

Public Document Pack



MID SUFFOLK SCRUTINY COMMITTEE

Please ask for: Val Last
 Direct Line: (01449) 724673
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DATE	Thursday 26 January 2017
PLACE	Council Chamber, Council Offices, High Street, Needham Market
TIME	5.30pm

E-mail: committees@baberghmidsuffolk.gov.uk

18 January 2017

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AGENDA

1.	Apologies for absence/substitutions		
2.	To receive any declarations of pecuniary or non-pecuniary interest by Members		
	Report		Pages
3.	Y/01/17	To confirm the minutes of the meeting held on 1 September 2016	5 to 7
4.		To receive notification of petitions in accordance with the Council's Petition Scheme	
5.		Questions by the Public	
6.		Questions by Councillors	
7.	Y/02/17	Draft Joint Medium Term Financial Strategy and 2017/18 Budget (Executive Report X/02/17)	8 to 81
		2017/18 General Fund Budget Update (Executive Report X/63/16)	82 to 92
		Finance Portfolio (John Whitehead)	
		Executive Committee at its meetings on 5 December 2016 and 9 January 2017 considered papers X/63/16 and X/02/17 and agreed the recommendations.	

The Scrutiny Committee is asked to consider paper Y/02/17 and make any comments on the Draft Joint Medium Term Financial Strategy and 2017/18 Budget for consideration by Executive Committee in February.

Val Last
Governance Support Officer

Members:

Councillor Rachel Eburne – Chairman – Green Group

Councillor Derek Osborne – Vice Chairman – Conservative and Independent Group

Conservative and Independent Group

Members

Councillors: James Caston
Elizabeth Gibson-Harries
Lavinia Hadingham
Lesley Mayes
Kevin Welsby

Green Group

Member

Liberal Democrat Group

Member

Councillor Wendy Marchant

Substitutes: A substitute may be selected from any member of the same political group, except members of the Executive Committee

Mid Suffolk District Council

Vision

“We will work to ensure that the economy, environment and communities of Mid Suffolk continue to thrive and achieve their full potential.”

Strategic Priorities 2016 – 2020

1. Economy and Environment

Lead and shape the local economy by promoting and helping to deliver sustainable economic growth which is balanced with respect for wildlife, heritage and the natural and built environment

2. Housing

Ensure that there are enough good quality, environmentally efficient and cost effective homes with the appropriate tenures and in the right locations

3. Strong and Healthy Communities

Encourage and support individuals and communities to be self-sufficient, strong, healthy and safe

Strategic Outcomes

Housing Delivery – More of the right type of homes, of the right tenure in the right place

Business growth and increased productivity – Encourage development of employment sites and other business growth, of the right type, in the right place and encourage investment in infrastructure, skills and innovation in order to increase productivity

Community capacity building and engagement – All communities are thriving, growing, healthy, active and self-sufficient

An enabled and efficient organisation – The right people, doing the right things, in the right way, at the right time, for the right reasons

Assets and investment – Improved achievement of strategic priorities and greater income generation through use of new and existing assets ('Profit for Purpose')

MID SUFFOLK DISTRICT COUNCIL

Minutes of the **MID SUFFOLK SCRUTINY COMMITTEE** meeting held at Mid Suffolk District Council, Needham Market, on Thursday 1 September 2016 at 5:30pm.

PRESENT:

Councillor Rachel Eburne – Chair –Green Group
Councillor Derek Osborne – Vice-Chair – Conservative and Independent Group

Conservative and Independent Group

Councillors: James Caston
Lavinia Hadingham
Derrick Haley *
Kevin Welsby

Liberal Democrat Group

Councillors: Wendy Marchant

Denotes substitute *

Also present:

Councillors: Gerard Brewster (Economy and Stowmarket Regeneration Portfolio)

In attendance: Assistant Director (Communities)
Project and Research Officer (BS)
Governance Support Officer (VL)

SY08 APOLOGIES/SUBSTITUTIONS

Councillor Derrick Haley was substituting for Councillor Lesley Mayes. An apology for absence was received from Councillor Elizabeth Gibson-Harries.

SY09 DECLARATIONS OF INTERESTS BY MEMBERS

Councillor Derrick Haley declared a non-pecuniary interest as the ex-Leader of Council, ex-Portfolio Holder for Finance and Resources, ex-Chairman of Executive Committee and Member of the Museum of East Anglian Life (MEAL) Funding Group.

SY10 PETITIONS

None received

SY11 QUESTIONS FROM THE PUBLIC

None received.

SY12 QUESTIONS FROM MEMBERS

None received.

SY13 MUSEUM OF EAST ANGLIAN LIFE – UPDATE ON REVIEW OIF IMPACT

Report Y/03/16

**Assistant Director (Communities)
Project and Research Officer (BB)**

The report detailed the outcomes of the review of the social, economic and environmental impact of the Museum of East Anglian Life (MEAL) that was carried out by the Task and Finish Group on behalf of Mid Suffolk Scrutiny Committee (Appendix 1).

Mid Suffolk Scrutiny Committee was asked to make recommendations to the Executive Committee regarding the impact of MEAL and the Council's future support for the organisation.

Members questioned the Assistant Director (Communities) regarding the impact research undertaken by Change Consultancy and commented:

- The assessment had highlighted the benefits of MEAL to Stowmarket and the wider area
- It was hoped that MEAL would take the recommendations within the report on board
- The type of methodology used was good
- The report seemed to be padded out with repetition of information
- A cost benefit analysis was the correct process for future funding assessments
- Projects should not be funded without knowing the gains
- It would be useful for additional members of staff to have knowledge of the methodology used and to understand how to make a judgement call following analysis of the statistics
- It might be beneficial for Officers to do the 'leg work' and then to employ independent consultant to make the judgements, particularly for major funding

By a unanimous vote

RECOMMENDATIONS TO EXECUTIVE COMMITTEE

That:

- 1) Wide use of impact methodology across the Council's functions be explored
- 2) Expert support be commissioned to enable Officers to learn and apply the methodology
- 3) Meal be encouraged to take up the recommendations within the report and strengthen its data collection
- 4) The Council look flexibly at the future funding arrangements and opportunities for MEAL in the light of the significant return on public investment achieved by the organisation

SY14 RESOLUTION TO EXCLUDE THE PUBLIC

By a unanimous vote

RESOLUTION

That under section 100(4) of the Local Government Act 1972 the public be excluded from the meeting for the following items on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act in the paragraphs registered against the item:

<i>Item</i>	<i>Schedule 12a Reason</i>
SY15	3

SY15 APPENDIX 2 TO PAPER Y/03/16 MUSEUM OF EAST ANGLIAN LIFE (MEAL) FINANCIAL UPDATE

Report X/31/15

Following clarification of various points by the Assistant Director (Communities), Members noted the information within the report.

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From: Assistant Director - Corporate Resources	Report Number: X/02/17
To: Executive Committee	Date of meeting: 9 January 2017

DRAFT JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2017/18 BUDGET

1. Purpose of Report

- 1.1 To consider the draft Joint Medium Term Financial Strategy (MTFS) and draft 2017/18 Budget, covering the General Fund, Council Housing and Capital Investment.
- 1.2 These reflect the challenges and opportunities facing the Council in the short and medium/long term, the business model that is being put in place to address these and an investment strategy to deliver the Council's strategic priority outcomes as set out in the Joint Strategic Plan.
- 1.3 This report sets out, therefore, how the Council intends to use its available resources and funding to not only achieve the agreed strategic priority outcomes but also realign resources to them and undertake a programme of transformational activities and projects over the medium term.
- 1.4 To enable Members to consider key aspects of the 2017/18 Budgets, including Council Tax and Council House rent levels.

2. Recommendations

- 2.1 That the draft Joint Medium Term Financial Strategy (MTFS) and Budget proposals set out in the report be endorsed, subject to further consideration at the February meeting for recommendation to Council.
- 2.2 That the final General Fund Budget for 2017/18 is based on a council tax increase of 5p per week for a Band D property to support the Council's overall financial position, which will be considered further at the February Executive Committee meeting.
- 2.3 That the draft Housing Revenue Account (HRA) Investment Strategy 2017/18 to 2021/22 and draft HRA Budget for 2017/18 be agreed, subject to further consideration at the February Executive Committee meeting.
- 2.4 That rent increases under Pay to Stay for tenants with a household income above £60k is not introduced.
- 2.5 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.84 a week, as required by the Welfare Reform and Work Bill be implemented.

- 2.6 That garage rents be increased by 10% to provide some additional income to the HRA (an average increase of 74 pence per week per garage)
 - 2.7 Sheltered Housing service charges to be increased by £4 per week for each scheme (set at £2 per week last year) to reduce subsidy by £80k
 - 2.8 That the utility charges for sheltered tenants are not changed as they are in line with costs.
 - 2.9 That in principle, Right to Buy receipts should be retained to enable continued development and acquisition of new council dwellings.
 - 2.10 That capital spend is reduced by £1.5m in 2017/18 and for each year in 2018/19 to 2021/22, to ensure Mid Suffolk stays within the debt cap for the 30 year Capital programme.
 - 2.11 That the revised HRA Business Plan in Appendix D be noted.
 - 2.12 That the proposed capital programme in Appendix C be agreed.
- The Medium Term Financial Strategy (MTFS) and Budget will be subject to final determination by the Executive Committee and Council in February 2017.

3. Financial Implications

- 3.1 These are detailed in the report.

4. Legal Implications

- 4.1 These are detailed in the report

5. Risk Management

- 5.1 This report is most closely linked with the following Significant Business Risk:- 5f – Failure of the Councils to become financially sustainable in response to funding changes. Key risks are as follows:

GENERAL FUND			
Risk Description	Likelihood	Impact	Mitigation Measures
Failure to plan and identify options to meet the medium term budget gap and savings or additional income not being realised.	Unlikely - 2	Bad - 3	Clear priority outcomes and robust business cases for investment plus use of the Transformation Fund to support the MTFS and an Investment Strategy. Further use of Priority Based Resourcing approach to align resources to priorities

GENERAL FUND			
Risk Description	Likelihood	Impact	Mitigation Measures
Failure to implement cost sharing protocol results in inaccurate or unfair allocation of shared costs and income.	Highly Unlikely - 1	Noticeable - 2	Assessment made for 2017/18 Budget, which will be reviewed further to ensure it is robust and accurate. Amend if circumstances change.
Uncertainty on the level of Business Rates income due to the volatility caused by vacant properties, growth levels and appeals	Unlikely – 2	Noticeable – 2	Finance, Shared Revenues Partnership, and Economic Development working closely to understand the Business Rates base, key rate payers along with appeal projections and horizon scanning
HRA			
Ongoing impacts of the Welfare and Funding Reforms 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.
Failure to spend retained RTB receipts within 4 year period, will lead to requirement to repay to Government with an additional 4% interest.	Unlikely - 2	Bad - 3	Provision has been made in the updated HRA Investment Strategy to enable match funding and spend of RTB receipts, subject to the announcement of the details of the Housing & Planning Bill measures affecting council housing.
Council Housing self-financing results in a greater risk to investment and service delivery plans from inflation and other variables.	Unlikely - 2	Noticeable - 2	Inflation and interest rate assumptions have been modelled in the HRA business plan. Capital receipts and capital programme funding reviewed.

- 5.2 A full risk assessment on the final Budget proposals will be included in the February report that will set out the key risk areas of expenditure and income that are reflected in the Council's Budget.

6. Consultations

- 6.1 The HRA budget proposals will be presented to the Joint Housing Board meeting in January 2017.

7. Equality Analysis

- 7.1 Equality Analyses will be undertaken for any service areas where significant changes are proposed as a result of the above process.

8. Shared Service / Partnership Implications

- 8.1 The Joint Strategic Plan and MTFS determine and shape the Council's future plans and service provision, with regard to each Council's financial position.
- 8.2 The Budgets for 2017/18 reflect the estimated sharing of costs and savings between the two Councils. However, there are and will be ongoing differences in the detailed financial position of each Council's General Fund and HRA. There will be instances, therefore, when staff resources and money is focused on a specific priority in one Council.
- 8.3 Actual staffing and other costs will have to be reflected in the accounts year on year and funding adjusted accordingly to ensure that each Council's finances are accounted for separately and that costs and benefits from integration and shared services continue to be allocated appropriately to each Council.

9. Links to Joint Strategic Plan

- 9.1 Ensuring that the Council has the resources available is what underpins the ability to achieve the priorities set out in the Joint Strategic Plan.

10. STRATEGIC CONTEXT

- 10.1 In recent years the government policy frameworks have been reducing core funding for local government as part of its deficit reduction strategy and increasingly incentivising funding to councils to deliver local economic and housing growth and to facilitate the development of strong, safe, healthy and self-sufficient communities. This is continuing, so encouraging and supporting both business and housing growth is essential to the financial future of the Council.
- 10.2 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The draft updated MTFS is attached at Appendix E and continues the direction of travel of the Councils in developing the business model to respond to the financial challenges.
- 10.3 The strategic response to those challenges, to ensure long term financial sustainability, is set out in six key actions:
- (a) Aligning resources to the Councils' refreshed strategic plan and essential services.
 - (b) Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
 - (c) Behaving more commercially and generating additional income.

- (d) Considering new funding models (e.g. acting as an investor).
- (e) Encouraging the use of digital interaction and transforming our approach to customer access.
- (f) Taking advantage of new forms of local government finance (e.g. New Homes Bonus, Business Rates Retention).

The actions that have been taken under this strategy since 2014/15 mean that the Council is in a better position to withstand the reduction in government grant and achieve a balanced budget in 2017/18.

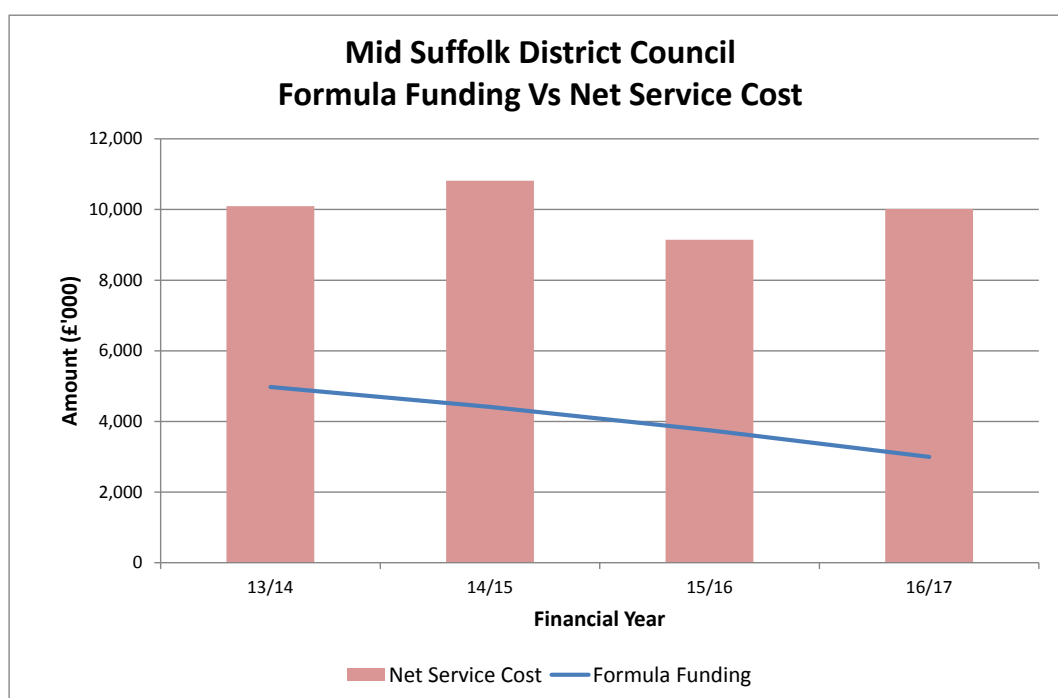
- 10.4 The details within the Joint MTFS show the funding surplus / pressures over the three years 2018/19 to 2020/21, the strongest financial position shows a surplus £0.4m, and the weakest financial position, a deficit of £1.0m and the level of resources that could be available to fund those pressures. This has been updated following the Local Government Finance Settlement announcement on 15 December.
- 10.5 In recognition of the changing landscape for local authorities, the Joint Strategic Plan has been reviewed and refreshed. Complementing this has been a focussed management review to ensure that the Council has the right skills and capacity to support the MTFS.
- 10.6 The Transformation Fund has been supplemented with New Homes Bonus and Business Rates Grant and used cautiously over the last three years to support the transition to the different business model and this will continue during 2017/18. It will also be used to fund staff that are involved in projects that support new ways of working.
- 10.7 Each Council is being asked to agree the key aspects of the proposed Budget for 2017/18 and endorse the draft Joint MTFS in order to achieve a sustainable financial basis in the medium term. Without this strategy, which focuses on achieving outcomes, invest to save and generating income, there is a significant risk that each Council will be unsustainable financially in the medium to longer term.

GENERAL FUND (GF)

11 GF Financial Position

- 11.1 Funding arrangements for councils have changed significantly with Revenue Support Grant being substantially withdrawn. The Council has seen a 69% cumulative cut in revenue support grant over the four years since 2013/14.
- 11.2 The Council's service cost budget has remained fairly static over the same period, as various budget saving and income generating initiatives have meant that service levels could be maintained. The Council has also become more reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus to support the Council's service cost budget. Since New Homes Bonus was introduced in 2011/12 the Council has received £9m in total, most of which has been transferred to the Transformation Fund reserve, however in 2015/16 and 2016/17 an element of this was used to balance the budget.

11.3 The graph below shows the service cost budget since 2013/14 and the Revenue Support Grant including the business rates element of the formula funding, over the same period.



11.4 Total Formula Funding (Revenue Support Grant + Baseline Business Rates) is reducing by a further 17% in 2017/18. This includes, in relation to the Revenue Support Grant (RSG) element, a further cut of £547k or 60%. New Homes Bonus (NHB) is reducing from £2.641m to £2.028m. Further details of the Government's provisional spending announcement on the 15 December 2016 are set out below:-

- Continuation of the council tax referendum threshold at 2% for most authorities;
- All shire district councils and the lowest quartile of Police and Crime Commissioners will be able to increase council tax by the greater of 2% or £5;
- Parish and town councils will continue to not be subject to the council tax referendum
- Reduction in the number of years that a NHB payment is paid from 6 years currently to 5 years in 2017/18 and 4 years in 2018/19;
- NHB baseline for growth has been set at 0.4%, so only growth above that figure will receive a NHB payment in future;
- Continuation of the rural (SPARSE) services delivery grant;
- Full reimbursement from Government of the extension of the rural business rate relief to 100%. Mid Suffolk currently awards 50% discretionary relief on top of the 50% mandatory relief therefore there will be a financial benefit from this change. We are currently awaiting the new limits that will be effective from April 2017, therefore this has not been included within this report, but will be within the final budget report in February.

- 11.5 In order to receive certainty over the settlement numbers for the next three years from central government, councils were required to submit an efficiency plan. Mid Suffolk District Council took advantage of gaining certainty for the next three years by submitting the Medium Term Financial Strategy and Joint Strategic Plan by way of demonstrating that the Council has an efficiency plan.
- 11.6 Looking ahead to 2018/19 and beyond, the Government's indication is that Revenue Support Grant will reduce to £36k in 2018/19, followed by a tariff payable to central government of £337k in 2019/20 to redistribute the core funding and council tax generating capabilities to other councils across the country based on spending needs.
- 11.7 Business rates and new homes growth will, therefore, be the main sources of income (plus other income generated locally) if we are to achieve a sustainable budget in the years ahead.
- 11.8 It must be emphasised that the total estimated core funding for next year and future years is not a fixed guaranteed amount as it is now dependent on variations in business rates income. This is carefully monitored and the volatility and risks, for example the level of appeals, will affect the amount of income received.

12. GF Overall Financial and Budget Strategy (short and medium term)

- 12.1 In order to address the budget gap, both in the short and medium term the budget process for 2017/18 has involved several strands of work with the focus on maximising our income streams, continuing to make efficiencies and productivity savings and using new ways of working to be as cost effective as possible.
- 12.2 Finance has worked closely with Corporate Managers and reviewed each budget in detail and taken a zero based budget approach for each service, challenging budgets and focussing on the service needs rather than a historic view that has traditionally occurred.
- 12.3 The Corporate Manager for Finance and the Senior Business Partner have attended all the service team meetings to discuss the funding challenges and to explore and capture ideas they have for savings, efficiency and income generating ideas.
- 12.4 These suggestions along with a great deal of work that is already happening across the Councils on the Capital Investment Strategy, Public Realm Review, Leisure Strategy Review and the Public Access Transformation and Accommodation Review were reviewed at the relevant Portfolio Holder briefings. The items that have been included in the base budget are shown on Appendix B
- 12.5 Further work will continue on these and other initiatives during the year as set out in the draft Medium Term Financial Strategy (MTFS) at Appendix E, some of the strands that require further work at this stage are:
- Accommodation – the 2017/18 budget report includes the savings as per the business case report (C/70/16) approved at Council 22nd September. The costs and savings of the Public Access work will continue throughout the next 12 months and will be monitored and reported through the budget monitoring process. The final full year costs and savings will be incorporated in the 2018/19 budgets that will be set in February 2018.

