



AGENDA

COUNCIL MEETING

TUESDAY, 19TH SEPTEMBER, 2023 – 5.30 PM

Members of the Council are summoned to a meeting of the Babergh District Council at King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Tuesday, 19th September, 2023 at 5.30 pm.

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

Arthur Charvonja
Chief Executive



BABERGH COUNCIL	
DATE:	TUESDAY, 19 SEPTEMBER 2023 5.30 PM
VENUE:	KING EDMUND CHAMBER, ENDEAVOUR HOUSE, 8 RUSSELL ROAD, IPSWICH

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

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

Page(s)

1 APOLOGIES FOR ABSENCE

To receive apologies for absence.

2 DECLARATION OF INTERESTS BY COUNCILLORS

3 BC/23/12 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 18 JULY 2023 7 - 16

4 BC/23/13 ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER 17 - 18

In addition to any announcements made at the meeting, please see Paper BC/23/13 attached, detailing events attended by the Chairman and Vice-Chairman.

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

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

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

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

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

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

8 **RECOMMENDATIONS FROM CABINET / COMMITTEES**

a **BC/23/14 ANNUAL TREASURY MANAGEMENT REPORT - 19 - 52
2022/23**

Co-Chair of Joint Audit and Standards Committee

At its meeting on 31 July 2023, Joint Audit and Standards Committee considered Paper JAC/23/02, Annual Treasury Management Report 2022/23. Paper BC/23/14 now includes all the relevant updated information.

RECOMMENDATION TO BOTH COUNCILS

3.1 That the treasury management activity for the year 2022/23 as set out in this report and appendices be noted.

3.2 That it be noted that both Councils activity was in accordance with the approved Prudential Indicators for 2022/23.

RECOMMENDATION TO BABERGH COUNCIL

3.3 That it be noted that Babergh District Council's treasury management activity for 2022/23 was in accordance with the approved Treasury Management Strategy, and that, aside from exceeding the net upper limit of interest rate exposure at the end of 2022/23, as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

9 **BC/23/15 CAPITAL INVESTMENT FUND COMPANY (CIFCO CAPITAL LTD) BUSINESS TRADING AND PERFORMANCE REPORT 53 - 140**

Cabinet Member for Finance, Assets and Investments

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

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

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

PART 2

11 **RESTRICTED APPENDIX - CIFCO CAPITAL LTD BUSINESS PLAN (Exempt information by virtue of Paragraph 3 of Part 1)** 141 - 212

Cabinet Member for Finance, Assets and Investments

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

PART 1

13 **BC/23/16 BABERGH STATE OF THE DISTRICT REPORT 2023** 213 - 244

Cabinet Member for Customers, Digital Transformation and Improvement

14 **BC/23/17 RECOMMENDATION FROM THE INDEPENDENT REMUNERATION PANEL** 245 - 250

Independent Remuneration Panel

15 **COUNCILLOR APPOINTMENTS**

To agree the following appointment:

JOINT ADVISORY COMMITTEE AND PARTNERSHIP TO SUFFOLK COAST AND HEATH
TBC

16 **MOTIONS ON NOTICE**

Date and Time of next meeting

Please note that the next meeting is scheduled for Tuesday, 24 October 2023 at 5.30 pm.

Webcasting/ Live Streaming

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

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

Introduction to Public Meetings

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

Domestic Arrangements:

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

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1. Leave the building immediately via a Fire Exit and make your way to the Assembly Point (Ipswich Town Football Ground).
2. Follow the signs directing you to the Fire Exits at each end of the floor.
3. Do not enter the Atrium (Ground Floor area and walkways). If you are in the Atrium at the time of the Alarm, follow the signs to the nearest Fire Exit.
4. Use the stairs, not the lifts.
5. Do not re-enter the building until told it is safe to do so.

Agenda Item 3

BABERGH DISTRICT COUNCIL

Minutes of the meeting of the **BABERGH COUNCIL** held in the King Edmund Chamber, Endeavour House, 8 Russell Road, Ipswich on Tuesday, 18 July 2023.

PRESENT:

Councillor: Elisabeth Malvisi (Chairman)

Councillors:	Peter Beer	David Busby
	Jane Carruthers	Jessie Carter
	Paul Clover	Helen Davies
	Sallie Davies	Derek Davis
	Simon Dowling (Deputy Chair)	Ruth Hendry
	Michael Holt	Bryn Hurren
	Leigh Jamieson	Margaret Maybury
	Alastair McCraw	Mark Newman
	John Nunn	Adrian Osborne
	Alison Owen	Lee Parker
	Stephen Plumb	Daniel Potter
	Tim Regester	Brian Riley
	Deborah Saw	Laura Smith
	John Ward	John Whyman

Officers: Chief Executive (AC)
Monitoring Officer (IA)
Corporate Manager for Governance and Civic Office (JR)
Director for Economic Growth and Climate Change (FD)

Apologies:

Councillors: Kathryn Grandon
Mary McLaren
Isabelle Reece

19 DECLARATION OF INTERESTS BY COUNCILLORS

19.1 None declared.

20 BC/23/6 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 23 MAY 2023

It was **RESOLVED:-**

That the Minutes of the meeting held on 23 May 2023 be confirmed and signed as a true record.

21 BC/23/7 ANNOUNCEMENTS FROM THE CHAIRMAN AND LEADER

21.1 The Chairman referred Councillors to Paper BC/23/7 for noting.

21.2 The Chairman invited the Leader of the Council and the Deputy Political Leaders to make their announcements.

21.3 Councillor Busby made the following announcement:

“I’d like to start my announcements by giving an update about our coalition administration’s collective ambitions for this Council term. The Green, Independent, and Liberal Democrat coalition is built on a spirit of partnership and cooperation – it is absolutely essential to our approach. This will be exemplified not just by how we work together as an administration but how we work with our communities. We want to listen, collaborate, and empower.

As Councillors, we’ll know we have now agreed three broad themes that will drive our agenda and be at the coalition’s heart. We shared these with you yesterday, so I won’t go into detail, but perhaps Councillor Saw or Councillor Ward may like to say a few words about them.”

21.4 Councillor Ward made the following announcement:

“Thank you, Councillor Busby. It is clear that the electorate wanted to see changes to what we do and how we do it but change is good, or at least inevitable. These shared priorities are both ambitious and exciting. They are a combination of continuity with many refreshing new ideas and a strong commitment to strengthen some of the plans already proposed by the previous administration.

We will support our residents, communities, businesses, and environment through greater collaboration and a real desire to seek out innovative projects. Collaboration means with all partners, our communities, and also other Councils and organisations in the County.

Yes, there is a greater focus on climate change mitigation and I know some may be sceptical due to the potential costs, but we have made it clear that a strong economy based on thriving towns, encouraging new businesses, and improving skills is the bedrock on which we will meet the climate challenges. The administration has work to do and I’m pleased to be a part of that and deliver against these priorities.”

21.5 Councillor Saw made the following announcement:

“Thank you, Councillors Busby, and Ward. We are an ambitious administration – as Councillor Ward says we are committed to change, not for its own sake but because we want to help improve the lives of our residents, the resilience of our communities, and make our contribution to the achievement of national priorities such as the drive to net zero and the biodiversity recovery.

Our vision is to see local communities empowered to develop and deliver solutions to the issues that matter to them. It is our role to bring these different stakeholders together, whether fellow local government organisations, businesses, or the voluntary sector, to work with us to develop new solutions and to find the funding to make them a reality.

We will do things differently and we make a measurable difference.”

21.6 Councillor Busby summarised with the following:

“We must now turn these priorities into meaningful actions to achieve our aims. Alongside this, work is getting underway to establish the Council’s corporate plan objectives. Our Residents Survey, which is so important to help us understand the views and needs of our communities, launches this week, and our State of the District report will be published soon.

There are also lessons to be learned from the exemplary Councils we heard from at the LGA Conference a couple of weeks ago and during a visit to the best Council in 2022 – South Staffordshire. These will all influence and shape what we do to improve our district in the next four years.

I’d also like to take this opportunity to welcome the news that the Tour of Britain will be coming to Babergh on Thursday 7th September, passing through a number of towns and villages including Hadleigh, East Bergholt, and Holbrook. It is a great opportunity to showcase our district and for communities to come together.”

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

22.1 None received.

23 QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

23.1 None received.

24 QUESTIONS BY COUNCILLORS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES

24.1 None received.

25 BC/23/8 OVERVIEW AND SCRUTINY COMMITTEE ANNUAL REPORT 2022/23 AND DRAFT WORK PLAN 2023/24

25.1 The Chairman invited Councillor Whyman, Vice Chairman of Babergh Overview and Scrutiny Committee to introduce Paper BC/23/8 which was for noting.

- 25.2 Councillor Whyman invited Mr John Hinton to present the report to Council as the previous Chairman of the Babergh Overview and Scrutiny Committee.
- 25.3 Councillor Maybury raised that the Overview and Scrutiny Committee should look into Babergh District Council's impact on river quality when the review on current levels of untreated sewage discharges into waters in Babergh comes before the Committee in September.
- 25.4 Councillor Davis thanked Mr Hinton for the work he conducted during his time as a Councillor and for his work as the previous Chairman of the Babergh Overview and Scrutiny Committee.
- 25.5 Councillor Busby praised the Officers involved in writing the report and encouraged all Councillors to attend Overview and Scrutiny Committee meetings in the future.
- 25.6 The report was noted.

26 BC/23/9 CHANGES TO THE CONSTITUTION

- 26.1 The Chairman invited the Monitoring Officer to introduce Paper BC/23/9.
- 26.2 The Monitoring Officer explained the purpose of the report and asked for a proposer and a seconder.
- 26.3 Councillor Maybury **PROPOSED** the recommendation which was **SECONDED** by Councillor Plumb.
- 26.4 Councillor Busby queried the flexibility of setting a timescale for when the position of Leader of the Council will rotate. The Monitoring Officer responded that the rotation of the position could only happen in yearly timeframes.
- 26.5 Councillors Holt, Parker, McCraw, and Beer asked for an update on the proposed debate on the governance structure of the Council that was agreed upon by the previous administration. The Chief Executive responded that a further review of the governance structure was agreed upon by Full Council in March 2022 and that Officers would seek to bring that debate before the Constitution Working Group as soon as possible.

By a vote of 27 For, 1 Against, and 1 Conflict of Interest

It was RESOLVED:

- 1.1. **That Council approves the following words to be added "or as the Council shall decide" to Articles 2 and 6 of the Constitution. The relevant sections will read as follows:**

Election and Terms of Councillors "2.2 Election and term. The regular election of councillors will be held on the first Thursday in May every four years. The terms of office of councillor will start on the fourth day

after being elected and will finish on the fourth day after the date of the next regular election with the exception of the Leader who will hold office in accordance with the statutory provisions until the next scheduled election or as the Council shall decide. Provisions for the resignation or removal of the Leader at other times are set out in Article 4.”

The Leader “6.3.1 The Leader will be the Councillor elected to the position by the Council at its first annual meeting following the district’s local government elections. The Leader will hold office until a) The next post-election annual meeting of the Council or as the Council shall decide...”

- 1.2. That the Monitoring Officer makes all consequential changes to the Constitution to give effect to the decision of the Council to appoint a Leader on an annual basis or as the Council shall decide.

27 BC/23/10 GREENHOUSE GAS REPORT 2021-22

- 27.1 The Chairman invited Councillor Potter, Cabinet Member for Environment to introduce Paper BC/23/10.
- 27.2 Councillor Potter explained the purpose of the report and **MOVED** the recommendations detailed in the paper.
- 27.3 Councillor Regester **SECONDED** the proposal.
- 27.4 Councillor Malvisi asked what the acronym “PSD” stood for. The Director for Economic Growth and Climate Change responded that it stood for “Public Sector Decarbonisation”.
- 27.5 Councillor Regester questioned what the definition of a “touchdown point” is. Councillor Potter responded that a touchdown point was a designated remote working location for officers.
- 27.6 Councillor Beer asked for an update on the evaluation of the performance of the solar car ports project. The Director for Economic Growth and Climate Change responded that the solar car ports are now operational and that a further update on the performance of the project will be detailed in an additional report to Full Council in the future.
- 27.7 Councillor Maybury questioned if progress had been made concerning moving council estate properties from natural gas to air source heat pumps. The Director for Economic Growth and Climate Change responded that this was being looked into as part of the Council’s Carbon Reduction Management Plan.

- 27.8 Councillor Maybury questioned what work was being done to reduce the emissions and energy efficiency of Endeavour House. The Director for Economic Growth and Climate Change responded that the Council is a leaseholder within Endeavour House and that changes would be controlled by Suffolk County Council.
- 27.9 Councillor Maybury further questioned if any work was being conducted to help reduce mileage from all staff. The Director for Economic Growth and Climate Change responded that conversations were currently being had with staff through the Council's Carbon Reduction Management Plan and the Sustainable Travel Plan regarding support mechanisms that need to be put in place to reduce staff car journeys.
- 27.10 Councillor Riley questioned when the Council would receive an update report on the 2022/23 figures. The Director for Economic Growth and Climate Change responded that an updated report was currently being put together and is due to be presented to Full Council later in the year.
- 27.11 Councillor Riley queried whether the Council was currently meeting its targets for emissions. The Director for Economic Growth and Climate Change responded that current progress towards the Council's goals is much more positive and is slowly getting back on target.
- 27.12 Councillor Jamieson questioned if pressure was being put on our contractors to be carbon neutral. The Director for Economic Growth and Climate Change responded that pressure was being put on contractors where possible and appropriate.
- 27.13 Councillor Saw asked if a carpooling initiative for staff had been explored. The Director of Economic Growth and Climate Change responded that staff have been encouraged to car share through internal communications and that there are now pool cars that are available for staff to use.
- 27.14 Councillor Holt queried if there were plans in place to modernise the current photovoltaic panels on council properties to improve their efficiency. Councillor Potter responded that there were plans in place considering this and that it would be covered in more detail in the upcoming 2022/23 report.

By a vote of 28 For and 1 Abstention

It was RESOLVED:

- 1.1 That the contents of the Greenhouse Gas Emissions Report 2021-22 at Appendix A to the report be noted.**
- 1.2 That a Task and Finish group is established to review and refresh actions in the Carbon Reduction Management Plan.**

28 BC/23/11 REVIEW OF THE DELIVERY OF THE 2023 DISTRICT, TOWN & PARISH ELECTIONS

- 28.1 The Chairman invited the Chief Executive to introduce Paper BC/23/11.
- 28.2 The Chief Executive explained the purpose of the report and asked for a proposer and a seconder.
- 28.3 Councillor Hurren **PROPOSED** the recommendation which was **SECONDED** by Councillor Beer.
- 28.4 Councillor Beer asked for the total number of people within Babergh that were denied their vote due to not having appropriate voter ID. The Chief Executive responded that he did not have the specific number for Babergh to hand.
- 28.5 Councillor Parker questioned if the software and programmes used to deliver the election were the standard technology used by a majority of local authorities nationally. The Chief Executive responded that the software used by Babergh District Council was one of four options available nationally but that the Council had only run one election on this software prior to the 2023 Local Elections.
- 28.6 Councillor Beer raised that a lack of staff supporting the delivery of the election could have led to some of the issues detailed in the report.
- 28.7 Councillor Riley raised a need for the provision of better training and support for polling station staff.
- 28.8 Councillor Regester questioned if the software used to deliver the elections was tested thoroughly before the 2023 Local Elections were underway. The Chief Executive responded that testing of the software is required before conducting an election but that testing was perhaps conducted too late as detailed further in the external report.

By a unanimous result

It was RESOLVED:

To note the content of Appendices A and B, and request that the Joint Audit & Standards Committee review the draft action plan arising from those reviews.

29 COUNCILLOR APPOINTMENTS

- 29.1 The Chairman introduced the item and asked for a proposer and seconder.
- 29.2 Councillor Busby **PROPOSED** the appointments and Councillor Jamieson **SECONDED** the proposal.

By a unanimous vote

It was RESOLVED:

That the Councillor appointments as detailed in the agenda be approved.

30 MOTIONS ON NOTICE

31 TO CONSIDER THE MOTION ON NOTICE RECEIVED FROM COUNCILLOR JAMIESON

31.1 The Chairman invited Councillor Jamieson to introduce and **PROPOSE** his motion as detailed in the agenda.

31.2 Councillor Potter **SECONDED** the motion.

31.3 Councillor Maybury expressed her party's endorsement of the motion as detailed in the agenda but that they were inclined to not accept the additional part of the motion as detailed in the tabled papers due to limitations with access to sustainable transport within the district.

31.4 Councillor Jamieson raised that joining the UK100 cross-party membership organisation would give the Council access to UK100 Countryside Climate Network which intends to support rural Councils with their ambitions to achieve net zero emissions.

31.5 Councillor Riley expressed that he could not support the motion due to the lack of detail provided regarding funding.

31.6 Councillor McCraw endorsed the motion in full and expressed his support for the continued commitment towards the Council's climate goals.

31.7 Councillor Parker endorsed the motion but queried how the motion would be financed and resourced within the organisation.

31.8 Councillor Holt raised concerns that the motion was too ambitious and would require too much change to be successful.

By a vote of 24 For, 3 Against, and 2 Abstentions the motion was **CARRIED**.

It was RESOLVED:

This Council notes that since the carbon emergency acknowledgment, made in 2019, an election has occurred – with 14 new Councillors across all parties now in post.

With no improvement in the Climate or biodiversity emergencies I would like to take this opportunity for this Council and new councillors to reiterate, once again, its commitment to make its services carbon neutral by 2030.

I would also like to propose that the council join the UK100 cross-party membership organisation that supports the most ambitious councils to go further and faster on their Net Zero and Clean Air targets. UK100 facilitates knowledge-sharing between members, partnership-building and provides leadership and outreach mentoring. To accelerate action, they bring together the most influential local leaders across the country to learn together and agree on priorities for legislative and regulatory change while empowering them to engage with national decision-makers.

There is no cost involved in joining this organisation and no policies are forced on the council. There are numerous councils already signed up to this organisation including Suffolk County Council.

32 TO CONSIDER THE MOTION ON NOTICE RECEIVED FROM COUNCILLOR WARD

32.1 The Chairman invited Councillor John Ward to introduce and **PROPOSE** his motion as detailed in the agenda.

32.2 Councillor Busby **SECONDED** the motion.

32.3 Councillor Holt left the meeting at 19:30pm.

32.4 Councillor Maybury proposed the following amendment to the motion:

“[...] appropriate management of construction activities to effectively minimise and mitigate harm to Suffolk’s communities, environment, *and tourism*.

Whilst the Council will be making a formal response [...]”

32.5 Councillor Beer seconded the proposed amendment.

32.6 Councillor Ward agreed to the proposed amendment of the motion.

By a unanimous vote the motion was **CARRIED**.

It was RESOLVED:

For the avoidance of doubt, Babergh District Council considers its role of protecting and promoting the interests of the district’s communities, businesses, and environment to be of utmost importance and we recognise the contribution Babergh makes to the unique character and quality of Suffolk and the wider eastern region.

The Council acknowledges the national importance of strategic energy infrastructure for the transition to net zero. We have previously stated a preference for a coordinated, offshore approach to the delivery of transmission reinforcement, import and export objectives including consolidation of offshore connections and onshore infrastructure together with appropriate management of construction activities to effectively minimise and mitigate harm to Suffolk’s communities, environment, and tourism.

Whilst the Council will be making a formal response to the non-statutory consultation on the Norwich to Tilbury overhead line project (formerly East Anglia Green) in due course, through this motion we re-state publicly, on behalf of our communities, our objection to the proposed pylon line, and our strong preference for an integrated offshore approach.

We therefore agree that the Chair of the Council will write to the relevant government minister to communicate these objections.

The business of the meeting was concluded at 7.35 pm.

.....
Chair

BABERGH DISTRICT COUNCIL - 19 SEPTEMBER 2023

CHAIRMAN'S ANNOUNCEMENTS

EVENT	LOCATION	DATE	CHAIRMAN	VICE CHAIR
JULY 2023				
Babergh Orchestral Wellbeing Event	The Bridge Project at AFC Sudbury	20-Jul	✓	
Babergh Orchestral Wellbeing Event	Ansell Centre, Hadleigh	20-Jul		✓
AUGUST 2023				
An evening on the Orwell with the Mayor of Ipswich	Common Quay, Ipswich Waterfront	18-Aug	✓	
Persian Holy Communion Service	St Matthew's Church, Portman Road, Ipswich	19-Aug	✓	
SEPTEMBER 2023				
50th anniversary of the Rare Breeds Survival Trust at Jimmy's Farm & Wildlife Park	Jimmy's Farm, Wherstead	01-Sep	✓	
MSDC Chair's BBQ at Alder Carr Farm	Alder Carr Farm, Creting St Mary	09-Sep	✓	
AGM Families Together Suffolk	Eye Community Centre, Magdalen Street, Eye	12-Sep	✓	
Battle of Britain Commemoration Parade and Service	Anthenaeum and St Mary's Church, Burty St Edmunds	17-Sep	✓	
Diss Town Mayor's Civic Service	St Mary's Church, Diss	17-Sep	✓	

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Agenda Item 8a

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

TO: BDC Council MSDC Council	REPORT NUMBER: BC/23/14
FROM: Melissa Evans, Director, Corporate Resources	DATE OF MEETING: 19 September 2023 21 September 2023
OFFICER: Bob Palmer, Interim Corporate Manager – Finance and Procurement	KEY DECISION REF NO. N/A

ANNUAL TREASURY MANAGEMENT REPORT – 2022/23

1. PURPOSE OF REPORT

- 1.1 The report is part of the Councils management and governance arrangements for Treasury Management activity under the CIPFA Code of Practice on Treasury Management (“the Code”). It provides Members with a comprehensive assessment of activities for the financial year 2022/23.
- 1.2 The report specifically sets out the performance of the treasury management function, the effects of the decisions taken, the transactions executed in the past year and any circumstances of non-compliance with the Councils treasury management policy statement and treasury management practices.
- 1.3 The report also includes performance on Prudential Indicators which were set in the 2022/23 Treasury Management Strategy (shown in Appendix E).
- 1.4 The figures contained in this report are subject to the external auditor’s review.

2. OPTIONS CONSIDERED

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

3. RECOMMENDATION TO BOTH COUNCILS

- 3.1 That the treasury management activity for the year 2022/23 as set out in this report and appendices be noted.
- 3.2 That it be noted that both Councils activity was in accordance with the approved Prudential Indicators for 2022/23.

RECOMMENDATION TO BABERGH COUNCIL

- 3.3 That it be noted that Babergh District Council’s treasury management activity for 2022/23 was in accordance with the approved Treasury Management Strategy, and that, aside from exceeding the net upper limit of interest rate exposure at the end of 2022/23 as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

RECOMMENDATION TO MID SUFFOLK COUNCIL

- 3.3 That it be noted that Mid Suffolk District Council's treasury management activity for 2022/23 was in accordance with the approved Treasury Management Strategy, and that, except for one occasion when the Council exceeded its daily bank account limit with Lloyds, as mentioned in Appendix C, paragraph 4.1, the Council has complied with all the Treasury Management Indicators for this period.

REASON FOR DECISION

It is a requirement of the Code of Practice on Treasury Management that full Council notes the position for the financial year 2022/23.

4. KEY INFORMATION

- 4.1 The 2022/23 Treasury Management Strategy for both Councils was approved in February 2022.
- 4.2 The strategy and activities are affected by a number of factors, including the regulatory framework, economic conditions, best practice and interest rate/liquidity risk. The attached appendices summarise the regulatory framework, economic background and information on key activities for the financial year.
- 4.3 The Half Year Report on Treasury Management 2022/23 was presented to Members at the Joint Audit and Standards Committee on 28 November 2022.
- 4.4 The Treasury Management Indicators aim to ensure that the capital investments of local authorities are affordable, prudent, and sustainable and that treasury management decisions are taken in accordance with good professional practice.
- 4.5 Appendix D shows the position on key Treasury Management Indicators for 2022/23.
- 4.6 Key points relating to activity for the year are set out below:
- Major issues over the period were the war in Ukraine, higher inflation, commodity prices, higher interest rates, and the impact on household budgets and spending.
 - Starting the year at 5.5%, CPI increased rapidly, peaking at 11.1% in October, and has remained stubbornly high since, with continued upward contributions coming from food and housing, despite reductions in the impact of earlier energy price surges.
 - The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. This was further increased to 4.5% in May 2023.
 - Babergh's short-term debt increased by £5m whilst long-term debt reduced by £0.6m. Mid Suffolk's short-term debt reduced by £6.5m and medium/long-term borrowing reduced by £6.1m.

4.7 Specific highlights relating to 2022/23 activity are provided below:

Area/Activity	Babergh	Mid Suffolk	Comments
Long Term Borrowing – average interest rate	3.20%	2.63%	All at fixed rates
Credit Risk Scores during the year (value weighted average)	4.90 – 5.20	3.22 – 5.35	Both within the score for the approved A- credit rating for investment counterparties
Compliance with Prudential Indicators	✓	✓	See Appendix E

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

5. LINKS TO JOINT CORPORATE PLAN

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

6. FINANCIAL IMPLICATIONS

6.1 As detailed in the report and appendices.

7. LEGAL IMPLICATIONS

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

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

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

8. RISK MANAGEMENT

8.1 This report is most closely linked to the Councils’ Significant Risk Register, Risk no. 4. “We may be unable to respond in a timely and effective way to financial demands”.

8.2 The operational risks relating to treasury management are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If the Councils lose the investments this will impact on their ability to deliver services.	Highly Unlikely (1)	Bad (3)	Strict lending criteria for high credit rated institutions.

If the Councils achieve a poorer return on investments than planned, there will be fewer resources available to deliver services.	Probable (3)	Noticeable (2)	Focus is on security and liquidity, and careful cash flow management in accordance with the TM Strategy is undertaken throughout the year.
If the Councils have liquidity problems, then they will be unable to meet their short-term liabilities.	Unlikely (2)	Noticeable (2)	As above.

9. CONSULTATIONS

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

10. EQUALITY ANALYSIS

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

11. ENVIRONMENTAL IMPLICATIONS

- 11.1 All Council activities will need to be reviewed as part of the work of the Climate Change Task Group and have regard to the Councils ambition to be carbon neutral by 2030.
- 11.2 Both Councils have joined Arlingclose's ESG and Responsible Investment Service. This will provide advice for ESG integration in the Councils' investment portfolios.
- 11.3 Following a report (Report JAC/20/21) on 17 May 2021 it was resolved by this Committee to recommend that the Cabinet pushes its fund managers to filter investments in respect of the ESG considerations, looking for positive contributions to tackling our carbon reduction priorities and that the Cabinet considers withdrawing funds from investors who do not adequately address these concerns.
- 11.4 The Joint Audit and Standards Committee recognised that any decision to withdraw funds should be balanced against financial prudence.

12. APPENDICES

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

13. BACKGROUND DOCUMENTS

- 13.1 CIPFA's Code of Practice on Treasury Management ("the Code").
- 13.2 Joint Capital, Investment and Treasury Management Strategies 2022/23 (Paper BC/21/33)
- 13.3 Joint Capital, Investment and Treasury Management Strategies 2022/23 (Paper MC/21/283)
- 13.4 Half Year Report on Treasury Management 2022/23 (Paper JAC/21/38)
- 13.5 Environmental Social and Governance (ESG) Considerations for the Councils Joint Treasury Management Strategy (Paper JAC/20/21 and Minute no.37).

Background, Economy and Outlook

1. Introduction

- 1.1. In February 2012 the Councils adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the "CIPFA Code") which requires the Councils to approve treasury management half year and annual reports.
- 1.2. The Joint Treasury Management Strategy for 2022/23 was approved at both full Councils in February 2022. Both Councils have borrowed and invested substantial sums of money, and both are therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Councils Treasury Management Strategy.
- 1.3. Treasury risk management at the Councils is conducted within the framework of the CIPFA Code which requires the Councils to approve a treasury management strategy before the start of each financial year and, as a minimum, a half year and annual treasury outturn report. This report fulfils the Councils legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.4. The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The Councils Joint Capital Strategy, for the financial year 2022/23, complying with CIPFA's Code requirement, was approved by both full Councils in February 2022.

2. External Context

2.1. Economic background:

- 2.2. The war in Ukraine continued to keep global inflation above central bank targets and the UK economic outlook remained relatively weak with the chance of a mild recession. The economic backdrop during the January to March period continued to be characterised by high energy and commodity prices, high inflation, and the associated impact on household budgets and spending.
- 2.3. Central Bank rhetoric and actions remained consistent with combatting inflation. The Bank of England, US Federal Reserve, and European Central Bank all increased interest rates over the period, even in the face of potential economic slowdowns in those regions.
- 2.4. Starting the financial year at 5.5%, the annual CPI measure of UK inflation rose strongly to hit 10.1% in July and then 11.1% in October. Inflation remained high in subsequent months but appeared to be past the peak, before unexpectedly rising again in February. Annual headline CPI registered 10.4% in February, up from 10.1% in January, with the largest upward contributions coming from food and housing. RPI followed a similar pattern during the year, hitting 14.2% in October. In February RPI measured 13.8%, up from 13.4% in the previous month.

- 2.5. Following the decision by the UK government under Rishi Sunak and Jeremy Hunt to reverse some of the support to household energy bills announced under Liz Truss, further support in the form of a cap on what energy suppliers could charge household was announced in the March Budget to run from April until end June 2023. Before the announcement, typical household bills had been due to rise to £3,000 a year from April.
- 2.6. The inactivity rate was 21.3% in the December-February quarter, slightly down from the 21.4% in the first quarter of the financial year. Nominal earnings were robust throughout the year, with earnings growth in December-February at 5.7% for both total pay (including bonuses) and 6.5% for regular pay. Once adjusted for inflation, however, both measures were negative for that period and have been so throughout most of the year.
- 2.7. Despite household budgets remaining under pressure, consumer confidence rose to -36 in March, following readings of -38 and -45 in the previous two months, and much improved compared to the record-low of -49 in September. Quarterly GDP was soft through the year, registering a 0.1% gain in the April-June period, before contracting by (an upwardly revised) -0.1% in the subsequent quarter. For the October-December period growth was revised upwards to 0.1% (from 0.0%), illustrating a resilient but weak economic picture. The annual growth rate in Q4 was 0.6%.
- 2.8. The Bank of England increased the official Bank Rate to 4.25% during the financial year. From 0.75% in March 2022, the Monetary Policy Committee (MPC) pushed through rises at every subsequent meeting over the period, with recent hikes of 50bps in December and February and then 25bps in March, taking Bank Rate to 4.25%. March's rise was voted for by a majority of 7-2, with two MPC members preferring to maintain Bank Rate at 4.0%. The Committee noted that inflationary pressures remain elevated with growth stronger than was expected in the February Monetary Policy Report. The February vote was also 7-2 in favour of a hike, and again with two members preferring to keep Bank Rate on hold.
- 2.9. After reaching 9.1% in June, annual US inflation slowed for eight consecutive months to 6% in February. The Federal Reserve continued raising interest rates over the period with consecutive increases at each Federal Open Market Committee meetings, taking policy rates to a range of 4.75%- 5.00% at the March meeting.
- 2.10. From the record-high of 10.6% in October, Eurozone CPI inflation fell steadily to 6.9% in March 2023. Energy prices fell, but upward pressure came from food, alcohol, and tobacco. The European Central Bank continued increasing interest rates over the period, pushing rates up by 0.50% in March, taking the deposit facility rate to 3.0% and the main refinancing rate to 3.5%.

2.11. Financial Markets

2.12. Uncertainty continued to be a key driver of financial market sentiment and bond yields remained relatively volatile due to concerns over elevated inflation and higher interest rates, as well as the likelihood of the UK entering a recession and for how long the Bank of England would continue to tighten monetary policy. Towards the end of the period, fears around the health of the banking system following the collapse of Silicon Valley Bank in the US and purchase of Credit Suisse by UBS caused further volatility.

2.13. Over the period the 5-year UK benchmark gilt yield rose from 1.41% to peak at 4.70% in September before ending the financial year at 3.36%. Over the same timeframe the 10-year gilt yield rose from 1.61% to peak at 4.51% before falling back to 3.49%, while the 20-year yield rose from 1.82% to 4.96% and then declined to 3.82%. The Sterling Overnight Rate (SONIA) averaged 2.24% over the period.

2.14. Credit Review:

2.15. Early in the period, Moody's affirmed the long-term rating of Guildford BC but revised the outlook to negative. The agency also downgraded Warrington BC and Transport for London.

2.16. In July Fitch revised the outlook on Standard Chartered and Bank of Nova Scotia from negative to stable and in the same month Moody's revised the outlook on Bayerische Landesbank to positive. In September S&P revised the outlook on the Greater London Authority to stable from negative and Fitch revised the outlook on HSBC to stable from negative.

2.17. The following month Fitch revised the outlook on the UK sovereign to negative from stable. Moody's made the same revision to the UK sovereign, following swiftly after with a similar move for a number of local authorities and UK banks including Barclays Bank, National Westminster Bank (and related entities) and Santander.

2.18. During the last few months of the reporting period there were only a handful of credit changes by the rating agencies, then in March the collapse of Silicon Valley Bank (SVB) in the US quickly spilled over into worries of a wider banking crisis as Credit Suisse encountered further problems and was bought by UBS.

2.19. Credit Default Prices had been rising since the start of the period on the back of the invasion of Ukraine, and in the UK rose further in September/October at the time of the then-government's mini budget. After this, CDS prices had been falling, but the fallout from SVB caused a spike on the back of the heightened uncertainty. However, they had moderated somewhat by the end of the period as fears of contagion subsided, but many are still above their pre-March levels reflecting that some uncertainty remains.

