensions and benefits linked to inflation), and the wider economic slowdown. Bringing down borrowing is central to the Chancellor's fiscal plans. Net borrowing was previously expected to settle around £50bn per annum but on current plans will settle at a higher level, at around £70-£80bn in 2026/27 and 2027/28.
- 4.8 The Consumer Price Index (CPI) increased significantly in 2022, led by high energy prices. Inflation peaked at 11.1% in October and dropped to 10.7% in November. The OBR expects inflation to return to its target level by 2027 but is forecasting it will be much lower than that beforehand and potentially even negative in 2025. Most independent forecasters take the same view as the OBR about inflation but there are still serious risks that higher levels of inflation persist into 2024 and beyond.

2022/23 Budget and Forecast Outturn

- 4.9 On 24 February 2022, the Council set a balanced budget for 2022/23. Excluding both housing benefits payments and income, the budget comprised of £21.5m expenditure and £12.6m income, to give a net service budget of £8.9m. The 2022/23 budget is primarily funded from council tax, business rates and government grants. Chart 1 below shows how the £21.5m expenditure is allocated across the services and Chart 2 below shows the breakdown of the £12.6m service income.

Chart 1: Expenditure by Service Area (excl. housing benefits) 2022/23 (£21.5m)

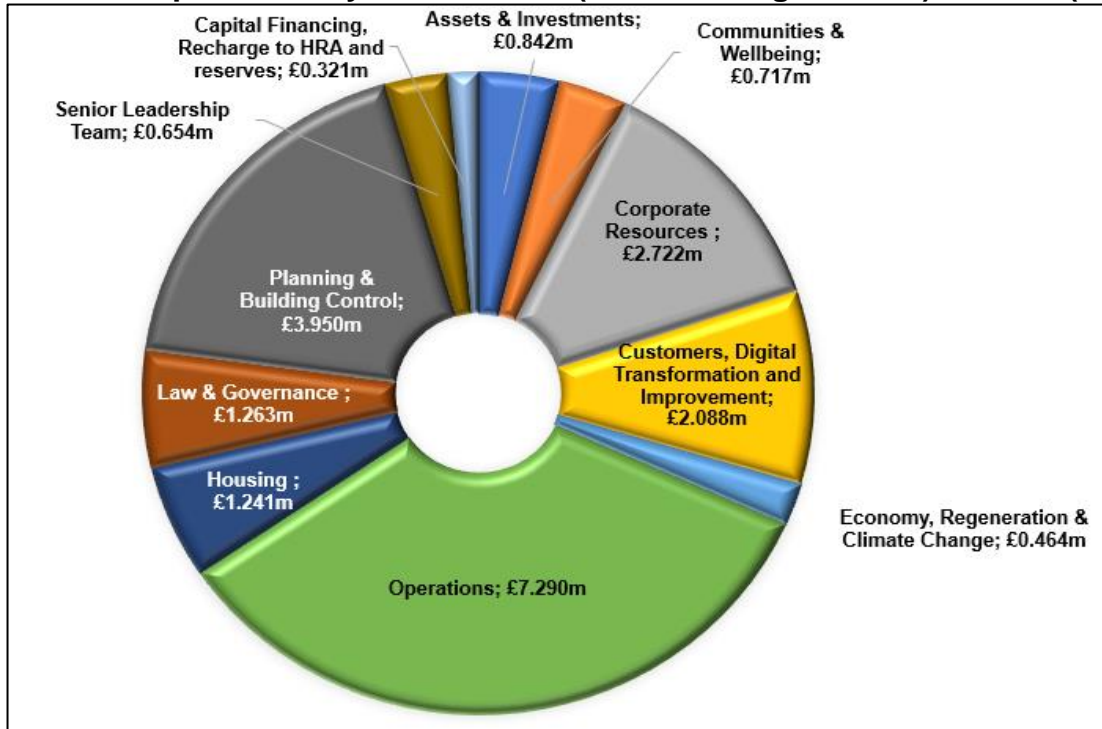
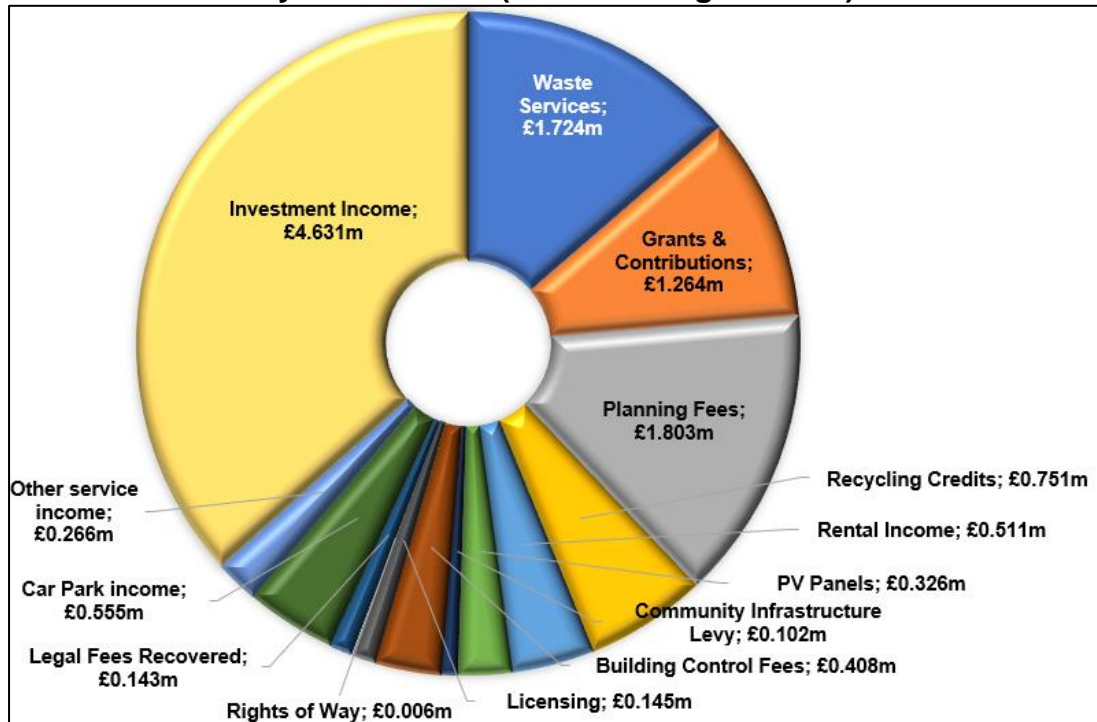


Chart 2: Income by service area (excl. housing benefits) 2022/23 - £12.6m



- 4.10 The second quarter 2022/23 budget monitoring report was presented to Cabinet on 5 December 2022 and showed a forecast overspend compared to budget at 31 March 2023 of £893k. The Council created an Inflationary Pressure Reserve of £500k in 2021/22 to mitigate against the impact of inflation in 2022/23. It is expected that the reserve be used to fund part of the forecast overspend and the budgeted contribution of £4.051m to the Growth and Efficiency Fund be reduced to £3.158m.
- 4.11 The third quarter position will be presented to Cabinet on 6 March 2023.

2023/24 Budget

- 4.12 The approach to the budget setting for 2023/24 has been to take the 2022/23 outturn position as a starting point as the most up to date position of the Councils financial requirements going forward.
- 4.13 The Finance Team has worked closely with budget managers and the Senior Leadership Team to update the Councils budget requirements for 2023/24. Taking into account known pressures and identifying efficiencies and savings to help offset this without negatively impacting on service delivery.
- 4.14 The summary in Table 1 below shows the breakdown of the Council's net cost of service for 2023/24 (£12.44m) compared to 2022/23 (£8.769m), an increase of £3.672m.
- 4.15 The Council's 2023/24 gross expenditure is £33.5m and income is £21.1m giving a net cost of service of £12.4m. Funding as shown in Table 1 equates to £16m resulting in a net surplus of £3.578m for the 2023/24 budget, which will be transferred to earmarked reserves as set out in paragraphs 4.36 and 4.38.

Table 1: General Fund Budget Summary 2023/24

		2022/23	2023/24	Movement
		Budget	Budget	2022/23 to
		£'000	£'000	2023/24
				£'000
Service Expenditure	Employees	11,224	13,128	1,903
	Premises	1,107	1,255	148
	Supplies & Services	4,377	5,181	804
	Transport	390	409	19
	Contracts	4,133	4,573	439
Service Income	Grants and Contributions	(1,264)	(1,715)	(451)
	Sales, Fees & Charges	(5,151)	(5,407)	(256)
	Other income (incl. rental & PV panel income)	(1,588)	(1,698)	(111)
Housing Benefits	HB Transfer Payments	10,184	9,239	(945)
	HB Grants and Contributions	(10,334)	(9,366)	969
Net Service Expenditure		13,078	15,599	2,520
Recharges	Recharge to HRA/Capital (Corporate Overheads)	(1,511)	(1,761)	(250)
Capital Financing Charges	Interest Payable - CIFCO Long-term loans	545	416	(129)
	Interest Payable - Other	290	1,090	800
	Minimum Revenue Provision (MRP)	1,333	1,475	142
Investment Income	Pooled Funds Net Income	(566)	(566)	-
	Interest Receivable - CIFCO	(2,169)	(2,187)	(18)
	Interest Receivable - Gateway 14	(1,865)	(97)	1,769
	Interest Receivable - Other	(31)	(31)	-
Reserves	Transfers to/from Reserves	(336)	(1,499)	(1,163)
Total Net Cost of Services		8,769	12,441	3,672
Government Grants	New Homes Bonus	(1,779)	(1,427)	352
	Revenue Support Grant (RSG)	-	(132)	(132)
	Services Grant	(157)	(92)	65
	Rural Services Delivery Grant	(454)	(508)	(53)
	Funding Guarantee	-	(450)	(450)
	Lower Tier Services Grant	(102)	-	102
Business Rates	Business Rates	(4,310)	(6,499)	(2,189)
	Growth / Pooling Benefit	(486)	(678)	(192)
	Business Rates Collection Fund (surplus) / deficit	(438)	790	1,228
Council Tax	Council Tax	(6,667)	(6,886)	(219)
	Council Tax Collection Fund (surplus) / deficit	(293)	(138)	155
Total Funding		(14,685)	(16,019)	(1,334)
Total net surplus		5,916	3,578	(2,338)
	Commercial Development Risk Reserve	1,865	-	(1,865)
	Growth & Efficiency Fund	4,051	-	(4,051)
	Strategic Transformation Infrastructure Fund	-	2,830	2,830
	General Fund Working Balance	-	248	248
	Community Development Fund	-	500	500

2023/24 Budget Assumptions and Risks

- 4.16 Constructing a budget that runs to 13 months beyond when it was approved means that several assumptions have to be made about the conditions that are likely to exist over an extended period. Assumptions made when constructing the budget for 2023/24 were reviewed and assessed by the Overview and Scrutiny Committee in November 2022 and in January 2023, report reference MOS/22/01 and MOS/22/02 and so have not all been repeated here.

4.17 The budget for 2022/23 forecast a surplus of £4.051m however due to a continuation of financial pressures, and a shortfall in funding to meet the overall increasing costs, the surplus position for next year has reduced by £473k as shown in table 2 below.

Table 2: General Fund Overall budget changes

	£'000	£'000
2022/23 Surplus		(4,051)
Pressures		
Pay award, increments and pay review (of which £1m is reserve/grant funded)	2,450	
Short term borrowing –higher interest rates £50m @ 3.5%	1,750	
Short term borrowing – new borrowing (£13.8m @4.5% for 5 months)	250	
Minimum Revenue Provision – capital spend on refuse freighters	140	
Waste contract and disposal costs increase	550	
Reduction to planning income	170	
Insurance premiums - current costs + 10% inflation	50	
Shared Revenues Partnership - increase to contract costs	50	
Removal of Savings contingency	90	
Bank charges increase	40	
Additional Training budget requirement	50	
ICT contract increase	50	
Increase in Postage costs	40	
Revenue costs associated with the implementation of the Parking Strategy	40	
Residents Survey	30	
Total Pressures		5,750
Savings/additional income		
Short term borrowing – capital receipt repayment £30m	(1,350)	
Pension lump sum	(630)	
Reprofiling of Leisure contract – per agreement	(250)	
Recharge to HRA / Capital	(230)	
Income from garden waste and recycling credits	(330)	
Additional Homelessness Grant	(130)	
Joint Local Plan – reduction in Professional fees	(130)	
Removal of security costs Needham Offices	(60)	
Savings Endeavour House	(50)	
Increase in chargeable amount for CIL admin	(50)	
Vacancy Management Factor – 5% but increased due to pay award	(100)	
Car Parking costs recovering	(80)	
Other	(168)	
Total Savings/additional income		(3,558)
Movement in Reserves		(385)
Funding Changes		(1,334)
Total Net increase		473
2023/24 Surplus		(3,578)

4.18 The charts below show the breakdown of expenditure and income excluding Housing Benefit payments and compensating income. Chart 3 below shows how the £24.3m service expenditure is allocated across the services and Chart 4 shows the breakdown by expenditure type. Chart 5 shows the breakdown of total income of £11.7m.

Chart 3: Expenditure by service area (excl. housing benefits) 2023/24 (£24.3m)

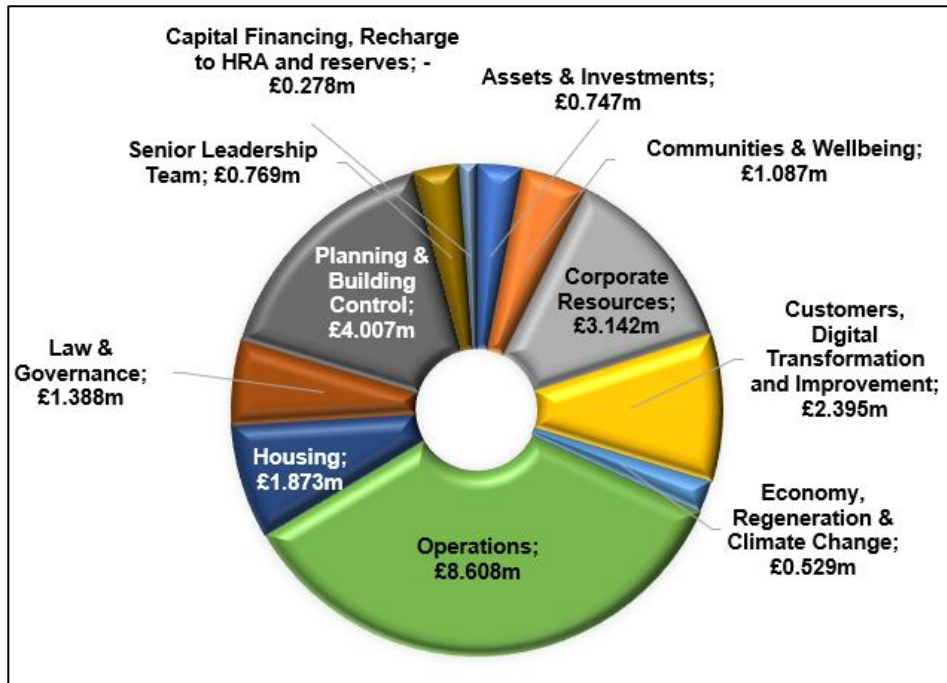


Chart 4: Expenditure by type (excl. housing benefits) 2023/24 (£24.3m)

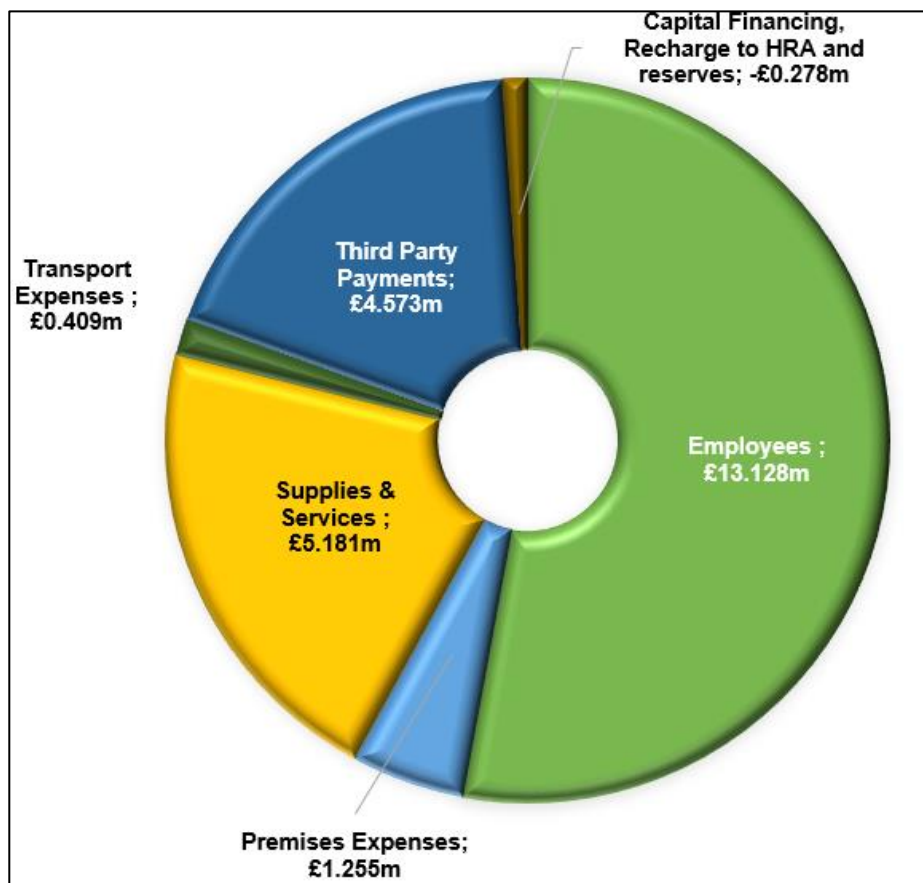
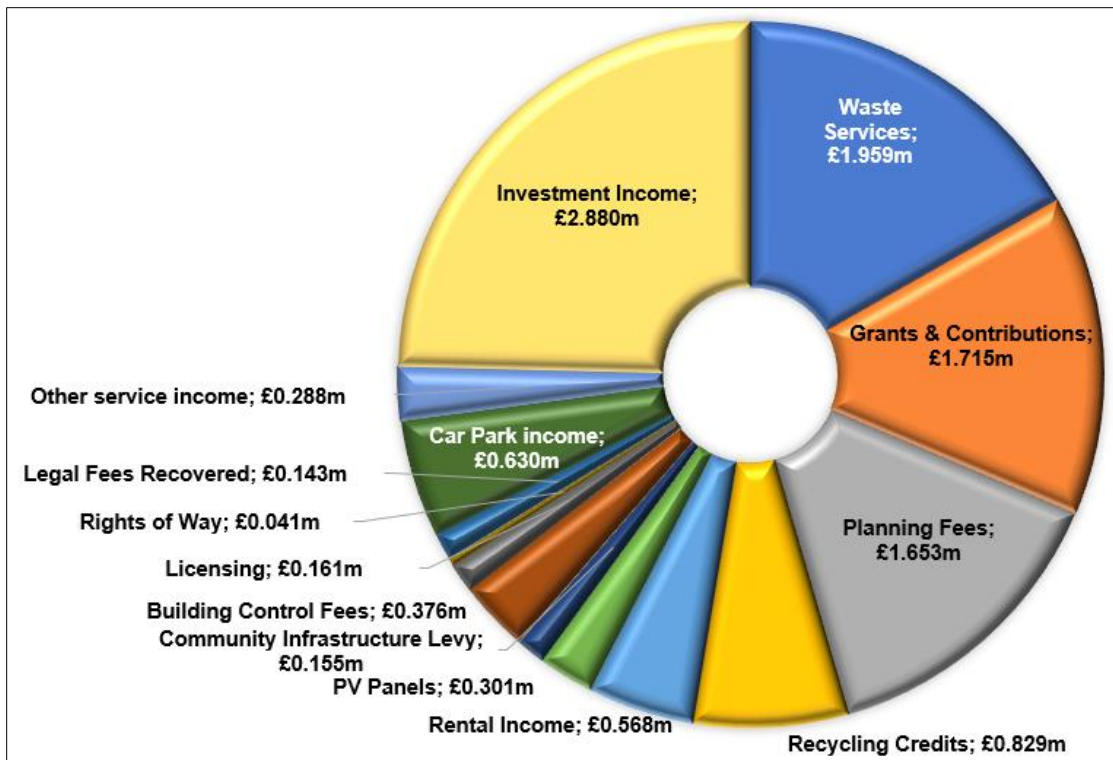


Chart 5: Total Income (excl. housing benefits) 2023/24 (£11.7m)



Funding

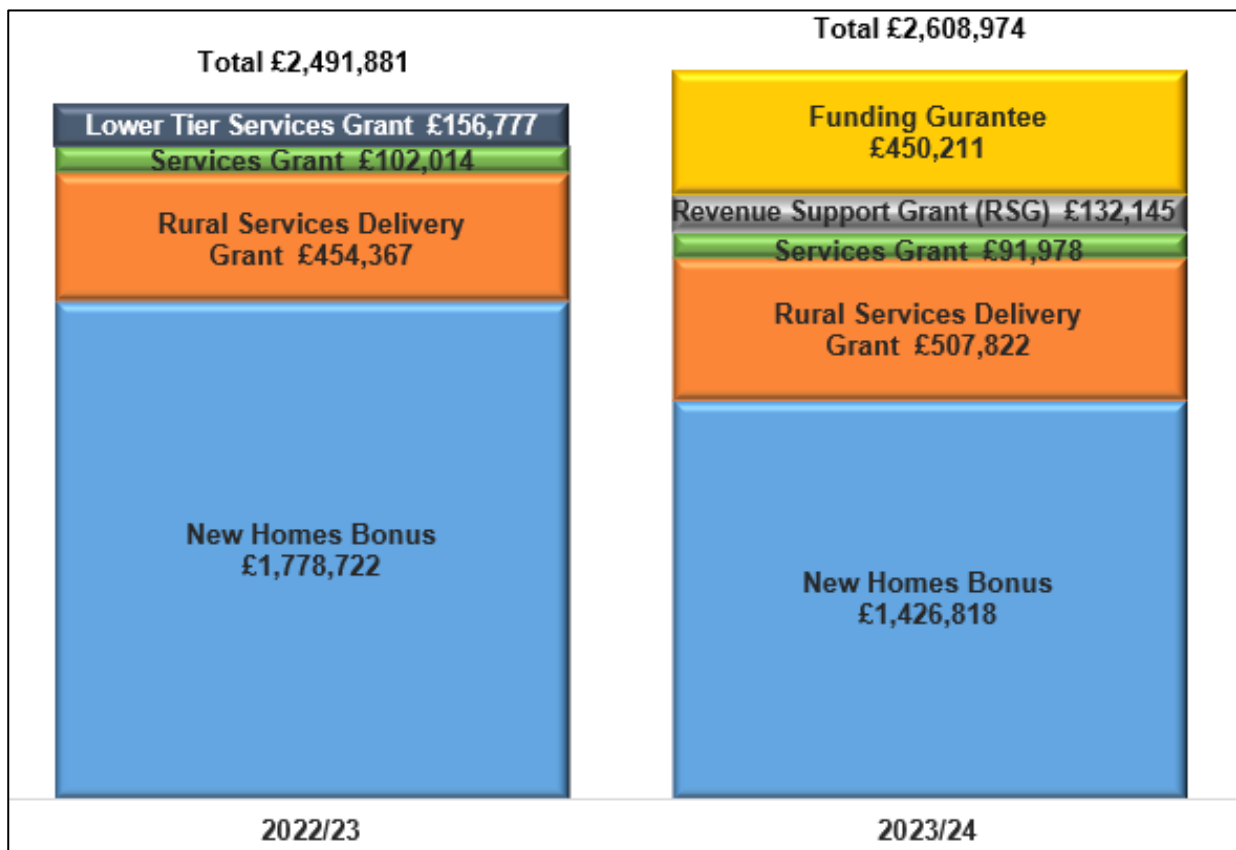
4.19 The Chancellor presented the Autumn Statement on 17 November 2022 in the context of the national economic position. A Policy Statement on 12 December 2022 announced the key principles that ministers would use in both the 2023/24 and 2024/25 local government finance settlement. The provisional local government finance settlement for 2023/24 was then announced on 19 December 2022 and the [final 2023/24 Local Government Finance settlement](#) was published on 6 February 2023. Some of the key headlines for local government and specifically our council are as follows:

- Core spending power estimated to increase annually by an average of 9.4%, but this assumes maximum council tax increases. A large part of this is due to increases in adult social care grants.
- Council tax increase thresholds increased from 1.99% to 2.99% and a further 2% for social care. For District Councils' council tax can be increased by the higher of 2.99% or £5, which the Government believes protects local taxpayers from excessive council tax increases.
- Business rates announcements included the following:
 - The business rates multiplier will be frozen. Compensation for this will be provided based on the Consumer price Index (CPI) at 10.1% via an uplift to Baseline Funding Level of 3.74%, with the remainder paid via section 31 grant.
 - 75% discount for retail, hospitality, and leisure sectors (50% in 2022/23).
 - 3-year support for small businesses for properties losing Small Business Rates Relief or Rural Rates Relief.
 - Revaluation to go ahead as planned in 2023/24, with a transitional relief scheme for businesses.

- The current approach to the New Homes Bonus (NHB) is being applied to 2023/24 with a further one-year allocation for housing growth between October 2021 and October 2022. There will be no further legacy payments with the final one being made in 2022/23.
- Revenue Support Grant (RSG) will be received in 2023/24. This is due to family Annex Council Tax Discount Grant and LCTS Administration Grant being rolled up into the settlement. These were previously accounted for within service income, so this change does not impact the overall budget position.
- Rural Services Delivery Grant is being maintained at the same level as 2022/23.
- Services Grant has reduced. Part of the reduction is the removal of funding for the National Insurance Contribution increase.
- Lower Tier Services Grant has been abolished from 2023/24 onwards.
- A new grant has been created to ensure every authority has an increase in Core Spending Power (CSP) of at least 3%. This Funding Guarantee Grant will be funded from the Lower Tier Services Grant (LTSG) and the reduced cost of New Homes Bonus (NHB).

4.20 The Councils 2023/24 provisional grant allocations have increased by £117k (4.7%) compared to 2022/23 as shown below.

Chart 6: Government grant allocations 2022/23 and 2023/24



New Homes Bonus

- 4.21 Since NHB was introduced in 2011/12 the Council has received £19.8m in total.
- 4.22 As shown in Table 3 below, the use of NHB to balance the budget increased from 13% in 2017/18 to 24% in 2018/19. Since 2019/20 the Council continues to be in the position of being able to balance the budget without any use of NHB transferring the full allocation to earmarked reserves. From 2011/12 to 2023/24 £10.9m NHB has been transferred to the reserves.

Table 3: New Homes Bonus used from 2017/18 to 2023/24

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amount of NHB received	2,028	1,463	1,380	1,612	1,061	1,778	1,427
NHB used to balance the budget	267	354	0	0	0	0	0
% NHB used to balance the budget	13%	24%	0%	0%	0%	0%	0%

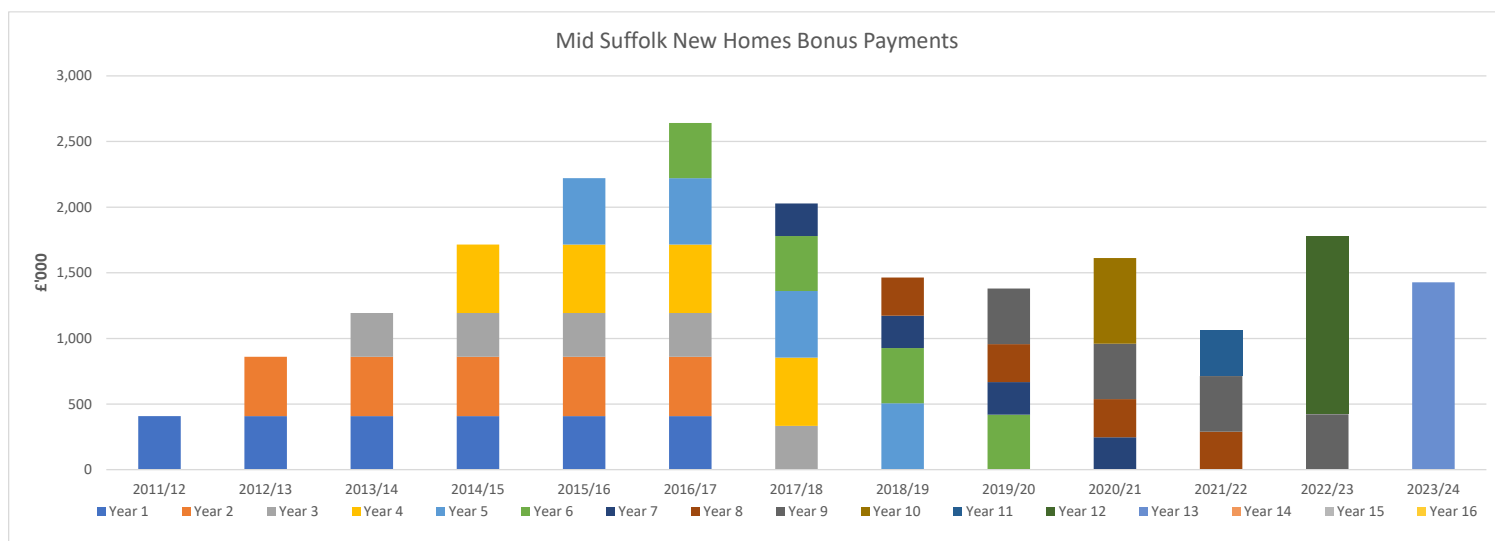
* In both 2017/18 and 2018/19, the surplus outturn position meant that there was no use of NHB required.

- 4.23 Table 4 and Graph 1 below shows the NHB over the last twelve years. This shows how NHB has declined from a peak of £2.6m in 2016/17 to £1.4m in 2023/24, after the Government announced it would reduce the allocation from 6 years to 5 years in 2017/18 and to 4 years in 2018/19 and continued to phase out the legacy payments, as well as introducing a 0.4% growth baseline in 2017/18.
- 4.24 For 2023/24 the 0.4% growth baseline for Mid Suffolk means that the first 178 new homes built received no payment.

Table 4: New Homes Bonus sums per year

Payments	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Year 1	409	409	409	409	409	409							
Year 2		452	452	452	452	452							
Year 3			334	334	334	334	334						
Year 4				521	521	521	521						
Year 5					506	506	506	506					
Year 6						420	420	420	420				
Year 7							247	247	247	247			
Year 8								290	290	290	290		
Year 9									422	422	422	422	
Year 10										653			
Year 11											349		
Year 12												1,356	
Year 13													1,427
Year 14													
Year 15													
Year 16													
Total	409	860	1,194	1,714	2,221	2,641	2,028	1,463	1,380	1,612	1,061	1,778	1,427

Graph 1: New Homes Bonus Payments – Provisional for 2023/24



Council Tax

- 4.25 The impact from Covid19 on collection rates, the number of Local Council Tax Reduction (LCTR) claimants and the build rate of new homes across the district has all influenced the tax base for 2023/24. A 3.28% increase has been calculated, which will generate additional council tax income of £219k.
- 4.26 On the 26 January 2023 Mid Suffolk Council approved changes to the Working Age Local Council Tax Reduction Scheme. The changes will allow up to 100% maximum reduction for all legacy benefit households and introduce a simplified scheme for Universal Credit (UC) customers that will allow 'passport' claims to be automated based on the UC financial data without additional verification. The approval included the provision of a transitional protection scheme to support those households who would be worse off under the simplified UC scheme. The cost of the scheme will be funded from the Covid19 reserve.
- 4.27 In addition to this the Government announced, as part of the Provisional Settlement, additional local Council Tax Support award for 2023/24. Mid Suffolk has been allocated £114k which will be used to reduce council tax bills for current working age and pension age Local Council Tax Support (LCTS) claimants by up to £25. At the Council meeting on 26 January 2023 delegation was given to the Director of Corporate Resource and the Cabinet Member for Finance to determine the method of distribution of any funds remaining from the additional Council Tax Support Fund for 2023/24.
- 4.28 No increase in Band D Council Tax has been included for 2023/24 or the three years beyond.
- 4.29 A surplus of £138k is currently projected for the Collection Fund in 2022/23, which is £155k less than the previous year. The way that the Collection Fund operates means that this surplus will be recognised in the Council's budget in 2023/24.

Business Rates

4.30 The headlines for Business Rates are as follows:

- Following the NNDR1 Government return submitted in January 2023, an increase in business rates of just over £2m is expected. This is a combination of renewable energy and the Government's commitment to compensate Councils for the freeze on the multiplier.
- The benefit from being part of the Suffolk business rates pool will increase by £192k and the impact of the Collection Fund forecast balance at the end of March 2023 reduces resources available by £1.228m.

Reserves

4.31 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.

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

4.33 In 2023/24 the Council is using £1.7m from earmarked reserves against specific service expenditure and projects.

4.34 The Covid19 reserve with a balance of £776k, will help to fund initiatives in response to the cost-of-living crisis.

4.35 The Commercial Development Risk Management reserve was established at the inception of the Gateway 14 development to help mitigate the risks of the annual accrued interest. As of the middle of December 2022, the Council received the first capital receipt on the site and a second tranche in January 2023.

4.36 As a result, the risk associated with the £5.818m accrued interest was fully mitigated and the reserve can now be repurposed for investment. This reserve, with the balance in the Growth and Efficiency reserve of £627k, along with £2.83m of the total surplus for 2023/24 will create a new Strategic Transformation and Infrastructure Fund, to be used to fund investment in future Council projects.

4.37 Some of the key projects that may benefit from the new Strategic Transformation and Infrastructure Fund are: the Sports, Health, Education and Leisure Facilities (SHELF) project and a Skills and Innovation Centre on Gateway 14.

4.38 The remainder of the 2023/24 budgeted surplus (£748k) will be transferred as follows:

- £248k to the General Fund Working Balance as referred to in section 4.63 of this report.
- £500k for the creation of a new Community Development Fund reserve, the purpose of which is to provide financial support to local communities and organisations in the district with the delivery of local place-based initiatives and activities, where gaps in provision have been identified.

4.39 Alongside transfers from reserves, the Council is also transferring £207k to earmarked reserves in 2023/24 to fund future years' specific service expenditure, made up of £20k to the elections reserve, £88k to the temporary accommodation reserve and £97k to the Growth and Efficiency Reserve.

4.40 Table 5 below shows the planned earmarked reserve movements and balances from 31 March 2022, forecast through to 31 March 2024.

Table 5: Reserves

	Balance 31 March 2022	Forecast balance 31 March 2023 £'000	To reserves £'000	From reserves £'000	From reserves (Capital Programme) £'000	Between reserves £'000	Estimated balance 31 March 2024 £'000
Business Rates & Council Tax	5,286	4,166					4,166
Business Rates Retention Pilot (BRRP)	283	61		(89)			(27)
Carry forwards	399	-					-
Climate Change and Biodiversity	927	855		(62)	(60)		732
Commercial Development Risk Management	4,131	5,818	-			(5,818)	-
Community Development Fund	-	-	500				500
Community Housing Fund	185	159		(25)			134
Commuted Maintenance Payments	579	546		(85)			462
Covid19	1,357	957		(180)			776
Elections Equipment	35	35					35
Elections Fund	119	139	20				159
Government Grants	347	330		(25)			305
Growth and Efficiency Fund	2,171	1,697	97	(512)	(655)	(627)	-
Homelessness	495	370		(71)			299
Joint Local Plan	100	-					-
Neighbourhood Planning Grants	109	222	2	(27)			198
Planning (Legal)	1,182	1,112		(107)			1,005
Planning Enforcement	45	45					45
Repair & Renewals	293	293					293
Rough Sleepers	35	19					19
Strategic Planning	81	81					81
Strategic Transformation Infrastructure Fund	-	-	2,830			6,445	9,275
Temporary Accommodation	284	380	88	(52)			416
Waste	269	269		(197)			72
Welfare Benefits Reform	7	7					7
Well-being	191	83		(6)			77
Strategic Priorities - Well-being	1,011	855					855
Strategic Priorities - Economy	1,100	860		(60)			800
Strategic Priorities - Housing	1,787	1,511		(159)			1,352
Strategic Priorities - Communities	790	324		(50)			273
Strategic Priorities - Project Feasibility	250	250					250
Strategic Priorities - Corporate Services	200	200					200
Inflationary Pressures Reserve	500	-					-
TOTAL	24,546	21,644	3,537	(1,706)	(715)	-	22,760
General Fund Reserve	1,052	1,052	248				1,300

Medium Term Projections

4.41 Table 8 below shows the forecast position for the period 2024/25 to 2026/27.

4.42 Over the next three years the net cost of service increases by £2.3m, mainly due to pay award, increments, inflationary increases on major contracts, capital financing charges. The estimated tax base growth over the same period (£407k) only covers 17% of this increase and the Council loses £1.4m in NHB funding and £709k in other grants including the funding guarantee. This leaves a potential surplus of £228k by 2026/27. For a summary of the assumptions used, see table 6 below.

Table 6: Budget assumptions 2024/25 onwards

Description		2024/25 £'000	2025/26 £'000	2026/27 £'000
Employee Costs	Pay Award - 2%	254	251	271
	Increments - 2%	254	251	271
Contracts	Insurance Premiums • 2024/25 - 6%, • 2025/26 & 2026/27 - 2%	17	9	9
	Refuse contract • 2024/25 - 5% • 2025/26 & 2026/27 - 2%	153	64	66
	Shared Revenues Partnership - 3%	33	34	35
	ICT contract - 3%	8	8	9
Charge to HRA / Capital	Charge to HRA / Capital - 4%	(76)	(66)	(69)

- 4.43 No increase in council tax other than taxbase growth has been built into the projections over the next three years. However, a 2.99% increase every year for the next three years would generate an additional £665k which is 29% of the increase in net cost of service over the same period. A £5 increase every year for the next three years would generate an additional £629k or 28% of the increase in the net cost of service. Table 7 below provides a year-on-year comparison.

Table 7: Council Tax scenarios

Scenario	Budget 2023/24 £'000	Forecast 2024/25 £'000	Forecast 2025/26 £'000	Forecast 2026/27 £'000
2.99% increase - 2024/25 onwards	6,886	7,311	7,658	7,965
Cumulative increase to taxbase	-	213	338	414
Cumulative increase to council tax funding	-	212	434	665
£5 increase - 2024/25 onwards	6,886	7,305	7,641	7,928
Cumulative increase to taxbase	-	212	338	413
Cumulative increase to council tax funding	-	207	417	629

- 4.44 A Policy Statement on 12 December 2022 announced the key principles that ministers would use in both the 2023/24 and 2024/25 local government finance settlement.
- 4.45 There remains some uncertainty for 2024/25, so this is not a fixed two-year settlement. We do not yet know the future of NHB, which is not expected to continue beyond 2024/25, or whether the Government will provide alternative funding in its place.
- 4.46 We also do not know the level of inflation next September (it is expected to be around 7.5%), and whether ministers will decide to freeze the multiplier again.

- 4.47 However, with the Policy Statement, we do have a reasonably good idea of what 2024/25 could look like and funding estimates for 2023/24 are taken from analysis provided by the Funding Advisory Service at Pixel based on these principles.
- 4.48 When calculating the expected level of funding for the next four years, the following assumptions have been made:
- New Homes Bonus will continue for 2023/24 and 2024/25 only.
 - Revenue Support Grant (RSG) will be awarded for 2024/25 at the same level as 2023/24, but no further funding after that.
 - The Funding Guarantee will continue into 2024/25 only, at the same level as 2023/24
 - Business rates are projected to continue at the same level as 2023/24, however there will be benefits of additional business rates from Gateway 14 as the development progresses but at this stage this has not been factored in.
 - Nothing has been included for forecast Business Rates surplus or deficit beyond 2023/24 based on the assumption that the equalisation earmarked reserve will accommodate this.
 - Tax base growth of 3.28% in 2023/24, 2.56% in 2024/25, 1.71% in 2025/26 and 0.98% in 2026/27, which generates approximately £407k more council tax income over the period.
- 4.49 Taking the assumptions in 4.48 above, funding decreases by 6.75% over the 4-year period from 2023/24 to 2026/27.

Table 8: Forecast Position 2024/25 - 2026/27

		2022/23	2023/24	2024/25	2025/26	2026/27
		Budget	Budget	Forecast	Forecast	Forecast
		£'000	£'000	£'000	£'000	£'000
Service Expenditure	Employees	11,224	13,128	12,912	13,420	13,968
	Premises	1,107	1,255	1,190	1,192	1,195
	Supplies & Services	4,377	5,181	5,013	5,013	5,013
	Transport	390	409	411	412	413
	Contracts	4,133	4,573	4,767	4,874	4,983
Service Income	Grants and Contributions	(1,264)	(1,715)	(1,717)	(1,732)	(1,737)
	Sales, Fees & Charges	(5,151)	(5,407)	(5,385)	(5,385)	(5,385)
	Other income (incl. rental & PV panel income)	(1,588)	(1,698)	(1,698)	(1,698)	(1,698)
Housing Benefits	HB Transfer Payments	10,184	9,239	9,239	9,239	9,239
	HB Grants and Contributions	(10,334)	(9,366)	(9,366)	(9,366)	(9,366)
Net Service Expenditure		13,078	15,599	15,366	15,970	16,625
Recharges	Recharge to HRA/Capital (Corporate Overheads)	(1,511)	(1,761)	(1,804)	(1,870)	(1,939)
Capital Financing Charges	Interest Payable - CIFCO Long-term loans	545	416	416	416	416
	Interest Payable - Other	290	1,090	1,090	1,090	1,090
	Minimum Revenue Provision (MRP)	1,333	1,475	1,533	1,560	1,627
Investment Income	Pooled Funds Net Income	(566)	(566)	(566)	(566)	(566)
	Interest Receivable - CIFCO	(2,169)	(2,187)	(2,187)	(2,187)	(2,187)
	Interest Receivable - Gateway 14	(1,865)	(97)	(97)	(97)	(97)
	Interest Receivable - Other	(31)	(31)	(31)	(31)	(31)
Reserves	Transfers to/from Reserves	(336)	(1,499)	(288)	(230)	(230)
Total Net Cost of Services		8,769	12,441	13,434	14,057	14,710
Government Grants	New Homes Bonus	(1,779)	(1,427)	(1,427)	-	-
	Revenue Support Grant (RSG)	-	(132)	(132)	-	-
	Services Grant	(157)	(92)	(92)	-	-
	Rural Services Delivery Grant	(454)	(508)	(508)	(508)	(508)
	Funding Guarantee	-	(450)	(450)	-	-
	Lower Tier Services Grant	(102)	-	-	-	-
Business Rates	Business Rates	(4,310)	(6,499)	(6,499)	(6,499)	(6,499)
	Growth / Pooling Benefit	(486)	(678)	(678)	(678)	(678)
	Business Rates Collection Fund (surplus) / deficit	(438)	790	-	-	-
Council Tax	Council Tax	(6,667)	(6,886)	(7,062)	(7,183)	(7,254)
	Council Tax Collection Fund (surplus) / deficit	(293)	(138)	-	-	-
Total Funding		(14,685)	(16,019)	(16,847)	(14,867)	(14,938)
Shortfall / (Surplus Funds)	Commercial Development Risk Reserve	1,865	-	-	-	-
	Growth & Efficiency Fund	4,051	-	-	-	-
	Strategic Transformation Infrastructure Fund	-	2,830	-	-	-
	General Fund Working Balance	-	248	-	-	-
	Community Development Fund	-	500	-	-	-
Shortfall / (Surplus Funds)		-	-	(3,413)	(811)	(228)
	2023/24 surplus		-	(3,578)	(3,578)	(3,578)
	2024/25 deficit		-	165	165	165
	2025/26 deficit		-	-	2,603	2,603
	2026/27 deficit		-	-	-	583
Total Shortfall / (Surplus Funding)		-	-	(3,413)	(811)	(228)

Medium Term Financial Strategy (MTFS) 2023-2026

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



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

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

- Cost management
- Income generation and
- Service levels.

4.53 The approach over the medium term is to transform the Council into an organisation that is thriving, by continuously reviewing, remodelling, and reinventing the way the Council operates. For the Council to thrive, a strong focus is placed on the wellbeing of our staff and residents.

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

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

4.54 The focus is on:

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

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



4.56 With this longer-term position in mind, the Council acknowledges that it needs to focus on further work across the organisation to create efficiencies through driving down cost and cutting out work that does not add value. Opportunities exist in terms of improving digitisation and automation of some processes.

4.57 As part of the 2023/24 budget setting work, Corporate Managers and Directors identified a number of areas where further savings and efficiencies could be made across the organisation. This work will continue during 2023/24 to develop a delivery and implementation plan to support the MTFs and to enable some broad-based numbers to be put against a 2–3-year programme.

4.58 It is likely that additional resources and investment will be required in order to deliver efficiencies and savings in the longer term. The Council will continue this approach to further transform the way it operates over the next three years.