- Public Realm Review – work is continuing on options appraisal through the Task and Finish Group. The decision on which option to pursue will be taken by members in 2017/18 and will be built into the 2018/19 budgets once this decision has been made.
- Leisure Review – work is progressing on the Leisure Review and at the time of preparing the budget for 2017/18 the Council has not reviewed or made decisions on any proposals. This work will continue and options will be considered toward the end of 2016/17 and into 2017/18.

12.6 Some key pieces of work during 2016/17 have contributed to the Council's financial sustainability over the short to medium term. The remainder of the £10m cash investment that was approved as part of the Councils Treasury Management Strategy is expected to be invested in the final quarter of 2016/17, the projected return from this is £149k per annum.

12.7 In November 2016 both Councils approved the three strands of the Assets and Investment Strategy, comprising investment (profit for purpose), regeneration and development, and asset management, in 2017/18 this is expected to generate £247k.

12.8 There are several assumptions within the MTFS that can significantly impact on the Councils financial position over the medium term, New Homes Bonus, Council Tax and Tax Base increase are some of the key assumptions. Within the MTFS at Appendix E we have modelled the strongest, medium and weakest financial positions and other assumptions. The budget gaps of each are as follows:

		2017/18 Cumulative Shortfall in Funding (Surplus funds) £000	2018/19 Cumulative Shortfall in Funding (Surplus funds) £000	2019/20 Cumulative Shortfall in Funding (Surplus funds) £000	2020/21 Cumulative Shortfall in Funding (Surplus funds) £000
Weakest Financial Position	Tax Base 0.8% Council Tax 0%	(1,596)	(550)	471	1,017
Medium Financial Position	Tax Base 1% Council Tax 2%	(1,596)	(806)	(116)	168
Strongest Financial Position	Tax Base 1.5% Council Tax £5	(1,596)	(901)	(368)	(445)

12.9 Council Tax income is set locally (within Government guidelines) and has an impact on the income the Council can generate. A 1% increase in Council Tax will generate an additional £57k per annum.

13. GF 2017/18 Draft Budget

13.1 The original budget surplus for 2017/18 as identified in the MTFS approved by Council in February 2016 was £1.1m, after taking into account additional budgetary pressures including inflation and the work outlined above, the revised surplus is £1.6m, which will be transferred to the Transformation Fund. A summary of savings and pressures can be found at Appendix B.

13.2 Part of the 2017/18 budget proposals is the allocation of £250k to support community capacity building. Details of how this money will be used will be developed before the start of the new financial year.

13.3 In order to achieve a balanced budget for 2017/18 Mid Suffolk has had to utilise £351k of the £2.028m of New Home Bonus expected in 2017/18 compared to £537k of the £2.6m received in 2016/17. This does not include the £250k to support community capacity building.

13.4 A number of key assumptions have been made in formulating the draft General Fund Budget proposals. The overall picture is set out in Appendix A with further detail in Appendix B of which some of the key aspects are outlined below:-

- A Council Tax increase in the Band D Council Tax of 5p per week for a Band D property, which takes it to £161.97 and equates to a 1.64% increase;
- Car parking fees are not being increased for the seventh successive year in order to support Stowmarket Town Centre, but other fees and charges e.g. land charges will be increased by 3%.
- Insurance premiums are expected to increase by 2% based on the information provided by our brokers.
- For salaries we have assumed a 1% pay award and an increment for all staff that are eligible.

13.5 The figures relating to the draft Budget shown in Appendix A are provisional and are still being reviewed. They will be finalised for the February Budget report. Subject to this, the key changes between the 2016/17 and 2017/18 Budgets are summarised in Appendix B. In order to provide further details on the 2017/18 budget, a full breakdown can be found in the form of the Council's draft Budget Book attached at Appendix F.

13.6 In relation to earmarked reserves, the estimated balance of earmarked reserves at the end of 2017/18 is £11.9m, including the Transformation Fund balance of £9.3m. Further details of the earmarked reserves can be found in Appendix E attachment 5. In addition to this there is £1.052m, the minimum approved level, in the General Fund reserve/working balance.

14 GF Capital Programme Investments

14.1 The draft Capital Programme is attached at Appendix C.

14.2 A zero-based approach has been adopted for the preparation of the Capital Programme for 2017/18 to 2021/22, to ensure that resources are aimed at delivery of the Council's strategic priorities. The figures for 2018/19 to 2021/22 will be further validated before the final report in February.

HOUSING REVENUE ACCOUNT (HRA)

15 HRA Financial Position

15.1 The HRA Business Plan has been updated to reflect the impact of the 1% rent reduction required by the Chancellor of the Exchequer in 2016/17 for 4 years across the Plan's 30 year life. The Business Plan is attached at Appendix D and shows details for years 1-10.

- 15.2 The self-financing regime replaced the Housing Revenue Account subsidy system on 1 April 2012. Mid Suffolk's settlement payment was calculated at £57m. This was based on projected levels of income, expenditure and existing stock values and took HRA long term borrowing levels to £82m.
- 15.3 HRA Capital Financing Requirement levels are predicted to be £86.7m at 31 March 2017 providing borrowing headroom of £4.1m. New build/acquisitions funding within the Capital Programme 2017– 2021 totals £17.6m and HRA reserve balances 2017 – 2021 are forecast at £9.1m. This will provide a total HRA Investment Fund contribution of £30.8m to deliver Members' strategic housing priorities and outcomes.
- 15.4 The Joint Strategic Plan sets out clearly the Councils' aligned strategic priorities. The key housing projects supporting delivery of the priorities are outlined in the HRA Business Plan, which will be presented to Executive Committee in February 2017.
- 15.5 For example: The delivery of the Homes and Communities Agency (HCA) 65 new affordable homes, and the acquisition of 9 affordable homes (2015/16) which will become new HRA assets. These new homes will deliver New Homes Bonus for the Council, additional rent and council tax and local businesses will benefit. All these factors will bring growth to our local economy.

16 HRA Overall Financial and Budget Strategy (short and medium term)

- 16.1 The Mid Suffolk HRA Business Plan faces some challenges in the short and medium term. These challenges were exacerbated by the proposals announced in the Chancellor's July 2016 Budget:
- The Welfare Reform and Work Bill includes a requirement of all social landlords to reduce their rents by 1% each year from 2016 to 2019
 - This Bill reduced the benefit cap for working age families from £23k to £20k
 - The Housing and Planning Bill includes requirements for households with an income higher than £30k to be charged higher rents. However in the Autumn Statement 2016 this amount was amended to £60k and changed it from being a mandatory policy to discretionary.
 - The Bill also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government will fund the expanded scheme and the levy will not be brought in for 2017/18. Details of how the levy will be calculated are still unknown. On advice from the Chartered Institute of Housing, the draft budget does not include a figure for the levy.
 - The impact of these measures and the action required to mitigate them are described in section 18.4 of this report

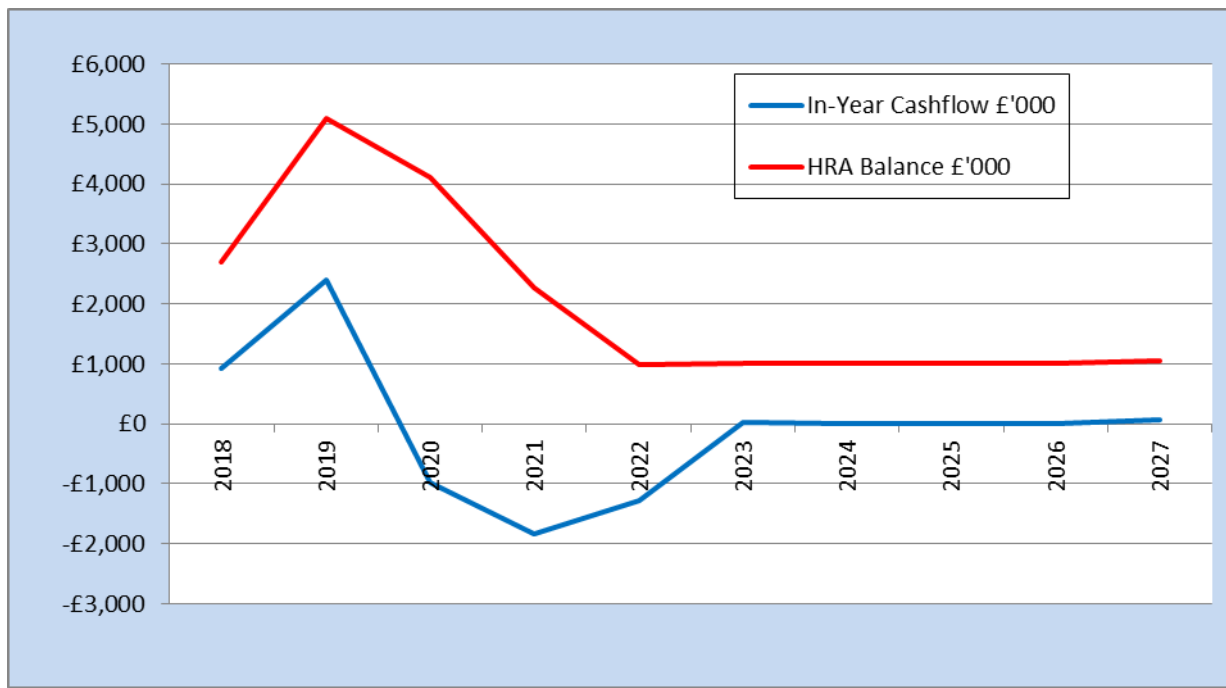
17 HRA Potential Resources Available for Investment

17.1 A key aspect of the HRA Business Plan is the revenue cash flow predicted over the coming years. Another important feature is the amount available for building new homes. Both are illustrated in the following graphs:-

Graph A - Revenue cash flows from 2016/17 for 10 years

This graph shows reserve balances within the HRA reducing to approximately £1m by Year 10 (2026/27) based on annual rent reductions of 1% for the next three years.

Graph A



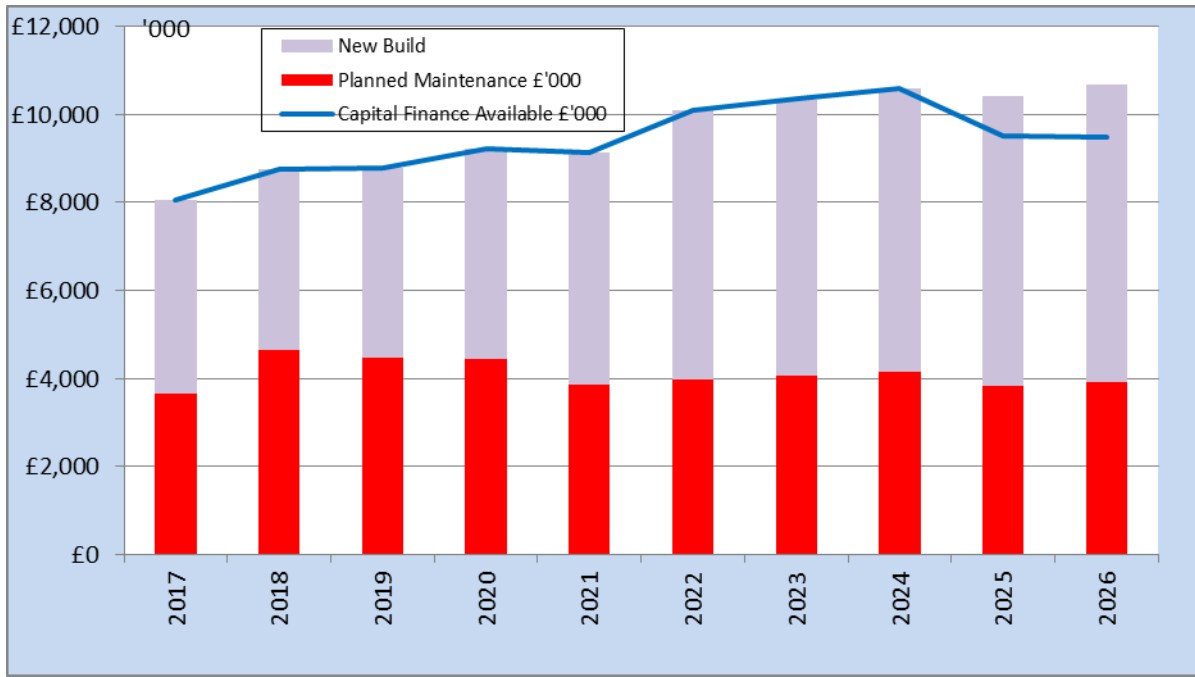
Graph B - Capital Programme from 2017/18 for 10 years (based on a 1% rent reduction in years 2 to 4 and £1.5m Capital spend reduction in 2017/18)

Graph B shows proposed Capital Programme expenditure and debt cap levels within the HRA Business Plan up to Year 10 (2017/18 to 2026/27) including a £1.5m reduction in 2017/18. The graph shows that from 2024 onwards there is not enough finance available to cover capital expenditure.

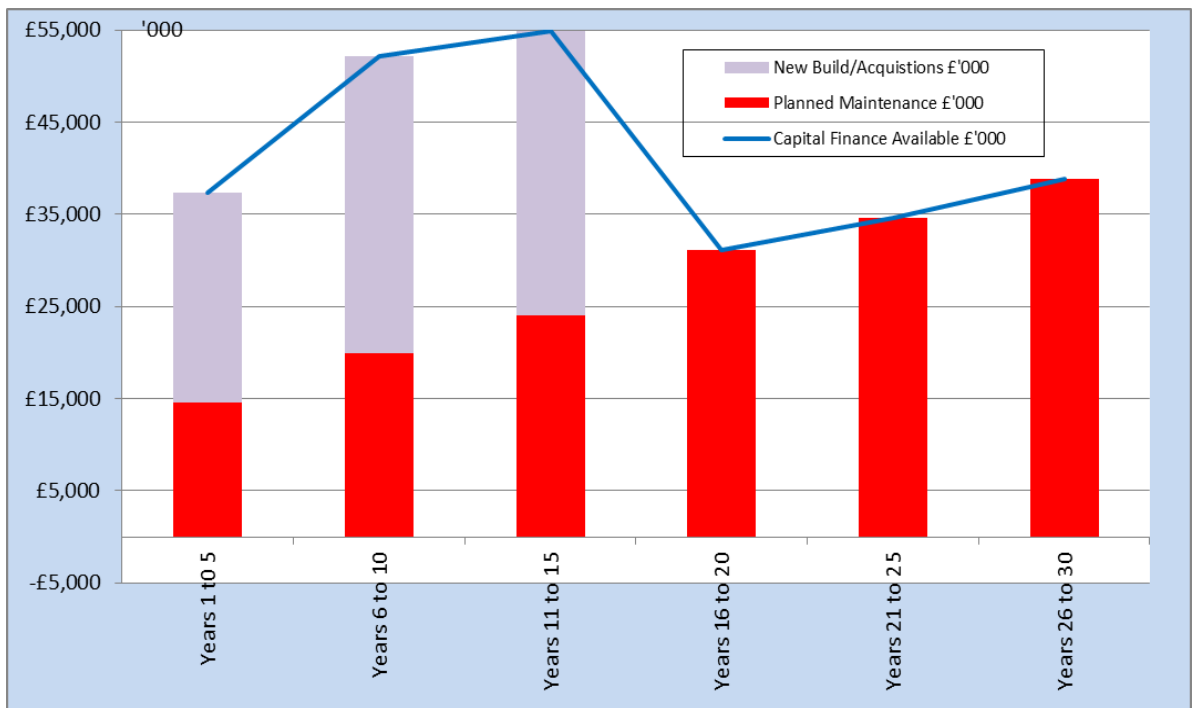
Graph C depicts how much finance would be available over the 30 year plan if the capital spend was reduced by £1.5m from 2018/19 to 2021/22.

Graphs A and B are inter-dependent with revenue surpluses providing financial availability for investment in homes and improvement programmes.

Graph B



Graph C



18 HRA Key Challenges

18.1 HRA Self-financing has provided significant opportunities for Mid Suffolk. The development of 38 new council homes supported by Homes and Communities Agency Grant funding is a good example of how the funds available within the HRA are being used differently.

18.2 These opportunities, however, are threatened by the proposals described in paragraph 16.1. The table in paragraph 19.1 sets out the draft HRA budget for 2017/18 and highlights the variances from the current year as a result of a 1% rent reduction (an average decrease of 84 pence per week for Mid Suffolk tenants).

18.3 It is important to understand that the 30 year HRA business plan was predicated on an annual rent increase of CPI + 1%, the formula agreed by the government in 2014. In business planning terms, the loss to the HRA is therefore greater than 1% per annum. The cumulative impact of the rent reduction results in a reduced income (against business plan projections) to the HRA as follows:

Year 1:	£0.3m
Years 1 to 4:	£4.0m
Years 1 to 10:	£15.6m

This will reduce the resources available to deliver services, to maintain and improve the existing housing stock and to develop new council housing.

18.4 A balanced budget has been achieved for 2017/18 by reducing both revenue and capital budgets (see table in 19.1). A fundamental review of the housing service has been undertaken during 2016/17 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review has examined:

- Performance management measures.
- A review of garages was commenced to identify their condition and whether there are redevelopment opportunities on the sites or if they should be demolished and replaced with parking bays. 25 sites were identified as having development potential. These are being further explored by the Investment & Development team who will report to the Joint Housing Board early in the new year.
- Our approach to HRA business planning includes reviewing and realigning housing stock condition data and capital programme expenditure. Our current stock condition data is six years old. A project is underway to renew the data to enable an evidence based programme of capital works to be designed for 2017/18 and the following two years. In the meantime, all non-essential work has been ceased. We believe a fresh sample stock condition survey will be required in 2019/20. A contingency amount, based on the HRA Business Plan model, has been put into the 2017/18 Budget and 4 year MTFS 2017/18 and will be allocated against the relevant areas of spend once the Capital Programme is completed.
- The Sheltered Housing Review concluded that some schemes which are difficult to let should be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding.
- Reviewing the existing Capital Projects Team (formerly part of the Asset Management Team) and Private Sector Housing Team has brought them together in one team called Property Services. This has led to a change in the approach to the way the work is being carried out and how the teams were structured to introduce a more efficient and consistent way of working. The new structure will be in place by March 2017.

- Councillors approved the formation of a new Babergh and Mid Suffolk Building Services (BMBS) which will carry out responsive repairs and programmes works. The BMBS business plan forecasts a surplus in year two of trading (2018/19). The back office team structure is currently under review, along with the Property Services team.
- A new HRA Accounting Team was set up following the appointment of a Professional Lead HRA Accountant in July 2016. A review of the Budget setting and monitoring process, financial controls, support required by Corporate Managers and the Assistant Director and Capital spend will be completed by March 2017.
- Leaseholders service charges are being reviewed to identify the gap between costs incurred and the amount recharged. This is currently ongoing and will be completed in 2017/18 as part of the Home Ownership Review project, so any increase in income identified has not been put into the 2017/18 Budget.

18.5 **Garage rents** – these are not controlled by the same regime as council house rents. Members therefore have the option to impose a rent increase and may wish to take the opportunity to raise additional income through this route. Table 1 provides details of the additional income generated by a range of rent increases:

Table 1

Increase	Average increase per garage per week	Additional income per annum
	Pence	£
CPI + 1% (1.90%)	14	8,068
5% Increase	37	21,216
10% Increase	74	42,484

18.6 **Sheltered housing** - Mid Suffolk currently subsidises sheltered service charges from the HRA by approximately £100k each year. The new pressures of rent reduction and the high value asset levy make this subsidy unsustainable. A review of the service charges is being undertaken by an external resource to identify the costs that should be recharged. Workings show the following amounts of additional income if each tenant was charged: -

Weekly/Annual	Total additional income at £4 increase per week	Total additional income at £3 increase per week	Total additional income at £2.50
Weekly Total	1,544	1,158	965
Annual Total	80,288	60,216	50,180

18.7 Utility charges were reduced by 20% last year and these are now in line with the energy costs (£213k cost vs £217k utility charge) so no change is required in 2017/18

HRA New Build programme and retention of Right to Buy receipts

18.8 Right to Buy (RTB) sales have exceeded projections in business plans. In 2015/16 Mid Suffolk sold 32 homes against original projections of 26 sales prior to the policy of reinvigorating RTB and “1-4-1” re-provision.

18.9 The money received from RTB sales can only be used as 30% towards the cost of a replacement home. The remaining 70% of the replacement cost has to be found from other HRA resources. As sales increase, it means that the level of match funding required (70%) increases. If the receipts are not spent within the 3 year period allowed, they have to be repaid to Government with 4% above the base rate interest added.

18.10 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are artificially restricted. The supported spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes is still achievable within current borrowing headroom in the next 4 years. However, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable. The rescinding of the mandatory pay to stay policy referred to in 16.1 will go some way to mitigating this risk as it was predicted that more tenants would want to buy their homes if the rent was increased.

19 HRA Draft Budget 2017/18

19.1 The table below sets out the draft HRA budget for 2017/18, based on a 1% rent decrease, highlighting the variance from 2016/17.