- 2.20. On the back of this, Arlingclose reduced its recommended maximum duration limit for unsecured deposits for all UK and Non-UK banks/institutions on its counterparty list to 35 days as a precautionary measure. No changes were made to the names on the list.
- 2.21. As market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Councils counterparty list recommended by Arlingclose remains under constant review.
- 2.22. Local authorities remain under financial pressure, but Arlingclose continues to take a positive view of the sector, considering its credit strength to be high. Section 114 notices have been issued by only a handful of authorities with specific issues. While Arlingclose's advice for local authorities on its counterparty list remains unchanged, a degree of caution is merited with certain authorities.

3. Local Context

- 3.1. On 31 March 2023, Babergh had a net borrowing requirement of £109.1m and Mid Suffolk had a net borrowing requirement of £105.1m arising from revenue and capital income and expenditure activities. This is an increase of £8.4m for Babergh and a decrease of £6.5m for Mid Suffolk from the 31 March 2022 position.
- 3.2. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors and the year-on-year change are summarised in Table 1 as follows.
- 3.3. **Table 1: Borrowing Summary**

Babergh	31.03.22 Actual £m	2022/23 Movement £m	31.03.23 Actual £m
General Fund CFR	72.692	2.954	75.646
HRA CFR	92.894	1.525	94.419
Total CFR	165.586	4.479	170.065
Borrowing CFR			
Less: Usable reserves	(49.460)	(2.546)	(52.006)
Add / (Less): Working Capital	(15.424)	6.429	(8.995)
Net Borrowing Requirement	100.702	8.362	109.064

Appendix A cont'd

Mid Suffolk	31.03.22 Actual £m	2022/23 Movement £m	31.03.23 Actual £m
General Fund CFR	101.275	(16.350)	84.925
HRA CFR	94.241	11.598	105.839
Total CFR	195.516	(4.752)	190.764
Borrowing CFR			
Less: Usable reserves	(67.070)	(9.284)	(76.354)
Add / (Less): Working Capital	(16.869)	7.532	(9.337)
Net Borrowing Requirement	111.577	(6.504)	105.073

3.4. Both Councils net borrowing requirements are reflective of movements in their respective CFRs, which in turn balance capital expenditure against the financing applied, including minimum revenue provision. Movements in working capital and usable reserves relate to the timing of receipts and payments, reflected in movements in the balances of short-term debtors and creditors.

3.5. Rising official interest rates have increased the cost of short-term, temporary loans and investment returns from cash assets that can be used in lieu of borrowing. Both Councils pursued their strategy of keeping borrowing and investments below their underlying levels, sometimes known as internal borrowing, in order to reduce risk and keep interest costs low.

3.6. Table 2: Treasury Management Summary

3.7. The actual treasury management activity and position on 31 March 2023 and the year-on-year change is shown in Table 2 that follows.

Babergh	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Long-term borrowing	94.396	(0.553)	93.843	3.20%
Short-term borrowing	26.000	5.000	31.000	1.44%
Total borrowing	120.396	4.447	124.843	
Long-term investments	11.105	(0.050)	11.055	3.74%
Short-term investments	8.000	(5.000)	3.000	1.59%
Cash and Cash equivalents	1.714	0.002	1.716	1.90%
Total investments	20.819	(5.048)	15.771	
Net Borrowing	99.577	9.495	109.071	

Appendix A cont'd

Mid Suffolk	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Long-term borrowing	104.835	(6.107)	98.729	2.63%
Short-term borrowing	30.500	(6.500)	24.000	1.57%
Total borrowing	135.335	(12.607)	122.729	
Long-term investments	11.101	(0.045)	11.056	3.73%
Short-term investments	8.000	(3.000)	5.000	2.16%
Cash and Cash equivalents	2.317	(0.720)	1.597	1.94%
Total investments	21.418	(3.765)	17.653	
Net Borrowing	113.917	(8.841)	105.076	

- 3.8. The figures in Table 2 are from the balance sheet in the statement of accounts, adjusted to exclude operational cash, accrued interest and other accounting adjustments.
- 3.9. Cash and cash equivalents include funds held in current bank accounts for day-to-day cashflow purposes and short-term deposits. In addition, Babergh held £3m and Mid Suffolk £5m in money market funds.

1. Borrowing Strategy during the year

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

- 1.1. In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 1.2. CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20 December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.
- 1.3. The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements until the 2023/24 financial year. Both Councils will adopt the revised reporting requirements from 2023/24.
- 1.4. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decisions that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.
- 1.5. Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's functions but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.
- 1.6. Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.
- 1.7. The Councils are not planning to borrow to invest primarily for commercial return and so are unaffected by the changes to the Prudential Code. The Councils capital programme has been reviewed considering these changes to the CIPFA Prudential Code and PWLB lending arrangements to ensure that borrowing to invest after 2020/21 primarily for commercial return will no longer be undertaken (for example in CIFCO Ltd).

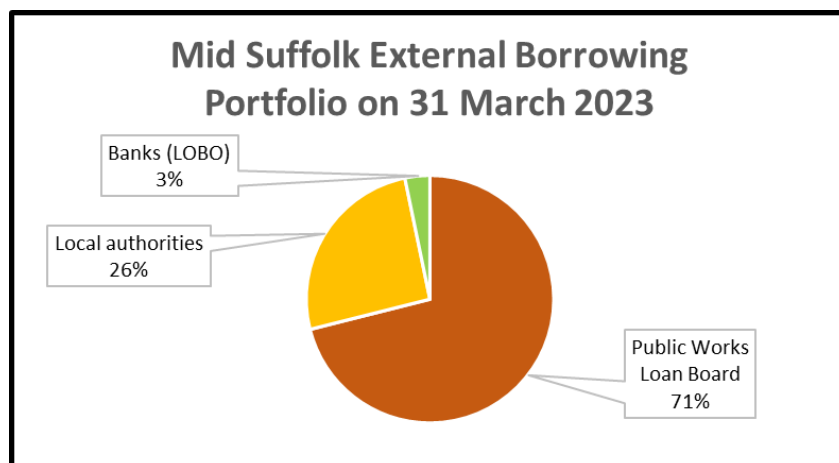
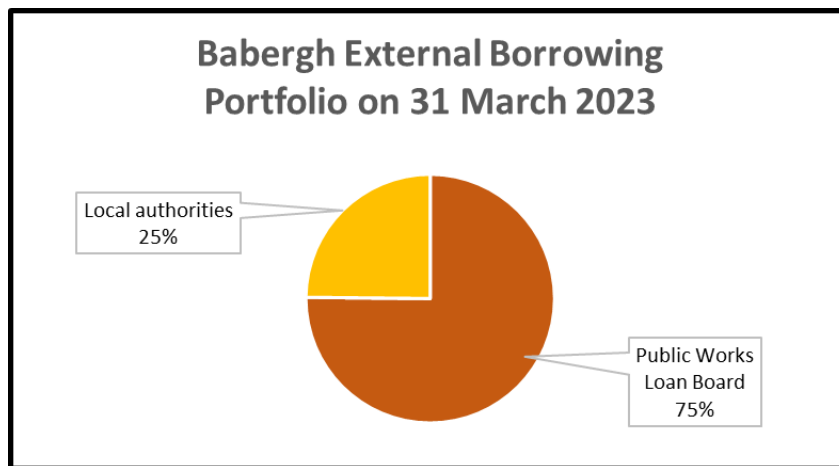
1.8. Babergh and Mid Suffolk both hold £49.8m each in commercial investments for CIFCO Ltd that were purchased prior to the change in the CIPFA Prudential Code.

1.9. Table 3: Borrowing Position

Babergh	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Public Works Loan Board	94.396	(0.553)	93.843	3.20%
Local authorities (short-term)	26.000	5.000	31.000	1.44%
Total borrowing	120.396	4.447	124.843	

Mid Suffolk	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m	2022/23 Average Rate %
Public Works Loan Board	88.335	(1.107)	87.229	3.31%
Banks (LOBO)	4.000	0.000	4.000	4.21%
Local authorities (medium / long-term)	12.500	(5.000)	7.500	0.38%
Local authorities (short-term)	30.500	(6.500)	24.000	1.57%
Total borrowing	135.335	(12.607)	122.729	

1.10. Table 3 - Charts: Borrowing Position



Appendix B cont'd

- 1.11. The Councils objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with a secondary objective of having flexibility to renegotiate loans should the Councils long-term plans change.
- 1.12. With short-term interest rates remaining much lower than long-term rates, the Councils considered it more cost effective in the near term to use short-term loans.
- 1.13. The extended impact of Covid-19 on the economy caused delays in the Councils capital expenditure plans which has resulted in a temporary lower funding requirement.
- 1.14. The Treasury Management Strategy shows that both Councils are anticipating increasing CFRs and estimated net borrowing requirements. The Councils borrowing decisions are not predicated on any one outcome for interest rates and a balanced portfolio of short and long-term borrowing was maintained.
- 1.15. Babergh did not take out any new medium or long-term borrowing in the period. Mid Suffolk took out £7.5m of medium-term loans from other local authorities to benefit from good rates on local authority borrowing for a longer period and reduce refinancing risk.
- 1.16. PWLB funding margins have experienced high levels of volatility and there remains a strong argument for diversifying funding sources, particularly if rates can be achieved on alternatives which are below gilt yields plus 0.80%, i.e., the PWLB borrowing rate. The Councils will evaluate and pursue these lower cost solutions and opportunities with their treasury advisor, Arlingclose.
- 1.17. LOBO loans: Mid Suffolk continues to hold £4m of LOBO loans (Lender's Option Borrower's Option) where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The banks did not exercise their option during 2022/23.

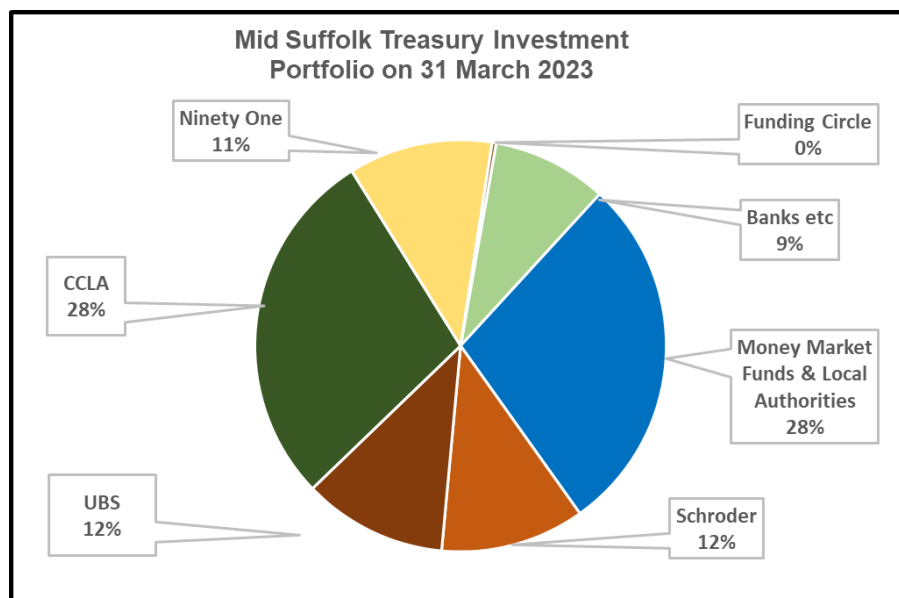
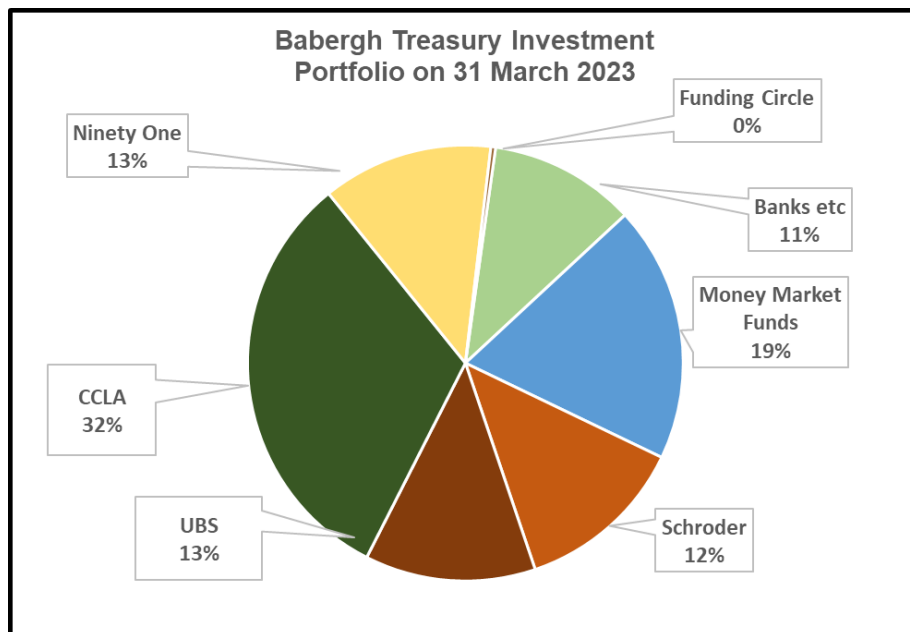
1. Treasury Investment Activity

- 1.1. CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20 December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 1.2. Babergh and Mid Suffolk hold invested funds, representing income received in advance of expenditure plus balances and reserves. During 2022/23, Babergh's investment balance ranged between £9.4m and £26.1m. Mid Suffolk's investment balance ranged between £12.4m and £45.5m. These movements are due to timing differences between income and expenditure.
- 1.3. The year-end investment position and the year-on-year changes are shown in Table 4 that follows. Both Councils withdrew more of their investments in Funding Circle.
- 1.4. **Table 4: Treasury Investment Position**

Babergh	31.03.22 Balance	2022/23 Movement	31.03.23 Balance	2022/23 Average Rate
	£m	£m	£m	%
Banks & building societies (unsecured)	1.714	0.002	1.716	1.90%
Money Market Funds	8.000	(5.000)	3.000	1.59%
Schroder	2.000	0.000	2.000	6.08%
UBS	2.000	0.000	2.000	5.06%
CCLA	5.000	0.000	5.000	4.07%
Ninety One	2.000	0.000	2.000	3.49%
Funding Circle	0.105	(0.050)	0.055	0.00%
Total investments	20.819	(5.048)	15.771	

Mid Suffolk	31.03.22 Balance	2022/23 Movement	31.03.23 Balance	2022/23 Average Rate
	£m	£m	£m	%
Banks & building societies (unsecured)	2.317	(0.720)	1.597	1.94%
Money Market Funds & Local Authorities	6.000	(1.000)	5.000	2.16%
DMADF	2.000	(2.000)	0.000	2.10%
Schroder	2.000	0.000	2.000	6.08%
UBS	2.000	0.000	2.000	5.05%
CCLA	5.000	0.000	5.000	4.01%
Ninety One	2.000	0.000	2.000	3.49%
Funding Circle	0.101	(0.045)	0.056	0.00%
Total investments	21.418	(3.765)	17.653	

1.5. Table 4 - Charts: Investment Position



- 1.6. Both the CIPFA Code and government guidance requires Councils to invest their funds prudently, and to have regard to the security and liquidity of their treasury investments before seeking the optimum rate of return, or yield. The Councils objectives when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 1.7. Ultra-low short-dated cash rates, have been a feature since March 2020 when Bank Rate was cut to 0.1% rising to 0.75% in March 2022. During the 12-month reporting period they increased steadily to 4.25% in March 2023. On 31 March, the 1-day return on the MMFs ranged between 3.98% - 4.09% p.a. for Babergh and 4.03% - 4.09% for Mid Suffolk.

- 1.8. Similarly, deposit rates with the government's Debt Management Account Deposit Facility (DMADF) initially remained very low with rates ranging from 0% to 0.1% but following the hikes to policy rates increased to between 0.55% and 3.82% depending on the deposit maturity. The average return in the year on the Councils DMADF deposits was 1.09% for Babergh and 2.10% for Mid Suffolk. The Councils invest in the money market funds (MMFs) as a priority and then DMADF only when MMFs are fully invested.
- 1.9. Babergh and Mid Suffolk have both previously followed the treasury management strategy to move investments into long term strategic pooled funds. Given the increasing risk and falling returns from short-term unsecured bank investments, the Councils diversified into more higher yielding asset classes; pooled property, multi asset and equity funds. As a result, investment risk was diversified.
- 1.10. Neither Council made further investments in these pooled funds during the year but continued reducing their investments in Funding Circle.
- 1.11. The average rate of return for these is significantly higher than the comparable average returns of Arlingclose's other clients, as shown in Table 5. The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking for the year end in Table 5 that follows.
- 1.12. **Table 5: Investment Benchmarking - Treasury investments managed in-house.**

Babergh	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2022	5.04	A+	99%	2.44%
On 31.03.2023	4.9	A+	100%	3.99%

Mid Suffolk	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
On 31.03.2022	4.38	AA-	80%	2.57%
On 31.03.2023	4.85	A+	100%	3.58%

Arlingclose Benchmarks for 31.03.2023	Credit Score	Credit Rating	Bail-in Exposure	Rate of Return
Similar Local authorities	4.74	A+	63%	3.57%
All Local authorities	4.71	A+	59%	3.67%

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

Appendix C cont'd

- 1.14. Babergh has £11.1m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £3.4m (average rate of return for the year 3.74%) which is used to support the Councils service provision.
- 1.15. Mid Suffolk has £11.1m of externally managed pooled equity, property and multi assets funds which generated an average total income return, since the date of the initial investments, of £3.3m (average rate of return for the year 3.73%) which is used to support the Councils service provision.
- 1.16. In the nine months to December, improved market sentiment was reflected in equity, property and multi-asset fund valuations and, in turn, in the capital values of both Council's property, equity and multi-asset income funds in their portfolios. The prospect of higher inflation and rising bond yields did however result in muted bond fund performance. In the January- March quarter the two dominant themes were tighter UK and US monetary policy and higher interest rates, and the military invasion of Ukraine by Russia in February, the latter triggering significant volatility and uncertainty in financial markets.
- 1.17. In light of Russia's invasion, Arlingclose contacted the fund managers of our MMF, cash plus and strategic funds and confirmed no direct exposure to Russian or Belarusian assets had been identified. Indirect exposures were immaterial. It should be noted that that any assets held by banks and financial institutions (e.g. from loans to companies with links to those countries) within MMFs and other pooled funds cannot be identified easily or with any certainty as that level of granular detail is unlikely to be available to the fund managers or Arlingclose in the short-term, if at all.
- 1.18. These funds have no defined maturity date but are available for withdrawal after a notice period. Their performance and continued suitability in meeting the Councils investment objectives are regularly reviewed. In light of their performance and the Councils latest cash flow forecasts, investment in these funds has been maintained, except for Funding Circle which is being reduced over the period of the repayment of the remaining loans.
- 1.19. Since 2018/19, the International Financial Reporting Standards for pooled funds states that changes in valuations must be taken through the Comprehensive Income and Expenditure Statement. The Ministry of Housing, Communities and Local Government (MHCLG) granted a statutory override until 2022/23 so these changes will have no impact on the "bottom line" until 2023/24.
- 1.20. It is intended to set aside any increases in valuation to a reserve to mitigate future potential losses. These pooled funds are long term investments, and the Councils would not sell the units whilst their value was less than the original investment.

2 Non-Treasury Holdings and Other Investment Activity

- 2.1 The definition of investments in CIPFA's revised 2021 Treasury Management Code now covers all the financial assets of the Councils as well as other non-financial assets which the Councils hold primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).
- 2.2 Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) also broadens the definition of investments to include all such assets held partially or wholly for financial return.
- 2.3 **Investment Property**
- 2.4 During 2016/17 Babergh purchased Borehamgate Shopping Centre in Sudbury for £3.6m. This has been classified as an investment property and on 31 March 2023 it was assessed at fair value of £2.6m. Net Income, after the deduction of direct costs, was £186k in 2022/23 (£158k in 2021/22). Income from rentals continued to increase slightly as has picked up further following the pandemic. The asset is being actively managed by the Council to secure new tenants in the short term and work continues on longer term investment plans for that area.
- 2.5 **Trading Companies**
- 2.6 On 31 March 2023 Babergh held £4.9m of equity in BDC (Suffolk Holdings) Ltd and Mid Suffolk held £4.9m of equity in MSDC (Suffolk Holdings) Ltd. Both Councils own 100% of the shares in each holding company.
- 2.7 Babergh and Mid Suffolk's respective 50% share of the loss made by CIFCO Ltd in 2022/23 was £3m (2021/22 was £3.2m profit) and is reflected in the decreased value of each of the Council's equity holding in the company. This includes changes in portfolio valuation following the annual year-end revaluation reflecting a decrease in the portfolio value of 12%.
- 2.8 The total equity investment by both Councils to full investment (£99.3m) totalled £9.9m (10%). Equity value will fluctuate each year to reflect any fluctuations in market value.
- 2.9 On 31 March 2023 Babergh and Mid Suffolk each have £44.4m of loans in CIFCO Ltd, a subsidiary of BDC (Suffolk Holdings) Ltd and MSDC (Suffolk Holdings) Ltd. These loans have generated £8.1m (gross) of investment income for each Council since the start of trading. The net position for 2022/23, including additional interest receivable from overdraft facilities given by the Councils and after borrowing costs, is shown later in Table 7.
- 2.10 On 31 March 2023 Mid Suffolk also held £6.4m of loans in another subsidiary of MSDC (Suffolk Holdings) Ltd, Gateway 14 Ltd, which has generated £4.9m (gross) of investment income since the initial loans were advanced by the Council in August 2018.
- 2.11 Gateway 14 is now in the delivery phase of the development with infrastructure works and completed its first transaction in December 2022.

Table 6: Trading Companies – Loan activities

Babergh	Trading Companies - Loans				
	31.3.21	2021/22	31.3.22	2022/23	31.3.23
	Balance	Movement	Balance	Movement	Balance
	£m	£m	£m	£m	£m
CIFCO Ltd					
Interest Receivable	(3.661)	(2.209)	(5.870)	(2.198)	(8.068)
Interest Payable	0.721	0.249	0.970	0.526	1.496
Cumulative Net Interest received from date of investments	(2.940)	(1.960)	(4.900)	(1.672)	(6.572)

Mid Suffolk	Trading Companies - Loans				
	31.3.21	2021/22	31.3.22	2022/23	31.3.23
	Balance	Movement	Balance	Movement	Balance
	£m	£m	£m	£m	£m
Interest Receivable					
CIFCO Ltd	(3.661)	(2.209)	(5.870)	(2.198)	(8.068)
Gateway 14 Ltd	(2.426)	(1.216)	(3.642)	(1.218)	(4.860)
Total Interest Receivable	(6.087)	(3.425)	(9.512)	(3.416)	(12.928)
Interest Payable					
CIFCO Ltd	1.319	0.481	1.800	0.738	2.538
Gateway 14 Ltd	0.540	0.080	0.620	0.064	0.684
Total Interest Payable	1.859	0.561	2.420	0.802	3.222
Net Interest					
CIFCO Ltd	(2.342)	(1.728)	(4.070)	(1.460)	(5.530)
Gateway 14 Ltd	(1.886)	(1.136)	(3.022)	(1.154)	(4.176)
Cumulative Net Interest received from date of investments	(4.228)	(2.864)	(7.092)	(2.614)	(9.706)

3 Treasury Performance

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

3.2 Table 7 Treasury Activity - Performance

Babergh	2022/23 Budget	2022/23 Actual	Variance Adverse/ (Favourable)
	£m	£m	£m
Interest Receivable			
General Fund	(0.584)	(0.421)	0.164
Housing Revenue Account	(0.010)	(0.203)	(0.193)
CIFCO Ltd	(2.169)	(2.201)	(0.032)
Total Interest Receivable	(2.763)	(2.824)	(0.061)
Interest Payable			
General Fund	0.060	0.000	(0.060)
Housing Revenue Account	3.161	2.795	(0.366)
CIFCO Ltd	0.380	0.526	0.146
Total Interest Payable	3.601	3.321	(0.280)
Net Interest			
General Fund	(0.524)	(0.421)	0.104
Housing Revenue Account	3.151	2.592	(0.559)
CIFCO Ltd	(1.789)	(1.675)	0.113
Total Net Interest	0.838	0.497	(0.341)
Mid Suffolk	2022/23 Budget	2022/23 Actual	Variance Adverse/ (Favourable)
	£m	£m	£m
Interest Receivable			
General Fund	(0.597)	(0.883)	(0.286)
Housing Revenue Account	(0.009)	0.000	0.009
CIFCO Ltd	(2.169)	(2.201)	(0.032)
Gateway 14 Ltd	(1.865)	(1.233)	0.632
Total Interest Receivable	(4.640)	(4.316)	0.323
Interest Payable			
General Fund	0.130	0.000	(0.130)
Housing Revenue Account	2.968	2.790	(0.178)
CIFCO Ltd	0.545	0.738	0.193
Gateway 14 Ltd	0.160	0.065	(0.095)
Total Interest Payable	3.803	3.594	(0.209)
Net Interest			
General Fund	(0.467)	(0.883)	(0.416)
Housing Revenue Account	2.959	2.790	(0.169)
CIFCO Ltd	(1.624)	(1.462)	0.161
Gateway 14 Ltd	(1.705)	(1.168)	0.537
Total Net Interest	(0.837)	(0.723)	0.114

3.3 The interest receivable for Babergh was £61k over budget, whilst the interest receivable for Mid Suffolk was £323k under budget. The HRA was the main contributor to Babergh's position and Gateway 14 Ltd was the key influence on Mid Suffolk's variance.

3.4 The total interest payable for the year was under budget by £280k for Babergh and £209k for Mid Suffolk. All Babergh's short term borrowing was attributable to CIFCO Ltd.

3.5 Long term investment returns

3.6 Babergh and Mid Suffolk have both invested in long term pooled funds. Tables 8.1 to 8.5 that follow show details of how these investments have performed during 2021/22 and 2022/23.

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

3.8 Table 8.1 CCLA Performance

CCLA	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	4.791	0.841	5.631	(0.928)	4.703
Cumulative Net Interest received from date of initial investment	1.230	0.182	1.412	0.204	1.615
Annual Performance					
Net Interest received in year	0.213		0.182		0.204
Average Rate of Return for year	4.26%		3.64%		4.07%

CCLA	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	5.000	0.000	5.000	0.000	5.000
Investment Valuation	4.717	0.828	5.544	(0.914)	4.630
Cumulative Net Interest received from date of initial investment	1.167	0.179	1.347	0.201	1.547
Annual Performance					
Net Interest received in year	0.210		0.179		0.201
Average Rate of Return for year	4.20%		3.58%		4.01%

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

3.10 **Table 8.2 Schroder Performance**

Schroder Maximiser Fund	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.540	0.167	1.707	(0.091)	1.616
Cumulative Net Interest received from date of initial investment	0.555	0.110	0.665	0.122	0.786
Annual Performance					
Net Interest received in year	0.095		0.110		0.122
Average Rate of Return for year	4.76%		5.49%		6.08%

Schroder Maximiser Fund	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.540	0.167	1.707	(0.091)	1.616
Cumulative Net Interest received from date of initial investment	0.555	0.110	0.665	0.122	0.786
Annual Performance					
Net Interest received in year	0.095		0.110		0.122
Average Rate of Return for year	4.76%		5.49%		6.08%

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

3.12 **Table 8.3 UBS Performance**

UBS	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.831	(0.094)	1.736	(0.288)	1.448
Cumulative Net Interest received from date of initial investment	0.452	0.083	0.535	0.101	0.637
Annual Performance					
Net Interest received in year	0.090		0.083		0.101
Average Rate of Return for year	4.48%		4.15%		5.06%

Appendix C cont'd

UBS	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.828	(0.094)	1.733	(0.287)	1.446
Cumulative Net Interest received from date of initial investment	0.356	0.083	0.439	0.101	0.540
Annual Performance					
Net Interest received in year	0.090		0.083		0.101
Average Rate of Return for year	4.48%		4.14%		5.05%

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

3.14 Table 8.4 Funding Circle Performance

Funding Circle	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested - National	0.166	(0.061)	0.105	(0.050)	0.055
Total Amount Invested	0.166	(0.061)	0.105	(0.050)	0.055
Bad debts to date	(0.046)	0.002	(0.044)	0.002	(0.042)
Accrued Interest	0.005	(0.003)	0.002	(0.002)	0.000
Valuation	0.125	(0.062)	0.063	(0.050)	0.014
Income received	0.119	0.002	0.121	0.000	0.121
Servicing costs	(0.014)	0.000	(0.014)	(0.000)	(0.014)
Cumulative Net Interest received from date of initial investment	0.105	0.002	0.107	(0.000)	0.107
Annual Performance					
Net Interest received in year	0.013		0.002		0.000
Average Rate of Return for year	3.14%		4.30%		0.00%

Funding Circle	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested - National	0.162	(0.061)	0.101	(0.045)	0.056
Total Amount Invested	0.162	(0.061)	0.101	(0.045)	0.056
Bad debts to date	(0.050)	0.003	(0.047)	0.001	(0.046)
Accrued Interest	0.005	(0.004)	0.001	(0.001)	0.000
Valuation	0.117	(0.062)	0.055	(0.045)	0.010
Income received	0.119	0.002	0.121	0.001	0.122
Servicing costs	(0.014)	0.000	(0.014)	(0.000)	(0.014)
Cumulative Net Interest received from date of initial investment	0.105	0.002	0.107	0.001	0.108
Annual Performance					
Net Interest received in year	0.005		0.001		0.000
Average Rate of Return for year	2.98%		4.20%		0.00%

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

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

Ninety One Series i Diversified Income Fund	Babergh				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.995	(0.097)	1.898	(0.103)	1.796
Cumulative Net Interest received from date of initial investment	0.149	0.071	0.221	0.070	0.291
Annual Performance					
Net Interest received in year	0.074		0.071		0.070
Average Rate of Return for year	3.72%		3.57%		3.49%

Ninety One Series i Diversified Income Fund	Mid Suffolk				
	31.03.21 Balance £m	2021/22 Movement £m	31.03.22 Balance £m	2022/23 Movement £m	31.03.23 Balance £m
Amount Invested	2.000	0.000	2.000	0.000	2.000
Investment Valuation	1.995	(0.097)	1.898	(0.103)	1.796
Cumulative Net Interest received from date of initial investment	0.149	0.071	0.221	0.070	0.291
Annual Performance					
Net Interest received in year	0.074		0.071		0.070
Average Rate of Return for year	3.72%		3.57%		3.49%

4. Compliance Report

4.1. It should be noted that both Council's treasury management activity for 2022/23 was in accordance with the approved Treasury Management Strategy, and that both Councils have complied with all the Treasury Management Indicators for this period, except:

- Investments: On 21 April 2022, Mid Suffolk's bank account balance went above the limit by £508,000 due to receiving £809,000 in completion funds for the sale of 3 properties. Funds were received after the cut-off point for investing into the money market funds but were invested the next day.
- Interest rate exposure: these limits were set in the Treasury Management Strategy when interest rates, and predicted interest rates, were very low. The majority of Babergh's borrowing was at the end of 2022/23 when interest rates had risen to their highest rate since 2020. It resulted in the net upper limits on the one-year revenue impact, which had been set at £15,000, being exceeded as the actual impact was £32,000.

4.2. Compliance with the authorised limit and operational boundary for external debt is shown in Table 9 below.

4.3. **Table 9: Debt Limits**

Total Borrowing	2022/23 Maximum £m	31.03.23 Actual £m	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied
Babergh	124.853	124.843	183.000	198.000	✓
Mid Suffolk	135.335	122.729	246.000	261.000	✓

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

4.5. **Table 10: Investment Limits**

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

Babergh	2022/23 Maximum £m	31.03.23 Actual £m	2022/23 Limit £m	Complied
Any single organisation, except the UK Central Government	1.841	1.716	2.000	✓
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.105	0.055	1.000	✓
Any single Money Market Fund	2.000	2.000	2.000	✓

Mid Suffolk	2022/23 Maximum £m	31.03.23 Actual £m	2022/23 Limit £m	Complied
Any single organisation, except the UK Central Government	2.509	1.097	2.000	x
Any group of organisations under the same ownership	0.000	0.000	1.000	✓
Any group of pooled funds under the same management	5.000	5.000	5.000	✓
Negotiable instruments held in a broker's nominee account	0.000	0.000	10.000	✓
Foreign countries	0.000	0.000	2.000	✓
Registered Providers	0.000	0.000	5.000	✓
Unsecured investments with Building Societies	0.000	0.000	2.000	✓
Loans to unrated corporates	0.101	0.056	1.000	✓
Any single Money Market Fund	2.000	2.000	2.000	✓

1. Treasury Management Indicators

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

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

1.3. Table 11: Credit Scores

Credit Scores	31.3.23 Actual	2022/23 Target	Complied
Babergh Portfolio average Credit Score	4.90	7.00	✓
Mid Suffolk Portfolio average Credit Score	4.85	7.00	✓

1.4. **Interest Rate Exposures:** This indicator is set to control the Councils exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates are shown in Table 12 that follows.