- 4.59 A further key element of the Strategy is having adequate reserves available to manage any unexpected changes to spending and funding plans. They are a fundamental part of the way the Council manages its business risks and maintains a stable financial position.
- 4.60 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.
- 4.61 Reserves only provide one-off funding, so a core principle is that reserves should not be used to cover ongoing gaps between expenditure and funding and should be replenished as soon as practicable when used.
- 4.62 There are generally two types of reserves: unallocated and earmarked. The unallocated reserve is known as the General Fund Balance and is held by the Council to manage the financial risks it faces, and to ensure that it can remain solvent should any of these risks become realised.
- 4.63 This General Fund Balance reserve currently stands at £1.052m and represents 8% of the net budget, 10% is considered to be a prudent level. As the Council is projecting a budget surplus of £3.578m for 2023/24, it is recommended that the reserve be increased by £248k to £1.3m.
- 4.64 Earmarked reserves are held by the Council's services and used to pay for specific commitments or set aside for anticipated projects and programmes. The projected earmarked reserves position at 31 March 2023 is £21.6m as shown in Table 5 .

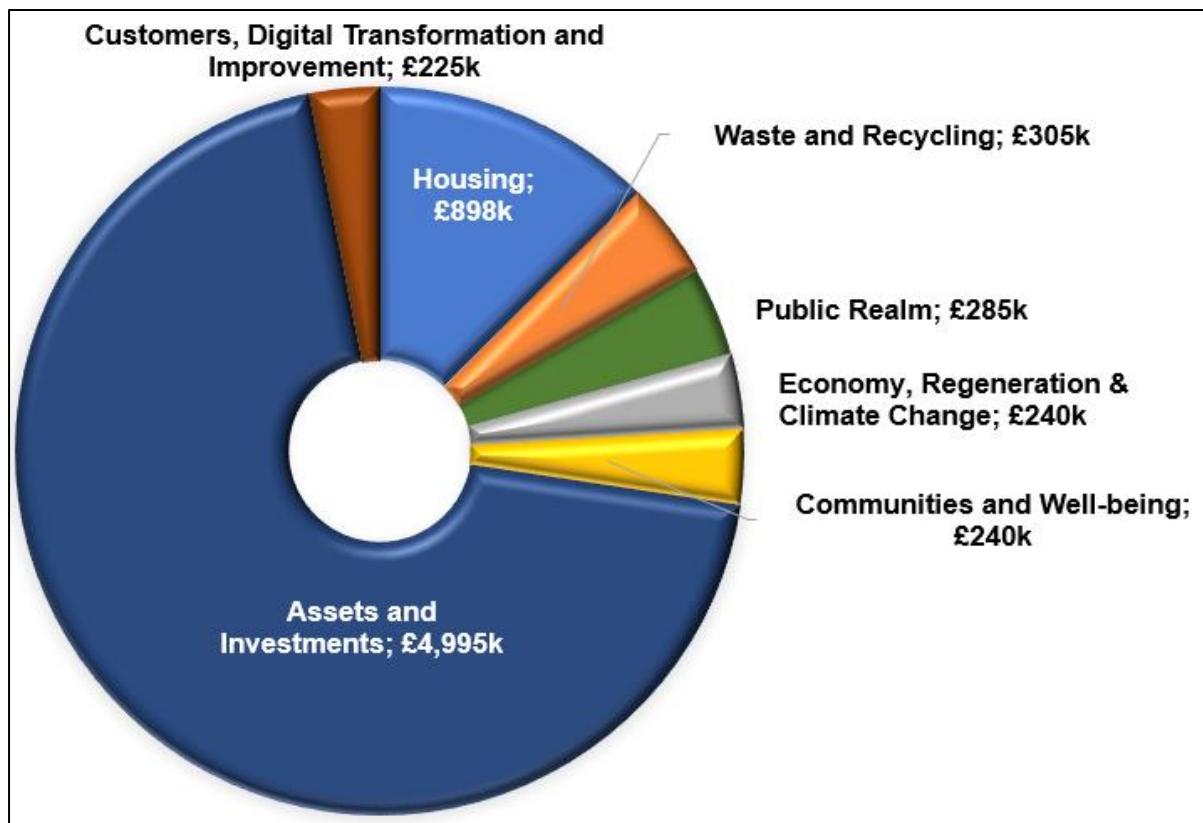
5. FEES AND CHARGES

- 5.1 Fees and charges have been reviewed by budget holders as part of this budget setting process and a separate report was presented to Cabinet in January 2023 (MCa/22/35) The impact of the charges agreed have been built into the budget for 2023/24.
- 5.2 There is no planned increase for fees and charges included for 2024/25, 2025/26 or 2026/27.

6. CAPITAL PROGRAMME

- 6.1 The detailed Capital Programme is attached at Appendix A. The new capital allocation for the 2023/24 budget totals £7.2m and is shown in Chart 7 below. Along with an anticipated carry forward of £19.2m at the end of the current financial year, the total capital programme for next year is expected to be £26.4m in total.

Chart 7: Capital Programme 2023/24 (excluding carry forwards) - £7.2m



- 6.2 The most significant item for new planned spend is funding for Mid Suffolk Growth (£4.9m) to undertake housing developments at sites already in progress or ones currently under negotiation for purchase over the next 3 years as well as purchasing additional land for further development. Funding is also included to continue the range of annual capital initiatives such as housing and community grants.
- 6.3 Following review by Joint Audit and Standards Committee in January 2023, the Capital and Investment Strategy will have further details of the Council's borrowing capacity and the impacts of the capital programme, this will be presented to Council in February along with the final budget report.

7. LINKS TO THE CORPORATE PLAN

- 7.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan and aligns to the corporate outcomes against a backdrop of efficiency, and sound financial robustness. The underlying principle of the Medium-Term Financial Strategy is to be financially sustainable.

8. FINANCIAL IMPLICATIONS

8.1 These are detailed in the report.

9. LEGAL IMPLICATIONS

9.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) requires the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151) in relation to the level of reserves and the risks associated with the proposed budget.

10. RISK MANAGEMENT

10.1 Key risks are set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
We may be unable to react in a timely and effective way to financial demands	3 - Probable	4 - Disaster	Continued monitoring and reporting of the Councils financial forecast via quarterly reports to Cabinet	Strategic Risk Register - SRR004 MSDC
If Government funding does not keep pace with demand and other pressures, then the Council will have to consider how it continues to fund existing service levels	2 - Unlikely	3 - Bad	The Council will continue to lobby Government both directly and via networks such as the District Councils' Network (DCN) and the Rural Services Network (RSN)	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC and 007
If demand pressures and cost inflation exceed forecasts, then the Council could be in an overspend position at the year-end	2 - Unlikely	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to contain costs in year to offset the impact	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC and 007
If income levels are below forecast, then the Council could be in an overspend position at the year-end	2 - Unlikely	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to generate income to anticipated levels	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC and 007

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
If borrowing costs exceed projections, then the Council may need to fund the excess costs from reserves at year-end	2 - Unlikely	2 - Noticeable	Discussions with the Council's treasury management adviser on interest rates to be used when setting the budgets	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC
If capital projects exceed budgeted figures, then the Council will achieve less with the resources available	2 - Unlikely	2 - Noticeable	Capital projects will include an appropriate level of contingency that will cover potential increases in costs	Finance, Commissioning and Procurement Operational Risk Register – 005MSDC

11. CONSULTATIONS

11.1 Consultations have taken place with Directors, Corporate Managers and other Budget Managers as appropriate.

12. EQUALITY ANALYSIS

12.1 Directors and Corporate Managers will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics under the Equality Act 2010.

13. ENVIRONMENTAL IMPLICATIONS

13.1 Directors, Corporate Managers and other Budget Managers will continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.

13.2 In support of the Council's commitment to be Carbon Neutral by 2030, several initiatives have and are being undertaken from a combination of the Council's own resources and those secured from external sources. Some of these are set out below.

13.3 The Councils' Sustainable Travel Vision and Local Cycling and Walking Infrastructure Plan (LCWIP) was approved by cabinet in April 2022. The Sustainable Travel Vision will be used to inform the public about our key values, aims, ambitions and narrative around Sustainable Travel. The key functions of the LCWIP are to inform SCC Highways and our own planning team of our active travel infrastructure ambitions, in order to capture opportunity for delivery. To compliment the LCWIP, the [Quiet Lanes Suffolk](#) project continues to support Parishes across the district to identify and designate suitable rural lanes as 'Quiet Lanes' to make them safer for people to use for exercise and more active forms of travel.

- 13.4 In December 2022, funding of £300k was secured from the Office for Zero Emission Vehicles (OZEV) for the installation of EV charge points in 12 car parks across both Mid Suffolk and Babergh. Building upon the bid's success, the Councils are working in partnership with SCC to create an EV charge point infrastructure plan. The plan will cover:
- Place of Business destination charging
 - Provision for existing social housing residents
 - Provision of rapid charging for taxis
- 13.5 Public bicycle pump and repair stands have been installed in a number of locations across the district including Debenham and Needham Lake with more planned for Stowmarket.
- 13.6 In conjunction with SCC, the Council is engaging with local primary schools, running theatrical workshops, to highlight the issue of poor air quality and to promote sustainable travel.
- 13.7 Following completion of the solar carports, 70 of our existing car parking spaces now help to power Mid Suffolk Leisure Centre in Stowmarket providing up to almost 24% of the centre's annual electricity demand. Mid Suffolk, alongside Babergh are among the UK's first rural local authorities to trial the technology, which will reduce the centres' reliance on the grid and cut carbon emissions. The site also includes battery storage so excess energy produced during sunnier periods can be saved for later, as well as electric vehicle charging points.

14. APPENDICES

Title	Location
Appendix A - Capital Programme	Attached
Appendix B - Budget and Council Tax Resolution, and Parish Schedules	Attached
Appendix C - Robustness of Estimates and Adequacy of Reserves	Attached
Appendix D - Budget Book 2023/24	Attached

15. BACKGROUND DOCUMENTS

Final 2023/24 Local Government Finance Settlement

MCa/22/34 Council Tax Reduction (working age) Scheme 2023/24

General Fund Financial Monitoring 2022/23 – Quarter 2 - MCa/22/29

Draft General Fund Budget 2023/24– MOS/22/01

Fees and Charges 2023/24 - MCa/22/35

General Fund and Housing Revenue Account 2023/24 Review of Savings Proposals update position – MOS/22/02

CAPITAL PROGRAMME 2023/24 - 2026/27

Mid Suffolk District Council - General Fund Capital Budgets	2022/23 Anticipated C/Fwds	2023/24 Budget for Approval	2023/24 Total Spend Required	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
2023/24 to 2026/27	(A)	(B)	(A + B)			
	£'000	£'000		£'000	£'000	£'000
Housing						
Mandatory Disabled Facilities Grant	244	698	942	698	698	698
Renovation/Home Repair Grants	78	100	178	100	100	100
Empty Homes Grant	269	100	369	100	100	100
Grants for Affordable Housing	170	0	170	0	0	0
Total Housing	761	898	1,659	898	898	898
Operations						
Replacement Refuse Freighters - Joint Scheme	71	205	276	196	0	0
Recycling Bins	0	100	100	100	100	100
Electric Buses	560	0	560	0	0	0
Total Operations	631	305	936	296	100	100
Economic Development and Regeneration						
EV Charge Points in Car Parks	0	240	240	0	0	0
Total Economic Development and Regeneration	0	240	240	0	0	0
Public Realm						
Streetcare - Vehicles and Plant Renewals	0	90	90	90	90	90
Planned Maintenance / Enhancements - Car Parks	372	40	412	40	40	40
Parking Strategy Implementation	0	115	115	155	0	0
Needham Lake Footpath - Planned Maintenance	0	40	40	15	15	15
Total Public Realm	372	285	657	300	145	145
Communities and Well-being						
Play equipment	200	50	250	50	50	50
Community Development Grants	150	190	340	190	190	190
Total Communities and Well-being	350	240	590	240	240	240
Leisure Contracts						
Stowmarket Leisure Centre - Planned Maintenance	1,122	0	1,122	0	0	0
Stradbroke Pool - Planned Maintenance	331	0	331	0	0	0
Total Leisure Contracts	1,453	0	1,453	0	0	0
Assets and Investments						
Corporate Buildings - Planned Maintenance / Enhancements	135	30	165	30	30	30
Leases on Property (accounting change under new IFRS16)	0	0	0	136	0	0
Strategic Investment Fund	2,736	0	2,736	0	0	0
Wingfield Barns	0	20	20	20	20	20
Gateway 14 Ltd	10,750	0	10,750	0	0	0
Mid Suffolk Growth Ltd	1,750	4,900	6,650	3,500	1,750	0
Business Hub, Cross Street, Eye	185	45	230	0	0	0
Total Assets and Investments	15,556	4,995	20,551	3,686	1,800	50
Customers, Digital Transformation and Improvement						
Corporate Resources	0	75	75	0	0	0
ICT-Hardware/Software Refresh	106	150	256	150	225	150
Total Customers, Digital Transformation and Improvement	106	225	331	150	225	150
TOTAL General Fund Capital Spend	19,229	7,188	26,417	5,570	3,408	1,583
GF Financing						
External Grants and contributions	244	923	1,167	698	698	698
s106	0	15	15	0	0	0
Capital Receipts	0	55	55	0	0	0
Reserves	655	60	715	0	0	0
Borrowing	18,330	6,135	24,465	4,872	2,710	885
Total GF Capital Financing	19,229	7,188	26,417	5,570	3,408	1,583

Budget and Council Tax Resolutions 2023/24

Summary of Budget 2023/24

	2023/24 Budget Requirement £	2023/24 Council Tax at Band D £	2022/23 Budget Requirement £
Mid Suffolk District Council			
General Fund Budget Requirement District Council Purposes	14,592,322	363.65	12,906,453
Estimated Parish/Town Council Precepts (net of Council Tax Support Scheme Grant)	3,450,769	86.00	3,212,636
	18,043,092	449.65	16,119,089
Business Rates	(7,176,629)	(178.85)	(4,795,740)
Rural Services Delivery Grant	(507,822)	(12.66)	(454,370)
Revenue Support Grant (RSG)	(132,145)	(3.29)	-
Services Grant	(91,978)	(2.29)	(156,780)
Lower Tier Services Grant	-	-	(102,010)
Funding Guarantee Grant	(450,211)	(11.22)	-
Adjustment for anticipated surplus on Business Rates Collection Fund	789,596	19.68	(438,030)
Adjustment for anticipated surplus on Council Tax Collection Fund	(137,604)	(3.43)	(292,560)
MSDC's basic amount under section 33 of the 1992 Local Government Act	10,336,298	257.59	9,879,599
LESS: <i>Estimated</i> Parish/Town Council Precepts	(3,450,769)	(86.00)	(3,212,636)
Basic amount under s. 34 of the 1992 Act for dwellings to which no special items relate. (see section 3 below)	6,885,529	171.59	6,666,963
<i>Anticipated</i> Suffolk County Council precept requirement (see section 7 below)	60,047,187	1,496.43	55,906,675
<i>Anticipated</i> Police and Crime Commissioners Requirement (see section 7 below)	10,538,142	262.62	9,623,166
<i>Estimated</i> Basic amount for areas where there are no special items.	77,470,858	1,930.64	72,196,804

Council Tax Resolution 2023/24

1. It is a requirement for the billing authority to calculate a council tax requirement for the year as opposed to its budget requirement.
2. It be noted that the Council, as delegated to the Section 151 Officer, calculated the taxbase:
 - a) for the whole Council area as 40,126.96 and,
 - b) for dwellings in those parts of its area to which a Parish precept relates as further detailed in Appendix B.
3. The council tax requirement for the Council's own purposes for 2023/24 (excluding Parish precepts) is £6,885,529.
4. That the following amounts be calculated for the year 2023/24 in accordance with Sections 31 to 36 of the Act:

(a)	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act taking into account all precepts issued to it by Parish Councils (gross expenditure)	57,934,907
(b)	Being the aggregate of the amounts which the Council estimates for items set out in Section 31(A)(3) of the Act (gross income)	(47,598,609)
(c)	Being the amount by which the aggregate at 3 a) above exceeds the aggregate at 3 b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its Council Tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act) (net expenditure)	10,336,298
(d)	Being the amount at 4(c) above (item R) all divided by item T (2(a) above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (including Parish precepts) (average council tax)	257.59
(e)	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per Appendix B)	3,450,769
(f)	Being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by item T (2(a) above) calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates (basic council tax)	171.59

5. To note that Suffolk County Council and the Police and Crime Commissioner have issued precepts to the Council in accordance with section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in Section 7 below.
6. That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in the table below and further in Appendix B as the amounts of council tax for 2023/24 for each part of its area and for each of the categories of dwellings.
7. Since the Cabinet meeting on 6 February 2023, the precept levels of other precepting bodies have been received. These are detailed below:

a) Suffolk County Council

Suffolk County Council has set their precept at £60,047,187 which results in a Band D council tax of £1,496.43.

b) Suffolk Police and Crime Commissioner

The Police and Crime Commissioner has set their precept at £10,538,142. This results in a Band D council tax of £262.62.

c) Mid Suffolk District Council

The General Fund council tax requirement for Mid Suffolk District Council is based on no increase in council tax remaining at £171.59 for a Band D property.

d) Aggregated council tax requirement

The aggregated council tax requirement for Suffolk County Council, Suffolk Police and Crime Commissioner and Mid Suffolk District Council results in a Band D council tax of £1,930.64.

Valuation Band	Suffolk County Council	Police and Crime Commissioner	Mid Suffolk District Council	Aggregated Council Tax Requirement
	£	£	£	£
A	997.62	175.08	114.39	1,287.09
B	1,163.89	204.26	133.46	1,501.61
C	1,330.16	233.44	152.52	1,716.12
D	1,496.43	262.62	171.59	1,930.64
E	1,828.97	320.98	209.72	2,359.67
F	2,161.51	379.34	247.85	2,788.70
G	2,494.05	437.70	285.98	3,217.73
H	2,992.86	525.24	343.18	3,861.28

8. The Town and Parish Council Precepts for 2023/24 are detailed further in Appendix B and total £3,450,769. The increase in the average Band D for Town and Parish Councils is 3.85% and results in an average Band D council tax figure of £86 for 2023/24.

Council Taxbase for Parishes and District – 2023/24

Parish	COUNCIL TAX BASE		% Change	Parish	COUNCIL TAX BASE		% Change
	2022/23	2023/24			2022/23	2023/24	
Akenham	23.79	23.56	-0.97%	Little Blakenham	111.69	110.90	-0.71%
Ashbocking	143.28	140.51	-1.93%	Little Finborough	26.23	25.25	-3.74%
Ashfield-cum-Thorpe	98.75	98.34	-0.42%	Mellis	205.05	210.53	2.67%
Aspall	30.31	29.61	-2.31%	Mendham	180.88	183.74	1.58%
Athelington	20.07	20.57	2.49%	Mendlesham	583.68	569.34	-2.46%
Bacton	474.32	526.08	10.91%	Metfield	178.42	172.65	-3.23%
Badley	36.00	36.38	1.06%	Mickfield	90.08	92.16	2.31%
Badwell Ash	331.70	368.62	11.13%	Monk Soham	76.71	78.08	1.79%
Barham	534.00	540.17	1.16%	Needham Market	1,709.93	1,778.87	4.03%
Barking	181.77	180.71	-0.58%	Nettlestead	38.63	38.96	0.85%
Battisford	262.88	266.53	1.39%	Norton	461.00	462.92	0.42%
Baylham	128.38	122.58	-4.52%	Occold	208.41	205.61	-1.34%
Bedfield	166.50	169.28	1.67%	Offton	155.09	153.17	-1.24%
Bedingfield	99.18	99.08	-0.10%	Old Newton with Dagworth	442.40	439.40	-0.68%
Beyton	311.18	312.89	0.55%	Onehouse	319.41	390.81	22.35%
Botesdale	289.50	306.11	5.74%	Palgrave	386.53	393.09	1.70%
Braiseworth	31.31	31.35	0.13%	Pettaugh	89.35	86.99	-2.64%
Bramford	954.64	975.72	2.21%	Rattlesden	412.30	406.68	-1.36%
Brome and Oakley	226.87	223.51	-1.48%	Redgrave	264.64	265.66	0.39%
Brundish	79.55	79.74	0.24%	Redlingfield	53.80	52.33	-2.73%
Burgate	69.40	68.34	-1.53%	Rickinghall Inferior	169.59	168.49	-0.65%
Buxhall	167.08	173.46	3.82%	Rickinghall Superior	333.86	330.06	-1.14%
Claydon	762.58	766.12	0.46%	Ringshall	268.97	266.50	-0.92%
Coddenham	282.04	282.15	0.04%	Rishangles	38.38	40.95	6.70%
Combs	311.09	316.26	1.66%	Shelland	26.01	27.78	6.81%
Cotton	246.37	242.63	-1.52%	Somersham	254.36	279.66	9.95%
Creting St Mary	339.28	338.63	-0.19%	Southolt	29.39	30.11	2.45%
Creting St Peter	101.56	99.41	-2.12%	Stoke Ash	82.87	82.57	-0.36%
Crowfield	161.84	163.94	1.30%	Stonham Aspal	242.80	251.48	3.57%
Darmsden	17.27	17.19	-0.46%	Stonham Parva	136.69	138.33	1.20%
Debenham	832.74	839.58	0.82%	Stowlangtoft	89.13	89.53	0.45%
Denham	83.43	84.65	1.46%	Stowmarket	6,812.28	6,940.17	1.88%
Drinkstone	285.98	281.76	-1.48%	Stowupland	843.48	906.29	7.45%
Earl Stonham	262.15	264.88	1.04%	Stradbroke	573.96	579.22	0.92%
Elmswell	1,662.91	1,809.91	8.84%	Stuston	87.56	88.27	0.81%
Eye	801.43	802.80	0.17%	Syleham	95.95	97.59	1.71%
Felsham	181.57	177.62	-2.18%	Tannington	41.34	41.79	1.09%
Finningham	214.38	216.29	0.89%	Thorndon	343.70	343.87	0.05%
Flowton	49.67	49.39	-0.56%	Thornham Magna	82.26	81.04	-1.48%
Framsden	141.07	136.66	-3.13%	Thornham Parva	28.94	27.50	-4.98%
Fressingfield	432.92	436.71	0.88%	Thrandeston	76.22	70.67	-7.28%
Gedding	54.59	54.11	-0.88%	Thurston	1,380.20	1,645.31	19.21%
Gipping	26.62	26.98	1.35%	Thwaite	61.87	62.62	1.21%
Gislingham	467.88	472.67	1.02%	Tostock	220.26	225.19	2.24%
Gosbeck	88.72	90.04	1.49%	Walsham-le-Willows	483.79	534.79	10.54%
Great Ashfield	153.09	152.82	-0.18%	Wattisfield	201.02	199.87	-0.57%
Great Blakenham	838.71	856.18	2.08%	Westhorpe	83.88	84.52	0.76%
Great Bricett	218.28	217.63	-0.30%	Wetherden	246.24	250.46	1.71%
Great Finborough	323.12	331.54	2.61%	Wetheringsett-cum-Brockford	287.04	288.13	0.38%
Harleston	67.21	69.27	3.07%	Weybread	183.86	184.81	0.52%
Haughley	604.83	716.33	18.43%	Whitton	31.32	71.85	129.41%
Helmingham	68.43	68.91	0.70%	Wickham Skeith	138.77	136.66	-1.52%
Hemingstone	109.55	105.22	-3.95%	Wilby	137.84	130.77	-5.13%
Henley	232.37	229.89	-1.07%	Willisham	106.75	109.50	2.58%
Hessett	211.58	212.41	0.39%	Wingfield	147.72	147.26	-0.31%
Hinderclay	128.61	132.45	2.99%	Winston	70.15	68.50	-2.35%
Horham	128.27	128.46	0.15%	Woolpit	838.06	918.41	9.59%
Hoxne	369.00	375.82	1.85%	Worlingworth	328.61	331.75	0.96%
Hunston	56.73	56.99	0.46%	Wortham	343.37	349.88	1.90%
Kenton	99.25	98.17	-1.09%	Wyverstone	146.02	141.38	-3.18%
Langham	42.55	43.81	2.96%	Yaxley	221.11	225.16	1.83%
Laxfield	423.24	461.71	9.09%	TOTAL	38,853.22	40,126.96	3.28%

Precepts and Council Tax Band D for Parishes

Parish	2022/23	Tax Base	Council Tax Band D	2023/24	Tax Base	Council Tax Band D	Increase / Decrease (-)
	Parish Precept			Parish Precept			
	£		£	£		£	£
Akenham	-	23.79	-	-	23.56	-	0.00
Ashbocking	2,000.00	143.28	13.96	2,100.00	140.51	14.95	0.99
Ashfield-cum-Thorpe	3,096.58	98.75	31.36	3,251.41	98.34	33.06	1.70
Aspall	-	30.31	-	-	29.61	-	0.00
Athelington	405.89	20.07	20.22	414.08	20.57	20.13	-0.09
Bacton	28,905.85	474.32	60.94	34,687.00	526.08	65.93	4.99
Badley	-	36.00	-	-	36.38	-	0.00
Badwell Ash	23,995.00	331.70	72.34	24,954.80	368.62	67.70	-4.64
Barham	27,300.00	534.00	51.12	31,249.00	540.17	57.85	6.73
Barking	12,395.00	181.77	68.19	13,500.00	180.71	74.71	6.52
Battisford	13,050.00	262.88	49.64	13,893.00	266.53	52.13	2.49
Baylham	-	128.38	-	2,000.00	122.58	16.32	16.32
Bedfield	4,100.00	166.50	24.62	5,100.00	169.28	30.13	5.51
Bedingfield	1,620.00	99.18	16.33	1,620.00	99.08	16.35	0.02
Beyton	23,186.01	311.18	74.51	23,186.01	312.89	74.10	-0.41
Botesdale	44,100.00	289.50	152.33	49,200.00	306.11	160.73	8.40
Braiseworth	-	31.31	-	-	31.35	-	0.00
Bramford	76,926.00	954.64	80.58	78,625.00	975.72	80.58	0.00
Brome and Oakley	7,500.00	226.87	33.06	8,000.00	223.51	35.79	2.73
Brundish	4,125.00	79.55	51.85	4,259.00	79.74	53.41	1.56
Burgate	3,093.64	69.40	44.58	3,153.75	68.34	46.15	1.57
Buxhall	6,345.33	167.08	37.98	6,763.01	173.46	38.99	1.01
Claydon	40,728.25	762.58	53.41	35,070.90	766.12	45.78	-7.63
Coddenham	32,223.84	282.04	114.25	33,428.76	282.15	118.48	4.23
Combs	9,000.00	311.09	28.93	9,000.00	316.26	28.46	-0.47
Cotton	8,329.79	246.37	33.81	8,400.00	242.63	34.62	0.81
Creeting St Mary	11,130.00	339.28	32.80	11,686.00	338.63	34.51	1.71
Creeting St Peter	5,200.00	101.56	51.20	5,720.00	99.41	57.54	6.34
Crowfield	2,800.00	161.84	17.30	2,850.00	163.94	17.38	0.08
Darmsden	-	17.27	-	-	17.19	-	0.00
Debenham	80,675.00	832.74	96.88	81,338.00	839.58	96.88	0.00
Denham	3,418.00	83.43	40.97	3,712.00	84.65	43.85	2.88
Drinkstone	9,197.00	285.98	32.16	10,042.00	281.76	35.64	3.48
Earl Stonham	6,808.00	262.15	25.97	7,330.00	264.88	27.67	1.70
Elmswell	189,555.00	1,662.91	113.99	206,312.00	1,809.91	113.99	0.00
Eye	131,076.00	801.43	163.55	139,858.00	802.80	174.21	10.66
Felsham	6,946.00	181.57	38.26	6,795.00	177.62	38.26	0.00
Finningham	7,243.00	214.38	33.79	7,243.00	216.29	33.49	-0.30
Flowton	-	49.67	-	-	49.39	-	0.00
Framsden	9,940.22	141.07	70.46	10,129.00	136.66	74.12	3.66
Fressingfield	33,000.00	432.92	76.23	34,650.00	436.71	79.34	3.11
Gedding	1,045.00	54.59	19.14	1,045.00	54.11	19.31	0.17
Gipping	1,623.51	26.62	60.99	1,737.26	26.98	64.39	3.40
Gislingham	16,372.00	467.88	34.99	13,176.36	472.67	27.88	-7.11
Gosbeck	1,500.00	88.72	16.91	1,500.00	90.04	16.66	-0.25
Great Ashfield	2,700.00	153.09	17.64	2,800.00	152.82	18.32	0.68
Great Blakenham	48,478.00	838.71	57.80	49,488.00	856.18	57.80	0.00
Great Bricett	10,500.00	218.28	48.10	10,815.00	217.63	49.69	1.59
Great Finborough	14,136.00	323.12	43.75	14,505.00	331.54	43.75	0.00
Harleston	1,892.00	67.21	28.15	1,950.00	69.27	28.15	0.00
Haughley	49,442.00	604.83	81.75	58,557.00	716.33	81.75	0.00
Helmingham	2,600.00	68.43	38.00	2,600.00	68.91	37.73	-0.27
Hemingstone	2,380.00	109.55	21.73	5,112.72	105.22	48.59	26.86
Henley	12,437.85	232.37	53.53	12,327.60	229.89	53.62	0.09
Hessett	10,349.00	211.58	48.91	11,488.00	212.41	54.08	5.17
Hinderclay	5,150.00	128.61	40.04	5,150.00	132.45	38.88	-1.16
Horham	2,594.11	128.27	20.22	2,585.92	128.46	20.13	-0.09
Hoxne	14,000.00	369.00	37.94	14,700.00	375.82	39.11	1.17
Hunston	-	56.73	-	-	56.99	-	0.00
Kenton	1,600.00	99.25	16.12	1,600.00	98.17	16.30	0.18
Langham	-	42.55	-	-	43.81	-	0.00
Laxfield	46,357.00	423.24	109.53	46,357.00	461.71	100.40	-9.13
Little Blakenham	6,828.00	111.69	61.13	7,150.00	110.90	64.47	3.34
Little Finborough	-	26.23	-	-	25.25	-	0.00

Precepts and Council Tax Band D for Parishes

Parish	2022/23 Parish Precept	Tax Base	Council Tax Band D	2023/24 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	
Mellis	7,900.00	205.05	38.53	7,900.00	210.53	37.52	-1.01
Mendham	6,600.00	180.88	36.49	8,444.00	183.74	45.96	9.47
Mendlesham	44,000.00	583.68	75.38	51,000.00	569.34	89.58	14.20
Metfield	5,750.00	178.42	32.23	6,250.00	172.65	36.20	3.97
Mickfield	4,436.25	90.08	49.25	6,500.00	92.16	70.53	21.28
Monk Soham	2,250.00	76.71	29.33	2,850.00	78.08	36.50	7.17
Needham Market	140,739.72	1,709.93	82.31	150,811.35	1,778.87	84.78	2.47
Nettlestead	-	38.63	-	-	38.96	-	0.00
Norton	25,000.00	461.00	54.23	29,000.00	462.92	62.65	8.42
Occold	8,800.00	208.41	42.22	8,800.00	205.61	42.80	0.58
Offton	5,923.08	155.09	38.19	6,414.40	153.17	41.88	3.69
Old Newton with Dagworth	26,981.28	442.40	60.99	28,293.26	439.40	64.39	3.40
Onehouse	15,180.00	319.41	47.53	18,600.00	390.81	47.59	0.06
Palgrave	17,500.00	386.53	45.27	19,000.00	393.09	48.33	3.06
Pettaugh	2,976.00	89.35	33.31	2,750.00	86.99	31.61	-1.70
Rattlesden	22,632.00	412.30	54.89	22,324.00	406.68	54.89	0.00
Redgrave	21,800.00	264.64	82.38	24,156.00	265.66	90.93	8.55
Redlingfield	-	53.80	-	-	52.33	-	0.00
Rickinghall Inferior	10,375.16	169.59	61.18	10,679.54	168.49	63.38	2.20
Rickinghall Superior	20,424.84	333.86	61.18	20,920.46	330.06	63.38	2.20
Ringshall	8,462.00	268.97	31.46	9,222.00	266.50	34.60	3.14
Rishangles	-	38.38	-	-	40.95	-	0.00
Shelland	-	26.01	-	-	27.78	-	0.00
Somersham	18,187.00	254.36	71.50	18,442.00	279.66	65.94	-5.56
Southolt	-	29.39	-	-	30.11	-	0.00
Stoke Ash	3,956.85	82.87	47.75	7,094.00	82.57	85.91	38.16
Stonham Aspal	5,500.00	242.80	22.65	5,500.00	251.48	21.87	-0.78
Stonham Parva	6,692.00	136.69	48.96	6,840.00	138.33	49.45	0.49
Stowlangtoft	3,300.00	89.13	37.02	3,300.00	89.53	36.86	-0.16
Stowmarket	1,217,536.97	6,812.28	178.73	1,301,173.66	6,940.17	187.48	8.75
Stowupland	46,137.00	843.48	54.70	50,564.00	906.29	55.79	1.09
Stradbroke	38,549.00	573.96	67.16	39,874.00	579.22	68.84	1.68
Stuston	470.00	87.56	5.37	650.00	88.27	7.36	1.99
Styleham	3,922.00	95.95	40.88	4,066.00	97.59	41.66	0.78
Tannington	-	41.34	-	-	41.79	-	0.00
Thorndon	21,500.00	343.70	62.55	22,000.00	343.87	63.98	1.43
Thornham Magna	1,000.00	82.26	12.16	1,200.00	81.04	14.81	2.65
Thornham Parva	300.00	28.94	10.37	300.00	27.50	10.91	0.54
Thrandeston	2,500.00	76.22	32.80	3,000.00	70.67	42.45	9.65
Thurston	125,480.00	1,380.20	90.91	152,920.00	1,645.31	92.94	2.03
Thwaite	2,954.15	61.87	47.75	5,380.00	62.62	85.92	38.17
Tostock	10,474.00	220.26	47.55	9,920.00	225.19	44.05	-3.50
Walsham-le-Willows	22,250.00	483.79	45.99	24,596.00	534.79	45.99	-0.00
Wattisfield	10,638.00	201.02	52.92	11,489.00	199.87	57.48	4.56
Westhorpe	3,525.00	83.88	42.02	3,600.00	84.52	42.59	0.57
Wetherden	12,890.00	246.24	52.35	12,890.00	250.46	51.47	-0.88
Wetheringsett-cum-Brockford	9,830.00	287.04	34.25	12,500.00	288.13	43.38	9.13
Weybread	5,100.00	183.86	27.74	5,952.00	184.81	32.21	4.47
Whitton	1,672.75	31.32	53.41	3,289.10	71.85	45.78	-7.63
Wickham Skeith	3,723.00	138.77	26.83	4,035.00	136.66	29.53	2.70
Wilby	5,954.00	137.84	43.20	5,690.00	130.77	43.51	0.31
Willisham	4,076.92	106.75	38.19	4,585.60	109.50	41.88	3.69
Wingfield	6,126.00	147.72	41.47	6,200.00	147.26	42.10	0.63
Winston	850.00	70.15	12.12	1,250.00	68.50	18.25	6.13
Woolpit	60,000.00	838.06	71.59	65,000.00	918.41	70.77	-0.82
Worlingworth	13,625.82	328.61	41.47	13,762.00	331.75	41.48	0.01
Wortham	15,306.36	343.37	44.58	16,146.25	349.88	46.15	1.57
Wyverstone	3,230.00	146.02	22.12	3,230.00	141.38	22.85	0.73
Yaxley	6,250.00	221.11	28.27	6,250.00	225.16	27.76	-0.51
Total	3,212,636.02	38,853.22	5,277.62	3,450,769.20	40,126.96	5,601.15	323.53

Note: Those Parish / Town Councils highlighted in yellow, have yet to supply formal written notification of their 2023/24 precept.

Precept for each banding by Parish

	Valuation Bands							
	A	B	C	D	E	F	G	H
Mid Suffolk District Council	114.39	133.46	152.52	171.59	209.72	247.85	285.98	343.18
Suffolk County Council	997.62	1,163.89	1,330.16	1,496.43	1,828.97	2,161.51	2,494.05	2,992.86
Police and Crime Commissioner	175.08	204.26	233.44	262.62	320.98	379.34	437.70	525.24
Aggregate of Council Tax Requirements	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28

Parish	Total Amount of Council Tax for 2023/24							
	6/9 ths	7/9 ths	8/9 ths		11/9 ths	13/9 ths	15/9 ths	18/9 ths
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Akenham	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Ashbocking	1,297.06	1,513.24	1,729.41	1,945.59	2,377.94	2,810.30	3,242.65	3,891.18
Ashfield-cum-Thorpe	1,309.13	1,527.32	1,745.51	1,963.70	2,400.08	2,836.46	3,272.83	3,927.40
Aspall	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Athelington	1,300.51	1,517.27	1,734.02	1,950.77	2,384.27	2,817.78	3,251.28	3,901.54
Bacton	1,331.05	1,552.89	1,774.73	1,996.57	2,440.25	2,883.93	3,327.62	3,993.14
Badley	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Badwell Ash	1,332.23	1,554.26	1,776.30	1,998.34	2,442.42	2,886.49	3,330.57	3,996.68
Barham	1,325.66	1,546.60	1,767.55	1,988.49	2,430.38	2,872.26	3,314.15	3,976.98
Barking	1,336.90	1,559.72	1,782.53	2,005.35	2,450.98	2,896.62	3,342.25	4,010.70
Battisford	1,321.85	1,542.15	1,762.46	1,982.77	2,423.39	2,864.00	3,304.62	3,965.54
Baylham	1,297.97	1,514.30	1,730.63	1,946.96	2,379.62	2,812.28	3,244.93	3,893.92
Bedfield	1,307.18	1,525.04	1,742.91	1,960.77	2,396.50	2,832.22	3,267.95	3,921.54
Bedingfield	1,297.99	1,514.33	1,730.66	1,946.99	2,379.65	2,812.32	3,244.98	3,893.98
Beyton	1,336.49	1,559.24	1,781.99	2,004.74	2,450.24	2,895.74	3,341.23	4,009.48
Botesdale	1,394.25	1,626.62	1,859.00	2,091.37	2,556.12	3,020.87	3,485.62	4,182.74
Braiseworth	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Bramford	1,340.81	1,564.28	1,787.75	2,011.22	2,458.16	2,905.10	3,352.03	4,022.44
Brome and Oakley	1,310.95	1,529.45	1,747.94	1,966.43	2,403.41	2,840.40	3,277.38	3,932.86
Brundish	1,322.70	1,543.15	1,763.60	1,984.05	2,424.95	2,865.85	3,306.75	3,968.10
Burgat	1,317.86	1,537.50	1,757.15	1,976.79	2,416.08	2,855.36	3,294.65	3,953.58
Buxhall	1,313.09	1,531.93	1,750.78	1,969.63	2,407.33	2,845.02	3,282.72	3,939.26
Claydon	1,317.61	1,537.22	1,756.82	1,976.42	2,415.62	2,854.83	3,294.03	3,952.84
Coddenham	1,366.08	1,593.76	1,821.44	2,049.12	2,504.48	2,959.84	3,415.20	4,098.24
Combs	1,306.07	1,523.74	1,741.42	1,959.10	2,394.46	2,829.81	3,265.17	3,918.20
Cotton	1,310.17	1,528.54	1,746.90	1,965.26	2,401.98	2,838.71	3,275.43	3,930.52
Creeting St Mary	1,310.10	1,528.45	1,746.80	1,965.15	2,401.85	2,838.55	3,275.25	3,930.30
Creeting St Peter	1,325.45	1,546.36	1,767.27	1,988.18	2,430.00	2,871.82	3,313.63	3,976.36
Crowfield	1,298.68	1,515.13	1,731.57	1,948.02	2,380.91	2,813.81	3,246.70	3,896.04
Darmsden	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Debenham	1,351.68	1,576.96	1,802.24	2,027.52	2,478.08	2,928.64	3,379.20	4,055.04
Denham	1,316.33	1,535.71	1,755.10	1,974.49	2,413.27	2,852.04	3,290.82	3,948.98
Drinkstone	1,310.85	1,529.33	1,747.80	1,966.28	2,403.23	2,840.18	3,277.13	3,932.56
Earl Stonham	1,305.54	1,523.13	1,740.72	1,958.31	2,393.49	2,828.67	3,263.85	3,916.62
Elmswell	1,363.09	1,590.27	1,817.45	2,044.63	2,498.99	2,953.35	3,407.72	4,089.26
Eye	1,403.23	1,637.11	1,870.98	2,104.85	2,572.59	3,040.34	3,508.08	4,209.70
Felsham	1,312.60	1,531.37	1,750.13	1,968.90	2,406.43	2,843.97	3,281.50	3,937.80
Finningham	1,309.42	1,527.66	1,745.89	1,964.13	2,400.60	2,837.08	3,273.55	3,928.26
Flowton	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Framsden	1,336.51	1,559.26	1,782.01	2,004.76	2,450.26	2,895.76	3,341.27	4,009.52
Fressingfield	1,339.99	1,563.32	1,786.65	2,009.98	2,456.64	2,903.30	3,349.97	4,019.96

Precept for each banding by Parish

	Valuation Bands							
	A	B	C	D	E	F	G	H
Mid Suffolk District Council	114.39	133.46	152.52	171.59	209.72	247.85	285.98	343.18
Suffolk County Council	997.62	1,163.89	1,330.16	1,496.43	1,828.97	2,161.51	2,494.05	2,992.86
Police and Crime Commissioner	175.08	204.26	233.44	262.62	320.98	379.34	437.70	525.24
Aggregate of Council Tax Requirements	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28

Parish	Total Amount of Council Tax for 2023/24							
	6/9 ths	7/9 ths	8/9 ths		11/9 ths	13/9 ths	15/9 ths	18/9 ths
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Gedding	1,299.97	1,516.63	1,733.29	1,949.95	2,383.27	2,816.59	3,249.92	3,899.90
Gipping	1,330.02	1,551.69	1,773.36	1,995.03	2,438.37	2,881.71	3,325.05	3,990.06
Gislingham	1,305.68	1,523.29	1,740.91	1,958.52	2,393.75	2,828.97	3,264.20	3,917.04
Gosbeck	1,298.20	1,514.57	1,730.93	1,947.30	2,380.03	2,812.77	3,245.50	3,894.60
Great Ashfield	1,299.31	1,515.86	1,732.41	1,948.96	2,382.06	2,815.16	3,248.27	3,897.92
Great Blakenham	1,325.63	1,546.56	1,767.50	1,988.44	2,430.32	2,872.19	3,314.07	3,976.88
Great Bricett	1,320.22	1,540.26	1,760.29	1,980.33	2,420.40	2,860.48	3,300.55	3,960.66
Great Finborough	1,316.26	1,535.64	1,755.01	1,974.39	2,413.14	2,851.90	3,290.65	3,948.78
Harleston	1,305.86	1,523.50	1,741.15	1,958.79	2,394.08	2,829.36	3,264.65	3,917.58
Haughley	1,341.59	1,565.19	1,788.79	2,012.39	2,459.59	2,906.79	3,353.98	4,024.78
Helmingham	1,312.25	1,530.95	1,749.66	1,968.37	2,405.79	2,843.20	3,280.62	3,936.74
Hemingstone	1,319.49	1,539.40	1,759.32	1,979.23	2,419.06	2,858.89	3,298.72	3,958.46
Henley	1,322.84	1,543.31	1,763.79	1,984.26	2,425.21	2,866.15	3,307.10	3,968.52
Hessett	1,323.15	1,543.67	1,764.20	1,984.72	2,425.77	2,866.82	3,307.87	3,969.44
Hinderclay	1,313.01	1,531.85	1,750.68	1,969.52	2,407.19	2,844.86	3,282.53	3,939.04
Horham	1,300.51	1,517.27	1,734.02	1,950.77	2,384.27	2,817.78	3,251.28	3,901.54
Hoxne	1,313.17	1,532.03	1,750.89	1,969.75	2,407.47	2,845.19	3,282.92	3,939.50
Hunston	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Kenton	1,297.96	1,514.29	1,730.61	1,946.94	2,379.59	2,812.25	3,244.90	3,893.88
Langham	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Laxfield	1,354.03	1,579.70	1,805.37	2,031.04	2,482.38	2,933.72	3,385.07	4,062.08
Little Blakenham	1,330.07	1,551.75	1,773.43	1,995.11	2,438.47	2,881.83	3,325.18	3,990.22
Little Finborough	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Mellis	1,312.11	1,530.79	1,749.48	1,968.16	2,405.53	2,842.90	3,280.27	3,936.32
Mendham	1,317.73	1,537.36	1,756.98	1,976.60	2,415.84	2,855.09	3,294.33	3,953.20
Mendlesham	1,346.81	1,571.28	1,795.75	2,020.22	2,469.16	2,918.10	3,367.03	4,040.44
Metfield	1,311.23	1,529.76	1,748.30	1,966.84	2,403.92	2,840.99	3,278.07	3,933.68
Mickfield	1,334.11	1,556.47	1,778.82	2,001.17	2,445.87	2,890.58	3,335.28	4,002.34
Monk Soham	1,311.43	1,530.00	1,748.57	1,967.14	2,404.28	2,841.42	3,278.57	3,934.28
Needham Market	1,343.61	1,567.55	1,791.48	2,015.42	2,463.29	2,911.16	3,359.03	4,030.84
Nettlestead	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Norton	1,328.86	1,550.34	1,771.81	1,993.29	2,436.24	2,879.20	3,322.15	3,986.58
Occold	1,315.63	1,534.90	1,754.17	1,973.44	2,411.98	2,850.52	3,289.07	3,946.88
Offton	1,315.01	1,534.18	1,753.35	1,972.52	2,410.86	2,849.20	3,287.53	3,945.04
Old Newton with Dagwort	1,330.02	1,551.69	1,773.36	1,995.03	2,438.37	2,881.71	3,325.05	3,990.06
Onehouse	1,318.82	1,538.62	1,758.43	1,978.23	2,417.84	2,857.44	3,297.05	3,956.46
Palgrave	1,319.31	1,539.20	1,759.08	1,978.97	2,418.74	2,858.51	3,298.28	3,957.94
Pettaugh	1,308.17	1,526.19	1,744.22	1,962.25	2,398.31	2,834.36	3,270.42	3,924.50
Rattlesden	1,323.69	1,544.30	1,764.92	1,985.53	2,426.76	2,867.99	3,309.22	3,971.06
Redgrave	1,347.71	1,572.33	1,796.95	2,021.57	2,470.81	2,920.05	3,369.28	4,043.14
Redlingfield	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Rickinghall Inferior	1,329.35	1,550.90	1,772.46	1,994.02	2,437.14	2,880.25	3,323.37	3,988.04
Rickinghall Superior	1,329.35	1,550.90	1,772.46	1,994.02	2,437.14	2,880.25	3,323.37	3,988.04