Description	2016/17 £000	2017/18 £000	Variance £000	Reason
Rent and other income	(15,424)	(15,561)	(137)	Based on a proposed average rent decrease of 1%. Offset by increase in affordable rents, decrease in void days and changes in service charges and garage rents
Bad Debt Provision	75	75	0	Universal Credit has been delayed until Feb 2018 so we can keep this at the same level.
Interest	(15)	(24)	(9)	
Total Net Income	(15,364)	(15,510)	(146)	
Repairs and Maintenance, Management and other costs	6,070	5,939	(131)	Reflects decrease in salaries based on averages of staff being made redundant due to restructuring of Sheltered Accommodation Property Services. There have also been savings in transport costs, Council Tax on void properties and equipment.

Description	2016/17 £000	2017/18 £000	Variance £000	Reason
Capital Charges	3,017	3,042	25	Reflects interest costs on long term loans.
Depreciation	3,406	3,406	0	
Revenue Contribution to Capital Programme	3,733	3,597	(136)	Reflects a small decrease due to reduction in Capital Programme spend which is funded by Major Repairs Reserves, Grants and Receipts and then a call on revenue balances
Total Expenditure	16,226	15,984	(242)	
In-year operating (surplus)/deficit	862	474	(388)	
Year-end transfer to/from reserves	(862)	(474)	388	
Total	0	0	0	

19.2 A revised and updated HRA Business Plan is attached at Appendix D, based on annual rent increases of -1% and also reflecting:-

- HCA scheme development costs;
- Funding to support spend of RTB receipts and capital programme expenditure.

19.3 HRA Business Plans are currently viable over the next 8 years only; and shortfalls in the available funding then continue for some 11 years before returning to surplus over the remaining 30 year period. This is an improvement on 2016/17 by 4 years due to the predicted underspend of £2.4m this year and the £1.5m reduction on spend in 2017/18. However, further work needs to be done to review capital expenditure programmes for 2018/19 to 2021/22 to reduce effects of the 1% rent reduction.

19.4 The established rent formula empowers Government to restrict our ability to increase rents through applying a 'limit rent' (the average rent level at which full housing benefit will be paid). If our average rent exceeds this amount then a payment has to be made to the Government to make up the difference. Limit rent figures will be released at the end of January 2017. This could still have an impact on rent levels in addition to the mandatory 1% reduction.

20 HRA Capital Programme Investment

20.1 The draft Capital Programme is attached at Appendix C. This does not include any projections for High Value Asset Levy at present.

20.2 The proposed Capital Programme headlines for 2017/18 – 2020/21 are:-

Expenditure	£m
Housing Maintenance Programmes	17.2
New build (HCA programme)	0.7
RTB receipt funding	16.9
Total	34.8
Financing	
Capital receipts disposals and RTB receipts and HCA Grant	12.2
Revenue Contributions	22.6
Borrowing	0
Total	34.8
Remaining Borrowing Headroom available (31 March 2021)	4.8

21. Appendices

Title	Location
Appendix A – Draft General Fund Budget Summary 2017/18	Attached
Appendix B – Movement of service cost budget year on year	Attached
Appendix C – Draft Capital Programmes	Attached
Appendix D – Draft updated HRA Business Plan	Attached
Appendix E – Draft Joint Medium Term Financial Strategy	Attached
Appendix F – Draft Budget Book 2017/18	Attached

22. Background Documents

Local Government Finance Settlement.

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Draft General Fund Budget Summary 2017/18**GENERAL FUND REVENUE BUDGET SUMMARY**

	2016/17 £'000	2017/18 £'000
1 Employee Costs	8,544	8,683
2 Premises	773	794
3 Supplies & Services	5,348	4,050
4 Transport	331	335
5 Contracts	3,020	3,078
6 Third Party	17,420	16,964
7 Income	<u>(23,081)</u>	<u>(25,439)</u>
Service Cost	12,356	8,464
8 Transfers to HRA / Capital (recharge model)	(1,223)	(1,298)
9 Capital charges & Investment Income	675	65
10 Transfers to Reserves	<u>110</u>	<u>2,726</u>
Net Service Cost	11,918	9,959
11 Transformation Fund - Staffing (NHB)	(427)	(430)
12 Transformation Fund - Delivery Plan projects (NHB)	(2,000)	-
13 Transformation Fund - Community Capacity Building (NHB)	-	(250)
14 Transfers from Reserves - earmarked	(82)	(82)
15 S31 Grant	-	(600)
16 New Homes Bonus remaining	<u>(110)</u>	<u>(1,347)</u>
Budget Requirement	9,299	7,249
17 Deficit / (Surplus) on Collection fund	(120)	(89)
18 Revenue Support Grant (RSG)	(918)	(371)
19 Business Rates	(2,160)	(2,203)
20 Transition Grant	(39)	(39)
21 Rural Services Support Grant	<u>(430)</u>	<u>(347)</u>
Council Tax	5,631	4,201
22 Shortfall in funding / (Surplus Funds)	(0)	(1,596)
Council Tax Base	(35,336)	(35,786)
Council Tax for Band D Property	<u>159.36</u>	<u>161.97</u>
Council Tax	(5,631)	(5,796)

Movement of Service Cost budget year on year

MID SUFFOLK - MOVEMENT YEAR ON YEAR	16/17 to 17/18 £000
Net Service Cost previous year	11,919
<u>Cost Pressures</u>	
<u>Inflation</u>	
Employees	85
Contracts	66
Premises	2
Supplies & Services	5
Other	1
<u>Financially Sustainable Councils</u>	
Employee costs including increments	406
Pension fund deficit (1% increase for the next 3 years)	54
Insurance Premiums	36
Business rates	32
Sub total cost pressure	686
<u>Other increases to net service cost</u>	
<u>Agree where growth goes</u>	
Strategic Planning	24
<u>Communities embrace new homes growth</u>	
Development Management - (net) fee income plus legal and consultancy fees	73
<u>Digital by Design</u>	
ICT & Information Management - change to SCC contract (offset by staffing costs)	35
Organisational Development - transfer of Payroll services to SCC	14
<u>Environment</u>	
Car Parks - income shortfall	80
<u>Financially Sustainable Councils</u>	
Revenues and Benefits - adjustment to bad debt provision	114
VAT, District Valuers and Treasury Management consultancy	22
Shared legal Team	21
Modern Apprentices	15
Senior Leadership Team - corporate subscriptions	12
Banking Charges	10
Other changes	12
<u>Strengthened and clear governance to enable delivery</u>	
Members Allowances (SRA)	15
<u>Targeted grants and funding to support Community Capacity Building</u>	250
<u>Waste</u>	
Recycling credits	
<u>Leisure</u>	
Contract costs	28
Sub total other increases to net service cost	724
<u>Actions to offset increases to net service cost</u>	
Inflation - income	(21)
Removal of £2m for Delivery Plan projects	(2,000)
<u>Engage with and support businesses to thrive</u>	
Open for Business	(15)
<u>Environment</u>	
Public Realm - waste disposal costs	(104)
<u>Financially Sustainable Councils</u>	
Investment income (net) Holding Company	(247)
Change to Minimum Revenue Provision (MRP)	(222)
Investment income (net) Pooled Funds	(149)
Increase in charge to HRA / Capital	(85)
SRP contract reduction	(82)
Accommodation review	(69)
Other HQ savings	(30)
Removal of grants to Parishes	(45)
Building Control - fee income	(45)
Photocopying costs	(20)
Movement in Resaves (Transfers to)	(11)
Communications	(15)
Increase to CDC Charge	(12)
Sustainable environment - misc supplies & services	
/ Suffolk Climate Change Partnership	(18)
Other changes	(18)
<u>Property investment to generate income and regenerate local areas</u>	
PV panel income - feed in tariff	(87)
<u>Targeted grants and funding to support Community Capacity Building</u>	
Community grants	(10)
<u>Waste</u>	
Garden waste income	(67)
Sub total actions	(3,370)
Total Net Service Cost movement	(1,960)
New Net Service Cost	9,959

DRAFT CAPITAL PROGRAMME FOR 2017/18 TO 2020/21**GENERAL FUND**

MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Government Grants	S106	Borrowing	Total Financing
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Supported Living											
Mandatory Disabled Facilities Grant	300	300	300	300	1,200			1,076		124	1,200
Discretionary Housing Grants	100	100	100	100	400					400	400
Empty Homes Grant	100	100	100	100	400					400	400
Total Supported Living	500	500	500	500	2,000	0	0	1,076	0	924	2,000
Strategic Planning											
Grants for Affordable Housing	250	250	250	250	1,000					1,000	1,000
Total Strategic Planning	250	250	250	250	1,000	0	0	0	0	1,000	1,000
Environment and Projects											
Replacement Refuse Freighters - Joint Scheme	170	0	170	170	510					510	510
Recycling Bins	100	100	100	100	400					400	400
Total Environmental Services	270	100	270	270	910	0	0	0	0	910	910
Communities and Public Access											
Planned Maintenance / Enhancements - Car Parks	204	162	125	109	599					599	599
Streetcare - Vehicles and Plant Renewals	44	44	44	44	176					176	176
Play Equipment	20	20	20	20	80					80	80
Community Development Grants	189	189	189	189	756					756	756
Total Communities and Public Access	457	415	378	362	1,611	0	0	0	0	1,611	1,611
Leisure Contracts											
Stowmarket Leisure Centre - PV panels	0	0	0	0	0						0
Stowmarket Leisure Centre - structural repairs	43	0	0	0	43					43	43
Total Leisure Contracts	43	0	0	0	43	0	0	0	0	43	43

DRAFT CAPITAL PROGRAMME FOR 2017/18 TO 2020/21**GENERAL FUND**

MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Government Grants	S106	Borrowing	Total Financing
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Projects											
HQ - Equipment Renewals	20	0	0	0	20					20	20
Planned Maintenance - Corporate Buildings	82	80	80	80	322					322	322
Carbon Reduction	50	50	50	50	200					200	200
Total Capital Projects	152	130	130	130	542	0	0	0	0	542	542
Investment and Commercial Delivery											
Open for Business	30	30	30	30	120					120	120
Land assembly, property acquisition and regeneration opportunities	1,925	1,925	1,925	1,925	7,700					7,700	7,700
Total Investment and Commercial Delivery	1,955	1,955	1,955	1,955	7,820	0	0	0	0	7,820	7,820
Corporate Resources											
ICT - Hardware / Software costs	763	200	200	200	1,363	95				1,268	1,363
Total Corporate resources	763	200	200	200	1,363	95	0	0	0	1,268	1,363
Delivery Programme Investment Opportunities	0	0	0	0	0	0	0	0	0	0	0
Total General Fund Capital Spend	4,389	3,550	3,683	3,667	15,288	95	0	1,076	0	14,118	15,289
Total Capital Spend	12,426	12,295	12,469	12,873	50,062	95	0	1,076	0	14,118	15,289

DRAFT CAPITAL PROGRAMME FOR 2017/18 TO 2020/21**HRA**

MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Revenue Contributions	Government Grants	S106	Borrowing	Total Financin g
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£000's	£'000	£'000	£'000	£'000
Capital Projects												
Planned maintenance	3,321	4,391	4,288	4,248	16,248			16,248				16,248
ICT Projects	85	0	0	0	85			85				85
Environmental Improvements	40	40	40	40	160			160				160
Disabled Facilities work	200	200	150	150	700			700				700
New build programme inc acquisitions	4,391	4,114	4,308	4,768	17,581	2,996	9,147	5,323	115			17,581
Total HRA Capital Spend	8,037	8,745	8,786	9,206	34,774	2,996	9,147	22,516	115	0	0	34,774

Note: the new build acquisitions and new build budgets for 2017-18 onwards will be set on the basis of what the business plan will allow when the other HRA capital budgets have been agreed.

HRA Business Plan updated 2017 – 2027

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
£'000	1	2	3	4	5	6	7	8	9	10
INCOME:										
Total Income	15,561	15,518	15,458	15,863	16,295	16,756	17,241	17,741	18,254	18,817
EXPENDITURE:										
General Management	-1,361	-1,943	-1,992	-2,041	-2,092	-2,145	-2,198	-2,253	-2,310	-2,367
Special Management	-1,185	-1,214	-1,245	-1,276	-1,308	-1,340	-1,374	-1,408	-1,443	-1,480
Bad Debt Provision	-75	-74	-74	-76	-78	-80	-82	-85	-87	-90
Responsive & Cyclical Repairs	-3,394	-3,344	-3,512	-3,688	-3,894	-3,992	-4,092	-4,194	-4,299	-4,406
Total Revenue Expenditure	-6,014	-6,576	-6,822	-7,081	-7,372	-7,557	-7,746	-7,940	-8,139	-8,343
Interest Paid	-3,042	-3,164	-3,263	-3,286	-3,279	-3,301	-3,381	-3,460	-3,520	-3,708
Interest Received	23	62	82	53	27	17	17	17	17	17
Depreciation	-3,407	-3,445	-3,445	-3,445	-3,531	-3,619	-3,710	-3,803	-3,898	-3,899
Net Operating Income	3,122	2,395	2,011	2,103	2,140	2,296	2,421	2,554	2,714	2,885
APPROPRIATIONS:										
Revenue Contribution to Capital	-3,597	0	-1,661	-3,951	-3,350	-2,279	-2,424	-2,557	-2,712	-2,825
Total Appropriations	-3,597	0	-1,661	-3,951	-3,350	-2,279	-2,424	-2,557	-2,712	-2,825
ANNUAL CASHFLOW	-475	2,395	350	-1,848	-1,210	17	-3	-2	2	59
Opening Balance	1,775	1,301	3,696	4,045	2,197	987	1,004	1,001	999	1,001
Closing Balance	1,301	3,696	4,045	2,197	987	1,004	1,001	999	1,001	1,060

Note: RCCO is £0 in 2018/19 as Capital expenditure is fully covered by MRR



Joint Medium Term Financial Strategy (MTFS) and the Councils' Business Model

2017/18 to 2020/21

Draft - January 2017

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Foreword from the Leaders of the Councils

We are delighted to introduce the Joint Medium Term Financial Strategy (MTFS) for Babergh and Mid Suffolk Councils, which covers the period 2017/18 to 2020/21 and builds on the work started in 2016/17 and before.

The strategy sets out the approach that each Council is taking to the delivery of its strategic priorities and the management of our finances over the next four years. Whilst we remain two sovereign councils, with two separate budgets and differences in our financial positions, there are many similarities in our approach to addressing the challenges we face and opportunities that exist.

We are working together to deliver common strategies and priorities and design new ways of working differently, although how these will apply to the different localities and communities may still vary. However, the councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector. At the same time though, there are also funding sources and opportunities that we must fully exploit as part of our business model.

In this context, and like many other councils, we have to make a number of sometimes difficult and complex financial decisions. We are both confident that the two councils' budgets and approaches we are adopting represent a sound platform for the medium term, whilst we go about prioritising our resources to essential services.

The key driver in previous years was the delivery of staff and service integration to serve both councils. This delivered significant savings across the two councils with the ongoing aim of designing services to maintain capacity and resilience to ensure that the need for budgetary savings does not dominate the agenda in a negative way.

However, the savings from integration could not meet all of the future financial challenges that we face, so we are adopting new ways of working that take advantage of the new forms of incentivised funding, new technologies and new opportunities that are available to councils and this approach is already providing financial benefits. We reviewed the priorities set out in our Joint Strategic Plan to ensure that they support our ambitions since the local election in May 2015, and now we are aligning our resources to deliver those ambitions.

The vision, priorities and outcomes set out in our refreshed Joint Strategic Plan are shaping and inform real choices about the allocation of resources and the structure and skills required for our Management Team. Some of the new ways of working will involve decisions about how our councils invest valuable resources (people, money and assets) in particular to aid economic growth.

We are also adopting a mixed approach whereby we deliver some things directly but also empower communities far more to do things for themselves and develop solutions with others. The key to this is to engage with communities more and work through solutions together rather than in opposition to each other.

We are also facing significant challenges in our role as a social housing landlord. We have reviewed our business model and plans during 2016/17 to ensure that it is fit to deliver a long-term sustainable service to some of the most vulnerable people in our districts.

Consultations during 2016 about the 100% retention of business rates income from 2020 means that we will need to keep our financial strategy under constant review and adapt our business model to continue to respond to the challenges.

Everyone we work with and for should be aware of the councils' strategic plan and this strategy and that is why we are publishing it to inform our communities and partners of what the future holds.

Cllr. Jennie Jenkins
Leader
Babergh District Council

Cllr. Nick Gowrley
Leader
Mid Suffolk District Council

1. Summary – Key Points

1.1 The way we operate, our priorities and resources are changing dramatically. As part of this, we have been and are developing:

- A new business model to enable us to respond to changes in Government funding that will support the delivery of strategic priority outcomes and medium term financial sustainability
- An investment strategy that maximises incentivised and other funding streams e.g. New Homes Bonus and Business Rates and that delivers additional income and savings in the future e.g. doing things on an 'Invest to Save' or 'Profit for Purpose' basis
- Achieving efficiencies and cost reductions, through collaborative working and getting the basics right
- A clear financial strategy, including a revenue budget and capital investment strategy that supports the above and sets out how we aim to tackle the Budget gap over the next 4 years.
- A more commercial approach, including the establishment of an incorporated trading company group structure through which we can generate additional income and deliver our key strategic objectives.

1.2 The main contents of this document and key aspects of the business model, investment strategy and financial strategy include:

- The financial outlook and picture for the next 4 years i.e. how the general economic context, public sector spending constraints and the local strategic context impacts on what we do and how we do it
- Current forecasts, which will inevitably change over time, of what savings and additional income will be needed
- Our response to this, including aligning resources to the Councils' refreshed strategic plan priorities and essential services
- How we are planning to transform service delivery, behave more commercially and adapt to the new funding arrangements and business model.

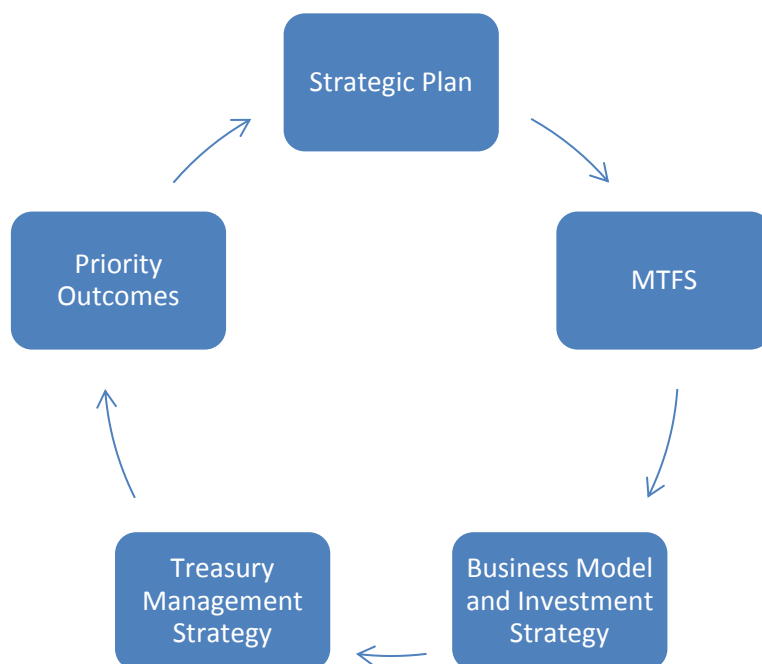
1.3 Key financial headlines:

- Funding through Revenue Support Grant from the Government, which currently stands at £0.3m for Mid Suffolk and £0.5m for Babergh, will reduce year on year and will disappear by 2019/20
- New Homes Bonus (NHB) is decreasing from £2.641m to £2.028m for Mid Suffolk and from £1.779m to £1.212m for Babergh.
- Due to annual cost pressures and other things that impact on the Budget of each Council, we estimate for Babergh a surplus of between £0.2m and a shortfall of £1.9m by 2020/2. For Mid Suffolk, we estimate a surplus of between £0.4m and a shortfall of £1.0m by 2020/21.

- Babergh's financial position is more reliant on NHB to achieve a balanced budget than Mid Suffolk's, so more action and intervention is likely to be needed to achieve financial sustainability in the medium term. Both Councils will, however, need to transform what they do as the funding change will bring challenges for both Councils.
- Transformation Funds of around £2.7m for Babergh and £7.6m for Mid Suffolk are available currently to invest in changing our business model and generate economic growth. Some money has been used in the last two years to make the change in our business model, but more needs to be done.
- New homes and economic growth will be vital in making a significant contribution towards the Budget gap
- Growth in Business Rates income and the Suffolk rates pooling arrangement could make an important contribution towards delivering the councils' strategic priorities and the financial strategy. Business rates income will become even more prominent from April 2017 with any devolution deal that can be negotiated for Suffolk and interested bordering councils, the revaluation in 2017 and 100% retention from 2020.
- An Assets and Investment Strategy & Prudential Borrowing strategy that develops a fund, which is based on 'Invest to Save' and 'Profit for Purpose' principles
- An overall strategy that focuses on providing new housing, jobs and economic growth by working with communities and other partners.
- Review of the Councils' assets to maximise social and financial return.