1.5. Table 12: Interest rate exposure

Interest rate risk indicator	31.3.23 Actual £m	2022/23 Limit £m	Complied
Babergh upper impact on Revenue of a 1% increase in rates	0.032	0.015	x
Mid Suffolk upper impact on Revenue of a 1% increase in rates	0.029	0.073	✓

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

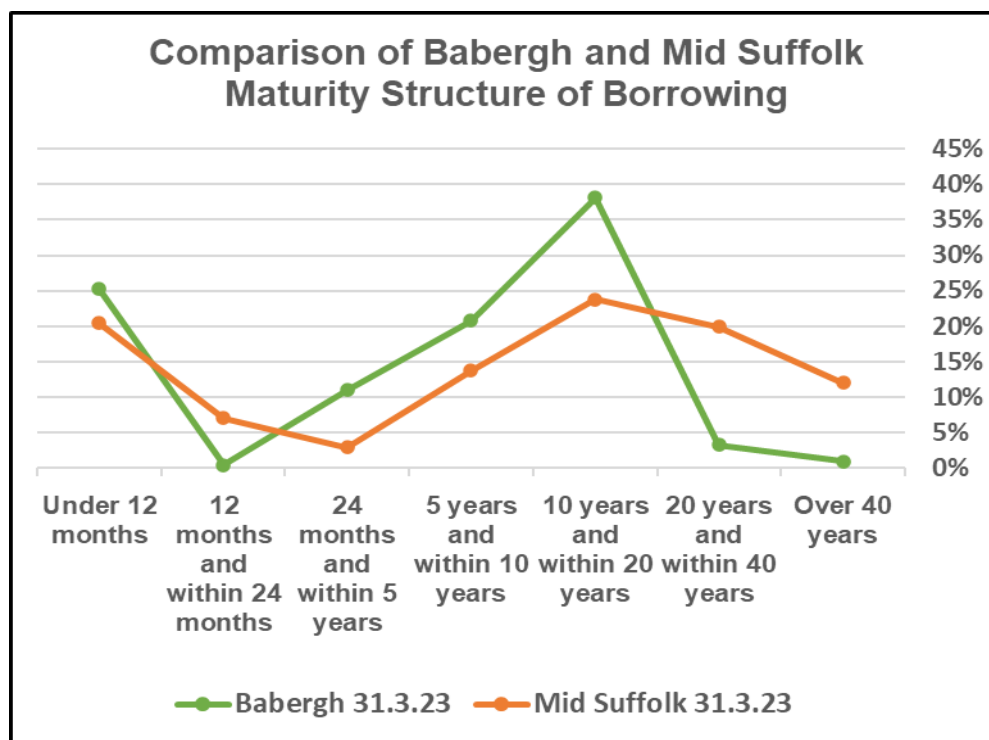
1.7. **Maturity Structure of Borrowing:** This indicator is set to control the Councils exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing are shown in Table 13 as follows.

1.8. Table 13: Maturity Structures

Age Profile of Maturity	Babergh 31.3.23 Actual	Mid Suffolk 31.3.23 Actual	Lower Limit	Upper Limit	Complied
Under 12 months	25.28%	20.47%	0%	50%	✓
12 months and within 24 months	0.46%	7.05%	0%	50%	✓
24 months and within 5 years	11.04%	2.91%	0%	50%	✓
5 years and within 10 years	20.79%	13.77%	0%	100%	✓
10 years and within 20 years	38.16%	23.80%	0%	100%	✓
20 years and within 40 years	3.27%	19.93%	0%	100%	✓
Over 40 years	1.00%	12.07%	0%	100%	✓

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

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



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

1.12. **Table 14: Principal Sums**

Babergh	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

Mid Suffolk	2022/23	2023/24	2024/25
Actual principal invested beyond year end	£0	£0	£0
Limit on principal invested beyond year end	£2m	£2m	£2m
Complied	✓	✓	✓

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

1. Prudential Indicators

1.1. Introduction

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

1.3. This report compares the approved indicators with the outturn position for 2022/23. Actual figures have been taken from, or prepared on a basis consistent with, the Councils draft Statements of Accounts for 2022/23.

1.4. Capital Expenditure

1.5. The Councils capital expenditure and financing for 2022/23 compared to budget is summarised in Table 15 that follows.

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

Babergh District Council			
Capital Expenditure and Financing	2022/23 Budget including c/fwds £m	2022/23 Actual £m	Variance Adverse / (Favourable) £m
General Fund	23.628	5.728	(17.900)
HRA	22.644	11.490	(11.154)
Total Expenditure	46.272	17.218	(29.054)
Capital Receipts	3.540	2.472	(1.068)
Grants and Contributions	1.510	0.696	(0.814)
Revenue Contributions	2.630	2.633	0.003
Revenue Reserves	6.310	0.405	(5.905)
Major Repairs Reserve	4.280	4.830	0.550
Borrowing	28.002	6.182	(21.820)
Total Financing	46.272	17.218	(29.054)

Mid Suffolk District Council			
Capital Expenditure and Financing	2022/23 Budget including c/fwds £m	2022/23 Actual £m	Variance Adverse / (Favourable) £m
General Fund	35.135	12.318	(22.817)
HRA	43.123	21.962	(21.162)
Total Expenditure	78.258	34.280	(43.979)
Capital Receipts	4.440	5.357	0.917
Grants and Contributions	1.880	1.086	(0.794)
Revenue Contributions	1.280	1.058	(0.222)
Revenue Reserves	4.020	0.935	(3.085)
Major Repairs Reserve	3.910	4.622	0.712
Borrowing	62.728	21.222	(41.506)
Total Financing	78.258	34.280	(43.978)

2. Prudential Indicator Compliance

2.1. Capital Financing Requirement

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

2.3. Table 16: Capital Financing Requirement

Babergh District Council			
Capital Financing Requirement	31.03.23 Budget £m	31.03.23 Actual £m	Variance Adverse / (Favourable) £m
General Fund	91.959	75.646	(16.313)
HRA	90.997	94.419	3.422
Total CFR	182.956	170.065	(12.891)

Mid Suffolk District Council			
Capital Financing Requirement	31.03.23 Budget £m	31.03.23 Actual £m	Variance Adverse / (Favourable) £m
General Fund	124.331	84.925	(39.406)
HRA	120.859	105.839	(15.020)
Total CFR	245.190	190.764	(54.426)

- 2.4. The CFR increased during the year by £4.48m for Babergh and decreased by £4.75m for Mid Suffolk, being the movement in the balance of capital expenditure financed by debt against resources put aside for debt repayment. These figures are shown in Appendix A Table 1.

3. Actual Debt

- 3.1. The Councils actual debt on 31 March 2023 was as follows:

3.2. Table 17: Total Debt

Total Debt	31.03.23 Budget £m	31.03.23 Actual £m	Variance (Adverse) / Favourable £m
Babergh District Council	(138.730)	(124.843)	13.887
Mid Suffolk District Council	(199.896)	(122.729)	77.167

4. Gross Debt and the Capital Financing Requirement

- 4.1. In order to ensure that over the medium-term debt will only be used for a capital purpose, the Councils should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence.
- 4.2. The total debt remained below the CFR during the forecast period, which shows compliance with the indicator.
- 4.3. Table 18: Debt and Capital Financing Requirement

Babergh District Council		
Debt and CFR	31.03.23 Actual £m	31.03.23 Estimate £m
Capital financing requirement	170.065	182.956
Total Debt	(124.843)	(138.730)
Headroom	45.222	44.226

Mid Suffolk District Council		
Debt and CFR	31.03.23 Actual £m	31.03.23 Estimate £m
Capital financing requirement	190.764	245.190
Total Debt	(122.729)	(199.896)
Headroom	68.035	45.294

5. Operational Boundary for External Debt

- 5.1. The operational boundary is based on the Councils estimate of the most likely (i.e., prudent but not worst case) scenario for external debt. It links directly to the Councils

estimates of capital expenditure, the capital financing requirement, and cash flow requirements, and is a key management tool for in-year monitoring.

5.2. Table 19: Operational Boundary and Total Debt

Operational Boundary and Total Debt	31.03.23 Limit £m	31.03.23 Actual Debt £m	Complied
Babergh District Council	(183.000)	(124.843)	✓
Mid Suffolk District Council	(246.000)	(122.729)	✓

6. Authorised Limit for External Debt

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

6.2. Table 20: Authorised Limit and Total Debt

Authorised Limit and Total Debt	31.03.23 Limit £m	31.03.23 Actual Debt £m	Complied
Babergh District Council	(198.000)	(124.843)	✓
Mid Suffolk District Council	(261.000)	(122.729)	✓

7. Ratio of Financing Costs to Net Revenue Stream

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

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

Babergh District Council			
Ratio of Financing Costs to Net Revenue Stream	31.03.23 Budget %	31.03.23 Actual %	Variance Adverse / (Favourable) %
General Fund	(7.86)	(5.68)	2.18
HRA	18.05	14.65	(3.40)

Mid Suffolk District Council			
Ratio of Financing Costs to Net Revenue Stream	31.03.23 Budget %	31.03.23 Actual %	Variance Adverse / (Favourable) %
General Fund	(16.69)	(14.78)	1.91
HRA	19.31	18.00	(1.31)

8. Adoption of the CIPFA Treasury Management Code

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

9. HRA Limit on Indebtedness

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

Glossary of Terms

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

Agenda Item 9

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

TO: BDC Council MSDC Council	REPORT NUMBER: BC/23/15
FROM: Cllr John Ward, Cabinet Member Finance, Assets & Investments Cllr Richard Winch, Cabinet Member Housing & Property	DATE OF MEETING: BDC: 19 September 2023 MSDC: 21 September 2023
OFFICER: Emily Atack, Director Assets & Investments, Managing Director CIFCO	KEY DECISION REF NO. N/A

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

1. PURPOSE OF REPORT

- 1.1 This report presents the trading activity for CIFCO Capital Ltd (CIFCO) for 2022/23. Appended to the report is the draft business plan 2023/24 which, subject to Council approval, will form the basis of CIFCO's trading in 2023/24. CIFCO's performance against its business plan is monitored quarterly by the Holding Companies. The board of CIFCO directors continually assess the market and appropriately apply and adapt the guidelines of the business plan throughout each trading year.

2. OPTIONS CONSIDERED

- 2.1 The options available are to approve the 2023/24 CIFCO business plan for its adoption by CIFCO or to recommend amendments to the business plan.

The business plan has been prepared by the Board of CIFCO in consultation with its fund managers Jones Lang LaSalle (JLL).

3. RECOMMENDATIONS

- 3.1 **That Council notes CIFCO Capital Ltd trading activity and performance for the year to 31st March 2023.**
- 3.2 **That Council approves CIFCO Capital Ltd.'s 2023/24 business plan for adoption by CIFCO Capital Limited.**

REASON FOR DECISION

To provide appropriate governance and performance monitoring for the operation of CIFCO Capital Ltd.

4. KEY INFORMATION

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

4.2 A summary of the portfolio is set out below, alongside previous years:

	March 2020	March 2021	March 2022	March 2023
Total Asset Value	£52,490,000	£83,918,000	£94,110,000	£82,500,000
Contracted Rent p.a.	£3,393,112	£5,004,824	£5,355,618	£5,530,981
ERV	£3,609,037	£5,556,641	£5,912,985	£6,545,589
Number of Assets	14	21	21	21
Number of Tenants	38	90	78	81
WAULT (years)	To break 6 years 8 months To expiry: 8 years 5 months	To break 7 years 0 months To expiry: 8 years 6 months	To break 6 years 6 month To expiry 6 years 7 months	To break 4 years 6 month To expiry 5 years 8 months
Initial Yield	5.78%	5.60%	5.00%	6.30%
Equivalent Yield	6.41%	6.16%	5.86%	6.98%
Reversionary Yield	6.40%	6.24%	6.28%	7.44%
Void Rate	3.96%	5.72%	2.01%	3.64%
Running Yield*	5.97%	5.20%	5.36%	5.75%

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

The loans to CIFCO are secured against the properties acquired and shares are issued in respect of equity investments made with each acquisition. The value of the shares (equity investment) fluctuates in line with the value of the portfolio. As the portfolio matures and the costs of acquisition (fees, stamp duty etc) are recovered, dividends will be payable to the Holding Companies and their respective Council owners as a return on the equity investment as well as revenue being generated through loan repayment.

- 4.4 High inflation and the resulting increases in interest rates have impacted commercial property capital values, particularly since Autumn 2022. Investment transaction levels have fallen by 22% compared to the previous year and are 8% lower than the 10 year average. The occupational market remains fairly robust, although CIFCO has experienced some tenant failures this year. Overall, the portfolio is holding up well in the current market, due to the work of the board and professional team, the quality of the assets and diverse portfolio. Rent collection on a quarterly basis continues to be above industry norms and exceeds CIFCO KPI, and void levels remain below the industry benchmark.
- 4.5 The 2023/24 business plan focuses on the on-going management of the fund and the company to maximise revenue and return to our shareholders and to seek out opportunities to enhance the value of the portfolio wherever possible. The key strategic objectives for the forthcoming years are to reduce and mitigate future portfolio voids, continue ESG improvement path, manage portfolio risk and deploy capital strategically to enhance value and income.
- 4.6 The 2023/24 Business Plan contains all the elements of the previous Business Plan approved by both Councils last year. The Plan includes:
- A review of performance over the last 12 months against key performance indicators together with strategy for the year ahead.
 - A summary of the full market conditions assessment and revised investment strategy commissioned by the Company's Fund Manager, JLL.
 - The key portfolio risks and attributes.
 - The Business Plan incorporates high level budget and financial cashflow back to the Council through loan repayments. CIFCO borrows at a fixed rate so interest rate fluctuations are mitigated. Cashflow and operational finance is dealt with quarterly by the Board alongside quarterly risk analysis.
 - In addition, the Board's future revisions to its investment strategy are influenced by the quarterly portfolio analysis report from JLL which covers:
 - Investment Guidelines
 - JLL IPD (a UK benchmarking index) Forecasts
 - Tenant Covenant Log
 - Critical Dates Schedule
 - Individual Property Business Plans
 - Tenancy Schedule
 - Arrears
 - EPC Schedule

- 4.7 CIFCO provides a long-term income stream for the Councils to use to support the delivery of services within the District. This forms part of a portfolio of investments delivering income to the Councils including CCLA, Schrodgers and others.
- 4.8 In addition, the Councils also invest directly in property in their districts for regeneration, housing delivery and income purposes. In Mid Suffolk examples include the acquisition of the Former Aldi Unit at Gipping Way in 2018, which has been redeveloped and now delivers car parking and rental income to Council and the acquisition of 11 Market Place which is now let to The John Peel Centre. It has also invested in Gateway 14 in Stowmarket and the redevelopment of its former HQ site in Needham Market delivering affordable and market homes. In Babergh examples include Borehamgate Shopping Centre, employment land in Hadleigh and the redevelopment of the former HQ in Hadleigh. The Councils have also built or acquired 572 new Council Houses in the districts over the last 8 years.
- 4.9 MSDC are committed to strong governance, risk management and oversight of CIFCO operations and will undertake a thorough review of operations prior to the next business plan cycle to inform MSDC's longer term strategy. The governance arrangements and MSDC long term strategy will be reviewed with our partners Babergh District Council working together to deliver the best outcomes for our residents.

5. KEY PERFORMANCE INDICATORS (KPI)

- 5.1 The key performance indicators were set within the **2022/23** Business Plan, these are set out below together with performance against these targets:

KPI	Description	Target		Target	CIFCO KPI 2023
1	Increase contracted rent from £5,368,674 pa by 01 April 2023	£5,422,360		1%	£5,530,981 (+3.02%)
2	Equivalent Yield (EY)	MSCI All property 6.6%		Target at or above market Equivalent Yield	6.98%
3	Improve EPC Portfolio Rating	100%		All Properties have an EPC rating of C or above by 2027	46.4%
4	Quarterly Rent Arrears of less than 5.00% (Data as at 20 March 2023)	Current Arrears (£):	£57,727	Measured by the amount of rent outstanding at the end of the quarter as a percentage of	*Q1 1.63%
		Current Arrears (%):	3.63%		
		5% Target:	£79,570		

	Target:	-£21,843	the total rent due that quarter	*Q3 4.75%
	Total Income for Quarter:	£1,591,397		*Q4 3.63%

*This figure will change by the end of the March quarter as monthly rental payments are made and further arrears collected.

6. KEY PERFORMANCE INDICATORS (KPIs) 2023/24

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

KPI	Description	Target
1	Increase contracted rent from £5,530,980 per annum by 1 st April 2024	>1%
2	Portfolio Equivalent Yield (EY) aligns with or above All Property Yield (currently 6.6%)	6.6%
3	All properties have an EPC rating of	C or above by 2027
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%

7. LINKS TO JOINT CORPORATE PLAN

- 7.1 Babergh and Mid Suffolk Councils are currently resetting their Corporate Plans following the change in administrations in the May 2023 elections.
- 7.2 A resilient and robust business plan for CIFCO Capital Ltd will contribute to the strong governance of the Company and its performance. The Business plan aligns with The Councils' Medium-Term Financial Strategies delivering an important income stream into our districts to support the delivery of services and projects within our districts.
- 7.3 The investment in CIFCO is a long-term investment which will create a legacy for future generations.

8. COMPANY STRUCTURE AND IN-YEAR REPORTING

- 8.1 The Board of CIFCO Capital Ltd ('CIFCO') is responsible to its shareholders MSDC (Suffolk Holdings) Ltd and BDC (Suffolk Holdings) Ltd for the proper performance of the company against the business plan previously reviewed by The Joint Overview & Scrutiny Committee and subsequently approved by the two parent Councils usually in July each year. Please see the business plan for a company ownership structure.
- 8.2 The Board meets regularly to review performance of the assets and fund, make portfolio decisions, appoint corporate advisers, and to put in place strategies and policies for company governance. A wide range of approvals have taken place throughout the year covering risk, performance management, governance, portfolio management, delegations and procurement. The Board meets virtually for quarterly Board meetings and in person for a strategy day once a year. The strategy day was held on 19th June, this year and was a good opportunity to welcome new Councillor directors to the board.
- 8.3 Each quarter the Chairman of CIFCO reports progress at a simultaneous Holding Company Boards' meeting. He presents his assessment of the market and company activity during the last quarter and performance data relating to that activity.
- 8.4 The CIFCO Board reviews its annual business plan and investment strategy continuously to ensure that it remains consistent with the marketplace and emerging risks and opportunities. Its investment strategy is developed with advice from JLL. The Business Plan is amended in full annually. The Business Plan is presented to both Holding Companies for consideration and approval before it progresses to Joint Overview & Scrutiny Committee and subsequently to both full Councils for final consideration.

9. FINANCIAL PERFORMANCE AND ACQUISITION PROGRESS

- 9.1 The Councils have received total net income of circa £11.511m since CIFCO's incorporation in 2017, details are set out in the tables below:

CIFCO (Babergh)							
	£ 000						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Revenue Impact							
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(1,942)	(7,815)
Interest Paid	11	119	316	277	235	523	1,481
Net Interest	(75)	(663)	(929)	(1,274)	(1,974)	(1,420)	(6,334)
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(35)	(171)
Accrued interest receivable	-	-	-	-	-	(255)	(255)
Total Revenue	(84)	(688)	(961)	(1,309)	(2,009)	(1,710)	(6,761)
£ m							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Capital Movement							
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-
Gross Borrowing	12.38	13.71	4.05	19.44	-	-	49.58
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.24)	(0.81)
Equity	1.23	1.37	0.41	1.94	-	-	4.95
Gross Investment	12.38	13.63	3.93	19.29	(0.22)	(0.24)	48.77
Net Capital Movements	-	0.08	0.12	0.15	0.22	0.24	0.81

CIFCO (Mid Suffolk)							
	£ 000						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Revenue Impact							
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(1,942)	(7,815)
Interest Paid	11	235	541	533	468	850	2,638
Net Interest	(75)	(547)	(704)	(1,018)	(1,741)	(1,092)	(5,177)
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(35)	(171)
Accrued interest receivable	-	-	-	-	-	(255)	(255)
Total Revenue	(84)	(572)	(736)	(1,053)	(1,776)	(1,382)	(5,604)
£ m							
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Capital Movement							
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-
Gross Borrowing	12.38	13.71	4.05	19.44	-	-	49.58
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.24)	(0.81)
Equity	1.23	1.37	0.41	1.94	-	-	4.95
Gross Investment	12.38	13.63	3.93	19.29	(0.22)	(0.24)	48.77
Net Capital Movements	-	0.08	0.12	0.15	0.22	0.24	0.81

9.2 The Councils have different treasury management approaches and as such whilst the gross amount receivable from CIFCO is the same, the net amounts differ depending upon the Councils' finance costs, as illustrated in the table below for 2022-23:

<u>BDC</u>	£m	<u>MSDC</u>	£m
<u>CIFCO Tranche 1 £26.097m</u>		<u>CIFCO Tranche 1 £26.097m</u>	
Interest Receivable (From CIFCO)	-1.150	Interest Receivable (From CIFCO)	-1.150
Interest Payable		Interest Payable	
Short term loans Average rate 4.08%	0.126	Short term loans Average rate 3.51%	0.103
£5m 10 Year loans @ 1.71%	0.057	£10m 10 Year loans @ 1.71%	0.114
£6.25m 50 Year loans @ 2.63%	0.158	£12.5m 50 Year loans @ 2.63%	0.317
Total Interest Payable	0.341	Total Interest Payable	0.534
Net Return	0.809	Net Return	0.616
<u>CIFCO Tranche 2 £23.492m</u>		<u>CIFCO Tranche 2 £23.492m</u>	
Interest Receivable (From CIFCO)	-1.048	Interest Receivable (From CIFCO)	-1.048
Interest Payable		Interest Payable	
Loans Average rate 4.08%	0.182	Loans Average rate 3.51%	0.317
Net Return	0.866	Net Return	0.731

<u>BDC</u>		<u>MSDC</u>	
Total Net Return Tranche 1 and 2	1.675	Total Return Tranche 1 and 2	1.347
Total Capital borrowed	49.58	Total Capital borrowed	49.58
Percentage return	3.38%	Percentage return	2.72%

*Average Loan Rates are as at 31 March 2023.

- 9.3 The Councils' investment in CIFCO was completed by 31st March 2021, with a total of c.£99.2m being drawn down by CIFCO over the full investment period.
- 9.4 CIFCO's draft year end accounts for 2022/23 are set out in Appendix 3 of the Business Plan. These accounts are currently being audited and will be submitted to Companies House as soon as practical. CIFCO's annual accounts (year ending March 2022) show gross income of £5.8m, company costs (excluding the portfolio revaluation) of £5.63m and a pre-tax loss of £11.4m and an after-tax loss of £10.2m (reflecting the reimbursement of corporation tax paid quarterly in advance). This loss is due to the reduction in value of the CIFCO portfolio at the end of March 2023. This loss would only be realised if the properties are sold.

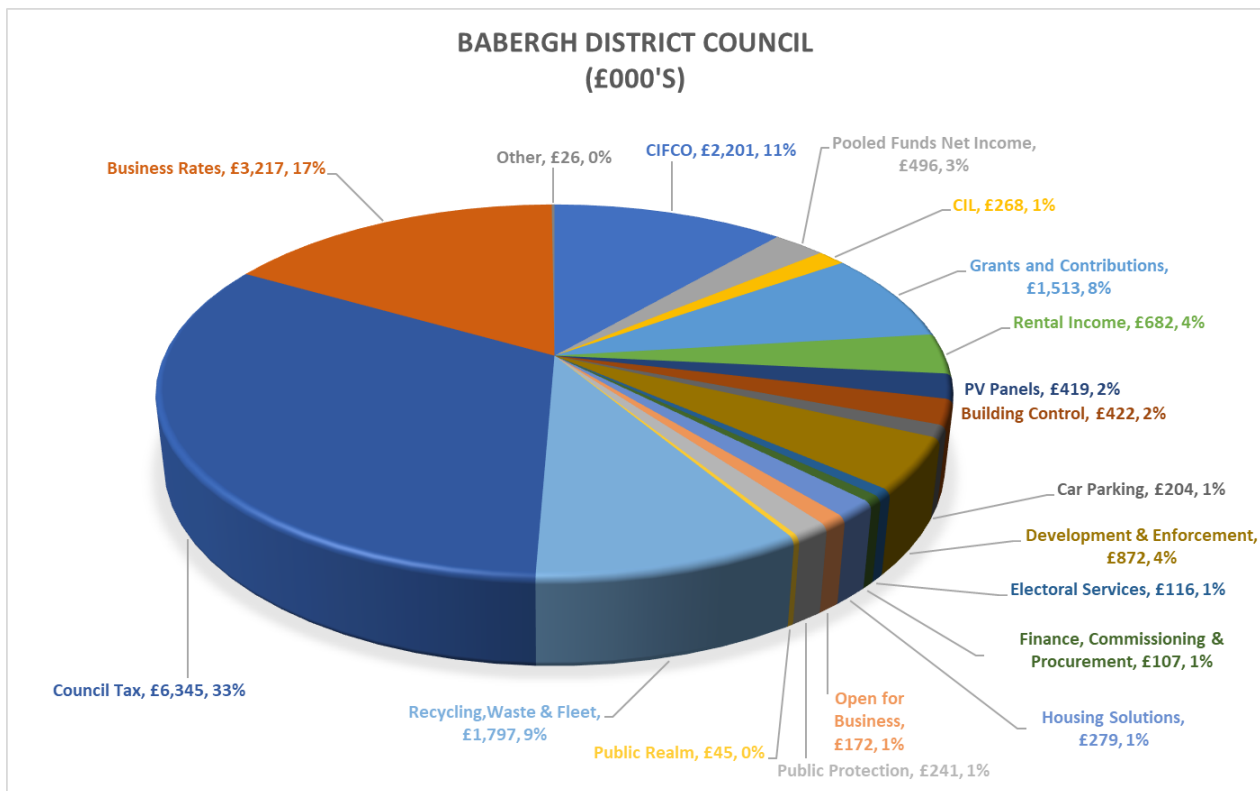
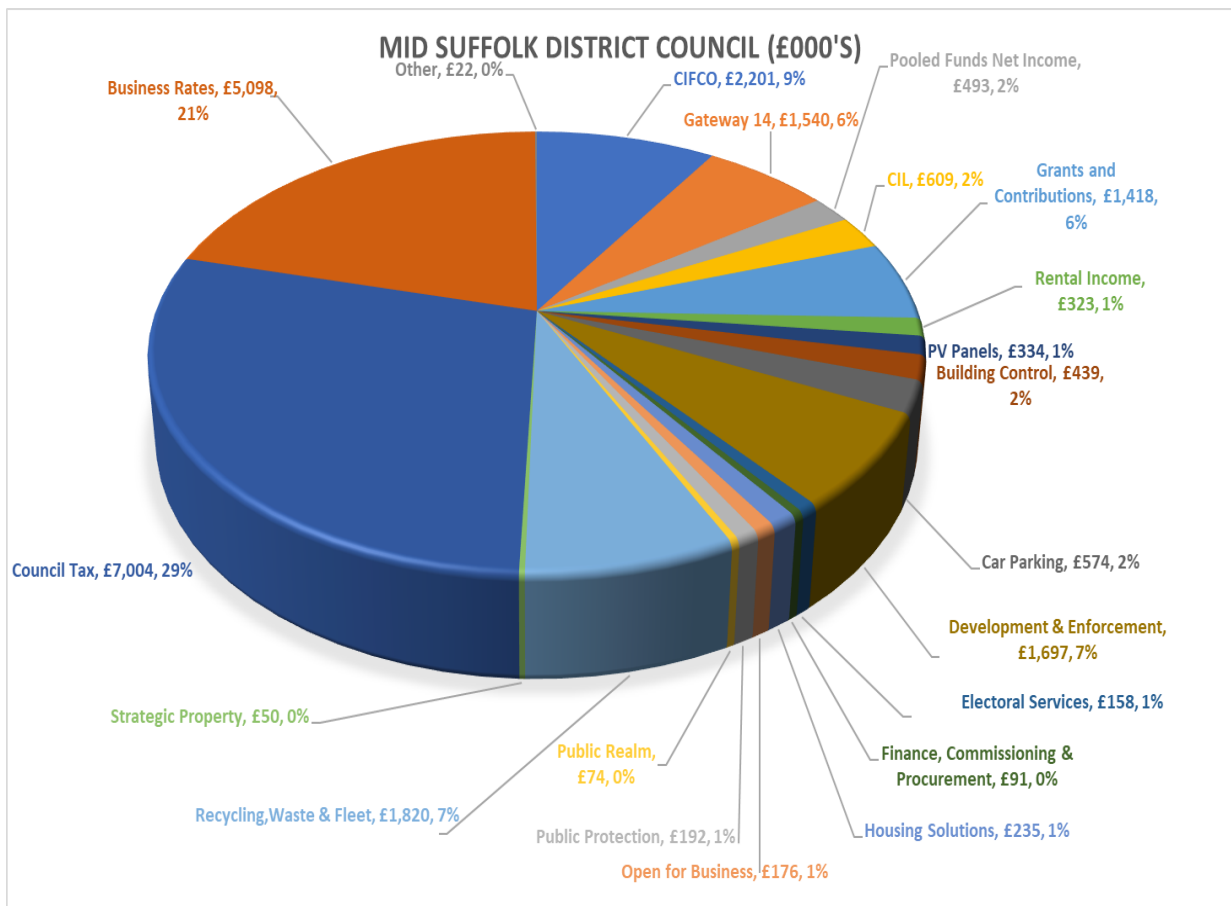
- 9.5 The portfolio was revalued as at 31st March 2023 by Cushman & Wakefield as independent valuers for the fund. Cushman & Wakefield has replaced Knight Frank, the previous fund valuers, in line with good practise to ensure that valuers remain independent and objective.
- 9.6 The portfolio value has decreased this year by 12% overall (£11.6m) primarily due to the market responding to high inflation and increasing debt costs. The MSCI All Property Benchmark shows a reduction in portfolio capital values of 16.8%, so whilst the CIFCO portfolio has reduced in value it has outperformed the market benchmark.
- 9.7 The Councils' total interest repayments in respect of loans taken out to fund CIFCO equated to £1.373m in 2022/23 which is equivalent to an average of approximately 25% of the current contracted rent payable to CIFCO (9% Babergh DC & 15% Mid Suffolk DC). The Councils' debt costs have increased significantly over the last 12 months. Income from CIFCO exceeds the Councils' cost of debt delivering a net income for the investment in services across the districts. Net income in 2022/23 was £2.51m (Babergh £1.42m and Mid Suffolk £1.09m) plus accrued interest and recharges as set out in the table above.
- 9.8 One of the most significant factors outside of the Councils' control is the level of interest rates, interest payable is being closely monitored. The table below shows the sensitivity analysis of percentage increases in interest rate costs for the Councils, assuming annual increases of between 0.25% and 1.5%.

					Increased Total Debt Costs / Rate Increase					
					2023/24	+0.25%	+0.5%	+0.75%	+1%	+1.5%
					Total Annual Cost of Debt £000	£000				
	Interest Rate	Loan Amount	Total Loan %	Total Annual Cost of Debt £000						
Mid Suffolk										
CIFCO PWLB 50 Year annuity	2.63%	£12.5m	25.2%	£329	no cost change long term fixed rate until 2068 @2.63%					
CIFCO PWLB 10 Year annuity	1.71%	£10m	20.2%	£171	no cost change 10 year fixed rate until 2028@1.71%					
CIFCO Short Term Borrowing	3.51%	£27.1m	54.6%	£1,187	£1,226	£1,265	£1,305	£1,344	£1,423	
Total Borrowing Costs				£1,687	£1,726	£1,765	£1,805	£1,844	£1,923	
Gross Income from CIFCO				£2,288	£2,288	£2,288	£2,288	£2,288	£2,288	
Net Income				£601	£562	£523	£483	£444	£365	
Babergh										
CIFCO PWLB 50 Year annuity	2.63%	£6.25m	12.6%	£164	no cost change long term fixed rate until 2068 @2.63%					
CIFCO PWLB 10 Year annuity	1.71%	£5m	10.1%	£86	no cost change 10 year fixed rate until 2028@1.71%					
CIFCO Short Term Borrowing	4.08%	£38.3m	77.3%	£1,741	£1,789	£1,836	£1,885	£1,932	£2,028	
Total Borrowing Costs				£1,991	£2,039	£2,086	£2,135	£2,182	£2,278	
Gross Income from CIFCO				£2,288	£2,288	£2,288	£2,288	£2,288	£2,288	
Net Income				£297	£249	£202	£153	£106	£10	

- 9.9 The interest rate risk relates mainly to the short-term portion of the debt. The Councils have different treasury management approaches, Mid Suffolk has fixed loans for 45.37% of the total debt and Babergh has 22.69% of its debt to fixed long term loans with PWLB. The sensitivity analysis above shows that the Councils will continue to benefit from full debt coverage and still receive a net income if rates increase by a further 1.5%. Arlingclose, the Councils' treasury advisors, are forecasting that the interest rates will rise from 5% to 5.25% in August and peak at 5.50% in September and will start to come down again in the following Autumn to around 3%.
- 9.10 The capital investment for the first phase of funding from Babergh and Mid-Suffolk District Councils is scheduled to be repaid in full by December 2068 with the second phase being repaid by 2071. In line with previous business plans, during 2022/23, CIFCO made reduced debt repayment to the Councils of approximately £250,000 per Council. This equates to a reduction in debt repayments of approximately 11%. Reduced payments will continue to be paid throughout 2023/24- this reduction will be based on a 6% reduction in debt repayment. CIFCO will continue to invest the deferred repayments in the portfolio to make further capital improvements and to enhance its sustainability. Deferred repayments will be accrued in the Councils' accounts and additional interest will be payable to the Councils in relation to these delayed repayments. The table below sets out the debt repayment schedule for 2022-2024 together with additional interest charges to CIFCO of circa £19,000.