Precept for each banding by Parish

	Valuation Bands							
	A	B	C	D	E	F	G	H
Mid Suffolk District Council	114.39	133.46	152.52	171.59	209.72	247.85	285.98	343.18
Suffolk County Council	997.62	1,163.89	1,330.16	1,496.43	1,828.97	2,161.51	2,494.05	2,992.86
Police and Crime Commissioner	175.08	204.26	233.44	262.62	320.98	379.34	437.70	525.24
Aggregate of Council Tax Requirements	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28

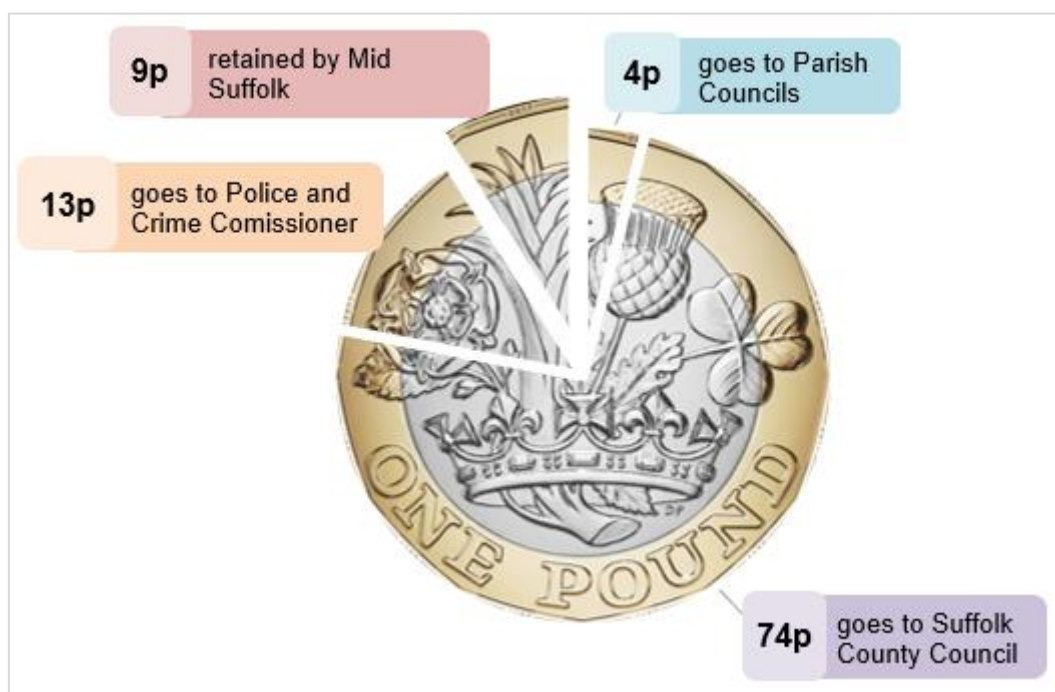
Parish	Total Amount of Council Tax for 2022/23							
	6/9 ths	7/9 ths	8/9 ths		11/9 ths	13/9 ths	15/9 ths	18/9 ths
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Ringshall	1,310.16	1,528.52	1,746.88	1,965.24	2,401.96	2,838.68	3,275.40	3,930.48
Rishangle	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Shelland	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Somersham	1,331.05	1,552.90	1,774.74	1,996.58	2,440.26	2,883.95	3,327.63	3,993.16
Southolt	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Stoke Ash	1,344.37	1,568.43	1,792.49	2,016.55	2,464.67	2,912.79	3,360.92	4,033.10
Stonham Aspal	1,301.67	1,518.62	1,735.56	1,952.51	2,386.40	2,820.29	3,254.18	3,905.02
Stonham Parva	1,320.06	1,540.07	1,760.08	1,980.09	2,420.11	2,860.13	3,300.15	3,960.18
Stowlangtoft	1,311.67	1,530.28	1,748.89	1,967.50	2,404.72	2,841.94	3,279.17	3,935.00
Stowmarket	1,412.08	1,647.43	1,882.77	2,118.12	2,588.81	3,059.51	3,530.20	4,236.24
Stowupland	1,324.29	1,545.00	1,765.72	1,986.43	2,427.86	2,869.29	3,310.72	3,972.86
Stradbroke	1,332.99	1,555.15	1,777.32	1,999.48	2,443.81	2,888.14	3,332.47	3,998.96
Stuston	1,292.00	1,507.33	1,722.67	1,938.00	2,368.67	2,799.33	3,230.00	3,876.00
Syleham	1,314.87	1,534.01	1,753.16	1,972.30	2,410.59	2,848.88	3,287.17	3,944.60
Tannington	1,287.09	1,501.61	1,716.12	1,930.64	2,359.67	2,788.70	3,217.73	3,861.28
Thorndon	1,329.75	1,551.37	1,773.00	1,994.62	2,437.87	2,881.12	3,324.37	3,989.24
Thornham Magna	1,296.97	1,513.13	1,729.29	1,945.45	2,377.77	2,810.09	3,242.42	3,890.90
Thornham Parva	1,294.37	1,510.09	1,725.82	1,941.55	2,373.01	2,804.46	3,235.92	3,883.10
Thrandeston	1,315.39	1,534.63	1,753.86	1,973.09	2,411.55	2,850.02	3,288.48	3,946.18
Thurston	1,349.05	1,573.90	1,798.74	2,023.58	2,473.26	2,922.95	3,372.63	4,047.16
Thwaite	1,344.37	1,568.44	1,792.50	2,016.56	2,464.68	2,912.81	3,360.93	4,033.12
Tostock	1,316.46	1,535.87	1,755.28	1,974.69	2,413.51	2,852.33	3,291.15	3,949.38
Walsham-le-Willows	1,317.75	1,537.38	1,757.00	1,976.63	2,415.88	2,855.13	3,294.38	3,953.26
Wattisfield	1,325.41	1,546.32	1,767.22	1,988.12	2,429.92	2,871.73	3,313.53	3,976.24
Westhorpe	1,315.49	1,534.73	1,753.98	1,973.23	2,411.73	2,850.22	3,288.72	3,946.46
Wetherden	1,321.41	1,541.64	1,761.88	1,982.11	2,422.58	2,863.05	3,303.52	3,964.22
Wetheringsett-cum-Brockford	1,316.01	1,535.35	1,754.68	1,974.02	2,412.69	2,851.36	3,290.03	3,948.04
Weybread	1,308.57	1,526.66	1,744.76	1,962.85	2,399.04	2,835.23	3,271.42	3,925.70
Whitton	1,317.61	1,537.22	1,756.82	1,976.42	2,415.62	2,854.83	3,294.03	3,952.84
Wickham Skeith	1,306.78	1,524.58	1,742.37	1,960.17	2,395.76	2,831.36	3,266.95	3,920.34
Wilby	1,316.10	1,535.45	1,754.80	1,974.15	2,412.85	2,851.55	3,290.25	3,948.30
Willisham	1,315.01	1,534.18	1,753.35	1,972.52	2,410.86	2,849.20	3,287.53	3,945.04
Wingfield	1,315.16	1,534.35	1,753.55	1,972.74	2,411.13	2,849.51	3,287.90	3,945.48
Winston	1,299.26	1,515.80	1,732.35	1,948.89	2,381.98	2,815.06	3,248.15	3,897.78
Woolpit	1,334.27	1,556.65	1,779.03	2,001.41	2,446.17	2,890.93	3,335.68	4,002.82
Worlingworth	1,314.75	1,533.87	1,753.00	1,972.12	2,410.37	2,848.62	3,286.87	3,944.24
Wortham	1,317.86	1,537.50	1,757.15	1,976.79	2,416.08	2,855.36	3,294.65	3,953.58
Wyverstone	1,302.33	1,519.38	1,736.44	1,953.49	2,387.60	2,821.71	3,255.82	3,906.98
Yaxley	1,305.60	1,523.20	1,740.80	1,958.40	2,393.60	2,828.80	3,264.00	3,916.80

Note: Those Parish / Town Councils highlighted in yellow, have yet to supply formal written notification of their 2023/24 precept.

Budget, Funding and Council Tax Requirements

- 1) The precept requirements of Parish / Town Councils must be aggregated with the requirement of this authority to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence).
- 2) The County and the Police and Crime Commissioner's precept requirements are added to this.
- 3) The legally required calculation is set out below:
 - 1) The General Fund Budget requirement for the District Council purposes in 2023/24 will be £171.59 and is based on no increase to Council Tax.
 - 2) The County Council precept requirement will be £1,496.43 for a Band D property in 2023/24, an increase of £57.51 (3.99%).
 - 3) The Police and Crime Commissioner's precept requirement will be £262.62, an increase of £14.94 (6.03%).
 - 4) At the time of preparing this report, not all Parish / Town Councils have supplied formal notification of their 2023/24 precept. The final figures will be reported to Council.
- 4) Each £1 of council tax collected is distributed as per chart 8 below.

Chart 8: Where the council tax collected goes



- 5) Mid Suffolk is a billing authority and collects council tax and non-domestic rates on behalf of the other precepting authorities i.e. Suffolk County Council, Suffolk Police and Crime Commissioner and Parish / Town Councils. The dates that monies collected are paid over to the County Council, and the Police and Crime Commissioner (“precept dates”) need to be formally agreed under Regulation 5(i) of the Local Authorities (Funds) (England) Regulations 1992.
- 6) Established practice is for payments to be made in 12 equal instalments on the 15th of each month or the next banking day if the 15th falls on a weekend or bank holiday. Accordingly, the precept dates applicable for 2023/24 are expected to be as follows:

17 April 2023	15 May 2023	15 June 2023	17 July 2023
15 August 2023	15 September 2023	16 October 2023	15 November 2023
15 December 2023	15 January 2024	15 February 2024	15 March 2024

Section 25 report on the robustness of estimates and adequacy of reserves

1. Background

- 1.1 Section 25 of the Local Government Act 2003 requires Councils, when setting its annual General Fund budget and level of council tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This report fulfils that requirement for the setting of the budget and council tax for 2023/24.
- 1.2 This is to ensure that when deciding on its budget for a financial year, Members are made aware of any issues of risk and uncertainty, or any other concerns by the Chief Financial Officer (CFO). The local authority is also expected to ensure that its budget provides for a prudent level of reserves to be maintained.
- 1.3 Section 26 of the Act empowers the Secretary of State to set a minimum level of reserves for which a local authority must provide in setting its budget. Section 26 would only be invoked as a fallback in circumstances in which a local authority does not act prudently, disregards the advice of its CFO and is heading for financial difficulty. The Section 151 Officer and Members, therefore, have a responsibility to ensure in considering the budget that:
 - It is realistic and achievable and that appropriate arrangements have been adopted in formulating it.
 - It is based on clearly understood and sound assumptions and links to the delivery of the Council's strategic priorities.
 - It includes an appropriate statement on the use of reserves and the adequacy of these.

2. Basis of Advice for Section 25 Report

- 2.1 In forming the advice for this year's Section 25 report, the CFO has considered the following:
 - a) The role of the Chief Finance Officer
 - b) The effectiveness of financial controls
 - c) The effectiveness of budget planning and budget management
 - d) The adequacy of insurance and risk management
 - e) The mitigation of strategic financial risks
 - f) The Capital Programme

a) Role of the Chief Finance Officer

- 2.2 The statutory role of the Chief Finance Officer in relation to financial administration and stewardship of the Council, and its role in the organisation are both key to ensuring that financial discipline is maintained.
- 2.3 The statutory duties of the Chief Finance Officer are set out in the Financial Regulations which form part of the Council's Constitution. These include the requirement to report to council if there is an unbalanced budget (under Section 114 of the Local Government Act 1988).

2.4 The Chartered Institute of Public Finance and Accountancy (CIPFA) published a Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The Statement requires that in order to meet best practice the CFO:

- a) is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- b) must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- c) must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the CFO:

- d) must lead and direct a finance function that is resourced to be fit for purpose; and
- e) must be professionally qualified and suitably experienced.
- f) The CIPFA Financial Management Code came into effect from the 1st April 2021, the code complements the Statement on the Role of the Chief Financial Officer, including a set of financial management standards that the Council is complying with. The standards emphasise how financial management is a collective responsibility of the Council's Corporate Leadership Team, acting alongside the CFO, stating that "it is for the leadership team to ensure that the authority's governance arrangements and style of financial management promote financial sustainability. These standards have been considered in drafting this statement.

b) Financial Controls

2.5 CIPFA's Financial Resilience Index, made publicly available for the first time in 2019, aims to support good practice in the planning of sustainable finance. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an authority. However, users of the index can undertake comparator analysis drawing their own conclusions. The tool is based on a series of indicators relating to the sustainability of reserves, external debt, fees and charges and income from local taxation (business rates and council tax).

2.6 The 2022 index, which provides the relative position for the 2021/22 financial year, is the most up to date index currently available. Councils' performance is ranked relative to those in the selected 'comparator group'.

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

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

c) Budget Planning and Budget Management

- 2.13 The financial planning process is Councillor-led as Cabinet decides the principles and policies that underpin budget planning. The Budget Report describes the strategy for 2023/24 and beyond.
- 2.14 Cost pressures and variations in key areas of income and expenditure have been carefully considered and reflected in the budget.
- 2.15 Key assumptions have been made and updated during the budget process to reflect the changing economic position and latest information. Budget assumptions for 2023/24 have also been considered and included in the process.
- 2.16 Detailed scrutiny, review and challenge of budgets has been undertaken by finance officers and the Senior Leadership Team.

- 2.17 There has been an examination by the Overview and Scrutiny Committee in advance of the budget being approved. The recommendations made by the Committee are considered by Cabinet before the budget is presented to Council.
- 2.18 A key factor in effective budget management is the Council's regular monitoring of spending against budgets throughout the year and at year-end. Budget managers are required to update their forecasts during the year and these are subject to review by Cabinet on a quarterly basis. The development of budget managers and initiatives to strengthen budgetary control and financial management throughout the Council is an ongoing process.
- 2.19 The Council has a proven track record on budget management, which is confirmed by Ernst & Young in their Annual Audit Letter. The auditors are required to form a conclusion on the arrangements the Council has put in place to secure economy, efficiency and effectiveness in its use of resources. There has been a delay in the external audit process for 2020/21, but an unqualified opinion was achieved for 2019/20 and is expected again for 2020/21.
- 2.20 As part of the audit work for the 2019/20 and 2020/21 financial statements, a going concern review was undertaken in light of Covid19. The Council has demonstrated that it is currently in a strong financial position with the level of reserves it has and the funding received from the Government mitigating the financial impact forecast.

d) Adequacy of Insurance and Risk Management

- 2.21 The Council's insurance arrangements are in the form of external insurance premiums with regular reviews being undertaken of the level at which risks are insured.
- 2.22 A critical area where risk management thinking can add significant value is to enhance the planning and budgeting process. Utilising a risk-based approach directly links to the Council's risk appetite to its core financial and economic performance, supported by the Council's Significant Risk Register. The goal when integrating risk management into budget planning is to understand the assumptions that the budget is based on.
- 2.23 The effective application of the Council's risk management principles enhances many processes within the context of managing its services and enables management to make better and more informed decision.
- 2.24 Our approach is to identify the major line items of each service budget, the personnel who contributed to them and the basis of estimation and then to ask key questions such as:
- What are the potential risks that could interfere with the accuracy of the estimate?
 - What is the likelihood of these risks materialising?
 - What would the impact on the organisation be if they did materialise?

e) **Mitigation of Strategic Financial Risk**

2.25 No budget can be completely free from risk, and this is especially true with the inflationary pressures and cost of supplies currently affecting the Councils finances. Some comments on the areas of the budget having key financial impacts or significant changes for 2023/24 are set out below:

- **Pay and Pensions** – The budget includes provision for pay increases of 4% for 2023/24 and 2% for each of the following 3 years to 2026/27 and continues to provide for annual progression through pay scales where employees are not at the top of their grades. A 1% change in pay amounts to around £131k per annum.

Based on the 2022 triennial pension fund valuation the contribution rate has been increased to 26% from 23% from 2023/24 and the lump sum contribution towards the deficit removed.

The Council's establishment budget is based on a full establishment. To allow for in-year vacancy savings the budget includes an annual vacancy saving of £544k, which equates to 5%.

- **Price Increases** – Allowances for price increases have been made on some budgets including major contracts, where there is a contractual requirement to do so. For other areas the budget assumes any price inflation is absorbed by the service. A 1% change in the refuse and ICT contracts and the Shared Revenues Partnership is around £40k.
- **Income from Fees and Charges** – A significant part of the Council's costs continue to be met from fees and charges. For some of these headings it is difficult to predict the level of income to be received e.g. planning fees, so progress against these income targets will need to be monitored throughout the year, particularly in the light of continuing economic volatility. A 1% change in fees and charges income including from planning, building control, garden waste, car park and recycling performance payments income is around £52k.
- **Investment Income and Interest Payable** – The Council has diversified its investments into a property fund and other pooled funds, following advice from Arlingclose, to increase the return on investment. Following implementation of International Financial Reporting Standards (IFRS) and how changes to the year-end values of pooled funds have to be treated could encourage the redemption of holdings and reduce the anticipated level of return, but this is not likely to come into force until April 2025 at the earliest.
- **Business Rates Retention** – As business rates is an increasingly important source of income for the Council, measures for closer monitoring have been put in place. Under the current retention system, the General Fund's exposure to variances can come from economic decline, cessation of business from a major ratepayer and appeals to rateable values. The Council operates a Business Rates and Council Tax Collection Fund Reserve to cover for this possibility as appropriate and the Government provided some funding to cover irrecoverable tax losses.

The change to 75% retention of business rates is now unlikely to be taken forward and the reset has been deferred. The figures beyond 2023/24 assume a continuation of resources at the current level, but this is unknown. If baseline funding levels should reduce, the Business Rates and Council tax Collection Fund Reserve could be used to support a short-term reduction, but medium-term plans and resources would need to be reviewed.

- **Council Tax Income and the Tax Base** – the impact from Covid on collection rates, the number of Local Council Tax Reduction (LCTR) claimants and the build rate of new homes across the district has been less than anticipated when the budget for 2021/22 was set. This means that a 3.28% increase has been calculated for the tax base for 2023/24, which will generate additional council tax income of £219k. As a result of the improved position, a surplus of £138k is anticipated on the Collection Fund for 2022/23, which is included in the budget for 2023/24.
- **Government Funding** – Revenue Support Grant (RSG) will be received in 2023/24 as a result of the Family Annex Council Tax Discount Grant and LCTS Administration Grant being rolled up into the settlement. These were previously accounted for within service income, so does not impact the overall budget position.

The Council's core Government funding also includes the Rural Services Delivery Grant (RSDG), New Homes Bonus (NHB), Lower Tier Services Grant and the Funding Guarantee Grant. This is a new grant has been created to ensure every authority has an increase in Core Spending Power (CSP) of at least 3%. This Funding Guarantee Grant will be funded from the Lower Tier Services Grant (LTSG) and the reduced cost of New Homes Bonus (NHB).

There remains uncertainty beyond 2023/24, so the medium-term figures are based on the current level of RSDG continuing and NHB reducing in 2025/26 and future years.

- **Welfare Reforms, Benefits and Council Tax Reductions** – At a forecast of £9m for 2023/24, housing benefit remains one of the Council's largest financial transactions, which due to the welfare reforms and introduction of Universal Credit and the Council Tax Reduction scheme is subject to increasing risk and change. This will continue to be closely monitored in order to protect the Council from any emerging risks and liabilities.

f) Capital Programme

2.26 The Council's new capital programme funding for the next 4 years is £17.7m which is largely funded through borrowing and is based upon reasonable estimates of cost and capacity to deliver the programme. The programme has been developed to support the key deliverables of the Council and its ambition through the Joint Corporate Plan.

- 2.27 A key risk therefore to consider in the Council's budget planning is the interest cost and provision for repayment of debt (Minimum Revenue Provision – MRP) that it will need to meet commitments on the borrowing it undertakes for capital purposes. The Government is currently reviewing feedback from a consultation on MRP which ended in February 2022. This included an amendment which would require the Council to start making MRP on its loans to its companies, rather than set aside the capital receipts from repayments as it does currently. If this change is implemented this could increase costs.
- 2.28 Review of the capital programme on an ongoing basis is required to ensure that future borrowing is targeted on projects that deliver the most for the district and are affordable within the current revenue resources.
- 2.29 The borrowing strategy and MRP policy are set out in detail in the Capital, Investment and Treasury Management Strategies document.

Conclusion

- 2.30 Taking all of the above into consideration, the Section 151 Officer's opinion is that the Council's budget and estimates are reasonable based on the assumptions and available information, but cannot be absolutely robust, so a full assurance cannot be given that there will be no unforeseen adverse variances.
- 2.31 This is an expected and acceptable situation for any organisation that is dealing with a large number of variables. Also, the general economic situation continues to impact on expenditure and income. The minimum safe level of reserves proved to be sufficient to manage the impact of the Covid-19 pandemic in 2020/21 and 2021/22, alongside the support provided by the Government, which has been the single largest impact on local authorities' finances in recent years, so provided this is maintained, any variations arising as a result of lack of robustness in the estimates should be manageable.

3 Adequacy of Reserves

- 3.1 There is no available guidance on the minimum level of reserves that should be maintained. Each authority should determine a prudent level of reserves based upon their own circumstances, risk and uncertainties. Regard has been had to guidance that has been issued to CFO's and the risks and uncertainties faced.
- 3.2 The Council is required to maintain adequate financial reserves to meet the needs of the authority. This is the General Reserve and provides a safe level of contingency.
- 3.3 The CFO's opinion is that the minimum level of unearmarked reserves can be increased. The reserve balance currently stands at £1.052m and represents 8% of the net budget, 10% is considered to be a prudent level and so an increase of £248k to £1.3m is recommended. There would be no increased risk to the Council and is partly based on the understanding that there are further sums available in earmarked reserves that will not be fully spent during 2023/24 as set out below.

- 3.4 Levels of earmarked reserves (excluding those relating to the Housing Revenue Account) but including the newly created Strategic Transformation Infrastructure Fund and the Community Development Fund reserves are forecast to be £22.76m at 31 March 2024. The Strategic Transformation Infrastructure Fund Reserve will be used to fund investment in future Council projects and the Community Development Fund Reserve will be used to support local communities and organisations with the delivery of local place-based initiatives and activities.

4. Background Documents

Local Government Act 2003; Guidance Note on Local Authority Reserves and Balances – CIPFA 2003; Medium Term Financial Strategy

Melissa Evans
Director, Corporate Resources
(Section 151 Officer)

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Mid Suffolk District Council Budget Book 2023/24

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General Fund Revenue Budget Summary

		2022/23	2023/24	Movement
		£'000	£'000	£'000
Service Costs	Employees	11,224	13,128	1,903
	Premises	1,107	1,255	148
	Supplies & Services	4,377	5,181	804
	Transport	390	409	19
	Contracts	4,133	4,573	439
Service Income	Grants and Contributions	(1,264)	(1,715)	(451)
	Sales, Fees & Charges	(5,151)	(5,407)	(256)
	Other income (incl. rental & PV panel income)	(1,588)	(1,698)	(111)
Housing Benefits	HB Transfer Payments	10,184	9,239	(945)
	HB Grants and Contributions	(10,334)	(9,366)	969
Net Service Expenditure		13,078	15,599	2,520
Recharges	Recharge to HRA/Capital (Corporate Overheads)	(1,511)	(1,761)	(250)
Capital Financing Charges	Interest Payable - CIFCO Long-term loans	545	416	(129)
	Interest Payable - Other	290	1,090	800
	Minimum Revenue Provision (MRP)	1,333	1,475	142
Investment Income	Pooled Funds Net Income	(566)	(566)	-
	Interest Receivable - CIFCO	(2,169)	(2,187)	(18)
	Interest Receivable - Gateway 14	(1,865)	(97)	1,769
	Interest Receivable - Other	(31)	(31)	-
Reserves	Transfers to / (from) Reserves	(336)	(1,499)	(1,163)
Total Net Cost of Services		8,769	12,441	3,672

General Fund Revenue Budget Summary

		2022/23	2023/24	Movement
		£'000	£'000	£'000
Government Grants	New Homes Bonus	(1,779)	(1,427)	352
	Revenue Support Grant (RSG)	-	(132)	(132)
	Services Grant	(157)	(92)	65
	Rural Services Delivery Grant	(454)	(508)	(53)
	Funding Guarantee	-	(450)	(450)
	Lower Tier Services Grant	(102)	-	102
Business Rates	Business Rates	(4,310)	(6,499)	(2,189)
	Growth / Pooling Benefit	(486)	(678)	(192)
	Enterprise Zone income	-	-	-
	Business Rates Collection Fund (surplus) / deficit	(438)	790	1,228
Council Tax	Council Tax	(6,667)	(6,886)	(219)
	Council Tax Collection Fund (surplus) / deficit	(293)	(138)	155
Total Funding		(14,685)	(16,019)	(1,334)
Transfers to/from Reserves	Commercial Development Risk Reserve	1,865	-	(1,865)
	Growth & Efficiency Fund	4,051	-	(4,051)
	Strategic Transformation Infrastructure Fund	-	2,830	2,830
	General Fund Working Balance	-	248	248
	Community Development Fund	-	500	500
Shortfall / (Surplus Funds)		-	-	-

General Fund Revenue Budget - Services and Activities Summary

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Assets and Investments	325	239	183	-	-	-	(133)	(50)	(115)	-	449
Strategic Property	132	239	169	-	-	-	-	(50)	(115)	-	374
The Councils' Companies	193	-	15	-	-	-	(133)	-	-	-	75
Communities and Wellbeing	490	483	588	10	-	-	(560)	-	-	(345)	666
Communities	490	-	588	10	-	-	-	-	-	(345)	742
Leisure Contracts	-	483	-	-	-	-	(560)	-	-	-	(76)
Corporate Resources	1,445	110	442	48	1,096	9,239	(9,492)	-	(145)	(72)	2,672
Finance, Commissioning & Procurement	833	110	322	-	-	-	(9,492)	-	(145)	(33)	(8,404)
HR & Organisational Development	611	-	120	-	-	-	-	-	-	(345)	387
Customers, Digital Transformation & Improvement	1,637	-	347	1	409	-	-	-	-	(108)	2,287
Communications	203	-	31	0	-	-	-	-	-	-	235
Customer Operations	728	-	6	1	-	-	-	-	-	(43)	692
ICT	303	-	265	-	409	-	-	-	-	-	977
Strategic Policy, Performance & Insight	403	-	45	-	-	-	-	-	-	(65)	384
Economy, Regeneration and Climate Change	468	2	195	3	-	-	-	-	(3)	(169)	496
Economic Growth and Climate Change	349	-	47	3	-	-	-	-	-	-	399
Climate Change and Sustainability	119	2	148	-	-	-	-	-	(3)	(169)	96
Operations (formerly Environment and Commercial Partnerships)	2,881	264	1,535	239	3,066	-	(45)	(2,920)	(847)	(355)	3,819
Health and Safety, Business Continuity and Emergency Planning	200	-	62	1	-	-	-	-	-	(50)	214
Public Protection	802	0	133	17	-	-	(18)	(203)	-	-	729
Public Realm	1,471	247	358	157	-	-	(27)	(754)	(2)	(85)	1,367
Recycling, Waste & Fleet	373	17	982	64	3,066	-	-	(1,963)	(845)	(220)	1,474
Service Improvement	35	-	-	-	-	-	-	-	-	-	35
Housing	1,376	157	300	40	-	-	(573)	(5)	(509)	(243)	542
Housing Solutions	1,376	157	300	40	-	-	(573)	(5)	(509)	(243)	542

General Fund Revenue Budget - Services and Activities Summary

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Law and Governance	568	-	819	1	-	-	(128)	(205)	(46)	20	1,030
Electoral Services and Land Charges	182	-	102	-	-	-	(5)	(205)	(25)	20	69
Governance and Civic Office	48	-	419	1	-	-	-	(0)	(1)	-	466
Internal Audit	65	-	31	0	-	-	-	-	(3)	-	93
Legal & Information Governance Service	273	-	267	-	-	-	(123)	-	(16)	-	401
Planning and Building Control	3,241	0	701	65	-	-	(150)	(2,227)	-	(227)	1,403
Building Control	622	0	17	28	-	-	-	(422)	-	-	245
Development Management, Heritage and Enforcement	2,025	-	476	35	-	-	-	(1,649)	-	(203)	684
Service Improvement	38	-	-	-	-	-	-	-	-	-	38
Strategic Planning	555	-	207	1	-	-	(150)	(155)	-	(24)	435
Senior Leadership Team	697	-	71	2	-	-	-	-	(33)	-	736
Senior Leadership Team	697	-	71	2	-	-	-	-	(33)	-	736
Total	13,128	1,255	5,181	409	4,572	9,239	(11,080)	(5,407)	(1,698)	(1,499)	14,100

General Fund Revenue Budget - Assets and Investments

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Strategic Property	132	239	169	-	-	-	-	(50)	(115)	-	374
Asset Management	8	-	-	-	-	-	-	-	(0)	-	7
Asset Utilisation	125	51	46	-	-	-	-	-	(1)	-	221
Cedars Park Community Centre	-	7	-	-	-	-	-	-	-	-	7
Chilton Depot	-	36	0	-	-	-	-	-	(1)	-	35
Creting Rd Depot	-	40	5	-	-	-	-	-	-	-	45
Endeavour House - HQ	-	41	101	-	-	-	-	-	-	-	142
Headquarters General	-	10	-	-	-	-	-	-	-	-	10
Opportunities Building (Chilton Field)	-	-	-	-	-	-	-	-	(21)	-	(21)
Pure Gym & Adjacent Building	-	33	-	-	-	-	-	(50)	(88)	-	(105)
Stowmarket Customer Access Point	-	7	16	-	-	-	-	-	-	-	23
Stowmarket Football Ground	-	-	-	-	-	-	-	-	(4)	-	(4)
Wenham Depot	-	11	1	-	-	-	-	-	-	-	11
Wenham Depot Touch Down Point	-	3	-	-	-	-	-	-	-	-	3
The Councils' Companies	193	-	15	-	-	-	(133)	-	-	-	75
The Councils' Companies	193	-	15	-	-	-	(133)	-	-	-	75
Total Assets and Investments	325	239	183	-	-	-	(133)	(50)	(115)	-	449

General Fund Revenue Budget - Communities and Wellbeing

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Communities	490	-	588	10	-	-	-	-	-	(345)	742
Community Development	484	-	1	10	-	-	-	-	-	(89)	406
Community Achievement Awards	-	-	3	-	-	-	-	-	-	-	3
Community Safety - CCTV	-	-	10	-	-	-	-	-	-	-	10
Community Safety - General	-	-	24	-	-	-	-	-	-	-	24
Grants and Contributions	-	-	509	-	-	-	-	-	-	(250)	259
Policy and Strategy Health and Well-being	-	-	26	-	-	-	-	-	-	-	26
Wellbeing CCG Funding	6	-	-	-	-	-	-	-	-	(6)	-
Womens Cycle Tour	-	-	15	-	-	-	-	-	-	-	15
Leisure Contract	-	483	-	-	-	-	(560)	-	-	-	(76)
Leisure Contract	-	483	-	-	-	-	(560)	-	-	-	(76)
Total Communities and Wellbeing	490	483	588	10	-	-	(560)	-	-	(345)	666

General Fund Revenue Budget - Corporate Resources

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Finance, Commissioning & Procurement	833	110	322	46	1,096	9,239	(9,492)	-	(145)	(33)	1,977
Bank Charges	-	-	108	-	-	-	-	-	-	-	108
Central Stationery and equipment	-	-	4	-	-	-	-	-	-	-	4
Commissioning & Procurement	186	-	-	-	-	-	-	-	-	(67)	119
Council Tax Collection	-	-	-	-	-	-	-	-	(136)	-	(136)
Early Retirement Pension - direct charges	78	-	-	-	-	-	-	-	-	-	78
External Audit	-	-	86	-	-	-	-	-	-	-	86
Financial Resources	453	-	52	1	-	-	-	-	-	(39)	467
Insurance Premiums	117	110	14	45	-	-	-	-	-	-	286
NNDR Collection	-	-	-	-	-	-	(126)	-	(9)	-	(135)
Rent Allowances	-	-	-	-	-	4,431	(4,464)	-	-	(24)	(56)
Rent Rebates to HRA Dwellings	-	-	-	-	-	4,808	(4,902)	-	-	-	(94)
Shared Revenues Partnership	-	-	8	-	1,096	-	-	-	-	-	1,105
Treasury Management	-	-	51	-	-	-	-	-	-	97	148
HR & Organisational Development	611	-	120	2	-	-	-	-	-	(39)	694
HR & Organisational Development	611	-	120	2	-	-	-	-	-	(39)	694
Total Corporate Resources	1,445	110	442	48	1,096	9,239	(9,492)	-	(145)	(72)	2,672

General Fund Revenue Budget - Customers, Digital Transformation and Improvement

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Communications	203	-	31	-	-	-	-	-	-	-	235
Communications	203	-	31	-	-	-	-	-	-	-	235
Customer Operations	728	-	6	1	-	-	-	-	-	(43)	692
Customer Services	728	-	6	1	-	-	-	-	-	(43)	692
ICT	303	-	265	-	409	-	-	-	-	-	977
ICT	303	-	265	-	409	-	-	-	-	-	977
Strategic Policy, Performance & Insight	403	-	45	-	-	-	-	-	-	(65)	384
Strategic Policy, Performance & Insight	403	-	45	-	-	-	-	-	-	(65)	384
Total Customers, Digital Transformation & Improvement	1,637	-	347	1	409	-	-	-	-	(108)	2,287

General Fund Revenue Budget - Economy, Regeneration and Climate Change

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Economic Growth and Climate Change	349	-	47	3	-	-	-	-	-	-	399
Business Performance	-	-	12	-	-	-	-	-	-	-	12
Economy & Business	194	-	16	2	-	-	-	-	-	-	212
Town Centres	36	-	-	-	-	-	-	-	-	-	36
Regeneration	119	-	-	1	-	-	-	-	-	-	120
Visitor Economy	-	-	19	-	-	-	-	-	-	-	19
Climate Change and Sustainability	119	2	148	-	-	-	-	-	(3)	(169)	96
Climate Change and Sustainability	119	2	18	-	-	-	-	-	(3)	(39)	96
Electric Rural Buses	-	-	130	-	-	-	-	-	-	(130)	-
Total Economy, Regeneration and Climate Change	468	2	195	3	-	-	-	-	(3)	(169)	496

General Fund Revenue Budget - Operations (formerly Environment and Commercial Partnerships)

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Health & Safety, Business Continuity & Emergency Planning	200	-	62	1	-	-	-	-	-	(50)	214
Business Continuity /Emergency Planning	50	-	-	-	-	-	-	-	-	(50)	-
Civil Protection and Emergency Planning	-	-	29	-	-	-	-	-	-	-	29
Health and Safety	150	-	34	1	-	-	-	-	-	-	185
Public Protection	802	-	133	16	-	-	(18)	(203)	-	-	729
Abandoned Vehicles	-	-	1	-	-	-	-	-	-	-	1
Alcohol, Entertainment and Late Night Refreshment Licensing	-	-	-	-	-	-	-	(71)	-	-	(71)
Animal Welfare Licensing	-	-	3	-	-	-	-	(15)	-	-	(12)
Boatman Licence	-	-	-	-	-	-	-	(2)	-	-	(2)
Covid-19 Test and Trace	18	-	-	-	-	-	(18)	-	-	-	-
Dog Control	-	-	14	-	-	-	-	-	-	-	14
Environmental Protection	322	-	7	10	-	-	-	(17)	-	-	323
Food & Safety (General)	351	-	1	6	-	-	-	(16)	-	-	342
Gambling & Small Lotteries	-	-	-	-	-	-	-	(6)	-	-	(6)
Health & Safety Regulation	-	-	-	-	-	-	-	(3)	-	-	(3)
Land Drainage	-	-	67	-	-	-	-	-	-	-	67
Licensing Staff Costs	110	-	-	-	-	-	-	-	-	-	110
Mobile Home Sites	-	-	-	-	-	-	-	(2)	-	-	(2)
Other Housing Matters	-	-	8	-	-	-	-	-	-	-	8
Pavement Licences	-	-	-	-	-	-	-	(3)	-	-	(3)
Scrap Metal	-	-	-	-	-	-	-	(2)	-	-	(2)
Taxi & Private Hire Licensing	-	-	23	-	-	-	-	(58)	-	-	(35)
Water Sampling	-	-	10	-	-	-	-	(10)	-	-	-

General Fund Revenue Budget - Operations (formerly Environment and Commercial Partnerships (Cont'd))

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Public Realm	1,471	247	355	157	-	-	(24)	(754)	(2)	(85)	1,367
A14 Cleansing	-	-	-	12	-	-	(12)	-	-	-	(1)
Car Parks General	40	187	88	-	-	-	-	(581)	-	-	(266)
Stowmarket Lorry Park	-	11	-	-	-	-	-	-	-	-	11
Civil Parking Enforcement	-	-	97	-	-	-	-	(40)	-	-	58
Commuted Maintenance Payments	-	-	-	-	-	-	-	-	-	(31)	(31)
Eye Park	-	-	-	-	-	-	-	(3)	-	-	(3)
Footpaths	48	-	4	1	-	-	(7)	(35)	-	-	11
Open Spaces	956	13	60	91	-	-	-	(49)	(2)	(54)	1,015
Public Conveniences	-	11	-	-	-	-	-	-	-	-	11
Public Tree Programme	46	25	-	3	-	-	-	-	-	-	74
Street & Major Road Cleansing	381	-	106	51	-	-	(5)	(46)	-	-	487
Recycling, Waste & Fleet	373	17	982	63	3,066	-	-	(1,963)	(845)	(220)	1,474
Bring Sites	19	-	104	-	-	-	-	-	(141)	(2)	(20)
Domestic Waste	233	-	344	1	2,353	-	-	(197)	(437)	(20)	2,277
Garden Waste	93	-	251	-	618	-	-	(1,190)	(266)	(128)	(623)
Joint Waste Contract	-	16	44	62	-	-	-	-	-	-	122
Recycling Centre	-	1	2	-	-	-	-	(0)	-	-	2
Trade Waste	28	-	238	-	96	-	-	(576)	-	(71)	(285)
Service Improvement	35	-	-	-	-	-	-	-	-	-	35
Service Improvement	35	-	-	-	-	-	-	-	-	-	35
Total Environment & Commercial Partnerships	2,881	264	1,532	238	3,066	-	(42)	(2,920)	(847)	(355)	3,819

General Fund Revenue Budget - Housing

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Housing Solutions	1,376	157	300	40	-	-	(573)	(5)	(509)	(243)	542
Afghan Resettlement Programme	-	-	15	-	-	-	(15)	-	-	-	-
Choice Based Lettings	85	-	-	1	-	-	-	-	-	-	86
Community Housing Fund	25	-	4	1	-	-	-	-	-	(25)	5
Domestic Abuse Funding	23	-	-	22	-	-	(51)	-	-	-	(6)
Guaranteed Rent Scheme	48	50	9	-	-	-	-	-	(50)	(14)	43
HMO Licence	-	-	-	-	-	-	-	(1)	-	-	(1)
Homeless Prevention Fund	375	-	11	8	-	-	(89)	-	(12)	(57)	235
Homelessness Private Sector	-	-	63	-	-	-	(89)	(2)	-	-	(27)
Homes for Ukraine	20	-	-	-	-	-	-	-	(20)	-	-
Housing Standards	178	-	-	4	-	-	-	-	14	(4)	193
Independent Living Service	-	1	20	-	-	-	(40)	-	-	-	(19)
Housing Solutions	184	-	-	-	-	-	-	-	-	(159)	25
Other Temp Accommodation	146	-	1	2	-	-	-	-	-	(52)	97
PV Panels	-	39	149	-	-	-	-	-	(301)	-	(114)
Rent Deposit Scheme	22	30	1	1	-	-	(51)	-	(8)	-	(4)
Rough Sleepers Intervention	159	-	5	-	-	-	(239)	-	-	-	(74)
Strategic Housing	111	-	15	1	-	-	-	(3)	-	(20)	104
The Foyer	-	38	8	-	-	-	-	-	(133)	88	-
Total Housing	1,376	157	300	40	-	-	(573)	(5)	(509)	(243)	542

General Fund Revenue Budget - Law and Governance

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Electoral Services & Land Charges	182	-	102	-	-	-	(5)	(205)	(25)	20	69
Elections	-	-	25	-	-	-	-	-	(25)	20	20
Electoral Registration	90	-	49	-	-	-	-	(2)	-	-	137
Information Management	-	-	6	-	-	-	-	-	-	-	6
Land Charges	92	-	21	-	-	-	(5)	(203)	-	-	(94)
Governance & Civic Office	48	-	419	1	-	-	-	-	(1)	-	466
Central Postal Services	16	-	65	-	-	-	-	-	-	-	81
Central Printing	-	-	8	-	-	-	-	-	-	-	8
Cost of Democracy	(178)	-	327	1	-	-	-	-	(1)	-	149
Governance	209	-	19	-	-	-	-	-	-	-	228
Internal Audit, Risk & Data	65	-	31	-	-	-	-	-	(3)	-	93
Internal Audit	65	-	31	-	-	-	-	-	(3)	-	93
Legal & Information Governance Services	273	-	267	-	-	-	(123)	-	(16)	-	401
Legal & Information Governance Services	273	-	267	-	-	-	(123)	-	(16)	-	401
Total Law and Governance	568	-	819	1	-	-	(128)	(205)	(46)	20	1,030

General Fund Revenue Budget - Planning and Building Control

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Building Control	622	-	17	28	-	-	-	(422)	-	-	245
Building Control - commercial income	-	-	3	-	-	-	-	(7)	-	-	(4)
Building Regulations - chargeable service	429	-	12	19	-	-	-	(373)	-	-	88
Building Regulations - non chargeable service	93	-	-	4	-	-	-	-	-	-	98
Building Regulations - other activities	62	-	-	3	-	-	-	-	-	-	65
Street Naming & Numbering	37	-	2	2	-	-	-	(42)	-	-	(1)
Development Management, Heritage & Enforcement	2,025	-	476	35	-	-	-	(1,649)	-	(203)	684
Conservation	168	-	-	6	-	-	-	(15)	-	-	159
Development Management - appeals	-	-	248	-	-	-	-	-	-	(107)	141
Development Management	1,559	-	224	24	-	-	-	(1,580)	-	(96)	130
Planning Enforcement	298	-	-	6	-	-	-	-	-	-	304
Planning Performance Agreement	-	-	5	-	-	-	-	(10)	-	-	(5)
Pre Application Charging	-	-	-	-	-	-	-	(45)	-	-	(45)
Service Improvement	38	-	-	-	-	-	-	-	-	-	38
Service Improvement	38	-	-	-	-	-	-	-	-	-	38
Strategic Planning	555	-	207	1	-	-	(150)	(155)	-	(24)	435
CIL	156	-	-	1	-	-	-	(155)	-	-	-
Development Policy and Local Plans	361	-	136	1	-	-	-	-	-	-	-
Neighbourhood Plan Designations	27	-	18	-	-	-	(150)	-	-	(24)	(130)
S106 Monitoring	12	-	-	-	-	-	-	-	-	-	-
Strategic Planning General	-	-	54	-	-	-	-	-	-	-	-
Total Planning and Building Control	3,241	-	700	65	-	-	(150)	(2,226)	-	(227)	1,403

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General Fund Revenue Budget - Senior Leadership Team

	Employees £'000	Premises £000	Supplies & Services £'000	Transport £'000	Contracts £'000	Transfer Payments £'000	Grants and Cont'ns £'000	Sales, Fees & Charges £'000	Other income £'000	Transfer to/(from) reserves £000	Net Expenditure £'000
Senior Leadership Team	697	-	71	2	-	-	-	-	(33)	-	736
Corporate Management	50	-	3	-	-	-	-	-	-	-	53
Senior Leadership Team	646	-	68	2	-	-	-	-	(33)	-	683
Total Senior Leadership Team	697	-	71	2	-	-	-	-	(33)	-	736
Total Net Service Expenditure	13,128	1,255	5,177	407	4,572	9,239	(11,077)	(5,406)	(1,698)	(1,499)	14,100

Housing Revenue Account Budget 2023/24

	Budget 2023/24 £'000
Dwelling Rents	(16,235)
Service Charges	(708)
Non Dwelling Income	(396)
Other Income	(51)
Interest Received	(10)
Total Income	(17,400)
Housing Management	5,137
Building Services	4,897
Repairs and Maintenance (all areas except Trades Team)	765
Bad Debt Provision	100
Total Expenditure	10,899
Depreciation	4,617
Interest payable	2,700
Revenue Contribution to Capital	-
(Surplus) / Deficit for Year	816