2. Purpose of the MTFS

- 2.1 This Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver the Councils' strategic priorities and essential services over the next 4 years. It sets out how the Councils can generate and use these resources within the financial context and constraints likely to be faced.
- 2.2 Like all local authorities, Babergh and Mid Suffolk's MTFS is influenced by national government policy, funding changes and Government spending announcements.
- 2.3 The Local Government Finance Settlement has published the figures for 2017/18 and indicative numbers to 2020/21. This MTFS therefore is based on these numbers and any other factors and uncertainties that will affect the overall strategy and detailed actions.
- 2.4 It must be stressed that we are two sovereign councils, with two separate budgets - as shown in the 'summary of our financial position' section of this document. There are, however similarities in our approach to meeting the financial challenges.
- 2.5 We are therefore working together to build common strategies, and to share learning from one another in designing new approaches, although how these approaches apply to the different localities and communities in Babergh and Mid Suffolk, may still vary.
- 2.6 There are key links between the MTFS and other plans and strategies and a coherent joined up approach to each of these is essential:



3. National Economic Context

The UK economy

- 3.1 The UK economy showed considerable momentum in the run up to the EU referendum, and has shown significant resilience since. The UK is forecast to be the fastest growing country in the G7 in 2016 and economic activity grew 2.3% in the year to Q3 2016. The employment rate is at a record high of 74.5%, and between 2009-10 and 2015-16 the deficit was reduced by almost two-thirds from 10.1% to 4.0% of GDP.
- 3.2 The UK is likely to face a period of uncertainty, followed by adjustment. Reflecting this, the Office for Budget Responsibility (OBR) forecasts that GDP growth will slow to 1.4% in 2017, and then recover to 1.7% in 2018, 2.1% in both 2019 and 2020, and 2.0% in 2021. The OBR expects lower business investment and household spending to weigh on GDP in the near term. Lower business investment is expected to exacerbate the long-standing weakness in UK productivity. The OBR highlights that there is a higher than usual degree of uncertainty in these forecasts.
- 3.3 CPI is forecast at 0.6% for 2016, 2.3% in 2017 and 2.5% in 2018, then falling to 2% by 2021.
- 3.4 The Bank of England's Monetary Policy Committee (MPC) reduced the Bank Rate from 0.05% to 0.25% in August 2016 and announced a monetary stimulus package to support economic growth and achieve a sustainable return of inflation to target. The MPC extended the quantitative easing programme, and introduced a new Term Funding Scheme to enable banks to pass on the Bank Rate cut to businesses and households. The Bank of England will expand its purchases of UK government bonds by £60 billion, taking the stock of these asset purchases to £435 billion, and purchase up to £10 billion of corporate bonds, using newly created central bank reserves.

Government borrowing and spending

- 3.5 The UK's public finances are in a much stronger position than in 2010 due to determined government action. However, the outlook for the public finances has deteriorated since Budget 2016, with disappointing tax revenues over the first half of this year, a weaker economic outlook weighing on receipts from income taxes, and higher spending by local authorities, public corporations, and on welfare benefits.
- 3.6 The government has announced they are continuing to focus on reducing the deficit in order to deliver a strong and stable economy. The 2016 Autumn Statement sets out the commitment to return public finances to balance, ensuring that the UK lives within its means. However, given the weaker growth outlook, and the period of uncertainty that is likely while the UK negotiates a new relationship with the EU, the government will no longer seek to reach a fiscal surplus in this Parliament.
- 3.7 The government's objective is to return the public finances to balance at the earliest possible date in the next Parliament. To ensure this objective

is reached, the government has published a new Charter for Budget Responsibility. This commits to reducing the structural deficit to below 2% of GDP and to have debt falling as a percentage of GDP by the end of this Parliament. This new fiscal framework ensures the public finances continue on the path to sustainability, while providing the flexibility needed to support the economy in the near term.

- 3.8 Due to the pressure on the public finances, the government has chosen to focus discretionary support on highly-targeted investments to boost the productive capacity of the economy. This will, over the medium and long term, be the most important factor for continuing to raise living standards across the UK. Otherwise, the government is sticking to its overall spending plans set out in Spending Review 2015 and has reinforced its controls on welfare spending.

The changing landscape of local government funding

- 3.9 The way that local government is funded has changed. The Government has introduced:
- Incentivised Funding - New Homes Bonus introduced in 2011
 - The Business Rates Retention Scheme and Local Council Tax Reduction Scheme in April 2013
 - Council Housing – the HRA self-financing regime, ending the housing subsidy system and giving more freedom and flexibilities to councils
 - Introduction of devolution deals to some parts of the country that devolve additional responsibilities and funding from Government.
- 3.10 Core funding from Revenue Support Grant (RSG) has been reducing year on year and will disappear by 2019/20. Councils are, therefore, becoming reliant on locally generated income and incentivised funding.
- 3.11 Council tax income continues to be the main source of funding, in total value, for councils. Decisions around freezes or any annual increases are an important part of the financial strategy.
- 3.12 Other key income sources are as follows and these funds are predicated on the two Councils following through on their growth strategy and policies:
- Business Rates Retention

Business rates retention affects councils, as future changes to the level of business rates yield now directly impact on council funding levels, with both the risks and rewards of business rate growth (or contraction) being shared between central government, and local authorities - 40% retained by district councils.

In order to help manage this risk, and to maximise the potential amount of business rates that are retained within Suffolk, Suffolk County Council and each Suffolk district/borough council are part of a business rates pooling arrangement where a percentage of the business rates collected

by each council goes into a single pool. The financial benefits are shared between councils and a proportion used to support collaborative ventures that will achieve economic growth in the region.

From 2020 local authorities will retain 100% of business rates and as a result will take on the full risks and rewards of the business base in the area.

- New Homes Bonus

The New Homes Bonus (NHB) scheme provides local councils with funding that can be used on any council activity or service (it is not ring-fenced for housing). Mid Suffolk has put most and Babergh some of the money received to date into a Transformation Fund, to deliver the outcomes and priorities set out in the Joint Strategic Plan and to change the business model.

Growth in the number of new homes built compared to the current/historic annual levels is one of the key drivers of the Councils' business model. The new Joint Local Plan and Strategic Planning and Infrastructure Framework will be key in delivering growth.

The current amount received is based on the national average council tax band on each additional property built in the council's area, or on each long-term empty property that is brought back into use. The Government's spending announcement on 15 December 2016 made some changes to the New Home Bonus payments to release resource that can be directed towards social care. The first change reduced the number of years paid from 6 years in 2016/17 to 5 years in 2017/18 and 4 years thereafter. The second change was to introduce baseline for growth at 0.4%, so only growth above that figure will receive a NHB payment in future. New homes also increase the council tax base and hence the amount of council tax income received.

- Additional Income

We must, wherever possible, generate as much additional income as we can from our activities and 'Invest to Save' in our future in order to achieve funding levels that will deliver our strategic priorities and essential services.

We are already doing this through our Treasury Management Strategy and will also do this by using the Transformation Funds as one-off money to do things differently, better and enter into more commercial ventures e.g. building new homes, borrowing to invest to generate 'profit for purpose' and other new ways of doing business better.

In November 2016 both Councils approved a new Assets and Investment Strategy. The Strategy comprises of three strands, Investment (profit for purpose), Regeneration and Development and Assets.

The Strategy will provide the framework for the Councils' to jointly invest in commercial assets to generate long term revenue income streams,

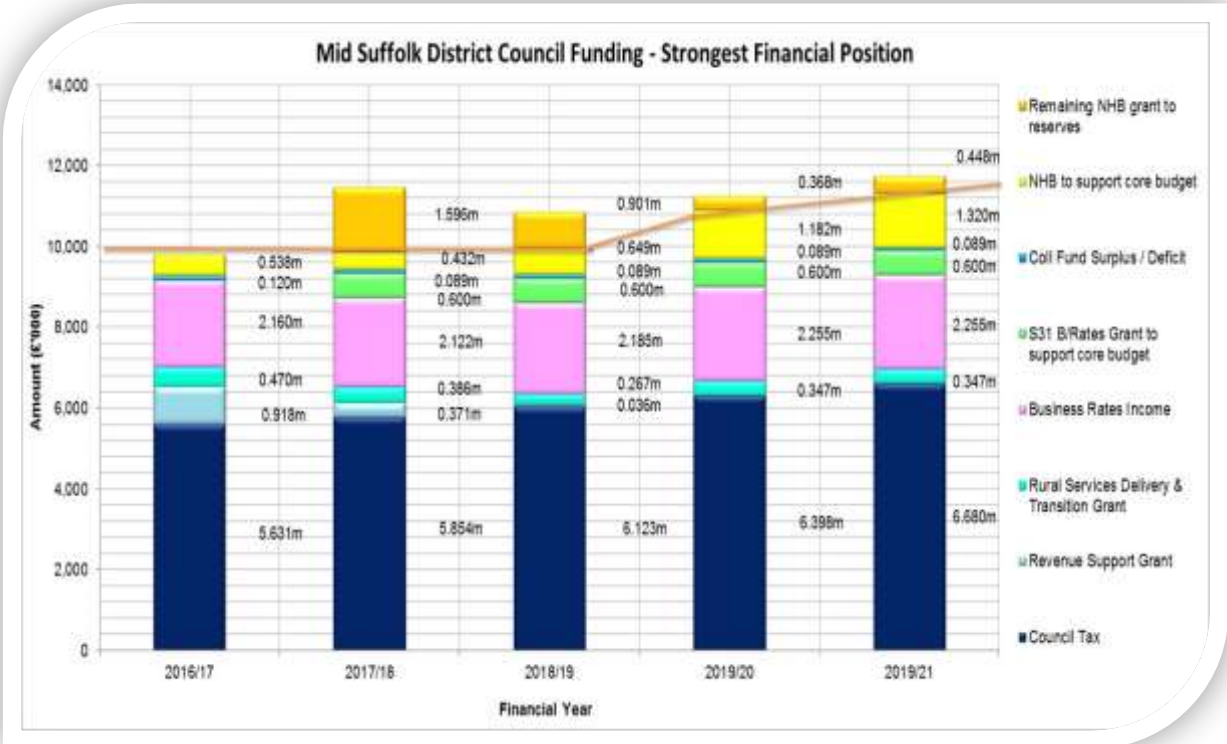
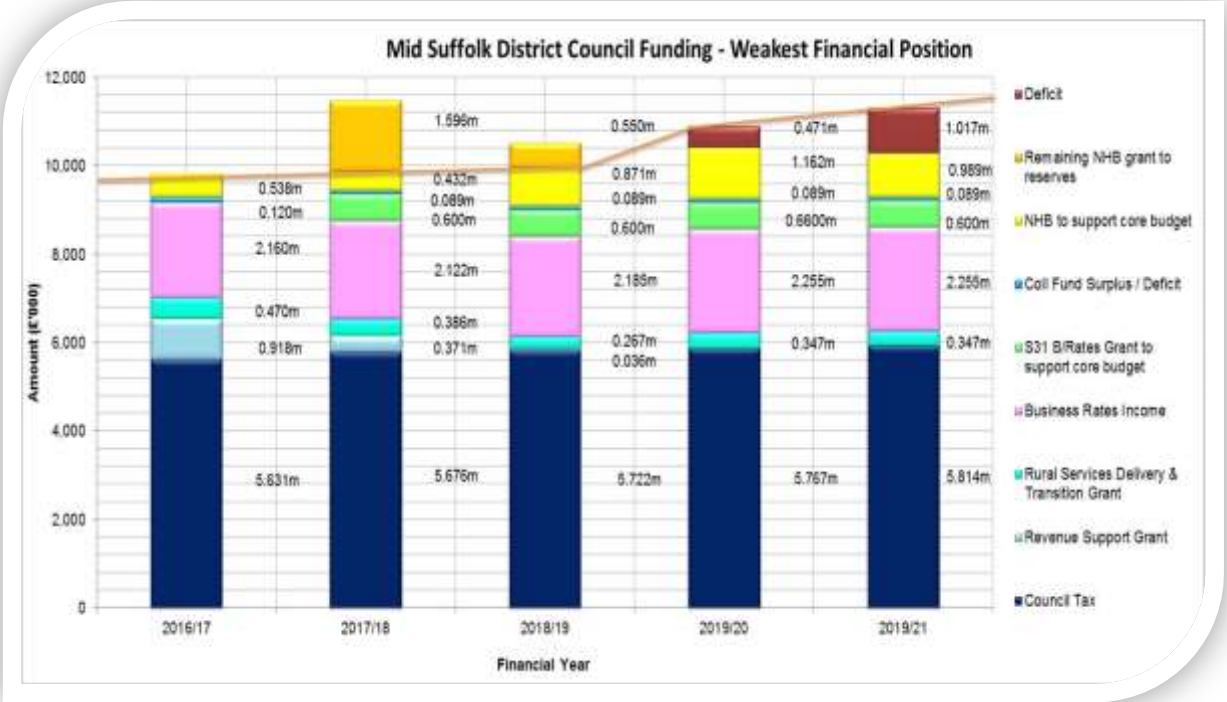
invest independently or jointly to deliver new homes, jobs and regenerate local areas and make best use of their own and the wider public sectors assets.

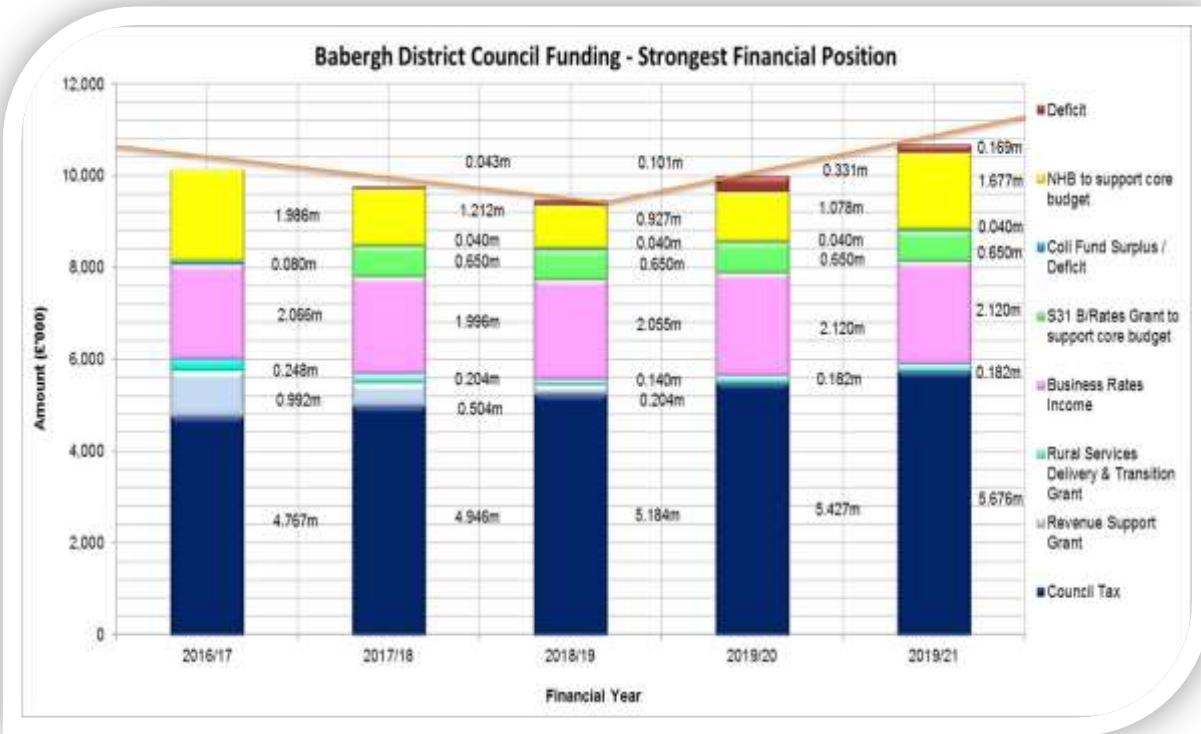
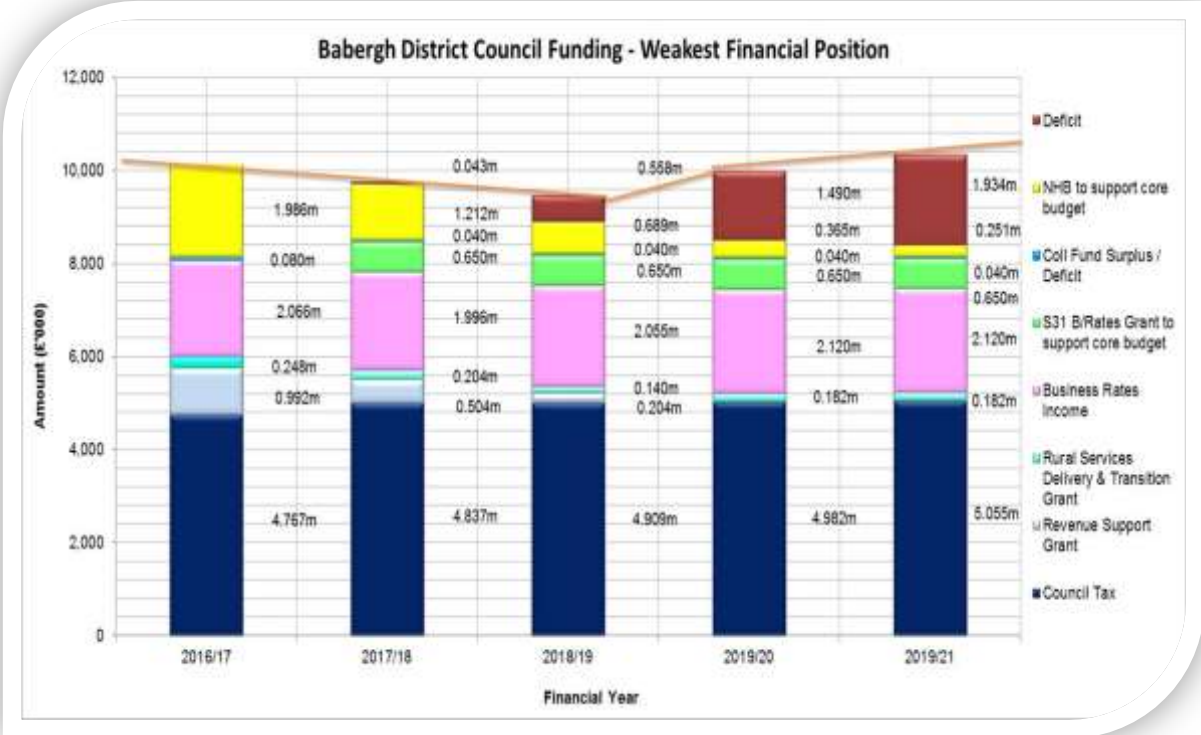
Each Council has also determined to use its prudential borrowing powers to invest in a way that will contribute towards our strategic priorities, but also deliver an investment return.

The success of this approach is paramount to future funding and service provision as, without this additional income, cuts to services or service standards will be needed over the next few years.

The Funding Gap

- 3.13 A number of scenarios could be modelled, based on different assumptions about New Homes Bonus, Council Tax Base, and Council Tax levels. The charts below show the challenge that each Council is facing over the next 4 years, modelling the strongest and weakest financial positions for the following various assumptions.
- 3.14 Modelling the strongest and weakest scenarios, the graphs show the different funding position for the General Fund of the two Councils over the next 4 years and how much of the gap can be addressed through receipt of New Homes Bonus income and business rates grants. Further steps to increase income and/or reduce costs would still, therefore, be needed as part of the transformation programme in order to achieve medium term financial sustainability.





4. A Business Model that responds to the financial challenges and opportunities

- 4.1 The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents Babergh and Mid Suffolk with both challenges and opportunities.
- 4.2 Each Council's financial position is based on their differing financial circumstances, local demand and opportunities. It is also all about our policies and strategies that affect growth, income, our approaches to service provision and a lot more.
- 4.3 We need to get these things right as part of our business model, plans and engagement with the communities we serve. Understanding and operating this business model is key to our future success and financial sustainability.
- 4.4 The 'Summary of our financial positions' section of this document details each Council's individual financial standing. The following section provides an overview of the local context in which both Councils need to operate.

A developing business model

- 4.5 In high level terms, this comprises:
- Maximising income and one-off/temporary/ongoing incentivised funding
 - Using one off/temporary money to generate ongoing funding and income streams or to reduce our costs
 - Not simply monitoring and managing resources and what we spend but 'resource weaving' to make sure that the funds that are available work together, complement each other and produce the maximum outcomes across different activities and with different partners. We need to ensure that our resources are being used to their optimum effect.
 - Exploring and seizing new opportunities and ventures that are innovative and will deliver a rate of return on investment that supports the MTFS
 - Being more commercial, using prudential borrowing and other available funding to deliver 'profit for purpose' and new income streams.

The business model requires a strong commitment and leadership to this new way of working and a change in thinking for councillors and officers. The management review and then development of the organisation will ensure that we have the right skills, capabilities and capacity in place to deliver.