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

- 9.11 The Councils receive income from different sources including grants and contributions from Government, service income such as fees for council tax, business rates, planning, licensing and building control as well as income from waste services and other investment income. In 2022/23 the Gross Income from CIFCO was 9% of Mid Suffolk's total income and 11% of Babergh's total Income. CIFCO income for both Councils are included under Investment and the amounts include some deferred interest that CIFCO has not yet paid of circa £255k for each Council.



10. RISK MANAGEMENT

This report most closely links with the following Significant Risk:

Risk Description	Likelihood	Impact	Score	Mitigation Measures	Risk Register and Reference
If the Capital Investment Fund (CIFCO) does not generate forecast investment returns, we may be unable to meet the income projections for the Councils	2	3	6	The adoption of the proposed business plan will provide governance, accountability, and a framework for the management of the property fund. CIFCO activity continues to be closely monitored, together with market conditions and any changes or prospective changes in government legislation.	Significant Risk Register SRR001

- 10.1 The Board of CIFCO Capital Ltd actively manages risk and considers the fund risk register formally at the Board meetings each quarter. There is a comprehensive risk management strategy in place which requires the Managing Director to attend a group risk panel each quarter to report on risk to the Holding Company Chairs and shareholder senior risk officers.
- 10.2 The Board continues to review the risk register regularly to ensure that risks were appropriately recorded and mitigated and best practise for risk management is adopted.

11. REVISED BUSINESS PLAN CONSULTATIONS

- 11.1 The Board of Directors together with the Chairs of the Holding Companies and representatives of the Ultimate Shareholders considered the 2023/24 business plan at its strategy day in June 2023 with its adviser JLL. The Business Plan has subsequently been developed with the Board of CIFCO for approval.
- 11.2 The Business Plan was considered by Joint Overview and Scrutiny Committee on 21st August 2023. Members of the Committee asked comprehensive questions of the CIFCO representatives and asked that Councils consider the minutes from the meeting. The minutes are as attached in the appendices.

12. EQUALITY ANALYSIS

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

13. ENVIRONMENTAL IMPLICATIONS

Sustainability

- 13.1 During 20/21 CIFCO adopted a sustainability policy. Taking action on climate change and the greenhouse gas emissions which cause it, is a critical part of building a more sustainable future – and every business must play their part. Buildings account for 40% of emissions, creating an urgent need for the real estate sector to develop and implement plans to transition to net zero carbon.
- 13.2 Please refer to section 14 of the Business Plan for further information.

14. APPENDICES

Title	Location
(a) DRAFT CIFCO CAPITAL LTD Business Plan 2023/24 Commercially sensitive information REDACTED	Attached
(b) DRAFT CIFCO CAPITAL LTD Business Plan 2023/24 (CONFIDENTIAL)	Attached in Part 2
(c) Joint Overview & Scrutiny Committee Minutes 21/08/23	Attached

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Appendix A

CIFCO BUSINESS PLAN 23/24 Redacted Version



CIFCO Capital Limited



Chairman's Statement 2023

Sir Christopher Haworth



Following the unprecedented conditions of the previous year due to the pandemic, we had hoped to see a return to more normal market conditions. However, the invasion of Ukraine by Russia and the rapid change of UK Prime Ministers, and their policies, have caused turmoil in the financial markets. Rising inflation and interest rates have caused property yields to soften and therefore we have seen a fall in value in most sectors of the commercial property market. The value of the portfolio therefore has fallen back by 12.34%, roughly to where it was the previous year, before the gains of last year. This compares favourably to the MSCI All Property Index where the fall in values has equated to 17%, and reflects the strength of the assets held by CIFCO.

However, the income delivered for the shareholders by the portfolio remains strong and the contracted rent now stands at £5.53m, growth of over 3.2% on the previous year. The Estimated Rental Value of the portfolio is now over £6.5m and the Board and its advisers, Jones Lang Lasalle and Workman are working hard to maximise the rent from the portfolio on rent reviews and re-lettings.

The portfolio comprises 21 assets, with 81 tenants. It is well-spread geographically, with 41% of assets in the eastern region. In terms of sector spread, there is an emphasis on the industrial sector, which has seen strong growth, and the portfolio continues to demonstrate a strong emphasis on secure, well-let, secure assets. Contracts were exchanged some time ago for the acquisition of a small pre-let supermarket asset and completion of this final addition to the portfolio is expected shortly.

The Board has continued to focus on opportunities to improve the quality of the assets, to create rental income growth but particularly to improve the sustainability credentials of the portfolio. A key KPI is that all properties should have an EPC rating of at least C by 2027. A specialist adviser has been appointed and a detailed plan drawn up for each asset so that improvements can be made when the opportunity arises.

To deliver the desired improvement in the sustainability of the portfolio, capital investment in the assets is required. The Board is concerned that the current financing model does not allow adequate funds for this investment and this has resulted in a temporary requirement for the company to reduce its debt repayment to its shareholders. The board is currently considering the sale of an asset, where a rent review is to be agreed to maximise value, to potentially allow reinvestment in new assets and to provide funds for investment in improvements to the existing portfolio. The board will be reporting on this proposal to its shareholders during the current year.

My thanks go to the executive team for their hard work in delivering what has been a strong year for the Company in difficult market conditions. We were particularly sorry to see the departure of Cler Hobbs, who has provided invaluable support to the company since its inception. Her role has been taken by Sarah Ford, who has taken on the role with great skill and enthusiasm.

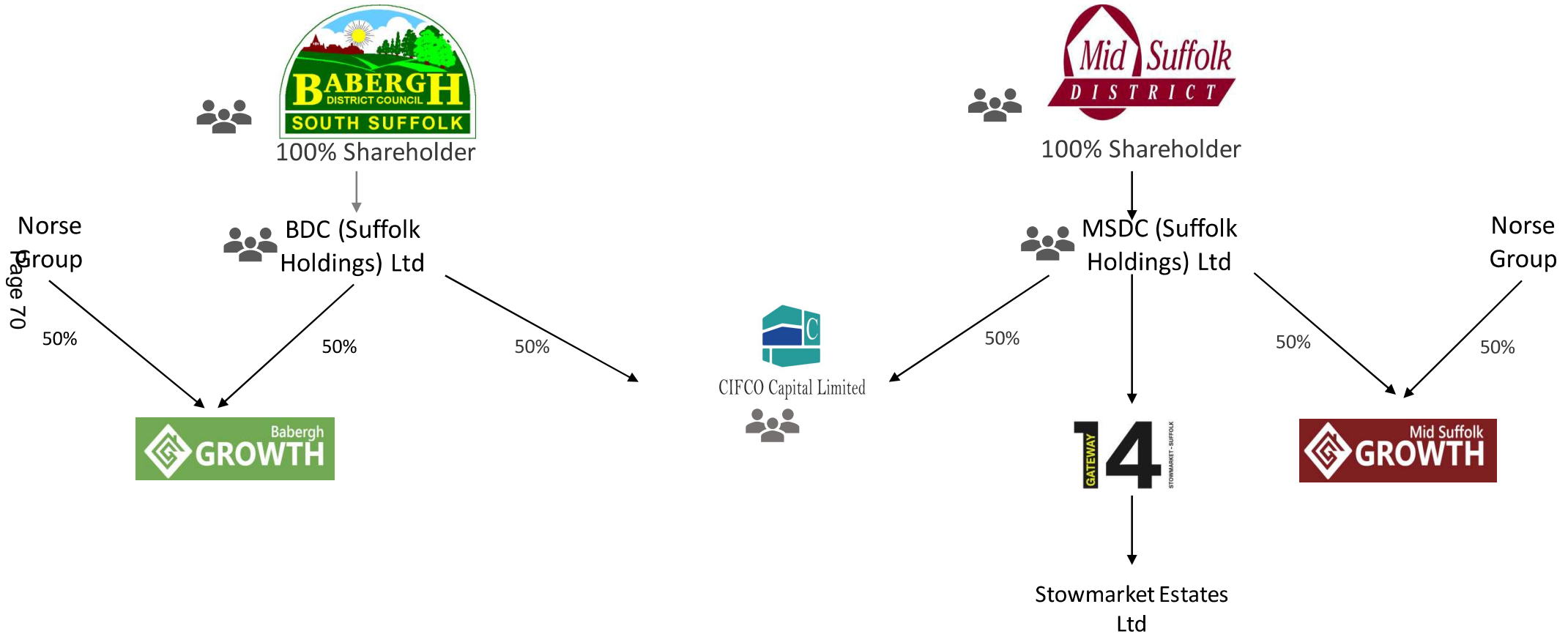
CIFCO Governance

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CIFCO Capital Limited

Trading Companies Structure



The Holding Companies

MSDC (Suffolk Holdings) Ltd



Austin Davies



Colin Lay



John Matthissen



Richard Winch

Boards comprising solely
of Councillor Elected
Members

BDC (Suffolk Holdings) Ltd



David Busby



Brian Riley



Deborah Saw



John Ward



Board of Directors



Chris Haworth
Non-Executive Director & Chair



Henry Cooke
Non- Executive Director



Mark Sargeantson
Non-Executive Director



Emily Atack
Managing Director



Austin Davies
Cllr Director



John Ward
Cllr Director

Birketts



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CIFCO & its partners



The board has appointed a range of corporate partners to support its investment activity:

- JLL – Fund Manager and Acquisitions Adviser
- Workman – Property Manager
- Birketts LLP - Legal Adviser
- Aquilla - Portfolio Insurer
- Lloyds Bank PLC – Corporate Banking
- Ensors – Accountancy and Financial Audit
- Cushman & Wakefield- Valuers
- Braithwaites – EPC Assessors & Advisers

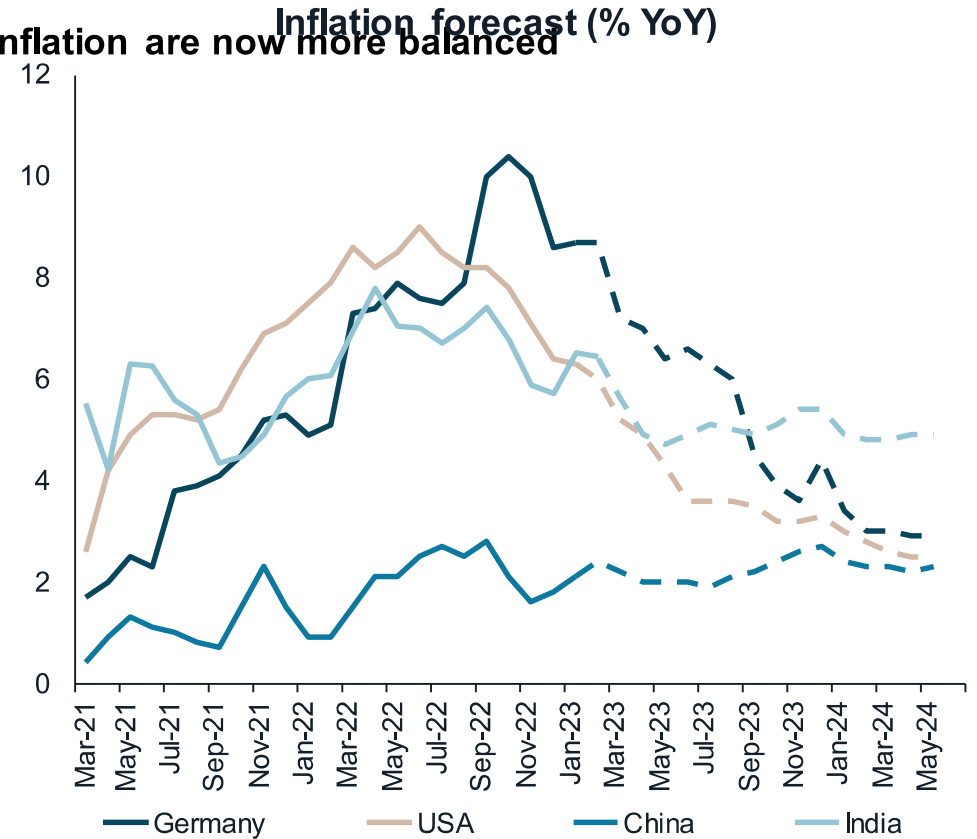
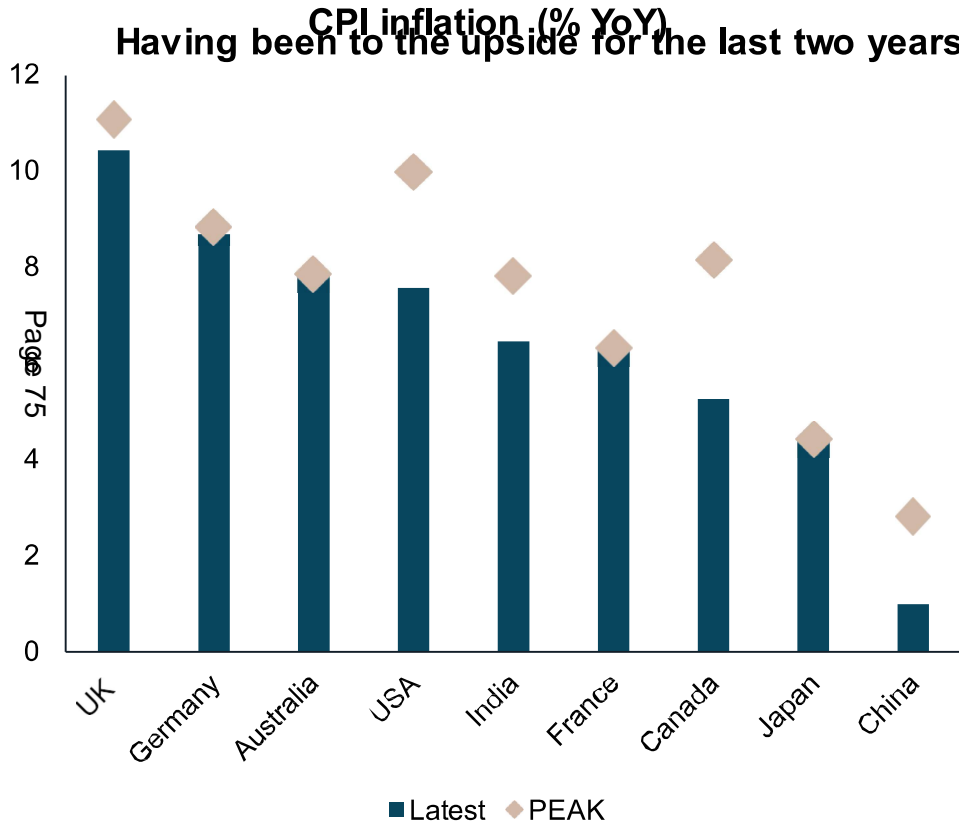
UK Macro-Economic Outlook

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Inflation | Past its peak and starting to head lower

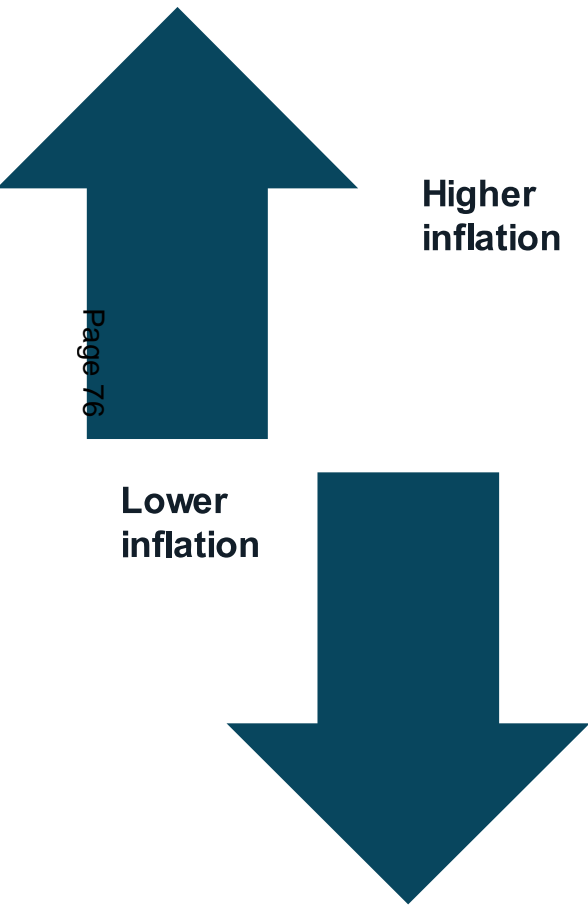
Having been to the upside for the last two years, risks to inflation are now more balanced



Source: Consensus Forecasts, March 2023; Refinitiv, JLL.



Inflation | The inflation story is not straightforward



- ▲ Stronger growth outturn
- ▲ Labour market tightness
- ▲ Fiscal stimulus
- ▲ China re-opening demand
- ▲ Supply chain reorganization
- ▲ Energy insecurity & transition
- ▲ Restrictions on immigration – upward pressure on wages



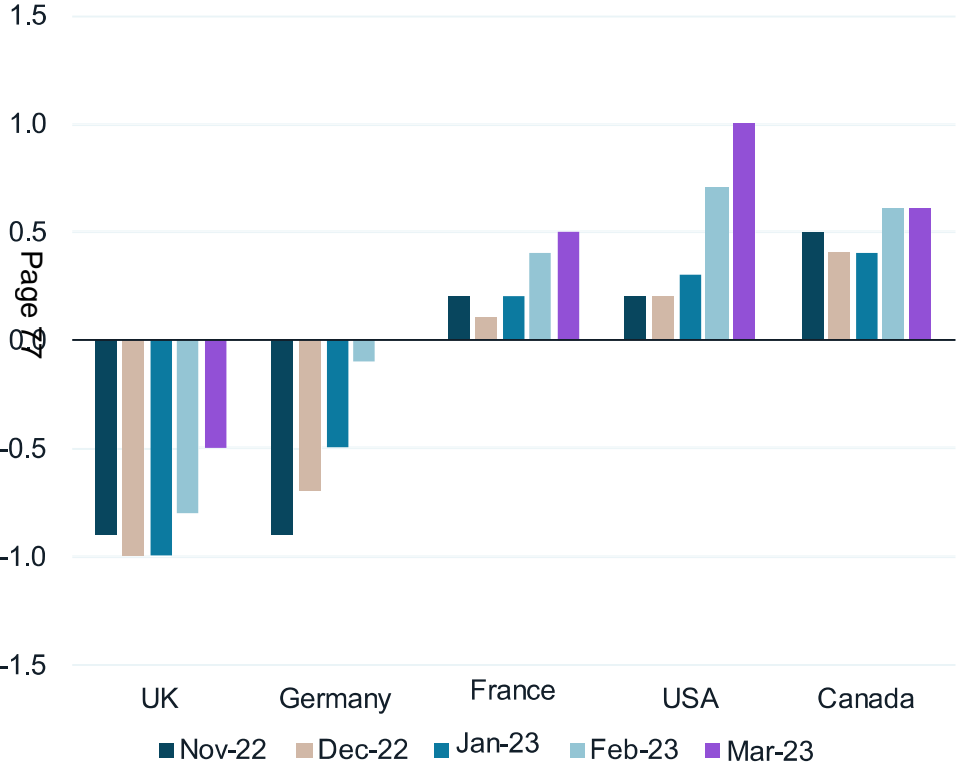
- ▼ Food and energy price growth abating / prices falling
- ▼ Tighter monetary policy
- ▼ Declining supply chain disruption
- ▼ Recession, slower consumption growth
- ▼ House price declines
- ▼ Wage growth cools as demand slows

Recession? | Forecasts have improved as the year has gone on

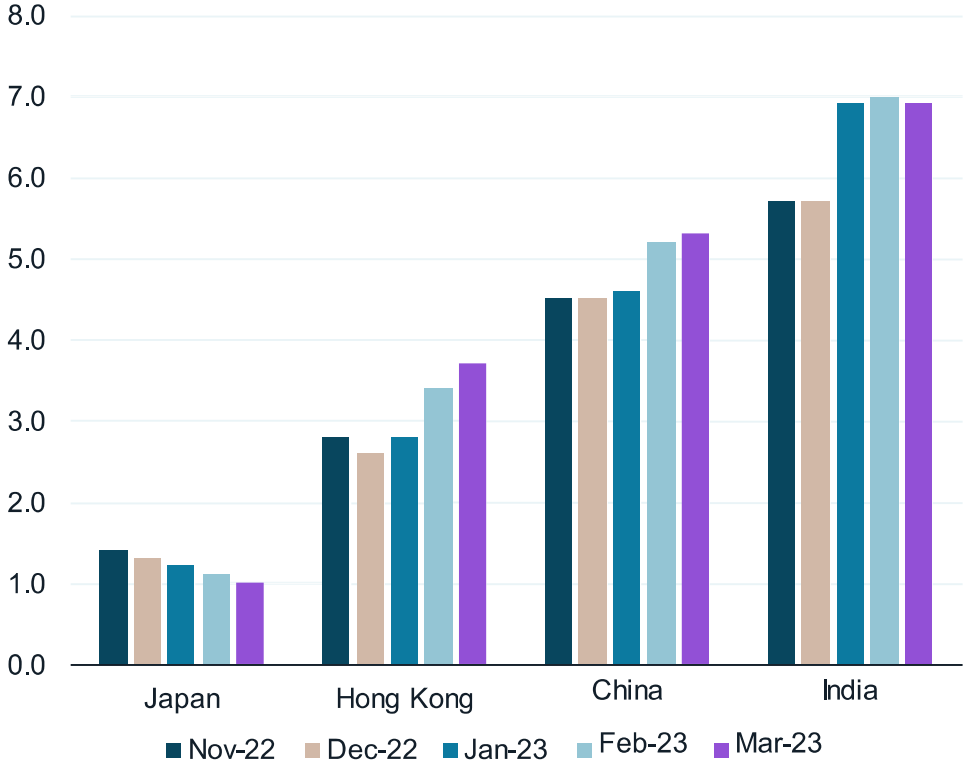


Recent wobbles may dampen the outlook slightly, but not significantly

2023 GDP forecast by month of forecast

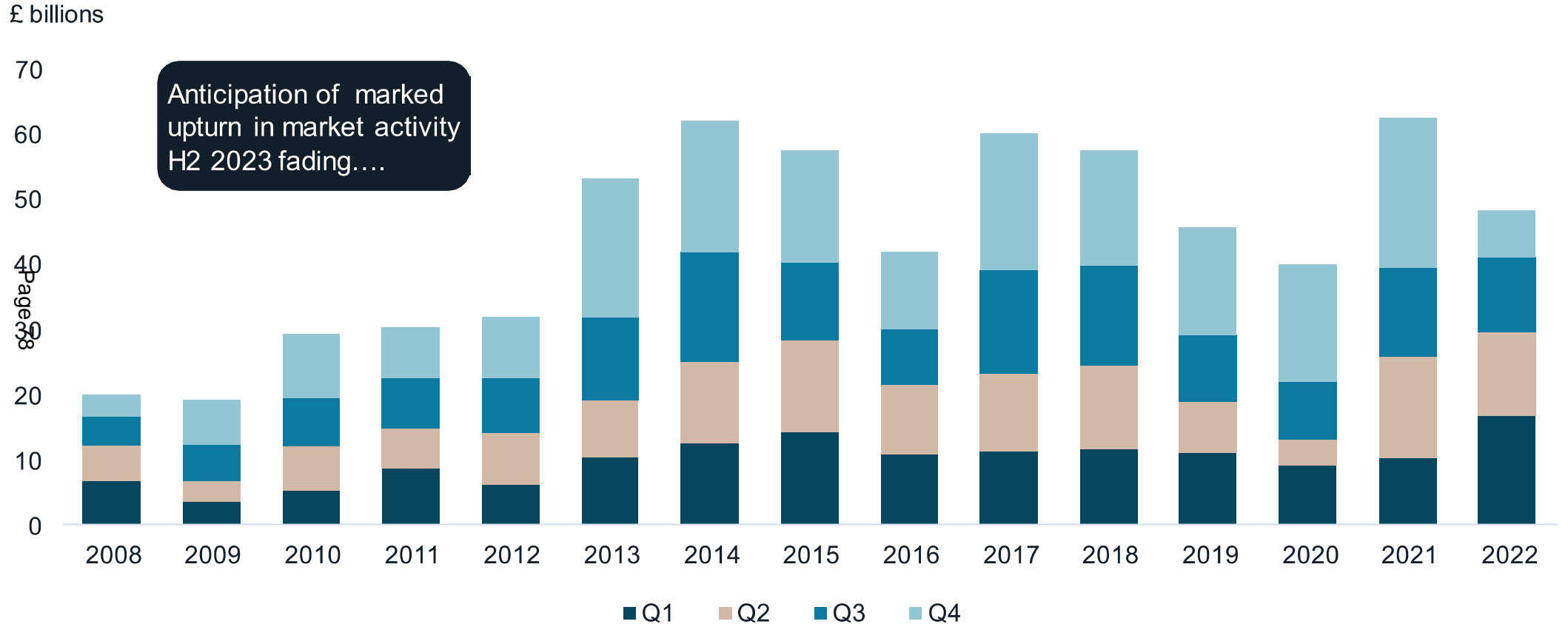


2023 GDP forecast by month of forecast



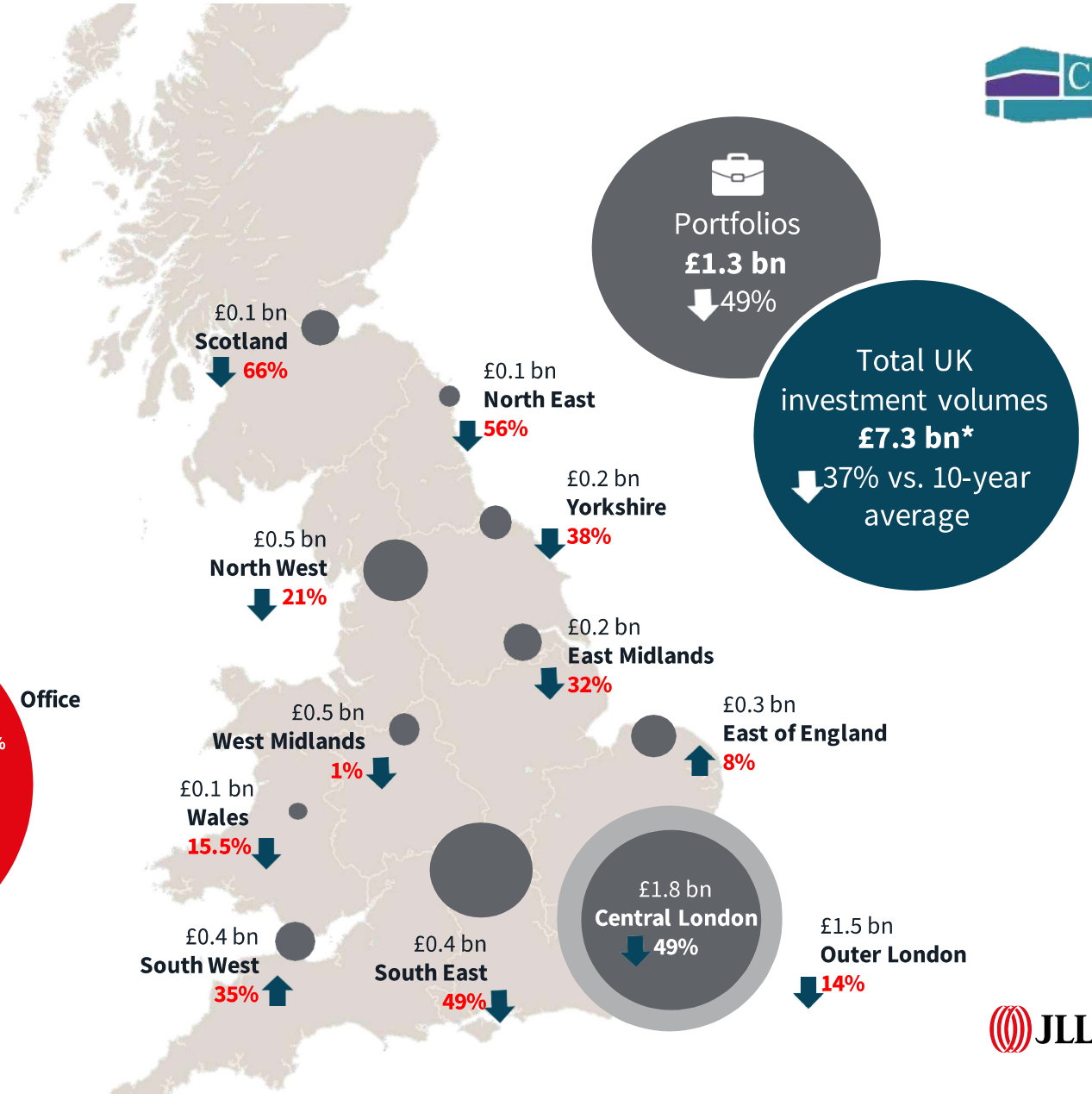
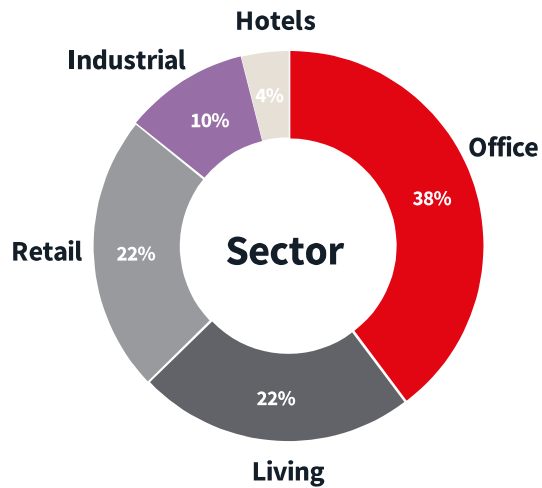
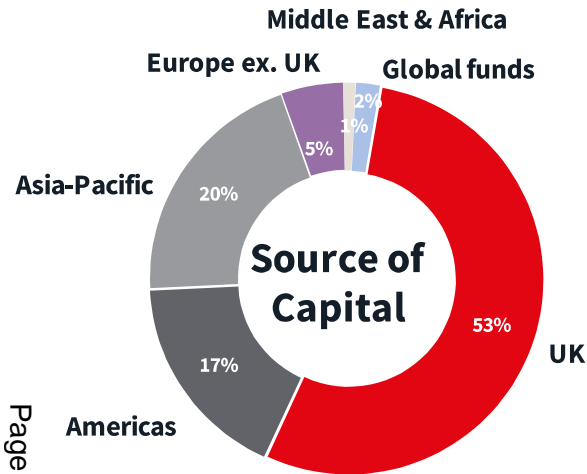
Source: Consensus Forecasts.

Property Investment | Volumes down 22% on record year and 8% on 10Y avg.



Source: JLL

UK investment – Q1 2023



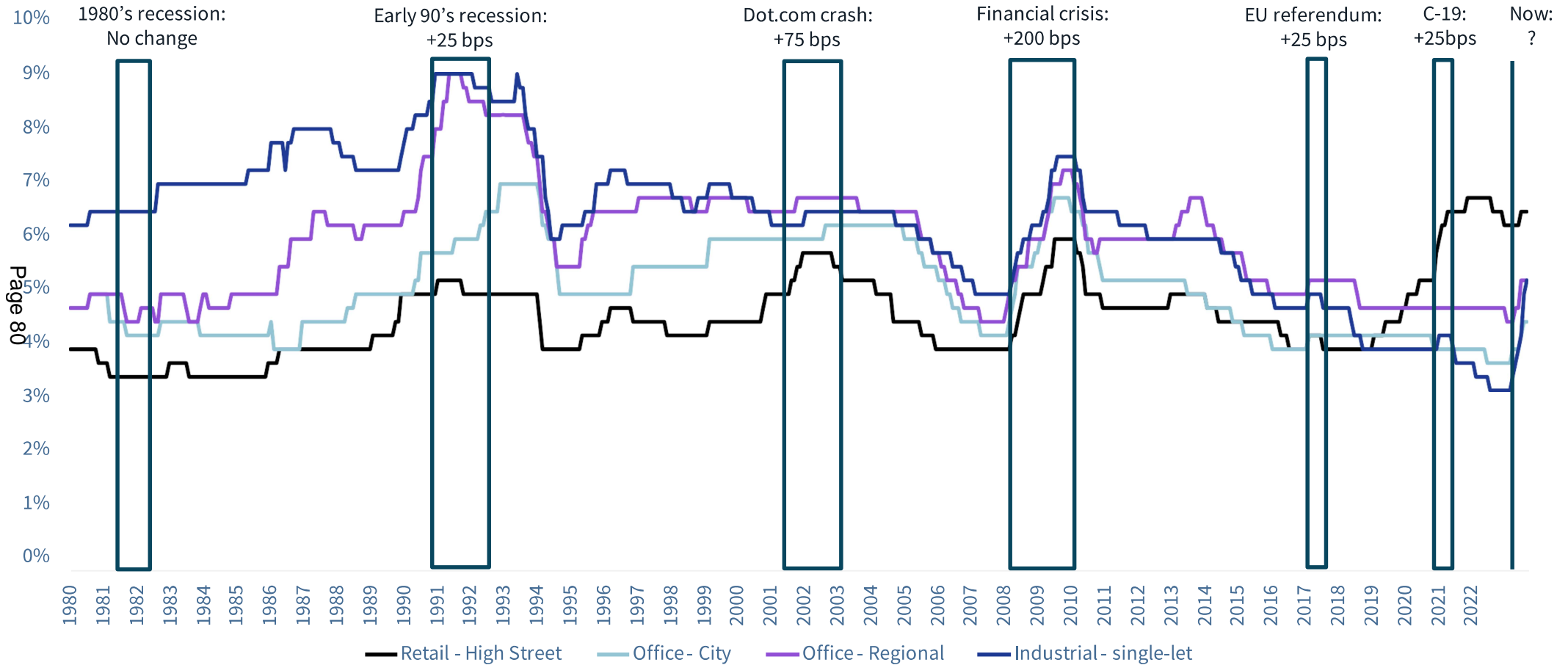
*excludes corporate finance and development deals



Rapid repricing expected to stimulate renewed interest



JLL 'best-in-class' yields, 1980 – 2022, most prime sector yield change



CIFCO Property Investment Portfolio

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CIFCO Summary Update

- The Councils' investment in CIFCO completed in March 2021
- The focus and purpose of CIFCO is to continue to generate income for the long term and add value where possible
- The value of the Portfolio decreased by 12% (from £94m) **to £82.5m** by March 2023
- The Total net income received by the Councils c.**£11.5m** from 2017 to March 23
- CIFCO has made reduced **debt repayments to the Councils to fund capital works in 23/24**. The reduction equates to £511k which represents 11% of the total repayments.
- CIFCO portfolio provides a diverse portfolio of assets and tenants to mitigate over exposure to individual tenants and sectors- rental arrears consistently **below 5% target**
- Continue ESG Improvement Path – **46.4% EPC C or above**.
- VOIDS remain low at circa **3.64%** of the portfolio.