General Fund Capital Programme 2023/24 to 2026/27

Mid Suffolk District Council - General Fund Capital Budgets	2022/23 Anticipated C/Fwds	2023/24 Budget for Approval	2023/24 Total Spend Required	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
2023/24 to 2026/27	(A)	(B)	(A + B)			
	£'000	£'000		£'000	£'000	£'000
Housing						
Mandatory Disabled Facilities Grant	244	698	942	698	698	698
Renovation/Home Repair Grants	78	100	178	100	100	100
Empty Homes Grant	269	100	369	100	100	100
Grants for Affordable Housing	170	0	170	0	0	0
Total Housing	761	898	1,659	898	898	898
Operations						
Replacement Refuse Freighters - Joint Scheme	71	205	276	196	0	0
Recycling Bins	0	100	100	100	100	100
Electric Buses	560	0	560	0	0	0
Total Operations	631	305	936	296	100	100
Economic Development and Regeneration						
EV Charge Points in Car Parks	0	240	240	0	0	0
Total Economic Development and Regeneration	0	240	240	0	0	0
Public Realm						
Streetcare - Vehicles and Plant Renewals	0	90	90	90	90	90
Planned Maintenance / Enhancements - Car Parks	372	40	412	40	40	40
Parking Strategy Implementation	0	115	115	155	0	0
Needham Lake Footpath - Planned Maintenance	0	40	40	15	15	15
Total Public Realm	372	285	657	300	145	145
Communities and Well-being						
Play equipment	200	50	250	50	50	50
Community Development Grants	150	190	340	190	190	190
Total Communities and Well-being	350	240	590	240	240	240

General Fund Capital Programme 2023/24 to 2026/27

Mid Suffolk District Council - General Fund Capital Budgets	2022/23 Anticipated C/Fwds	2023/24 Budget for Approval	2023/24 Total Spend Required	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
2023/24 to 2026/27	(A)	(B)	(A + B)			
	£'000	£'000		£'000	£'000	£'000
Leisure Contracts						
Stowmarket Leisure Centre - Planned Maintenance	1,122	0	1,122	0	0	0
Stradbroke Pool - Planned Maintenance	331	0	331	0	0	0
Total Leisure Contracts	1,453	0	1,453	0	0	0
Assets and Investments						
Corporate Buildings - Planned Maintenance / Enhancements	135	30	165	30	30	30
Leases on Property (accounting change under new IFRS16)	0	0	0	136	0	0
Strategic Investment Fund	2,736	0	2,736	0	0	0
Wingfield Barns	0	20	20	20	20	20
Gateway 14 Ltd	10,750	0	10,750	0	0	0
Mid Suffolk Growth Ltd	1,750	4,900	6,650	3,500	1,750	0
Business Hub, Cross Street, Eye	185	45	230	0	0	0
Total Assets and Investments	15,556	4,995	20,551	3,686	1,800	50
Customers, Digital Transformation and Improvement						
Corporate Resources	0	75	75	0	0	0
ICT-Hardware/Software Refresh	106	150	256	150	225	150
Total Customers, Digital Transformation and Improvement	106	225	331	150	225	150
TOTAL General Fund Capital Spend	19,229	7,188	26,417	5,570	3,408	1,583
GF Financing						
External Grants and contributions	244	923	1,167	698	698	698
s106	0	15	15	0	0	0
Capital Receipts	0	55	55	0	0	0
Reserves	655	60	715	0	0	0
Borrowing	18,330	6,135	24,465	4,872	2,710	885
Total GF Capital Financing	19,229	7,188	26,417	5,570	3,408	1,583

Housing Revenue Account Capital Programme 2023/24 to 2026/27

MID SUFFOLK DC CAPITAL PROGRAMME BUDGET	2022/23 Indicative Carry Forwards (A) £'000	2023/24 Budget for approval (B) £'000	2023/24 Total Spend Required (A + B) £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Housing Revenue Account						3
Planned Maintenance & Response						
Planned maintenance	900	2,276	3,176	2,112	2,103	2,089
Other Maintenance	0	1,880	1,880	1,880	1,880	1,880
ICT Projects	44	163	207	200	200	200
Neighbourhood Improvements	0	40	40	0	0	0
Council House Adaptations	0	400	400	200	200	200
Total Housing Maintenance	944	4,759	5,703	4,392	4,383	4,369
New build programme including acquisitions	0	22,005	22,005	21,735	4,545	750
TOTAL HRA Capital Spend	944	26,764	27,708	26,127	8,928	5,119
HRA Financing						
Capital Receipts(from SO Sales)	0	3,413	3,413	1,149	977	0
New build 1-4-1 capital receipts	0	2,125	2,125	2,044	1,688	300
Major Repairs Reserve	0	4,617	4,617	4,616	4,616	4,469
Borrowing	944	16,609	17,553	18,317	1,647	350
Total HRA Capital Financing	944	26,764	27,708	26,127	8,928	5,119

Reserves - General Fund

Earmarked Reserve	Balance 31/03/2022 £'000	Forecast Balance 31/03/23 £'000	Budget Transfer to £'000	Budget Transfer From £'000	Budget Transfer Between £'001	From reserves (Capital Programme) £'000	Forecast Balance 31/03/23 £'004
Business Rates & Council Tax	5,286	4,166	-	-	-	-	4,166
Business Rates Retention Pilot (BRRP)	283	61	-	(89)	-	-	(27)
Carry forwards	399	-	-	-	-	-	-
Climate Change and Biodiversity	927	855	-	(62)	-	(60)	732
Commercial Development Risk Management	4,131	5,818	-	-	(5,818)	-	-
Community Development Fund	-	-	500	-	-	-	500
Community Housing Fund	185	159	-	(25)	-	-	134
Commuted Maintenance Payments	579	546	-	(85)	-	-	462
Covid19	1,357	957	-	(180)	-	-	776
Elections Equipment	35	35	-	-	-	-	35
Elections Fund	119	139	20	-	-	-	159
Government Grants	347	330	-	(25)	-	-	305
Growth and Efficiency Fund	2,171	1,697	97	(512)	(627)	(655)	-
Homelessness	495	370	-	(71)	-	-	299
Joint Local Plan	100	-	-	-	-	-	-
Neighbourhood Planning Grants	109	222	2	(27)	-	-	198
Planning (Legal)	1,182	1,112	-	(107)	-	-	1,005
Planning Enforcement	45	45	-	-	-	-	45

Reserves - General Fund Cont'd

Earmarked Reserve	Balance 31/03/202 2 £'000	Forecast Balance 31/03/23 £'000	Budget Transfer to £'000	Budget Transfer From £'000	Budget Transfer Between £'001	From reserves (Capital Programme) £'000	Forecast Balance 31/03/23 £'004
Repair & Renewals	293	293	-	-	-	-	293
Rough Sleepers	35	19	-	-	-	-	19
Strategic Planning	81	81	-	-	-	-	81
Strategic Transformation Infrastructure Fund	-	-	2,830	-	6,445	-	9,275
Temporary Accommodation	284	380	88	(52)	-	-	416
Waste	269	269	-	(197)	-	-	72
Welfare Benefits Reform	7	7	-	-	-	-	7
Well-being	191	83	-	(6)	-	-	77
Strategic Priorities - Well-being	1,011	855	-	-	-	-	855
Strategic Priorities - Economy	1,100	860	-	(60)	-	-	800
Strategic Priorities - Housing	1,787	1,511	-	(159)	-	-	1,352
Strategic Priorities - Communities	790	324	-	(50)	-	-	273
Strategic Priorities - Project Feasibility	250	250	-	-	-	-	250
Strategic Priorities - Corporate Services	200	200	-	-	-	-	200
Inflationary Pressures Reserve	500	-	-	-	-	-	-
Total Earmarked Reserves	24,546	21,644	3,537	(1,706)	-	(715)	22,760
General Fund Reserve	1,052	1,052	248	-	-	-	1,052

Reserves - Housing Revenue Account

Earmarked Reserve	Balance 31/03/2021 £'000	Forecast Balance 31/03/22 £'000	Budget Transfer to £'000	Budget Transfer From £'000	Forecast Balance 31/03/23 £'000
Strategic Priorities	5,737	5,062	-	(816)	4,246
Leaseholders Repairs Reserve	26	26	-	-	26
Building Council Homes Programme (BCHP)	20	20	-	-	20
Total Earmarked Reserves	5,783	5,108	-	(816)	4,292
HRA Working Balance / Reserve	1,209	1,209	-	-	1,209

Agenda Item 10

MID SUFFOLK DISTRICT COUNCIL

TO: Council	REPORT NUMBER: MC/22/36
FROM: Councillor John Whitehead, Cabinet Member for Finance	DATE OF MEETING: 23 February 2023
OFFICER: Melissa Evans, Director, Corporate Resources	KEY DECISION REF NO. N/A

HOUSING REVENUE ACCOUNT (HRA) 2023/24 BUDGET

1 PURPOSE OF REPORT

- 1.1 The report contains details of the revenue and capital budgets and the Council's strategic financial aim. The purpose of this report is to present the HRA Budget for 2023/24.
- 1.2 To enable Members to consider key aspects of the 2023/24 HRA Budget, including council house rent levels.

2 OPTIONS CONSIDERED

- 2.1 The Housing Revenue Account Budget for 2023/24 is an essential element in achieving a balanced budget and sustainable medium-term position, therefore no other options are appropriate in respect of this.

3 RECOMMENDATIONS

- 3.1 That the HRA Budget proposals for 2023/24 set out in the report be approved.
- 3.2 That an increase of 7% for council house rents, equivalent to an average rent increase of £6.16 for social rent and £9.03 for affordable rent, a week be implemented.
- 3.3 That the CPI increase of 10.1% in garage rents, equivalent to an average rent increase of £4.86 or £4.91 (private rental), a month be implemented.
- 3.4 That an increase of 7% for sheltered housing service charges, equivalent to £10.83 a month, be implemented.
- 3.5 That an increase for sheltered housing utility charges, equivalent to £27.93 a month (30% for heating and 62% for water), be implemented.
- 3.6 That in principle, Right to Buy (RTB) receipts should be retained to enable continued development and acquisition of new council dwellings.

REASON FOR DECISION

To bring together all the relevant information to enable Members to approve the Councils Housing Revenue Account Budget

4 KEY INFORMATION

Background

- 4.1 The Council's current HRA Business Plan presents a financial picture over the longer term (a thirty-year period as required under the self-financing regime). The business plan sets out the aspiration of the Council to increase the social housing stock by either buying existing dwellings or building new ones. In addition, the Business Plan is used to plan and understand any potential borrowing requirements which are needed to adhere to Social Housing Regulations such as the Consumer Standards and the Decent Homes Standard
- 4.2 The housing landscape will look very different in years to come, as such the Council has taken the decision to carry out a full review of the business plan, taking into account all compliance requirements, stock condition data and the emerging Social Housing Regulation Bill. As such a one-year interim budget has been produced. Members can expect a revised and up to date business plan to be presented before the next budget setting period. This will include a series of presentations which provide Members with the appropriate stress testing and scenario planning to enable a longer-term view to be taken. This will also give comfort to our customers as our planned and estate enhancements will be included in the plan.
- 4.3 Members should also note that officers will be working with customers during the year to understand their aspirations around how we create places to be proud of. This forms part of the new housing regulations, and as such officers will consult with customers on what they would like to prioritise in the new business plan.
- 4.4 The information presented to Overview and Scrutiny Committee in January 2023 and Cabinet on 6 February 2023, focused on the budget for 2023/24. The revised business plan, when it is presented, will set out the longer-term financial implications and ambitions for the HRA and will take into account any decisions or approvals in relation to the 2023/24 budget.
- 4.5 Following a period of five years that saw annual 1% rent reductions, which ended in March 2020, councils were allowed to increase rents by the maximum of the Consumer Price Index (CPI) +1% for a period of five years from April 2020. Subject to compliance with the Regulator of Social Housing's Rent Standard, this has begun to mitigate the impact of the 1% reduction on the 30-year plan. However, the cost of living crisis has resulted in the Government making a change to the rent settlement. This is a significant risk to the HRA as the recent reductions and now the rent cap, leaves the Council at risk of not being able to meet its legal obligations. This is again against the backdrop of aging stock which requires urgent investment.

- 4.6 The removal of the HRA Debt Cap from 29 October 2018 means that local authorities can borrow to fund new homes without worrying about breaching this cap. Any borrowing will be subject to the Council adhering to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code.
- 4.7 The 2023/24 budget is aligned to and supports the Council's Homes and Housing Strategy and the Council's vision for residents to live in affordable and high-quality homes that enable them to build settled, safe and healthy lives.

2022/23 Budget and Forecast Outturn

- 4.8 On 24 February 2022 the Council set the HRA Budget for 2022/23, showing a surplus of £95k.
- 4.9 The second quarter 2023 budget monitoring report was presented to Cabinet on 5 December 2022 showing a forecast adverse variance of £770k as at 31 March 2023. The key factors that contribute to this position are the additional costs incurred to address the backlog in void and responsive repairs, as well as the increasing material costs due to inflation.
- 4.10 The third quarter position will be presented to Cabinet on 6 March 2023.

2023/24 Budget Proposals

- 4.11 In preparing the budget for 2023/24 the various income and expenditure headings have been thoroughly reviewed against the forecast for 2022/23, to ensure that they are set on a realistic basis for next year.
- 4.12 Assumptions made when constructing the budget for 2023/24 were reviewed and assessed by the Overview and Scrutiny Committee in November 2022 and January 2023, report references MOS/22/01 and MOS/22/02 and so have not been repeated here.
- 4.13 The budget for 2022/23 was a surplus of £95k however due to a continuation of financial pressures described above and in the quarter 2 financial monitoring the position for next year has worsened by £911k as shown in table 1.

Table 1: Budget changes

	£'000	£'000
2022/23 Surplus		(95)
Pressures		
Pay award, increments, pay review (funded from reserves/grants £25k)	1,459	
Repairs inc. voids (inflation and increase based on outturn)	961	
Sheltered schemes (utility costs)	354	
Depreciation	165	
Recharge from General Fund for grounds maintenance	346	
Stock conditions survey	125	
Software Licenses	124	
Property Servicing (heating) – remedial works & ongoing service requirements	82	
Equipment, Tools and Materials	72	
Fixtures and Fittings for Sheltered Housing improvements	89	
Community Alarm Costs	48	
Other small items (net)	233	
Total Draft Pressures		4,058
Savings/additional income		
Rental income – based on 7% increase	(1,297)	
Garage Rents increase by 10%	(43)	
Removal of Revenue contribution to capital	(1,060)	
Increased Building Services Recharges – work on GF assets	(279)	
Pension Lump sum saving	(152)	
Updated interest calculation	(268)	
Service charge income - based on 10.1% (CPI) increase	(48)	
Total Draft Savings/additional income		(3,147)
Total Net increase		911
2023/24 Draft Deficit		816

4.14 The current position for 2023/24 shows an overall deficit of £816k.

4.15 The Councils total cost of service has increased by £3.422m or 46%, and income has increased by £1.351m or 8%, as shown in table 2 below.

Table 2: Summary

	Budget 2022/23	Budget 2023/24	Movement 22/23 vs Budget 23/24
	£'000	£'000	£'000
Dwelling Rents	(14,969)	(16,235)	(1,266)
Service Charges	(675)	(708)	(33)
Non-Dwelling Income	(352)	(396)	(43)
Other Income	(43)	(51)	(7)
Interest Received	(9)	(10)	(1)
Total Income	(16,048)	(17,400)	(1,351)
Housing Management	3,234	5,137	1,903
Building Services Surveyors and Compliance	1,194	1,801	607
Housing Trade Team	2,369	3,096	727
Repairs and Maintenance (all areas except Trades Team)	588	765	177
Bad Debt Provision	92	100	8
Total cost of service	7,477	10,899	3,422
Depreciation	4,452	4,617	165
Interest payable	2,968	2,700	(268)
Revenue Contribution to Capital	1,058	-	(1,058)
Deficit / (Surplus) for Year	(95)	816	910

4.16 In calculating the 2023/24 budget, the following assumptions have been made:

Income

4.17 **Dwelling Rents** - an increase of 7% (rent cap) has been built into the budget for 2023/24. It is assumed that no properties will be purchased by the tenant through the Right to Buy mechanism and the number of voids is expected to be 7% higher than the forecast 2022/23 outturn position (current void rate is 1.44%). All budget changes mentioned will generate £1.266m additional income.

4.18 Tables 3 and 4 below show the impact on income levels that would be available to the HRA as alternative options for a rent increase in 2023/24 compared to the maximum that is currently built into the budget. Table 3 shows the impact on the 2023/24 budget and Table 4 shows the cumulative impact over 1, 5, 10 and 30 years.

Table 3: Rent Scenarios

Mid Suffolk Rents	Current (2022/23) £	2023/24 Budget (7% increase) £	3% increase £	5% increase £
Social housing rents	13,987,353	14,966,409	14,407,005	14,686,732
Affordable rents	1,207,055	1,291,551	1,243,265	1,267,414
Other rents	121,840	130,369	125,496	127,932
Shared ownership properties	105,461	112,843	108,625	110,734
Less 1% voids	(257,476)	(274,705)	(265,200)	(270,350)
Total rents	15,164,234	16,226,467	15,619,190	15,922,463
Deficit / (Surplus) for the year	1,475,611	413,378	1,020,655	717,382
Net increase	-	1,062,233	454,956	758,229

Table 4: Rent increase – impact on HRA Business Plan

Rent increase	One year £	Five years £	10 years £	30 years £
3%	454,956	2,274,779	4,549,559	13,648,676
5%	758,229	3,791,145	7,582,289	22,746,868
7% (rent cap)	1,062,233	5,311,167	10,622,334	31,867,002

4.19 The average weekly social rent will increase by £6.16, from £87.99 to £94.15 For affordable housing, the weekly rent will increase by an average of £9.03 from £128.96 to £137.99.

4.20 Of the Council's 3,237 tenants, 1,099 (34%) that we know of are in receipt of Housing Benefit and 956 (29%) in receipt of Universal Credit. As Universal Credit is paid direct to the tenant, rather than the landlord, the Council no longer knows the total number of tenants in receipt of support to pay their rent.

4.21 **Sheltered Housing** - it is proposed that service charges are increased by 7% to recover expected costs in 2023/24. Increases to utility costs is also being proposed:

- Heating - an increase of 30% which equates to an average of £3.92 per week or £16.98 per month.
- Water - an increase of 62% which equates to an average £2.53 per week or £10.96 per month.
- The increases which are based on historic costs should recover 50% of the recent increase to gas and electricity prices, ensuring that the overall package of cost increases is manageable for our tenants. The increase will mean an element of subsidy to tenants in 2023/24 until prices are increased again in 2024/25.

- 4.22 Garage rents are being increased in line with CPI, officers will be prioritising this in 2023/24 as we are currently receiving around 40 enquiries per month. Garages can be hard to let in some areas and sites are under review to assess their suitability for development.
- 4.23 **Other income** – the level of income from leaseholders is higher than the current budget and so an increase of £7k has been included in the budget for 2023/24.

Housing Management

- 4.24 An overall increase to the budget of £1.903m is proposed for 2023/24. The increase is required for the annual pay award and increments (£504k), inflationary increases (£609k), stock condition survey (£125k), Transformation Project (£385k), Capita One housing costs moved to HRA budget from the General Fund (£83k), Sheltered Housing furniture update (£89k), additional grounds maintenance charges from Public Realm (£91k) and increase in temporary accommodation voids (£17k).

Building Services

- 4.25 An overall increase to the budget of £1.511m is proposed for 2023/24. In 2022 the decision was made to carry out a diagnostic and transformation programme within Building Services. This followed a significant period of increasing costs and reducing customer satisfaction. The programme which aims to provide and implement excellence within Building Services is well underway. There are 3 separate work streams - compliance, assets, and Direct Labour Organisation (DLO). The journey to excellence will take several years to complete however Members can expect to see steady progress over the next 18 months.

Depreciation

- 4.26 The depreciation charge has increased by £165k due to the revaluation of the housing stock at 31 March 2022. The value of the housing stock at 31 March 2022 is £242.3m. The valuation basis that the Council is required to use for the financial accounts equates to 38% of market value.

Interest Payable and Bad Debt Provision

- 4.27 A reduction of £268k to interest payable is included in the budget for 2023/24 due to the new/build and acquisition programme not progressing as quickly as forecast in the 2022/23 budget. The interest payable figure is based on total long-term debt of £69m and recharges from the General Fund for short-term borrowing costs. £57.2m of the long-term debt is the debt that the Council took on when the HRA Self-financing regime was introduced in 2012.

Revenue Contribution to Capital

- 4.28 The revenue contribution to capital has been removed to offset the increase in cost of service and depreciation charge as depreciation can be used to fund capital expenditure.

Reserves

- 4.29 When setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.
- 4.30 Reserves only provide one-off funding, so the Council should avoid using reserves to meet regular recurring financial commitments.
- 4.31 The 2023/24 budget position means that the Council will reduce its Strategic Priorities Reserve by £816k, compared to the 2022/23 budgeted contribution to reserves of £95k.
- 4.32 The balance of all earmarked reserves at 31 March 2024, as a result of the budget proposals, is forecast to be £4.292m, which equates to less than £1,326 per property. This is very much dependent on the new build and acquisition programme being delivered on target in the current financial year. Full details of the Councils earmarked reserves are shown in table 5 below.

Table 5: Earmarked reserves

MSDC Reserves	Balance at 31 March 2022	Forecast Balance at 31 March 2023	2023/24 Budget Deficit	Forecast Balance at 31 March 2024
	£'000	£'000	£'000	£'000
Strategic Reserves	(5,737)	(5,062)	816	(4,246)
Leaseholders Repairs Reserve	(26)	(26)	-	(26)
Building Council Homes Programme	(20)	(20)	-	(20)
Total Reserves	(5,783)	(5,108)	816	(4,292)

- 4.33 In addition to this, the Council continues to hold £1.209m in the HRA working balance, the equivalent of less than £400 per property.

Capital

- 4.34 The proposed capital programme for 2023/24 and the indicative programme for the following three years is shown in the table that follows.

Table 6: HRA Capital Programme 2023/24 to 2026/27

MID SUFFOLK DC CAPITAL PROGRAMME BUDGET	2022/23 Indicative Carry Forwards (A) £'000	2023/24 Budget for approval (B) £'000	2023/24 Total Spend Required (A + B) £'000	2024/25 Forecast £'000	2025/26 Forecast £'000	2026/27 Forecast £'000
Housing Revenue Account						
Planned Maintenance & Response						
Planned maintenance	900	2,276	3,176	2,112	2,103	2,089
Other Maintenance	0	1,880	1,880	1,880	1,880	1,880
ICT Projects	44	163	207	200	200	200
Neighbourhood Improvements	0	40	40	0	0	0
Council House Adaptations	0	400	400	200	200	200
Total Housing Maintenance	944	4,759	5,703	4,392	4,383	4,369
New build programme including acquisitions	0	22,005	22,005	21,735	4,545	750
TOTAL HRA Capital Spend	944	26,764	27,708	26,127	8,928	5,119
HRA Financing						
Capital Receipts(from SO Sales)	0	3,413	3,413	1,149	977	0
New build 1-4-1 capital receipts	0	2,125	2,125	2,044	1,688	300
Major Repairs Reserve	0	4,617	4,617	4,616	4,616	4,469
Borrowing	944	16,609	17,553	18,317	1,647	350
Total HRA Capital Financing	944	26,764	27,708	26,127	8,928	5,119

- 4.35 The new funding within the Capital Programme for 2023/24 totals £26.7m, with an additional £944k anticipated to be carried forward from 2022/23 to give a total programme of £27.7m.
- 4.36 The new build and acquisition programme has identified development sites for new homes that will deliver 189 affordable homes and 77 shared ownership homes by the end of March 2027. The major areas being developed over the next four years include sites at Barham, Walsham le Willows, Elmswell, Debenham and Cedars Park, Stowmarket.
- 4.37 Right to Buy (RTB) sales for Mid Suffolk were higher than those projected in the business plan. In 2021/22, Mid Suffolk sold 21 against an original projection of 20 sales.
- 4.38 The money received from RTB sales can only be used as a 40% contribution towards the cost of a replacement home. The remaining 60% of the replacement cost must be found from other HRA resources. If sales increase, it means that the level of match funding required (60%) increases. During 2020/21 the Government extended the time period by which RTB receipts have to be spent from 3 to 5 years. If the receipts are not spent within the 5-year period allowed, they must be repaid to Government with 4% above the base rate interest added.

4.39 The Council can enter into agreements with the Secretary of State to retain the full RTB receipt from the sale of nominated homes newly built or acquired since July 2008. Officers continue to explore every opportunity to enter into agreements so that any capital receipts received in future from the sale of nominated homes can be retained in full and used as part of the 60% match funding required.

5 LINKS TO THE CORPORATE PLAN

5.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Corporate Plan, and ensuring the Council has a robust financial strategy. Specific links are to the Council's Homes and Housing Strategy and the Council's vision for residents to live in affordable and high-quality homes that enable them to build settled, safe and healthy lives.

6. FINANCIAL IMPLICATIONS

6.1 These are detailed in the report.

7. LEGAL IMPLICATIONS

7.1 There are none that apply.

8. RISK MANAGEMENT

8.1 Key risks are set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
We may be unable to react in a timely and effective way to financial demands	3 - Probable	4 - Disaster	Continued monitoring and reporting of the Councils financial forecast via quarterly reports to Cabinet	Strategic Risk Register - SRR004 MSDC
If we do not consider the ongoing impacts of the Welfare and Funding Reforms, then it could lead to unpreparedness for further changes.	Unlikely - 2	Bad – 3	Ensure adequate bad debt provision and that the Income Management Strategy seeks to mitigate the impact of the changes on residents, the Council's income streams and budgets.	Finance, Commissioning and Procurement Operational Risk Register – 005 and 007

If there are increases in inflation and other variables, then Council Housing self-financing could result in a greater risk to investment and service delivery plans.	Unlikely - 2	Noticeable – 2	Inflation and interest rate assumptions have been modelled in the HRA business plan. Capital receipts and capital programme funding reviewed.	Finance, Commissioning and Procurement Operational Risk Register – 005 and 007
If we fail to spend retained RTB receipts within the 5-year period, then it will lead to requirement to repay to Government with interest.	Probable - 3	Bad - 3	Provision has been made in the budget and Investment Strategy to enable match funding and spend of RTB receipts.	Finance, Commissioning and Procurement Operational Risk Register – 005 and 007
If we borrow too much to fund New Homes, we will not be able to pay the loan interest.	Unlikely - 2	Bad - 3	Follow the CIPFA Prudential Code which states capital investment plans must be affordable, prudent and sustainable.	Finance, Commissioning and Procurement Operational Risk Register – 005 and 007
If capital data is inaccurate it could lead to problems with treasury management debt and cashflows.	Unlikely - 2	Bad - 3	Capital plans form part of the Treasury, Capital and Investment strategy. Monitor the capital spend quarterly.	Finance, Commissioning and Procurement Operational Risk Register – 005 and 007

9. CONSULTATIONS

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

10. EQUALITY ANALYSIS

- 10.1 The Director for Housing and Corporate Managers will undertake an Equality Impact Assessment for any individual budget proposals that have the potential to impact any of the protected characteristics under the Equality Act 2010.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 Directors, Corporate Managers and other Budget Managers will continue to consider the environmental impact of their budgets and take the opportunity to reduce their carbon footprint as opportunities arise.

- 11.2 In support of the Council's commitment to be Carbon Neutral by 2030, several initiatives have and are being undertaken in relation to the housing and sheltered accommodation stock. These are set out in more detail below.
- 11.3 The new homes 'design and technical specification' that incorporates carbon saving solutions and improve energy efficient standards for all new homes built by the Council and its Growth Company, has now been adopted by the Council.
- 11.4 A review of Social Housing solar systems performance is underway and will be used to further inform social housing energy generation.
- 11.5 Social Housing - we are preparing a programme of energy retrofits to the poorest performing properties rated with an Energy Performance Certificate rating of E and below, with a view to submitting match funding bids to the Government's Social Housing Decarbonisation Fund. A five-year programme of energy retrofits is under development aimed at raising all social housing to an Energy Performance Certificate rating of C or above.

12. BACKGROUND DOCUMENTS

MCa/22/30 Housing Revenue Account Fund Financial Monitoring 2022/23 – Quarter 2

MOS/22/01 Draft General Fund (GF) and Housing Revenue Account (HRA) 2023/24 Review of Assumptions

MOS/22/02 Draft General Fund (GF) and Housing Revenue Account (HRA) 2023/24 Review of Savings Proposals and Updated Position

Agenda Item 11

MID SUFFOLK DISTRICT COUNCIL

TO: COUNCIL	REPORT NUMBER: MC/22/37
FROM: Peter Gould, Cabinet Member for Assets and Investments	DATE OF MEETING: 23 February 2023
OFFICER: Emily Atack, Director Assets & Investments	KEY DECISION REF NO. N/A

CASE FOR A NEW JOINT DEPOT

1. PURPOSE OF REPORT

- 1.1 The Councils' operational depots are no longer fit for future purpose and will not be able to meet the future needs of the Councils and our residents in the short to medium term. There are currently 3 main operational depots that are operated by a shared Babergh and Mid Suffolk workforce and joint commercial contracts. This report considers the high-level options for the Councils' future operational depot requirements and seeks to allocate the necessary capital to progress this project.
- 1.2 It is proposed that the Council adds a total of £6m to the capital programme from 23/24.

2. OPTIONS CONSIDERED

- 2.1 **Do nothing.** This is not considered a viable option due to the size, age and condition of the existing depots and growth of the districts.
- 2.2 **To operate from a single new or refurbished depot primarily serving Mid Suffolk District** but utilising the shared Babergh and Mid Suffolk workforce and joint commercial contracts. Under this option Babergh would take a similar approach, and for both Councils this has been assumed to be the same as the current service delivery model, but with improved premises. This option would not benefit from operational efficiencies and savings that could be delivered from a single shared depot site, such as reducing vehicle servicing costs, contract management costs, build costs, maintenance costs, operational space requirements and duplicated facilities. Refurbishing the existing depot whilst it continued to be operational would also pose a risk to delivering the current service and cost more. It is still very likely that an additional parking and yard space or extension would be required to meet the depot needs over the short and longer term as the current sites are constrained. This option is therefore likely to be more expensive and less efficient than a shared depot.
- 2.3 **To operate from a shared depot site serving both districts.** This option would provide modern fit for future purpose accommodation delivering operational and occupational efficiencies and is the most financially viable option as well as the most practical and effective operational option. This in Officers' opinion offer the best option for the operation to cope with the predicted challenges in the future.

3. **To co-locate with other public sector organisations.** This option has been considered as part of the Ipswich and Central Suffolk One Public Estate Board. External consultants have been appointed by the board to consider the options for co-location. The recommended approach for Babergh & Mid Suffolk was to share a depot with the potential for a shared vehicle workshop that could be used by other public sector organisations. There were limited benefits to any wider co-location with public sector partners. A vehicle workshop will be part of the proposed premises and as such we will continue to investigate how this could be shared with partners should we progress a single depot option as recommended.

4. RECOMMENDATIONS

- 4.1 That £6m is added to the Council's Capital Programmes from 23/24 budget year to deliver improved depot facilities.
- 4.2 Capital receipts from the disposal of existing depot sites will be added to the capital programme in later years.

REASON FOR DECISION

To enable the delivery of fit for purpose operational depot premises to serve the districts effectively and efficiently.

5. KEY INFORMATION

- 5.1 There are 3 main operational depots that serve Babergh and Mid Suffolk Councils supporting the delivery of waste services, building services and repairs and car parking services. The main waste depots are in Stowmarket and Sudbury with Building Service operating out of a smaller depot at Great Wenham and using the waste depots to a degree, although shared use of the larger depots has become less feasible as waste services have grown to meet the needs of the districts. The current sites occupy approximately 1.51 hectares (3.73 acres).

- 5.2 The Stowmarket and Sudbury depots are now over 50 years old and are no longer fit for modern purposes. As the districts have grown over the years the pressure on the sites to house additional staff and vehicles has meant that they are unable to meet the future requirements for the services.

The sites are becoming obsolescent due to their layout and the number of operations being conducted from them and will be unable to take more vehicles when further services are required to be undertaken. There are significant and increasing costs of maintaining the properties in the future.

- 5.3 Expanding population within the districts has seen over the last 8 years an additional 5,989 net completions of new housing stock and further growth of 4,966 is predicted for the 5 next years across both districts.

- 5.4 Alongside business-as-usual growth all service areas need to plan and prepare for the use of alternative fuels in the vehicle fleet. An interim step has been taken for our waste fleet, to use HVO (Hydrotreated Vegetable Oil) fuel as one of the cleanest fuels on the market. HVO is a second-generation,

synthetic, advanced renewable diesel alternative that eliminates up to 90% of net CO₂ and significantly reduces nitrogen oxide (NO_x), particulate matter (PM) and carbon monoxide (CO) emissions. Further changes to our vehicle fleet (such as Building Services and Public Realm vehicles) will be required as the country transitions towards fully electric or alternatively fuelled vehicles.

- 5.5 The changes laid out in the Resource and Waste Strategy (RAWS) represent a particular challenge for the Waste and Recycling Services. The changes proposed within the strategy include the introduction of separate household food waste collections, the collection of glass from the kerbside, segregated fibres and containers and there could be a need for similar changes to our business waste collections. These changes will put further pressures on the existing depot estate and will constrain the services that can be delivered.
- 5.6 Operational business service savings and income generation could be delivered in the order of £75-150,000 per annum from a single shared depot. Operating from a single modern and fit for purpose depot owned by the Councils will have a positive impact on the cost and will increase the range of potential bidders for a Waste Service collection contract at the time of any re-procurement. Indeed, owning our own depot will leave the widest range of service delivery model options available to Babergh and Mid Suffolk District Councils (BMSDC) for the implementation of any future changes that may be required.
- 5.7 A new depot would also improve staff well-being by providing a modern fit for purpose accommodation that meets their operational needs and helps them to work effectively and efficiently to manage the increasing pressures of the services being delivered to a growing population. A staff working group with representatives from each of the operational services has been set up and has supported the preparation of this initial business case. Staff will be consulted widely if budget is secured to progress this project and alternative options have been identified.
- 5.8 Occupational cost savings of running a single depot would be in the order of £60,000 per annum due to reduced business rates, utility costs and maintenance for a single modern depot compared to the current 3 depots.
- 5.9 Significant capital investment is needed to secure a new depot- in the order of £12m. This would provide a site of approximately 3.25 hectares (8 acres) and accommodation for 200 operational staff – this would be more than double the current operational capacity, whilst still delivering operational financial savings to help offset the cost of capital finance. The detailed financial implications are set out in section 7 below.
- 5.10 If funding is approved the next stage of the project will be to identify suitable options for a single depot including staff and stakeholder consultation and engagement, to review options for the existing sites in greater detail and develop a final detailed business case based on the preferred option. The outline business case for the funding is attached as a confidential item in appendix 1.

6. LINKS TO CORPORATE PLAN

- 6.1.1 This proposal aligns with the Councils' Joint Strategic Asset Management Plan for 2020-2025, a core priority of which is to strengthen the management of corporate assets, to ensure they are safe and improve the quality and value for money of the service they can deliver.
- 6.1.2 In addition, this proposal will support the growth of the local economies and delivery of housing coming forward within the districts.

7. FINANCIAL IMPLICATIONS

- 7.1 Significant capital investment is needed to secure a new depot- in the order of £12m across Babergh and Mid Suffolk District Councils, with each Council borrowing £6 million. The costs of borrowing £6 million per Council to finance a new depot are set out in the tables below, the first table shows a worst-case scenario with no disposals and therefore no receipts to off-set the capital expended for the new depot. This may be the position if a site is retained for the Councils' own use or development The second table assumes capital receipts for the existing depots are realised in years 4 and 5, reducing the annual borrowing costs by approximately £75,000 per council.
- 7.2 To model the effects of the disposals, the possible scenario has been prepared to show the effect on the project finances. Looking at the worst-case scenario then the finance table, it assumes that there are no disposals to counter act the capital expended for the new depot.
- 7.3 The projections assume an interest rate of 4.5%. On 18th January 2023 the rate for borrowing from the Public Works Loan Board (PWLB) for a 5-year fixed maturity loan was 4.14% and the rate for a 50-year loan was 4.2%.

The Councils' Treasury Management Advisors, Arlingclose, are currently projecting the 5-year rate to peak at 4.6% during 2023 before gradually dropping back and the 50-year rate to peak at 4.4% during 2023.

- 7.4 Looking at the worst-case scenario then the finance table, it assumes that there are no disposals to counter-act the capital expended for the new depot. This may be the position if a site is retained for the Councils' own use or development.

No repayment from capital receipts

	Capital Expenditure/ receipt	MRP	Interest	Total Financing	Annual cost per Band D equivalent
2023/24	1,200,000	0	54,000	54,000	0.71
2024/25	2,400,000	0	162,000	162,000	2.14
2025/26	2,400,000	0	270,000	270,000	3.57
2026/27	0	33,613	268,487	302,100	4.00
2027/28	0	35,125	266,907	302,032	4.00
2028 - 2076 Average annual*	0	123,568	174,484	298,052	3.94
Total*	6,000,000	6,000,000	9,396,644	15,396,644	204

* Please note that table does not add down as the average cost per year for a number of years is shown

Repayment from receipts in years 4 & 5

	Capital Expenditure/ receipt	MRP	Interest	Total Financing	Annual cost per Band D equivalent
2023/24	1,200,000	0	54,000	54,000	0.71
2024/25	2,400,000	0	162,000	162,000	2.14
2025/26	2,400,000	0	270,000	270,000	3.57
2026/27	-750,000	33,613	234,737	268,350	3.55
2027/28	-750,000	30,710	199,605	230,316	3.05
2028 - 2076 Average annual*	0	92,410	130,488	222,898	2.95
Total*	4,500,000	4,500,000	7,183,749	11,683,749	155

* Please note that table does not add down as the average cost per year for a number of years is shown

The above shows the effect of the disposals in reducing the amount required to fund the project.

- 7.5 In addition to debt funding and use of capital receipts from sales, we will seek to secure additional funding such as CIL (Community Infrastructure Levy) or other external/grant funding, which, if successful, will also reduce the overall costs of finance.
- 7.6 The operational teams have also identified total annual savings of £75,000-150,000 per annum and reduced property operational costs of £60,000. This will result in savings of between £67,500 and £105,000 per annum per Council. These savings will off-set the finance costs.

8. LEGAL IMPLICATIONS

- 8.1 Any land or property purchase would be subject to the usual due diligence process to analyse any potential risk associated with the Councils becoming owners of the land or property. This process would involve investigating the land to identify any encumbrances which may adversely affect the Councils' proposed use for the land including considering the most suitable solution to mitigate any issues which may arise.

9. RISK MANAGEMENT

9.1 Key risks are set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference*
The current depots are not fit for future purpose and do not deliver best value.	3	3	Operational Risk Assessments, Safe working practises Depot project commencement and management of premises in line with SAMP (Strategic Asset Management Plan).	Significant Risk SRR006 Operational Risk register R002
Finding a suitable site with planning consent or capable of obtaining planning consent	3	4	Early engagement with the local surveying firms.	Depot Project Risk register R2002
Legally securing the site once found	1	4	Appointing agents to act between the parties, and then to quickly obtain Council Approval.	Depot Project Risk register R2006
Ground Conditions preclude the development taking place	3	4	Ground surveys to be undertaken before purchase/ time of the purchase if the information is not available.	Depot Project Risk register R2003
Costs of funding increase	3	4	Monitor rates closely and consider longer term fixed rates as appropriate. Seek capital receipts, additional funding, and grants to minimise borrowing costs.	Significant Risk SRR013 R2004
Capital receipts from existing sites are lower than anticipated	3	4	Monitor market, seek to de-risk sites and maximise value.	Depot Project Risk Register R2007
Delays to programme	2	4	To be managed	Depot Project Risk Register R2002

New depot is not fit for purpose	1	1	Careful consideration of requirements and consultation with working group. Engage technical delivery team.	Depot Project Risk Register R3004
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**Name of risk register where risk is currently documented and being actively managed and its reference number*

10. CONSULTATIONS

- 10.1 An internal working group has been established with representatives from all the operational service areas and key contract personnel. These proposals have also been discussed with Cabinet members and Political Group Leaders. Further consultation with staff and stakeholders will be undertaken if the budget is secured to enable the project to progress.

11. EQUALITY ANALYSIS

Equality Impact Assessment (EIA) not required. At this stage, the report is requesting a capital investment in land and buildings with no direct impact on our communities directly, this will be reviewed if the project progresses to the next stage.

12. ENVIRONMENTAL IMPLICATIONS

There are no direct environmental implications of the decision to add funding to the capital programme however the subsequent acquisition or development of land and property and the occupation of buildings may have environmental implications. This would be considered in further detail once the preferred option has been identified. It would also be considered as part of any planning application. The Councils would seek to achieve BREEAM Excellent for a new build depot and would seek to minimise impact on climate change.

13. APPENDICES

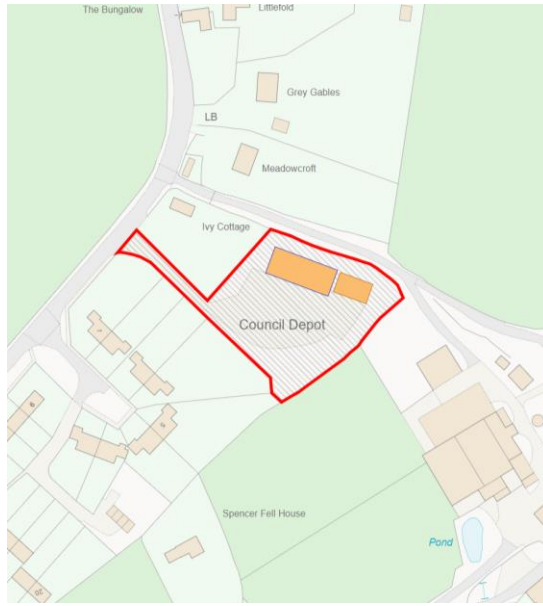
Title	Location
(a) Location Plans & Photographs of Existing Depots	Attached
(b) Outline Business Case (Commercially Confidential)	Attached in Part 2

The site is accessed through Creeting Road West. The site is occupied by BMSDC and Serco.



Wenham Depot, Wenham Road, Great Wenham, Colchester, CO7 6PS

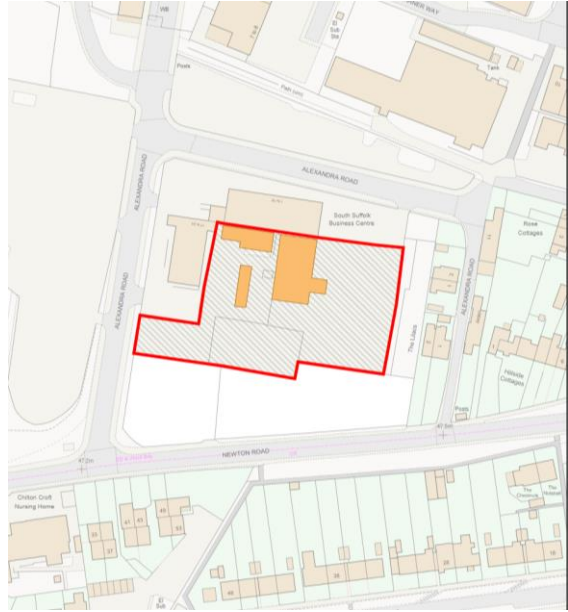
The Wenham depot is an operational depot based in Great Wenham It is located just off the A12 in semi-rural and residential area.



Chilton Depot, Alexandria Road, Sudbury CO10 2XH

The Chilton Road depot is a large operational depot that serves Babergh district. The site is located just off Alexandria Road in Sudbury. The site has a number of commercial operators close by in addition to residential housing.

The site serves for waste collection for the Babergh area. Part of the site is occupied by Serco



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Agenda Item 12

MID SUFFOLK DISTRICT COUNCIL

TO: Council	REPORT NUMBER: MC/22/38
FROM: Cabinet Member for Economic Growth and Cabinet Member for Health and Wellbeing	DATE OF MEETING: 23 February 2023
OFFICER: Fiona Duhamel	KEY DECISION REF NO. N/A

STOWMARKET, HEALTH, EDUCATION AND LEISURE FACILITIES (SHELF) UPDATE

1. PURPOSE OF REPORT

- 1.1 To provide an update on the ongoing development of the full business case for the Stowmarket, health, education, and leisure facility (SHELF) scheme. There has been significant progress on the scheme since the Cabinet report in June 2022.
- 1.2 To ask Cabinet to agree the recommendation to progress the scheme to the next gateway which includes submitting a full planning application, detailed design, and full cost plan for the scheme.

2. OPTIONS CONSIDERED

- 2.1 Several options for the scheme were considered with the partners, other landowners and key stakeholders, and the option presented in this report provides for the optimum use of the land available and the right management structure to secure maximum wellbeing outcomes.

3. RECOMMENDATIONS

- 3.1 That Council notes the work and progress made on the scheme to date, including extensive public engagement, design and cost planning and scheme viability.
- 3.2 To also note the future gateways for decision making for the scheme including bringing the full business case, funding strategy and optimal operating model to Cabinet and Council later this year for a formal decision.
- 3.3 To approve the recommendations endorsed by Cabinet to submit a full planning application and develop detailed designs for the scheme.
- 3.4 To approve a further spend of £250,000 from the Growth and Efficiency fund to enable the works outlined in 3.3 to progress.