- 4.6 In practical terms, this will mean achieving further efficiencies and making sure what we do is effective and has impact, managing demands on our services from residents (including a commitment to channel shift) and spending only on things that achieve our strategic priorities and essential services.
- 4.7 Use of capital and one off funds is critical and need to be linked into our future delivery plans. The Transformation Fund must be used wisely to ensure it supports the shift in our business model and capacity to deliver within our future resources.
- 4.8 We are continuing to develop and use a Priority Based Resourcing (PBR) and zero based budgeting approach to aligning our resources to our key strategic objectives. As we evolve the PBR process we need to be able to demonstrate that all of our activity and resources are supporting the overall aims of the Councils. We will focus our efforts in the following areas:
1. Corporate core (the things we have to do/provide to just keep the Councils running) - which we will seek to minimise.
 2. Costs of things we must do – essential/statutory services which we will make more efficient and cost effective.
 3. Costs of things that achieve our priorities (some of which will generate new sources of funding e.g. growth).
 4. Pure income generating activities.

Our Overall Strategic Response

- 4.9 Based on the issues and approaches set out in the previous section and whilst recognising that Babergh and Mid Suffolk are separate councils with their own individual budgets and requirements, the Councils' joint response to the challenges we face and the opportunities we need to grasp are based on six key actions:
1. Aligning resources to the Councils' refreshed strategic plan and essential services.
 2. Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
 3. Behaving more commercially and generating additional income.
 4. Considering new funding models (e.g. acting as an investor).
 5. Encouraging the use of digital interaction and transforming our approach to customer access.
 6. Taking advantage of new forms of local government finance (e.g. new homes bonus, business rates retention).
- 4.10 Further details on each key action are provided below:

Aligning resources to the Councils' refreshed strategic plan and essential services

So far both councils have addressed the need for financial savings by integrating services and meeting savings 'targets' for different parts of the council by reducing budgets (including 'salami slicing') cutting out waste, joint procurement and partnership work and reducing staff levels. The approach used for the 2017/18 budget has been to review each budget in detail and a zero based budget approach for each service, challenging budgets and focussing on the service needs.

Over this MTF period, the Councils will continue to align and allocate their individual resources in line with the priorities set out in the refreshed Joint Strategic Plan and to essential services. We will use what we call a 'Priority Based Resourcing' approach to do this.

We will review all of the Councils' current activities to see which could be approached differently and others that could be scaled back, stopped or provided by someone else. We will also focus on further opportunities for the generation of additional income.

The MTF links to the changing role of local government from direct provision and a reactive approach to an enabling and preventing one and also a change in emphasis from a paternalistic role to one of citizenship where people are assisted to help themselves. This will inform the allocation of each Council's available resources and the strategy is based on two key assumptions:

- Changing needs – challenging the presumption of public services' role as meeting needs rather than developing and working with people and assets within communities
- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

Continuation of the shared service agenda, collaboration with others and transformation of service delivery

Integration has already delivered significant savings for the two Councils, which is in addition to local savings made by each individual Council. There is now a need for a more radical transformation of how we operate and what we do (or don't do) across the public sector.

Sharing services has to be wider than just the two Councils. A key part in achieving the shift in thinking will be the importance of working differently not just across the whole of Suffolk but also our partners (statutory, private, community, voluntary and not-for profit). We are building new working relationships where influence is more important than control.

Suffolk and some bordering councils are currently in talks and negotiation with the Government about a devolution deal for the area that will be linked to growth. This builds on the already strong public sector relationships within Suffolk, and we recently made the decision to move our headquarters, so that we are co-located with key partners. A shared legal service with West Suffolk was established in November, further discussions are progressing for other areas.

Behaving more commercially and generating additional income

A key theme running through the work needed to deliver our outcomes is behaving more commercially. The need for thinking and acting more commercially and that this has a significant part to play in delivering a sustainable MTFS is important for us to understand.

We are beginning to identify areas where there may be commercial opportunities for the Councils to be able to generate additional income. The Councils have agreed in principle to establish a holding company that could provide the focus for such commercial activities, separate from the core functions of the Councils. The holding company will be structured in such a way that should further opportunities arise, this will be a suitable vehicle to deliver other commercial areas. This MTFS therefore relies far more on commercial behaviours being adopted in a number of areas of the Councils' business.

Considering new funding models (e.g. acting as an investor)

Both Councils have a long tradition of investing in their communities and look to continue to do so, to support the delivery of their shared strategic priorities, and in particular to aid economic growth across the two districts. Both have invested in opportunities during 2016/17 to promote housing and economic growth.

Having limited capital and revenue reserves and facing increased pressure on external funding, the Councils' focus is now on the use of prudential borrowing to secure a rate of return whilst also delivering the strategic priorities. The use of borrowing is both flexible and relatively straightforward.

The Councils have adopted an asset and investment strategy utilising the prudential borrowing facility available to them. The return on this investment will begin during 2017/18.

Encouraging the use of digital interaction and transforming our approach to customer access

The traditional model of public sector service delivery is obsolete. The Joint Strategic Plan recognises this and contains a commitment to deliver more efficient Public Access arrangements. The aim of the Public Access Strategy is to support us to deliver these outcomes in the Joint Strategic Plan and to become enabled, efficient, flexible, agile, innovative,

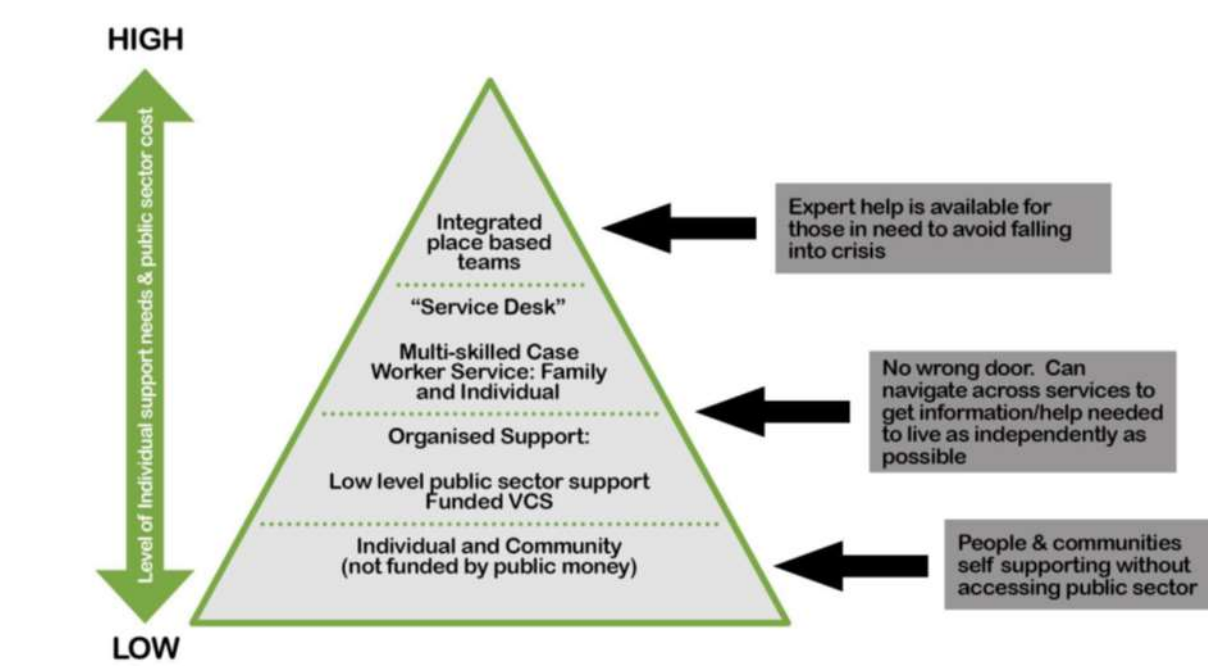
collaborative and accessible. It takes a whole system approach and supports collaborative work with partners in order to enable communities to do more for themselves, generating less demand on public services. Together with developing self-service options this will mean we can focus more attention on those that really need our help.

The Joint Strategic Plan sets out a new understanding of our purpose in the community, of how and where we can add most value.

Our proposed Public Access Strategy builds from this and from an understanding that our purpose is to:

- a) Support individuals and communities to become self-serving wherever possible
- b) Better target our resources by providing tailored support to people that need it and not to those that don't
- c) Be consistently easy to do business with looking to make it easier still.

The diagram below illustrates the proposed operating model. Public Access – What it will look like



We know that there will always be some customers who need to speak to us because of the nature of their needs, so they will always be able to reach us in the traditional way. Our goal, though, is to design our services for those people who wish to and can do their business with us digitally.

Redesigning our services and customer access is a significant and ambitious programme of work for both Councils that will serve as a catalyst to drive wider organisational change. To assist us with this, we have and will bring in additional expertise and capacity, as we do not underestimate the scale of this change.

Taking advantage of new forms of local government finance (e.g. New Homes Bonus, Business Rates Retention)

These new forms of local government finance have now become the key sources of income for councils. As we move closer to 100% retention of business rates income from 2020 this source of funding will become even more important.

The Councils will therefore take the opportunity to grow our own funding through a strong, and growing, local economy alongside the skills, housing and infrastructure to sustain it. This will also be supported by the wider work across Suffolk and some bordering councils, which may result in a “devolution deal” for the area based around growth. The new Joint Local Plan and Strategic Planning and Infrastructure Framework will be key in delivering growth.

Links to our Joint Strategic Plan

4.11 The above actions are all synchronised with our refreshed Joint Strategic Plan, which is detailed across five key themes:

- **Housing delivery** – More of the right type of homes, of the right tenure in the right place
- **Business growth and increased productivity** – Encourage development of employment sites and other business growth, of the right type in the right places and encourage investment in skills and innovation in order to increase productivity
- **Community capacity building and engagement** – All communities are thriving, growing, healthy, active and self-sufficient
- **Assets and investment** – Improved achievement of strategic priorities and greater income generation through use of new and existing assets
- **An enabled and efficient organisation** – The right people are doing the right things, in the right way, at the right time, for the right reasons and are able to prove it

5. Investing in our Strategic Priorities and future

5.1 This is our key focus, to ensure the Councils and our communities thrive together. Linked to the business model, we will invest to deliver better outcomes and aim to generate additional income.

Funding and Investment Opportunities

5.2 We can do this both through prudential borrowing and using our Transformation Funds to support our delivery plans, new funding models and innovative/different ways of working. The Transformation Funds are increased by receiving the balance of New Homes Bonus funding that is

not required to support the budget. We anticipate having £2.7m in the Transformation Fund for Babergh and £9.2m for Mid Suffolk in 2017/18.

- 5.3 As identified earlier in this document, the Government have changed the way that New Homes Bonus is distributed to local authorities. With the aim of being able to transfer resources to support social care, councils will receive less funding than they have in the past from this source for the same level of growth.
- 5.4 The level of growth will have to increase significantly to maintain the income that has been received in the past, but also to contribute towards future funding shortfalls.
- 5.5 Growing this funding is paramount, but is dependent on communities, the Councils and others working together. It also depends on the wider housing economy, developers, labour and material supply/shortages.
- 5.6 In relation to the potential for additional business rates income, this will depend on economic growth and the level of appeals. This would contribute towards the funding gap and depending upon the level achieved would also add to the amount of funding available for transformation and projects.
- 5.7 In relation to future prudential borrowing, our Capital Investment Strategy is expected to take 12-18 months from 2017/18 to be fully invested, and will deliver much needed additional income.

Council Housing

- 5.8 In relation to Council Housing, the HRA Business Plan presents a positive financial picture over the longer term (a thirty year period as required under the self-financing regime) but there are short to medium term challenges. These challenges have been exacerbated by the proposals announced in the Chancellor's July 2016 Budget:
 - The Welfare Reform and Work Bill included a requirement for all social landlords to reduce rents by 1% each year from 2016 to 2019.
 - This Bill reduced the benefit cap for working age families from £23k to £20k.
 - The Housing and Planning Bill includes a requirement for households with an income higher than £30k to be charged higher rents. However in the Autumn Statement 2016 this was amended to £60k income and changed from being a mandatory policy to discretionary.
 - Councils are to sell their high value council homes to fund Right to Buy discounts for housing association tenants. We know that this will be in the form of an annual levy but the figures for individual councils are not yet available. In the Autumn Statement 2016 it was announced that the pilot scheme would be widened so the levy will not be brought in for 2017/18.

- 5.9 HRA Self-financing has provided significant opportunities for both Councils. The development of 38 new council homes supported by Homes and Communities Agency Grant funding is a good example of how the funds available within the HRA are being used differently. These opportunities, however, are threatened by rent reduction and requirement to sell off high value dwellings. The roll out of Universal Credit is also expected to impact upon our rental income collection as housing benefit becomes payable one month in arrears to the individual rather than directly to the landlord.
- 5.10 It is important to understand that the 30 year HRA business plan was predicated on an annual rent increase of CPI + 1%, the formula agreed by the government in 2014. In business planning terms, the loss to the HRA is therefore greater than 1% per annum. The cumulative impact of the rent reduction results in a reduced income (against business plan projections) to the HRA as follows:

	Babergh	Mid Suffolk
Year 1	£0.3m	£0.3m
Years 1 to 4	£4.5m	£4.0m
Years 1 to 10	£18.1m	£15.6m

- 5.11 This will reduce the resources available to deliver services, to maintain and improve the existing housing stock and to develop new council housing.
- 5.12 A balanced budget has been achieved for 2017/18 by reducing both revenue and capital budgets – see table in Appendix B. A fundamental review of the housing service has been undertaken during 2016/17 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review has examined:

- The criteria for disposal or redevelopment of existing council housing
- New build programme and retention of Right to Buy receipts
- A review of garages was commenced to identify their condition and whether there are redevelopment opportunities on the sites or if they should be demolished and replaced with parking bays. 28 sites were identified as having development potential. These are being further explored by the Investment & Development Team who will report to the Joint Housing Board early in the New Year.
- Our approach to HRA business planning including, reviewing and realigning housing stock condition data and capital programme expenditure. Our current stock condition data is six years old. A project is underway to renew the data to enable an evidence based programme of capital works to be designed for 2017/18 and the following two years. In the meantime, all non-essential work has been ceased. We believe a fresh sample stock condition survey will be required in 2019/20. A contingency amount, based on the HRA Business Plan model, has been put into the 2017/18 Budget and four year MTFs 2017/18 and will be

allocated against the relevant areas of spend once the capital programme is completed. Mid Suffolk's capital spend is predicted to come in £2.4m below Budget in 2016/17 as a result of the change in policy.

- The Sheltered Housing Review concluded that some schemes which are difficult to let should be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding.
- Reviewing the existing Capital Projects Team (formerly part of the Asset Management team) and Private Sector Housing Team has brought them together in one team called Property Services. This has led to a change to the way the work is being carried out and how the teams are structured to create efficiencies and consistency. The new structure will be in place by March 2017.
- Councillors approved the formation of a new Babergh & Mid Suffolk Building Services (BMBS) team, which will carry out responsive repairs and programmed works. The BMBS business plan forecasts a surplus in year two of trading (2018/19). The back office team structure is currently under review, along with the Property Services team
- A new HRA Accounting Team was set up following the appointment of a Professional Lead HRA Accountant in July 2016. A review of the Budget setting and monitoring process, financial controls, support required by CM's and Associate Director and Capital spend will be completed by March 2017.

Leaseholders service charges are being reviewed to identify the gap between costs incurred and the amount recharged. This is currently ongoing and will be completed in 2017/18 so any increase in income identified has not been put into the 2017/18 Budget.

New build programme and retention of Right to Buy receipts

- 5.13 Right to Buy (RTB) sales for both Councils have exceeded projections in business plans. In 2015/16 Mid Suffolk sold 32 homes against original projections of 26 sales.
- 5.14 The money received from RTB sales can only be used as 30% towards the cost of a replacement home. The remaining 70% of the replacement cost has to be found from other HRA resources. As sales increase, it means that the level of match funding required (70%) increases. If the receipts are not spent within the 3 year period allowed, they have to be repaid to Government with 4% interest added.
- 5.15 The self-financing regime has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are restricted. The supported spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes is still achievable within current borrowing headroom. However, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts

unsustainable; although the change in policy of mandatory charging higher rents for tenants with higher incomes has reduced the potential increase in Right to Buy sales.

5.16 Currently, the estimated funds to support our Housing Investment Strategy are:

- Borrowing headroom within the Government’s overall debt cap, which is higher for Babergh than Mid Suffolk (in 2016/17 Babergh £13.1m; Mid Suffolk £4.1m).
- Surplus annual funds from the HRA for investment in new and existing homes due to the new self-financing freedoms given to councils.

5.17 The forecast position on available investment funds (over the next 4 years) relating to the above is summarised below:

Year	Babergh £m	Mid Suffolk £m
2017/18	14.3	4.1
2018/19	15.6	4.0
2019/20	16.9	4.4
2020/21	18.1	4.8

5.18 Appendix B sets out further details of the current HRA Business Plan, with detailed figures for the next 5 years and summarised forecasts over the following 10 years.

Links to Our Overall Delivery Plans

5.19 We have developed an ambitious set of projects and an overall delivery plan to reflect our strategic priorities, investment and funding strategies. Some examples of the projects that link to Joint Strategic Plan and MTFS are provided below:

- Providing new homes, including delivering outcomes on strategic sites
- Regenerate the market town centres
- Review of grant funding to support building capacity in the community
- The decision has been made about the future location of the Councils’ accommodation
- Investment in IT to drive efficiencies and support new ways of working
- Leisure Strategy
- Public Realm Review

6. Summary of our financial positions

Revenue Budget Strategy

6.1 The approach taken to financial management over the period of the Medium Term Financial Strategy (MTFS) seeks to achieve the following objectives:

- council tax levels will be reviewed annually with the aim to minimise increases, but understanding that some increases may be necessary to maintain services;
- deliver the necessary savings to continue to live within our means;
- continuously improve efficiency by transforming the ways of working;
- ensure that the financial strategy is not reliant on contributions from minimum working balances; and
- maximising revenue from our assets and investment.

Key aspects of the funding position and the MTFS forecasts

6.2 There are limitations on the degree to which both Councils can produce medium term financial projections as there are always uncertainties.

6.3 It is important to remember that these financial forecasts have been produced within a dynamic financial environment, based on ever changing assumptions and that they will be subject to change over time. Having regard to these variables and uncertainties, three MTFS scenarios have been modelled at Attachment 1, the strongest, medium, and the weakest financial positions for various assumptions. The table below shows the assumptions and the relative budget gap/surplus.

MID SUFFOLK		2017/18 Cumulative Shortfall in Funding (Surplus funds) £000	2018/19 Cumulative Shortfall in Funding (Surplus funds) £000	2019/20 Cumulative Shortfall in Funding (Surplus funds) £000	2020/21 Cumulative Shortfall in Funding (Surplus funds) £000
Weakest Financial Position	Tax Base 0.8% Council Tax 0%	(1,596)	(550)	471	1,017
Medium Financial Position	Tax Base 1% Council Tax 2%	(1,596)	(806)	(116)	168
Strongest Financial Position	Tax Base 1.5% Council Tax £5	(1,596)	(901)	(368)	(445)

BABERGH		2017/18 Cumulative Shortfall in Funding (Surplus funds) £000	2018/19 Cumulative Shortfall in Funding (Surplus funds) £000	2019/20 Cumulative Shortfall in Funding (Surplus funds) £000	2020/21 Cumulative Shortfall in Funding (Surplus funds) £000
Weakest Financial Position	Tax Base 0.4% Council Tax 0%	43	558	1,490	1,934
Medium Financial Position	Tax Base 1% Council Tax 2%	43	(387)	150	430
Strongest Financial Position	Tax Base 1.5% Council Tax £5	43	101	331	(169)

6.4 Both Councils' medium term financial projections also include the following key budget assumptions, detailed below. These are the same for both strongest and weakest case scenarios. Budget assumptions will continue to be reviewed and updated as economic indicators change.

Key assumptions in the MTFS:

Type of Expenditure	2017/18		2018/19		2019/20		2020/21	
	BDC	MSDC	BDC	MSDC	BDC	MSDC	BDC	MSDC
General Inflation/utilities	0%		0%		0%		0%	
Fees and Charges	3%		3%		3%		3%	
Employee pay increase	1%		1%		1%		1%	
Employer's pension contn. based on actuarial valuation	18.4%	17.7%	18.4%	17.7%	18.4%	17.7%	18.4%	17.7%
Vacancy Savings								
Transport Fuel	2%		2%		2%		2%	
Return on Investments	2.25%	2.5%	2.25%	2.5%	2.25%	2.5%	2.25%	2.5%
Grant reduction on RSG (reducing balance)	-£0.5m	-£0.5m	-£0.3m	-£0.4m	-£0.2m	-£0.04m	-	-

General Fund minimum working balance

6.5 Each Council is required to maintain adequate financial reserves to meet the needs of the authority. The reserves we hold can be classified as either working balances – known as the general fund balance, or as specific reserves which are earmarked for a particular purpose – known as earmarked reserves.

6.6 The Councils each hold General Fund balances as a contingency to cover the cost of unexpected expenditure or events during the year. The Councils' policies regarding the General Fund are as follows, to hold a balance of:

- £1.05m for Mid Suffolk; and
- £1.2m for Babergh

6.7 These amounts equate to approx. 10% to 13% of net 'service cost' expenditure at the 2017/18 Budget level.

Capital Investment Strategy

6.8 Attachment 4 shows the current 4 year planned Capital Programme for 2017/18 to 2020/21, together with information on the funding of that expenditure (i.e. borrowing, grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).

6.9 In each Council's 2015/16 capital programme, £25m was included to fund the Capital Investment Strategy. In November 2016 both Councils approved the Assets and Investment Strategy, it is anticipated that most of this will be spent in 2017/18.

6.10 Both Councils have a long tradition of investing in their communities.

Having limited capital and revenue reserves and facing increased pressure on external funding, the Councils' focus is now on the use of prudential borrowing to secure a rate of return, whilst also delivering the strategic priorities.

- 6.11 The investment strategy will detail the parameters that will be operated for the fund including the anticipated return on investment and internal rate of return.

Council Housing

- 6.12 The proposed Capital Programme headlines for 2017/18 – 2020/21 are:

Expenditure	Babergh £m	Mid Suffolk £m
Housing Maintenance Programmes	22.7	17.2
New build (HCA programme)	0.3	0.7
New build (Additional Borrowing)	0	0
RTB receipt funding	13.7	16.9
Total	36.7	34.8
Financing		
Capital receipts disposals and RTB receipts and HCA Grant	7.8	12.2
Revenue Contributions	28.9	22.6
Borrowing	0	0.0
Total	36.7	34.8
Remaining Borrowing Headroom (31/03/21)	18.1	4.8

- 6.13 In relation to debt repayment set asides, the HRA business plans are currently based on not setting aside any capital receipts towards debt on sold council houses or for maturity debt repayment in the longer-term.

Treasury Management Strategy

- 6.14 Each Council's capital and revenue budget plans inform the development of their Treasury Management and Investment Strategies, which are agreed annually as part of its budget setting report. The Treasury Management Strategy sets out borrowing forecasts/limits and who the Council can invest with.
- 6.15 We have reviewed the strategy to align to the refreshed Joint Strategic Plan, our delivery plans, this MTFs and the business model.

Prudential Borrowing

- 6.16 Councils can borrow to provide new assets, invest in community facilities and services and maintain assets. They can also borrow to invest in new funding models that will both provide new assets and deliver a rate of return. This is part of the business model that is being adopted. Investment will only be made where it delivers the Councils' Strategic Plan priority outcomes and an agreed rate of return.

Managing Risks

- 6.17 In setting the revenue and capital budgets, both Councils take account of the key financial risks that may affect their plans, but there is increasing future uncertainty as a result of the changes that are taking place and the new business model.
- 6.18 An awareness of the potential risks and the robustness of the budget estimates inform decisions about the level of working balances needed to provide assurance that the Councils have sufficient contingency reserves to meet unforeseen fluctuations and changes.

Capital Receipts

- 6.19 Part of the funding arrangements for the Capital Programme is the disposal of surplus assets to generate capital receipts. The focus of this MTFs is to review assets before they are sold to assess whether there are alternative uses that could generate additional income for the Councils e.g. whether there is a development opportunity instead.

Earmarked Reserves

- 6.20 The Councils each hold earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose.
- 6.21 The level of earmarked reserves at the end of 2016/17 (including the Transformation Fund) is expected to be as follows:
- £10.3m for Mid Suffolk; and
 - £3.7m for Babergh

The planned additions and use of these reserves over the period covered by this strategy is shown in Attachment 5.

General Fund Revenue Budget Summary/Forecasts - Mid Suffolk

(Note: the forecasts for 2018/19 onwards are illustrative and actual budgets will be reviewed and determined by the Council annually).

Weakest Financial Position

Line	Description	2016/17	2017/18		2018/19	2019/20	2020/21
		Budget	Budget		Forecast	Forecast	Forecast
		£000	£000		£000	£000	£000
1a	Expenditure	34,240	33,905		34,264	34,633	34,957
1b	Income	(27,156)	(25,439)		(24,883)	(24,426)	(24,306)
1c	Capital Financing Charges	683	65		(149)	(132)	19
1d	Charge to HRA	(920)	(1,011)		(1,011)	(1,011)	(1,011)
1e	Charge to Capital	(294)	(287)		(287)	(287)	(287)
1f	Transfers to Reserves	3,320	2,726		2,119	1,860	1,688
1g	Service Cost	9,873	9,958		10,053	10,638	11,059
2	Grants to parishes (LCTS)	45					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	Net Service Cost	11,919	9,958		10,053	10,638	11,059
	Funding:						
5	Other Earmarked Reserves	(82)	(82)		(82)	(82)	(82)
6	Transformation Fund - DP Project (Staffing)	(427)	(430)				
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	Transformation Fund - Members Locality Budgets		(250)				
9	New Homes Bonus	(110)	(1,347)		(1,421)	(1,162)	(989)
	S31 Business Rates Grant		(600)		(600)	(600)	(600)
	Government Support						
	(a) Baseline business rates	(2,081)	(2,124)		(2,265)	(2,335)	(2,335)
	(b) B/Rates – growth/pooling benefit	(79)	(79)				
10	(b) Revenue Support Grant	(918)	(371)		(36)	-	-
	(c) Rural Services Delivery Grant	(430)	(347)		(267)	(347)	(347)
	(e) Revenue Support Grant (RSG) Tariff					337	337
	(f) Transition Grant	(40)	(39)				
11	Collection Fund (surplus) /deficit	(120)	(89)		(89)	(89)	(89)
12	Council Tax (5p per week increase - Band D)	(5,631)	(5,725)		(5,796)	(5,843)	(5,889)
13	Growth in taxbase		(72)		(46)	(47)	(47)
14	Total Funding	(11,920)	(11,555)		(10,603)	(10,167)	(10,042)
15	2017/18		(1,596)		(1,596)	(1,596)	(1,596)
16	2018/19				1,047	1,047	1,047
17	2019/20					1,020	1,020
18	2020/21						547
19	Shortfall in funding / (Surplus Funds) - cumulative		(1,596)		(550)	471	1,017
20	Council Taxbase	1.20%	1.30%		0.80%	0.80%	0.80%
21	Band D Council Tax %	1.90%	1.60%		0.00%	0.00%	0.00%
22	Band D Council Tax	£159.36	£161.97		£161.97	£161.97	£161.97

General Fund Revenue Budget Summary/Forecasts - Mid Suffolk

(Note: the forecasts for 2018/19 onwards are illustrative and actual budgets will be reviewed and determined by the Council annually).

Medium Financial Position

Line	Description	2016/17	2017/18		2018/19	2019/20	2020/21
		Budget	Budget		Forecast	Forecast	Forecast
		£000	£000		£000	£000	£000
1a	Expenditure	34,240	33,905		34,264	34,633	34,957
1b	Income	(27,156)	(25,439)		(25,012)	(24,751)	(24,756)
1c	Capital Financing Charges	683	65		(149)	(132)	19
1d	Charge to HRA	(920)	(1,011)		(1,011)	(1,011)	(1,011)
1e	Charge to Capital	(294)	(287)		(287)	(287)	(287)
1f	Transfers to Reserves	3,320	2,726		2,249	2,186	2,138
1g	Service Cost	9,873	9,958		10,053	10,638	11,059
2	Grants to parishes (LCTS)	45					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	Net Service Cost	11,919	9,958		10,053	10,638	11,059
	Funding:						
5	Other Earmarked Reserves	(82)	(82)		(82)	(82)	(82)
6	Transformation Fund - DP Project (Staffing)	(427)	(430)				
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	Transformation Fund - Members Locality Budgets		(250)				
9	New Homes Bonus Based on 5 years	(110)	(1,347)		(1,550)	(1,487)	(1,439)
	S31 Business Rates Grant		(600)		(600)	(600)	(600)
	Government Support						
	(a) Baseline business rates	(2,081)	(2,124)		(2,265)	(2,335)	(2,335)
	(b) B/Rates – growth/pooling benefit	(79)	(79)				
10	(b) Revenue Support Grant	(918)	(370)		(36)	-	-
	(c) Rural Services Delivery Grant	(430)	(347)		(267)	(347)	(347)
	(e) Revenue Support Grant (RSG) Tariff					337	337
	(f) Transition Grant	(40)	(39)				
11	Collection Fund (surplus) /deficit	(120)	(89)		(89)	(89)	(89)
12	Council Tax (5p per week increase - Band D)	(5,631)	(5,724)		(5,912)	(6,091)	(6,275)
13	Growth in taxbase		(72)		(58)	(60)	(62)
14	Total Funding	(11,918)	(11,555)		(10,860)	(10,754)	(10,891)
15	2017/18		(1,596)		(1,596)	(1,596)	(1,596)
16	2018/19				790	790	790
17	2019/20					691	691
18	2020/21						284
19	Shortfall in funding / (Surplus Funds) - cumulative		(1,596)		(806)	(116)	168
20	Council Taxbase	1.20%	1.30%		1.00%	1.00%	1.00%
21	Band D Council Tax %	1.90%	1.60%		2.00%	2.00%	2.00%
22	Band D Council Tax	£159.36	£161.97		£165.21	£168.51	£171.88

General Fund Revenue Budget Summary/Forecasts - Mid Suffolk**Strongest Financial Position Case Scenario**

Line	Description	2016/17	2017/18		2018/19	2019/20	2020/21
		Budget	Budget		Forecast	Forecast	Forecast
		£000	£000		£000	£000	£000
1a	Expenditure	34,240	33,905		34,264	34,633	34,957
1b	Income	(27,156)	(25,439)		(25,012)	(24,814)	(25,083)
1c	Capital Financing Charges	683	65		(149)	(132)	19
1d	Charge to HRA	(920)	(1,011)		(1,011)	(1,011)	(1,011)
1e	Charge to Capital	(294)	(287)		(287)	(287)	(287)
1f	Transfers to Reserves	3,320	2,726		2,249	2,249	2,464
1g	Service Cost	9,873	9,958		10,053	10,638	11,059
2	Grants to parishes (LCTS)	45					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	Net Service Cost	11,919	9,958		10,053	10,638	11,059
	Funding:						
5	Other Earmarked Reserves	(82)	(82)		(82)	(82)	(82)
6	Transformation Fund - DP Project (Staffing)	(427)	(430)				
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	Transformation Fund - Members Locality Budgets		(250)				
9	New Homes Bonus Based on 6 years	(110)	(1,347)		(1,550)	(1,550)	(1,765)
	S31 Business Rates Grant		(600)		(600)	(600)	(600)
	Government Support						
	(a) Baseline business rates	(2,081)	(2,124)		(2,265)	(2,335)	(2,335)
	(b) B/Rates – growth/pooling benefit	(79)	(79)				
10	(b) Revenue Support Grant	(918)	(371)		(36)	-	-
	(c) Rural Services Delivery Grant	(430)	(347)		(267)	(347)	(347)
	(e) Revenue Support Grant (RSG) Tariff					337	337
	(f) Transition Grant	(40)	(39)				
11	Collection Fund (surplus) /deficit	(120)	(89)		(89)	(89)	(89)
12	Council Tax (5p per week increase - Band D)	(5,631)	(5,724)		(5,978)	(6,249)	(6,527)
13	Growth in taxbase		(72)		(87)	(91)	(95)
14	Total Funding	(11,918)	(11,555)		(10,954)	(11,006)	(11,504)
15	2017/18		(1,596)		(1,596)	(1,596)	(1,596)
16	2018/19				695	695	695
17	2019/20					533	533
18	2020/21						(77)
19	Shortfall in funding / (Surplus Funds) - cumulative		(1,596)		(901)	(368)	(445)
20	Council Taxbase	1.20%	1.30%		1.50%	1.50%	1.50%
21	Band D Council Tax	3.50%	1.60%		3.09%	2.99%	2.91%
22	Band D Council Tax	£159.36	£161.97		£166.97	£171.97	£176.97

Movement of Service Cost Budget Year on Year

MID SUFFOLK - MOVEMENT YEAR ON YEAR	16/17 to 17/18 £000	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000
Net Service Cost previous year	11,919	10,269	10,580	11,148
Cost Pressures				
<u>Inflation</u>				
Employees	85	83	85	88
Contracts	66	62	63	64
Premises	2	11	12	12
Supplies & Services	5	5	6	6
Other	1	2	2	2
<u>Financially Sustainable Councils</u>				
Employee costs including increments	406	127	131	135
Pension fund deficit (1% increase for the next 3 years)	54	54	54	-
Insurance Premiums	36	-	-	-
Business rates	32	-	-	-
Sub total cost pressure	686	344	352	306
<u>Other increases to net service cost</u>				
<u>Agree where growth goes</u>				
Strategic Planning	24			
<u>Communities embrace new homes growth</u>				
Development Management - (net) fee income plus legal and consultancy fees	73	-	-	-
<u>Digital by Design</u>				
ICT & Information Management - change to SCC contract (offset by staffing costs)	35	-	-	-
Organisational Development - transfer of Payroll services to SCC	14	-	-	-
<u>Environment</u>				
Car Parks - income shortfall	80	-	-	-
<u>Financially Sustainable Councils</u>				
Revenues and Benefits - adjustment to bad debt provision	114	-	-	-
VAT, District Valuers and Treasury Management consultancy	22	-	-	-
Shared legal Team	21	-	-	-
Modern Apprentices	15	15	17	18
Senior Leadership Team - corporate subscriptions	12	-	-	-
Banking Charges	10	-	-	-
Other changes	12	-	-	-
<u>Strengthened and clear governance to enable delivery</u>				
Members Allowances (SRA)	15	-	-	-
<u>Targeted grants and funding to support Community Capacity Building</u>				
<u>Waste</u>				
Recycling credits		-	250	-
<u>Leisure</u>				
Contract costs	28	-	-	-
Sub total other increases to net service cost	724	15	267	18
<u>Actions to offset increases to net service cost</u>				
Inflation - income	(21)	(50)	(52)	(53)
Removal of £2m for Delivery Plan projects	(2,000)	-	-	-
<u>Engage with and support businesses to thrive</u>				
Open for Business	(15)	-	-	-
<u>Environment</u>				
Public Realm - waste disposal costs	(104)	-	-	-
<u>Financially Sustainable Councils</u>				
Investment income (net) Holding Company	(247)	(448)	(99)	16
Change to Minimum Revenue Provision (MRP)	(222)	223	107	125
Investment income (net) Pooled Funds	(149)	10	10	10
Increase in charge to HRA / Capital	(85)	-	-	-
SRP contract reduction	(82)	-	-	-
Accommodation review	(69)	-	-	-
Other HQ savings	(30)	-	-	-
Removal of grants to Parishes	(45)	-	-	-
Building Control - fee income	(45)	-	-	-
Photocopying costs	(20)	-	-	-
Movement in Resaves (Transfers to)	(11)	-	-	-
Communications	(15)	-	-	-
Increase to CDC Charge	(12)	-	-	-
Sustainable environment - misc supplies & services				
/ Suffolk Climate Change Partnership	(18)	-	-	-
Other changes	(18)	-	-	-
<u>Property investment to generate income and regenerate local areas</u>				
PV panel income - feed in tariff	(87)	-	-	-
<u>Targeted grants and funding to support Community Capacity Building</u>				
Community grants	(10)	-	-	-
<u>Waste</u>				
Garden waste income	(67)	-	-	-
Sub total actions	(3,370)	(265)	(34)	97
Total Net Service Cost movement	(1,960)	95	585	421
New Net Service Cost	9,959	10,364	11,165	11,569

Council Housing Revenue Account (HRA) Business Plan – Mid Suffolk

Year	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26	2026.27
£'000	1	2	3	4	5	6	7	8	9	10
INCOME:										
Total Income	15,561	15,518	15,458	15,863	16,295	16,756	17,241	17,741	18,254	18,817
EXPENDITURE:										
General Management	-1,361	-1,943	-1,992	-2,041	-2,092	-2,145	-2,198	-2,253	-2,310	-2,367
Special Management	-1,185	-1,214	-1,245	-1,276	-1,308	-1,340	-1,374	-1,408	-1,443	-1,480
Bad Debt Provision	-75	-74	-74	-76	-78	-80	-82	-85	-87	-90
Responsive & Cyclical Repairs	-3,394	-3,344	-3,512	-3,688	-3,894	-3,992	-4,092	-4,194	-4,299	-4,406
Total Revenue Expenditure	-6,014	-6,576	-6,822	-7,081	-7,372	-7,557	-7,746	-7,940	-8,139	-8,343
Interest Paid	-3,042	-3,164	-3,263	-3,286	-3,279	-3,301	-3,381	-3,460	-3,520	-3,708
Interest Received	23	62	82	53	27	17	17	17	17	17
Depreciation	-3,407	-3,445	-3,445	-3,445	-3,531	-3,619	-3,710	-3,803	-3,898	-3,899
Net Operating Income	3,122	2,395	2,011	2,103	2,140	2,296	2,421	2,554	2,714	2,885
APPROPRIATIONS:										
Revenue Contribution to Capital	-3,597	0	-1,661	-3,951	-3,350	-2,279	-2,424	-2,557	-2,712	-2,825
Total Appropriations	-3,597	0	-1,661	-3,951	-3,350	-2,279	-2,424	-2,557	-2,712	-2,825
ANNUAL CASHFLOW	-475	2,395	350	-1,848	-1,210	17	-3	-2	2	59
Opening Balance	1,775	1,301	3,696	4,045	2,197	987	1,004	1,001	999	1,001
Closing Balance	1,301	3,696	4,045	2,197	987	1,004	1,001	999	1,001	1,060

DRAFT CAPITAL PROGRAMME FOR 2017/18 to 2020/21**General Fund**

MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21 GENERAL FUND	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Supported Living											
Mandatory Disabled Facilities Grant	300	300	300	300	1,200			1,076		124	1,200
Discretionary Housing Grants	100	100	100	100	400					400	400
Empty Homes Grant	100	100	100	100	400					400	400
Total Supported Living	500	500	500	500	2,000	0	0	1,076	0	924	2,000
Strategic Planning											
Grants for Affordable Housing	250	250	250	250	1,000					1,000	1,000
Total Strategic Planning	250	250	250	250	1,000	0	0	0	0	1,000	1,000
Environment and Projects											
Replacement Refuse Freighters - Joint Scheme	170	0	170	170	510					510	510
Recycling Bins	100	100	100	100	400					400	400
Total Environmental Services	270	100	270	270	910	0	0	0	0	910	910
Communities and Public Access											
Planned Maintenance / Enhancements - Car Parks	204	162	125	109	599					599	599
Streetcare - Vehicles and Plant Renewals	44	44	44	44	176					176	176
Play Equipment	20	20	20	20	80					80	80
Community Development Grants	189	189	189	189	756					756	756
Total Communities and Public Access	457	415	378	362	1,611	0	0	0	0	1,611	1,611
Leisure Contracts											
Stowmarket Leisure Centre - PV panels	0	0	0	0	0						0
Stowmarket Leisure Centre - structural repairs	43	0	0	0	43					43	43
Total Leisure Contracts	43	0	0	0	43	0	0	0	0	43	43

DRAFT CAPITAL PROGRAMME FOR 2017/18 to 2020/21**General Fund**

MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Government Grants	S106	Borrowing	Total Financing
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital Projects											
HQ - Equipment Renewals	20	0	0	0	20					20	20
Planned Maintenance - Corporate Buildings	82	80	80	80	322					322	322
Carbon Reduction	50	50	50	50	200					200	200
Total Capital Projects	152	130	130	130	542	0	0	0	0	542	542
Investment and Commercial Delivery											
Open for Business	30	30	30	30	120					120	120
Land assembly, property acquisition and regeneration opportunities	1,925	1,925	1,925	1,925	7,700					7,700	7,700
Total Investment and Commercial Delivery	1,955	1,955	1,955	1,955	7,820	0	0	0	0	7,820	7,820
Corporate Resources											
ICT - Hardware / Software costs	763	200	200	200	1,363	95				1,268	1,363
Total Corporate resources	763	200	200	200	1,363	95	0	0	0	1,268	1,363
Delivery Programme Investment Opportunities	0	0	0	0	0	0	0	0	0	0	0
Total General Fund Capital Spend	4,389	3,550	3,683	3,667	15,288	95	0	1,076	0	14,118	15,289
Total Capital Spend	12,426	12,295	12,469	12,873	50,062	95	0	1,076	0	14,118	15,289

DRAFT CAPITAL PROGRAMME FOR 2017/18 to 2020/21**HRA**

MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Revenue Contributions	Government Grants	S106	Borrowing	Total Financing
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£000's	£'000	£'000	£'000	£'000
Capital Projects												
Planned maintenance	3,321	4,391	4,288	4,248	16,248			16,248				16,248
ICT Projects	85	0	0	0	85			85				85
Environmental Improvements	40	40	40	40	160			160				160
Disabled Facilities work	200	200	150	150	700			700				700
New build programme inc acquisitions	4,391	4,114	4,308	4,768	17,581	2,996	9,147	5,323	115			17,581
Total HRA Capital Spend	8,037	8,745	8,786	9,206	34,774	2,996	9,147	22,516	115	0	0	34,774

Earmarked Funds/Reserves – Mid Suffolk

Transfers to / from Earmarked Reserves	Balance 31 March 2016 £'000	Transfer in 16/17 £'000	Transfer out 16/17 £'000	Balance 31 March 2017 £'000	Transfer in 17/18 £'000	Transfer out 17/18 £'000	Balance 31 March 2018 £'000
General Fund							
Carry Forwards	(393)			(393)			(393)
Transformation Fund	(7,742)	(3,010)	3,147	(7,605)	(2,627)	1,031	(9,201)
Business Rates Equalisation	(696)			(696)			(696)
Government Grants	(129)			(129)			(129)
Welfare Benefits Reform	(211)			(211)			(211)
S.106 Agreements	(328)			(328)			(328)
Elections Fund	(33)	(15)		(48)	(15)		(63)
Planning Enforcement	(121)			(121)			(121)
Green Initiatives	(11)			(11)			(11)
Repairs and Renewals	(292)	(75)	82	(285)	(75)	82	(278)
Eric Jones House	(46)			(46)			(46)
Revocation of Personal Search Fees	(55)			(55)			(55)
Other	(322)			(322)	(9)		(331)
Total General Fund	(10,379)	(3,100)	3,229	(10,250)	(2,726)	1,113	(11,862)
Total General Fund excluding Transformation	(2,637)	(90)	82	(2,645)	(99)	82	(2,662)

Budget Book 2017/18



Budget Book 2017/18

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GENERAL FUND REVENUE BUDGET SUMMARY

		2016/17 £'000	2017/18 £'000
1	Employee Costs	8,544	8,683
2	Premises	773	794
3	Supplies & Services	5,348	4,050
4	Transport	331	335
5	Contracts	3,020	3,078
6	Third Party	17,420	16,964
7	Income	<u>(23,081)</u>	<u>(25,439)</u>
	Service Cost	12,356	8,464
8	Transfers to HRA / Capital (recharge model)	(1,223)	(1,298)
9	Capital charges & Investment Income	675	65
10	Transfers to Reserves	<u>110</u>	<u>2,726</u>
	Net Service Cost	11,918	9,959
11	Transformation Fund - Staffing (NHB)	(427)	(430)
12	Transformation Fund - Delivery Plan projects (NHB)	(2,000)	-
13	Transformation Fund - Community Capacity Building (NHB)	-	(250)
14	Transfers from Reserves - earmarked	(82)	(82)
15	S31 Grant	-	(600)
16	New Homes Bonus remaining	<u>(110)</u>	<u>(1,347)</u>
	Budget Requirement	9,299	7,249
17	Deficit / (Surplus) on Collection fund	(120)	(89)
18	Revenue Support Grant (RSG)	(918)	(371)
19	Business Rates	(2,160)	(2,203)
20	Transition Grant	(39)	(39)
21	Rural Services Support Grant	<u>(430)</u>	<u>(347)</u>
	Council Tax	5,631	4,201
22	Shortfall in funding / (Surplus Funds)	(0)	(1,596)

Council Tax Base	(35,336)	(35,786)
Council Tax for Band D Property	<u>159.36</u>	<u>161.97</u>
Council Tax	(5,631)	(5,796)

GENERAL FUND BUDGET - Corporate Manager Summary

	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Planning for Growth								
Growth and Sustainable Planning	808	0	216	20	0	0	(661)	384
Business Improvement	31	0	0	1	0	0	0	32
Sustainable Environment	460	0	37	16	0	0	(6)	506
Strategic Planning	763	0	154	9	0	0	(20)	906
TOTAL	2,062	0	407	47	0	0	(687)	1,829
Supported Living								
Private Sector Housing	73	1	29	4	0	0	(2)	106
Housing Options	156	4	100	6	0	0	(88)	178
Property Services	252	346	90	21	0	0	(486)	223
TOTAL	481	351	220	32	0	0	(577)	507
Environment and Projects								
Building Control	432	0	13	25	0	0	(461)	9
Waste Services	203	2	621	7	1,797	0	(1,873)	757
Food and Safety	233	0	56	10	0	0	(28)	270
Leisure	0	36	445	0	0	0	(40)	441
TOTAL	868	38	1,135	42	1,797	0	(2,402)	1,477
Communities and Public Access								
Customer Services	407	0	2	3	0	0	0	411
Strong and Safe Communities	257	0	586	6	0	0	(8)	840
Countryside and Public Realm	998	266	237	127	3	0	(1,114)	517
Policy and Strategy (Health and Well Being)	92	0	10	4	0	0	0	107
TOTAL	1,754	266	835	139	3	0	(1,122)	1,874
Investment and Commercial Delivery								
Open for Business	266	7	83	7	0	0	(175)	187
Housing and Regeneration	115	12	4	1	0	0	(11)	121
TOTAL	381	20	87	7	0	0	(186)	308
Corporate Resources								
HR and Organisational Development	367	0	32	1	0	0	0	401
Financial Services	1,158	119	175	38	1,051	16,964	(20,094)	(589)
Commissioning and Procurement	136	0	18	1	0	0	0	155
Senior Leadership Team	621	0	41	10	0	0	(33)	639
TOTAL	2,282	119	266	50	1,051	16,964	(20,127)	606
Law and Governance								
Information Management and ICT	382	0	430	1	228	0	(246)	795
Internal Audit	72	0	1	0	0	0	0	73
Democratic Services	172	0	400	16	0	0	(7)	582
Business Improvement	108	0	8	1	0	0	0	117
Shared Legal Services	120	0	262	0	0	0	(85)	297
TOTAL	854	0	1,100	19	228	0	(338)	1,863
TOTAL	8,683	794	4,050	335	3,078	16,964	(25,439)	8,465

GENERAL FUND BUDGET - Planning for Growth

Growth and Sustainable Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Development Management	773	0	216	20	0	0	(661)	350
Development Management - Transformation	34	0	0	0	0	0	0	34
	808	0	216	20	0	0	(661)	384

Business Improvement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Business Improvement	31	0	0	1	0	0	0	32
	31	0	0	1	0	0	0	32

Sustainable Environment	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Abandoned Vehicles	0	0	1	0	0	0	0	1
Climate Change and Sustainability	0	0	6	0	0	0	0	6
Dog Control	0	0	8	0	0	0	0	8
Environmental Protection	301	0	15	10	0	0	(6)	319
Planning Enforcement	159	0	7	6	0	0	0	172
	460	0	37	16	0	0	(6)	506

Strategic Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
CIL	87	0	0	0	0	0	0	88
Conservation	176	0	0	5	0	0	0	182
Development Policy and Local Plans	448	0	87	2	0	0	0	537
Housing Enabling	0	0	10	0	0	0	0	10
Neighbourhood Planning Grants - General	0	0	11	0	0	0	(20)	(9)
Social Housing	51	0	4	1	0	0	0	57
Strategic Planning General	0	0	1	0	0	0	0	1
Local Plans	0	0	41	0	0	0	0	41
	763	0	154	9	0	0	(20)	906

TOTAL	2,062	0	407	47	0	0	(687)	1,829
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GENERAL FUND BUDGET - Supported Living

Private Sector Housing	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Housing Standards	73	1	17	4	0	0	0	96
Other Housing Matters	0	0	10	0	0	0	0	10
Other Housing Servs	0	0	2	0	0	0	(2)	0
	73	1	29	4	0	0	(2)	106

Housing Options	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Homelessness Leased Accom	0	0	7	0	0	0	(7)	(0)
Homelessness Private Sector	113	0	93	3	0	0	(77)	131
Rent Deposit Scheme	43	4	0	3	0	0	(4)	47
	156	4	100	6	0	0	(88)	178

Property Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Asset Management	27	0	20	0	0	0	(4)	42
Capital Projects - Technical Staff	255	0	0	17	0	0	0	272
Creting Road Depot	0	60	12	0	0	0	0	71
Headquarters General	(30)	286	35	2	0	0	(63)	230
Pool Cars	0	0	0	3	0	0	0	3
PV Panels	0	0	24	0	0	0	(419)	(395)
	252	346	90	21	0	0	(486)	223

TOTAL	481	351	220	32	0	0	(577)	507
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GENERAL FUND BUDGET - Environment and Projects

Building Control	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Commercial Income	0	0	2	0	0	0	(24)	(22)
Building Regulations: chargeable service	299	0	4	17	0	0	(411)	(90)
Building Regulations: non-chargeable service	68	0	0	4	0	0	0	72
Building Regulations: other activities	41	0	0	2	0	0	0	44
Street Naming and Numbering	24	0	7	1	0	0	(26)	6
	432	0	13	25	0	0	(461)	3

Waste Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Bring Sites	10	0	79	0	0	0	(155)	(66)
Domestic Waste	127	2	237	6	1,420	0	(495)	1,297
Garden Waste	51	0	165	0	318	0	(884)	(350)
Recycling Centre	0	0	1	0	0	0	(2)	(1)
Trade Waste	15	0	140	0	59	0	(337)	(123)
	203	2	621	7	1,797	0	(1,873)	757

Food & Safety	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Animal Welfare Licensing	0	0	1	0	0	0	(4)	(3)
Food & Safety (General)	233	0	3	10	0	0	(19)	228
Food Safety	0	0	1	0	0	0	0	1
Land Drainage	0	0	45	0	0	0	0	45
Water Sampling	0	0	5	0	0	0	(5)	(0)
	233	0	56	10	0	0	(28)	270

Leisure	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Leisure Contract	0	16	445	0	0	0	(35)	426
Stowmarket Football Ground	0	20	0	0	0	0	(5)	15
	0	36	445	0	0	0	(40)	441

TOTAL	868	38	1,135	42	1,797	0	(2,402)	1,471
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GENERAL FUND BUDGET - Communities and Public Access

Public Access	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Customer Services	407	0	2	3	0	0	0	411
	407	0	2	3	0	0	0	411

Strong and Safe Communities	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Business Performance	0	0	16	0	0	0	0	16
Civil Protection and Emergency Planning	0	0	25	0	0	0	0	25
Community Development	93	0	0	3	0	0	(8)	89
Communications	78	0	6	0	0	0	0	84
Community Achievement Awards	0	0	3	0	0	0	0	3
Community Safety-General	35	0	19	1	0	0	0	54
Grants and Contributions	31	0	505	1	0	0	0	537
The Arts	20	0	8	1	0	0	(1)	28
Wingfield Barns	0	0	6	0	0	0	0	6
	257	0	586	6	0	0	(8)	840

Countryside and Public Realm	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
A14 Cleansing	0	0	0	9	0	0	(43)	(34)
Car Parks General	38	201	40	3	0	0	(668)	(385)
Community Development -Countryside	89	28	26	6	0	0	(10)	139
Eye Castle Project	0	0	3	0	0	0	(3)	0
Footpaths	21	0	3	1	0	0	(11)	14
Open Spaces	492	10	59	48	1	0	(238)	373
Public Conveniences	0	14	0	0	0	0	0	14
Public Tree Programme	52	5	1	4	2	0	0	64
Street and Major Road Cleansing	306	0	105	56	0	0	(140)	326
	998	266	237	127	3	0	(1,114)	551

Policy and Strategy (Health & Well Being)	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Policy and Strategy (Health and Well Being)	92	0	10	4	0	0	0	107
	92	0	10	4	0	0	0	107

TOTAL	1,754	266	835	139	3	0	(1,122)	1,909
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GENERAL FUND BUDGET - Investment and Commercial Delivery

Open for Business	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Alcohol, Entertainments and Late Night Refreshment	30	0	0	0	0	0	(69)	(39)
Economic Development	110	0	18	5	0	0	0	133
Gambling and Small Lotteries	41	0	0	1	0	0	(5)	37
South and Heart of Suffolk Marketing Campaign	0	0	20	0	0	0	(8)	12
Stowmarket Tourist Information Centre	76	7	26	0	0	0	(41)	69
Taxi and Private Hire Licensing	9	0	10	0	0	0	(53)	(34)
Tourism General	0	0	9	0	0	0	0	9
	266	7	83	7	0	0	(175)	187

Housing and Regeneration	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Housing and Regeneration	95	4	4	1	0	0	0	104
Mid Suff Business Park	0	8	0	0	0	0	(11)	(3)
Capital Investment Strategy	20	0	0	0	0	0	0	20
	115	12	4	1	0	0	(11)	121

TOTAL	381	20	87	7	0	0	(186)	308
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GENERAL FUND BUDGET - Corporate Resources

HR and Organisational Development	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Health & Safety	26	0	2	0	0	0	0	28
Organisational Development	341	0	30	1	0	0	0	372
	367	0	32	1	0	0	0	401

Financial Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Bank Charges	0	0	60	0	0	0	(6)	54
Contingencies/Savings Adjustments	68	0	0	0	0	0	0	68
Revenues and Benefits	0	0	0	0	0	16,964	(17,460)	(496)
Early Retirement - Pension Direct Charges	34	0	0	0	0	0	0	34
External Audit	0	0	62	0	0	0	0	62
Financial Servs	358	0	29	4	0	0	0	390
Insurance Premiums	96	119	3	34	0	0	0	253
Pay Inflation and Increment Costs	(100)	0	0	0	0	0	0	(100)
Shared Revenues Partnership	0	0	0	0	1,051	0	0	1,051
Treasury Management	0	0	21	0	0	0	0	21
Pension Lump Sum Deficit	702	0	0	0	0	0	0	702
New Homes Bonus	0	0	0	0	0	0	(2,028)	(2,028)
Section 31 Grant	0	0	0	0	0	0	(600)	(600)
	1,158	119	175	38	1,051	16,964	(20,094)	(589)

Commissioning and Procurement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Central Stationery and Equipment	0	0	14	0	0	0	0	14
Commissioning and Procurement	136	0	4	1	0	0	0	141
	136	0	18	1	0	0	0	155

Senior Leadership Team	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
Senior Leadership Team	621	0	41	10	0	0	(33)	639
	621	0	41	10	0	0	(33)	639

TOTAL	2,282	119	266	50	1,051	16,964	(20,127)	606
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GENERAL FUND BUDGET - Law and Governance

Information Management and ICT	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Income £'000	Net Expenditure £'000
ICT	244	0	407	1	228	0	0	880
Information Management	91	0	0	0	0	0	0	91
Land Charges	0	0	23	0	0	0	(246)	(223)
ICT Transformation Programmes	47	0	0	0	0	0	0	47
	382	0	430	1	228	0	(246)	795

Internal Audit	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Grant Income £'000	Net Expenditure £'000
Internal Audit	72	0	1	0	0	0	0	73
	72	0	1	0	0	0	0	73

Democratic Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Grant Income £'000	Net Expenditure £'000
Central Postal Services	10	0	51	0	0	0	0	61
Central Printing	13	0	27	0	0	0	(3)	37
Cost of Democracy	(155)	0	269	15	0	0	(1)	128
Elections	47	0	0	0	0	0	0	48
Electoral Registration	41	0	49	0	0	0	(2)	88
Governance	214	0	4	0	0	0	(0)	218
Village of the Year	0	0	1	0	0	0	0	1
	172	0	400	16	0	0	(7)	582

Business Improvement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Grant Income £'000	Net Expenditure £'000
Business Improvement	108	0	8	1	0	0	0	117
	108	0	8	1	0	0	0	117

Shared Legal Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Transfer Payments £'000	Grant Income £'000	Net Expenditure £'000
Shared Legal Services	120	0	262	0	0	0	(85)	297
	120	0	262	0	0	0	(85)	297

TOTAL	854	0	1,100	19	228	0	(338)	1,863
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HOUSING REVENUE ACCOUNT 2017/18

	2016/17 £'000	2017/18 £'000
Income		
Dwelling Rent and Other Income	(15,424)	(15,561)
Less Bad Debt Provision	75	75
Interest Income	(15)	(24)
Gross Income	(15,364)	(15,510)

	2016/17 £'000	2017/18 £'000
Expenditure		
Management and Other Costs	3,001	2,632
Repairs and Maintenance	3,069	3,307
Capital Charges (funding the capital programme)	3,017	3,042
Depreciation	3,406	3,406
Borrowing / Financing Costs	3,733	3,597
Gross Expenditure	16,226	15,984

Net Operating Income	862	474
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(Surplus)/Deficit for the Year	862	474
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MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Gov't Grants	S106	Borrowing	Total Financing
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Supported Living											
Mandatory Disabled Facilities Grant	300	300	300	300	1,200			1,076		124	1,200
Discretionary Housing Grants	100	100	100	100	400					400	400
Empty Homes Grant	100	100	100	100	400					400	400
Total Supported Living	500	500	500	500	2,000	0	0	1,076	0	924	2,000

Strategic Planning											
Grants for Affordable Housing	250	250	250	250	1,000					1,000	1,000
Total Strategic Planning	250	250	250	250	1,000	0	0	0	0	1,000	1,000

Environment and Projects											
Replacement Refuse Freighters - Joint Scheme	170	0	170	170	510					510	510
Recycling Bins	100	100	100	100	400					400	400
Total Environmental Services	270	100	270	270	910	0	0	0	0	910	910

Communities and Public Access											
Planned Maintenance / Enhancements - Car Parks	204	162	125	109	599					599	599
Streetcare - Vehicles and Plant Renewals	44	44	44	44	176					176	176
Play Equipment	20	20	20	20	80					80	80
Community Development Grants	189	189	189	189	756					756	756
Total Communities and Public Access	457	415	378	362	1,611	0	0	0	0	1,611	1,611

Leisure Contracts											
Stowmarket Leisure Centre - structural repairs	43	0	0	0	43					43	43
Total Leisure Contracts	43	0	0	0	43	0	0	0	0	43	43

MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Gov't Grants	S106	Borrowing	Total Financing
GENERAL FUND	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Capital Projects											
HQ - Equipment Renewals	20	0	0	0	20					20	20
Planned Maintenance - Corporate Buildings	82	80	80	80	322					322	322
Carbon Reduction	50	50	50	50	200					200	200
Total Capital Projects	152	130	130	130	542	0	0	0	0	542	542

Investment and Commercial Delivery											
Open for Business	30	30	30	30	120					120	120
Land assembly, property acquisition and regeneration opportunities	1,925	1,925	1,925	1,925	7,700					7,700	7,700
Total Investment and Commercial Delivery	1,955	1,955	1,955	1,955	7,820	0	0	0	0	7,820	7,820

Corporate Resources											
ICT costs related to joint working with Babergh	763	200	200	200	1,363	95				1,268	1,363
Total Corporate resources	763	200	200	200	1,363	95	0	0	0	1,268	1,363

Delivery Programme Investment Opportunities	0	0	0	0	0						0
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Total General Fund Capital Spend	4,389	3,550	3,683	3,667	15,288	95	0	1,076	0	14,118	15,289
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Total Capital Spend	12,426	12,295	12,469	12,873	50,062	3,091	9,147	1,191	0	14,118	50,063
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MID SUFFOLK CAPITAL PROGRAMME 2017/18 - 2020/21	2017/18	2018/19	2019/20	2020/21	TOTAL BUDGET (over 4 years)	Capital Receipts	Reserves	Revenue Contributions	Gov't Grants	S106	Borrowing	Total Financing
HOUSING REVENUE ACCOUNT	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Capital Projects												
Planned maintenance	3,321	4,391	4,288	4,248	16,248			16,248				16,248
ICT Projects	85	0	0	0	85			85				85
Environmental Improvements	40	40	40	40	160			160				160
Disabled Facilities work	200	200	150	150	700			700				700

New build programme inc acquisitions	4,391	4,114	4,308	4,768	17,581	2,996	9,147	5,323	115			17,581
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Total HRA Capital Spend	8,037	8,745	8,786	9,206	34,774	2,996	9,147	22,516	115	0	0	34,774
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RESERVES

GENERAL FUND

Estimated Balance 31 Mar 2017 £'000	2017/18		Estimated Balance 31 Mar 2018 £'000
	Transfer into reserves £'000	Use of reserves £'000	

Contingency Reserves

General Fund Working Balance / Reserve

(1,052)			(1,052)
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Earmarked reserves

S106 Agreements
Welfare Reforms
Elections
Repairs and Renewals Fund
Business Rates Equalisation Reserve
Other service specific funds;
Planning, Housing, Waste and Other Services /
Activities*
Sub total
Transformation Fund
Slippage Carry Forwards

(328)			(328)
(211)			(211)
(48)	(15)		(63)
(285)	(75)	82	(278)
(696)			(696)
(684)	(9)		(693)
(2,252)	(99)	82	(2,269)
(7,605)	(2,627)	1,031	(9,201)
(393)			(393)

TOTAL GENERAL FUND RESERVES

(10,250)	(2,726)	1,113	(11,863)
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MID SUFFOLK DISTRICT COUNCIL

From: Assistant Director, Corporate Resources	Report Number: X/63/16
To: Executive Committee	Date of meeting: 5 December 2016

2017/18 General Fund Budget Update

1. Purpose of Report

- 1.1 This report provides an update on the work that has been undertaken so far on the 2017/18 General Fund budget, explains the budget process and the approach taken, and models different variables that will impact on the budget shortfall or surplus across the Medium Term Financial Strategy (MTFS) period.
- 1.2 To enable Members to consider the impact that key aspects will have on the 2017/18 Budget, including Council Tax Base, Council Tax and the New Homes Bonus.

2. Recommendations

- 2.1 That the progress on developing the General Fund budget for the period 2017/18 to 2020/21 be noted.

3. Financial Implications

- 3.1 These are detailed in the report.

4. Legal Implications

- 4.1 These are detailed in the report

5. Risk Management

- 5.1 This report is most closely linked with the following Significant Risk:- 5f – Failure of the Councils to become financially sustainable in response to funding changes. Other key risks are outlined below:-

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to plan and identify options to meet the medium term budget gap and savings or additional income not being realised.	2 - Unlikely	3 - Bad	Clear priority outcomes and robust business cases for investment plus use of the Transformation Fund to support the MTFS and an Investment Strategy.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to implement cost sharing protocol results in inaccurate or unfair allocation of shared costs and income.	1 – Highly Unlikely	2 - Noticeable	Assessment made for 2017/18 Budget, which will be reviewed further to ensure it is robust and accurate. Amend if circumstances change.

5.2 A full risk assessment on the final Budget proposals will be included in the February report that will set out the key risk areas of expenditure and income that are reflected in the Council's Budget.

6. Consultations

6.1 Consultation has taken place with Assistant Directors and Corporate Managers

7. Equality Analysis

7.1 Equality Analyses will be undertaken for any service areas where significant changes are proposed as a result of the above process.

8. Shared Service / Partnership Implications

8.1 The Joint Strategic Plan and MTFs determine and shape the Council's future plans and service provision, with regard to each Council's financial position.

8.2 The Budgets for 2017/18 will reflect the estimated sharing of costs and savings between the two councils. However, there are and will be ongoing differences in the detailed financial position of each Council's General Fund. There will be instances, therefore, when staff resources and money is focused on a specific priority in one council.

8.3 Actual staffing and other costs will have to be reflected in the accounts year on year and funding adjusted accordingly to ensure that each Council's finances are accounted for separately and that costs and benefits from integration and shared services continue to be allocated appropriately to each council.

9. Links to Joint Strategic Plan

9.1 Ensuring that the Council has the resources available is what underpins the ability to achieve the priorities set out in the Joint Strategic Plan as detailed at 10.3 below.

10. Strategic Context

10.1 In recent years the government policy frameworks have been reducing core funding for local government as part of its deficit reduction strategy and increasingly incentivising funding to councils to deliver local economic and housing growth and to facilitate the development of strong, safe, healthy and self-sufficient communities. This is continuing, with the move to 100% retention of Business rates income in 2020, so encouraging and supporting both business and housing growth is essential to the financial future of the Council.

- 10.2 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The budget process supports the direction of travel of the councils in developing the business model to respond to the financial challenges.
- 10.3 The strategic response to those challenges, to ensure long term financial sustainability, is set out in six key actions:
- (a) Aligning resources to the councils' refreshed strategic plan and essential services.
 - (b) Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
 - (c) Behaving more commercially and generating additional income.
 - (d) Considering new funding models (e.g. acting as an investor).
 - (e) Encouraging the use of digital interaction and transforming our approach to customer access.
 - (f) Taking advantage of new forms of local government finance (e.g. new homes bonus, business rates retention).

The actions that have been taken under the strategy mean that the Council is in a better position to withstand the reduction in government grant and achieve a balanced budget in 2017/18.

11. Financial Position – General Fund

- 11.1 Funding arrangements for councils have changed significantly with the Revenue Support Grant decreasing from £918k in 2016/17 to an estimated £371k in 2017/18, a 60% reduction with a further reduction to £36k in 2018/19, followed by a tariff payable to central government of £337k in 2019/20.
- 11.2 In order to receive certainty over the settlement numbers for the next three years from central government, district councils were required to submit an efficiency plan. Mid Suffolk District Council took advantage of gaining certainty for the next three years by submitting the Medium Term Financial Strategy and Joint Strategic Plan by way of demonstrating that the Council has an efficiency plan.
- 11.3 With this in mind Councils are becoming reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus. Business rates and new homes growth will, therefore, be the main sources of income (plus other income generated locally) if we are to achieve a sustainable Budget in the years ahead.
- 11.3 It must be emphasised that the total estimated core funding for next year and future years is not a fixed guaranteed amount as it is now dependent on variations in business rates income. This is carefully monitored and the volatility and risks, for example the level of appeals, will affect the amount of income received.

12. Budget Process

- 12.1 In order to address the budget gap, both in the short and medium term the budget process for 2017/18 has involved several strands of work with the focus on maximising our income streams, continuing to make efficiencies and productivity savings and using new ways of working to work as cost effectively as possible.
- 12.2 The Finance and Human Resources Business Partners have done a great deal of work with Corporate Managers reviewing the salary budgets. At the time of writing this report this work was not quite complete therefore the salaries figures included are based on the 2016/17 budget increased for the pension fund deficit, and increments, however the numbers will be updated for the draft budget report that will be presented to this committee in January.
- 12.3 The Corporate Manager for Finance and the Senior Business Partner have attended all the services team meetings to discuss the funding challenges and to explore and capture ideas they have for savings, efficiency and income generating ideas. These suggestions along with a great deal of work that is already happening across the councils on the capital investment strategy, public realm review, leisure strategy review and the public access transformation and accommodation review have been collated and associated financial implications are being forecast.
- 12.4 These initiatives will be discussed at the relevant Theme Boards, and where appropriate incorporated into the budgets and MTFS.
- 12.5 Finance has worked closely with Corporate Managers and reviewed each budget in detail and taken a zero based budget approach for each service, challenging budgets and focussing on the service needs rather than a historic view that has traditionally occurred.

13. MTFS Scenarios

- 13.1 There are several assumptions that can significantly impact on the Councils financial position as follows:

- New Homes Bonus

The New Homes Bonus (NHB) consultation that was issued by Central Government earlier this year and indicated the grant could reduce from the current 6 years we receive to 4 years. However there were references made that that this may be a phased reduction to 5 years for 2017/18 then 4 years thereafter. There were also other references to Local Plans, applications approved on appeal and a potential baseline of growth that we have to be exceeded before payments are received. We are still awaiting the outcome of this consultation, but further information may be contained within the Autumn Statement on 23rd November. The current forecast growth as at Oct 2016 is 335.0 Band D equivalents.

- Council Tax Base

Council Tax Base is the number of Band D equivalent dwellings in a local authority area. To calculate the tax base for an area, the number of dwellings in each council tax band is adjusted to take account of any discounts, premiums or exemptions. The assumptions made within the MTFS assume an element of growth which results in additional council tax income. The actual tax base growth for 2017/18 is closer to 1.3% and equates to an extra £27k over and above the £45k included in Appendix A. Future year's growth will be reviewed in light of this information.

- Council Tax Increase

The government announced a continuation in 2016/17 of the council tax referendum threshold at 2%, and for those councils with lower quartile Band D council tax levels the potential for additional council tax revenue of £5 (not applicable for Mid Suffolk). However the recent local government finance settlement 2017/18 technical consultation made reference to a potential increase of less than 2% or up to and including £5, whichever is higher, for all shire district councils. We are still awaiting the outcome of this consultation. A 2% increase would generate additional income of £114k and a £5 increase would generate an additional £179k.

13.2 Appendix A includes an MTFS showing the worst, medium, and best case by changing the NHB, council tax base and council tax increase assumptions. The summary shortfall in funding or surplus funds is shown below:

	Assumptions	Cumulative Shortfall in Funding (Surplus funds) 2017/18	Cumulative Shortfall in Funding (Surplus funds) 2018/19	Cumulative Shortfall in Funding (Surplus funds) 2019/20	Cumulative Shortfall in Funding (Surplus funds) 2020/21
Worst Case	NHB – 4 years Tax Base 0.8% Council Tax 0%	(£952k)	(£199k)	£623k	£886k
Medium Case	NHB – 5 years Tax Base 1% Council Tax 2%	(£1.399m)	(£961k)	(£259k)	(£49k)
Best Case	NHB – 6 years Tax Base 1.5% Council Tax £5	(£1.916m)	(£1.454m)	(£1.034m)	(£906k)

13.3 There are of course other factors which affect the base budget position and will impact on the medium term financial position. Appendix B provides a breakdown of the movements from one year to the next, showing cost pressures and the actions taken so far to address these.

13.4 As already mentioned earlier in the report there is still some work to complete before we are in a position to present a draft budget for 2017/18 and a forecast medium term position. Key items not yet included within the numbers presented in this report:

- Leisure Review
- Public Realm Review
- Public Access Transformation / Accommodation Review
- Cash Investments
- Pension contribution changes from the triennial valuation
- Final salary costs

13.5 Work will continue on these items over the next few weeks and draft budgets will be presented to this committee in January. These budgets will be in more detail than in previous years due to the amount of work that has taken place over recent months with Finance and Corporate Managers on the zero based budget approach, and will provide members with a more detailed picture of the budget.

14. Appendices

Title	Location
APPENDIX A – Medium Term Financial Strategies – Worst, Medium and Best case	Attached
APPENDIX B – Year on Year changes	Attached

15. Background Documents

Local government finance settlement 2017/18 technical consultation
New Homes Bonus consultation

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MSDC MTF5 SCENARIO - 17/18 ONWARDS (WORST CASE)

Assumption changes							
Line	Description	2016/17	2017/18		2018/19	2019/20	2020/21
		Budget	Budget		Forecast	Forecast	Forecast
		£000	£000		£000	£000	£000
1a	Expenditure	34,240	33,362		33,724	34,095	34,475
1b	Income	(27,156)	(25,116)		(25,070)	(24,797)	(24,868)
1c	Capital Financing Charges	683	683		683	683	683
1d	Charge to HRA	(920)	(920)		(920)	(920)	(920)
1e	Charge to Capital	(294)	(294)		(294)	(294)	(294)
1f	Transfers to Reserves	3,320	2,554		2,457	2,380	2,396
1g	Core Budget	9,873	10,269		10,580	11,148	11,473
2	Grants to parishes (LCTS)	45					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	Total Planned Net Expenditure	11,919	10,269		10,580	11,148	11,473
	Funding:						
5	Other Earmarked Reserves	(82)	(82)		(82)	(82)	(82)
6	Transformation Fund - DP Project (Staffing)	(427)					
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	New Homes Bonus Based on 4 years	(110)	(1,864)		(1,767)	(1,690)	(1,706)
	S31 Business Rates Grant		(600)		(600)	(600)	(600)
	Government Support						
	(a) Baseline business rates	(2,081)	(2,122)		(2,185)	(2,255)	(2,255)
	(b) B/Rates – growth/pooling benefit	(79)					
9	(b) Revenue Support Grant	(918)	(371)		(36)	-	-
	(c) Rural Services Delivery Grant	(430)	(347)		(267)	(347)	(347)
	(e) Government Tariff					337	337
	(f) Transition Grant	(40)	(39)				
10	Collection Fund (surplus) /deficit	(120)	(120)		(120)	(120)	(120)
11	Council Tax (0% increase to Band D)	(5,631)	(5,631)		(5,676)	(5,722)	(5,767)
12	Growth in taxbase 0.8% increase		(45)		(45)	(46)	(46)
13	Total Funding	(11,920)	(11,222)		(10,779)	(10,525)	(10,587)
14	2017/18		(952)		(952)	(952)	(952)
15	2018/19				754	754	754
16	2019/20					822	822
17	2020/21						263
18	Shortfall in funding / (Surplus Funds) - cumulative		(952)		(199)	623	886
19	Council Taxbase	1.20%	0.80%		0.80%	0.80%	0.80%
20	Band D Council Tax %	1.90%	0.00%		0.00%	0.00%	0.00%
21	Band D Council Tax	£159.36	£159.36		£159.36	£159.36	£159.36

MSDC MTF5 SCENARIO - 17/18 ONWARDS (MEDIUM CASE)

Assumption changes							
Line	Description	2016/17	2017/18		2018/19	2019/20	2020/21
		Budget £000	Budget £000		Forecast £000	Forecast £000	Forecast £000
1a	Expenditure	34,240	33,362		33,724	34,095	34,475
1b	Income	(27,156)	(25,450)		(25,588)	(25,297)	(25,279)
1c	Capital Financing Charges	683	683		683	683	683
1d	Charge to HRA	(920)	(920)		(920)	(920)	(920)
1e	Charge to Capital	(294)	(294)		(294)	(294)	(294)
1f	Transfers to Reserves	3,320	2,888		2,974	2,881	2,808
1g	Core Budget	9,873	10,269		10,580	11,148	11,473
2	Grants to parishes (LCTS)	45					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	Total Planned Net Expenditure	11,919	10,269		10,580	11,148	11,473
	Funding:						
5	Other Earmarked Reserves	(82)	(82)		(82)	(82)	(82)
6	Transformation Fund - DP Project (Staffing)	(427)					
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	New Homes Bonus Based on 4 years	(110)	(1,864)		(1,767)	(1,690)	(1,706)
	S31 Business Rates Grant		(600)		(600)	(600)	(600)
	Government Support						
	(a) Baseline business rates	(2,081)	(2,122)		(2,185)	(2,255)	(2,255)
	(b) B/Rates – growth/pooling benefit	(79)					
9	(b) Revenue Support Grant	(918)	(371)		(36)	-	-
	(c) Rural Services Delivery Grant	(430)	(347)		(267)	(347)	(347)
	(e) Government Tariff					337	337
	(f) Transition Grant	(40)	(39)				
10	Collection Fund (surplus) /deficit	(120)	(120)		(120)	(120)	(120)
11	Council Tax (2% increase to Band D)	(5,631)	(5,744)		(5,906)	(6,084)	(6,268)
12	Growth in taxbase (1.0%)		(45)		(58)	(60)	(61)
13	Total Funding	(11,920)	(11,334)		(11,020)	(10,901)	(11,102)
14	2017/18		(1,065)		(1,065)	(1,065)	(1,065)
15	2018/19				625	625	625
16	2019/20					688	688
17	2020/21						123
18	Shortfall in funding / (Surplus Funds) - cumulative		(1,065)		(961)	(259)	(49)
19	Council Taxbase	1.20%	0.80%		1.00%	1.00%	1.00%
20	Band D Council Tax %	1.90%	2.00%		2.00%	2.00%	2.00%
21	Band D Council Tax	£159.36	£162.55		£165.80	£169.11	£172.50

MSDC MTFs SCENARIO - 17/18 ONWARDS (BEST CASE)							
Assumption changes							
Line	Description	2016/17	2017/18		2018/19	2019/20	2020/21
		Budget	Budget		Forecast	Forecast	Forecast
		£000	£000		£000	£000	£000
1a	Expenditure	34,240	33,362		33,724	34,095	34,475
1b	Income	(27,156)	(25,902)		(25,925)	(25,824)	(25,794)
1c	Capital Financing Charges	683	683		683	683	683
1d	Charge to HRA	(920)	(920)		(920)	(920)	(920)
1e	Charge to Capital	(294)	(294)		(294)	(294)	(294)
1f	Transfers to Reserves	3,320	3,339		3,311	3,407	3,323
1g	Core Budget	9,873	10,269		10,580	11,148	11,473
2	Grants to parishes (LCTS)	45					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	Total Planned Net Expenditure	11,919	10,269		10,580	11,148	11,473
	Funding:						
5	Other Earmarked Reserves	(82)	(82)		(82)	(82)	(82)
6	Transformation Fund - DP Project (Staffing)	(427)					
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	New Homes Bonus Based on 4 years	(110)	(1,864)		(1,767)	(1,690)	(1,706)
	S31 Business Rates Grant		(600)		(600)	(600)	(600)
	Government Support						
	(a) Baseline business rates	(2,081)	(2,122)		(2,185)	(2,255)	(2,255)
	(b) B/Rates – growth/pooling benefit	(79)					
9	(b) Revenue Support Grant	(918)	(371)		(36)	-	-
	(c) Rural Services Delivery Grant	(430)	(347)		(267)	(347)	(347)
	(e) Government Tariff					337	337
	(f) Transition Grant	(40)	(39)				
10	Collection Fund (surplus) /deficit	(120)	(120)		(120)	(120)	(120)
11	Council Tax (£5 increase to Band D)	(5,631)	(5,809)		(6,035)	(6,306)	(6,584)
12	Growth in taxbase (1.5%)		(45)		(88)	(92)	(96)
13	Total Funding	(11,918)	(11,400)		(11,180)	(11,155)	(11,454)
14	2017/18		(1,130)		(1,130)	(1,130)	(1,130)
15	2018/19				530	530	530
16	2019/20					592	592
17	2020/21						27
18	Shortfall in funding / (Surplus Funds) - cumulative		(1,130)		(961)	(259)	(49)
19	Council Taxbase	1.20%	0.80%		1.50%	1.50%	1.50%
20	Band D Council Tax	3.50%	3.14%		3.04%	2.95%	2.87%
21	Band D Council Tax	£159.36	£164.36		£169.36	£174.36	£179.36

APPENDIX B

MID SUFFOLK - MOVEMENT YEAR ON YEAR	16/17 to 17/18	17/18 to 18/19	18/19 to 19/20	19/20 to 20/21
	£000	£000	£000	£000
Total Planned Net Expenditure previous year per Appendix A	11,919	10,269	10,580	11,148
Cost Pressures				
<u>Inflation</u>				
Employees	79	81	83	86
Contracts	60	61	63	64
Premises	10	11	11	11
Supplies & Services	6	6	6	6
Other	2	2	2	2
<u>Communities embrace new homes growth</u>				
Development Management - (net) fee income plus legal and consultancy fees	80	-	-	-
<u>Digital by Design</u>				
ICT & Information Management - change to SCC contract (offset by staffing costs)	38	-	-	-
Organisational Development - transfer of Payroll services to SCC	14	-	-	-
<u>Environment</u>				
Car Parks - income shortfall	80	-	-	-
<u>Financially Sustainable Councils</u>				
Revenues and benefits - adjustment to bad debt provision	130	-	-	-
Cost of Increments	118	122	126	130
Pension fund deficit	64	64	64	64
Insurance Premiums	36	-	-	-
VAT, District Valuers and Treasury Management consultancy	17			
Modern Apprentices	15	15	17	18
Senior Leadership Team - corporate subscriptions	13			
Banking Charges	10	-	-	-
Other changes	11	-	-	-
<u>Waste</u>				
Recycling credits	-	-	250	-
<u>Leisure</u>				
Contract costs	28	-	-	-
Sub total cost pressure	811	362	621	380
<u>Actions</u>				
Inflation - income	(50)	(51)	(53)	(56)
Removal of £2m for Delivery Plan projects	(2,000)	-	-	-
<u>Engage with and support businesses to thrive</u>				
Open for Business	(15)	-	-	-
<u>Environment</u>				
Car Parks - contract payments	(36)	-	-	-
Public Realm - waste disposal costs	(68)	-	-	-
<u>Financially Sustainable Councils</u>				
SRP contract reduction	(82)	-	-	-
Removal of grants to Parishes	(45)	-	-	-
Building Control - fee income	(45)	-	-	-
Sustainable environment - misc supplies & services	(14)			
Other changes	(17)	-	-	-
<u>Targeted grants and funding to support Community capacity building</u>				
Community grants	(30)	-	-	-
<u>Waste</u>				
Garden waste income,	(59)	-	-	-
Sub total actions	(2,461)	(51)	(53)	(56)
Total Planned Net Expenditure movement	(1,650)	311	568	325
New Planned Net Expenditure per Appendix A	10,269	10,580	11,148	11,473

APPENDIX B

MID SUFFOLK - MOVEMENT YEAR ON YEAR	16/17 to 17/18	17/18 to 18/19	18/19 to 19/20	19/20 to 20/21
	£000	£000	£000	£000
Position for the Worst Case				
Funding changes				
Movement in Reserves	73	97	76	(16)
Increase to Tax base 0.8%	(45)	(45)	(46)	(46)
Increase to Rural Services Support Grant	83	80	(80)	-
Business Rates	-	(63)	(70)	-
Reduction to RSG	548	374	36	-
Introduction of government tariff for Business Rates	-	-	337	-
Business Rates inc removal of pooling benefit	38	-	-	-
Funding changes	697	443	254	(62)
Annual Budget (surplus)/deficit	(954)	754	822	262
Total 4 year (surplus)/deficit				884
Position for the Medium Case				
Funding changes				
Movement in Reserves	73	97	76	(16)
Increase to Taxbase 1%	(45)	(58)	(60)	(61)
Increase to council tax 2%	(114)	(117)	(121)	(124)
Increase to Rural Services Support Grant	83	80	(80)	-
Business Rates	-	(63)	(70)	-
Reduction to RSG	548	374	36	-
Introduction of government tariff for Business Rates	-	-	337	-
Business Rates inc removal of pooling benefit	38	-	-	-
Funding changes	583	313	119	(201)
Annual Budget (surplus)/deficit	(1,068)	624	687	123
Total 4 year (surplus)/deficit				367
Position for the Best Case				
Funding changes				
Movement in Reserves	73	97	76	(16)
Increase to Taxbase 1.5%	(45)	(88)	(92)	(96)
Increase to council tax £5	(178)	(181)	(183)	(186)
Increase to Rural Services Support Grant	83	80	(80)	-
Business Rates	-	(63)	(70)	-
Reduction to RSG	548	374	36	-
Introduction of government tariff for Business Rates	-	-	337	-
Business Rates inc removal of pooling benefit	38	-	-	-
Funding changes	519	219	25	(298)
Annual Budget (surplus)/deficit	(1,132)	530	593	26
Total 4 year (surplus)/deficit				18

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