Portfolio Summary

	Q1 2020	Q1 2021	Q1 2022	Q1 2023
Total Asset Value	£52,490,000	£83,918,000	£94,110,000	£82,500,000
Contracted Rent p.a.	£3,393,112	£5,004,824	£5,355,618	£5,530,981
ERV*	£3,609,037	£5,556,641	£5,912,985	£6,545,589
Number of Assets	14	21	21	21
Number of Tenants	38	90	78	81
WAULT (years)	To break 6 years 8 months To expiry: 8 years 5 months	To break 7 years 0 months To expiry: 8 years 6 months	To break 6 years 6 month To expiry 6 years 7 months	To break 4 years 6 month To expiry 5 years 8 months
Initial Yield	5.78%	5.60%	5.00%	6.30%
Equivalent Yield	6.41%	6.16%	5.86%	6.98%
Reversionary Yield	6.40%	6.24%	6.28%	7.44%
Void Rate	3.96%	5.72%	2.01%	3.64%
Running Yield**	5.97%	5.20%	5.36%	5.75%

*Assumes vacant space is refurbished prior to re-letting

** Yield on Gross Purchase Price



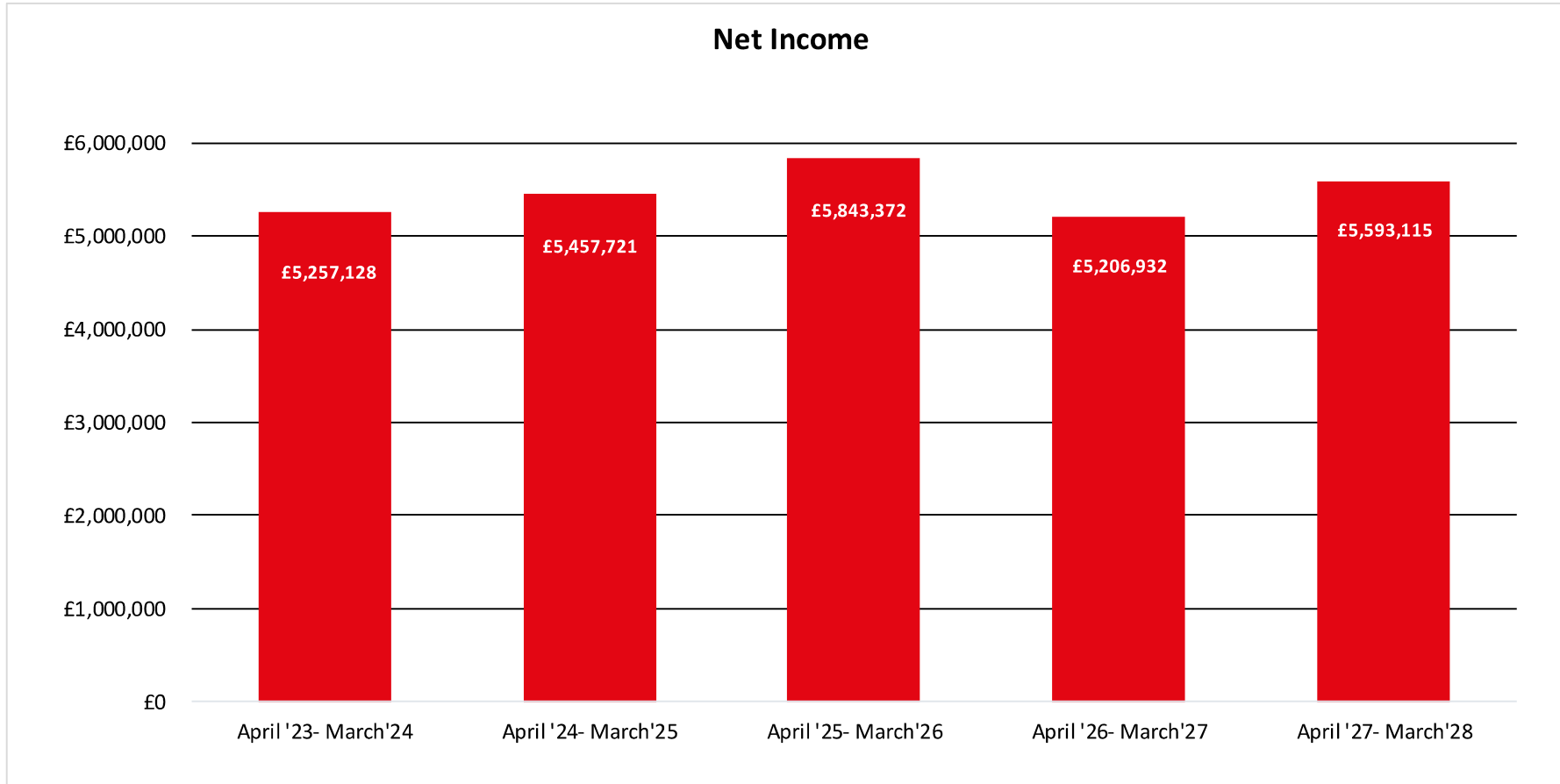
Portfolio Valuation Summary

Property	Value 2022	Value 2023	NIY	EY	RY	Value Move	%
Nottingham						£400,000	12.70%
Milton Keynes [REDACTED]						£0	0.00%
Peterborough						£0	0.00%
Harlow (Pasadena)						-£25,000	-0.83%
Lincoln						-£40,000	-2.60%
Epsom (Renaissance)						-£150,000	-5.66%
Brentwood [REDACTED]						-£250,000	-5.81%
Luton						-£275,000	-9.09%
Brentwood (Lutea)						-£550,000	-9.24%
Hemel Hempstead						-£1,100,000	-10.68%
Ipswich (Olympus)						-£425,000	-12.41%
Norwich						-£300,000	-13.04%
Coventry						-£950,000	-13.57%
Milton Keynes [REDACTED]						-£350,000	-14.00%
Ipswich (Cavendish)						-£275,000	-15.49%
Basingstoke						-£1,100,000	-15.49%
Harlow [REDACTED]						-£800,000	-15.53%
Epsom (Horizon)						-£1,220,000	-16.01%
Milton Keynes [REDACTED]						-£850,000	-19.77%
Braintree						-£2,250,000	-22.61%
Southampton						-£1,100,000	-24.18%
	£94,110,000	£82,500,000				-£11,610,000	-12.34%

Note: Table ranked by % movement in value from March 2022 to March 2023



5 Year Cashflow Forecast



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Assumptions:

- All scheduled lease breaks and expiries are actioned by tenants
- Market void and rent-free periods until properties are refurbished and relet.

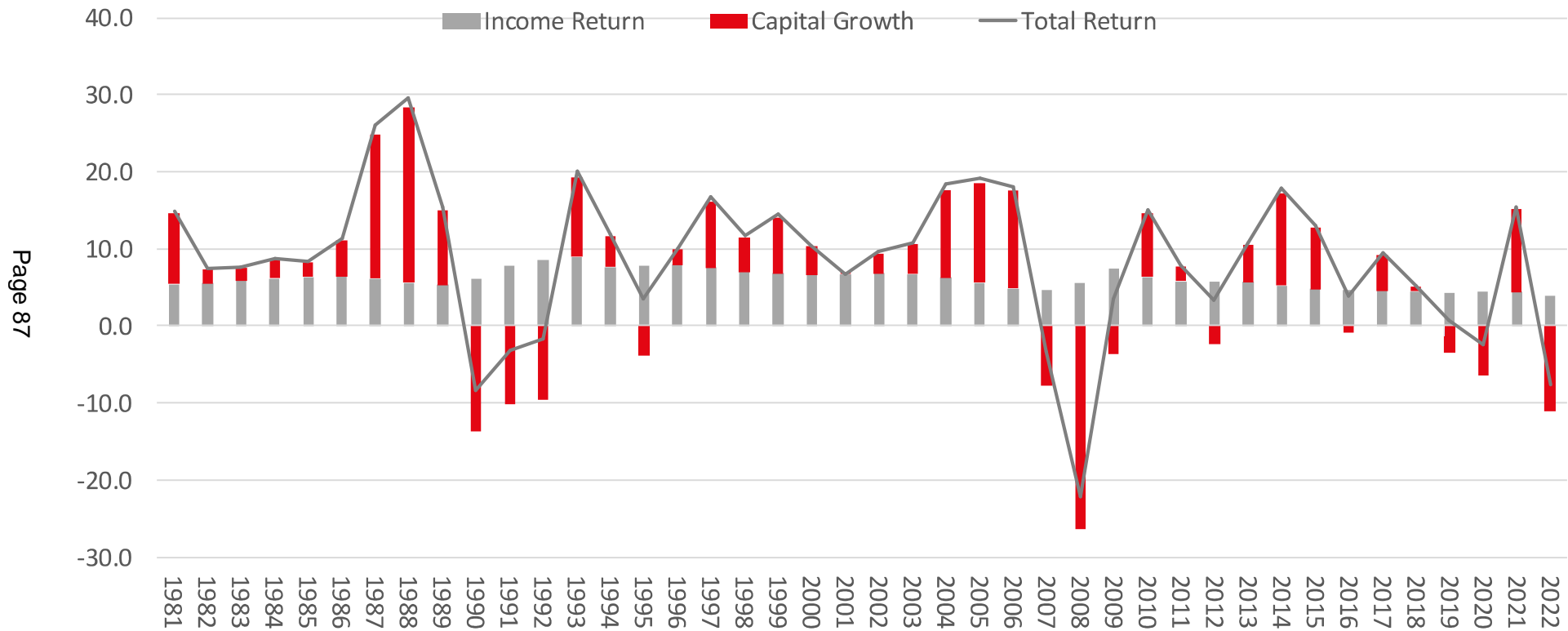
CIFCO Portfolio Performance

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UK Real Estate – Components of Total Return



Income positive during periods of downturn



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Portfolio Total Return Vs MSCI All Property Returns



CIFCO Portfolio – Performance ahead of benchmark

	2021	2022	2023	3 year annualised Total Return
Total Return	-0.1%	16.5%	-6.6%	2.8%
Income Return	5.4%	6.0%	5.9%	5.8%
Capital Value	-5.6%	10.5%	-12.4%	-3.0%

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Benchmark (MSCI All Property)

	Annual March 2023	3 year annualised Total Return
TR	-13.1%	1.7%
IR	4.3%	4.4%
CV	-16.8%	-2.6%

Relative Performance

Relative	Annual to Q1 2023	3 year annualised Total Return
TR	7.5%	1.1%
IR	1.5%	1.3%
CV	5.2%	-0.4%



2022-2023 Performance – Top and bottom five

Rank	12 months to end Q1 2023	Region	Total Return	Weighted Contribution
Top 5				
1	Nottingham	Midlands	21.1%	0.9%
2	Peterborough	Eastern Region	9.3%	0.2%
3	[REDACTED] Milton Keynes	South East	7.5%	0.2%
4	Brentwood	Eastern Region	2.9%	0.1%
5	Lincoln [REDACTED]	Eastern Region	5.5%	0.1%
Rank	12 months to end Q1 2023	Region	Total Return	Weighted Contribution
Bottom 5				
5	Southampton	South East	-16.9%	-0.7%
4	Pilot Business Park, Coventry	Midlands	-10.1%	-0.7%
3	Horizon, Epsom	South East	-10.2%	-0.8%
2	*Basingstoke Business Centre, Basingstoke	South East	-14.3%	-1.0%
1	*Kestrel Park, Braintree	Eastern Region	-23.4%	-2.2%

* Performance impacted by current voids and known-future voids at these properties, would anticipate performance improving when re-let.

Portfolio Total Return Projections



Total Return Projections

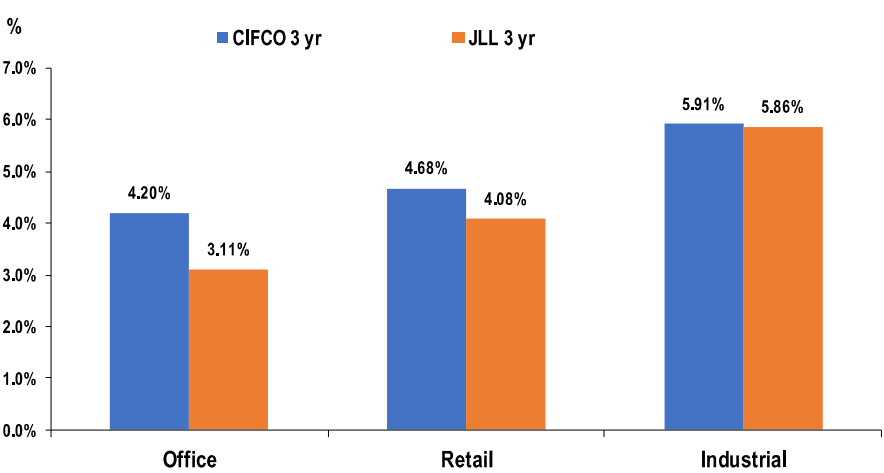
Total Return Projections	2023	3yr	5yr
Portfolio Returns	-0.61%	4.83%	5.70%
JLL ALL Property	-0.60%	4.79%	5.55%

Excess Return Against Benchmark

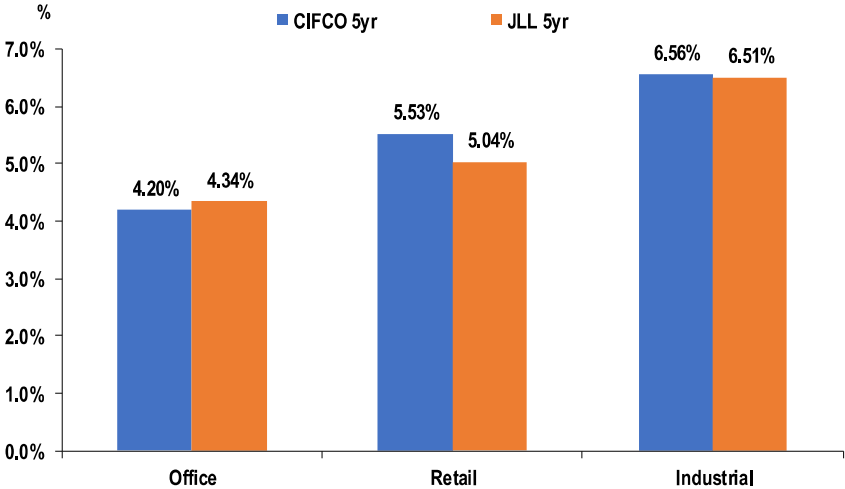
	2023	3yr	5yr
JLL ALL Property	-0.01%	0.04%	0.15%

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Sub-Sector Forecasts – 3yr avg TR



Sub-Sector Forecasts – 5yr avg TR



Market Context – Property Return Forecasts



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JLL All Property Forecasts							
	2023	2024	2025	2026	2027	3yr p.a	5yr p.a
Rental growth (% pa)	0.6%	1.0%	1.6%	1.9%	2.0%	1.1%	1.4%
Capital Growth (% pa)	-5.5%	2.2%	2.9%	2.0%	2.0%	-0.2%	0.7%
Total Return (% pa)	-0.6%	7.2%	8.0%	6.8%	6.6%	4.8%	5.6%

Industrial Forecasts							
	2023	2024	2025	2026	2027	3yr p.a	5yr p.a
Rental growth (% pa)	2.9%	2.1%	2.4%	2.5%	3.0%	2.5%	2.6%
Capital Growth (% pa)	-3.7%	3.8%	3.9%	2.5%	3.0%	1.3%	1.9%
Total Return (% pa)	0.4%	8.7%	8.7%	7.5%	7.5%	5.9%	6.5%

Market Context – Property Return Forecasts



Standard Office Forecasts							
	2023	2024	2025	2026	2027	3yr p.a	5yr p.a
Rental growth (% pa)	-0.9%	0.0%	1.2%	2.0%	1.9%	0.1%	0.8%
Capital Growth (% pa)	-7.2%	0.6%	2.1%	3.0%	3.0%	-1.6%	0.2%
Total Return (% pa)	-2.7%	5.4%	6.9%	6.2%	6.2%	3.1%	4.3%

Market Context – Property Return Forecasts



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Retail Warehousing Forecasts							
	2023	2024	2025	2026	2027	3yr p.a	5yr p.a
Rental growth (% pa)	-0.8%	0.6%	1.0%	1.0%	1.0%	0.3%	0.6%
Capital Growth (% pa)	-6.2%	2.6%	2.5%	1.5%	1.5%	-0.5%	0.3%
Total Return (% pa)	0.0%	9.1%	8.9%	7.5%	7.5%	5.9%	6.5%

High Street Forecasts							
	2023	2024	2025	2026	2027	3yr p.a	5yr p.a
Rental growth (% pa)	-2.3%	-0.4%	0.6%	1.0%	1.0%	-0.7%	0.0%
Capital Growth (% pa)	-7.0%	1.3%	2.2%	1.5%	1.5%	-1.3%	-0.2%
Total Return (% pa)	-1.9%	6.8%	7.6%	6.5%	6.5%	2.4%	5.0%

Performance Projections – Summary by Sector



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Office		Benchmark	Total Return			Excess Total Return vs Benchmark		
			2023	3 Year	5 Year	2023	3 Year	5 Year
			Upper Parliament Street, Nottingham	Std Office Rest of UK	-2.26%	3.38%	4.86%	0.45%
Renaissance House, Epsom	Std Office Inner S Eastern	-2.65%	3.18%	4.41%	0.05%	0.06%	0.07%	
Horizon, Epsom	Std Office Inner S Eastern	-2.61%	3.18%	4.38%	0.09%	0.06%	0.04%	
Lutea House, Brentwood	Std Office Inner S Eastern	-3.01%	2.76%	3.95%	-0.31%	-0.34%	-0.37%	
Omron House, Milton Keynes	Std Office Outer S Eastern	-2.73%	2.70%	3.91%	-0.03%	-0.40%	-0.41%	
West Park House, Southampton	Std Officen Rest of UK	-2.72%	2.20%	3.75%	-0.02%	-0.88%	-0.56%	
Overall Office	Office	-2.68%	2.93%	4.20%	0.02%	-0.18%	-0.13%	

Retail		Benchmark	Total Return			Excess Total Return vs Benchmark		
			2023	3 Year	5 Year	2023	3 Year	5 Year
			██████████ Harlow	Retail Warehouse	0.26%	6.01%	6.61%	0.26%
██████████ Milton Keynes	Other Retail Warehouse	-0.56%	4.83%	5.60%	0.04%	0.04%	0.05%	
██████████ Lincoln	Leisure	-0.52%	4.87%	5.60%	0.08%	0.07%	0.04%	
Peterborough	Std shop SE & Eastern	-1.93%	3.99%	5.41%	-0.03%	-0.09%	0.35%	
██████████ Milton Keynes	Other Retail Warehouse	-0.83%	3.96%	4.99%	-0.24%	-0.80%	-0.54%	
██████████ Brentwood	Std shop SE & Eastern	-1.88%	3.49%	4.50%	0.02%	-0.57%	-0.51%	
Overall Retail	Retail	-0.86%	4.68%	5.53%	1.06%	0.58%	0.47%	

Performance Projections – Summary by Sector



	Benchmark	Total Return			Excess Total Return vs Benchmark			
		2023	3 Year	5 Year	2023	3 Year	5 Year	
Page 95 Industrial	Basingstoke Business Centre, Basingstoke	Std Industrial Inner S Eastern	0.54%	5.96%	6.61%	0.14%	0.09%	0.09%
	Pasadena Trading Estate, Harlow	Std Industrial Inner S Eastern	0.39%	5.93%	6.60%	-0.01%	0.07%	0.08%
	Luton	Std Industrial Inner S Eastern	0.52%	5.94%	6.58%	0.12%	0.07%	0.07%
	2 Eastman Way, Hemel Hempstead	Distribution Warehouse	0.77%	5.96%	6.58%	0.37%	0.10%	0.06%
	Kingsway City Trading Est, Norwich	Std Industrial Outer S Eastern	0.46%	5.94%	6.57%	0.06%	0.07%	0.05%
	Pilot Business Park, Coventry	Std Industrial Rest of UK	0.78%	5.93%	6.57%	0.38%	0.07%	0.05%
	Cavendish Street, Ipswich	Std Industrial Inner S Eastern	0.46%	5.88%	6.57%	0.06%	0.02%	0.05%
	Kestrel Park, Braintree	Std Industrial Inner S Eastern	0.86%	5.88%	6.55%	0.46%	0.02%	0.03%
	Olympus Close, Ipswich	Std Industrial Outer S Eastern	0.43%	5.76%	6.48%	0.03%	-0.10%	-0.03%
Overall Industrial	Industrial	0.66%	5.91%	6.56%	0.26%	0.04%	0.05%	
CIFCO Portfolio		-0.61%	4.83%	5.70%	-0.01%	0.03%	0.14%	
JLL All Property		-0.60%	4.79%	5.55%				

CIFCO Board – KPI's



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KPI	Description	Target		Target	CIFCO KPI Q1 2023
1	Increase contracted rent from £5,368,674 pa by 01 April 2023	£5,422,360		1%	£5,530,981 (+3.02%)
2	Equivalent Yield (EY)	MSCI All property 6.6%		Target at or above market Equivalent Yield	6.98%
3	Improve EPC Portfolio Rating	100%		All Properties have an EPC rating of C or above by 2027	46.4%
4	Quarterly Rent Arrears of less than 5.00% (Data as at 20 March 2023)	Current Arrears (£):	£57,727	Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter	Q1 1.63%
		Current Arrears (%):	3.63%		Q2 4.97%
		5% Target:	£79,570		Q3 4.75%
		Target:	-£21,843		Q4 3.63%
		Total Income for Quarter:	£1,591,397		

CIFCO KEY PERFORMANCE INDICATORS FOR 2023/24



KPI	Description	Target
1	Increase contracted rent from £5,530,980 per annum by 1 st April 2024	>1%
2	Portfolio Equivalent Yield (EY) aligns with or above All Property Yield (currently 6.6%)	6.6%
3	All properties have an EPC rating of	C or above by 2027
4	Quarterly Rent Arrears Measured by the amount of rent outstanding at the end of the quarter as a percentage of the total rent due that quarter.	<5%

CIFCO Business Plan 2023/24

Key Strategic Objectives 2023/24

Reduce & Mitigate Future Portfolio Void

- Continue ESG Improvement Path
- Manage Portfolio Risk
- Strategic capital expenditure to protect and enhance value and income

Management Objectives 2023/24

- Maintain tight budgetary and credit control
- Implement individual asset initiatives
- Monitor markets for opportunities to enhance value and income- maintain asset liquidity
- Work with tenants to support sustainable improvement measures.

Reduce & Mitigate Portfolio Void



Portfolio Void – Managing Existing Vacancy

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Current Void		
Address	Unit	ERV (£pa)
Renaissance House, 32 Upper High Street, Epsom	First Floor	£82,910
Basingstoke Business Centre, Winchester Road, Basingstoke	Unit 17 & 18	£48,520
Basingstoke Business Centre, Winchester Road, Basingstoke	Unit 19	£24,000
Basingstoke Business Centre, Winchester Road, Basingstoke	Unit 20	£24,000
Basingstoke Business Centre, Winchester Road, Basingstoke	Unit 3	£21,140
Basingstoke Business Centre, Winchester Road, Basingstoke	Unit 8	£20,690
Renaissance House, 32 Upper High Street, Epsom	Part Third Floor Office	£16,800
Total		£238,060

Future Known Void			
Address	Unit	Break/Expiry Dates	ERV (£)
Olympus Close, Ipswich	Unit 9*	11/08/2023	13,170
Kestrel Park, Braintree	Unit 15, 19 & 21	25/12/2023	119,850
Total			133,020

Future Known Void %	5.47%
----------------------------	-------

* not including U9 Olympus as this is to complete back to back

All property void rate stands at 10.30% (April 2023)

Current Portfolio ERV (assumes refurbished)	£6,545,589
Current Void %	3.64%

* inc U8 Basingstoke as tenant in liquidation



Portfolio Transactions (2022/23)

- **New Lettings**

- 6 new lettings completed which provide a contracted rent of £301,722 p.a.

- **Lease Renewals**

- 4 lease renewals completed which increased the contracted rent by £22,180 p.a.
- % over passing rent 33.27%
- % over ERV at event date 3.00%

- **Rent reviews**

- 10 rent reviews completed which increased contracted rent by £51,889 p.a.
- % over passing rent 29.25%
- % over ERV at event date 14.93%



Unit 4 Pasadena Trading Estate, Harlow

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[Redacted text]



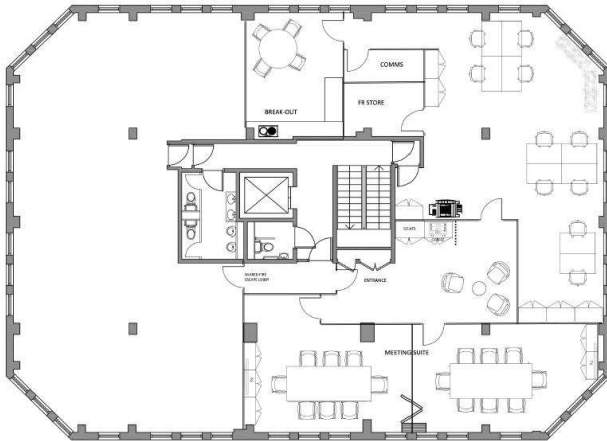
Renaissance House, Epsom

First & Part Third Floor Void

EPSOM
Sketch-up
C
Lobby created = 100 sqft
Additional 2,500 sqft
HB area = 2,109 sqft



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Offices – Category B Perspective



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Growing demand for fully-fitted and furnished space is not aligned with supply across the UK

Providing tenants with fitted space has significant benefits for landlords and tenants as it can :

- Reduce rent free incentives
- Cuts occupiers key to occupation time
- Captures the occupier
- Differentiates from Standard Cat A
- Cost spread over the term
- Less add on costs than serviced space

The impacts on companies financially to utilise their office space more effectively, both in density, design and in support of staff wellbeing plus the ESG agenda is changing their future office requirements.

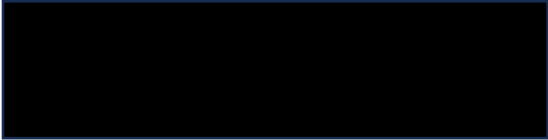
Office Expiries 2025/2026



Omron House, Milton Keynes



West Park House, Southampton



Lutea House, Brentwood



Lincoln



Extensive tenant refurbishment of the property to includes upgrading M&E as well as rebranding.

CIFCO Capital Contribution = £75,000 (on completion of the works)

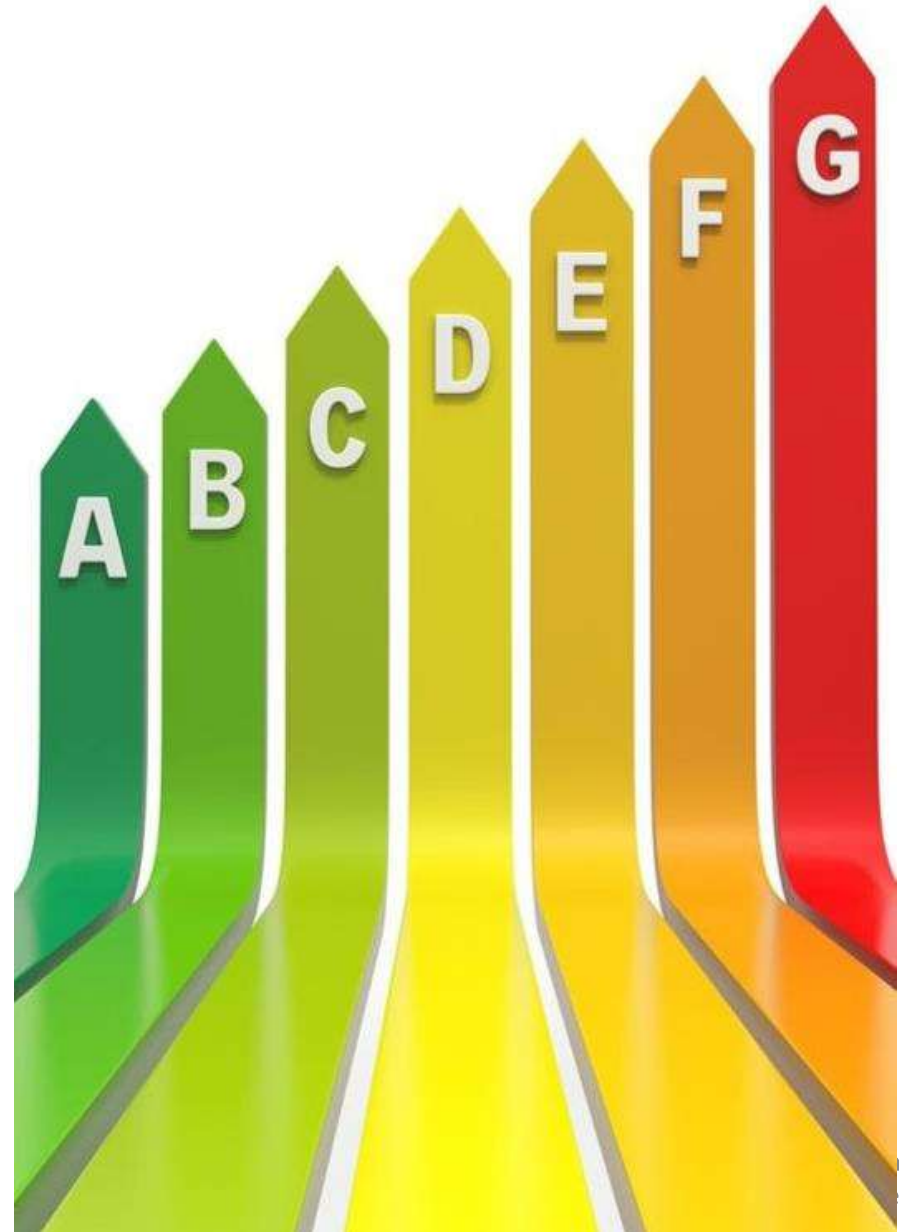


Continue ESG Improvement Path



CIFCO EPC Targets

1. Remove all F & G EPC ratings by April 2023 – completed
2. On target to meet minimum C rating by 2027
3. Ensure EPC improvements are considered at every intervention point
4. All refurbishments targeting EPC C or better – removing gas supply where possible and replacing with electric alternatives



CIFCO Portfolio EPC Rating



- MEES Legislation 1st April 2023 – Minimum E EPC Rating for all existing leases - CIFCO is fully compliant
- CIFCO Portfolio EPC C or better = 46.4%



EPC Rating	Total	%
A	0	0.0%
B	18	21.4%
C	21	25.0%
D	30	35.7%
E	15	17.9%
F	0	0.0%
G	0	0.0%
Total	84	100.0%



1 st April 2023	Minimum E Rating	
Landlords must not continue letting a property that is already let if that property has an EPC rating of F or G		
1 st April 2025	Minimum C Rating	2 Year Compliance Window
(Proposed Changes) Landlords must present a valid EPC for their property. If the rating is below a C, landlords have 2 years to make improvements to the property and present a new EPC of minimum rating C or register a valid exemption.		
1 st April 2027	Minimum C Rating (Deadline)	2 Year Compliance Window
All applicable properties must have a minimum EPC rating of C or have registered a valid exemption.		
1 st April 2028	Minimum B Rating	2 Year Compliance Window
Landlords must present a valid EPC for their property. If the rating is below a B, landlords have 2 years to make improvements to the property and present a new EPC of minimum rating B.		
1 st April 2030	Minimum B Rating (Deadline)	
All applicable properties must have a minimum EPC rating of B or have registered a valid exemption.		