REASON FOR DECISION

Further work is now required to identify and secure occupiers and end users for the scheme, particularly the Wellbeing hub, to enable completion of the full business case. In addition, several external funding streams can only be submitted once a planning permission has been secured.

Therefore, it is recommended that work continues on the scheme to enable the next set of milestones to be met, at which point the full business case detailing final draft cost plan, levels of income and expenditure for the whole site, a proposed management model and a detailed funding strategy, will be brought back for formal decision. The full business case may outline options for the phased delivery of the site

4. KEY INFORMATION

- 4.1 The initial scheme proposal was brought to Mid Suffolk Cabinet on 6th June 2022, and Council 23rd June 2022 and it was approved to continue the scheme to develop to a full business case and funding strategy. The Council and its partners have continued to work on creating the strong partnerships required to maximise use, increase sports participation, and provide positive health and wellbeing impacts for the local community.

Design Update

- 4.2 The Council with support from its partners, commissioned local architects Saunders Boston, alongside specialist sports management consultants FMG, who have continued to work with a range of stakeholders to design the comprehensive scheme across the two sites, so that it provides real accessibility to the local community.
- 4.3 The scheme as detailed in the masterplan, appendix A, has benefited from some revisions since June 2022 shaped through ongoing wide stakeholder engagement through the Stowmarket stakeholder forum and the partner project meetings. The communication plan: Phase 2 (appendix C) details the engagement since June 2022.
- 4.4 The facilities currently include:
- 3G football pitch
 - Mini athletics track
 - Sport pavilion
 - Well-being hub
 - Two multi use games areas
 - A new 4 sport courts hall
 - Improvement to all grass pitches
 - Community track
 - Outdoor provision (trim trail and children play area)
 - Additional parking at the Wellbeing hub and pavilion
- 4.5 The most significant change to the masterplan facilities on the scheme is the change from a 4G pitch to a 3G pitch and the change from a 2G to grass pitches. The 3G now proposed will benefit from the latest surface treatment that has been accredited by both football and rugby governing bodies. Both surfaces provide an all-weather outdoor alternative for training when outdoor surfaces are unplayable from grassroots to professional playing.

- 4.6 The change from 2G pitch to grass pitches is to provide more flexibility. The 2G pitch can only be used for hockey, netball, and recreational football. Following on from the public engagement it was clear that to maximise the use of this area grass pitches would be more beneficial than a 2G pitch.
- 4.7 There has been additional change to the pavilion with a changing place facility added to maximise the accessibility for users to the site. There has been extensive engagement with the organisations, groups and clubs that currently use the site as well as potential new users to ensure that the scheme is fit for purpose and has been future proofed. This has included more clubs wanting to class the pavilion as the 'base' for their club and to work with other clubs and groups.
- 4.8 Design "freeze" has now been reached with partners, which has enabled work on the cost plan and operational management model to commence fully.

Engagement

- 4.9 In July through to October, there was a combination of pop-up events, online engagement and surveys, alongside direct engagement with the schools and a face-to-face public engagement event through the What's next in Stowmarket? As part of the Stowmarket Vision Programme.
- 4.10 We received nearly 200 responses to the survey. We had a wide range of ages respond to the survey, with 79% of the respondents supportive of the ambition for the scheme, this included 70% of Stowmarket residents. This is outlined alongside the full details of the engagement carried out to date in Appendix C.

Occupier Engagement

- 4.11 In the case of the Wellbeing Hub, we have been working with the Ipswich and East Suffolk Alliance who have a well-established programme for developing the integrated delivery of health and care services at a Neighbourhood level. A significant part of this programme of work seeks to bring community teams together at common locations. Regional examples of similar cross service collaboration have shown that such models serve local communities better and enhances the outcome to provide fully integrated delivery of services, both pro-actively and reactively.
- 4.12 Work with the Stowmarket teams suggests a strong desire to co-locate and join with other community-based teams that are focused on responsive health and care services for people in the local community.
- 4.13 Stowmarket High School and Waveney Valley Academy Trust are important key partners in the SHELF project. The scheme is so important to the school because our future workforce needs to be educated, fit, healthy, active, and supported, and the Academy Trust believes the project will significantly improve its ability to meet those needs. To have access to athletics facilities, a new sports hall, an all-weather football pitch, improved multi games areas, and have physical links to specialist cricket and rugby facilities would mean that Stowmarket High School students, surrounding primary school partners, plus the schools they compete against, would all have access to the highest quality sports facilities in the district.

- 4.14 Work is now underway with a range of potential tenants and hirers/site users to quantify potential income levels which is a key element of the financial business case to be presented to the Council later in the year.

Funding Strategy Update

- 4.15 Surveys and detailed assessments of the sites have commenced. These will inform the next stage of further detailed design work to support the submission of the full planning application and a detailed cost plan for the scheme.
- 4.16 However, work continues to de-risk identified sources of funding for the capital scheme. This work ranges from on-site discussions with potential national funders to internal discussions regarding S106 contributions applicable to elements of the development and it includes opportunities for some recycling of capital receipts from part of the site.
- 4.17 Further work on securing funding will continue over the next few months and will be brought back to the Council later in the year.

5. LINKS to CORPORATE PLAN

- 5.1 Our organisational vision is “Great communities with bright & healthy futures that everyone is proud to call home” alongside our mission to provide strong, proud, and inspirational leadership; striving for excellence, and together building great communities for everyone to live, work, visit and invest in. This project is more than buildings, the site will enable stakeholders to form stronger partnerships to deliver a range of provision and services to benefit local communities, ensuring that provision is accessible to all.
- 5.2 The project will encourage and provide a wider range of opportunities for the community to become active. The partnerships between health, sport clubs, leisure provider and education can provide targeted interventions linked to increased activity and promote wellbeing. This will specifically address the pockets of health inequality within Stowmarket.
- 5.3 The project links directly to the Council’s Communities and Wellbeing Strategies and its Economic Recovery Plan but also meets partners’ strategic outcomes and the recently launched Sport England “Uniting the Movement” strategy 2022-25. Alongside the Council’s outcomes this scheme aligns with our partners’ and local and national strategies’ objectives and outcomes.

6. FINANCIAL IMPLICATIONS

- 6.1 The detailed design work will provide more cost certainty for the scheme. Currently the council have a set of outline costs which are detailed in appendix B (restricted). Such costs have a high level of assumptions currently whilst survey work is underway resulting in design risk and high design contingency.
- 6.2 These costs will continue to be refined to ensure that the resulting business case ensures any required borrowing to deliver the scheme is affordable and based on solid income projects for the site. Whilst the primary objective for the development is not one of commercial return, it must be financially sustainable in the medium to long term and not become an annual financial pressure for the Council.

- 6.3 Work continues on the Funding Strategy (see above and appendix B (restricted)). Several bids which the Council now needs to submit require a scheme with planning consent.
- 6.4 It is therefore recommended that further funding of £250k is allocated to the scheme to enable a full planning application to be made and to see the design phase of the project to RIBA 4a detailed design. Achieving this next gateway will bring some further clarity to the cost plan for the scheme.
- 6.5 Once the full business case returns for a formal decision it is also proposed to consider how phasing of the scheme delivery might further de risk any financial commitment for the Council.
- 6.6 In respect of the modelling and economic forecasting for the income and cost projections for the scheme, several assumptions have been made.
- The operation of the site will be revenue cost neutral to the Council except for the early years of the scheme which may require some seed funding
 - That all net revenues from site operations will be re invested into the long-term maintenance (whole life cost) and management of the site to achieve set objectives and meet Council outcomes around sport, physical activity, and wellbeing.
 - That existing partners operating on the site will be left in no worse financial position from the new facilities and operating model
 - Options still under review in terms of management and operation of the facilities.

7. LEGAL IMPLICATIONS

- 7.1 The current legal structures on the site are complex and require further analysis before any final business case is approved. The sites are broadly in 2 ownerships; Mid Suffolk Council who own the leisure centre, land adjacent and the Chilton Fields Sports sites and Suffolk County Council who own the high school site as education authority. The school site is leased to the Waveney Valley Academies Trust and strict guideline exist in respect of sale or alternatives uses of school land.
- 7.2 The Chilton Fields sports site whilst in MSDC ownership is subject to a lease to the Stowmarket Rugby Club. Negotiations regarding a new lease to the club are currently on hold whilst we move forward discussions around the new facilities.
- 7.3 Whilst it is assumed that no existing clubs or partners will be left in any worse position in terms of site occupancy than they currently have, there is a need to review all structures to ensure that future operation of the whole site is managed in accordance with a set of agreed outcomes and principles.
- 7.4 The Council's Sport and Leisure consultants have outlined options in respect of future management of the site and respective legal structures but as outlined above, further work is required with stakeholders to conclude this area of work and any future recommendations will be brought back to Cabinet as part of the final business case.

7.5 The new Wellbeing Hub building is likely to have a range of partners sharing space and consequently will need to have careful consideration of long terms management and legal and operational structures. This will also form part of the final report and Business case to be presented to Cabinet at a later stage.

8. RISK MANAGEMENT

8.1 This report is most closely linked to the Councils' Significant Risk Register, Risk no. SRR009; "The Councils may not be carbon neutral by 2030" and SRR013, "additional cost pressures for MSDC may result in a significant overspend that needs to be funded from reserves". There are three significant operational risks which are No.5 "we may not understand the needs and aspirations of our businesses"; No.6 "Lack of business growth and investment in the districts and No.7 "Lack of workspace delivered in the districts due to market failure".

8.2 The key risks for the scheme are set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference*
Phasing or loss of funding	3	4	Work with funding bodies Qualifying requirements of funding source to be met	SRR013
Failure to obtain Secretary of State approval to dispose of any school playing field, as required by section 77 of the school standards framework Act 1998	3	4	Consent to be sought as soon as possible Demonstrate the benefit of change for the community especially for the pupils	Significant operational risks No.6 and No.7
Core partner requirements changing, or requirement not met	3	4	Continual consultation required with mutual stakeholders to ensure desired outcomes are achieved. Consultation to ensure expectations are managed	SRR013 and SRR009
lack of early commitment from partners/occupiers	3	4	Continual work openly and with honest discussions to ensure the outcomes for the partnerships are aligned. Memorandum of understanding to secure commitment	Significant operational risks No.5
Lack of alignment with partners gateway	4	4	Memorandum of understanding to secure commitment Continual work openly and with honest discussions with decision makers	SRR013 -

9. CONSULTATIONS

- 9.1 Extensive engagement and consultation have been carried out with a range of partners. A summary of the engagement from the survey attached in Appendix C.
- 9.2 Work is ongoing in terms of consultation and engagement with sports clubs, national governing bodies, NHS partners and other potential occupiers of the site. The partnership project group continues to provide overarching governance to the project through monthly meetings and internal officer project group also meets monthly.
- 9.3 Formal consultation will be carried out as part of any future planning application.

10. EQUALITY ANALYSIS

- 10.1 An initial screening has been completed, please see appendix D. During the next stage of works with the detailed designs a full equality impact assessment will be completed.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 Development of the site would have associated environment impacts requiring assessment and mitigation, some of which can be achieved through design. The council views this new development as an exemplar in terms of environmental sustainability and therefore will continue to seek funding to improve carbon reduction through the next phase of design.
- 11.2 The initial scheme concept benefits from roof mounted solar PV and air source heat pumps, to provide self-consumption energy opportunities and cost savings for occupiers. Electric vehicle and bicycle charging points and biodiversity planting and features are proposed to further embed green infrastructure and mitigate carbon impacts.

12. APPENDICES

Title	Location
(a) Masterplan	Attached
(b) Cost plan and funding for the scheme (Restricted)	Attached in Part 2
(c) Communication plan: Phase June 2022	Attached
(d) EQIA Initial Screening SHELF	Attached

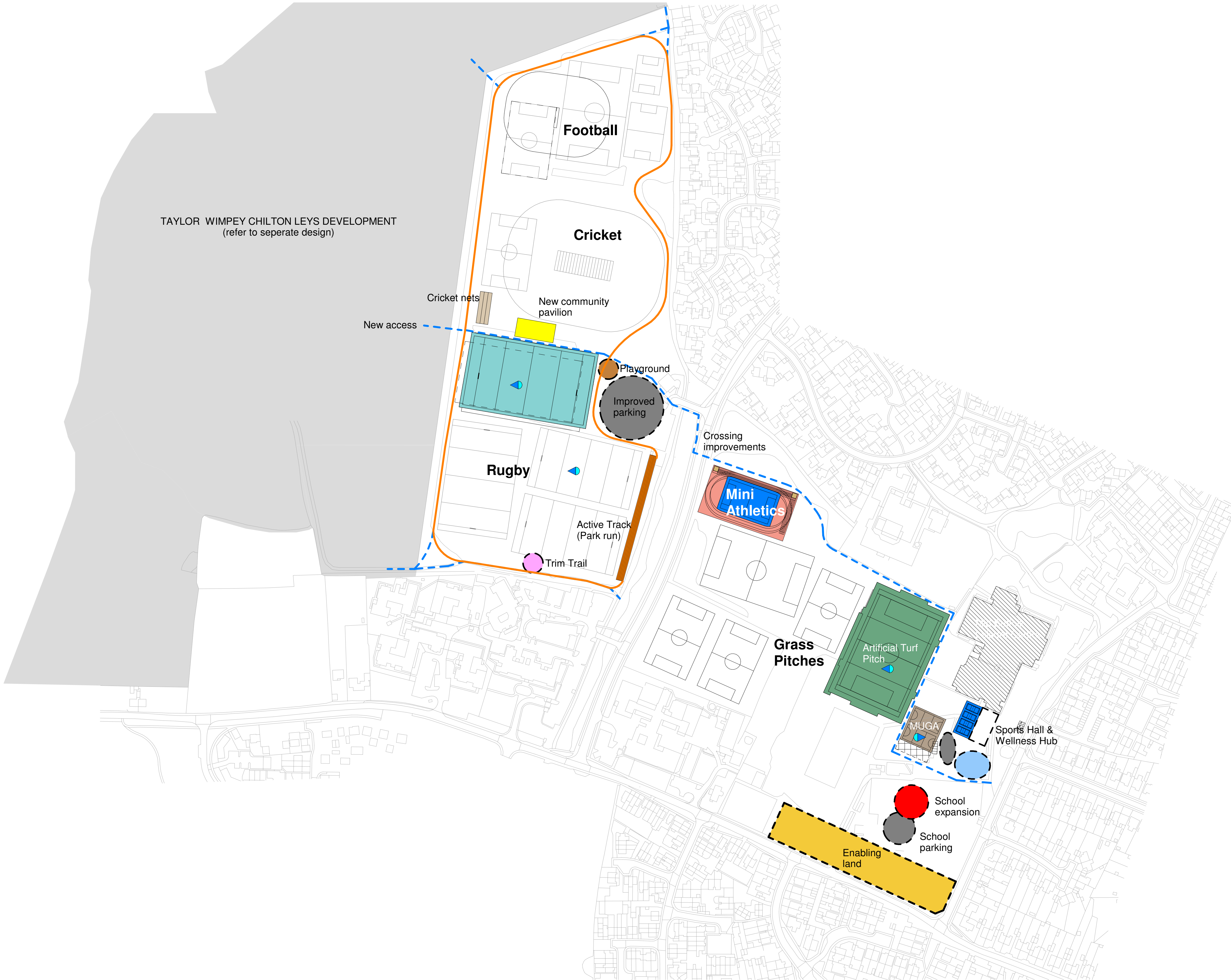
13. BACKGROUND DOCUMENTS

- 13.1 Leisure, Sport, and Physical Activity Strategy – Update 2021
- 13.2 Wellbeing Strategy 2021 – 2027
- 13.3 Communities Strategy 2019 – 2036
- 13.4 Link to Cabinet and Council paper on [6th June](#) and [23rd June 2022](#)

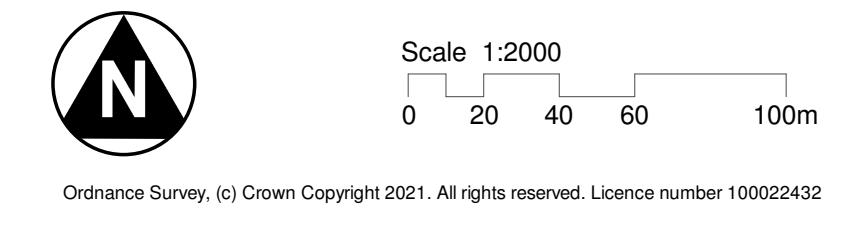
14. REPORT AUTHORS

- 14.1 Kate Parnum, Project Regeneration Manager

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- KEY**
- Sports hall**
4 courts sports hall (34.5 x 20m)
Further 4 courts shown dotted
 - Wellness Hub including:**
Health / NHS
Office
Diagnostic
Consultation
Meeting spaces
Flexible studio
Nursery
Family Hub
 - Community pavilion including:**
8 changing rooms
Social viewing area
Community spaces
 - Community park run track**
6-lane 130m straight (length circa 1.5 km)
 - Floodlit area**
 - Proposed path through the site**



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COMMUNICATIONS PLAN PHASE TWO: STOWMARKET HEALTH, EDUCATION AND LEISURE

MID SUFFOLK DISTRICT COUNCIL

Date: 8 December 2022



Overview of communications activity June – December 2022

In June 2022, external communications activity began with the announcement of the SHELF project and the first set of funding for the development of the masterplan.

Working closely with all key partners, proactive engagement activity started at Stowmarket High School – showcasing the project with students and parents who are set to benefit from the project. This including pop up events at the school to discuss the plans and to gather their views, presenting the scheme at a school and providing students with access to the online survey to ensure we got their views. The primary schools were sent information about the scheme and the plans including a QR code linking to online plans that was shared with families.

We put up posters in the predominant locations showcasing the plans with the QR code to access more information and the online survey. These were located on Chilton field, the leisure centre, and the school.

In conjunction with this face-to-face engagement, an online survey was launched to gather feedback on how the site is currently used and what new facilities the community would like to see. The survey remained open until October 2022. Key partners and stakeholders (including existing sport clubs) were encouraged to share the survey with their members.

In September 2022, the project was showcased at a three-day public event “What’s Next for Stowmarket”. The masterplan for the development was displayed alongside the supporting information and partner details. Visitors to the engagement event were encouraged to complete the survey.

That What’s Next event was also attended by journalists from both the East Anglian Daily Times and the Bury Free Press who were briefed on the SHELF project.



Visitors to the
What’s Next for
Stowmarket event
in September 2022

Online and social media promotion of the SHELF project continued throughout the autumn. This was supported by targeted social media advertising to families in the region who may use and benefit from new facilities at the site.


Mid Suffolk District Council
21 September Published by Jake Jonathan

Do your children play a sport in #Stowmarket? Or do they want to get involved in a new activity?

You can shape the future of health, leisure, wellbeing, education and sports facilities in the town.

Take a look and tell us what you and your children want included at the site.

Submit your feedback online by visiting: <https://crowd.in/JHLxFN>



MIDSUFFOLK.GOV.UK

Stowmarket Health, Education and Leisure Facilities Scheme » Babergh Mid Suffolk

Learn more

The social media campaign aimed at parents in and around Stowmarket ran between 22/09 – 21/10 and reached 9,868 people. Approximately 450 clicked on the link to find out more information.

The results of the online survey and feedback were shared in a press release in December 2022.

Throughout December and running into early 2023, a short video presenting an overview of the SHELF project was shared online along with supporting posts highlight the benefits across each of the sports.



Overview of communications activity January 2023 onwards

The masterplan for the SHELF project will be presented to Mid Suffolk's cabinet in January – with an accompanying press release to update external audiences on the project. Should the masterplan be approved by cabinet, the communications activity will support the project in the run up to the planning application be submitted.

At this stage, a phase three communications plan will be produced outlining next steps following the planning process and opportunities should application be approved.

Stakeholder engagement will remain a priority throughout all stages of the SHELF project. There are a significant number of partners and stakeholders involved in different levels of activity, however, it is essential that their input is timely to ensure that the needs of all users will form part of the final masterplan.

Key milestones for communications activity 2023

January – Cabinet papers live

February – Cabinet decision

June – Planning decision

June/ July onwards – Should planning permission for SHELF be successful, this significant milestone would be marked with a stakeholder/community sports celebration event.

Communications objectives

Objectives	Key message
To ensure that the partners and stakeholders and the community are aware of the project, understand its importance for the community and what benefits it will deliver	Providing sport and wellbeing facilities for Stowmarket and the surrounding region
To develop a scheme everyone impacted or affected are involved with the development and contribute to the process to ensure the successful implementation of the change for one location for a range of services	MSDC is working in partnership to deliver this project (Suffolk County Council, ICB, Everyone Active and Stowmarket High School) to provide a unique community asset for health and wellbeing.
To manage expectations among our stakeholders. The project team aims to build a reputation as a trusted, quality, and innovative scheme that provides a wide range opportunity for the community.	Details about what the project is delivering and when.
To provide timely and accurate information to the identified partners and stakeholders about the steps to be taken. This will both support and smooth the change process, thereby enabling the delivery of project benefits.	For each partner and stakeholder – what to do, when to do it, and how much time it should take.
To ensure that partners and stakeholders can input to and feedback on the design of the change, raise issues, and use their expertise to contribute to the success of the project	All input is valuable. The partners and stakeholders as a collative has the responsibility for the success or failure of the project.
To ensure that all the service providers on the scheme are involved in the change have the knowledge and understanding of the scheme so that it can be used effectively and efficiently.	How and when to communicate with applicants using the portal and why it is beneficial to do it this way.
To ensure that new scheme is delivered, and new partnerships and pathways are embedded in the process so that the benefit of the changes introduced are sustained long term.	The benefits that have been achieved for the scheme and improved facilities for the community

APPENDIX A – Press releases

Stowmarket wellbeing and leisure hub to be taken to the next stage

For immediate release: 24 June 2022

Plans to improve leisure and wellbeing facilities in Stowmarket are set to move forward following agreement from Mid Suffolk District Council to fund the next stage of development.

The draft masterplan outlines how new and improved facilities for a wide range of sports, leisure and health organisations can be brought together across a single site in Stowmarket. The proposals include a multi-agency wellbeing hub, a 4g football pitch and a multi-use 2g pitch, a mini athletics track, new multi-sports pavilion, a multi-use games area, four new indoor sports courts and new cricket square and nets.

With the funding now agreed, Mid Suffolk District Council can develop detailed designs for the project, hold public engagement events to share plans with the community and prepare and submit a planning application for the scheme.

Cllr Harry Richardson, Mid Suffolk District Council cabinet member for health and wellbeing commented:

“I am delighted that we can move to the next phase of this project and start developing the details for this new and holistic approach to health, wellbeing, sport, and leisure in Stowmarket. By working closely with our partners, we can deliver our ambitious plans to provide the right mix of facilities and maximise the opportunities for our communities.”

The proposed masterplan has been developed in partnership with key stakeholders including Suffolk County Council, Stowmarket Town Council, Stowmarket High School and other local primary schools, Stowmarket leisure centre, local Clinical Commissioning Groups, Active Suffolk, local sports clubs and Sport England, alongside ward councillors.

Dave Lee-Allan, headteacher, Stowmarket High School commented:

“It is very exciting that we will now be able to share the plans for the new sport, leisure and health facilities which will benefit not only the school community but also the wider residents of Stowmarket and the surrounding areas. The proposals have the potential to create a real boost to the area and make accessing a range of sports and wellbeing services so much easier, particularly for our students.”

The proposals will look to improve and replace the current sports facilities across two parcels of land in the northwest of Stowmarket, including land surrounding Stowmarket High School and Chilton Fields. Currently these sites offer sport provision for rugby, cricket, football, and tennis. The scheme and developing partnerships will create the opportunity to support the development of these clubs and enable them to be more inclusive whilst encouraging more people to get active.

Local residents and community groups will be able to access plans and provide feedback both at public events and online this summer.

Have your say on the Stowmarket wellbeing and leisure hub

3 August 2022

Residents, community groups and sports clubs are being invited to have their say on the development of plans for new leisure, health and wellbeing facilities in Stowmarket.

Outline plans that could see new and improved facilities for a wide range of sports, leisure, education and health organisations in Stowmarket can be viewed online with a feedback form to gather information on how the site is currently used as well as how it could be used in the future.

The proposals, which focus on land surrounding Stowmarket High School and Chilton Fields, include a multi-agency wellbeing hub, a 4g sports pitch and a multi-use 2g pitch, a mini athletics track, new multi-sports pavilion, a multi-use games area, four new indoor sports courts and new cricket square and nets. In addition, the plans include improvements to walking and cycling routes to and from the site.

Cllr Harry Richardson, Mid Suffolk District Council cabinet member for economic growth commented:

“We believe our plans to develop a range of health, sport, leisure, and wellbeing facilities across one site will provide an enormous benefit the community in Stowmarket, however, it is crucial that we hear directly from those people who may want to access the new facilities. This will ensure we can create a masterplan that meets the needs of those who will use it now and in the future.”

Funding for this stage of the project was agreed by Mid Suffolk District Council earlier this month and will allow the Council, in conjunction with a range of partners, to develop detailed designs for the project, seek public feedback on the plans and prepare and submit a planning application for the scheme.

The masterplan is being developed in partnership with key stakeholders including Stowmarket High School, Suffolk County Council, Stowmarket Town Council, and other local primary schools, Stowmarket leisure centre, local Clinical Commissioning Groups, Active Suffolk, local sports clubs and Sport England, alongside ward councillors.

Jo Churchill, MP for Bury St Edmunds commented:

“When I started the project for better health, education and leisure facilities for Stowmarket, I realised we had a long way to go, but people had been telling me for years that they needed more facilities. So, I am delighted to see this project is moving forward as a result of fantastic partnership working from key players in Stowmarket and the wider county. I encourage residents to view the proposals and share their thoughts to help shape the plans for sport, leisure, health and wellbeing for the future in the town. I look forward to continuing to work with all stakeholders to ensure we get the right result so future generations have access to high-quality facilities.”

The proposals outline how current sports facilities across two parcels of land in the northwest of Stowmarket could be improved or replaced to meet the needs of local clubs and groups, enabling them to be more inclusive whilst encouraging more people to get active.

Plans for the proposed sport and wellbeing hub will also go on display at a public exhibition to be held in the John Peel Centre between 22 – 24 September.

Stowmarket residents help shape masterplan for new health, leisure, sport, education, and wellbeing hub

22 December 2022

Plans for the development of new health, education and leisure facilities in Stowmarket are progressing following the feedback gathered from recent community and stakeholder engagement.

Launched in the summer, the engagement programme involved a series of pop-up events as well as an online survey to understand the needs and wishes of current and potential users of sports, leisure, and health facilities in Stowmarket.

The survey revealed that increasing sport hall provision for indoor sports such as netball and badminton, was the voted as most important element of the outline masterplan, closely followed by improving public spaces and a new sports pavilion.

The inclusion of a community track, a 3G football pitch and the introduction of health and wellbeing hub were also rated as important by the local community.

When asked about the health and wellbeing Hub, the feedback included a space for community activities as the most important element, followed by a family hub and space for specialist services for mental and physical health.

The Stowmarket health, education, leisure, wellbeing, and sports hub will bring together a range of facilities together in one place for use by the local community, sports groups and clubs as well as local schools. The hub is set to benefit not only the local area but also the wider Mid Suffolk region and supports the District Council's ambition to create places that offer a healthy future.

Cllr Harry Richardson, deputy leader and cabinet member for economic growth said:

The response at our engagement events and to the survey have been really positive. We are working with a large number of partners to deliver new health, leisure, sport, education and wellbeing facilities for Stowmarket and having input from people who will use and benefit from the new development will be crucial. As the masterplan takes shape, I look forward to sharing further plans in the new year."

The site incorporates two parcels of land in the northwest of Stowmarket, including land surrounding Stowmarket High School and Chilton Fields.

The health and wellbeing hub could offer space for health services, meeting rooms and space for community and family activity.

Following on the feedback the revised proposal includes a 3G football pitch, a mini athletics track, new sports pavilion, a multi-use games areas, four indoor sports courts (for multiple sports such as netball and badminton), additional grass pitches new cricket square and nets and a multi-agency wellbeing hub.

Tony Bush, head of operations, Active Suffolk commented:

The feedback we received through the engagement activity will impact on the development of the masterplan to widen sports & physical activity provision across the site to ultimately increase participation and appeal to a wider audience in and around Stowmarket.”

In addition to the sport, leisure, health and wellbeing facilities, the masterplan will include proposals for how the site could improve opportunities for active travel. Over 50% of people who responded to the survey wanted to see safer routes for walking and cycling, with 30% wanting more bus routes to the site.

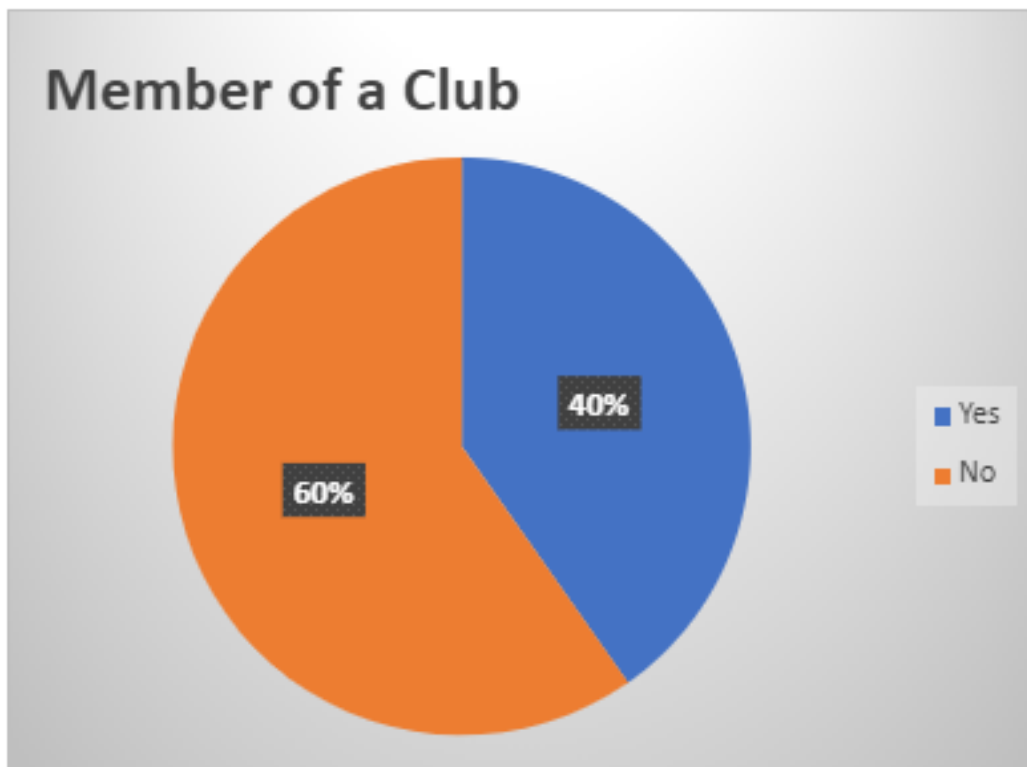
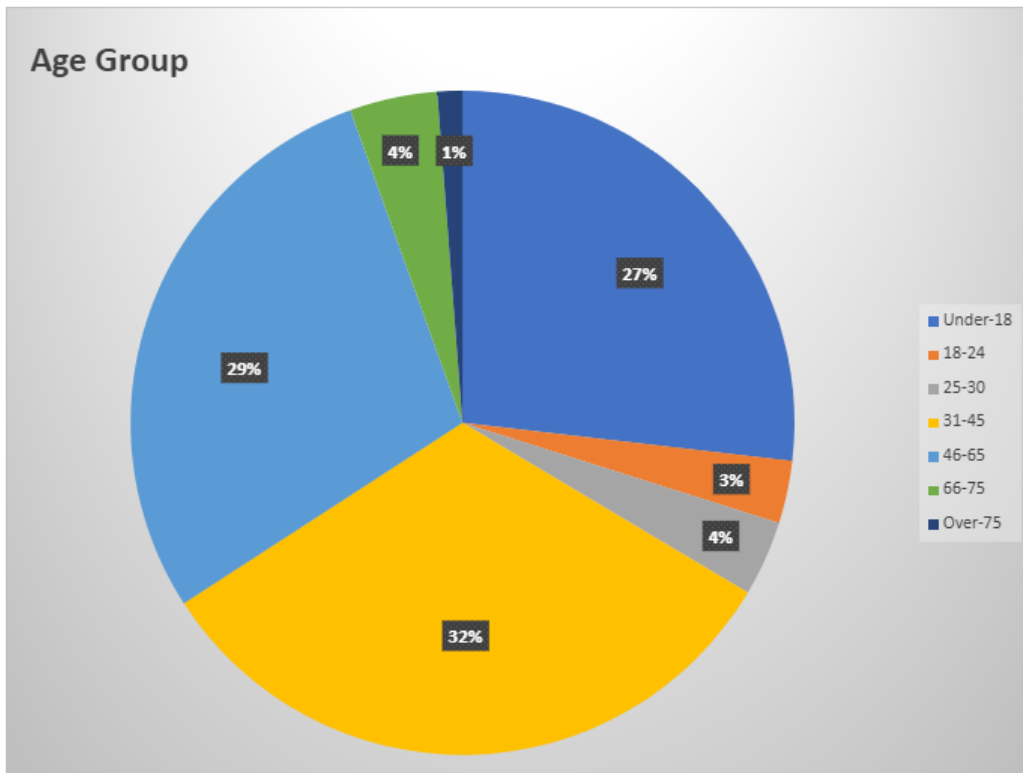
Almost 200 people responded to the survey in addition to those who attended face-to-face events at Stowmarket High School and the What’s Next for Stowmarket event. Of those, 70% were Stowmarket residents with only 4% living more than 10 miles from the town. More than a quarter of those responding were under 18, telling us they were excited for a greater range of activities to be available in their town.

Jo Churchill, MP for Bury St Edmunds, said:

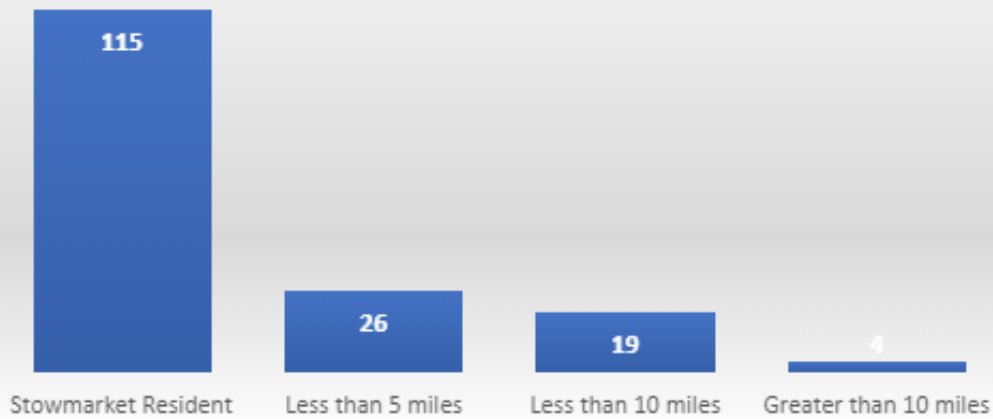
When I started the talking about the Stowmarket health, education and leisure facility it was totally driven by what local people had spoken to me about, what they wanted in Stowmarket. The results of the survey show that the great work, now being driven by the council, sports associations and others has the potential to deliver something we’re all truly proud of and need. This will enable us to live longer, healthier, and happier lives.”

The masterplan is being developed in partnership with key local stakeholders including Stowmarket High School, Suffolk County Council, Stowmarket Town Council, and other local primary schools, Stowmarket leisure centre, Integrated Care Board, Active Suffolk, local sports clubs, alongside local councillors. National governing bodies like England Rugby, England Athletics, England Netball, Badminton England, Volleyball England, British Gymnastics, and Sport England have all engaged with the consultation.

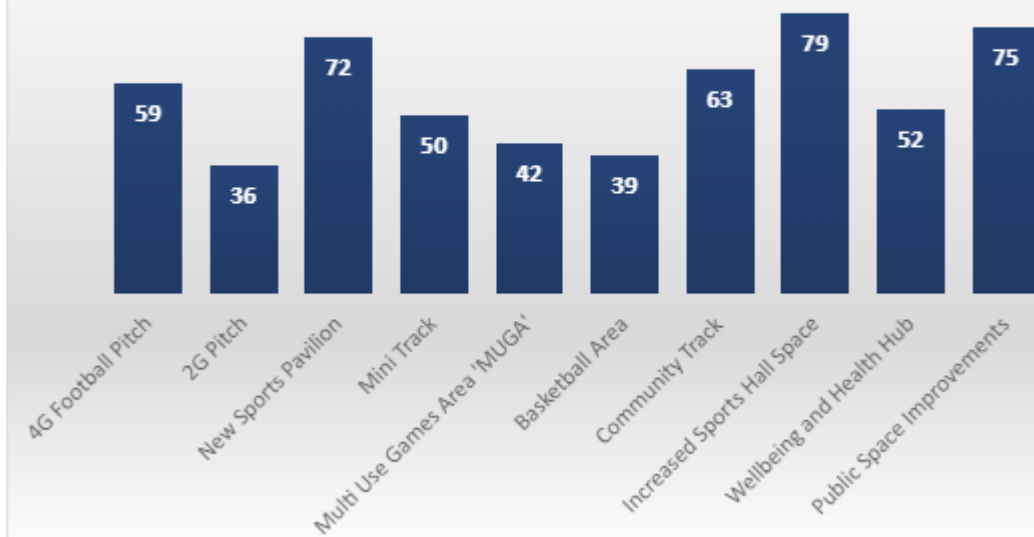
APPENDIX B – Engagement results



Distance from the site



Elements most liked from the Masterplan

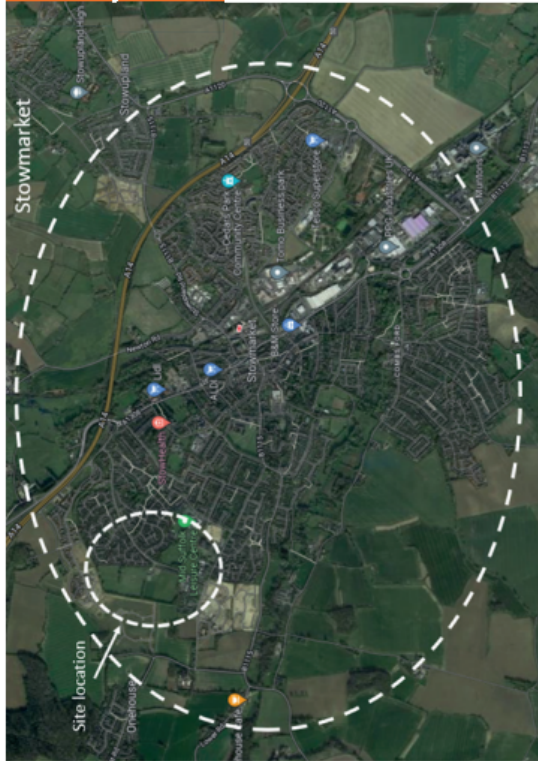


APPENDIX C – Information boards presented at engagement events



What is the Stowmarket, Health, Education and Leisure Facilities project?

Stowmarket is the largest town in the district and has had recent housing growth. An exciting opportunity has become available to collaborate with several key partners to develop an exemplar sports, education, health, and wellbeing project on 2 adjacent sites in Stowmarket. Providing new and enhanced facilities will allow partnerships to thrive and expand and provide a base for new collaborations between sports, education, health, and wellbeing. This scheme has two main elements;



Facilities that are fit for purpose and support the growth of the area as well as providing spaces for collaborative working and a shared area for a range of users.

Creating the conditions for strong partnerships to ensure the right opportunities are maximised for the whole community.

- **Outcome 1** - Facilities that provide a range of activities and provision for sport at grassroots level through to elite sport as well as individual and team opportunities
- **Outcome 2** - Maximize partnerships across the site between education, health, local authorities, the community and sports clubs.
- **Outcome 3** - A new high quality sporting pavilion that meets the needs of all users
- **Outcome 4** - A Health and Well-being hub for delivery of public services plus shared workspace area and meetings rooms
- **Outcome 5** - Buildings that are environmentally sustainable
- **Outcome 6** - Places and spaces that create opportunities to get more people active and support their Well-being



Stowmarket, Health, Education and Leisure Facilities proposed project



A masterplan has been developed working with a significant number of partners and stakeholders which will see comprehensive redevelopment of the sites. In 2021 following extensive engagement the Council published the refreshed Sport, Leisure and Physical Activity Strategy. The strategy helped to identify key sport and leisure needs across the whole district and led to the creation of the project.

Proposed new facilities are:

- 4g football pitch
- 2g pitch (a range of sports and activities can be played on the pitch)
- Mini track athletics facility
- New Sport pavilion to replace existing on Chilton fields
- Multi-agency wellbeing hub for use by a range of partners and the local community
- Surfaced Multi Use Games area
- 4 new indoor sport courts
- Additional parking at the Wellbeing hub and pavilion
- Reshaping of the current car parking on the Chilton Fields site
- New cricket square and new nets
- Multi surface perimeter track to encourage informal walking and cycling



Engagement

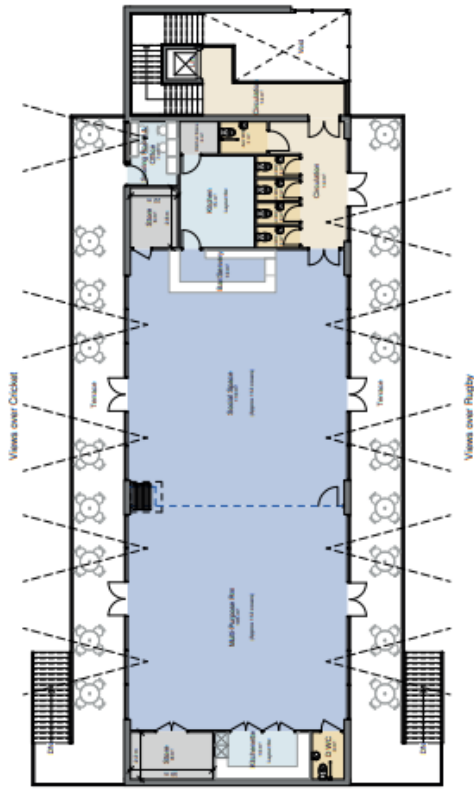


The proposed project has been designed with key stakeholders, site owners and partners through a range of workshops, project groups and stakeholder forums. The project has been positively received and we will continue to work with the stakeholders, partners and sport clubs to finalise the design and to shape the project scheme and its delivery. We are now actively seeking views from local people to ensure the project becomes a valuable asset for the community and more widely within the district.

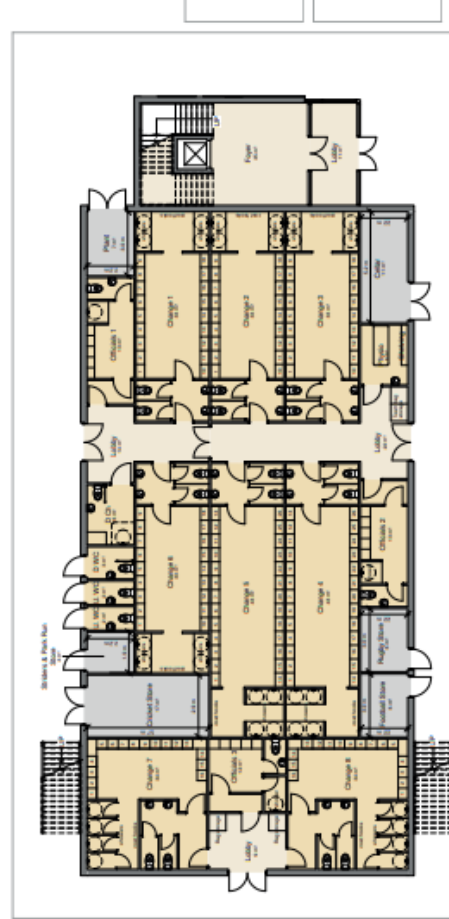
Stowmarket Town Council	Onehouse Parish Council	Jo Churchill MP	Stowmarket High School	Wood Ley Primary School	Grace Cook Primary School	Suffolk County Council	Leisure Centre (Everyone Active)
NHS Primary Care	Community Health	Family Hub	Nursery - Foxglove Montessori	National Governing Bodies for Rugby, Cricket, Tennis, Hockey, Athletics, Netball, Football	Active Suffolk	Sport England	Councillor's - County, Ward and Town
Local Community	West Suffolk and Ipswich Alliance	Integrated Care Board	Chilton Fields Parkrun	Great Finborough Netball Club	Stow Ability (Disability Football)	Stowmarket & District Cycling Club	Stowmarket Walking Football Club
Stowmarket Badminton Club	Stowmarket Cricket Club	Stowmarket Gymnastics Club	Stowmarket Lawn Tennis Club	Stowmarket Rugby Union Club	Stowmarket Salvation Army Football Club	Stowmarket Volleyball Club	Stowmarket Sniders Club
					Mid Suffolk Disability Forum	Wildcats (Girl Football)	Stowmarket Football Club



Stowmarket Sports Pavilion



First Floor Plan



Ground Floor Plan



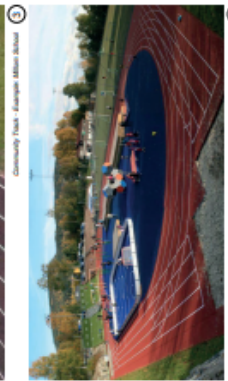
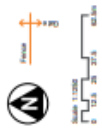
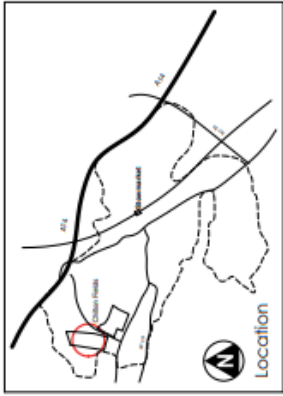
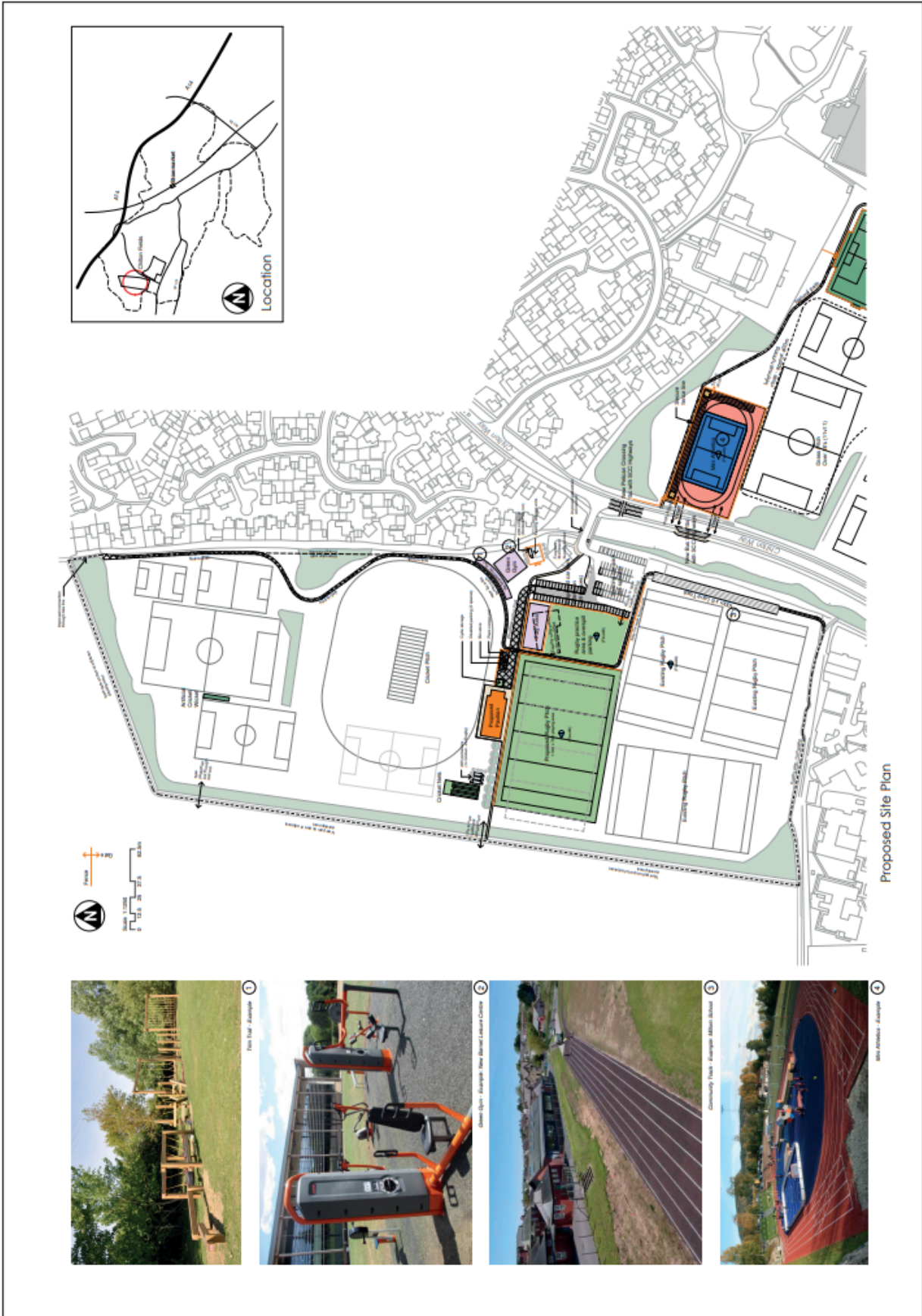
3D Visualisation - view of main entrance

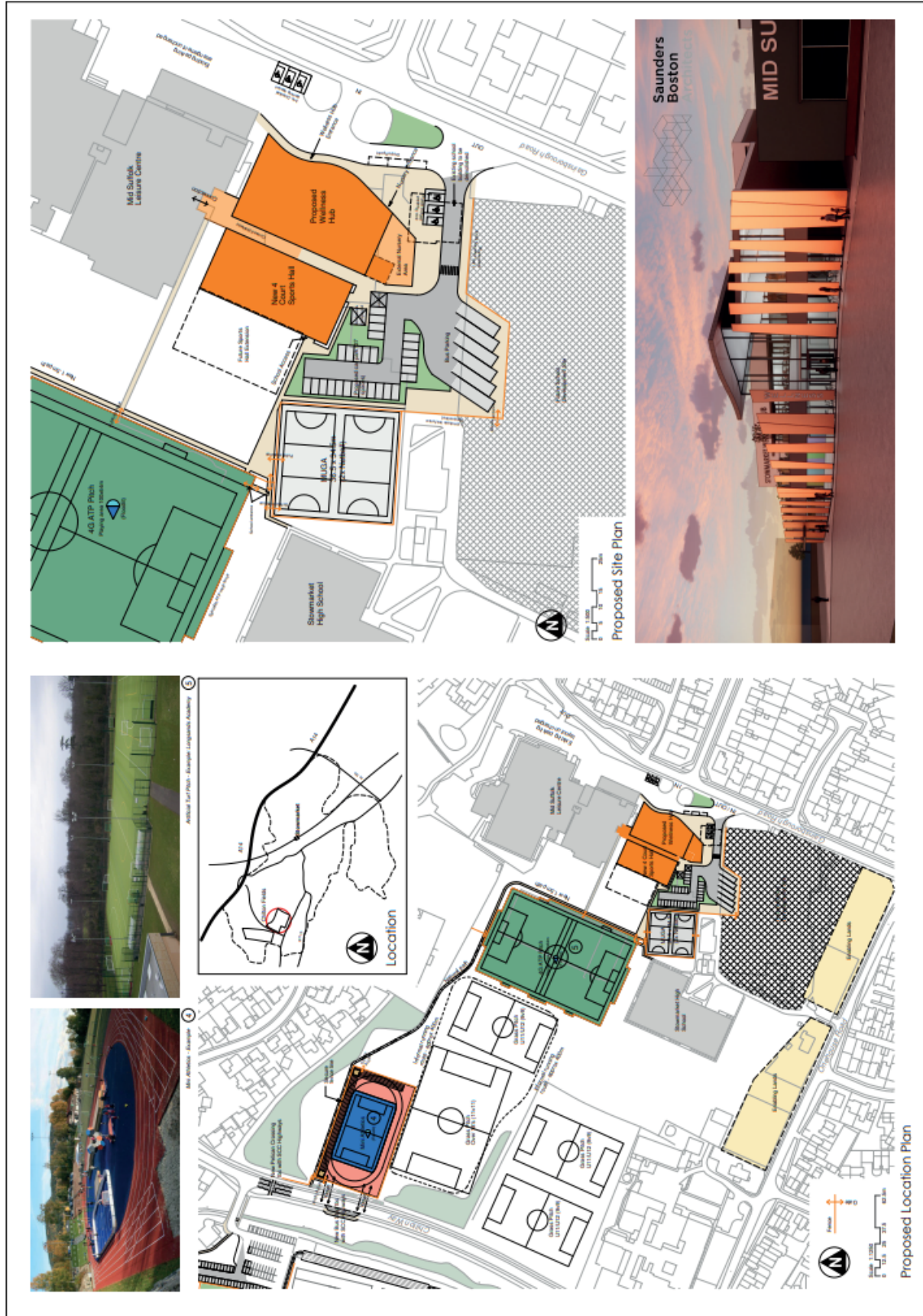


3D Visualisation - view from rugby pitch



3D Visualisation - first floor social space





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Equality Impact Assessment (EQIA) 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

<p>1. Policy/service/function title</p>	<p>Stowmarket Health, Education and Leisure Facilities (SHELF) project</p>
<p>2. Lead officer (responsible for the policy/service/function)</p>	<p>Kate Parnum</p>
<p>3. Is this a new or existing policy/service/function?</p>	<p>New</p>
<p>4. What exactly is proposed? (Describe the policy/service/ function and the changes that are being planned?)</p>	<p>The proposed scheme brings together two key sites, shown in Appendix A. Currently operated and operated by different organisations and currently home to a high school, leisure centre, three sports clubs and a children’s nursery the sites whilst operating well, do not benefit from the opportunities which could be created in terms of partnership working including better sharing of facilities to maximise use day and night.</p>
<p>5. Why? (Give reasons why these changes are being introduced)</p>	<p>An exciting opportunity became available to maximise the opportunities and provide communities services in a collaborative and initiative way. Investment in sport and leisure facilities and wellbeing provision for Stowmarket and surrounding villages with the right facilities, that provide paths for all to get involved. This will maximise the options and offers to the community and maximises delivery costs and provide seamless transition from formalised health services to groups and clubs to continue the progress.</p>

<p>6. How will it be implemented? (Describe the decision making process, timescales, process for implementation)</p>	<p>Cabinet to note the progress on the scheme and to endorse further funding to complete further design work, RIBA 4a.</p>
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7. Is there potential for differential impact (negative or positive) on any of the protected characteristics?	No
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
<p>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.</p> <p>If 'yes' then a full impact assessment must be completed.</p> <p>Curentntly this is high-level and in the planning stage, we have been fully consulting with the Mid Suffolk disability forum with the plans, the next stage as part of the business case a full EQIA will be completed</p>	
<p>Authors signature Kate Parnum</p> <p>Date of completion 20th January 2023</p>	

Any queries concerning the completion of this form should be addressed to the Equality and Diversity Lead.

* Public sector duty does not apply to marriage and civil partnership.

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Agenda Item 14

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

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Agenda Item 15

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

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Agenda Item 17

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: Council	REPORT NUMBER: MC/22/39
FROM: Melissa Evans, Director, Corporate Resources	DATE OF MEETING: 20 February 2023 23 February 2023
OFFICER: Rebecca Hewitt, Corporate Manager – Finance, Commissioning & Procurement Sue Palmer, Senior Finance Business Partner	KEY DECISION REF NO. Item No. N/A

JOINT CAPITAL, INVESTMENT AND TREASURY MANAGEMENT STRATEGIES 2023/24

1. PURPOSE OF REPORT

- 1.1 This report presents the Joint Capital, Investment and Treasury Management Strategies for the financial year 2023/24.
- 1.2 These are in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code, the CIPFA Prudential Code, which were both updated in 2021, and the 2018 Department for Levelling-Up, Housing and Communities (DLUHC) Investment Guidance, which introduced the requirement to prepare a Capital Strategy and an Investment Strategy. The Treasury Management Strategy remained largely unchanged.
- 1.3 The Prudential Indicators and Minimum Revenue Provision (MRP) Statement are linked to the Budget report that will be presented at this Cabinet meeting and the Full Council meetings in February 2023.
- 1.4 The Codes of Practice recommend that these strategies are subject to scrutiny before being presented to Full Council, which falls within the remit of the Joint Audit and Standards Committee.

2. OPTIONS CONSIDERED

- 2.1 This report fulfils the Councils legal obligations to have regard to the Code and DLUHC Guidance.
- 2.2 Individual strategies were considered but Joint Strategies have been prepared.

3. RECOMMENDATIONS TO BOTH COUNCILS

That the following be approved:

- 3.1 The Joint Capital Strategy for 2023/24, including the Prudential Indicators, as set out in Appendix A.

- 3.2 The Joint Investment Strategy for 2023/24, as set out in Appendix B.
- 3.3 The Joint Treasury Management Strategy for 2023/24, including the Joint Annual Investment Strategy as set out in Appendix C.
- 3.4 The Joint Treasury Management Indicators as set out in Appendix D.
- 3.5 The Joint Treasury Management Policy Statement as set out in Appendix G.
- 3.6 The Joint Minimum Revenue Provision Statement as set out in Appendix H.
- 3.7 That the key factors and information relating to and affecting treasury management activities set out in Appendices E, F, and I be noted.

REASON FOR DECISION

Local authorities are required to approve their Treasury Management Strategy (TMS), their Capital Strategy (including an overview of the TMS) and their Investment Strategy annually before the start of the financial year.

4. KEY INFORMATION

Introduction

- 4.1 The Joint Capital Strategy and the Joint Investment Strategy were new for 2019/20, as required by changes in CIPFA and DLUHC guidance. The Joint Treasury Management Strategy remained largely unchanged. This report combines an overview of how capital expenditure, capital financing, treasury and other investment activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 4.2 The strategies set limits and indicators that embody the risk management approach that the Councils believe to be prudent. The strategies are set against the 2023/24 budget and the four-year outlook and the context of the UK economy and projected interest rates. The information included in Appendix A to H reflects the current plans for income, expenditure and investments of both Councils.
- 4.3 The Joint Investment Strategy, at Appendix B, covers the non-financial assets that councils hold for financial return such as property portfolios, shares in council owned companies and loans. These are defined as investments but are not managed as part of treasury management or under treasury management delegations.

Strategic Context

- 4.4 In recent years the government policy frameworks have been reducing core funding for local government as part of its deficit reduction strategy. In response to this both Councils' strategy over the medium term as set out in the 2023/24 budget reports is to become self-financing and to generate more funds than are required for core services, and to enable additional investment in the districts.
- 4.5 The three strategies within this report set out the Councils approach to capital spend, borrowing and investment in order to deliver this.

- 4.6 DLUHC and the Chartered Institute of Public Finance and Accountancy (CIPFA) are aware that most local authorities are taking a more commercial approach in order to bridge the gap they face as a result of diminishing funding from government. In response to this both bodies state that they do not seek to prescribe precisely how councils invest but they clearly have concerns that some councils are taking increasing commercial risks using borrowed money. As a result, this report provides a more extensive strategy so that more of the risks that the Codes and guidance highlight are apparent to Members.
- 4.7 CIPFA issued a new edition of the Prudential Code 2021 which applied with immediate effect but allowed authorities to delay introducing revised reporting requirements until 2023/24. These revised requirements include changes to the capital strategy, prudential indicators and investment reporting. The general ongoing principles of the revised Prudential Code, including the requirement that an authority must not borrow to invest primarily for financial return, applied immediately.
- 4.8 HM Treasury also issued updated guidance in August 2021 setting out its lending policy, for Public Works Loan Board (PWLB) borrowing. The guidance provides broad definitions of permissible categories of a council's capital expenditure (service delivery, housing, regeneration, preventative action and treasury management). It also includes the stricter definition of investments primarily for yield, which lending terms restrict, and which all ongoing capital expenditure must comply with, unless a project commenced or was agreed prior to 26 November 2020.
- 4.9 CIPFA has also updated its Treasury Management Code and guidance. This has introduced strengthened requirements for training, and for investments that are not specifically for treasury management purposes.
- 4.10 Global economic growth is slowing as inflation and tighter monetary policy depress activity. The UK economy is already experiencing recessionary conditions, with business activity and household spending falling. Tighter monetary and fiscal policy, alongside high inflation will bear down on household disposable income. The short-to medium-term outlook for the UK economy is bleak, with the Bank of England projecting a protracted recession.
- 4.11 This has had an impact on the Councils' capital programmes and borrowing requirements as a result of projects falling behind schedule due to staffing shortages and supply difficulties. The Councils cash flow has been impacted by the repayment of grants from Central Government that was not required for COVID19 support to local businesses. Interest rates on investments and borrowing have increased because of increasing bank rates. There has been an increase in the value of the Councils' long-term investments in a property fund, but reductions in the funds containing equities and bonds as a result of the volatility in stock markets.
- 4.12 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, are considered as part of the strategies within this report.

Statutory Background

- 4.13 This report is part of the Councils' legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the DLUHC Guidance. The Councils must:

- ensure priority is given to security and portfolio liquidity, when investing treasury management funds,
- ensure the security of the principal sums invested through robust due diligence procedures for all external investments,
- have regard to CIPFA's Prudential Code when determining how much money they can afford to borrow,
- 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,
- monitor against the Prudential Code indicators each year, these are included in the Joint Capital Strategy in Appendix A, and
- at Full Council set the strategies and prudential indicators, and approve any material changes or revisions required during the year.

Joint Capital Strategy Appendix A

- 4.14 The Joint Capital Strategy (Appendix A), under the requirements of the Codes, gives a high-level overview of how capital expenditure, capital financing, and treasury management activities contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability.
- 4.15 The strategy demonstrates that the Councils take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.

Joint Investment Strategy Appendix B

- 4.16 The Councils invest their money for three broad purposes:
- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - to support local public services by lending to or buying shares in other organisations (known as service investments), and
 - to earn investment income (known as commercial investments - for yield where income is the main purpose).
- 4.17 This Joint Investment Strategy is for 2023/24, meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Joint Treasury Management Strategy Appendix C

- 4.18 The Joint Treasury Management Strategy (TMS) (Appendix C) covers the first point in 4.16 above and details of borrowing including authorised limits, economic and interest rate forecasts and treasury management indicators, which are also shown in Appendices D to G.
- 4.19 These three strategies together show the impact of the Councils' capital programme and Joint Investment Strategy in terms of risk, prudent levels of borrowing, associated interest costs and the net financial returns to the Councils to support core services in the medium term.

5. LINKS TO JOINT CORPORATE PLAN

- 5.1 Ensuring that the Council makes best use of its resources is what underpins the ability to achieve the priorities set out in the Joint Corporate Plan. Specific links show how these are met through financially sustainable Councils, managing the corporate assets effectively, and property investment to generate income.

6. FINANCIAL IMPLICATIONS

- 6.1 As outlined in this report and appendices.

7. LEGAL IMPLICATIONS

- 7.1 The legal status of the Treasury Management Code derives in England from regulations issued under the Local Government Act 2003 (the 2003 Act).
- 7.2 The Capital Finance and Accounting Regulations 2003 – SI 2003/3146, Regulation 24, explicitly require authorities to “have regard” to the Treasury Management Code.
- 7.3 Authorities are required by regulation to have regard to the Prudential Code when carrying out their duties under Part 1 of the 2003 Act.
- 7.4 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 with the Councils' Significant Risks as follows:

No.1 – The Councils Investment Fund may be unable to meet the income projections

No.2 – Income and Capital projections and economic outcomes projected for Gateway 14 Ltd may not be delivered

No.4 – The Councils may be unable to react in a timely and effective way to financial demands

No.8 – If Strategies are not in place with a balanced position over the medium term the Councils may not be financially sustainable and will be unable to deliver the core objectives and service delivery may be at risk of not being delivered.

No.13 – Additional cost pressures may result in a significant overspend that needs to be funded from reserves

No.15 & 16 - Income and Capital projections or economic/housing outcomes projected for Babergh Growth Ltd and Mid Suffolk Growth Ltd may not be delivered

8.2 Other key risks are set out in the following table:

Risk Description	Likelihood (1-4)	Impact (1-4)	Key Mitigation Measures	Risk Register and Reference
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.	Finance, Risk Register – 006 & 007
If the Councils achieve a poor return on investments, there will be fewer resources available to deliver services.	Unlikely (2)	Noticeable (2)	Focus is on security and liquidity, and careful cash flow management in accordance with the Joint TM Strategy is undertaken throughout the year.	Finance, Risk Register – 006 & 007
If the Councils have liquidity problems, then they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.	Finance, Risk Register – 006 & 007

If the Councils incur higher than expected borrowing costs, there will be fewer resources available to deliver services.	Unlikely (2)	Noticeable (2)	Benchmark is to borrow from the Public Works Loan Board (PWLB), whose rates are very low and can be on a fixed or variable basis. However, access to PWLB is not available for authorities undertaking some types of commercial activity, so ensure capital expenditure plans from 2022/23 are within the guidance for PWLB borrowing.	Finance, Risk Register – 006 & 007
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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 There are no equality and diversity implications, as the contents and recommendations of this report do not impact on those with protected characteristics.

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 Both Councils have joined Arlingclose's ESG and Responsible Investment Service. This will provide advice for ESG integration in the Councils' investment portfolios and is discussed within the Councils' Joint Treasury Management Strategy.

12. APPENDICES

Title	Location
(a) Joint Capital Strategy 2023/24	Attached
(b) Joint Investment Strategy 2023/24	Attached
(c) Joint Treasury Management Strategy 2023/24	Attached
(d) Treasury Management Indicators	Attached
(e) Economic Outlook and Interest Rate Forecast	Attached
(f) Existing Borrowing and Investments	Attached

(g) Treasury Management Policy Statement	Attached
(h) Minimum Revenue Provision (MRP) Statement	Attached
(i) Credit Ratings Criteria	Attached
(j) Glossary of Terms	Attached

13. BACKGROUND DOCUMENTS

2021 CIPFA Treasury Management in the Public Services

2021 The Prudential Code for Capital Finance in Local Authorities

2018 Department for Levelling-Up, Housing and Communities Investment Guidance.

APPENDIX A: JOINT CAPITAL STRATEGY 2023/24

1. Introduction

- 1.1 This Joint Capital Strategy for 2023/24 gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance members' understanding of these often-technical areas.
- 1.2 Decisions made this year on capital and treasury management will have financial consequences for the Councils for many years into the future. They are therefore subject to both a national regulatory framework and a local policy framework, summarised in this report.
- 1.3 The strategy demonstrates that the Councils take capital expenditure and investment decisions in line with service objectives and properly take account of stewardship, value for money, prudence, sustainability and affordability.

2. Capital Expenditure and Financing

- 2.1 Capital expenditure is where the Councils spend money on assets, such as property or vehicles, that will be used for more than one year. In local government this includes spending on assets owned by other bodies, and loans and grants to other bodies enabling them to buy or enhance assets.
- 2.2 The Councils have some limited discretion on what counts as capital expenditure; for example, individual assets costing below £10k are not capitalised and are charged to revenue in the year.

Governance: Capital Expenditure

- 2.3 Proposed capital projects are appraised by the Senior Leadership Team based on a comparison of strategic and service priorities against financing costs (even if the project is fully financed from external funds) before being included in the Councils' capital programmes.
- 2.4 Full details of the Councils' capital programmes are included initially in the Budget reports, that were presented to Overview and Scrutiny Committees in January 2023 and will go onto Cabinet and the Full Council meetings in February 2023.

Estimated Capital Expenditure

- 2.5 The actual capital spend for 2021/22, the forecast outturn for 2022/23, the budget for 2023/24 and forecast from 2024/25 to 2026/27, for the General Fund and the Housing Revenue Account (HRA) as per the 2023/24 budget report is summarised as follows:

Table 1: Prudential Indicator: Estimated Capital Expenditure

Capital Expenditure						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	** £m	£m	£m	£m
General Fund	4.39	6.08	8.72	4.60	4.15	1.75
Capital Investments	0.32	3.67	5.79	3.81	0.06	0.06
Total General Fund	4.71	9.75	14.51	8.41	4.21	1.81
Council Housing (HRA)	16.80	16.04	8.49	8.02	9.28	6.26
Total Capital Expenditure	21.51	25.80	23.00	16.43	13.49	8.07

Capital Expenditure						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	** £m	£m	£m	£m
General Fund	7.87	6.14	9.92	4.47	4.06	1.58
Capital Investments	5.44	7.25	17.40	3.50	1.75	0.00
Total General Fund	13.32	13.39	27.32	7.97	5.81	1.58
Council Housing (HRA)	13.92	27.11	27.71	26.13	8.93	5.12
Total Capital Expenditure	27.24	40.50	55.03	34.10	14.74	6.70

** Including forecast carry-forward from 2022/23

General Fund Capital Expenditure

- 2.6 The main General Fund projects included in the Capital Programme for Babergh over the period 2023/24 to 2026/27 are a new shared depot (£6m), Belle Vue, Sudbury (£1.9m), Housing grants (£3.8m), ICT hardware/software (£0.75m), Community Grants (£0.5m) and implementing the parking strategy (£0.3m).
- 2.7 The main General Fund projects included in the Capital Programme for Mid Suffolk over the period 2023/24 to 2026/27 are a new shared depot (£6m), Housing grants (£3.6m), Community Grants (£0.8m), ICT hardware/software (£0.75m) and implementing the parking strategy (£0.27m).

The Housing Revenue Account (HRA) Capital Expenditure

- 2.8 The HRA is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately and includes purchasing houses from the private sector to increase the housing stock as well as new build schemes and maintenance to existing homes over the forecast period.

Capital Investments Capital Expenditure

- 2.9 There are two types of Capital investment. They are made:
- to support local public services by lending to or buying shares in other organisations (service investments), and
 - to earn investment income (known as investments for yield or commercial investments where income is the main purpose).
- 2.10 The capital investments (which are service investments) in the capital programme for the period 2023/24 to 2026/27 for Babergh are the development of the former Council Offices in Hadleigh (£7.5m) by the Growth company for housing; Borehamgate (£0.24m), further strategic investments (£1.9m) and a workspace development in Hadleigh (£1.9m) all for regeneration purposes. Included in the forecast outturn for 2022/23 are completion of the former Council Offices in Hadleigh (£3.3m), Borehamgate (£0.2m), and further strategic investments (£1m).
- 2.11 The capital investments (which are service investments) in the capital programme for the period 2023/24 to 2026/27 for Mid Suffolk include developments by the Growth company (£11.9m), including the former Council Offices at Needham Market, for housing; Gateway 14 (£10.7m) and further strategic investments (£2.7m) all for regeneration purposes. Included in the forecast outturn for 2022/23 are the former Council Offices at Needham Market (£0.25m) and Gateway 14 (£7m).
- 2.12 The councils have adopted the DLUHC definition of an investment so that property that is held primarily for service purposes, including regeneration, but also partly for income, is classed as a service investment. Further details on the Councils' capital investments can be found in section 3 and 4 of the Joint Investment Strategy in Appendix B.

Capital Financing

- 2.13 All capital expenditure must be financed, either from external sources (government grants and other contributions), the Councils' own resources (revenue, reserves and capital receipts) or debt (borrowing and leasing). The planned financing of the above expenditure is as follows:

Table 2: Capital financing

Capital Financing - General Fund						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Capital Receipts	0.00	0.00	1.16	0.00	0.00	0.00
Revenue Reserves	0.98	0.00	0.00	0.00	0.00	0.00
Grants	1.50	0.65	0.87	0.76	0.76	0.76
External Contributions	0.06	0.09	0.00	0.00	0.00	0.00
Borrowing	2.16	9.01	12.48	7.65	3.45	1.05
Total GF Capital Financing	4.71	9.75	14.51	8.41	4.21	1.81

Capital Financing - HRA						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Capital Receipts	3.79	4.87	0.61	2.48	1.50	0.30
Revenue Contributions	2.59	2.63	1.09	0.00	0.00	0.00
Revenue Reserves	4.60	8.52	4.82	4.81	4.81	4.73
Grants	0.95	0.02	0.19	0.00	0.00	0.00
Borrowing	4.88	0.00	1.77	0.73	2.98	1.24
Total HRA Capital Financing	16.80	16.04	8.49	8.02	9.28	6.26
Total ALL Capital Financing	21.51	25.80	23.00	16.43	13.49	8.07

Capital Financing - General Fund						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Revenue Contributions	0.00	0.52	0.01	0.00	0.00	0.00
Revenue Reserves	3.39	0.45	0.66	0.00	0.00	0.00
Grants	2.14	0.46	0.99	0.70	0.70	0.70
Borrowing	7.79	11.97	25.67	7.27	5.11	0.89
Total GF Capital Financing	13.32	13.39	27.32	7.97	5.81	1.58

Capital Financing - HRA						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Capital Receipts	2.72	4.81	5.54	3.19	2.67	0.30
Revenue Contributions	1.02	1.06	0.00	0.00	0.00	0.00
Revenue Reserves	4.49	9.00	4.62	4.62	4.62	4.47
Grants	0.22	0.24	0.00	0.00	0.00	0.00
Borrowing	5.48	12.00	17.55	18.32	1.65	0.35
Total HRA Capital Financing	13.92	27.11	27.71	26.13	8.93	5.12
Total ALL Capital Financing	27.24	40.50	55.03	34.10	14.74	6.70

Capital Receipts

- 2.14 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Councils are currently also permitted to spend capital receipts “flexibly” on service transformation projects until 2023/24. Repayments of capital grants, loans and investments also generate capital receipts.
- 2.15 Capital receipts are either used to finance capital expenditure in the year the asset is sold, put into a capital reserve and used for later capital expenditure or used to repay debt. Capital receipts are expected to be used as follows:

Table 3: Capital receipts used

Capital Receipts						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
General Fund	0.00	0.00	1.16	0.00	0.00	0.00
General Fund Capital Loan Repayments	0.23	0.23	0.25	7.35	4.02	0.28
Council Housing (HRA) 1-4-1 Receipts	2.40	2.66	0.32	0.99	1.50	0.30
Council Housing (HRA) Other	1.39	2.21	0.29	1.49	0.00	0.00
Total Capital Receipts	4.02	5.10	2.02	9.83	5.52	0.58

Capital Receipts						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
General Fund	0.00	0.00	0.00	0.00	0.00	0.00
General Fund Capital Loan Repayments	0.23	26.96	0.25	9.20	3.33	3.78
Council Housing (HRA) 1-4-1 Receipts	2.48	2.78	2.13	2.04	1.69	0.30
Council Housing (HRA) Other	0.24	2.03	3.41	1.15	0.98	0.00
Total Capital Receipts	2.94	31.77	5.78	12.39	6.00	4.08

Repayment of Debt

- 2.16 Debt is only a temporary source of finance, since loans and leases must be repaid. Capital receipts may be used to replace debt finance, but usually debt is repaid over time from revenue, which is known as minimum revenue provision (MRP).
- 2.17 The Councils planned MRP and repayment of borrowing charged to revenue are as follows:

Table 4: Repayment of debt from revenue

Repayment of Debt Finance						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Repayment of Borrowing from HRA Revenue	0.15	0.00	0.00	0.00	0.00	0.00
MRP charged to General Fund Revenue	1.22	1.46	1.63	1.79	1.97	2.09
Total Repayment of Debt Finance	1.37	1.46	1.63	1.79	1.97	2.09

Repayment of Debt Finance						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
MRP charged to General Fund Revenue	1.30	1.33	1.49	1.66	1.77	1.90
Total Repayment of Debt Finance	1.30	1.33	1.49	1.66	1.77	1.90

- 2.18 The Councils' full minimum revenue provision statement is shown in Appendix H.

Capital Financing Requirement

- 2.19 The Councils' underlying need to borrow for capital purposes is measured by the capital financing requirement (CFR). The CFR, together with usable reserves, is one of the core drivers of both Councils' treasury management activities.

- 2.20 The CFR represents the cumulative outstanding amount of debt finance. It increases with new debt-financed (borrowing/leases) capital expenditure and reduces with MRP and capital receipts used to repay debt.
- 2.21 Babergh's CFR is expected to increase by £7.31m and Mid Suffolk's reduce by £4.32m during 2022/23. Based on the above figures for expenditure (Table 1), financing (Table 2), and debt repayment (Table 4), the Councils estimate that their CFR will be as follows:

Table 5: Prudential Indicator: Estimated Capital Financing Requirement

Cumulative Capital Financing Requirement (CFR)						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
General Fund	18.56	22.27	27.34	29.38	30.80	29.70
Capital Investments	54.13	57.73	63.28	59.74	55.78	55.55
Total General Fund	72.69	80.00	90.61	89.12	86.58	85.26
Council Housing (HRA)	92.89	92.89	94.67	95.40	98.38	99.61
Total CFR	165.58	172.90	185.28	184.52	184.95	184.87

Cumulative Capital Financing Requirement (CFR)						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
General Fund	23.19	26.83	33.61	35.72	37.31	36.30
Capital Investments	78.09	58.13	75.28	69.59	68.00	64.22
Total General Fund	101.28	84.95	108.89	105.30	105.31	100.52
Council Housing (HRA)	94.24	106.24	123.79	142.11	143.76	144.11
Total CFR	195.52	191.19	232.68	247.42	249.07	244.62

3. The Prudential Code

- 3.1 The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal.
- 3.2 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 and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the Councils.
- 3.3 The Prudential Code requires both Councils to look at capital expenditure and investment plans in the light of overall organisational strategy and resources and ensure that decisions are being made with sufficient regard to the long run financing implications and potential risks to the Councils. Effective financial planning, option appraisal, risk management and governance processes are essential in achieving a prudential approach to capital expenditure, investment and debt.

- 3.4 The Prudential Indicators included in the Joint Capital Strategy, (Appendix A Tables 1, 5, 6, 8 and 9) illustrate the affordability and impact of capital expenditure decisions and set out both Councils overall capital and treasury framework.
- 3.5 Effective management and decisions on funding ensure both Councils comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget. Using borrowing powers to undertake investment in line with the Joint Corporate Plan priority outcomes and generate a rate of return to produce additional income in order to address the funding pressures that both Councils face over the next 4 years.

4. Treasury Management

- 4.1 Treasury management is concerned with keeping sufficient but not excessive cash available to meet the Councils' spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Councils are typically cash rich in the short-term as revenue income is received before it is spent, but cash poor in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing. Appendix F shows the current position.
- 4.2 On 30 November 2022:
- Babergh has £113.1m total borrowing at an average interest rate of 2.8% and £18.3m of treasury investments at an average rate of 3.2%.
 - Mid Suffolk has £135.3m total borrowing at an average interest rate of 2.6% and £16.3m treasury investments at an average interest rate of 3.5%.

Borrowing strategy:

- 4.3 The Councils' main objectives when borrowing is to achieve a low but certain cost of finance whilst retaining flexibility if plans should change in the future. These objectives are often conflicting, and the Councils therefore seek to strike a balance between short-term loans (currently available at around 4%) and long-term fixed rate loans where the future cost is known but higher (currently around 4.4% to 4.7%).
- 4.4 Since the change in rules, the Councils no longer borrow to invest for the primary purpose of financial return and therefore retain full access to the Public Works Loans Board.
- 4.5 The forecast movement in the CFR in coming years is one of the Prudential Indicators. The movement in actual external debt and usable reserves combine to identify the Councils' borrowing requirement and potential treasury management investment strategy in the current and future years.
- 4.6 The Councils' projected levels of total outstanding debt (borrowing and leases) are shown below and compared with the capital financing requirement (in paragraph 2.21, Table 5 above).

Table 6: Prudential Indicator: Gross Debt and Capital Financing Requirement

Gross Debt and Capital Financing Requirement						
Babergh District Council	31.3.2022 Actual	31.3.2023 Forecast Outturn	31.3.2024 Budget	31.3.2025 Forecast	31.3.2026 Forecast	31.3.2027 Forecast
	£m	£m	£m	£m	£m	£m
General Fund						
Outstanding Borrowing (Debt)	(35.65)	(52.15)	(56.85)	(55.60)	(54.01)	(53.75)
Capital Financing Requirement	72.69	80.00	90.61	89.12	86.58	85.26
General Fund Headroom	37.04	27.85	33.76	33.52	32.56	31.51
HRA						
Outstanding Borrowing (Debt)	(84.75)	(84.75)	(86.52)	(87.25)	(90.23)	(91.47)
Capital Financing Requirement	92.89	92.89	94.67	95.40	98.38	99.61
HRA Headroom	8.15	8.15	8.15	8.15	8.15	8.15

Gross Debt and Capital Financing Requirement						
Mid Suffolk District Council	31.3.2022 Actual	31.3.2023 Forecast Outturn	31.3.2024 Budget	31.3.2025 Forecast	31.3.2026 Forecast	31.3.2027 Forecast
	£m	£m	£m	£m	£m	£m
General Fund						
Outstanding Borrowing (Debt)	(61.85)	(59.05)	(65.23)	(61.85)	(62.69)	(58.90)
Capital Financing Requirement	101.28	84.95	108.89	105.30	105.31	100.52
General Fund Headroom	39.43	25.90	43.66	43.45	42.63	41.62
HRA						
Outstanding Borrowing (Debt)	(73.49)	(84.41)	(101.97)	(120.28)	(121.93)	(122.28)
Capital Financing Requirement	94.24	106.24	123.79	142.11	143.76	144.11
HRA Headroom	20.75	21.83	21.83	21.83	21.83	21.83

- 4.7 Statutory guidance says that debt should remain below the CFR, except in the short-term. As can be seen from Table 6 above, both Councils expect to comply with this in the medium-term (shown as Headroom).

Liability benchmark:

- 4.8 The Councils can internally borrow when they have generated a cash surplus on their revenue activities, for example from council tax, business rates, etc received in advance of use. This is known as a working capital surplus and can be used, in the short term, to finance capital expenditure meaning that there is not an immediate requirement to borrow from third parties.
- 4.9 Cash held within the Councils' reserves also reduces the requirement to borrow from third parties, until the reserves are used for their intended purpose.
- 4.10 To compare the Councils' actual borrowing against the lowest risk level of borrowing, a liability benchmark has been calculated. This gives an indication of the minimum amount of external borrowing required to meet the borrowing need (CFR) assuming that the Councils internally borrow up to the level of their estimated reserves balance and projected working capital surplus, whilst maintaining cash and investment balances at a minimum of treasury investments for each Council over the medium-term (the lowest level being £13.0m).

- 4.11 This benchmark is currently £126.59m for Babergh and £122.74m for Mid Suffolk for 2022/23 and is forecast to increase to £145.69m and £178.39m respectively over the next four years.

Table 7: Borrowing and the Liability Benchmark

Borrowing and Liability Benchmark						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Liability Benchmark	113.53	126.59	140.61	142.81	145.18	145.69
Outstanding Borrowing (Debt)	(120.40)	(103.84)	(93.28)	(86.71)	(80.12)	(79.53)
	(6.86)	22.75	47.33	56.10	65.06	66.16

Borrowing and Liability Benchmark						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Liability Benchmark	125.08	122.74	166.07	182.76	184.91	178.39
Outstanding Borrowing (Debt)	(135.34)	(122.73)	(90.10)	(88.95)	(87.79)	(71.60)
	(10.26)	0.01	75.96	93.81	97.12	106.79

The detailed calculation of the Liability Benchmark is shown in Appendix C Table 2.

Authorised limit for external debt:

- 4.12 The Councils are legally obliged to set an authorised limit for external debt each year and to keep it under review. In line with statutory guidance, a lower “operational boundary” is also set and acts as a warning that action may be required to ensure that debt does not breach the authorised limit.
- 4.13 The operational boundary is set equal to the Councils’ CFR, which represents the total borrowing need resulting from capital expenditure. The Councils have set an authorised limit of £15m above the operational boundary for each year to allow for working capital fluctuations or borrowing in advance of planned capital expenditure.

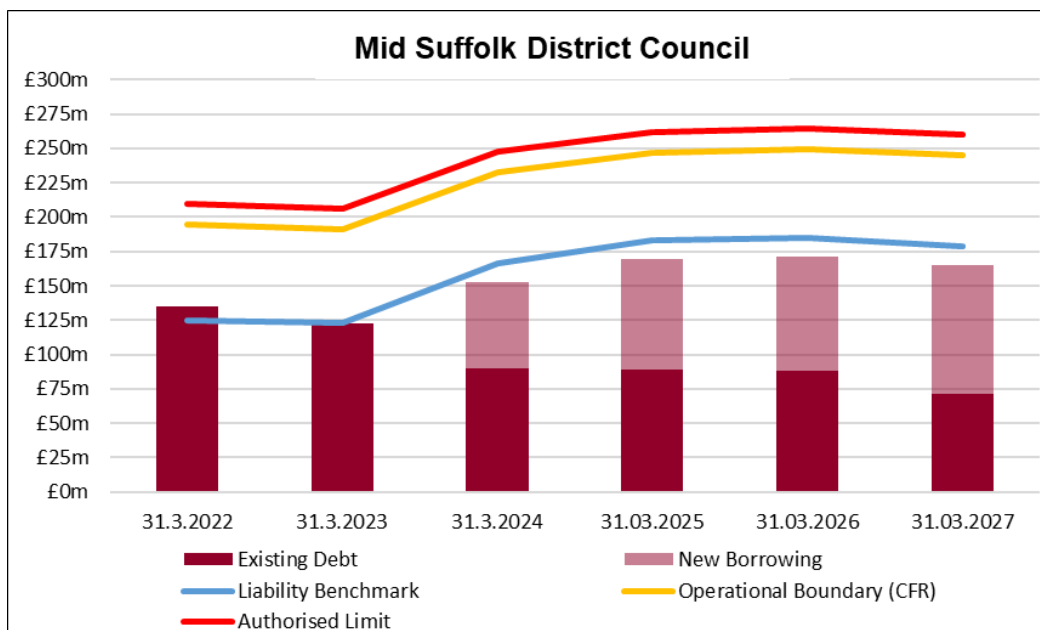
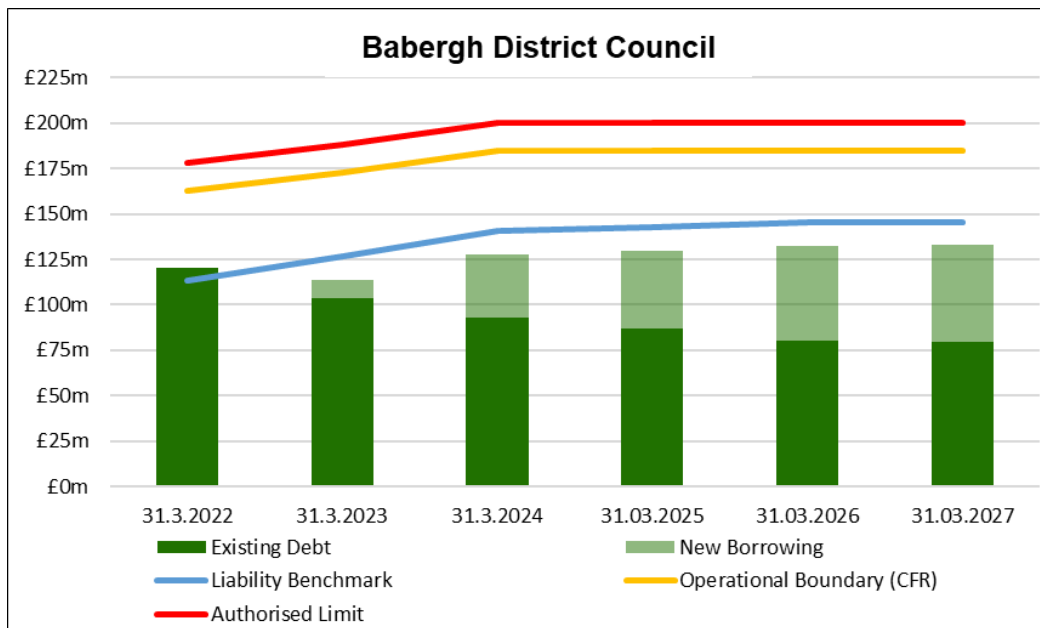
Table 8: Prudential Indicators: Authorised limit and operational boundary for external debt

Operational Boundary & Authorised Limit					
Babergh District Council	2022/23 Limit	2023/24 Limit	2024/25 Limit	2025/26 Limit	2026/27 Limit
	£m	£m	£m	£m	£m
Operational Boundary	173	185	185	185	185
Authorised Limit	188	200	200	200	200
Ratio of Debt to Authorised Limit	64.0%	68.4%	71.7%	71.4%	72.1%

Operational Boundary & Authorised Limit					
Mid Suffolk District Council	2022/23 Limit £m	2023/24 Limit £m	2024/25 Limit £m	2025/26 Limit £m	2026/27 Limit £m
Operational Boundary	191	233	247	249	245
Authorised Limit	206	248	262	264	260
Ratio of Debt to Authorised Limit	65.7%	57.8%	63.8%	69.0%	71.0%

4.14 The charts that follow illustrate how outstanding debt is expected to remain below the liability benchmark, operational boundary and authorised limit for both Councils.

Chart 1: Borrowing compared to CFR, liability benchmark, operational boundary and authorised limit



4.15 Further details on borrowing are shown in Appendix C section 4 of the Joint Treasury Management Strategy.

Joint Treasury Investment Strategy:

- 4.16 Treasury investments arise from receiving cash before it is paid out again. The Councils hold several long-term investments as a result of this. These and all other treasury management activities are set out in the Joint Treasury Management Strategy in Appendix C. The Councils planned spend on the capital programme has an impact on the amount of surplus cash available for treasury investments and this results in the Councils need to borrow.
- 4.17 Investments made for service reasons or for pure financial gain are not generally considered to be part of treasury management. These are explained further in the Joint Investment Strategy in Appendix B.

4.18 **Risk management:**

The effective management and control of risk are prime objectives of the Councils' treasury management activities. The Joint Treasury Management Strategy in Appendix C sets out various Prudential Indicators and limits to constrain the risk of unexpected losses and details the extent to which financial derivatives may be used to manage treasury risks.

4.19 **Governance:**

Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director, Corporate Resources (the S151 Officer) and staff, who must act in line with the treasury management strategy approved by full Council. Half yearly and annual reports on treasury management activity have been presented to the Joint Audit and Standards Committee (JASC) who is responsible for scrutinising treasury management decisions.

5. Investments for Service Purposes

- 5.1 Service investments are where the Councils can support the provision of local public services by lending to or buying shares in other organisations.
- 5.2 The Councils invest in the Growth companies for the purpose of the development of housing schemes and regeneration.

6. Liabilities:

- 6.1 In addition to debt of £143.37m for Babergh and £167.19m for Mid Suffolk, as detailed in Table 6 above for 2023/24, the Councils are committed to making future payments to cover their pension fund deficits. On 31 March 2022 Babergh's deficit was valued at £17.63m and Mid Suffolk's was £27.706m, with contributions of £0.487m for Babergh and £0.785m for Mid Suffolk due in 2022/23.

Governance:

- 6.2 Reports are taken to Cabinet as part of the budget monitoring process.

7. Revenue Budget Implications

- 7.1 Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded

from Council Tax, Business Rates and general government grants for the General Fund and housing rents for the Housing Revenue Account (HRA).

- 7.2 For Babergh the maximum cost is 25.87% and for Mid Suffolk it is 19.39% in 2026/27 for the General Fund, as shown in Table 9 below. For the HRA the levels (gross costs) are lower due to the link to the debt associated with the Councils' housing stock.

Table 9: Prudential Indicator: Proportion of gross financing costs to net revenue stream

Proportion of Gross Financing Costs to Net Revenue Stream					
Babergh District Council	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
General Fund -					
Gross Financing costs £m	1.90	3.11	3.50	3.68	3.79
Proportion of net revenue stream %	13.63%	20.40%	22.13%	25.10%	25.87%
Council Housing (HRA) -					
Financing costs £m	3.16	3.11	3.18	3.35	3.47
Proportion of net revenue stream %	18.06%	16.31%	16.19%	16.57%	16.66%

Proportion of Gross Financing Costs to Net Revenue Stream					
Mid Suffolk District Council	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
General Fund -					
Gross Financing costs £m	2.18	3.00	3.18	3.29	3.41
Proportion of net revenue stream %	12.31%	16.26%	16.40%	19.03%	19.39%
Council Housing (HRA) -					
Financing costs £m	3.21	3.31	4.20	4.60	4.65
Proportion of net revenue stream %	20.92%	19.82%	24.36%	25.91%	25.38%

- 7.3 In addition to capital receipts, grants and borrowing the housing capital programme is partly financed by income received from housing rents. Table 10 shows these contributions and associated costs as an equivalent average weekly rent.

7.4 Table 10: Impact of Capital Decisions on HRA Rents

Babergh District Council	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£	£	£	£	£
Increase in average weekly rents	14.51	14.45	6.31	0.57	1.22

Mid Suffolk District Council	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£	£	£	£	£
Increase in average weekly rents	7.34	10.14	7.75	11.45	11.64

- 7.5 The setting of rent levels has been determined separately through the 30-year business model and any surplus or deficit on the HRA is transferred to or from Reserves.

7.6 Further details of the revenue implications of capital expenditure are included in the Budget Report that will be presented to the next Cabinet meetings and then onto the Full Council meetings in February 2023.

8. Sustainability

8.1 Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for up to 50 years into the future. The Director – Corporate Resources is satisfied that the proposed capital programme is prudent, affordable and sustainable over the medium term. This is due to the fact that debt remains below the CFR, (see Table 6), below the liability benchmark (see Table 7), and below the operational boundary and authorised limits (see Table 8), as well as an acceptable level of financing costs proportionate to the net revenue stream (see Table 9).

9. Knowledge and Skills

9.1 The Councils employ professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director - Corporate Resources is an ACCA qualified accountant with over 20 years' experience and the Corporate Manager – Finance, Commissioning and Procurement is a CIPFA qualified accountant with over 15 years' experience. The Council employs the Director – Assets and Investments, who is a qualified chartered surveyor (MRICS) with over of 20 years' experience in both the private and public sector. The Council pays for staff to study towards relevant professional qualifications in finance such as the ICAEW, CIPFA and AAT.

9.2 Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Councils currently employ Arlingclose Limited as treasury management advisers.

9.3 Other advisers include Jones Lang Lasalle (JLL) as property consultants, Carter Jonas for development appraisal and Browne Jacobson for legal support. For the development of the council offices the Growth Companies were appointed and Hamson Barron Smith are used for all technical support. This approach is more cost effective than employing such staff directly and ensures that the Councils have access to knowledge and skills commensurate with its risk appetite.

9.4 Both Councils are working with Norse Group Holdings Ltd to complete the developments at the sites of the former council offices, in Hadleigh and Needham Market, through the Councils' trading companies, Babergh Growth Ltd and Mid Suffolk Growth Ltd. Mid Suffolk is working with JAYNIC Properties Ltd on the development of the Gateway 14 site.

9.5 The Councils have a Learning and Development programme for staff which includes access to internal and externally provided training including attaining full professional qualifications.

APPENDIX B: JOINT INVESTMENT STRATEGY 2023/24

1. Introduction

- 1.1 The Councils invest their money for three broad purposes:
- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
 - to support local public services and stimulate local economic growth by lending to or buying shares in other organisations (known as service investments), and
 - to earn investment income (known as commercial investments - for yield where income is the main purpose).
- 1.2 This Joint Investment Strategy is for 2023/24, meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

2. Treasury Management Investments

- 2.1 The Councils typically receive their income in cash (e.g. from taxes and grants) before they pay for their expenditure in cash (e.g. through payroll and invoices). The Councils also hold reserves for future expenditure and collect local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 2.2 Full details of the Councils' policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy, available in Appendix C.

Contribution:

- 2.3 The contribution that these investments make to the objectives of both Councils is to support effective treasury management activities.

3. Investments in Property

- 3.1 Investments in property can take the form of using and developing council owned assets. The definition does not include the redevelopment for council housing through the HRA.

Contribution:

- 3.2 The Councils invest in commercial and residential property within their Districts, for the purpose of regeneration and economic development, whilst also generating income that will be spent on local public services.

- 3.3 The current and future property investments for council owned assets are described below.

Babergh

- **Borehamgate, Sudbury**

Babergh purchased Borehamgate shopping precinct on 1 August 2016 for £3.5m as part of a plan to regenerate the Hamilton Road quarter of Sudbury. This prospective development is still at an early stage and amounts for minor improvements and planned maintenance have been included in the capital programme.

- **Former Council Offices in Hadleigh**

- In September 2016 both Councils decided to relocate from their existing Council offices in Hadleigh and Needham Market to Endeavour House in Ipswich and subsequently relocated in November 2017. In December 2018, the Councils approved investments in market led housing schemes for the former office sites to realise value from these now surplus assets.
- Babergh approved the conversion of the former Corks Lane Council office in Hadleigh into 31 new homes and also the construction of an additional 26 new homes on the site, all for market sale.
- The Council created a new company, Babergh Growth Ltd, on 19 March 2019, which entered into a joint venture with Norse Group Holdings Ltd, to complete the development. The Council is providing 100% of the finance.
- A peak cash flow funding requirement of £7m is included in the capital programme. The scheme commenced in August 2022..

- **Hadleigh A1071 Roadside Commercial Workspace Development**

- The Council has secured a small parcel of employment land which it can directly invest in to address market failure and develop as a viable scheme to provide needed workspace, employment opportunities and support for the local community of Hadleigh and surrounding area.

Mid Suffolk

- **Former retail site, Stowmarket**

- Mid Suffolk bought the site in Gipping Way, Stowmarket for £1.4m on 7 January 2019 for economic development purposes. A licence to operate the car park was entered into before completion enabling the development and use of this site for public pay and display car parking from December 2018.
- Work has been undertaken to divide the site into multiple units with leases agreed with PureGym and Papa Johns for two of the units. Further improvements are currently being undertaken to the other unit with a view to having occupants in during 2023/24.

- **Former Council Offices in Needham Market**

- As stated above, both Councils decided to relocate their offices to Endeavour House in Ipswich and subsequently relocated in November 2017, with the site in Needham Market being earmarked for development predominantly for housing purposes.
- Mid Suffolk obtained planning permission for 93 new homes on the former Council office and car park sites, in Needham Market, including 83 for market sale, 7 for affordable rent and 3 for shared ownership and a convenience store.
- The Council created a new company, Mid Suffolk Growth Ltd on 19 March 2019, which entered into a joint venture with Norse Group Holdings Ltd, to complete the development and they will provide 50% of the finance.
- A peak cash flow funding requirement of £2.8m is included in the capital programme. The housing for open market sale will be funded 50% by Norse. Work on site commenced in 2020/21. Phase 1 was completed in 2021/22 with all market and affordable homes now let and sold. Phase 2 will commence in the Spring 2023. The Council's contribution is included in the capital expenditure as shown in Table 1 below:

Table 1: Property held for investment purposes: Cumulative expenditure

Cumulative Expenditure on Property Investments						
Babergh District Council	2021/22 Cumulative Actual £m	2022/23 Forecast Outturn £m	2023/24 Budget £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Borehamgate, Sudbury	3.65	3.89	3.95	4.01	4.07	4.13
Former Council Offices, Hadleigh	0.60	3.44	3.44	3.44	3.44	3.44
A1071 Economic Development, Hadleigh	0.00	0.10	2.08	2.08	2.08	2.08
Total	4.26	7.43	9.47	9.53	9.59	9.65

Cumulative Expenditure on Property Investments						
Mid Suffolk District Council	2021/22 Cumulative Actual £m	2022/23 Forecast Outturn £m	2023/24 Budget £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
Former Council Offices, Needham Market	1.44	1.69	1.69	1.69	1.69	1.69
Former Retail Site, Stowmarket	1.88	2.05	2.05	2.05	2.05	2.05
11 Market Place, Stowmarket	0.36	0.36	0.36	0.36	0.36	0.36
Total	3.68	4.11	4.11	4.11	4.11	4.11

Security:

- 3.4 In accordance with government guidance, the Councils consider a property investment to be secure if its accounting valuation is at the same level or higher than its purchase cost including taxes and transaction costs.
- 3.5 A fair value assessment of the Councils' directly owned investment property portfolio has been made within the past twelve months, and the underlying assets provide security for capital investment. If during the preparation of the 2022/23 year-end

accounts and audit process the value of these properties are materially below their purchase cost, then an updated investment strategy will be presented to Full Council detailing the impact of the loss on the security of investments and any revenue consequences arising therefrom.

Risk assessment:

- 3.6 As mentioned in section 8 of the main report this strategy has links to the Councils' Significant Risk Register, specifically risk No's 10 and 13 and Corporate Risk No. SE05.
- 3.7 The Councils assess the risk of loss before investing in and whilst holding every property investment.
- 3.8 The Councils also commission third parties to provide expert advice. These advisors are appointed on the basis of reputation, experience and price and their advice is scrutinised by the company board members and officers responsible for investment decisions.
- 3.9 Babergh purchased Borehamgate shopping precinct for £3.56m in 2016 as an investment property. The retail units generate income from leases and are subject to pressures in the retail sector as a result of the general economic conditions. The Council has accepted the risks associated with this property e.g. the previous valuations below purchase price, whilst taking a longer-term view of its future as part of the regeneration and development of the Hamilton Road area in Sudbury.
- 3.10 Market sale housing development:
- For the development of the council offices the Growth Companies were appointed and Hamson Barron Smith used for all technical support.
 - Proposed housing schemes were approved in principle by each Council in July 2018 and the delivery option subsequently chosen for both schemes were Joint Venture developments with a public partner (in both cases Norse Group Holdings Ltd).
 - This enables the Councils to manage these schemes in a timely manner, control the quality of the housing, mitigate risk through securing an experienced socially wedded public sector partner and secure a commercial return.
- 3.11 Mid Suffolk bought the empty retail property in Stowmarket, including the car park and introduced managed parking. Work has been undertaken to divide the site into multiple units with leases agreed with PureGym and Papa Johns for two of the units. Further improvements are currently being undertaken to the other unit with a view to having occupants in during 2023/24.

Liquidity:

- 3.12 Property can be relatively difficult to sell quickly because of a lack of ready and willing investors or speculators to purchase the asset and convert to cash at short notice. However, all these properties will be part of the Councils' commercial, economic development or residential regeneration schemes.

4. Investments: Shares and Loans

- 4.1 The Councils invest through share ownership and giving loans to their wholly owned companies, special purpose vehicles or third parties (local organisations) as part of a strategy for generating a rate of return or improving the local economy.
- 4.2 The Councils invest indirectly in property, through two wholly owned holding companies, by a combination of shares (equity) and loans (debt), matching the funding requirements of the underlying investment and the returns required by the Councils. All debt financed investment complied with subsidy control rules.
- 4.3 BDC (Suffolk Holdings) Limited, a wholly owned subsidiary of Babergh, and MSDC (Suffolk Holdings) Limited, a wholly owned subsidiary of Mid Suffolk, were both incorporated on 9 June 2017, and are investment vehicles for each Council.

Contribution:

CIFCO Ltd

- 4.4 Each holding company owns 50% of the issued share capital of CIFCO Ltd which was incorporated on 12 June 2017 to invest in a portfolio of commercial property. Each Council's investment in these companies is split 10% share capital in their holding companies and 90% loan direct to CIFCO Ltd.
- 4.5 Each Council approved an initial investment (Tranche 1) of a total of £27.5m (£2.75m shares, £24.75m loans) of which £26.1m was invested by 31 March 2019 to acquire 11 properties. There will be no further purchases from this tranche.
- 4.6 Each Council approved a further investment (Tranche 2) of £25m (£2.5m shares, £22.5m loans) with a total achieved of £23.49m by the end of 2020/21. Although CIFCO Ltd may sell assets and reinvest to make changes to the portfolio, there is not expected to be further investment by the Councils for property purchases beyond 2020/21.

Gateway 14 Ltd

- 4.7 MSDC (Suffolk Holdings) Limited also owns 100% of the issued share capital of Gateway 14 Ltd which was incorporated on the 1 November 2017 as a special purpose vehicle (SPV) to acquire Gateway 14, a 156-acre site located to the eastern fringe of Stowmarket and develop a business park. Mid Suffolk's initial investment in this company was split 10% share capital in the holding company and 90% loan to Gateway 14 Ltd, with further investments anticipated to be 100% loans.
- 4.8 Mid Suffolk Council approved an initial investment of the Gateway 14 site which was acquired for £16.5m (£1.6m shares, £14.9m loans) on 13 August 2018. Further investments of £4.16m were made in 2019/20, £0.6m in 2020/21, £4.5m in 2021/22 and £7m as at end of November 2022. In December 2022 Gateway 14 repaid £24.4m of the principal debt to the Council.
- 4.9 Further details on this project can be found in 4.21 and 4.22 below.

Babergh Growth Ltd

- 4.10 BDC (Suffolk Holdings) Limited, also owns 50% of Babergh Growth Ltd. This was incorporated on 19 March 2019. The other 50% is owned by Norse Group Holdings

Ltd. This is a joint venture with the purpose of delivering the housing development at the former council offices at Hadleigh and other residential and mixed used schemes in the future. The Council has invested in £5k of shares in the company.

Mid Suffolk Growth Ltd

- 4.11 MSDC (Suffolk Holdings) Limited, also own 50% of Mid Suffolk Growth Ltd. This was incorporated on 19 March 2019. The other 50% is owned by Norse Group Holdings Ltd. This is a joint venture with the purpose of delivering the housing development at the former council offices at Needham Market and other residential and mixed used schemes in the future. The Council has invested in £5k of shares in the company.

4.12 **Table 2: Total Investments in shares and loans**

Cumulative Investments through Shares and Loans							
Babergh District Council	2021/22 Total Invested £m	2021/22 Cumulative Actual £m	2022/23 Forecast Outturn £m	2023/24 Budget £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
CIFCO Ltd (1)	27.50	25.66	25.53	25.40	25.25	25.10	24.95
CIFCO Ltd (2)	23.49	23.38	23.27	23.17	23.05	22.93	22.80
Babergh Growth Company	0.00	0.00	0.50	4.25	3.75	0.00	0.00
Total	50.99	49.04	49.31	52.81	52.05	48.03	47.75
Investment in Shares	4.96	4.96	4.96	4.96	4.96	4.96	4.96
Investment through Loans	46.03	44.08	44.35	47.85	47.10	43.07	42.79
Total	50.99	49.04	49.31	52.81	52.05	48.03	47.75

Cumulative Investments through Shares and Loans							
Mid Suffolk District Council	2021/22 Total Invested £m	2021/22 Cumulative Actual £m	2022/23 Forecast Outturn £m	2023/24 Budget £m	2024/25 Forecast £m	2025/26 Forecast £m	2026/27 Forecast £m
CIFCO Ltd (1)	27.50	25.66	25.53	25.40	25.25	25.10	24.95
CIFCO Ltd (2)	23.49	23.38	23.27	23.17	23.05	22.93	22.80
Gateway 14 Ltd	25.76	24.56	7.18	7.18	2.18	2.18	2.18
Mid Suffolk Growth Company	0.00	0.00	0.00	5.25	4.81	3.50	0.00
Total	76.75	73.60	55.98	60.99	55.29	53.71	49.93
Investment in Shares	6.58	6.58	6.58	6.58	6.58	6.58	6.58
Investment through Loans	70.17	67.02	49.40	54.41	48.71	47.13	43.35
Total	76.75	73.60	55.98	60.99	55.29	53.71	49.93

Risk Assessment:

- 4.13 As mentioned in section 8 of the main report, this strategy has links to the Councils Significant Risk Register, specifically risk no. 10, if CIFCO Ltd does not generate forecast investment returns and Gateway 14 Ltd does not generate the income expected.
- 4.14 CIFCO Ltd and Gateway 14 Ltd, also maintain their own risk registers and the Corporate Manager for Internal Audit attends the regular Risk Management Panel meetings.
- 4.15 The Councils' holding companies have appointed directors to the boards of CIFCO Ltd, Gateway 14 Ltd, Babergh Growth Ltd and Mid Suffolk Growth Ltd that offer a Council shareholder perspective (elected member directors) and commercial property expertise (industry expert directors). It is anticipated that boards of any future investment SPVs, will have a similar membership.

CIFCO Ltd

- 4.16 CIFCO Ltd.'s investment strategy targets medium to long term resilience based on:
- a strategy that balances the portfolio, so a significant number of assets are 'core' and liquid and,
 - a strategy that balances other attributes such as geography, asset class and sector so that resistance to market stresses in any individual attribute can be mitigated.
- 4.17 Each property acquisition was approved by the CIFCO Ltd Board and reported to each holding company Board for approval before funds were released, and due diligence was done on the tenant as assets were acquired, including a Dun and Bradstreet credit check.
- 4.18 On a quarterly basis, CIFCO Ltd.'s fund managers Jones Lang LaSalle (JLL) provide a portfolio analysis report including market forecasts and any tenancy arrears, and the CIFCO Ltd Chair (an independent industry expert) reports on performance to simultaneous holding company board meetings and once a year to Full Council.
- 4.19 As part of annual business planning, JLL provide a full market conditions assessment, based on the individual attributes of each asset class targeted by CIFCO Ltd, and the CIFCO Ltd Board consider any revisions to its investment strategy based on this assessment and the ongoing quarterly portfolio analysis reports.
- 4.20 With financial return being the main objective, the Councils accept higher risk on investments for yield than they do with treasury management investments. The potential risks for property held for income are voids and falls in rental income. The commercial properties acquired for income are bought as long-term holdings and are professionally managed. They could be sold individually if the long-term prognosis is an underachievement of net return targets.

Gateway 14 Ltd

- 4.21 Gateway 14 Ltd was established by Mid Suffolk DC in 2017 to deliver the development of land known as Gateway 14 in Stowmarket, for the purpose of regenerating the area and economic development. Jaynic was appointed as Development manager in 2020.
- 4.22 Gateway 14 is now in the delivery phase of the development with infrastructure works due to complete Spring 2023. Contracts have been exchanged for the sale of a large distribution unit, due to be completed in December 2023.

Liquidity:

- 4.23 Loans are repaid often over a long time and consist of principal and interest in accordance with the loan agreements. The interest is a revenue receipt and is available for use immediately. The Councils have a charge on the properties acquired by CIFCO Ltd and the land acquired for Gateway 14 which gives the Councils security.

5. **Proportionality**

- 5.1 Profit generating investment activity has enabled Babergh to achieve a balanced revenue budget. In the medium term both Councils will have some dependency on profit generating activity. Table 3 shows the extent to which the Councils expenditure is dependent on achieving the expected net profit from investments over the medium-term.

Should the Councils fail to achieve the expected net profit, both Councils have contingency plans for continuing to provide these services by reducing overheads, continuing to make services more efficient and through digital transformation.

Table 3: Proportionality of Investments

Proportionality of Investments						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Gross service expenditure	31.96	33.03	34.33	34.26	34.84	35.45
Gross Investment income	2.65	2.75	2.77	2.77	2.77	2.77
Proportion	8.30%	8.33%	8.07%	8.09%	7.95%	7.82%

Proportionality of Investments						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Gross service expenditure	34.22	31.42	33.91	33.65	34.27	34.93
Gross Investment income	3.89	4.63	3.14	3.14	3.14	3.14
Proportion	11.36%	14.74%	9.27%	9.34%	9.17%	8.99%

6. **Borrowing in Advance of Need**

CIPFA Prudential Code

- 6.1 The 2021 Prudential Code states that “local authorities must not borrow to invest primarily for financial return”.
- 6.2 The underlying need to borrow is reflected in the CFR adjusted for long term liabilities (see Appendix A Table 4). Neither Council plans to borrow above its CFR which is in accordance with the Prudential Code.

DLUHC Guidance

- 6.3 Government guidance issued in October 2018 has extended the Prudential Code definition to include borrowing to finance the acquisition of non-financial as well as financial investments that the organisation holds primarily or partially to generate a profit. This includes all loans and property investments.
- 6.4 Both Councils' have borrowed to invest in their own properties and to give loans to CIFCO Ltd and Gateway 14 Ltd and other special purpose vehicles. These make a profit to reinvest in Council services and help achieve a balanced revenue budget. The Councils' view of this activity is that it meets the service needs and is within their CFR as per the CIPFA definition.
- 6.5 The Councils' policies in investing the money borrowed, including management of the risks, for example, of not achieving the desired profit or borrowing costs increasing are:
- When exercising the power to invest, the Councils will act for a proper purpose and act in a reasonable manner, its fiduciary duty to obtain value for money and whether the investments are proportionate and properly balanced against the anticipated benefits as well as the wider interests of the Councils' local Business Rate and Council Tax payers.
 - To have regard to the regeneration and development strand of the Councils' Joint Asset and Investment Strategy when investing for profit, acknowledging that the Councils have a key role to play in using their own assets and enabling/facilitating the use of private and other public sector assets to deliver housing and economic growth and regeneration. To appoint independent industry expert directors to the Councils' investment and SPV company boards
 - For the SPVs to prepare a business case for each purchase and report to the Council on expected cost and benefits
 - To appoint relevant expert advisors when assessing, entering and holding an investment.
 - When investing in development projects, where possible and appropriate, to contract with an experienced development partner.
 - To prioritise medium to long term resilience of investments, over short-term gain.
 - To fund and structure each investment to optimise risks and rewards, having regard to the previous bullet point.

7. Knowledge and Skills

- 7.1 As per section 10 of the Joint Capital Strategy in Appendix A

8. Governance – Capital Investments

- 8.1 The Capital Programme is approved as part of the annual budget setting process by Cabinet and Full Council in February. Other investment decisions occurring outside of this process that exceed £150k qualify as a key decision as per Part One of the Councils' constitution and is approved by Cabinet and Full Council.

9. Investment Indicators

9.1 The Councils have set the following quantitative indicators to allow elected members and the public to assess the Councils' total risk exposure as a result of their investment decisions. These are shown in Tables 4, 5 and 6 that follow.

Total risk exposure:

9.2 The first indicator shows the Councils' cumulative total exposure to potential investment losses.

Table 4: Total investment exposure

Cumulative Investment Exposure						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Treasury Management Investments	12.84	13.03	13.00	13.00	13.00	13.00
Capital Investments	53.30	56.74	62.28	61.58	57.62	57.40
Total Exposure	66.13	69.76	75.28	74.58	70.62	70.40

Cumulative Investment Exposure						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Treasury Management Investments	13.50	13.53	13.50	13.50	13.50	13.50
Capital Investments	77.28	60.09	65.10	59.40	57.82	54.03
Total Exposure	90.78	73.62	78.60	72.90	71.32	67.53

How investments are funded:

9.3 Government guidance is that these indicators should include how investments are funded. Since the Councils do not normally associate particular assets with particular liabilities, this guidance is difficult to apply. However, the following investments could be described as funded by borrowing.

9.4 For those investments funded by borrowing the exposure at the beginning of 2023/24 is forecast to be £56.6m for Babergh and £59.9m for Mid Suffolk as shown in Table 5 that follows.

9.5 **Table 5: Investments funded by borrowing**

Cumulative investments funded by borrowings						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Capital Investments	53.30	56.74	62.28	61.58	57.62	57.40
Total Funded by borrowing	53.30	56.74	62.28	61.58	57.62	57.40

Cumulative investments funded by borrowings						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
Capital Investments	77.28	60.09	65.10	59.40	57.82	54.03
Total Funded by borrowing	77.28	60.09	65.10	59.40	57.82	54.03

Rate of return received:

- 9.6 This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 6: Investments net rate of return

Investments net rate of return						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	%	%	%	%	%	%
Treasury Management Investments	2.40	2.50	2.91	2.91	2.91	2.91
Other Capital Investments	3.89	3.69	3.69	3.69	3.69	3.69
CIFCO Ltd	3.97	3.77	2.17	2.18	2.19	2.21
Babergh Growth Company	0.00	0.37	0.50	0.84	2.68	2.77
All investments (Average)	3.87	3.77	2.24	2.38	2.50	2.41

Investments net rate of return						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	%	%	%	%	%	%
Treasury Management Investments	2.62	3.03	3.03	3.03	3.03	3.03
CIFCO Ltd	3.47	3.30	2.64	2.66	2.67	2.69
Gateway 14 Ltd	5.53	7.21	4.24	4.55	4.24	4.24
Mid Suffolk Growth Company	1.13	1.13	3.95	5.89	5.82	2.38
All investments (Average)	4.08	4.50	3.09	3.34	3.58	3.36

Note: The returns for Gateway 14 and the Growth companies varies due to the timing of repayments as properties are sold/developed and loans repaid in part or in full.

APPENDIX C: JOINT TREASURY MANAGEMENT STRATEGY 2023/24

1. Introduction

- 1.1 The Joint Treasury Management strategy contains the following:
- Borrowing Strategy (section 4)
 - Annual Investment Strategy (section 5)
 - Treasury Management Indicators (Appendix D)
 - Economic and Interest Rate Forecast (Appendix E)
 - Existing Investment and Debt Portfolio (Appendix F)
 - Treasury Management Policy Statement (Appendix G)
- 1.2 Treasury management is the management of the Councils' cash flows, borrowing and investments, and the associated risks. Babergh and Mid Suffolk invest surplus funds and both Councils borrow to fund capital investment and manage cash flows. Both Councils are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates.
- 1.3 The successful identification, monitoring and control of financial risk are therefore central to the Councils' prudent financial management.
- 1.4 The Councils will continue to:
- Make use of call accounts, if necessary
 - Use the strongest/lowest risk non-credit rated building societies
 - Use covered bonds (secured against assets) for longer term investments
 - Consider longer term investments in property or other funds
- 1.5 The Local Government Act 2003 requires the Councils to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities 2021 (the Prudential Code) when determining how much money they can afford to borrow.
- 1.6 Treasury risk management at both Councils is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the TM Code) which requires the Councils to approve a treasury management strategy before the start of each financial year. This report fulfils the Councils legal obligation under the Local Government Act 2003 to have regard to the TM Code.
- 1.7 The DLUHC Investment Guidance 2018, in paragraph 21, requires local authorities to prioritise Security, Liquidity and Yield in that order of importance.
- 1.8 The Joint Treasury Management Strategy for 2023/24 continues to focus primarily on the effective management and control of risk and striking a balance between the security, liquidity and yield of those investments. The Councils' objective when investing money is to strike an appropriate balance between risk and return.
- 1.9 Details of investments held for service purposes or for commercial profit are included in the Joint Investment Strategy shown in Appendix B.

2. External Context

- 2.1 A detailed economic and interest rate forecast provided by Arlingclose is attached at Appendix E.

3. Local Context

Interest rates on Investments and Borrowing

- 3.1 For the purpose of setting the budget, it has been assumed that new short-term treasury investments will be made at an average rate of between 1.08% and 1.16%, and that new long-term loans will be borrowed at an average rate between 4.4% and 4.7%

Capital Financing Requirement

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while balance sheet resources are the underlying sums available for investment. The Councils' current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.3 On 30 November 2022, Babergh held £113.12m of borrowing and £18.34m of investments, Mid Suffolk held £135.28m of borrowing and £16.32m of investments. This is set out in further detail at Appendix F. Forecast changes in these sums are shown in the following balance sheet analysis:

Table 1: Capital Financing Requirement Summary and forecast

Cumulative Capital Financing Requirement						
Babergh	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Forecast	Budget	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m	£m
Capital Financing Requirement	165.58	172.90	185.28	184.52	184.95	184.87
Less: Other Debt Liabilities *	0.00	0.00	0.00	(0.06)	(0.02)	0.00
Loans CFR	165.58	172.90	185.28	184.46	184.93	184.87
Less: External Borrowing**	(120.40)	(103.84)	(93.28)	(86.71)	(80.12)	(79.53)
Internal (Over) Borrowing (Cumulative)	45.19	69.05	92.00	97.75	104.81	105.34
Less: Balances Sheet Resources	(64.88)	(59.33)	(57.67)	(54.65)	(52.76)	(52.18)
(Treasury Investments) / New Borrowing Requirement	(19.70)	9.73	34.33	43.10	52.06	53.16

Cumulative Capital Financing Requirement						
Mid Suffolk	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Forecast	Budget	Forecast	Forecast	Forecast
	£m	£m	£m	£m	£m	£m
Capital Financing Requirement	195.52	191.19	232.68	247.42	249.07	244.62
Less: Other Debt Liabilities *	0.00	0.00	0.00	(0.06)	(0.02)	0.00
Loans CFR	195.52	191.19	232.68	247.36	249.05	244.62
Less: External Borrowing**	(135.34)	(122.73)	(90.10)	(88.95)	(87.79)	(71.60)
Internal (Over) Borrowing (Cumulative)	60.18	68.47	142.58	158.40	161.26	173.03
Less: Balances Sheet Resources	(83.94)	(81.98)	(80.12)	(78.10)	(77.64)	(79.74)
(Treasury Investments) / New Borrowing Requirement	(23.76)	(13.52)	62.46	80.31	83.62	93.29

* leases form part of the Councils' total debt

** shows only loans to which the Councils are currently committed and excludes optional refinancing.

- 3.4 The Councils have CFRs which increase over the medium term due to the requirements of the capital programme and reduction in balances. Babergh will therefore need to borrow up to £53.1m and Mid Suffolk up to £93.3m over the forecast period.
- 3.5 CIPFA's Prudential Code for Capital Finance in Local Authorities recommends that the Councils' total debt should be lower than their highest forecast CFR over the next three years. Table 1 above shows that the Councils expect to comply with this recommendation over the forecast period.

Liability benchmark:

- 3.6 A liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as Table 1 above, but that cash and investment balances are kept to a minimum level of Treasury Investments for each Council over the medium-term (the lowest being £13m) to maintain sufficient liquidity but minimise credit risk.
- 3.7 A comparison of the Councils' actual borrowing against this alternative strategy was shown in Table 7 in Appendix A, paragraph 4.10. This table shows that when the Councils' expected outstanding debt is below the Liability Benchmark (lowest risk level) for the forecast period, it indicates a need to borrow.
- 3.8 The liability benchmark is an important tool to help establish whether the Councils are likely to be long-term borrowers or long-term investors in the future, and so shape their strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Councils must hold to fund their current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

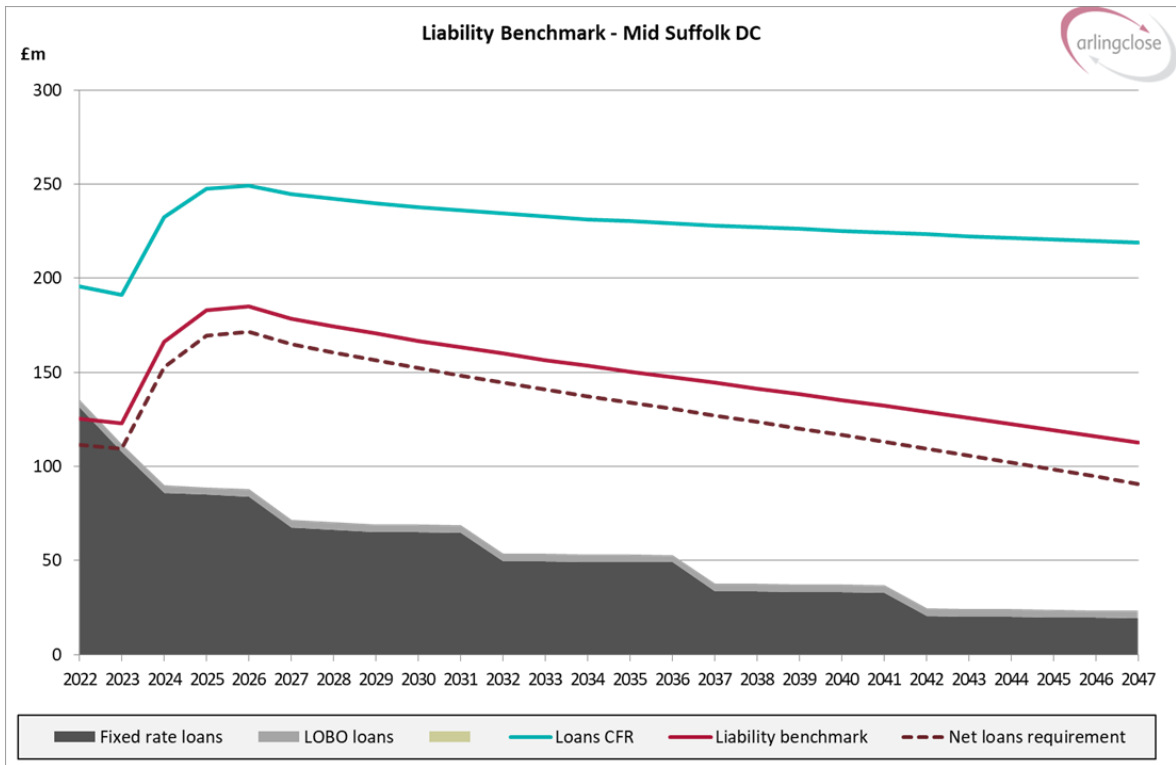
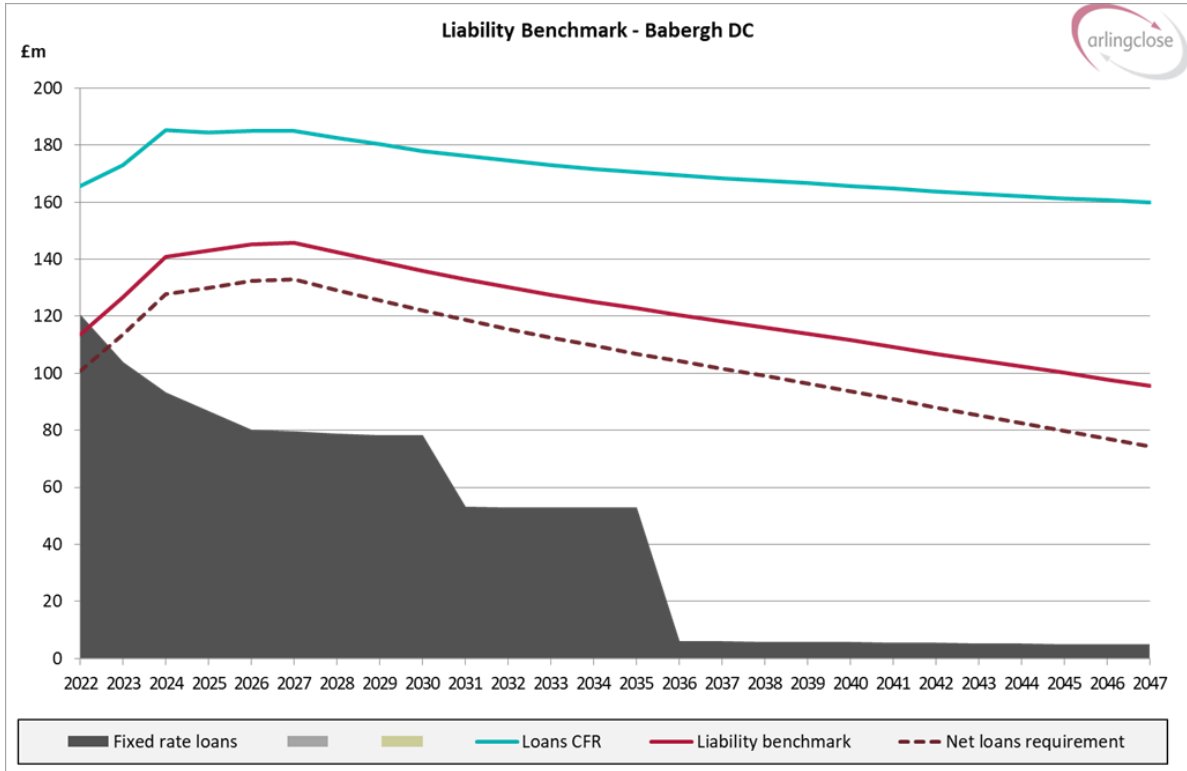
Table 2: Prudential Indicator: Liability Benchmark

Liability Benchmark						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Babergh	Actual £m	Forecast Outturn £m	Budget £m	Forecast £m	Forecast £m	Forecast £m
External Borrowing	120.40	103.84	93.28	86.71	80.12	79.53
(Investments) / New Borrowing	(19.70)	9.73	34.33	43.10	52.06	53.16
Net Loans Requirement	100.70	113.57	127.61	129.81	132.18	132.69
Minimum Investments/Liquidity Allowance	12.84	13.03	13.00	13.00	13.00	13.00
Liability Benchmark	113.53	126.59	140.61	142.81	145.18	145.69

Liability Benchmark						
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Mid Suffolk District Council	Actual £m	Forecast Outturn £m	Budget £m	Forecast £m	Forecast £m	Forecast £m
External Borrowing	135.34	122.73	90.10	88.95	87.79	71.60
(Investments) / New Borrowing	(23.76)	(13.52)	62.46	80.31	83.62	93.29
Net Loans Requirement	111.58	109.21	152.57	169.26	171.41	164.89
Minimum Investments/Liquidity Allowance	13.50	13.53	13.50	13.50	13.50	13.50
Liability Benchmark	125.08	122.74	166.07	182.76	184.91	178.39

3.9 Following on from the medium-term forecasts in Table 2 above, the long-term liability benchmark assumes no additional capital expenditure funded by borrowing, and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below together with the maturity profile of the Councils' existing borrowing:

3.10 **Table 2: Chart: Liability Benchmark**



4. Borrowing Strategy

Overview

- 4.1 As at 30 November 2022 Babergh held loans of £113.12m and Mid Suffolk £135.28m. These have increased by £5.55m for Babergh and £2.4m for Mid Suffolk on the previous year, due to funding previous years' capital programmes.
- 4.2 The balance sheet forecast for borrowing in Table 1 above shows that Babergh could need to borrow up to £34.3m and Mid Suffolk could borrow up to £62.46m in 2023/24. The Councils may borrow to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £200m for Babergh and £248m for Mid Suffolk, as shown in Appendix A Table 8.

Objectives

- 4.3 The Councils' chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. A secondary objective is the flexibility to renegotiate loans should the Councils' long-term plans change.

Strategy

- 4.4 Given the significant cuts to public expenditure and in particular to local government funding, the Councils' borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolios. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. This position will be monitored and evaluated on an ongoing basis to ensure both Councils achieve value for money.
- 4.5 By doing so, the Councils are able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose (the Councils' treasury advisers) will assist the Councils with this 'cost of carry' and breakeven analysis.
- 4.6 Its output may determine whether the Councils borrow additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.
- 4.7 The Councils have previously raised the majority of their long-term borrowing from the PWLB but will consider borrowing any long-term loans from other sources including banks, pension funds and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the Treasury Management Code.
- 4.8 PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Councils intend to avoid this activity in 2023/24 and beyond in order to retain its access to PWLB loans.

- 4.9 Alternatively, the Councils may arrange forward starting loans during 2023/24, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.10 In addition, the Councils may borrow more short-term loans to cover unplanned cash flow shortages.

Sources of borrowing

- 4.11 The approved sources of long-term and short-term borrowing are:
- HM Treasury's PWLB lending facility (formerly Public Works Loan Board)
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - any other UK public sector body
 - UK public and private sector pension funds (except Suffolk County Council Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

Other sources of debt finance

- 4.12 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
- leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback

Municipal Bonds Agency

- 4.13 UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It issues bonds on the capital markets and lends the proceeds to local authorities. This is a more complicated source of finance than the PWLB for two reasons:
- borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason, and
 - there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council

LOBOs

- 4.14 Mid Suffolk holds £4m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost.

The Council has two loans and they both have options during 2023/24. Interest rates are currently 4.2% on £2m and 4.22% on £2m and with interest rates having risen recently, there is now a reasonable chance that lenders will exercise their options. If they do, the Council will take the option to repay LOBO loans to reduce refinancing risk in later years, by taking out equivalent loans from PWLB. Total borrowing via LOBO loans will be limited to £4m.

Short-term and variable rate loans

- 4.15 These loans leave the Councils exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

Local Application

- 4.16 The Councils have previously raised the majority of their long-term borrowing from the PWLB, but continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.
- 4.17 Consideration will be given to all forms of borrowing/financing in relation to any future capital investment plans. This is most likely to be via the Public Works Loan Board (PWLB) but consideration will also be given to borrowing from other sources such as other local authorities, commercial banks, the money markets, capital markets (stock issues, commercial paper and bills) and leasing. The Councils will receive the “certainty rate” discount of 0.2% on PWLB loans. An “infrastructure rate” discount of 0.4% is also available for lending to support nominated infrastructure projects.
- 4.18 In conjunction with advice from Arlingclose, both Councils will keep these sources of finance under review.
- 4.19 Officers will take advice on the optimum time to undertake additional borrowing and will adopt a flexible approach in consultation with their treasury advisors, after consideration of the following:
- Affordability
 - Maturity profile of existing debt
 - Interest rate and refinancing risks
 - Borrowing source
- 4.20 The General Fund revenue budget for 2023/24 will include provision for interest payments relating to external borrowing and the statutory Minimum Revenue Provision (MRP) to ensure the principal is repaid. Different arrangements apply to the Housing Revenue Account (Council Housing) in that there is no MRP. The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. Appendices D, E, F, G, H and I summarise the regulatory framework, economic background and information on key activities for the year.
- 4.21 In accordance with the DLUHC Guidance, the Councils will be asked to approve a revised Treasury Management Strategy if the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large, unexpected change in interest rates, or in the Councils’ capital programmes or in the level of investment balances.

Debt rescheduling

- 4.22 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Councils may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. The recent rise in interest rates means that more favourable debt rescheduling opportunities should arise than in previous years.

5. Treasury Investment Strategy

- 5.1 The Councils hold significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past twelve months, Babergh's treasury investment balances have ranged between £14.3m and £26.1m. Mid Suffolk's treasury investment balances ranged between £12.3m and £27.3m
- 5.2 Balances fluctuated more than in previous years due to timing differences between funding to support Covid19 and Council Tax energy rebate payments received from central Government and the payments being made by the Councils.

Objectives

- 5.3 CIPFA's TM Code requires the Councils to invest their treasury funds prudently, and to have regard to the security and liquidity of their investments before seeking the highest rate of return or yield. The Councils' objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 5.4 Cash that is likely to be spent in the short term is invested securely, for example, with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which investments to buy and the Councils may request their money back at short notice or up to six months' notice for the property fund.
- 5.5 Where balances are expected to be invested for more than one year, the Councils will aim to achieve a total return that is equal to or higher than the prevailing rate of inflation (in order to maintain the spending power of the sum invested). The Councils aim to be responsible investors and will consider environmental, social and governance (ESG) issues when investing.
- 5.6 Table 3 shows the planned level of investments for treasury management purposes over the medium-term. Long term investments are those made for more than one year. Cash and cash equivalents include money market funds and current bank accounts.

Table 3: Treasury management investments

Treasury Management Investments						
Babergh District Council	31.03.2022 Actual £m	31.03.2023 Forecast Outturn £m	31.03.2024 Budget £m	31.03.2025 Forecast £m	31.03.2026 Forecast £m	31.03.2027 Forecast £m
Long Term Investments	11.11	11.03	11.00	11.00	11.00	11.00
Cash and Cash Equivalents	1.73	2.00	2.00	2.00	2.00	2.00
Total TM Investments	12.84	13.03	13.00	13.00	13.00	13.00

Treasury Management Investments						
Mid Suffolk District Council	31.03.2022 Actual £m	31.03.2023 Forecast Outturn £m	31.03.2024 Budget £m	31.03.2025 Forecast £m	31.03.2026 Forecast £m	31.03.2027 Forecast £m
Short Term Investments	0.50	0.50	0.50	0.50	0.50	0.50
Long Term Investments	11.10	11.03	11.00	11.00	11.00	11.00
Cash and Cash Equivalents	1.90	2.00	2.00	2.00	2.00	2.00
Total TM Investments	13.50	13.53	13.50	13.50	13.50	13.50

Governance – Treasury Management:

- 5.7 Decisions on treasury management investment and borrowing are made daily and are delegated to the Director - Corporate Resources (the S151 Officer) and Finance staff, who must act in line with the Joint Treasury Management Strategy approved by Full Council in February each year.
- 5.8 There will be Joint half Yearly and Joint Annual Outturn Reports on treasury management activity presented to Council and treasury management indicators reports to Cabinet on a quarterly basis. The Joint Audit and Standards Committee is responsible for scrutinising treasury management decisions.

Strategy

- 5.9 Given the increasing risk and very low returns from short-term unsecured bank investments, both Councils have diversified into higher yielding asset classes. This diversification represents a continuation of the strategy adopted in 2015/16.
- 5.10 The value of these funds can fluctuate and they are therefore considered to be long term investments. The Councils have invested in a number of strategic pooled funds, across a variety of asset classes to minimise risk, as shown below.

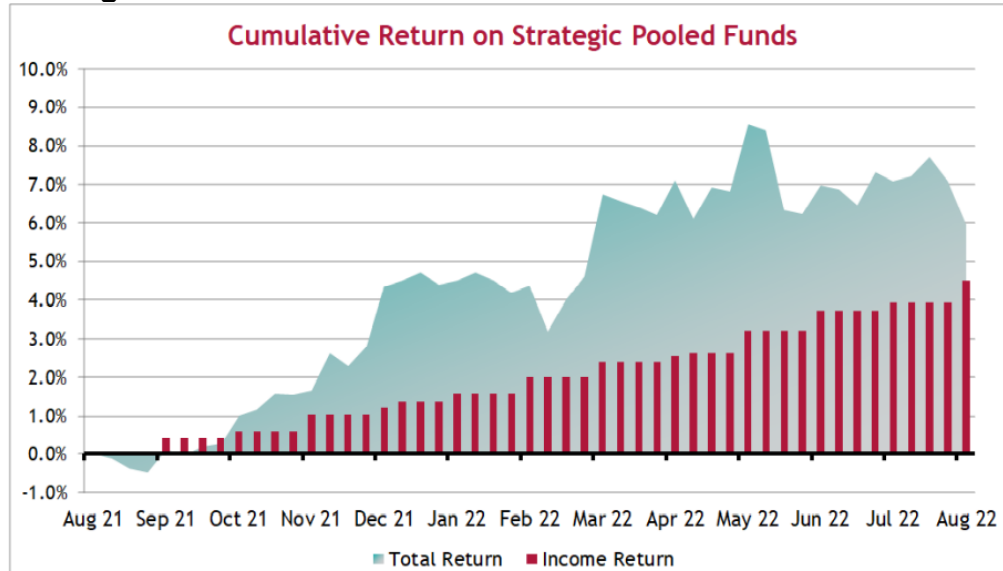
Chart 1: Strategic pooled funds asset class allocation for both Councils



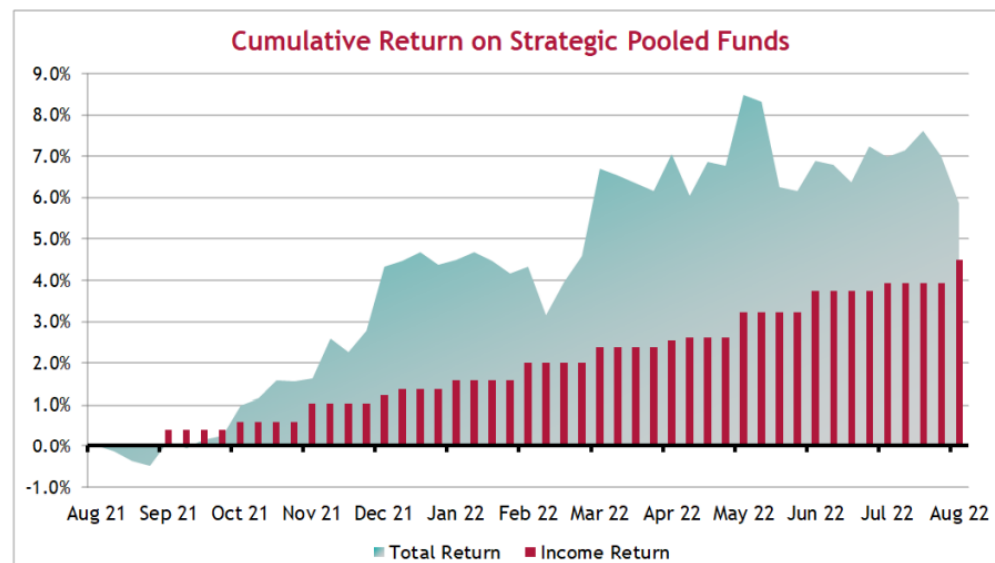
5.11 Although these funds have incurred unrealised capital losses, the overall total return for each has been positive with a total return of 5.94% for Babergh and 5.86% for Mid Suffolk in 2021/22 as illustrated in the following charts:

Chart 2: Cumulative return on strategic pooled funds

Babergh



Mid Suffolk



Environment, social and governance (ESG) policy

- 5.12 In 2019 the Councils declared a climate emergency with the ambition to make the Councils carbon neutral by 2030.
- 5.13 In light of climate change-related risks in particular, increasing attention is being given to responsible investment by investors globally, resulting in an increasing appreciation that assessing ESG factors is not only a moral issue to be addressed, but also a key part of understanding long-term investment risk.
- 5.14 The United Nations gives the following examples of ESG issues within its Principles for Responsible Investment.

Environmental

- Climate change
- Greenhouse gas emissions
- Resource depletion
- Waste and pollution
- Deforestation

Social

- Human rights
- Working conditions (including slavery and child labour)
- Local communities
- Employee relations and diversity

Governance

- Bribery and Corruption
- Board diversity and structure
- Executive pay
- Political lobbying and donations
- Tax strategy

- 5.15 An increasing number of ESG focussed funds are emerging that follow certain criteria for investments, such as abiding with the UN Principles of Responsible Investment, or not investing in certain industries such as weapons, fossil fuels or alcohol and tobacco.
- 5.16 Although regulations on ESG investments are gaining more clarity and standardisation, with the Government publishing a report in October 2021 called Greening Finance: A Roadmap to Sustainable Investing, careful due diligence is still required to ensure that a fund lives up to the claims being made and its ESG principles match the Councils’ priorities for environmental / ethical investing.
- 5.17 The subject has been debated by both Joint Audit and Standards Committee in May 2021 and the Cabinets in January 2022. The Cabinets agreed to monitor treasury management investments in relation to all three aspects of ESG reporting as this develops and look to make changes to investments at an appropriate time that would strengthen ESG performance but be within acceptable financial considerations. An update on monitoring of ESG and information about funds will be provided at the next meeting.

Business Models

- 5.18 Under the new IFRS 9 standard, accounting for certain investments depends on the Councils’ “business model” for managing them. The Councils aim to achieve value from their internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

Approved counterparties

- 5.19 The minimum proposed investment criteria for UK counterparties in the 2023/24 Treasury Management Strategy remains at A-. (See Appendix I for a list). (Note: This would be the lowest credit rating determined by credit rating agencies).
- 5.20 In line with advice received from Arlingclose the Councils may invest surplus funds with any of the counterparty types in Table 4 that follows, subject to the cash limits (per counterparty) and the time limits shown.

Table 4: Approved investment counterparties and limits for Babergh and Mid Suffolk

Sector	Time limit	Counterparty limit	Sector limit
The UK Government	3 years	Unlimited	n/a
Babergh & Mid Suffolk District Councils	3 years	£5m	100%
Local authorities & other government entities	3 years	£2m	100%
Secured investments *	3 years	£2m	100%
Banks (unsecured) *	13 months	£2m	100%
Building societies (unsecured) *	13 months	£2m	25%
Registered providers (unsecured) *	3 years	£1m	25%
Money market funds *	n/a	£2m	100%
Strategic pooled funds	n/a	£5m	100%
Other investments *	3 years	£1m	10%

Table 4 should be read in conjunction with the following notes:

* **Minimum Credit rating**

Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

For entities without published credit ratings, investments may be made either (a) where external advice indicates the entity to be of similar credit quality; or (b) as part of a diversified pool e.g. via a peer-to-peer platform.

• **Government**

Loans to, and bonds and bills issued or guaranteed by, national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Government are deemed to be zero credit risk due to its ability to create additional currency and therefore may be made in unlimited amounts for up to 3 years.

• **Secured investments**

Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.

- **Banks and building societies (unsecured)**
Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- **Registered providers (unsecured)**
Loans to, and bonds issued or guaranteed by, registered providers of social housing or registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.
- **Money market funds**
Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Councils will take care to diversify their liquid investments over a variety of providers to ensure access to cash at all times.
- **Strategic pooled funds**
Bond, equity and property funds that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Councils to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because 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 will be monitored regularly.
- **Real estate investment trusts**
Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
- **Other investments**

This category covers treasury investments not listed above, for example unsecured corporate bonds and company loans. Non-bank companies cannot be bailed-in but can become insolvent placing the Councils' investment at risk.

Council banker and Operational bank accounts

- 5.21 The Councils may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £2m per bank. The Bank of England has stated

that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Councils maintaining operational continuity. Both Councils bank with Lloyds Bank plc which currently has a credit rating of A+.

Risk assessment and credit ratings

- 5.22 Credit ratings are obtained and monitored by the Councils treasury advisers, who will notify changes in ratings as they occur. The credit rating agencies in current use are listed in the Treasury Management Practices document. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
- no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.23 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “negative watch”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.
- 5.24 See the table in Appendix I for an explanation of the credit ratings issued by the main credit ratings agencies.

Other information on the security of investments

- 5.25 The Councils understand that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which they invest, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Councils treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 5.26 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2020, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Councils will restrict investments to those organisations of higher credit quality and reduce the maximum duration of investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.
- 5.27 If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Councils’ cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office (DMADF) or invested in government treasury bills for example, or with other local authorities. This will cause investment returns to fall but will protect the principal sum invested.

Investment limits

- 5.28 The Councils' total General Fund reserves available to cover investment losses are forecast to be £13.8m for Babergh and £24.2m for Mid Suffolk on 31 March 2023. In order to minimise the available reserves that would be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) for the majority of sectors will be £2m.
- 5.29 A group of entities under the same ownership will be treated as a single organisation for limit purposes. Limits are also placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as per Table 5. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, as the risk is diversified over many countries.
- 5.30 Credit risk exposures arising from non-treasury investments, financial derivatives and operational bank accounts count against the relevant investment limits.

Table 5: Additional Investment limits for Babergh and Mid Suffolk

Investment Limits	Cash limit
Any group of pooled funds under the same management	£5m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£2m per country

Liquidity management

- 5.31 The Councils use purpose-built cash flow forecasts to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Councils being forced to borrow on unfavourable terms to meet their financial commitments. Limits on long-term investments are set by reference to the Councils medium-term budget planning and cash flow forecasts.
- 5.32 The Councils will spread their liquid cash over at least four providers (e.g., bank accounts and money market funds) to ensure that access to cash is maintained in the event of operational difficulties at any one provider.

APPENDIX D: TREASURY MANAGEMENT INDICATORS

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

1. Security

- 1.1 The Councils have adopted a voluntary measure of their exposure to credit risk by monitoring the value-weighted average credit score of their internally managed investment portfolios (i.e. excluding external pooled funds). 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. Positions at the 30 September 2022 were Babergh 5.20 and Mid Suffolk 5.35 respectively.

	Target
Portfolio average credit score	7.0

2. Liquidity risk

- 2.1 The Councils have adopted a voluntary measure of their exposure to liquidity risk by monitoring the amount they can borrow each quarter without giving prior notice.

Liquidity risk indicator	
Total sum borrowed in past 3 months without prior notice	2023/24 Target £m
Babergh District Council	£5m
Mid Suffolk District Council	£5m

3. Interest rate exposures

- 3.1 This indicator is set to control the Councils' exposure to interest rate risk. The boundary on the one-year revenue impact of a 1% rise in interest rates will be:

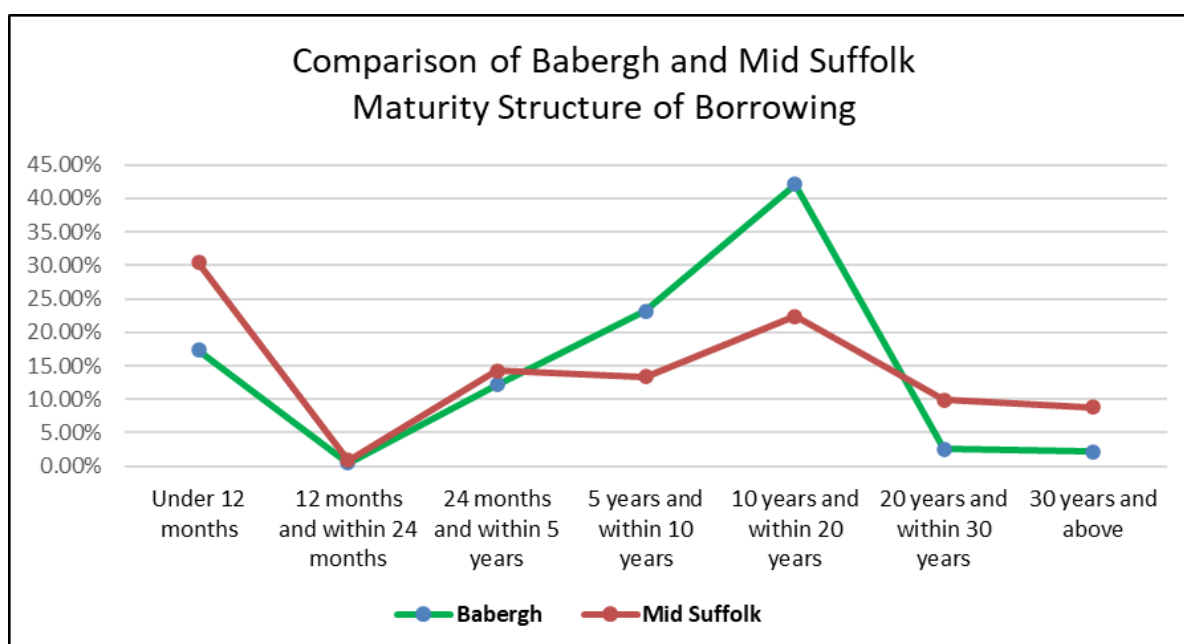
Interest rate risk indicator	
Upper impact on Revenue of a 1% increase in rates	2023/24 Limit £m
Babergh District Council	0.038
Mid Suffolk District Council	0.039

- 3.2 The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates.

4. Maturity structure of borrowing

- 4.1 This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator				
% of total borrowing	Babergh	Mid Suffolk	Lower Limit	Upper Limit
	30.11.2022	30.11.2022		
	Proportion	Proportion	%	%
Under 12 months	17.29%	30.41%	0.00	50.00
12 months and within 24 months	0.50%	0.87%	0.00	50.00
24 months and within 5 years	12.17%	14.23%	0.00	50.00
5 years and within 10 years	23.17%	13.37%	0.00	100.00
10 years and within 20 years	42.11%	22.40%	0.00	100.00
20 years and within 30 years	2.60%	9.89%	0.00	100.00
30 years and above	2.16%	8.83%	0.00	100.00



4.2 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.

5. Long Term treasury management investments

5.1 The purpose of this indicator is to control the Councils' exposure to the risk of incurring losses by seeking early repayment of their investments. The prudential limits on the long-term treasury management investments will be:

Price risk indicator				
Limit on principal invested beyond year end	2022/23	2023/24	2024/25	No fixed maturity date
	Limit	Limit	Limit	Limit
	£m	£m	£m	£m
Babergh District Council	£2m	£2m	£2m	£11.1m
Mid Suffolk District Council	£2m	£2m	£2m	£11.1m

- 5.2 Long-term investments with no fixed maturity date include strategic pooled funds but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

6. Related Matters

- 6.1 The CIPFA TM Code requires the Councils to include the following in their Joint Treasury Management Strategy.

Policy on the use of financial derivatives

- 6.2 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 6.3 The Councils will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Councils are exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 6.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 6.5 In line with CIPFA's TM Code, the Councils will seek external advice and will consider that advice before entering into financial derivatives to ensure that they fully understand the implications.

Policy on apportioning interest to the Housing Revenue Account (HRA)

- 6.6 On 1 April 2012, the Councils notionally split each of their existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/credited to the respective revenue account.
- 6.7 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured annually, and interest transferred between the General Fund and HRA at each Council's average interest rate on investments, adjusted for credit risk.

Markets in Financial Instruments Directive

- 6.8 The Councils have opted up to professional client status with their providers of financial services, including advisers, banks, brokers and fund managers, allowing access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Councils' treasury management activities, the S151 Officer believes this to be the most appropriate status.

Financial Implications

- 6.9 The budget for investment income in 2023/24 is £2.78m for Babergh and £3.15m for Mid Suffolk, based on an average investment portfolio of £73.4m for Babergh and £104.9m Mid Suffolk. The average return is 3.79% for Babergh and 3% for Mid Suffolk.
- 6.10 The budget for debt interest payable in 2023/24 is £4.5m for Babergh and £4.8m for Mid Suffolk, based on an average debt portfolio of £143.4m for Babergh and £167.2m for Mid Suffolk. The average cost is 3.17% for Babergh and 2.88% for Mid Suffolk.
- 6.11 If actual levels of investments and borrowing, or actual interest rates, differ from that forecast, performance against budget will be correspondingly different.

Other Options Considered

- 6.12 The CIPFA TM Code does not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed in the following table.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain

Appendix D – Treasury Management Indicators

Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however long-term interest costs may be less certain
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APPENDIX E: ECONOMIC & INTEREST RATE FORECAST (JANUARY 2023)

1 Economic background

- 1.1 The ongoing impact on the UK from the war in Ukraine, together with higher inflation, higher interest rates, uncertain government policy, and a deteriorating economic outlook, will be major influences on the Councils treasury management strategy for 2023/24.
- 1.2 The Bank of England (BoE) increased Bank Rate by 0.5% to 3.5% in December 2022. This followed a 0.75% rise in November, which was the largest single rate hike since 1989 and the ninth successive rise since December 2021. The December decision was voted for by a 6 to 3 majority of the Monetary Policy Committee (MPC), with two dissenters voting for a no-change at 3% and one for a larger rise of 0.75%.
- 1.3 The November quarterly Monetary Policy Report (MPR) forecast a prolonged but shallow recession in the UK with CPI inflation remaining elevated at over 10% in the near-term. While the projected peak of inflation is lower than in the August report, due in part to the government's support package for household energy costs, inflation is expected to remain higher for longer over the forecast horizon and the economic outlook remains weak, with unemployment projected to start rising.
- 1.4 The UK economy grew by 0.3% between July and September 2022, according to the Office for National Statistics, and the BoE forecasts Gross Domestic Product (GDP) will decline by 0.75% in the second half of the calendar year due to the squeeze on household income from higher energy costs and goods prices. Growth is then expected to continue to fall throughout 2023 and the first half of 2024.
- 1.5 Consumer Price Inflation (CPI) is expected to have peaked at around 11% in the last calendar quarter of 2022 and then fall sharply to 1.4%, below the 2% target, in two years' time and to 0% in three years' time if Bank Rate follows the path implied by financial markets at the time of the November MPR (a peak of 5.25%). However, the BoE has stated it considered this path to be too high, suggesting that the peak in interest rates will be lower, reducing the risk of inflation falling too far below target. Market rates have fallen since the time of the November MPR.
- 1.6 The labour market remains tight for now, with the most recent statistics showing the unemployment rate was 3.7%, Earnings were up strongly in nominal terms by 6.1% for both total pay and for regular pay but factoring in inflation means real pay for both measures was -2.7%. Looking forward, the November MPR shows the labour market weakening in response to the deteriorating outlook for growth, leading to the unemployment rate rising to around 6.5% in 2025.
- 1.7 Interest rates have also been rising sharply in the US, with the Federal Reserve increasing the range on its key interest rate by 0.5% in December 2022 to 4.25% - 4.5%. This rise follows four successive 0.75% rises in a pace of tightening that has seen rates increase from 0.25% - 0.50% in March 2022. Annual inflation has been slowing in the US but remains above 7%. GDP grew at an annualised rate of 3.2% (revised up from 2.9%) between July and September 2022, but with official interest rates expected to rise even further in the coming months, a recession in the region is widely expected at some point during 2023.

- 1.8 Inflation rose consistently in the Euro Zone since the start of the year, hitting a peak annual rate of 10.6% in October 2022, before declining to 10.1% in November. Economic growth has been weakening with an upwardly revised expansion of 0.3% (from 0.2%) in the three months to September 2022. As with the UK and US, the European Central Bank has been on an interest rate tightening cycle, pushing up its three key interest rates by 0.5% in December, following two consecutive 0.75% rises, taking its main refinancing rate to 2.5% and deposit facility rate to 2.0%.

2 Credit outlook

- 2.1 Credit default swap (CDS) prices have generally followed an upward trend throughout 2022, indicating higher credit risk. They have been boosted by the war in Ukraine, increasing economic and political uncertainty and a weaker global and UK outlook, but remain well below the levels seen at the beginning of the Covid-19 pandemic.
- 2.2 CDS price volatility was higher in 2022 compared to 2021 and the divergence in prices between ringfenced (retail) and non-ringfenced (investment) banking entities has emerged once again.
- 2.3 The weakening economic picture during 2022 led the credit rating agencies to reflect this in their assessment of the outlook for the UK sovereign as well as several local authorities and financial institutions, revising them to negative from stable.
- 2.4 There are competing tensions in the banking sector which could impact bank balance sheet strength going forward. The weakening economic outlook and likely recessions in many regions increase the possibility of a deterioration in the quality of banks' assets, while higher interest rates provide a boost to net income and profitability.
- 2.5 However, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

3 Interest Rate Forecast (December 2022)

- 3.1 The Councils treasury management adviser, Arlingclose, forecasts that Bank Rate will continue to rise in 2022 and 2023 as the Bank of England attempts to subdue inflation which is significantly above its 2% target.
- 3.2 While interest rate expectations reduced during October and November 2022, multiple interest rate rises are still expected over the forecast horizon despite looming recession. Arlingclose expects Bank Rate to rise to 4.25% by June 2023 under its central case, with the risks in the near- and medium-term to the upside should inflation not evolve as the Bank forecasts and remains persistently higher.
- 3.3 Yields are expected to remain broadly at current levels over the medium-term, with 5, 10 and 20-year gilt yields expected to average around 3.5%, 3.5%, and 3.85% respectively over the 3-year period to December 2025. The risks for short, medium and longer-term yields are judged to be broadly balanced over the forecast horizon. As ever, there will undoubtedly be short-term volatility due to economic and political uncertainty and events.

3.4 **Table 1 Interest Rate Forecast**

	Current	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Official Bank Rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.50	4.00	4.25	4.25	4.25	4.25	4.00	3.75	3.50	3.25	3.25	3.25	3.25
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
3-month money market rate													
Upside risk	0.00	0.50	0.75	1.00	1.00	1.00	1.25	1.50	1.75	1.50	1.25	1.25	1.25
Arlingclose Central Case	3.00	4.40	4.40	4.40	4.35	4.30	4.25	4.00	3.75	3.50	3.40	3.40	3.40
Downside risk	0.00	0.50	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.00
5yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.43	3.60	3.80	3.80	3.80	3.70	3.60	3.50	3.40	3.30	3.30	3.30	3.30
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
10yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.47	3.50	3.60	3.60	3.60	3.60	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
20yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.86	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85	3.85
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
50yr gilt yield													
Upside risk	0.00	0.70	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arlingclose Central Case	3.46	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Downside risk	0.00	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

4 **Underlying assumptions for the economy and interest rate forecast (at December 2022)****Underlying assumptions:**

- 4.1 The influence of the mini budget on rates and yields continues to wane following the more responsible approach shown by the new incumbents of Downing Street.
- 4.2 Volatility in global markets continues, however, as investors seek the extent to which central banks are willing to tighten policy, as evidence of recessionary conditions builds. Investors have been more willing to price in the downturn in growth, easing financial conditions, to the displeasure of policymakers. This raises the risk that central banks will incur a policy error by tightening too much.
- 4.3 The UK economy is already experiencing recessionary conditions and recent GDP and PMI data suggests the economy entered a technical recession in Q3 2022. The resilience shown by the economy has been surprising, despite the downturn in business activity and household spending. Lower demand should bear down on business pricing power – recent data suggests the UK has passed peak inflation.
- 4.4 The lagged effect of the sharp tightening of monetary policy, and the lingering effects of the mini-budget on the housing market, widespread strike action, alongside high inflation, will continue to put pressure on household disposable income and wealth. The short- to medium-term outlook for the UK economy remains bleak.
- 4.5 Demand for labour appears to be ebbing, but not quickly enough in the official data for most MPC policymakers. The labour market remains the bright spot in the economy and persisting employment strength may support activity, although there is a feeling of borrowed time. The MPC focus is on nominal wage growth, despite the huge real term pay cuts being experienced by the vast majority. Bank Rate will remain relatively high(er) until both inflation and wage growth declines.

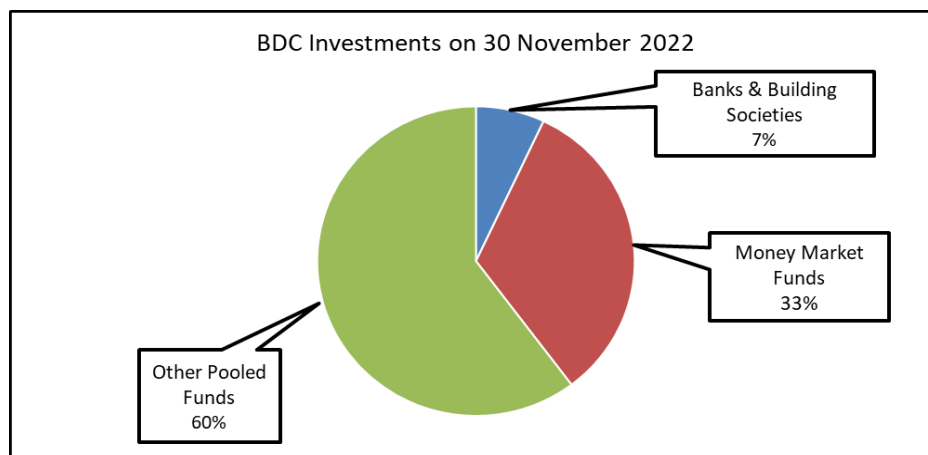
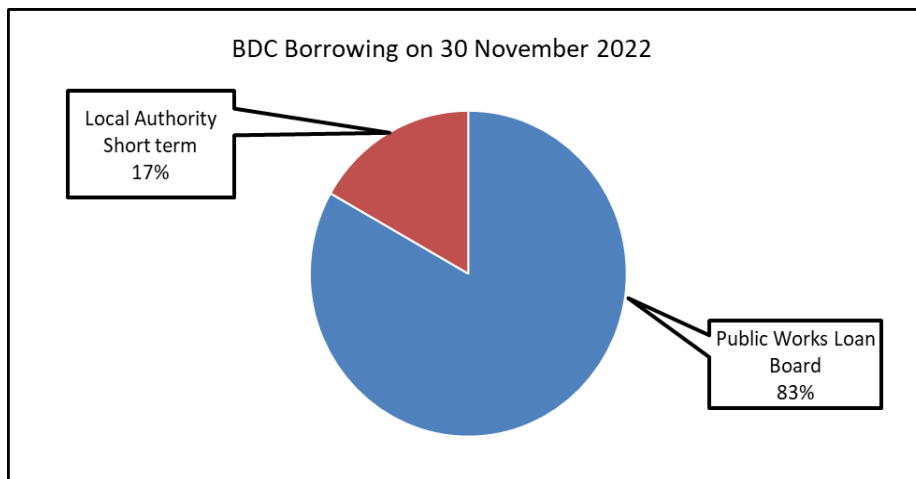
- 4.6 Global bond yields remain volatile as investors price in recessions even as central bankers push back on expectations for rate cuts in 2023. The US labour market remains tight and the Fed wants to see persistently higher policy rates, but the lagged effects of past hikes will depress activity more significantly to test the Fed's resolve.
- 4.7 While the BoE appears to be somewhat more dovish given the weak outlook for the UK economy, the ECB seems to harbour (worryingly) few doubts about the short-term direction of policy. Gilt yields will be broadly supported by both significant new bond supply and global rates expectations due to hawkish central bankers, offsetting the effects of declining inflation and growth.

Forecast:

- 4.8 The Monetary Policy Committee (MPC) MPC raised Bank Rate by 50bps to 3.5% in December as expected, with signs that some members believe that 3% is restrictive enough. However, a majority of members think further increases in Bank Rate might be required. Arlingclose continues to expect Bank Rate to peak at 4.25%, with further 25bps rises February, March and May 2023.
- 4.9 The MPC will cut rates in the medium term to stimulate a stuttering UK economy but will be reluctant to do so until wage growth eases. Arlingclose sees rate cuts in the first half of 2024.
- 4.10 Arlingclose expects gilt yields to remain broadly steady over the medium term, although with continued volatility across shorter time periods.
- 4.11 Gilt yields face pressures to both sides from hawkish US/EZ central bank policy on one hand to the weak global economic outlook on the other. BoE bond sales and high government borrowing will provide further underlying support for yields.

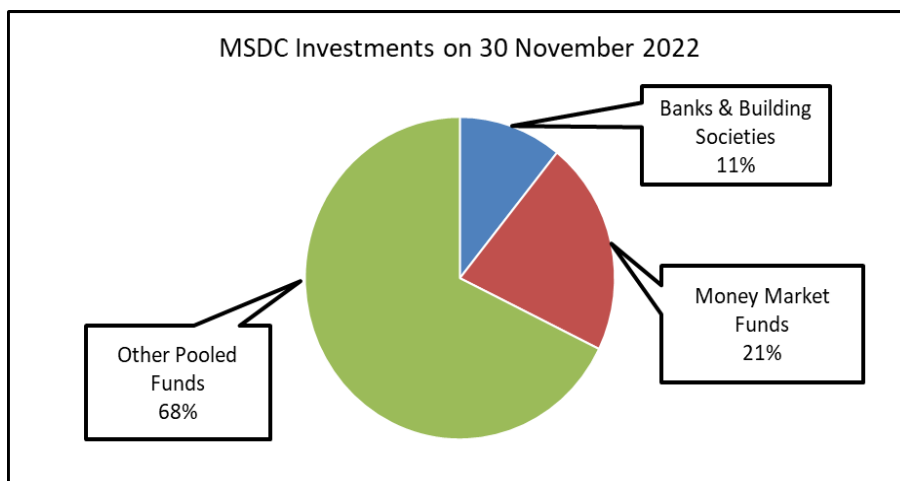
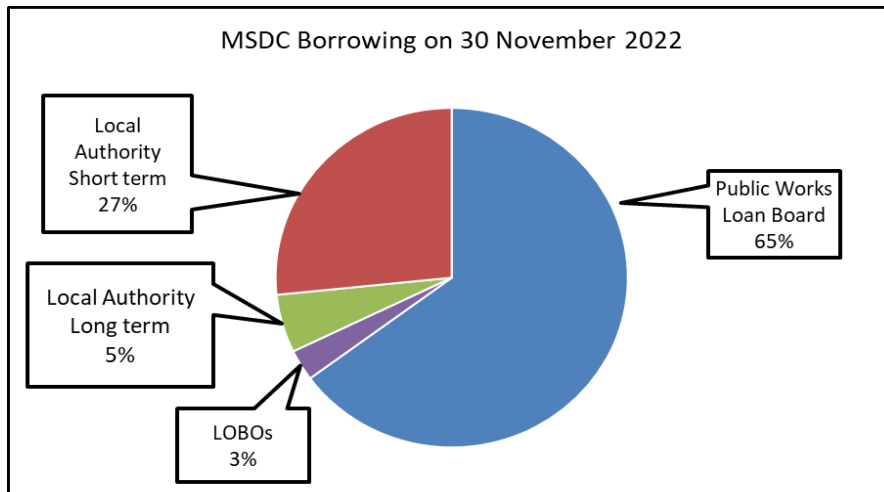
APPENDIX F: EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

Babergh	30.11.2022 Portfolio £m	Average Rate %
External Borrowing:		
Public Works Loan Board	94.12	3.20%
Local Authority Short term	19.00	1.01%
Total External borrowing	113.12	2.83%
Treasury Investments:		
Banks & Building Societies	1.29	1.31%
Money Market Funds	6.00	1.08%
Other Pooled Funds	11.06	4.56%
Total Treasury Investments	18.34	3.20%
Net Debt	94.78	



Appendix F – Existing Borrowing and Investments

Mid Suffolk	30.11.2022 Portfolio £m	Average Rate %
External Borrowing:		
Public Works Loan Board	87.78	3.30%
LOBOs	4.00	4.21%
Local Authority Long term	7.50	0.50%
Local Authority Short term	36.00	1.18%
Total External borrowing	135.28	2.61%
Treasury Investments:		
Banks & Building Societies	1.76	1.30%
Money Market Funds	3.50	1.16%
Other Pooled Funds	11.06	4.58%
Total Treasury Investments	16.32	3.49%
Net Debt	118.97	



- 1.1 For both Councils the majority of PWLB loans were taken out at the time of self-financing the HRA in 2012. The current repayment profiles of all of the HRA loans are shown in the tables that follow.

Appendix F – Existing Borrowing and Investments

Babergh PWLB Loans for HRA as at 30/11/2022				
Start Date	Amount £m	Rate (Fixed)	Annual Interest £m	Repayment Date
26/01/2006	£ 1.10	3.70%	£ 0.04	26/01/2056
28/03/2012	£ 6.00	2.92%	£ 0.18	28/03/2026
28/03/2012	£ 46.65	3.42%	£ 1.60	28/03/2036
28/03/2012	£ 6.00	2.82%	£ 0.17	28/03/2025
28/03/2012	£ 25.00	3.26%	£ 0.82	28/03/2031
Total	£ 84.75		£ 2.80	

Mid Suffolk PWLB Loans for HRA as at 30/11/2022				
Start Date	Amount £m	Rate (Fixed)	Annual Interest £m	Repayment Date
21/09/1993	£ 1.00	7.88%	£ 0.08	27/07/2053
26/04/2007	£ 3.50	4.60%	£ 0.16	27/07/2047
26/04/2007	£ 3.50	4.55%	£ 0.16	27/07/2052
01/05/2007	£ 3.83	4.60%	£ 0.18	27/07/2053
28/03/2012	£ 15.00	3.01%	£ 0.45	28/03/2032
28/03/2012	£ 15.00	3.30%	£ 0.50	28/03/2027
28/03/2012	£ 12.21	3.44%	£ 0.42	28/03/2042
28/03/2012	£ 15.00	3.50%	£ 0.53	28/03/2037
Total	£ 69.04		£ 2.47	

APPENDIX G: TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and Background

- 1.1 The Councils adopt the key recommendations of the CIPFA Code of Practice on Treasury Management in Public Services 2021 Edition (the TM Code) as described in Section 5 of the Code.
- 1.2 In addition, the Department for Levelling-Up, Housing and Communities (DLUHC) revised guidance on Local Councils Investments issued in 2018 requires councils to approve a treasury management investment strategy before the start of each financial year.
- 1.3 Accordingly, the Councils will create and maintain, as the cornerstones for effective treasury management:
 - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
 - Suitable treasury management practices (TMPs), setting out the manner in which the Councils will seek to achieve those policies and objectives, and prescribing how they will manage and control those activities.
 - Investment management practices (IMPs) for investments that are not for treasury management purposes
- 1.4 The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of the Councils. Such amendments will not result in the Councils materially deviating from the TM Code's key principles.
- 1.5 The Full Council meeting for Babergh and Mid Suffolk will receive recommendations from the Joint Audit & Standards Committee on their treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a half-year review and an annual outturn report after its close.
- 1.6 The Councils delegate responsibility for the implementation of their treasury management policies and practices to the Cabinet, monitoring to the Joint Audit and Standards Committee and the execution and administration of treasury management decisions to the Section 151 Officer and/or Corporate Manager - Finance, Commissioning & Procurement, who will act in accordance with the Councils policy statement, the TMPs and IMPs and CIPFA's Standard of Professional Practice on Treasury Management.
- 1.7 The Joint Audit and Standards Committee is responsible for ensuring effective scrutiny of the Joint Treasury Management Strategy and policies.

2. Policies and Objectives of Treasury Management Activities

- 2.1 The Councils define their treasury management activities in line with the TM Code definition as: “the management of the organisations borrowing, investments and cash flows, including their banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance associated with those risks.”
- 2.2 The Councils regard the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of their treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Councils and any financial instruments entered into to manage these risks.
- 2.3 The Councils recognise that effective treasury management will provide support towards the achievement of their business and service objectives. They are therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques within the context of effective risk management.
- 2.4 Both Councils’ borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken, and the type of borrowing should allow the Councils transparency and control over their debt.
- 2.5 Both Councils’ primary objectives in relation to investments remain the security of capital. The liquidity or accessibility of the Councils investments followed by the yield earned on investments remain important but are secondary considerations.

APPENDIX H: ANNUAL MINIMUM REVENUE PROVISION (MRP) STATEMENT 2023/24

- 1.1 Where the Councils finance their capital expenditure by debt, they must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Councils to have regard to the DLUHC's guidance on Minimum Revenue Provision (the DLUHC Guidance) most recently issued in 2018 effective from 1 April 2018.
- 1.2 The broad aim of the DLUHC Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by grant income that has been rolled into Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.
- 1.3 A charge to a revenue account for MRP cannot be a negative charge.
- 1.4 The DLUHC Guidance requires Full Council to approve an Annual MRP Statement each year and recommends a number of options for calculating an amount of MRP that they consider to be prudent. The following paragraph lists the options recommended in the Guidance.
- 1.5 The four MRP options available are:
 - Option 1: Regulatory Method
 - Option 2: CFR Method
 - Option 3: Asset Life Method
 - Option 4: Depreciation Method
- 1.6 For capital expenditure incurred before 1 April 2008, MRP will be determined in accordance with the former regulations that applied on 31 March 2008, incorporating an "Adjustment A" of £2.4m for Mid Suffolk (Option 1). Babergh does not have any capital expenditure incurred before 1st April 2008 on which to charge MRP.
- 1.7 For capital expenditure incurred after 31 March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant asset on an annuity basis using an interest rate equivalent to the average PWLB annuity rate for the year of expenditure. MRP charges start in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (Option 3).
- 1.8 For assets acquired by leases, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. Where former operating leases have been brought onto the balance sheet on 1 April 2024 due to the adoption of the IFRS 16 Leases accounting standard, and the asset values have been adjusted for accruals, prepayments, premiums and/or incentives, then the annual MRP charges will be adjusted so that the total charge to revenue remains unaffected by the new standard.
- 1.9 Where investments are made in the Councils' subsidiaries for the purpose of the companies purchasing land and buildings, MRP will be charged over 40 years.

Appendix H – Annual Minimum Revenue Provision (MRP) Statement 2023/24

- 1.10 For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Councils will make no MRP charge, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational. While this is not one of the options in the DLUHC Guidance, it is thought to be a prudent approach since it ensures that the capital expenditure incurred on the loan is fully funded over the life of the assets.
- 1.11 No MRP will be charged in respect of assets held within the Housing Revenue Account. However, voluntary MRP contributions from the HRA may be made.
- 1.12 Capital expenditure incurred during 2022/23 will not be subject to an MRP charge until 2023/24 and capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25.
- 1.13 If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to Full Council at that time.
- 1.14 Based on the Councils' latest estimates of their Capital Financing Requirements (CFR) on 31 March 2023, the budget for MRP for 2023/24 has been set as follows:

Estimated Capital Financing Requirement		
Babergh District Council	31.3.2023 Estimated CFR £m	2023/24 Estimated MRP £m
Capital expenditure before 01.04.2008	(0.38)	-
Unsupported capital expenditure after 31.3.2008	36.34	1.63
Transferred debt to HRA	(0.33)	-
Loans to other bodies repaid in instalments	44.36	-
Total General Fund	80.00	1.63
Assets in the Housing Revenue Account	13.47	-
HRA subsidy reform payment	79.10	-
Transferred debt from GF	0.33	-
Total Housing Revenue Account	92.89	-
Total CFR	172.90	1.63

Estimated Capital Financing Requirement		
Mid Suffolk District Council	31.3.2023 Estimated CFR £m	2023/24 Estimated MRP £m
Capital expenditure before 01.04.2008	7.97	0.09
Unsupported capital expenditure after 31.3.2008	27.73	1.48
Transferred debt to HRA	(1.75)	-
Loans to other bodies repaid in instalments	50.99	-
Total General Fund	84.95	1.56
Assets in the Housing Revenue Account	47.29	-
HRA subsidy reform payment	57.21	-
Transferred debt from GF	1.75	-
Total Housing Revenue Account	106.24	-
Total CFR	191.19	1.56

Appendix H – Annual Minimum Revenue Provision (MRP) Statement 2023/24

1.15 The relationship between the Councils CFR and MRP charges over the medium term are shown in the following table.

Comparison of MRP to CFR						
Babergh District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
MRP charged to General Fund Revenue	1.22	1.46	1.63	1.79	1.97	2.09
General Fund CFR	72.69	80.00	90.61	89.12	86.58	85.26
MRP as a Proportion of CFR	1.7%	1.8%	1.8%	2.0%	2.3%	2.4%

Comparison of MRP to CFR						
Mid Suffolk District Council	2021/22 Actual	2022/23 Forecast Outturn	2023/24 Budget	2024/25 Forecast	2025/26 Forecast	2026/27 Forecast
	£m	£m	£m	£m	£m	£m
MRP charged to General Fund Revenue	1.30	1.33	1.49	1.66	1.77	1.90
General Fund CFR	101.28	84.95	108.89	105.30	105.31	100.52
MRP as a Proportion of CFR	1.3%	1.6%	1.4%	1.6%	1.7%	1.9%

APPENDIX I: INSTITUTIONS MEETING HIGH CREDIT RATINGS CRITERIA

- 1.1 Detailed below is the list of the banks and building societies that both Councils can lend to (based on information on credit risk and credit ratings available in November 2022). This will be continuously monitored as the position changes throughout the year as credit ratings are reviewed and additional market information is evaluated.
- 1.2 This is based on UK Banks and Building Societies A-, Money Market Funds, Foreign Banks AA-. Foreign banks must be in a country with a sovereign rating of AAA.

Counterparty	Long term rating - Fitch
UK BANKS	
Bank of Scotland PLC	A+
Barclays Bank PLC	A+
Barclays Bank UK PLC	A+
Handelsbanken PLC	AA
HSBC Bank PLC	AA-
HSBC UK Bank PLC	AA-
Lloyds Bank PLC	A+
National Westminster Bank	A+
Natwest Markets PLC	A+
Royal Bank of Scotland PLC	A+
Santander UK PLC	A+
Standard Chartered Bank	A+
UK BUILDING SOCIETIES	
Nationwide Building Society	A+
FOREIGN BANKS	
Australia	
Australia and NZ Banking Group	A+
Commonwealth Bank of Australia	A+
National Australia Bank	A+
Westpac Banking Group	A+
Canada	
Bank of Montreal	AA
Bank of Nova Scotia	AA
Canadian Imperial Bank of Commerce	AA
National Bank of Canada	AA-
Royal Bank of Canada	AA
Toronto-Dominion Bank	AAu
Finland	
Nordea Bank ABP	AA
Netherlands	
Cooperative Rabobank	AA-

Appendix I – Institutions Meeting High Credit Ratings Criteria

Counterparty	Long term rating - Fitch
MONEY MARKET FUNDS (MMF)	
Aberdeen Standard Sterling Liquidity Fund	AAAmmf
Goldman Sterling Liquid Reserves Fund	AAAmmf
Insight Sterling Liquidity Fund	AAAmmf
Federated Investors (UK) Sterling Liquidity Fund	AAAmmf
Invesco AIM STUC Sterling Liquidity Portfolio	AAAmmf
Blackrock Institutional Sterling Liquidity Fund	AAAmmf

- 1.3 MMFs – Federated is domiciled in the UK for tax and administration purposes. Goldman Sachs, Insight, Invesco, and BlackRock are domiciled in Ireland, and Aberdeen Standard is domiciled in Luxembourg for tax and administration purposes.

Long Term Investments Grades - Fitch

Agency - Fitch	
Rating	Definition
AAA	Highest credit quality – ‘AAA’ ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality ‘AA’ ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
A	High credit quality – ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

Long Term Investments Grades – Moody’s

Agency - Moody’s	
Rating	Definition
Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa1	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
Aa2	
Aa3	
A1	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
A2	
A3	

Long Term Investments Grades – Standard & Poor’s

Agency - Standard & Poor’s	
Rating	Definition
AAA	An obligator rated ‘AAA’ has extremely strong capacity to meet its financial commitments. ‘AAA’ is the highest issuer credit rating assigned by Standard & Poor’s.
AA	An obligator rated ‘AA’ has very strong capacity to meet its financial commitments. It differs from the highest rated obligators only to a small degree.
A	An obligator rated ‘A’ has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligators in higher rated categories.

APPENDIX J: GLOSSARY OF TERMS

CCLA	Churches, Charities and Local Authority Property Fund
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.
DLUHC	Department for Levelling Up, Housing and Communities. This is a ministerial department.
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.
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.
MIFID II	Markets in Financial Instruments Directive 2014/65/EU. Effective from 1 January 2018. The Councils have met the conditions to opt up to professional status. The Councils will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.
MPC	Monetary Policy Committee – A committee of the Bank of England which meets each month to decide the official interest in the UK. It is also responsible for other aspects of the Government's monetary policy framework such as quantitative easing and forward guidance.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing.

PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
SONIA	Sterling Overnight Index Average. The average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors.
T Bills	Treasury Bill. A short-term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) - a pooled fund

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