ESG & Sustainability – Initiatives



Property	Initiative	Measurement
Renaissance House, Epsom	Smart meters	Energy consumption
Olympus Close, Ipswich	Green wall on the estate	Social and environmental benefits
Renaissance, Epsom	Electric charging points in car park – feasibility for 3 EV chargers	Support use of green energy through take up
Pilot Close, Coventry	Establish use of existing solar panels	Measure take-up and energy consumption
Kestrel Park, Braintree	Consider biodiversity initiatives – bird boxes, wild flowers	Social and environmental benefits
Stanton	PV Panels on the roof	Measure take-up and energy consumption
Portfolio Wide	Working with local charities nearby to sites in the portfolio	Social value
Portfolio Wide	Remove gas from assets at appropriate lease intervention points	Improve EPC and remove use of gas
Portfolio Wide	Assess scope 3 emissions working with tenants to help reduce their energy usage	Data collection & benchmarking

Managing Portfolio Risk



Risk Management

- The Portfolio risk is balanced, diversifying risk across sector, location and tenant.
- Portfolio risk is further mitigated by expert Fund Managers, Managing Agents, Legal and financial advisers.
- CIFCO has robust governance with a board of independent Non-Executive Directors and Councillor and Officer Directors
- CIFCO risk registers are reviewed quarterly by the board and at a risk panel with the Chairs of the Holding Companies and the shareholders risk lead.

Capital & Income Spread



Capital Spread

CV Bands (£m)	No. of Assets	Total Capital Value	Weightings (%)
£1.5m to £3.0m	10	£22,900,000	28%
£3.0m to £5m	5	£18,850,000	23%
£5.0m to £7.0m	4	£23,850,000	29%
£7.0m +	2	£16,900,000	20%

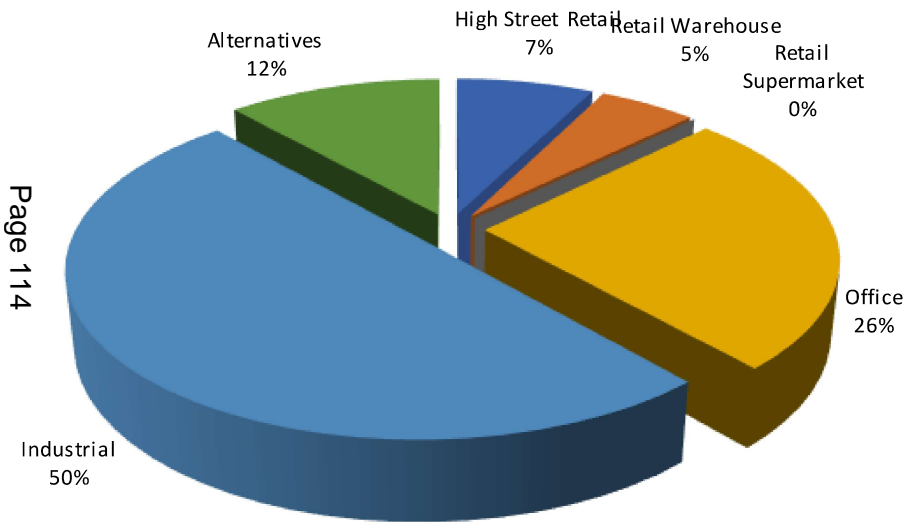
Income Spread

Income Bands (£m)	No. of Units	Total income	Weightings (%)
£1 to £10,000	16	£18,851	0.3%
£10,001 to £50,000	55	£1,201,819	21.7%
£50,001 to £100,000	10	£657,747	11.9%
£100,001 to £250,000	6	£983,245	17.8%
£250,001 to £500,000	7	£2,669,320	48.3%

Sector Splits – 2023 versus MSCI

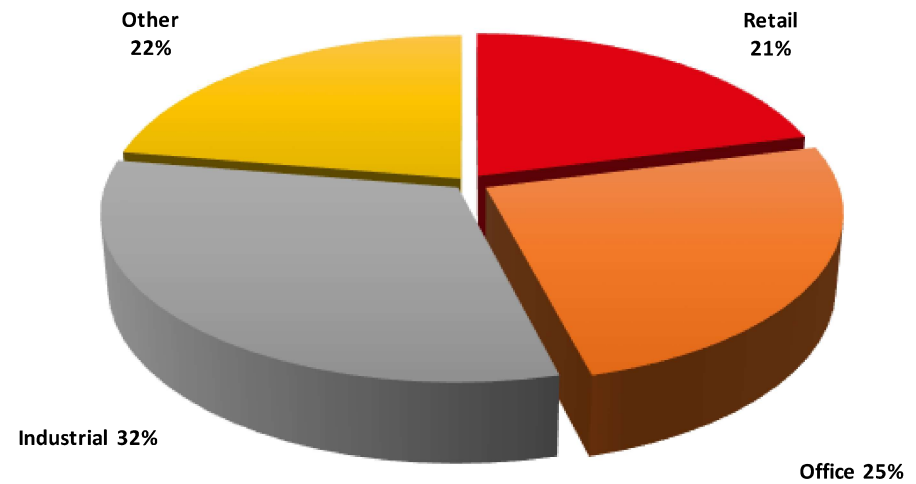


Portfolio Sector Splits (Q1 2023)



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MSCI Sector Splits (Q1 2023)



Note: Alternatives falls under “Other” in MSCI

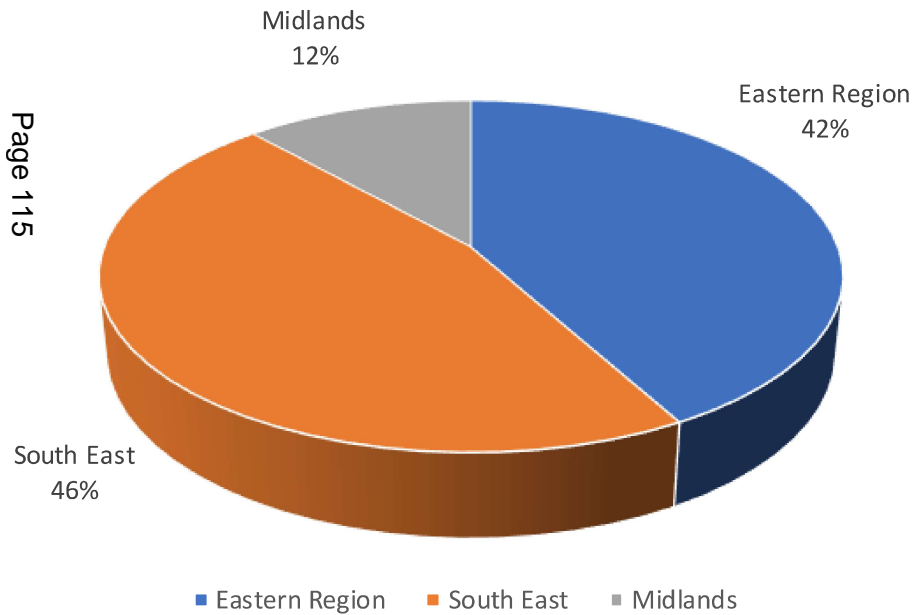
**Other includes residential, leisure and hotel*



Regional Breakdown by Value

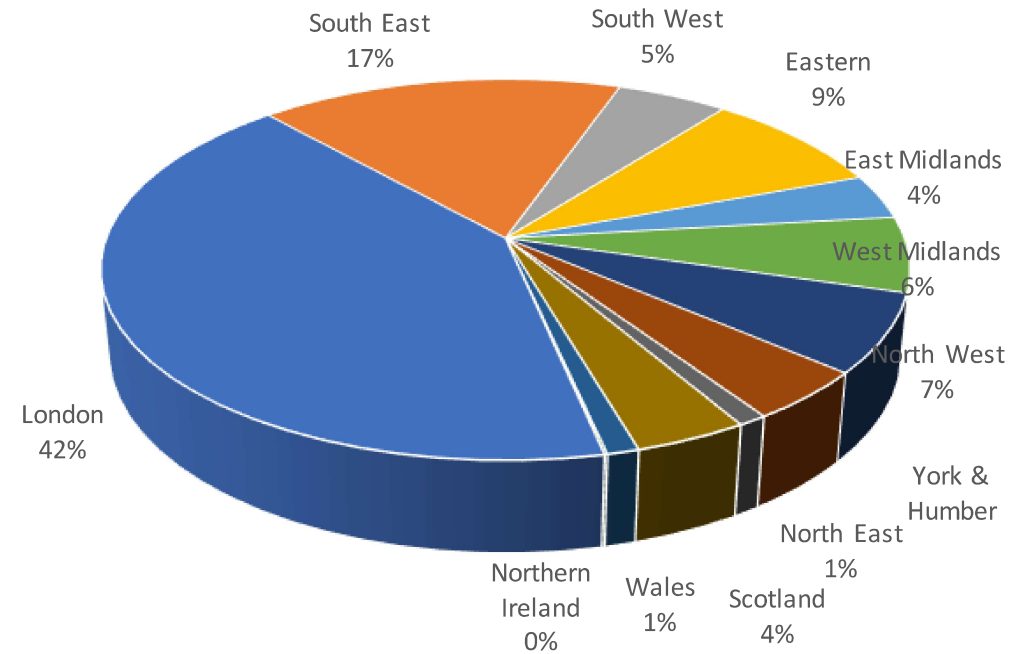
South Eastern Weighting.

Portfolio Regional Split



* Excludes Stanton

MSCI Regional Weighting



** Industrial, Retail and Office sectors only

Covenant Risk Profile



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

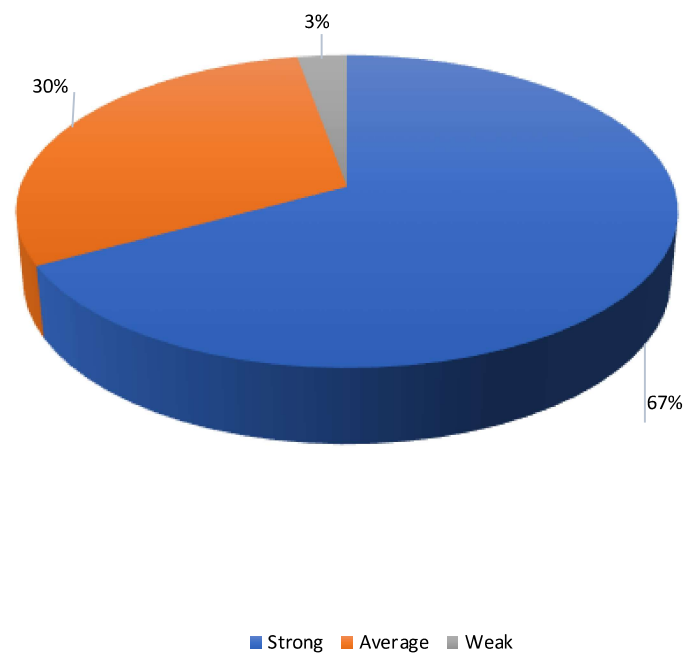
Portfolio Risk Profile

Properties: 21
Tenants: 81
WAULT (break) 4.6 years
WAULT (expiry) 5.8 years

Average Rent per tenancy £68,284 p.a.,
with seven voids.

Note: covenant risk is assessed using Credit Safe score and JLL view of the tenant company in the investment market

Covenant Risk Profile 2023



Breakdown of 2026 Expiries



Property	Tenant	Current Rent	% of total rent (expiries in 2026)	% Annual Rent	
Lutea House, Brentwood	[REDACTED]	[REDACTED]	25.1%	7.3%	
Westpark House, 23 Cumberland Place, Southampton		[REDACTED]	20.2%	5.9%	
Unit 1 Princes Gate, Howard Way, Harlow		[REDACTED]	[REDACTED]	15.6%	4.5%
[REDACTED], Chippenham Drive, Milton Keynes		[REDACTED]	[REDACTED]	11.2%	3.3%
Unit 2 Princes Gate, Howard Way, Harlow		[REDACTED]	[REDACTED]	4.7%	1.4%
Units 2-8C, Pilot Trade Centre, Pilot Drive, Coventry		[REDACTED]	[REDACTED]	3.8%	1.1%
36-39 Long Causeway, Peterborough		[REDACTED]	[REDACTED]	3.4%	1.0%
Units 2-8C, Pilot Trade Centre, Pilot Drive, Coventry		[REDACTED]	[REDACTED]	3.8%	1.1%
Units 2-8C, Pilot Trade Centre, Pilot Drive, Coventry		[REDACTED]	[REDACTED]	1.7%	0.5%
Units 2-5 Cavendish Street, Ipswich		[REDACTED]	[REDACTED]	1.7%	0.5%

Top 10 by contracted rent

Capital Expenditure

Capital Expenditure 2022/23



Status	Property Address	Tenant	Area	Completion Date	Cost	Payments Made	Retention	Retention Settlement
Completed	Renaissance House, Epsom	Common Parts	n/a	24/12/2021	£96,067		2.5%	23/12/2022*
Works Ongoing	Renaissance House, Epsom	External Brickwork*	n/a	Q2 2023	£12,150	Inc. below	Inc. below	Inc. below
Works Ongoing	Renaissance House, Epsom	First Floor & Part Third Floor	4,525	Q2 2023	£104,980	£102,356	2.5%	28/04/2024
Deferred	Lutea House, Brentwood	Window repairs	n/a	H2 2023	£40,000	N/A	n/a	

* Service charge item

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Capital Investment 2022/23

Status	Property address	Event	Area (sq ft)	Completion Date	Cost	Paid	Legal Completion
Approved	Omron House, Milton Keynes	Break removal	22,745	Q1 2023	£100,000	£0	Withdrawn
Approved	████████ Tritton Road, Lincoln	Break removal	19,291	Q2 2023	£75,000	£0	Awaiting Completion

Capital Expenditure 2023/24



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Capital Expenditure 2023/24						
Town	Property	Project Type	Event Type	Date	Status	Budget Estimate
Epsom	Renaissance House	Refurbishment	Retention	28/04/2024	Approved	
Epsom	Renaissance House	1st Floor Subdivision	Void	H2 2023	Budget Estimate	
Epsom	Renaissance House	EV Charging Points	ESG	H2 2023	Budget Estimate	
EPC	Various	EPC Upgrades	n/a	2023/24	Budget Estimate	
Southampton	West Park House	Planning and Architect	n/a	2023/24	Feasibility	
Basingstoke	U19/20 Basingstoke Business Centre	Refurbishment *	Void	2023	Budget Estimate	
Basingstoke	U17/18 Basingstoke Business Centre	Strip out/Refurbishment	Void (liquidation)	2023	Budget Estimate	
Basingstoke	U3 Basingstoke Business Centre	Refurbishment *	Void	2023	Budget Estimate	
Basingstoke	U8 Basingstoke Business Centre	Strip out/Refurbishment	Void (liquidation)	2023	Budget Estimate	
Basingstoke	Whole Estate	Measured Survey	n/a	Q2 2023	Approved	

Anticipated Expenditure 2024						
Town	Property	Project Type	Event Type	Date	Status	Budget Estimate
Braintree	U15 Kestrel Park [REDACTED]	Refurbishment *	Void	H1 2024	Budget Estimate	
Braintree	U19 Kestrel Park [REDACTED]	Refurbishment *	Void	H1 2024	Budget Estimate	
Braintree	U21 Kestrel Park [REDACTED]	Refurbishment *	Void	H1 2024	Budget Estimate	

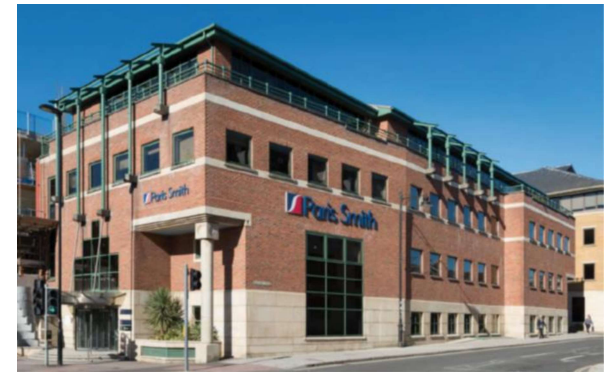
* Over and above dilapidations

Future Capital Expenditure 2025/26



Future Capital Expenditure				
Year	2025	2026		Total
Property	Omron, Milton Keynes	Lutea House, Brentwood	West Park House, Southampton	
Worst	£1,000,000	£1,200,000	£1,500,000	£3,700,000
Mid	£250,000	£400,000	£500,000	£1,150,000
Best	£0	£0	£0	£0

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Funding Capital 2025 and beyond



Options:

1. **Asset Sale**
2. **Refinance**
3. **Build sinking fund (5-7.5%- of rent roll pa)**

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Excess Capital



Property	Gross Purchase Price	Value 2023	Excess Capital	% above Gross Purchase
Harlow (Pasadena)	£1,915,089			
Hemel Hempstead	£8,194,156			
Ipswich (Olympus)	£2,367,947			
Nottingham	£2,921,893			
Norwich	£1,574,629			
Basingstoke	£5,700,491			
Coventry	£5,849,019			
Luton	£2,598,331			

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Financial Strategy

Deferred Debt Repayments to meet Capital Expenditure



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

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Total Deferred Repayment 22-24 = £832,063

Capital Expenditure Requirement 23/24 = £676,500

Capital Carry Forward 24/25 = £155,563

Capital Expenditure Requirement 25/26 = £250k - £3.7m

Capital Strategy for funding Capital Works



- Short term (2023-2024) : Deploy funds from interest deferment for capital works
- Medium term (2024- 2029): Realise capital from asset sale(s) (where excess capital is available- see slide 59) for portfolio capital works or where a sale negates the need to undertake capital works. Any surplus capital to be reinvested for income.
- Longer Term (2025 onwards): Develop a sinking fund from income collected from the portfolio for capital works –target 5% of income.

Babergh Income from CIFCO

CIFCO (Babergh)							
	£ 000						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Revenue Impact							
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(1,942)	(7,815)
Interest Paid	11	119	316	277	235	523	1,481
Net Interest	(75)	(663)	(929)	(1,274)	(1,974)	(1,420)	(6,334)
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(35)	(171)
Accrued interest receivable	-	-	-	-	-	(255)	(255)
Total Revenue	(84)	(688)	(961)	(1,309)	(2,009)	(1,710)	(6,761)
	£ m						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Capital Movement							
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-
Gross Borrowing	12.38	13.71	4.05	19.44	-	-	49.58
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.24)	(0.81)
Equity	1.23	1.37	0.41	1.94	-	-	4.95
Gross Investment	12.38	13.63	3.93	19.29	(0.22)	(0.24)	48.77
Net Capital Movements	-	0.08	0.12	0.15	0.22	0.24	0.81

Mid Suffolk Income from CIFCO

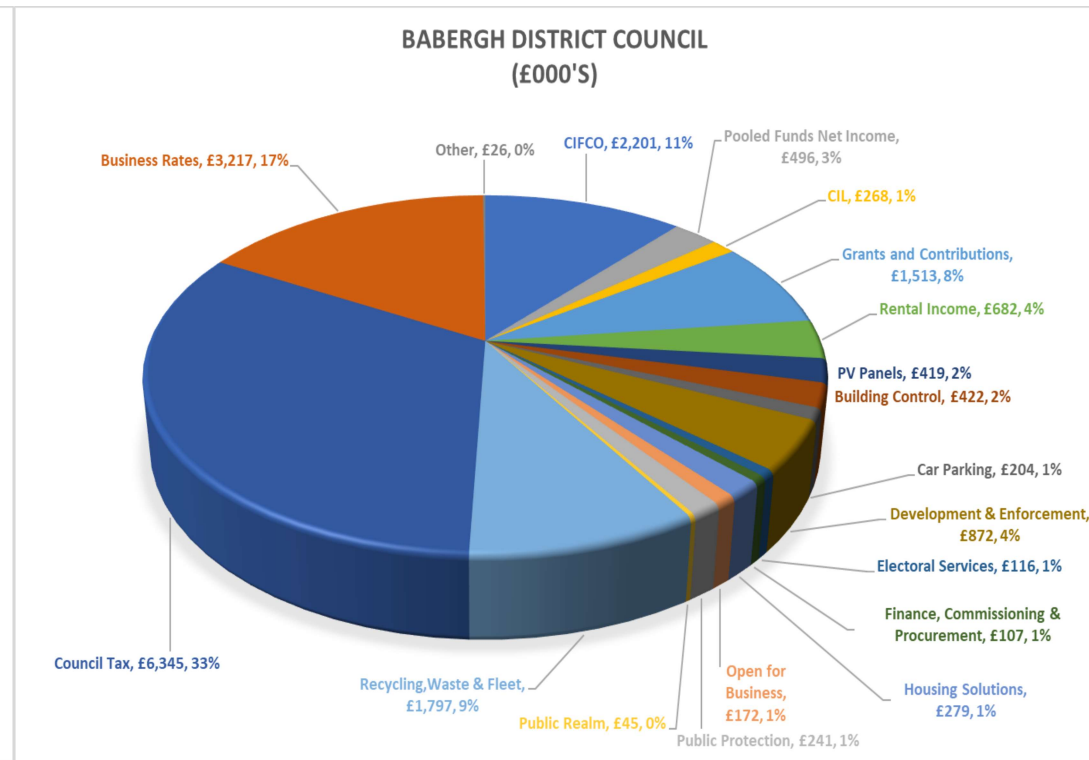
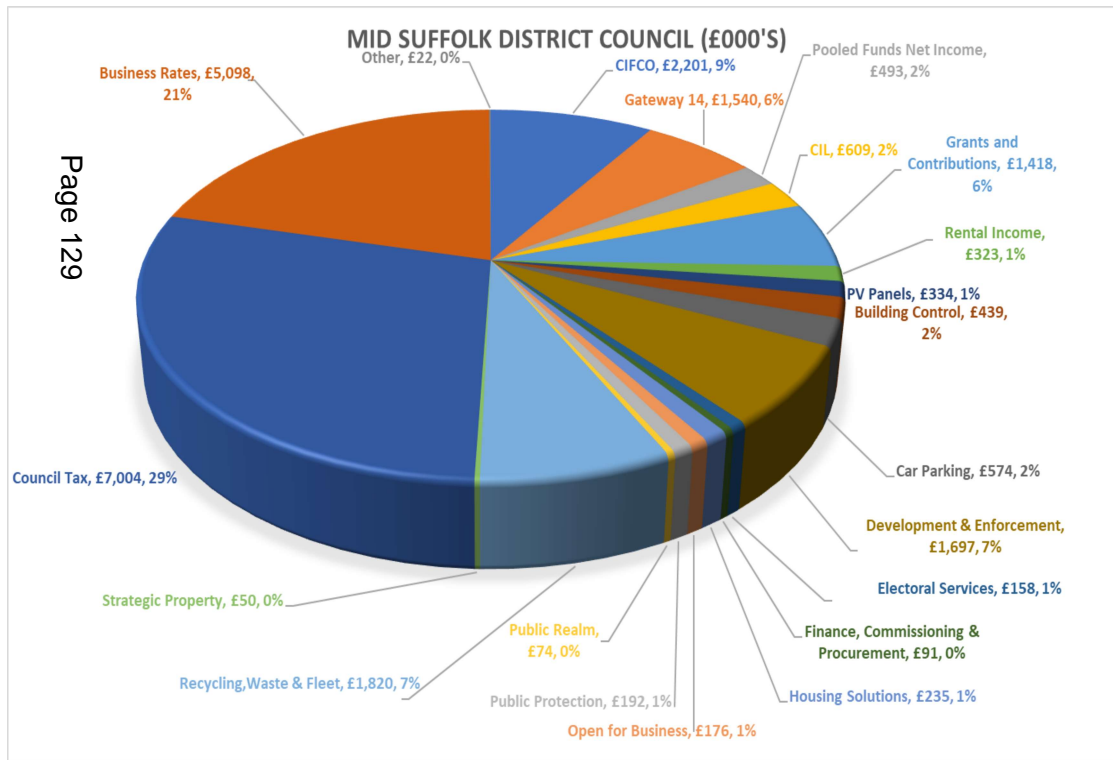
CIFCO (Mid Suffolk)							
	£ 000						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Revenue Impact							
Interest Received	(86)	(782)	(1,245)	(1,551)	(2,209)	(1,942)	(7,815)
Interest Paid	11	235	541	533	468	850	2,638
Net Interest	(75)	(547)	(704)	(1,018)	(1,741)	(1,092)	(5,177)
Other income/ Recharges	(9)	(25)	(32)	(35)	(35)	(35)	(171)
Accrued interest receivable	-	-	-	-	-	(255)	(255)
Total Revenue	(84)	(572)	(736)	(1,053)	(1,776)	(1,382)	(5,604)
	£ m						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	Cumulative
Capital Movement							
Capital Borrowed	12.38	13.71	4.05	19.44	-	-	49.58
Loans Repaid	-	-	-	-	-	-	-
Gross Borrowing	12.38	13.71	4.05	19.44	-	-	49.58
Loans Made to CIFCO	11.15	12.34	3.64	17.50	-	-	44.63
Loans Repaid	-	(0.08)	(0.12)	(0.15)	(0.22)	(0.24)	(0.81)
Equity	1.23	1.37	0.41	1.94	-	-	4.95
Gross Investment	12.38	13.63	3.93	19.29	(0.22)	(0.24)	48.77
Net Capital Movements	-	0.08	0.12	0.15	0.22	0.24	0.81

CIFCO Income as a Proportion of Council Income

Mid Suffolk Gross CIFCO Income = 9% of total income (including accrued interest)

Babergh Gross CIFCO Income = 11% of total income (including accrued interest)

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CIFCO Accounts 2022/23

- 22/23 Year Accounts are still being audited but draft figures and accounts show:

• Gross Income	£5.8m
• Company Costs	£5.63m
• Pre-tax loss*	£11.4m
• After-tax loss**	£10.2m

* The Loss reflects the Portfolio revaluation i.e. the c. 12% reduction in portfolio value (£11.6m). This loss would only be realised if the properties are sold.

**The After-tax loss reflects the reimbursement of corporation tax paid quarterly in advance.

Conclusions

- Business Plan Provides a Framework to manage the CIFCO portfolio
- KPIs provide a Framework to monitor CIFCO's performance and priorities.
- The Existing Portfolio is balanced, diversifying risk across sector, location and tenant and this approach proved successful during the pandemic and continues to mitigate risk for CIFCO and its shareholders.
- CIFCO Capital continues to provides the Councils with an important income stream.
- CIFCO will need to fund capital works to the portfolio over the longer term to maintain & maximise value. CIFCO to develop a longer-term plan for funding capital works but will use deferred income in immediate term and fund all other operations from rental income.

Appendices

- Investment Guidelines
- Rent Collection Stats
- 2023/24 Budget
- 2022/23 Year End Accounts
- Director Profiles

Investment Guidelines



Investment Restrictions	%	Breach
No more than 10% of the gross income of the fund shall be derived from one tenant	9.76	No
Investment in UK Real Estate	100	No
No more than 15% of the portfolio to be invested in direct development at any one time	0	No
Maximum investment in one investment shall not exceed 20% of Gross Asset Value	11.15	No
No more than 20% of the portfolio to be invested in any one town	11.12	No
No more than 35% of the portfolio to be held in a specific sector at any one time	51	Yes

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Income

There are currently no tenants over the 10% threshold.

The largest tenant by income is [REDACTED] Hemel Hempstead which make up 9.76% of the total portfolio income.

Maximum Investment

The largest asset in the portfolio is Hemel Hempstead which makes up 11.15% of the portfolio by value.

Location

11.12% of the Fund's total value is currently held in Epsom.

Sector

50% of the fund is held in industrial assets. The industrial market has been the most consistent performer in recent years compared with other sectors.

Rent Collection Stats – Comparison



	March 2020 Qtr			June 2020 Qtr			September 2020 Qtr			December 2020 Qtr		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	55.35%	50.00%	49.00%	54.41%	47.01%	37.80%	63.80%	56.73%	50.50%	75.32%	64.48%	52.60%
Day 7	72.40%	59.24%	56.90%	69.10%	61.33%	50.70%	67.03%	70.82%	62.00%	81.37%	70.31%	59.50%
Day 21	73.55%	67.62%	67.00%	73.84%	71.08%	59.20%	68.99%	74.84%	67.80%	82.27%	73.34%	67.20%
Day 35	74.52%	72.89%	73.50%	74.01%	77.37%	63.30%	73.91%	83.37%	72.70%	82.60%	77.58%	71.70%
Day 90	80.57%	82.61%	81.50%	94.78%	87.89%	72.50%	93.14%	87.89%	79.10%	96.58%	82.89%	78.60%
	March 2021 Qtr			June 2021 Qtr			September 2021 Qtr			December 2021 Qtr		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	63.47%	55.49%	46.40%	58.00%	47.00%	49.10%	81.00%	63.00%	57.40%	51.90%	63.13%	62.70%
Day 7	67.59%	68.09%	60.50%	78.00%	61.00%	66.50%	86.77%	77.00%	72.10%	72.46%	72.18%	71.80%
Day 21	78.41%	77.57%	67.30%	81.00%	71.00%	73.90%	93.00%	85.00%	81.90%	80.13%	83.79%	78.90%
Day 35	88.12%	80.63%	71.80%	83.00%	77.00%	78.60%	94.89%	88.00%	85.20%	81.04%	61.09%	84.40%
Day 90	96.71%	84.70%	80.70%	100.00%	88.15%	90.70%	99.06%	90.29%	93.00%	92.92%	92.66%	94.00%
	March 2022 Qtr			June 2022 Qtr			September 2022 Qtr			December 2022 Qtr		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	43.00%	62.74%	65.00%	73.35%	58.36%	67.80%	80.83%	61.91%	68.00%	63.76%	62.55%	67.40%
Day 7	55.00%	75.41%	76.70%	88.51%	68.46%	78.90%	87.77%	79.66%	82.70%	72.75%	71.78%	77.20%
Day 21	87.10%	87.81%	86.20%	90.23%	71.38%	88.50%	91.28%	91.33%	90.60%	89.68%	87.15%	89.90%
Day 35	90.28%	90.92%	87.40%	91.60%	92.81%	91.90%	92.92%	94.28%	92.90%	91.94%	92.67%	93.80%
Day 90	98.37%	90.96%	95.60%	95.62%	95.97%	95.40%	93.94%	96.76%	96.70%	93.13%	98.70%	96.50%
	March 2023 Qtr			June 2023 Qtr			September 2023 Qtr			December 2023 Qtr		
	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit	CIFCO	Workman	Alt Remit
Day 0	76.76%	61.97%	63.10%									
Day 7	95.31%	72.95%	76.6%									
Day 21	96.88%	89.82%	91.60%									
Day 35	98.32%											
Day 90												

Director Profiles



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



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



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



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



Austin Davies (Councillor Director) - Austin Davies (MBA, MSc Uni Queensland, BSc) 25 years in commercial experience with various Multi nationals including 15 years of international business management. 10 years working for the British Government's overseas aid program. Along with 14 published scientific papers.



John Ward (Councillor Director) - After graduating from Oxford in 1980 with a BA in Chemistry, John embarked on a career in IT, working for Caggemini a major international IT services and consulting firm. John became a councillor in May 2015. Just before taking early retirement, he was appointed to cabinet as Economic Growth portfolio holder in May 2017 and has also been a cabinet member for finance during his time as a councillor. In January 2018 John became leader of the council, a position he held until this year's elections, and is currently joint Deputy Leader and Finance portfolio holder.

CIFCO YEAR END ACCOUNTS 2022/23

- To follow

CIFCO LOAN REPAYMENT SCHEDULE 2022/23

- Confidential

CIFCO OPERATING BUDGET (Confidential)

- Confidential

DRAFT MINUTE FROM THE JOINT OVERVIEW AND SCRUTINY COMMITTEE HELD ON 21 AUGUST 2023**18 JOS/28/08 CIFCO PERFORMANCE REPORT (2022/23) AND BUSINESS PLAN (2023/24)**

- 18.1 Councillor John Ward, Babergh's Cabinet Member for Finance, Assets, and Investments, introduced the item to the Committee.
- 18.2 Emily Atack, Director for Assets and Investments, presented the item to the Committee outlining before Members the purpose of the business plan, the structure of the trading companies, an overview of the UK property market, the CIFCO property investment portfolio, the five-year cashflow forecast, the CIFCO Board key performance indicators (KPIs), an overview of the 2023/24 business plan, the Energy Performance Certificate (EPC) improvement plan, an overview of deferred debt repayments, and introduced Henry Cooke (CIFCO Capital) and Neville Pritchard (JLL) to the Committee.
- 18.3 Councillor Grandon queried the decision to stop purchasing properties and questioned if this was a "firm" decision. The Director for Assets and Investments responded that there was no funding available for further acquisitions by CIFCO as this phase was completed in 2021.
- 18.4 Councillor Scarff queried whether the KPIs and targets set out in the business plan were too low. The Director for Assets and Investments responded that the KPIs were reasonable with the current market uncertainty and that the EPC targets were aligned to legislation.
- 18.5 Councillor Scarff further questioned about EPC ratings and how quickly the improvement plan could be actioned to achieve "B" ratings across the board. The Director for Assets and Investments responded that the outset ambition was to achieve a "B" rating for all properties and that the costs of improving to both a "C" and a "B" were looked at in the view of determining what would provide the most return. The Director further responded that there were long-term plans that supported achieving these ratings as quickly as possible.
- 18.6 Councillor Caston questioned who makes the decision to defer certain debt repayments. The Director for Assets and Investments responded that the power to defer debt repayments was decided upon by Full Council in 2020 for a three-year period. The Director further responded that since this period, it has been decided upon by the CIFCO Board whether to implement the deferred payments each financial year.
- 18.7 Councillor Jamieson queried which assets could be sold to provide the best financial return. The Director for Assets and Investments responded that this was something that was considered on a regular basis by the Board throughout the year due to constant changes in the values of the assets.
- 18.8 Councillor Jamieson further questioned whether the EPC Improvement Plan would come at additional cost to the Councils. The Director for Assets and Investments responded that the expenditure from making these improvements would not come out of the Councils' budgets and that no more investment from the Councils into CIFCO can be made.

- 18.9 Councillor Warboys questioned how much of the Councils' short term borrowing debt was attributed to CIFCO. Melissa Evans, the Director for Corporate Resources, responded that 9% of borrowing in Babergh and 19% of borrowing in Mid Suffolk is related to CIFCO.
- 18.10 Councillor Row queried what potential there was for CIFCO to reach net-zero earlier than 2030. The Director for Assets and Investments responded that this would be evaluated once CIFCO had carried out an EPC assessment for the entire portfolio.
- 18.11 Councillor Riley questioned if the reduction in arrears over the last business year were attributed to a single tenant or distributed across the portfolio. The Director for Assets and Investments responded that these arrears were contributed to by a collection of tenants.
- 18.12 Councillor McLaren queried the cost to the organisation of working with eight different corporate partners. The Director for Assets and Investments responded that all partners were paid by CIFCO from the income from the portfolio and that the running costs equated to approximately £700,000.
- 18.13 Members debated the item on the following issues:
- Relying on a loan-based income stream
 - The proposed EPC Improvement Plan
 - Impacts on the commercial property market
 - The increase in value of assets
 - Deferred debt repayments, arrears, and the impact on Council finances
 - Sustainability and reaching net-zero
- 18.14 The Lead Officer for Overview and Scrutiny put forward the following recommendation based on the questions and debate from Members:
- That the Joint Overview and Scrutiny Committee notes the CIFCO Business Trading and Performance Report and asks that the minutes of the meeting be taken into account when CIFCO is next considered at Full Council.
- 18.15 Councillor Caston proposed the recommendation as read out by the Lead Officer.
- 18.16 Councillor Row seconded the proposal.

By a unanimous vote

It was RESOLVED:

That the Joint Overview and Scrutiny Committee notes the CIFCO Business Trading and Performance Report and asks that the minutes of the meeting be taken into account when CIFCO is next considered at Full Council.

Agenda Item 11

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

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Agenda Item 13

BABERGH DISTRICT COUNCIL

TO: BDC Council	REPORT NUMBER: BC/23/16
FROM: Cllr Alastair McCraw - Cabinet Member for Customers, Digital Transformation and Improvement	DATE OF MEETING: 19 September 2023
OFFICER: Jo Hobbs, Corporate Manager - Strategic Policy	KEY DECISION REF NO. N/A

BABERGH STATE OF THE DISTRICT REPORT 2023

1. PURPOSE OF REPORT

- 1.1 To provide elected members with information on the Babergh State of the District Report prior to publication.

2. OPTIONS CONSIDERED

- 2.1 Publication of the Babergh State of the District Report 2023, included in Appendix A.
- 2.2 Internal use of the State of the District Report only.

3. RECOMMENDATION

- 3.1 To note the content of the Babergh State of the District Report 2023 and endorse its publication on the Councils' website during October 2023.

REASON FOR DECISION

The State of the District Report provides a key resource for stakeholders and forms part of the evidence-base underpinning our corporate plan refresh.

4. KEY INFORMATION

4.1 Rationale and background

- 4.1.1 The State of the District Report is designed to provide stakeholders – both within the Council and externally - with an overview of the Babergh district, using data and insight around the themes of environment, economy, health and wellbeing, community and housing, as well as general demographic information. It forms part of the evidence-base underpinning our corporate plan refresh.
- 4.1.2 It is intended to publish State of the District reports for both Babergh and Mid Suffolk on the Councils' website during October 2023.

4.2 Data sources

4.2.1 The State of the District Report draws on a range of open-source data published at district level by the Office for National Statistics - including from Census 2021 - and a range of central government departments and non-departmental public bodies.

This is supplemented by data either published or held by selected partners from within Suffolk (e.g. Police, Citizens Advice, Suffolk Biodiversity Information Service).

4.2.2 In addition, previously unpublished insights from the 2022 Babergh and Mid Suffolk Residents Survey are also included in relation to levels of personal well-being among residents, as well as their views towards their local area and community, and their ability to access local services. Data related to resident perceptions of the Councils and its services are not included within the reports.

4.3 Key messages

4.3.1 The report discusses a range of issues, including:

4.3.1.1 An older and ageing population, with people aged 65 and over expected to account for a third (33.8%) of all residents by 2043.

4.3.1.2 Greenhouse gas emissions, with transport accounting for 40% of emissions within the district in 2021.

4.3.1.3 Key employment sectors (wholesale and retail, manufacturing and education) and productivity within the district, which falls below the county, region and national averages.

4.3.1.4 A lower-than-average proportion of 16 to 49-year-olds holding higher-level qualifications.

4.3.1.5 High levels of resident satisfaction with their local area, but with differences in views towards the local area and community evident between urban and rural communities.

4.3.1.6 Better than average levels of reported health and personal wellbeing, but with challenges and inequalities evident for certain groups.

4.3.1.7 The nature of the housing stock and housing affordability, with median house prices 10.60 times median annual resident earnings (above the East of England average).

4.4 Future publications

4.4.1 The State of the District Report will be repeated each year to build a picture of the strengths and challenges faced within the district, highlighting where changes occur in the data. In future years, the reports will be presented at the same time as our Annual Corporate Delivery Plan, in quarter 1 of the financial year.

5. LINKS TO CORPORATE PLAN

5.1 The State of the District Report forms part of the evidence-base underpinning our corporate plan refresh.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications arising from this report.

7. LEGAL IMPLICATIONS

7.1 There are no direct legal implications arising from this report.

8. RISK MANAGEMENT

8.1 There are no key risks associated with the publication of the State of the District Report.

9. CONSULTATIONS

9.1 The State of the District reports have been discussed with elected members via portfolio holder briefings and Joint Cabinet Briefing.

10. EQUALITY ANALYSIS

10.1 Equality Impact Assessment (EIA) not required. There are no equality and diversity implications arising directly from the publication of the State of the District Report at this stage.

11. ENVIRONMENTAL IMPLICATIONS

11.1 There are no direct environmental implications arising from this report. Nonetheless, it is noted that the State of the District Report includes centrally published data relating to greenhouse gas emissions, alongside data which reports on selected biodiversity criteria.

12. APPENDICES

Title	Location
(a) Babergh State of the District Report 2023	Attached.

13. BACKGROUND DOCUMENTS

13.1 None.

14. REPORT AUTHORS

14.1 Chris Holmes – Research and Insight Lead

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Babergh
**State of the
District Report
2023**

This is the first State of the District report produced by Babergh District Council. It tells the story of our district through data and insight – including from Census 2021 - across a range of themes spanning the economy, the environment, resident health and wellbeing, community issues and housing.


The State of the District report will be updated on an annual basis to provide continued commentary on the strengths and challenges within Babergh and how these are changing over time.

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Summary

 **92,300** residents and **40,200 households** (Census 2021)

26.6%  of residents aged 65 and over vs 18.4% across England. By 2043, the 65-plus population is expected to account for a third (33.8%) of all residents

Top 3 employment sectors:



- Wholesale and retail
- Manufacturing
- Education

 **31.9%** of 16 to 64-year-olds hold a level 4 (degree-level) qualification or above vs 37.1% in England

Better than average levels of health but challenges remain  Life expectancy at birth:
Females - 85.2 years vs 83.1 in England
Males - 81.6 years vs 79.4 in England


26.1% of adults classed as physically inactive (25.8% across England)

 **85%** of residents are satisfied with their local area as a place to live

 Median house prices are 10.60 times median annual resident earnings 

 **Rollout of gigabit-capable broadband** | Gigabit-capable broadband coverage: 38.1% vs 77.1% across England (June 2023)

10.3% average tree canopy cover for wards in Babergh

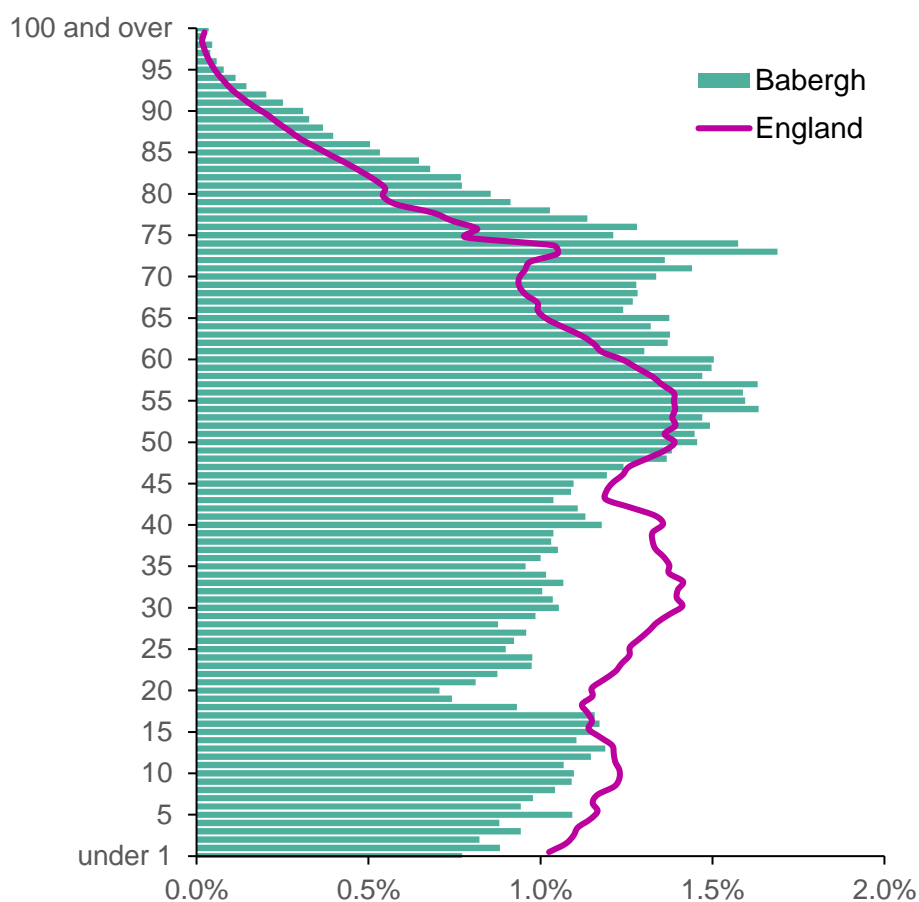


People

Population

- At the latest Census in March 2021, Babergh had 92,300¹ residents, an increase of 5.2% (from 87,700) since 2011.
- Babergh has an older population than the England average (Figure 1), with 26.6% of its residents aged 65 years and over (compared with 18.4% in England and 19.6% in the East of England).
- Over the next twenty years, the total number of residents aged 15-64 and children aged under 15 is expected to remain stable, with population growth (to around 102,000 by 2043) driven by an increase in the number of people aged 65 years and over.
- By 2043, the 65-plus population is expected to account for a third (33.8%) of all residents, well above the projected proportion for England (22.2%).

Figure 1: Population by age (Census 2021)



¹ Rounded to the nearest 100 people.

Population by ward

The Babergh district is divided into 24 electoral wards

- At Census 2021, Great Cornard was Babergh's most populated ward with 9,948 people, followed by Chadacre (6,158) and Long Melford (6,021).
- The least populated ward was Sudbury South East with 2,294 people, followed by Ganges with 2,387.
- All wards apart from Sudbury North East and Sproughton & Pinewood had a higher proportion of residents aged 65-plus than the England average of 18.4%, with some such as Lavenham having nearly double.
- Hadleigh North (21.9%), Sudbury North East (21.7%), Stour (20.0%) and Great Cornard (19.8%) had the highest proportions of children aged 0-15 (Table 1).

Table 1: Ward populations by age (Census 2021)

Electoral Ward	Ward population	Persons aged 0-15 (%)	Persons aged 16-64 (%)	Persons aged 65+ (%)
England average		18.6	63.0	18.4
East of England average		18.7	61.6	19.6
Babergh average		16.2	57.2	26.6
Assington	2,656	12.5	55.8	31.6
Box Vale	2,872	15.7	55.3	29.0
Brantham	2,601	16.6	59.1	24.3
Brett Vale	3,147	14.8	58.2	27.0
Bures St Mary & Nayland	2,865	16.5	53.5	30.0
Capel St Mary	3,109	16.5	52.4	31.0
Chadacre	6,158	16.4	58.0	25.6
Copdock & Washbrook	3,233	14.8	56.6	28.7
East Bergholt	2,728	14.5	55.0	30.5
Ganges	2,387	14.9	60.0	25.1
Great Cornard	9,948	19.8	60.8	19.4
Hadleigh North	2,825	21.9	55.6	22.5
Hadleigh South	5,933	16.4	55.0	28.6
Lavenham	5,254	13.8	52.8	33.3
Long Melford	6,021	14.1	54.4	31.5
North West Cosford	2,678	15.7	58.0	26.3
Orwell	2,513	13.6	54.9	31.5
South East Cosford	2,663	14.7	54.4	30.9
Sproughton & Pinewood	5,843	17.0	65.0	17.9
Stour	3,268	20.0	53.8	26.2
Sudbury North East	3,155	21.7	61.6	16.7
Sudbury North West	5,347	14.4	60.6	25.0
Sudbury South East	2,294	12.9	56.8	30.3
Sudbury South West	2,837	12.8	54.5	32.7

Households, deprivation and digital exclusion

- Between 2011 and 2021, the number of households in Babergh rose from 37,500 to 40,200, an increase of 7.1%. This was broadly in line with the percentage increase seen across Suffolk (7.3%) but above the figure for England (6.2%).
- Household numbers are expected to increase further by around 16% by 2043 (compared with around 13% across Suffolk).
- Of the 40,200 households in Babergh on Census Day, 28.3% were single-person households (with 15.6% single-persons aged 66 and over). This compared with 31.2% of households across Suffolk (with 14.8% single-persons aged 66 and over) and 30.1% across England (with 12.8% single-persons aged 66 and over).
- Babergh falls just within the least deprived third of local authority areas in England.² Although it has no areas within the 20% most deprived neighbourhoods in England, several neighbourhoods are within the 40% most deprived nationally; these are predominantly located in and around Sudbury and Great Cornard. Furthermore, as a mainly rural district, Babergh faces a number of geographical barriers related to the physical proximity of local services and employment centres.
- In June 2023, there was 97.2% superfast broadband coverage³ in Babergh, similar to the average for England (97.9%). Gigabit-capable broadband coverage stood at 38.1%, half the England figure of 77.1%.
- Not all residents access or are confident using the internet. One-in-ten retired residents (10%) do not have access, increasing to 17% of residents aged 75 and over. Internet access and confidence is also lower among those with self-reported poor health or disabilities and those living in social rented properties.

² Based on the Index of Multiple Deprivation (IMD) 2019.

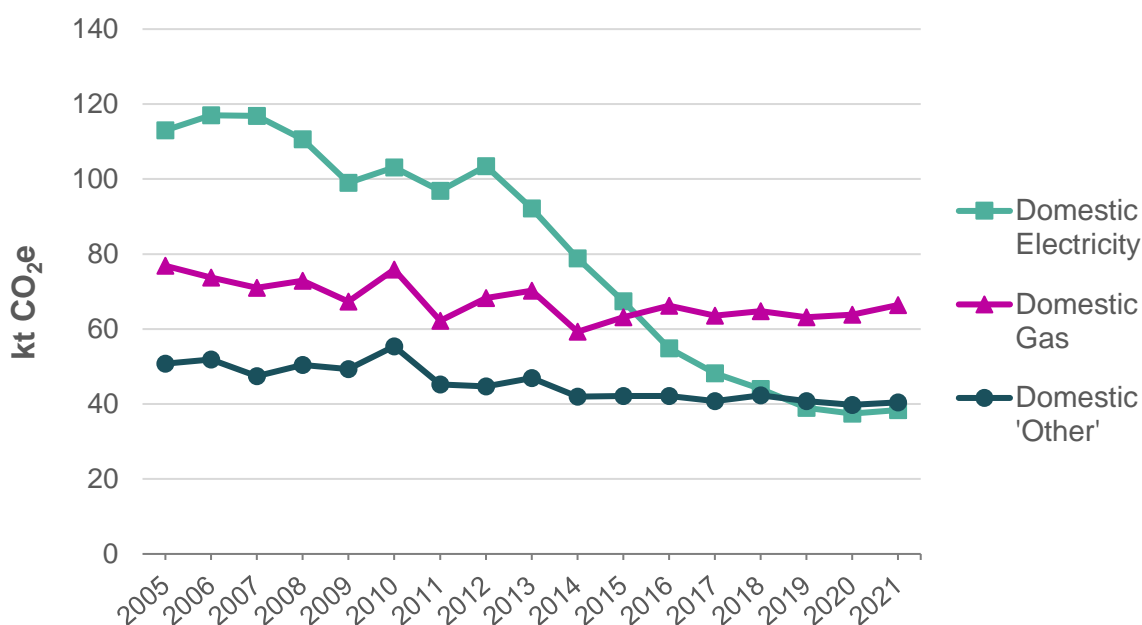
³ Defined as the percentage of residential and business premises that have Superfast Broadband (greater than or equal to 30Mbit/s) coverage from fixed broadband.

Environment and Biodiversity

Greenhouse gas emissions

- In 2021, Babergh accounted for 11.8% of greenhouse gas emissions⁴ in Suffolk.
- Between 2005 and 2021, emissions fell from 899.9 kilotonnes of carbon dioxide equivalent (kt CO₂e) to 562.4 kt CO₂e, a reduction of 38%. This was similar to the percentage decrease in emissions seen nationally (39%).
- Domestic (or residential) emissions⁵ reduced from 240.7 to 145.2 kilotonnes of carbon dioxide equivalent during the same period, driven in particular by a decline in emissions related to domestic electricity (Figure 2).⁶

Figure 2: Domestic greenhouse gas emissions 2005-2021 by energy type (kt CO₂e)



Source: UK local authority and regional greenhouse gas emissions national statistics, Department for Energy Security and Net Zero

⁴ The greenhouse gases covered by these statistics are carbon dioxide, methane and nitrous oxide.

⁵ Domestic emissions here represent emissions from energy consumption in and around the home, but not activities by private individuals elsewhere, such as personal travel.

⁶ Supply-side emissions decreases have resulted from changes in the mix of fuels being used for electricity generation (e.g. gas instead of coal), including the growth of renewables. At the same time, domestic demand for electricity has also reduced, due to factors including product energy efficiency regulations and energy-efficient lighting.

- While emissions per capita were in line with the county and regional averages in 2021 (6.1 tonnes of carbon dioxide equivalent compared to 6.2 tonnes across Suffolk and 6.0 tonnes across the East of England), this figure was above the England average of 5.5 tonnes.⁷
- Emissions from transport accounted for 39.9% of total greenhouse emissions (excluding net emissions from land use, land use change and forestry) in Babergh in 2021 (Table 2). Domestic emissions were the next highest contributor, responsible for a quarter (25.3%) of emissions in the district.

Table 2: Percentage contribution to total greenhouse gas emissions by sector (excluding land use, land use change and forestry)⁸ (2021)

	Babergh	East of England	England
Transport	39.9%	35.2%	30.5%
Domestic	25.3%	25.6%	25.7%
Industry	16.6%	13.5%	19.7%
Agriculture	12.9%	10.8%	10.0%
Commercial	2.2%	4.4%	4.9%
Waste Management	1.7%	6.9%	5.0%
Public Sector	1.4%	3.6%	4.4%

Source: UK local authority and regional greenhouse gas emissions national statistics, Department for Energy Security and Net Zero

- By the end of 2022, there were 971 plug-in cars registered to owners in Babergh (comprising 586 battery electric, 374 plug-in hybrid and 11 range extended electric cars).⁹ As of April 2023, Babergh had 55 publicly available electric vehicle charging points, including 18 rapid chargers.

Biodiversity

- Babergh has areas which are part of the Suffolk Coast and Heaths Area of Outstanding Natural Beauty (AONB) and Dedham Vale AONB. The Stour and Orwell estuaries are designated as a Ramsar Site, meaning they are considered wetlands of international importance.
- In addition, there are 51 Sites of Special Scientific Interest (SSSI), 17 Local Nature Reserves, 190 County Wildlife Sites (covering 1,758 hectares) and 1,404 hectares of ancient woodland.

⁷ The local authority areas with higher emissions per capita are a mixture of those with large industrial sites and those with relatively low populations compared to the size of the area or the activities that take place there that produce emissions. The latter group are often in more rural areas. Conversely, the areas with the lowest emissions per capita are typically built-up areas with high resident populations.

⁸ The land use, land use change and forestry (LULUCF) sector consists of both emissions and removals from forest land, cropland, grassland, wetlands, settlements and harvested wood products. It is the only sector that includes emission removals and therefore can show a net removal of greenhouse gases or a net contribution to emissions. For this reason, it is excluded from the calculations in Table 2.

⁹ Range extended electric vehicles are additionally equipped with a small internal combustion engine to charge the vehicle's battery.

- On average, tree canopy cover for wards in Babergh stands at 10.3%, compared with a ward average of 16.3% for selected wards assessed across England (14.6% for rural wards and 16.7% for urban wards).¹⁰
- The Council has increased the amount of amenity grass it manages as wildflower meadow from 0.15 hectares in 2022 to almost 5 hectares in 2023. This will provide habitat and food for pollinators as well as helping to reduce rainwater run-off and extremes of temperature, therefore increasing climate change resilience.

¹⁰ Based on a total of 6,135 wards assessed in England (4,904 urban wards and 1,231 rural wards) as part of a Forestry Commission UK canopy cover webmap project which aimed to assess the percentage tree canopy cover across wards in the UK (taken from the dataset published by the Forestry Commission on 5th April 2023).

Economy

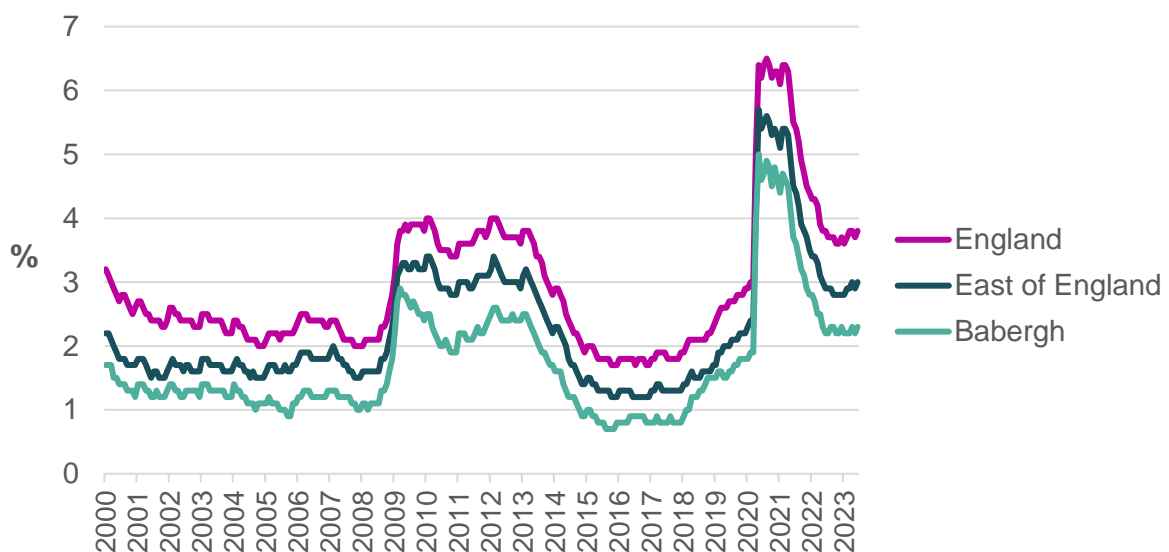
Economic activity

- In the 12 months to December 2022, 76.5% of 16 to 64-year-olds in Babergh were economically active (that is they were either in employment or unemployed), compared with 80.6% across the East of England and 78.7% across England.
- Reasons for not being economically active include long-term or temporary sickness, looking after the home, being a student and taking early retirement.

Out-of-work benefits

- The proportion of Babergh residents claiming out-of-work benefits has historically been below both the regional and national averages (Figure 3). In June 2023, 2.3% of those aged 16-64 in Babergh claimed out-of-work benefits, compared with 3.0% across the East of England and 3.8% across England.
- By age, 3.2% of those aged 18-24, 2.9% of those aged 25-49 and 1.5% of those aged 50-64 were claiming out-of-work benefits in Babergh in June 2023.

Figure 3: Proportion of residents aged 16-64 claiming out-of-work benefits (January 2000 - June 2023)



Source: ONS Claimant count

Employment sectors, pay and productivity

- With 39,000 jobs within the district, Babergh has a jobs density of 0.73, which compares to 0.84 across the East of England and 0.86 in England (based on 2021 data). A jobs density of 1.0 would mean there was one job for every resident aged 16-64 within each geography.¹¹

¹¹ A high jobs density would represent an employment centre, where people commute to for work. A low jobs density would represent an area with fewer jobs, where people would commute from for work.

- A lower proportion of employee jobs¹² in Babergh (62.5%) are full-time (31+ hours per week) compared with the East of England (66.9%) and England (68.4%).
- Most employee jobs are within the private sector; just 11.0% of employee jobs in Babergh were in the public sector in 2021, compared with 17.0% across the East of England and England.
- The top three employment sectors in Babergh are wholesale and retail (accounting for 18.8% of employee jobs in 2021), manufacturing (14.1%), and education (12.5%).¹³
- Accommodation and food is also an important employment sector for Babergh, accounting for 9.4% of all employee jobs in 2021 compared with 6.9% in the East of England and 7.5% in England (Table 3).

Table 3: Employee jobs by industry (2021)

% is a proportion of total employees excluding farm-based agriculture

	Babergh	East of England	England
B: Mining and Quarrying	0.0%	0.1%	0.1%
C: Manufacturing	14.1%	7.3%	7.5%
D: Electricity, Gas, Steam and Air Conditioning Supply	0.0%	0.2%	0.4%
E: Water Supply; Sewerage, Waste Management and Remediation Activities	0.8%	0.7%	0.7%
F: Construction	6.2%	5.9%	4.8%
G: Wholesale and Retail Trade	18.8%	15.2%	14.5%
H: Transportation and Storage	3.9%	5.5%	5.2%
I: Accommodation and Food Service Activities	9.4%	6.9%	7.5%
J: Information and Communication	3.1%	4.1%	4.7%
K: Financial and Insurance Activities	1.1%	2.1%	3.7%
L: Real Estate Activities	1.2%	1.7%	1.9%
M: Professional, Scientific and Technical Activities	7.8%	9.2%	9.3%
N: Administrative and Support Service Activities	7.0%	11.8%	9.0%
O: Public Administration and Defence	0.8%	3.4%	4.3%
P: Education	12.5%	9.5%	8.8%
Q: Human Health and Social Work Activities	9.4%	12.2%	13.4%
R: Arts, Entertainment and Recreation	2.8%	2.2%	2.3%
S: Other Service Activities	1.6%	1.8%	1.9%

Source: ONS Business Register and Employment Survey

¹² The number of jobs held by employees. Employee jobs excludes self-employed, government-supported trainees and HM Forces, so this count will be smaller than the total jobs figure. In 2021, Babergh had 32,000 employee jobs.

¹³ Percentages are a proportion of total employee jobs excluding farm-based agriculture.

- With average labour productivity being generally lower in sectors such as accommodation and food service activities, and wholesale and retail trade industries,¹⁴ productivity in Babergh – measured as gross value added (GVA) per hour worked¹⁵ – falls below the county, regional and national averages: £34.30 in Babergh compared with £35.10 across Suffolk, £35.90 in the East of England and £38.90 in England (based on 2021 data).
- Median earnings for full-time employees working in Babergh are also significantly below the regional and national averages (Table 4).

Table 4: Median earnings in pounds for employees working in the area (2022)¹⁶

	Babergh	East of England	England
Gross Weekly Pay			
Full-Time Workers	£ 521.50	£ 632.40	£ 645.60
Male Full-Time Workers	£ 551.80	£ 679.80	£ 689.90
Female Full-Time Workers	£ 432.40	£ 567.00	£ 584.50
Hourly Pay - Excluding Overtime			
Full-Time Workers	£ 13.09	£ 15.73	£ 16.41
Male Full-Time Workers	£ 14.18	£ 16.40	£ 17.03
Female Full-Time Workers	£ 11.64	£ 14.68	£ 15.44

Source: ONS Annual Survey of Hours and Earnings

Qualifications

- At Census 2021, 31.9% of 16 to 64-year-olds in Babergh had a level 4 qualification (e.g. degree, NVQ level 4) or above (Table 5). This was below the proportion seen in both the East of England (34.8%) and England (37.1%). As shown by Figure 4, this was driven by a lower proportion of 16 to 49-year-olds with a level 4 qualification or above; the proportion of 50 to 64-year-olds in Babergh with a level 4 qualification or above was in line with the national average.
- At the same time, a lesser proportion of working age residents in Babergh had no qualifications: 9.6% of 16 to 64-year-olds, compared with 11.7% across the East of England and 12.4% across England.

¹⁴ See for example:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/labourproductivity/articles/understandingspatiallabourproductivityintheuk/2019-05-03>

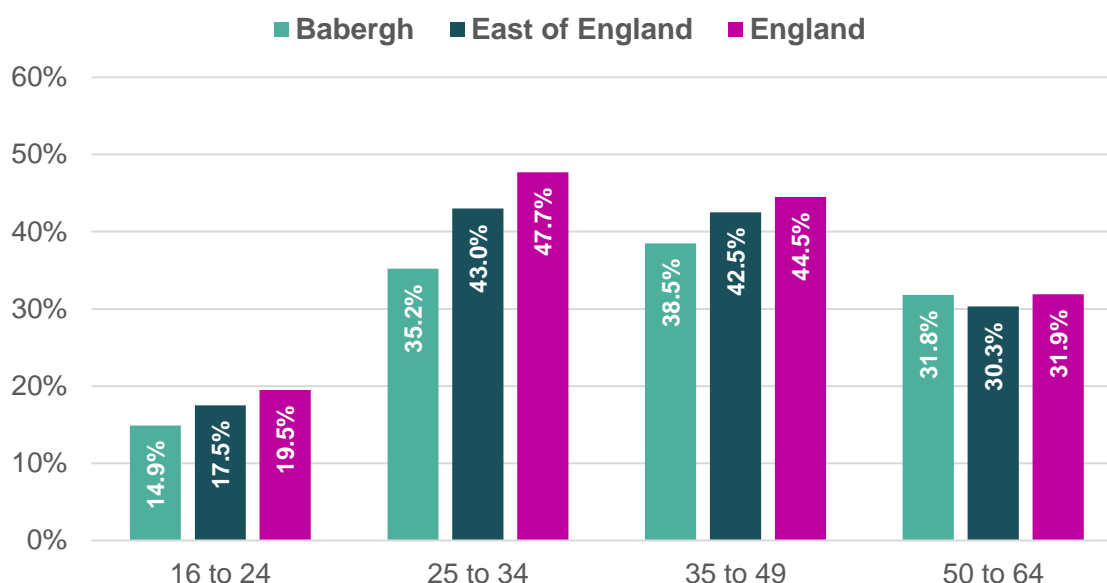
¹⁵ Gross Value Added (GVA) measures the contribution to the economy of each individual producer, industry or sector; it is the value of the amount of goods and services that have been produced, less the cost of all inputs and raw materials that are directly attributable to that production.

¹⁶ Full-time is defined as working more than 30 paid hours per week. In interpreting differences in pay between males and females and across different geographies, it should be noted that the figures do not show differences in rates of pay for comparable jobs, given they are affected by factors such as the proportion of employees in different occupations and sectors (for example, where a higher proportion of females work in occupations such as administration and caring, which tend to offer lower salaries). It should also be noted that the gross weekly pay figures are affected by both hourly rates of pay and the number of hours worked or paid for. Therefore, the hourly pay figures remove the impact of hours worked (for example, where males work, on average, more hours per week than females).

Table 5: Highest level of qualification held by 16 to 64-year-olds (Census 2021)

	Babergh	East of England	England
No qualifications	9.6%	11.7%	12.4%
Level 1 and entry level qualifications	12.0%	11.1%	9.9%
Level 2 qualifications: 5 or more GCSEs (A* to C or 9 to 4) / NVQ level 2	18.5%	16.3%	14.8%
Level 3 qualifications: 2 or more A levels / NVQ level 3	21.3%	19.6%	19.5%
Level 4 qualifications or above: degree / NVQ level 4 tor above	31.9%	34.8%	37.1%
Other: apprenticeships, vocational or work-related or other qualifications (level not stated/unknown)	6.8%	6.5%	6.3%

Figure 4: Proportion with a Level 4 qualification or above by age group (Census 2021)



Occupation types

- Census 2021 collected information about the occupations of those who were in employment (both as employees and self-employed) (Table 6).¹⁷
- Compared with the regional and national figures, a higher-than-average proportion of Babergh’s working residents were employed as managers, directors or senior officials (14.8% versus 12.9% nationally) or in skilled trade occupations (13.2% compared with 10.2% nationally).

¹⁷ Census 2021 took place during the coronavirus (COVID-19) pandemic, a period of unparalleled and rapid change; the national lockdown, associated guidance and furlough measures will have affected the labour market topic.

- A lower-than-average proportion were employed in professional occupations (17.1% versus 20.3% nationally) or in the lower occupational groups 8-9 (15.3% compared with 17.4% nationally).

Table 6: Standard Occupational Classification (SOC 2020) of residents aged 16 years and over in employment (Census 2021)

	Babergh	East of England	England
SOC 2020 Major Group 1-3	45.4%	46.6%	46.4%
1. Managers, directors and senior officials	14.8%	13.7%	12.9%
2. Professional occupations	17.1%	19.6%	20.3%
3. Associate professional and technical occupations	13.5%	13.3%	13.3%
SOC 2020 Major Group 4-5	22.9%	20.5%	19.4%
4. Administrative and secretarial occupations	9.6%	9.8%	9.3%
5. Skilled trades occupations	13.2%	10.7%	10.2%
SOC 2020 Major Group 6-7	16.4%	16.1%	16.7%
6. Caring, leisure and other service occupations	9.2%	9.1%	9.3%
7. Sales and customer service occupations	7.2%	7.0%	7.5%
SOC 2020 Major Group 8-9	15.3%	16.8%	17.4%
8. Process, plant and machine operatives	6.2%	6.9%	6.9%
9. Elementary occupations	9.1%	9.9%	10.5%

- By ward, Brett Vale (57.9%), Stour (57.9%) and East Bergholt (56.3%) wards had the highest proportions of working residents employed in the higher occupational groups 1-3. In contrast, fewer than 40% of working residents in Sudbury South East, Sudbury North East and Great Cornard wards were employed in in occupation groups 1-3, with over 20% in each employed in the lower occupation groups 8-9 (including 28.1% in Sudbury North East).

Health and Wellbeing

Life expectancy

- Life expectancy at birth exceeds the national, regional and county averages for both females (85.2 years) and males (81.6 years).
- The difference in life expectancy at birth between the least and most deprived areas in Babergh is 5.5 years for males and 3.1 years for females. This compares with a difference of 9.7 years for males and 7.9 years for females seen nationally.
- A lesser proportion of people aged under 75 in Babergh die from cardiovascular diseases, respiratory diseases, or cancers than regional and England averages.
- Infant mortality rates in Babergh are below both the regional and national averages. For the period 2019-2021, Babergh's infant (under one year old) mortality rate was 2.7 per 1,000 live births, compared with 3.4 across the East of England and 3.9 in England.

Health and risk behaviours

- At the last Census, half of Babergh residents reported being in 'very good health' (49.5%) and 35.0% reported being in 'good health', based on age-standardised data.¹⁸ This was above the national average, where 47.5% of people in England reported 'very good health' and 34.2% 'good health'.
- Certain health behaviours in Babergh are better than the national average. For example, 9.8% of adults smoke, compared with 12.9% regionally and 13.0% nationally, while 40.0% of adults meet the recommended '5-a-day' fruit and vegetable target, above both the regional (34.8%) and national (32.5%) figures.
- However, two-thirds of adults (64.3%) are classified as overweight or obese¹⁹, broadly in line with regional and national data (63.9% across the East of England and 63.8% across England), although the prevalence of overweight (including obesity) among Year 6 children in Babergh is lower (32.6% compared with 35.4% regionally and 37.8% in England).
- Levels of physical activity are also similar to the England average, with 26.1% of adults in Babergh classified as physically inactive²⁰ in the 12 months to November 2022, based on findings from the Active Lives Survey. This compares to 25.3% of adults who are physically inactive across the East of England and 25.8% across England.

¹⁸ Age-standardised proportions (ASPs) allow for fairer comparison between populations over time and across geographies, as they account for differences in the population size and age structure. Where Babergh's population is older than the national average, this allows for a fairer comparison against the national result.

¹⁹ Based on age-standardised data.

²⁰ Physical inactivity is defined within the Active Lives Survey as doing less than 30 minutes of activity per week.

Mental health and wellbeing

- Residents in Babergh report above-average levels of personal wellbeing. Asked to rate their levels of life satisfaction, worthwhileness and happiness from 0-10 (where 10 means they feel completely satisfied / worthwhile / happy), respondents to the 2022 Residents Survey gave an average score of:
 - 7.20 for satisfaction with their life (compared with 6.85 across England)
 - 7.54 for feeling that the things they do in their life are worthwhile (7.15 across England)
 - 7.38 for how happy they felt yesterday (6.98 across England)
- When asked about their levels of anxiety (again on a scale of 0-10 but where 10 means they feel completely anxious), residents reported lower than average anxiety (3.45 compared with 3.71 for England).
- People living in rural parts of Babergh tend to report higher levels of personal wellbeing than those in urban areas (Table 7).
- In line with national findings, a number of resident groups tend to report lower levels of wellbeing, including younger adults, those in single adult households, those in social rented accommodation, those who are not working (excluding retired), those who report being in poor health and those with a limiting long-term illness or health condition.

Table 7: Personal wellbeing in Babergh (2022 Babergh Residents Survey)

Mean score out of 10	Babergh total	Urban areas	Rural areas
Satisfaction with life	7.20	6.93	7.31
Things you do in life are worthwhile	7.54	7.15	7.72
Happiness	7.38	7.08	7.51
Anxiety	3.45	3.97	3.21

- In 2021/22, Babergh's rate of emergency hospital admissions for intentional self-harm was higher than regional and national averages, at 185.0 per 100,000 people compared with 145.0 per 100,000 in the East of England and 163.9 per 100,000 across England.
- Babergh's suicide rate during the period 2019-21 was 7.6 per 100,000 people per year which was lower than the East of England (9.8 per 100,000) and England (10.4 per 100,000).

Community

Local area and community

- The 2022 Babergh Residents Survey found that most residents were satisfied with their local area as a place to live (85% were satisfied compared with 76% nationally and 78% in the East of England). Three-quarters (76%) agreed they were proud to live in their local area.
- Residents in rural areas reported higher levels of satisfaction and pride than those in urban areas: 89% of those in rural areas were satisfied with their local area (compared with 76% of those in urban areas) and 82% were proud to live in their local area (compared with 62% in urban areas).
- Seven-in-ten (72%) felt a strong sense of belonging to their local community (compared with 63% nationally and across the East of England), with residents living in rural areas also far more likely to feel a sense of belonging than those living in urban areas (76% versus 61%).
- Most residents said they chat to their neighbours, more than just to say hello, at least once a month (87%); this compares well with national and regional averages (both 72%).
- More than half (59%) agreed that people in their local area work together to improve it. However, just 37% of those in urban areas agreed this was the case, compared with 69% of those in rural areas.

Access to services

- As part of the Residents Survey, just over half of residents (55%) agreed they can access a range of activities in their local community spaces, with similar levels of agreement in both urban and rural areas.
- Around three-fifths agreed that they can access local sport and leisure facilities (63% overall, rising to 72% in urban areas) and that they have opportunities to participate in sport and leisure in the local area (57%).
- When asked about the services within their local area:
 - Around seven-in-ten residents living in rural areas said they live within a 15-20 minute walk from a primary school (71%), grocery store (70%) or park (67%), with responses higher among urban residents (84%, 96% and 91% respectively).
 - Over half of all residents (54%) said they have a GP or health centre within a 15-20 minute walk from their home (77% in urban areas compared with 44% of those in rural areas).
 - Most urban residents said they have a chemist (81%) or library (73%) within a 15-20 minute walk from their home; however, this reduces to 32% and 30% for those living in rural parts of Babergh.

Cost of living and poverty

- Based on the latest available data, 5,831 or 14.3% of households in Babergh were classed as being in fuel poverty in 2021.²¹ Whilst in line with the Suffolk average (14.1%), this was above the average across the East of England (12.3%) and England (13.1%).
- A fifth of households in Babergh use oil heating, with the high upfront capital needed to purchase heating oil making it potentially difficult for lower-income households to heat their homes.²²
- It was estimated that in 2021/22, 4,027 or 22.9% of children in Babergh aged 0-15 were living in poverty, after housing costs.²³ This compared with 23.6% in the East of England and 30.8% in England.
- In June 2023, 5,845 people claimed Universal Credit²⁴ in Babergh – equivalent to 11.0% of people aged 16-65 - with claims more prevalent among females (13.1% compared with 8.8% of males aged 16-65). Nationally, 14.6% of people in England aged 16-65 were claiming Universal Credit in the same period.
- Our partners are seeing the cost-of-living effects on the community. For example, the number of people in Babergh helped with debt enquiries by the Citizens Advice service²⁵ rose from 141 cases in June 2021 to 348 cases in June 2022 and 699 cases in June 2023.

Community safety and crime

- In the 12 months to April 2023, the overall crime rate in Babergh was 52.3 incidents per 1,000 population, based on 4,817 recorded crimes. This compares with a rate of 67.5 per 1,000 across Suffolk, 76.9 per 1,000 across the East of England and 84.4 per 1,000 across England during the same period.
- Babergh's 2022 Residents Survey found that a significant majority of residents (95%) feel safe outside during the day, while 87% feel safe in local parks and open spaces. Seven-in-ten (71%) said they feel safe after dark, although this fell to 52% of residents in urban areas, compared with 80% of those in rural settings.

²¹ A household is considered to be fuel poor if: they are living in a home with an energy efficiency rating below band C and were they to spend the required amount on fuel costs for the home, they would be left with a residual income below the official poverty line.

²² Although the average price of heating oil has fallen month-on-month since October 2022, consumers have been exposed to historically high costs during 2022 and early 2023. The national average cost of heating oil peaked at £1,109 per 1,000 litres in June 2022, whilst the cost in October 2022 (£1,016 per 1,000 litres) was almost double the October 2019 cost and £400 more than in October 2021.

²³ Defined as the percentage of children in households with below 60% median income after housing costs.

²⁴ Universal Credit is a single payment to help with living costs for those on a low income or out of work. It replaces six benefits, commonly referred to as the legacy benefits: Income-based Jobseeker's Allowance; Income-related Employment and Support Allowance; Income Support; Working Tax Credit; Child Tax Credit; Housing Benefit.

²⁵ The Citizens Advice (CA) service are a network of independent charities offering confidential, impartial advice online, over the phone and in person, for free.

Housing

Heating

- Of the 40,200 households in Babergh, most have central heating (98.9%). Over half of properties (55.1%) use mains gas as a single source of heating, although this is lower than the proportion across Suffolk (61.9%) and England as a whole (74.0%).²⁶
- A higher proportion of properties in Babergh instead use oil as a single source of heating compared with those elsewhere in Suffolk or England (19.6% compared with 13.2% in Suffolk and 3.2% in England), with over half of households using oil in the following wards: Box Vale (59.9%), North West Cosford (53.7%) and Stour (51.5%).
- Electric heating is the third most common type of heating, used by 8.9% of households as a single source of heating, similar to the Suffolk and England averages.

Housing costs

- Babergh's median property price (£333,000 in the twelve months to December 2022) is significantly above the median prices for Suffolk and England (Table 8), and highest of all the Suffolk districts.

Table 8: Median property prices (12 months ending December 2022)

Property type	Babergh	Suffolk	England
All house types	£ 333,000	£ 285,000	£ 286,000
Detached houses	£ 446,500	£ 420,000	£ 435,500
Semi-detached houses	£ 321,000	£ 275,000	£ 270,000
Terraced houses	£ 255,000	£ 228,000	£ 235,000
Flats or maisonettes	£ 165,000	£ 150,000	£ 230,000

Source: ONS House Price Statistics for Small Areas

- Housing affordability ratios are calculated by dividing (median) house prices by (median) gross annual full-time earnings²⁷ to create a ratio. A larger number reflects a less affordable area.
 - In Babergh, based on workplace-based earnings (the earnings of those who work in the district, though they may live elsewhere) house prices were 12.64 times earnings in 2022, compared with 8.91 across Suffolk and 10.08 across the East of England.
 - Looking at residence-based earnings (the earnings of the people who live in the area, though they may work elsewhere) house prices were 10.60 times earnings in 2022, compared with 8.93 across Suffolk and 9.55 across the East of England.

²⁶ Census 2021 separately classified households that had two or more types of central heating, however these were not broken down by energy type. Therefore, some of these households (11.2% in Babergh) could have had gas central heating also.

²⁷ Gross earnings refer to that remuneration received by employees in return for employment before any benefits are added or tax deductions are made (including National Insurance contributions).

- Private rental costs for two and three-bedroom properties in Babergh are broadly in line with the Suffolk average (based on median monthly rent). While median rental costs for four-bedroom properties are £150 per month below the county average, the median monthly rental cost for a one-bed property is £90 more (Table 9).

Table 9: Median monthly private rented costs (1 April 2022 to 31 March 2023)

Rental type	Babergh	Suffolk	England
1 Bedroom	£ 650	£ 560	£ 725
2 Bedrooms	£ 768	£ 750	£ 800
3 Bedrooms	£ 900	£ 900	£ 900
4 Bedrooms or more	£ 1,200	£ 1,350	£ 1,500

Source: ONS Private rental market summary statistics in England

Tenure

- A higher proportion of households in Babergh own their home outright (43.4%) than across Suffolk (38.6%) or England (32.5%). A further 28.3% own their home but have a mortgage/loan or shared ownership (Table 10).
- While a lower proportion of households rent privately in Babergh (15.0%) compared with Suffolk (18.9%) or England (20.6%), this equates to around 6,000 private-rented households in the district.

Table 10: Household tenure (Census 2021)

Tenure	Babergh	Suffolk	England
Owned outright	43.4%	38.6%	32.5%
Owns with a mortgage or loan or shared ownership	28.3%	27.5%	29.8%
Social-rented	13.3%	15.0%	17.1%
Private-rented or lives rent free	15.0%	18.9%	20.6%

Number of bedrooms and occupancy

- Compared with the national average, Babergh has a higher proportion of properties with four or more bedrooms (27.8% compared with 21.1%) and a much lower proportion of properties with only one bedroom - given a lower proportion of flats (Figure 5).
- Occupancy ratings indicate whether a household's accommodation is overcrowded, ideally occupied or under-occupied. This is calculated by comparing the number of bedrooms the household requires (based on its occupants, including the age and sex of any children) to the number of available bedrooms.
- Nearly half of households in Babergh (46.9%) have at least two bedrooms more than required, compared with 35.6% across England. More than six-in-ten households in the Capel St Mary and Brett Vale wards (63.1% and 62.2% respectively) are classified as having at least two bedrooms more than required.

- Just under one-in-five (18.2%) have the ideal number of bedrooms needed for the household, below the England average (Figure 6). Around 600 households in the district (1.5%) are classified as being overcrowded (having fewer bedrooms than required).

Figure 5: Number of bedrooms (Census 2021)

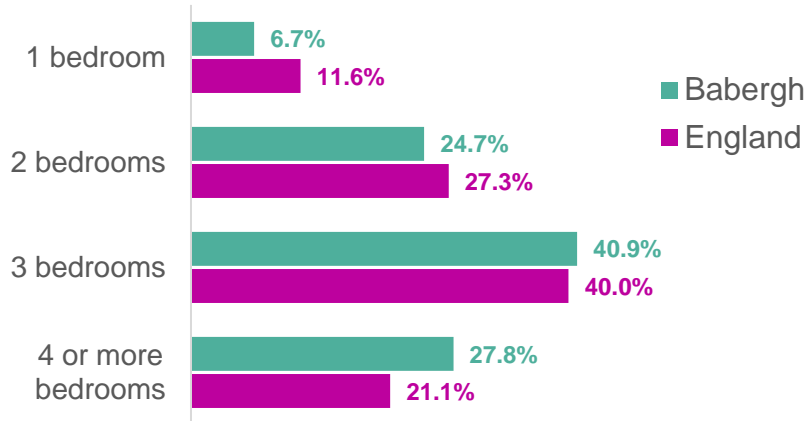
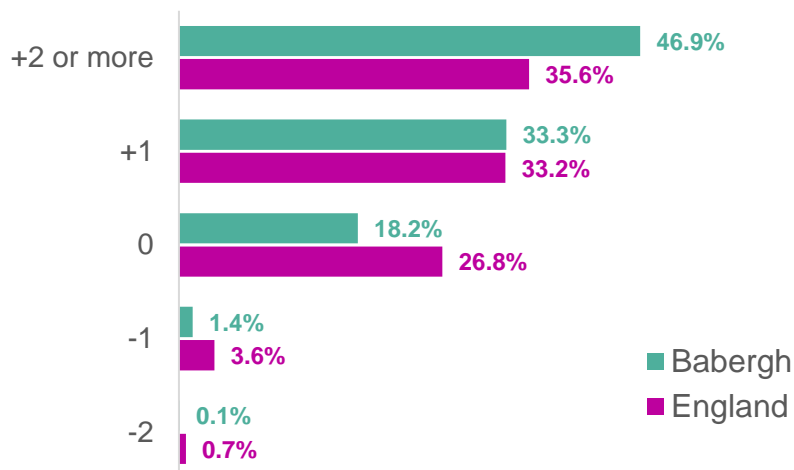


Figure 6: Occupancy rating for bedrooms (Census 2021)



Homelessness

- During the 2021-22 financial year, there were 295 households in Babergh assessed as homeless²⁸, including 105 with dependent children. This was equivalent to 2.2 households per thousand, which was lower than the rates for the East of England (5.1 per 1,000) and England (6.1 per 1,000).

²⁸ Based on those owed a prevention or relief duty following an initial assessments of statutory homelessness duties owed.

Data sources

Theme	Section	Measure	Source	Organisation
People	Population	Population by age	Census 2021	Office for National Statistics
		Population projections	2018-based subnational population projections for England	Office for National Statistics
	Population by ward	Population by ward and age	Census 2021	Office for National Statistics
	Households, deprivation and digital exclusion	Number of households / household composition	Census 2021	Office for National Statistics
		Household projections	2018-based household projections for England	Office for National Statistics
		Deprivation	Index of Multiple Deprivation 2019	Department for Levelling Up, Housing and Communities
		Broadband coverage	Local broadband information	thinkbroadband
Internet usage and confidence	Babergh and Mid Suffolk Residents Survey 2022	Babergh and Mid Suffolk District Councils		
Environment and Biodiversity	Emissions	Territorial greenhouse gas emissions estimates	UK local authority and regional greenhouse gas emissions national statistics (2005-2021)	Department for Energy Security and Net Zero
		Plug-in vehicles	Licensed plug-in vehicles at the end of the quarter by body type, fuel type, keepership and upper and lower tier local authority (Q4 2022)	Department for Transport / Driver and Vehicle Licensing Agency
		Electric vehicle charging points	Electric vehicle charging device statistics (April 2023)	Department for Transport
	Biodiversity	Wildlife sites and biodiversity designations	Compiled from Suffolk Biodiversity Information Service data, Ramsar Sites Information Service data and internal GIS data (June 2023)	Suffolk Biodiversity Information Service, Ramsar Sites Information Service, Babergh and Mid Suffolk District Councils
		Tree canopy cover (district)	Treeconomics tree canopy cover assessment of Babergh and Mid Suffolk (2021)	Treeconomics / Babergh and Mid Suffolk District Councils
		Tree canopy cover (national)	UK ward canopy cover, March 2023 dataset (data collected 2018-22)	Forestry Commission
		Amenity grass managed as wildflower meadow	Internal data	Babergh and Mid Suffolk District Councils

Theme	Section	Measure	Source	Organisation	
Economy	Economic activity	Economic activity	Annual Population Survey (2022)	Office for National Statistics (data sourced via NOMIS)	
	Out-of-work benefits	Out-of-work benefits claimants	Claimant count	Office for National Statistics (data sourced via NOMIS)	
	Employment sectors, pay and productivity	Jobs density	Jobs density (2021)		Office for National Statistics (data sourced via NOMIS)
		Employee jobs by full/part-time	ONS Business Register and Employment Survey (2021)		Office for National Statistics (data sourced via NOMIS)
		Employee jobs by sector	ONS Business Register and Employment Survey (2021)		Office for National Statistics
		Employee jobs by industry	ONS Business Register and Employment Survey (2021)		Office for National Statistics (data sourced via NOMIS)
		Labour productivity	Subregional productivity: labour productivity indices by local authority district (2004-2021)		Office for National Statistics
		Median earnings (workplace-based)	Annual Survey of Hours and Earnings (2022)		Office for National Statistics (data sourced via NOMIS)
		Qualifications	Highest level of qualification (16 to 64-year-olds)	Census 2021	Office for National Statistics
	Occupation types	Occupational classification of residents in employment	Census 2021	Office for National Statistics	
Health and Wellbeing	Life expectancy	Life expectancy	Life expectancy data by sex, age and area (2018-2020)	Office for National Statistics	
		Life expectancy inequality	Slope index of inequality (2018-2020)	Office for Health Improvements and Disparities (data sourced via OHID Fingertips public health data)	
		Deaths from cardiovascular diseases, respiratory diseases, or cancers	Under 75 mortality rates from cardiovascular diseases / respiratory diseases / cancer (2021)	Office for Health Improvement and Disparities (based on Office for National Statistics source data)	

Theme	Section	Measure	Source	Organisation
		Infant mortality rates	Infant deaths under 1 year of age per 1,000 live births (2019-2021)	Office for National Statistics (data sourced via OHID Fingertips public health data)
	Health and risk behaviours	Self-reported health	Census 2021	Office for National Statistics
		Proportion of adults that smoke	Annual Population Survey (2021)	Office for National Statistics (data sourced via OHID Fingertips public health data)
		Proportion of adults meet the recommended '5-a-day' fruit and vegetable target	Active Lives Survey 2021/22	Sport England (data sourced via OHID Fingertips public health data)
		Proportion of adults classified as overweight or obese	Active Lives Survey 2021/22	Sport England (data sourced via OHID Fingertips public health data)
		Prevalence of overweight (including obesity) children in Year 6	National Child Measurement Programme (NCMP) 2021/2022	NHS Digital (data sourced via OHID Fingertips public health data)
		Levels of physical activity among adults	Active Lives Survey 2021/22	Sport England
	Mental health and wellbeing	Self-reported personal wellbeing (district results)	Babergh and Mid Suffolk Residents Survey 2022	Babergh and Mid Suffolk District Councils
		Self-reported personal wellbeing (national results)	Community Life Survey 2021/22	Department for Culture, Media and Sport
		Emergency hospital admissions for intentional self-harm	Emergency hospital admissions for intentional self-harm (age standardised rate, all ages) (2021/22)	Office for Health Improvements and Disparities from data from NHS Digital Hospital Episode Statistics
		Suicide rate	Age-standardised mortality rate from suicide and injury of undetermined intent (2019-2021)	Office for National Statistics (data sourced via OHID Fingertips public health data)

Theme	Section	Measure	Source	Organisation
Community	Local area and community	Local area satisfaction and pride, community strength and belonging (district results)	Babergh and Mid Suffolk Residents Survey 2022	Babergh and Mid Suffolk District Councils
		Local area satisfaction and pride, community strength and belonging (national results)	Community Life Survey 2021/22	Department for Culture, Media and Sport
	Access to services	Access to services – resident perceptions	Babergh and Mid Suffolk Residents Survey 2022	Babergh and Mid Suffolk District Councils
	Cost of living and poverty	Fuel poverty	Sub-regional fuel poverty 2023 (2021 data)	Department for Energy Security and Net Zero
		Home heating – use of oil	Census 2021	Office for National Statistics
		Heating oil average price	RPI: Ave price - Heating oil, per 1000 litres (Source dataset: Consumer price inflation time series dataset)	Office for National Statistics
		Children living in poverty after housing costs	Local child poverty indicators – estimates of rates, after housing costs (2021/22)	Centre for Research in Social Policy at Loughborough University (produced for the End Child Poverty Coalition)
		Universal Credit claims	People aged 16-65 on Universal Credit (June 2023)	Department for Work and Pensions (data sourced via Suffolk Observatory)
		Number of people helped with debt enquiries by the Citizens Advice service	Suffolk cost of living dashboard	Citizens Advice (CA) Mid Suffolk / Suffolk County Council Public Health & Communities team
	Community safety and crime	Overall crime rate	Number / rate of crimes 12 month rolling count (May 2022 – April 2023)	data.police.uk (data sourced via Suffolk Observatory)
		Perceptions of safety during the day/after dark	Babergh and Mid Suffolk Residents Survey 2022	Babergh and Mid Suffolk District Councils

Theme	Section	Measure	Source	Organisation
Housing	Heating	Home heating	Census 2021	Office for National Statistics
	Housing costs	Median property prices	House price statistics for small areas (HPSSAs) (year ending Dec 1995 to year ending Dec 2022)	Office for National Statistics
		Housing affordability ratio (workplace-based earnings)	House price to workplace-based earnings ratio (year ending September 2002 to year ending September 2022)	Office for National Statistics
		Housing affordability ratio (residence-based earnings)	House price to residence-based earnings ratio (year ending September 2002 to year ending September 2022)	Office for National Statistics
		Median private rental costs	Private rental market statistics (1 April 2022 to 31 March 2023)	Office for National Statistics
	Tenure	Household tenure	Census 2021	Office for National Statistics
	Number of bedrooms and occupancy	Number of bedrooms	Census 2021	Office for National Statistics
		Occupancy rating for bedrooms	Census 2021	Office for National Statistics
	Homelessness	Number of households assessed as homeless	Statutory homelessness: detailed local authority-level tables (April 2021 - March 2022)	Department for Levelling Up, Housing and Communities

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Agenda Item 14

BABERGH DISTRICT COUNCIL

To: BDC Council	Report Number: BC/23/17
From: Independent Remuneration Panel	Date of meeting: 19 September 2023
Officer: Janice Robinson Corporate Manager – Democratic Services	

RECOMMENDATION FROM THE INDEPENDENT REMUNERATION PANEL

1. PURPOSE OF REPORT

- 1.1 The new role of 'Political Deputy Leader' was formed as part of the creation of the coalition administration, following the district elections in May 2023. Council is asked to consider the recommendations in this report and decide whether the role should attract a special responsibility allowance.

2. RECOMMENDATIONS

- 2.1 That Council adopts a Special Responsibility Allowance for the role of Political Deputy Leader.

- a) That the Special Responsibility Allowance (SRA) be set at:-

Deputy Political Leader	Multiplier	SRA
2	1.25	£ 8,137

- 2.2 That the Special Responsibility Allowance for the Political Deputy Leader take effect from 9th May 2023.
- 2.3 That the Monitoring Officer be authorised to make any necessary amendments to the Members Allowance scheme following approval of the recommendations.

3. KEY INFORMATION

- 3.1 Council appointed a pool of five people to form an Independent Remuneration Panel ('IRP') at the Council meeting on 21st March 2021 under the Local Authorities (Members Allowances) (England) Regulations 2003.
- 3.2 The IRP carried out an extensive review of councillor allowances in 2022 and the changes were implemented in May 2023.
- 3.3 Following the election in May 2023, a new coalition administration was formed to run the Council for the next 4 years.

- 3.4 To reflect the political proportions of each group within the coalition administration a power sharing arrangement has been agreed. The arrangement is based upon the rotation of the Leader and two Political Deputy Leader roles, with continuous collective leadership. A role description for the Political Deputy Leader is attached at Appendix A.
- 3.5 The IRP were consulted on the new role and asked the Corporate Manager for Governance & Civic Office to undertake further research with similar councils that have more than one deputy leader and ascertain whether those roles were remunerated.
- 3.6 The Corporate Manager for Governance & Civic office has consulted with the Local Government Association and the councils listed in section 7 where they have two or more non-statutory deputy leaders. All Councils that were consulted pay a remuneration to both of their deputy leaders in recognition of the additional responsibilities that they undertake.
- 3.7 The current Special Responsibility Allowance for the statutory role of Deputy Leader is a multiplier of 1.25 of basic allowance = £8137. The IRP have been consulted on the proposal to introduce a Special Responsibility Allowance for the Political Deputy Leader. They recommend that a multiplier of 1.25 is adopted for the Political Deputy Leader as they consider this would reflect the importance of the role and the need for continuous leadership whilst recognising that the role is not the statutory Deputy Leader role.

4. Financial Implications

Type of Allowance	Current Costs 2023/2024 £	Projected Costs 2023/24 based on recommendations £
Special Responsibility Allowance	118,230	126,367

(Projected costs are based on current placings and 2 SRA's)

- 4.1 There is provision in the budget for the proposed amendment to the Scheme of Allowances based on Council accepting the recommendations in the report.

5. Legal Implications

- 5.1 Under the Local Authorities (Members' Allowances) (England) Regulations 2003 ("the Regulations"), the Council is required to establish and maintain an Independent Remuneration Panel to make recommendations to it about the allowances to be paid to Members. It is important that the Council appoints an Independent Remuneration Panel and has regard to the views of the Panel before any decisions are made in respect of changes to the scheme of allowances for Members. The IRP has been fully consulted on the proposals.

6. Risk Management

- 6.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No.5C *Failure to develop clear governance arrangements that enable the right decisions to be taken that are appropriate for the environment that we are operating in.* Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Inability to attract candidates to become district Councillors	Unlikely (2)	Noticeable (2)	The IRP have been asked to consider a SRA to reflect the additional work that the postholder will be required to do. This will encourage a wider demographic of councillors to be able to take on additional responsibilities.
Reputational risk to the council of adopting a Scheme of Allowances which is disproportionate or without having regard to the IRP	Unlikely (2)	Noticeable (2)	The IRP have been fully consulted.
Not having a lawful scheme of allowances	Unlikely (2)	Noticeable (2)	The Council reviews its allowance scheme at least every 4 years in line with statutory requirements.

7. Consultations

- 7.1 The Corporate Manager for Governance and Civic office has consulted with the LGA and the following councils where they have two or more non-statutory deputy leaders.

Cumberland

<https://cumberland.moderngov.co.uk/mgMemberIndex.aspx?bcr=1>

Statutory Deputy Leader

Non Statutory Deputy Leader

Thameside

<https://thameside.moderngov.co.uk/mgMemberIndex.aspx?bcr=1>

First Deputy

Deputy Executive Leader

Oldham

https://www.oldham.gov.uk/info/200142/councillors_and_leadership/1917/cabinet_and_chairs

Statutory Deputy Leader
Non- Statutory Leader

The IRP have been consulted on the proposals to introduce a Special Responsibility Allowance for the Political Deputy Leader and recommend the SRA in recommendation 2.1 of the report.

8. Equality Analysis

8.1 There are no equality implications arising from this report.

9. Links to the Corporate Plan

9.1 By providing an appropriate remuneration, the decision will support the delivery of the Council's strategic priorities by helping to ensure that our communities are democratically represented and that we have sufficient councillors to fill our decision-making structures.

10. Environmental Implications

10.1 There are no environmental implications arising from this report.

11. APPENDICES

Title	Location
(A) Role description Political Deputy Leader	Attached

12. BACKGROUND DOCUMENTS

12.1 Existing Babergh District Council Scheme of Member Allowances.

[BDC Members Allowance Scheme](#)

12.2 Report and Minutes to Council 21 March 2021 Appointment of an Independent Remuneration Panel.

[Report of Appointment of IRP](#)

[Minutes IRP](#)

12.3 Report and minutes to Council 25th October 2022 Report of the IRP

[IRP report to Council](#)

<https://baberghmidsuffolk.moderngov.co.uk/ieListDocuments.aspx?CId=153&MID=3419#A18419>



Role Profile – Political Deputy Leader of the Council

Main purpose(s) of the role:

1. To sustain the coalition between the political groups and collectively pay a leadership role on behalf of their respective groups.
2. Working with the Leader and other Political Deputy Leader collectively to provide joint and continuous leadership for the Council for the next four years.

Key relationships:

1. The Leader of the Council.
2. Political Deputy Leader
3. Cabinet Members.
4. Other Councillors in their political group.
5. Other Councillors.
6. The Chief Executive.
7. The Council's Extended Leadership Team.
8. Members of Parliament for their area and those with responsibility for issues in which the Council has a specific interest.
9. The public and outside organisations.
10. Local media.

Key activities and responsibilities

1. To provide collective leadership of the Council in the formal processes and matters of leadership of the authority.
2. To work collectively with the Leader on the budget and policy development.
3. To ensure that they have undertaken the appropriate training to be able to carry out the role of Leader when necessary.
4. To hold a seat on the Cabinet, in a role determined by the Leader.

Key skills and knowledge:

Skills:

1. Advanced leadership skills
 - a. The ability to provide political leadership for their group.
 - b. Advanced ambassadorial skills – the ability to represent the Council within the authority, as well as outside of it at a sub-regional, regional and national level.
 - c. The ability to lead the Council towards continuous improvement.
2. Political understanding
 - a. The ability to develop a vision for the Council and to drive the Council and its partners towards achieving that vision.
 - b. The ability to discipline Members of their political group where necessary.

3. Regulating and monitoring
 - a. Advanced chairing skills.
 - b. The ability to plan and prioritise the business of Council, Cabinet and Committees with regard to their terms of reference and the key challenges facing the Council.
4. Communication skills
 - a. The ability to facilitate effective communication within and across the Council and to ensure that the community can engage in the Council's decision-making processes.
 - b. An advanced ability to work with the media and to identify when additional support from public relations specialists is required, to ensure that the Council is represented in a positive light.
 - c. Advanced listening and questioning skills.
 - d. Advanced presentation skills.
 - e. Advanced public speaking skills.
5. Partnership working
 - a. The ability to use tact and diplomacy to work across the full range of Council services, partners and political groups, to the benefit of the community.
 - b. The ability to build effective relationships with other parts of the political management and decision-making structure, e.g. full Council, the Overview and Scrutiny Committees, and other political groups.
 - c. The ability to address difficult issues across all political groups in a politically sensitive manner.

Knowledge:

- A detailed understanding of the strategic role of the Leader of the Council.
- A detailed understanding of the legally defined role of the Chief Executive and other senior officers.
- Detailed knowledge of the work of national, regional and sub-regional bodies and the role of the Leader and the Council within them.
- A detailed understanding of the national policy framework and its impact of local policy development.
- Detailed knowledge of the role of local partners and the services they deliver.
- A detailed understanding of the Council's Constitution, Code of Conduct, budget and audit processes and key internal policies.
- An understanding of the relationship between national politics and local political leadership.
- An understanding of the wider, national issues facing Councillors and the practical implications for the Council's own Councillors.
- An understanding of project management principles.

Estimated average weekly time spent on the role: