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TO: THE CHAIRMAN AND MEMBERS OF
BABERGH DISTRICT COUNCIL

PLEASE NOTE TIME OF MEETING

Dear Sir/Madam

A Meeting of the Babergh District Council will be held in the Council Chamber, Council Offices, Corks Lane, Hadleigh on **Tuesday, 21 February 2017 at 5.30 pm**

For those wishing to attend, prayers will be said at 5:25 p.m. prior to the commencement of the Council meeting.

Yours faithfully

Arthur Charvonia
Chief Executive

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.

Any member of the public who attends a meeting and objects to being filmed should advise the Committee Clerk.

A G E N D A

PART 1

ITEM	BUSINESS	Page(s)
1	APOLOGIES FOR ABSENCE To receive apologies for absence.	
2	DECLARATION OF INTERESTS Members to declare any interests as appropriate in respect of items to be considered at this meeting.	
3	CONFIRMATION OF MINUTES To confirm and sign the Minutes of the meeting held on 20 December 2016 as a correct record (copy attached).	1 - 6
4	PAPER S108 - CHAIRMAN'S ANNOUNCEMENTS In addition to any announcements made at the meeting, please see Paper S108 attached, detailing events attended by the Chairman and Vice-Chairman.	7 - 8
5	LEADER’S ANNOUNCEMENTS	
6	TO RECEIVE NOTIFICATION OF PETITIONS IN ACCORDANCE WITH COUNCIL PROCEDURE RULES In accordance with Council Procedure Rule No. 10, the Chief Executive will report the receipt of any petitions. There can be no debate or comment upon these matters at the Council meeting.	
7	QUESTIONS BY THE PUBLIC IN ACCORDANCE WITH COUNCIL PROCEDURE RULES The Chairmen of Committees 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. 11.	

ITEM	BUSINESS	
		Page(s)

8 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. 12.

9 JOINT SCRUTINY COMMITTEE REPORT

The Chairman to provide an update following the meeting of the Joint Scrutiny Committee on 15 February 2017.

10 RECOMMENDATIONS FROM COMMITTEES 9 - 50

Joint Treasury Management Strategy 2017/18 (Paper JAC93 - Joint Audit and Standards Committee - 23 January 2017 and Strategy Committee - 9 February 2017)

Assets and Investment Portfolio – Jennie Jenkins

At its meeting on 9 February 2017, the Strategy Committee considered Paper JAC93 and accepted the recommendations of the Joint Audit and Standards Committee as set out in the report.

RECOMMENDED TO COUNCIL

(1) That the key factors and information relating to and affecting treasury management activities set out in Appendix A and B be noted.

(2) That the following be approved:

(a) The Treasury Management Policy Statement set out in Appendix C

(b) The Treasury Management Strategy for 2017/18, including the Annual Investment Strategy as set out in Appendix D

(c) The Prudential Indicators and Minimum Revenue Provision Statement set out in Appendix G and H.

ITEM	BUSINESS	
		Page(s)
11	PAPER S109 - JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2017/18 BUDGET Assets and Investment Portfolio – Jennie Jenkins Report by the Assistant Director – Corporate Resources attached. In accordance with Council Procedure Rule 18.3, immediately after any vote is taken at a budget decision meeting of the Council the names of Councillors who cast a vote for the decision or against the decision or who abstained from voting shall be recorded in the Minutes of that meeting. At its meeting on 9 February 2017, Strategy Committee considered Paper S104, together with amendments to the HRA Budget in paragraphs 19.1, 20.2 and Appendix D. Paper S109 now includes all the relevant updated information, together with the necessary recommendations, with the exception of two Parish precept notifications which remain outstanding and the final Local Government Finance Settlement. Further details will be reported at the meeting.	51 - 136
12	PAPER S110 - FURTHER ELECTORAL REVIEW - COUNCIL SIZE SUBMISSION Leader of the Council – Jennie Jenkins Report by the Chief Executive attached.	137 - 158
13	PAPER S111 - ASSETS AND INVESTMENT STRATEGY - PHASE TWO - APPOINTMENT OF DIRECTORS TO THE HOLDING COMPANIES AND CAPITAL INVESTMENT FUND SUBSIDIARY COMPANY Assets and Investment Portfolio – Jennie Jenkins Report by the Assistant Director – Investment and Commercial Delivery attached.	159 - 166
14	PAPER S112 - DESIGNATION OF THE MONITORING OFFICER Leader of the Council – Jennie Jenkins Report by the Chief Executive attached.	167 - 168

ITEM	BUSINESS	
		Page(s)
15	PAPER S113 - APPOINTMENT OF COUNCILLORS TO COMMITTEES AND JOINT COMMITTEES Leader of the Council – Jennie Jenkins Report by the Corporate Manager – Democratic Services attached.	169 - 170

Note: The date of the next meeting is Tuesday 21 March 2017 at 5.30 p.m.

For further information on any of the Part 1 items listed below, please contact Committee Services on 01473 826610 or via e-mail at Committees@baberghmidsuffolk.gov.uk.

MINUTES OF THE MEETING OF THE BABERGH DISTRICT COUNCIL HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES, CORKS LANE, HADLEIGH ON TUESDAY, 20 DECEMBER 2016

PRESENT: Peter Burgoyne – Chairman

Clive Arthey	Bryn Hurren
Sue Ayres	Jennie Jenkins
Melanie Barrett	Margaret Maybury
Simon Barrett	Alastair McCraw
Tony Bavington	Mark Newman
Peter Beer	Adrian Osborne
Sue Burgoyne	Jan Osborne
Tom Burrows	Lee Parker
Sue Carpendale	Peter Patrick
Michael Creffield	Stephen Plumb
Derek Davis	Nick Ridley
Siân Dawson	David Rose
Alan Ferguson	Ray Smith
John Hinton	Harriet Steer
David Holland	Fenella Swan
Michael Holt	John Ward

The following Members were unable to be present:

Dave Busby, Tina Campbell, Barry Gasper, Kathryn Grandon, Richard Kemp, Frank Lawrenson, James Long, John Nunn, William Shropshire and Stephen Williams.

80 DECLARATION OF INTERESTS

None declared.

81 MINUTES

RESOLVED

That the Minutes of the Meeting held on 22 November 2016 be confirmed and signed as a correct record subject to the addition of the words shown in italics below to Minute No 67 – Declaration of Interests:-

Councillor Frank Lawrenson subsequently referred to being an hotelier in connection with the Assets and Investment Strategy (Minute No 79). He was advised that he did not have a declarable interest at this stage in relation to the overarching Strategy, but during the period for questions prior to commencement of the debate on this item, he left the Council Chamber to avoid any possible conflict of interest which might arise *in the future*.

82 CHAIRMAN'S ANNOUNCEMENTS

The Chairman referred to Paper S93 outlining recent events attended by the Chairman and Vice-Chairman. He also referred to his disappointment in relation to the cancellation of the Carol Service.

83 LEADER'S ANNOUNCEMENTS

Jennie Jenkins, Leader, provided Members with an update on the "All Together" Project. The key points are summarised below.

A number of staff from both Babergh and Mid Suffolk had visited Endeavour House for a tour of the building and facilities. An Employee Forum was also held where staff, including our 'Change Champions' had the opportunity to ask questions. As part of that work we are finalising the requirements and numbers of staff to be based at Endeavour House, other locations, Customer Access Points and across the outreach network.

Plans for scanning and indexing archive and historical documentation are underway and plans for storing and retrieving legal documents are in place. We have also drawn up plans for switching to new telephony technology for the contact centre, to be implemented before the existing software gets to the end of its life.

A milestone plan for the programme is being worked on.

84 PUBLIC PARTICIPATION SESSION

There were no questions or statements from the public.

85 QUESTIONS FROM THE PUBLIC

None received.

86 QUESTIONS FROM MEMBERS

In accordance with Council Procedure Rule No 12, Councillor John Hinton asked the following question:-

"In view of the figures that show, an overall increase in Staff costs allocated to Babergh District Council, despite the objective of reducing staff costs through Council workforce amalgamation, can the Leader of the Council tell me what is the current cost during the last quarter of the 2016 calendar year with regard to Legal expenses both, in house and external, (eg. new collaborative grouping with other local authorities, and private firms) attributed to Babergh DC activities, as I presume that pool costs are allocated within the new West Suffolk legal collaboration, dependent upon use?"

Councillor Peter Patrick, as the Portfolio Holder – Enabled and Efficient Organisation replied to Councillor Hinton's question as follows:-

"The Council's current external legal cost during the last quarter of the 2016 calendar year i.e. covering the period from 1 October to 14 December 2016 is £84,000 and the internal legal costs which cover October and November only, as the payroll for December will not be completed until January, are £39,000."

As provided for by Council Procedure Rules, Councillor Hinton then asked the following supplementary question:-

"What is the equivalent total annual figures for legal costs per council financial year during the period of the staff amalgamation namely 2011/12 to date and the anticipated outstanding amounts bearing in mind the costs associated with the current judicial reviews and how much does it cost for full legal representation at Planning meetings bearing in mind that it is advisory?"

Councillor Patrick stated that a formal response would follow outside of the meeting.

Note:- The following reply was subsequently been sent to Councillor Hinton:-

The table below details both the internal and external legal costs for Babergh for the five years from 2011/12 to 2015/16.

	2011-12	2012-13	2013-14	2014-15	2015-16
Internal Costs	219,139	236,640	297,202	238,661	335,115
External Costs	21,494	48,881	33,971	124,408	140,838
Grand Total	**240,634**	**285,521**	**331,172**	**363,069**	**475,953**

The higher external costs in 2014/15 and 2015/16 reflect the work that was required to complete Section 106 agreements for pre-existing planning applications prior to the introduction of the Community Infrastructure Levy (CIL) from April 2016 as well as defending planning appeals and prosecuting a housing benefit fraud. In terms of the internal costs, work was being done in 2015/16 to look at how we delivered the legal function across Suffolk before the final shared legal service was established with West Suffolk from November 2016 and also the team was strengthened to deal with the caseload. The new shared service will provide resilience in terms of legal advice and also reduce external legal costs, as there will be a wider range of expertise in house. There will, however, always be some situations where external legal advice is required.

In terms of the current judicial reviews, the costs are as follows:

(a) HMS Ganges, Shotley – Babergh's costs were £34,900, but the Council was awarded costs of £10,000 in the High Court, so the net cost to the Council was £24,900
(b) Gatton House, East Bergholt – The Council's costs were £47,800 and the Council was ordered to pay £26,250 to the Parish Council, so the total cost to the Council was £74,050
(c) Artiss Close, Bildeston – The costs that were lodged with the court in October 2016 were £48,000, but this case is still ongoing.

It should be noted that the judicial reviews are being handled under the Aarhus Convention which means that the maximum the Council can recover is £10,000 and the maximum it can be ordered to pay is £35,000.

The Shared Legal Service does not monitor the time that legal representation is in attendance at Planning Committees, so it is not possible to answer this part of the question. However, it should be noted that legal advice/representation at any quasi-judicial committees like Planning Committee is not optional but is, in fact, mandatory.

87 PETITIONS

None received.

88 DEVOLUTION OF DEVELOPMENT CONTROL POWERS ON A CROSS BOUNDARY PLANNING APPLICATION "THE APPLICATION" IN RESPECT OF LAND AT STAFFORD PARK, LISTON

Simon Barrett, Portfolio Holder – Business Growth and Increased Productivity introduced Paper S94, seeking Council's approval to devolve to Braintree District Council the discharge of certain planning control functions in respect of a specific cross-boundary application.

Ben Elvin, Senior Development Management Officer – Key Growth Projects responded to Councillors' questions about various aspects including access and highway-related matters, remediation (to be the subject of a separate application) and planning fees. He also confirmed that Babergh's Planning Committee would be a consultee and that any Section 106 agreement negotiated by Braintree would be subject to approval through Babergh's normal processes for such agreements.

RESOLVED

That the discharge of Babergh District Council's planning control functions under section 70(1) (Part III) of the Town and Country Planning Act 1990 to determine a cross boundary planning application in relation to land at Stafford Park, Clare Road, Long Melford in respect of the land within the Babergh District Council administrative area and its functions under section 106 of the same Act to negotiate the terms of any necessary planning obligation subject to this Council's final approval being devolved to Braintree District Council.

89 CHANGE OF GOVERNANCE: ADOPTING THE CABINET - LEADER MODEL

Members were aware that the Appendix to Paper S95 (circulated with the agenda) was a draft version of the Equality Impact Assessment – EIA. A revised version of the EIA was circulated to Members prior to the commencement of the meeting.

Jennie Jenkins, Leader of the Council, introduced Paper S95 recommending the adoption of a 'leader-cabinet' form of governance which had emerged as part of the on-going strengthening governance review, to support the delivery of a number of the Councils' Joint Strategic objectives as well as providing other benefits as set out in the Rationale for change in paragraphs 4.9 to 4.12 of the report.

During the course of the ensuing debate, various matters were raised, of which the following could be the subject of further consideration by the Strengthening Governance Task and Finish Group if Council agreed the first steps towards changing its current arrangements:-

- The make-up of the Cabinet
- Whether the Chair of the Scrutiny Committee should be from the opposition
- The role of the full Council under a leader-cabinet model.

Members were aware of the need for a strong scrutiny role to be in place under the proposed arrangements

A demand for a recorded vote was received, in accordance with Council Procedure Rule 18.5.

The result of the recorded vote was as follows:-

For the Motion	Against the Motion	Abstentions
Sue Ayres	Clive Arthey	None
Melanie Barrett	Tony Bavington	
Simon Barrett	Sue Carpendale	
Peter Beer	Derek Davis	
Peter Burgoyne	John Hinton	
Sue Burgoyne	Bryn Hurren	
Tom Burrows	Alastair McCraw	
Michael Creffield	Stephen Plumb	
Siân Dawson	David Rose	
Alan Ferguson		
David Holland		
Michael Holt		
Jennie Jenkins		
Margaret Maybury		
Mark Newman		
Adrian Osborne		
Jan Osborne		
Lee Parker		
Peter Patrick		
Nick Ridley		
Ray Smith		
Harriet Steer		
Fenella Swan		
John Ward		

Twenty four Members voted in favour of the revised recommendations as set out in Paper S80R. There were nine votes against, with no abstentions.

RESOLVED

(1) That the 'leader-cabinet' form of governance be adopted, effective from the May 2017 Annual meeting of the Council, in accordance with the provisions of the Localism Act 2011.

(2) That the suggested implementation and approach as set out in Paragraph 11 of Paper S95, the subsequent wider cultural change and new ways of working, in advance of the May 2017 Annual Council meetings be approved.

90 DRAFT TIMETABLE OF MEETINGS

Peter Patrick, Portfolio Holder – Enabled and Efficient Organisation, introduced Paper S96 and referred to the decision in Minute No 89 above, and the "All Together" project which meant that some changes would be needed to the Draft Timetable once meeting locations were confirmed, and the new governance arrangements implemented. Members were therefore asked at this stage to note, rather than approve, Paper S96.

RESOLVED

That the Draft Timetable of Meetings 2017-18 set out in Paper S96 be noted.

91 APPOINTMENTS

Jennie Jenkins, Leader, introduced proposed appointments to the roles of Vice Chairman of the Joint Audit and Standards Committee and Member with Special Responsibility for Enabled and Efficient Organisation

RESOLVED

(1) That Frank Lawrenson be elected Vice Chairman of the Joint Audit and Standards Committee (replacing John Ward).

(2) That Sue Ayres be appointed as Member with Special Responsibility for Enabled and Efficient Organisation (replacing Lee Parker).

The business of the meeting was concluded at 6.40 p.m.

…………………………………………
Chairman

				S108
BABERGH DISTRICT COUNCIL CHAIRMAN'S ANNOUNCEMENTS				
COUNCIL - 21 FEBRUARY 2017				
EVENT	**LOCATION**	**DATE**	**CHAIRMAN**	**VICE CHAIR**
JANUARY 2017				
Tendring District Council Chairman's Civic Service	Clacton-on-Sea	29-Jan	✓	
Suffolk County Council Chairman's Charity Concert	Ipswich	31-Jan	✓	

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BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From:	**Head of Corporate Resources**	**Report Number:**	**JAC93**
To:	**Joint Audit and Standards Committee**	**Date of meeting:**	**23 January 2017**

JOINT TREASURY MANAGEMENT STRATEGY 2017/18

1. Purpose of Report

1.1 This report presents the proposed Treasury Management Strategy Statement (which includes the Annual Investment Strategy for managing surplus funds and borrowing strategy). These are in accordance with the CIPFA Treasury Management Code. The Prudential Indicators and Minimum Revenue Provision (MRP) Statement are linked to the Budget report that will be presented to Executive/Strategy Committee and Council meetings in February 2017.

1.2 The Code of Practice recommends that the strategy is subject to scrutiny before it is presented to Council, which falls within the remit of the Joint Audit and Standards Committee.

2. Recommendations

2.1 That the key factors and information relating to and affecting treasury management activities set out in Appendix A and B be noted.

2.2 That the following be approved:

(a) The Treasury Management Policy Statement set out in Appendix C

(b) The Treasury Management Strategy for 2017/18, including the Annual Investment Strategy as set out in Appendix D

(c) The Prudential Indicators and Minimum Revenue Provision Statement set out in Appendix G and H.

The Committee is asked to make recommendations to Executive and Strategy Committees and both Full Council on the above matters.

3. Financial Implications

3.1 As outlined in this report.

4. Legal Implications

4.1 Section 15 of the Local Government Act 2003 obliges the Councils to approve a Treasury Management Strategy.

5. Risk Management

5.1 This report is not directly linked with any of the Councils Significant Risks, but it should be noted that changes in funding requirements, interest rates, and other external factors can impact on the medium term financial strategy and future budgets (Risk 5f – failure of the Councils to become financially sustainable in response to funding changes). Key risks around treasury management, however, are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Loss of investment and/or liquidity problems	Unlikely (2)	Bad (3)	Strict lending criteria for highly credit rated institutions.
Poor return on investments	Probable (3)	Noticeable (2)	Focus is on security and liquidity. Careful cash flow management and budget monitoring in accordance with the strategy, is undertaken.
Higher than expected borrowing costs – interest rate increases and/or lower capital receipts than forecast	Probable (3)	Noticeable (2)	Benchmark is to borrow from the Public Works Loan Board (PWLB) whose rates are very low and can be on a fixed or variable basis or from other local authorities. Continue to use internal surplus funds temporarily. Capital receipts monitored.

6. Consultations

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

7. Equality Analysis

7.1 There are no equality and diversity implications, as the contents and recommendations of this report do not impact on those with protected characteristics.

8. Shared Service / Partnership Implications

8.1 This is a joint report for both Councils on the proposed Treasury Management Strategy for 2017/18, although its application will differ due to the different financial position of each Council.

9. Links to Joint Strategic Plan

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

10. Key Information

10.1 The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require local authorities to determine their Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis before the start of each financial year. The TMSS also includes the Annual Investment Strategy (AIS).

10.2 The CIPFA Treasury Management and Prudential Codes have been adopted by both Councils. There is also a Treasury Management Policy Statement, which underpins the TMSS.

10.3 Babergh and Mid Suffolk invest surplus funds and both Councils borrow to fund capital investment and manage cash flows. Both Councils are therefore exposed to financial risks including the loss of invested funds and the revenue effect of interest rate changes.

10.4 The identification, monitoring and control of risk are central to the treasury management strategy.

10.5 In addition, treasury activities need to comply with relevant statutes, guidance and accounting standards.

Borrowing and Investments

10.6 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with usable reserves, is one of the core drivers of both Councils Treasury Management activities.

10.7 Councils are able to borrow funds up to their CFR to finance capital expenditure. The Councils will not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed. These needs are determined by the CFR. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Councils can ensure the security of such funds.

10.8 The forecast movement in the CFR in coming years is one of the Prudential Indicators. The movement in actual external debt and usable reserves combine to identify the Council's borrowing requirement and potential investment strategy in the current and future years.

10.9 As indicated in the tables in Appendix D, section 1.4, Babergh has a maximum borrowing requirement of around £35.9m for 2017/18 rising to £54.4m by 2019/20 to fund the indicative capital programme. Mid Suffolk has a maximum borrowing requirement of around £53.2m for 2017/18 rising to £71.4m by 2019/20 to fund the indicative capital programme

10.10 The current level of debt and investments for Babergh and Mid Suffolk is set out in Appendix A.

The 2017/18 Strategy

10.11 The Prudential Indicators (to be presented with the Budget and Capital programme to Executive/Strategy Committee in February 2017) illustrate the affordability and impact of capital expenditure decisions and set out both Councils overall capital and treasury framework.

10.12 Effective management and decisions on funding ensure both Councils comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget. More importantly, using our borrowing powers to undertake investment in strategic plan priority outcomes and generate a rate of return to produce additional income is a key part of our MTFS in order to deal with the potential funding gaps that both councils may face over the next 4 years.

10.13 Key documents relating to treasury management operations in terms of the annual investment and borrowing strategy proposed for 2017/18 are set out in the supporting appendices. Factors affecting the strategy are detailed in the Economic Outlook (Appendix B), the Policy Statement (Appendix C) and the Treasury Management Strategy for the year (Appendix D).

10.14 The proposed investment strategy for 2017/18 continues to focus primarily on the effective management and control of risk, giving priority to security and liquidity when investing funds. Investment returns remain an important but secondary consideration.

10.15 The minimum proposed investment criteria for UK counterparties in the 2017/18 Strategy remains at A-. (Note: This would be the lowest credit rating determined by credit rating agencies Moodys, Fitch and Standard & Poors).

10.16 In line with advice received from Arlingclose (the Councils treasury advisors) the maximum investment limit per institution is £2m for unsecured specified investments for Babergh District Council and £1m for Mid Suffolk District Council. This reflects the higher balances for investment held by Babergh compared with Mid Suffolk. The limit for pooled funds is £5m. Investments with the UK Government (including the Government's Debt Management Agency Deposit Facility (DMADF) and Treasury Bills (T-Bills)), have no limit on the amount invested.

10.17 A list of the banks and building societies that both Councils can lend to (based on information on credit risk and credit ratings as at December 2016) is provided in Appendix F. This will be continuously monitored as the position changes throughout the year as credit ratings are reviewed and additional market information is evaluated.

10.18 The Councils will continue to:

- Make use of call accounts, if necessary
- Use the strongest/lowest risk non-credit rated building societies
- Use covered bonds (secured against assets) for longer term investments
- Consider longer term investments in property or other funds.

10.19 The period for which a 'specified' investment is made will continue to be a key aspect of the investment strategy. The criterion for this is set out in Appendix D. The maximum period of any investment will be on the advice of Arlingclose. Investments in excess of 364 days are classified as 'non-specified' investments and will only be undertaken with the prior approval of the S151 Officer.

10.20 In terms of borrowing, consideration will be given to all forms of borrowing/financing in relation to any future capital investment plans. This is most likely to be via the Public Works Loan Board (PWLB) but consideration will also be given to borrowing from other sources such as other local authorities, commercial banks, the European Investment Bank (EIB), money markets, capital markets (stock issues, commercial paper and bills) and leasing.

10.21 In conjunction with advice from Arlingclose, both Councils will keep these sources of finance under review.

10.22 After using surplus internal funds temporarily, the PWLB remains the most likely source of new external long term borrowing whilst short or longer term borrowing would be from money market institutions and other local authorities. The Councils will receive the "certainty rate" discount of 0.2% on PWLB loans.

10.23 Officers will take advice on the optimum time to undertake additional borrowing and will adopt a flexible approach in consultation with their treasury advisors, after consideration of the following:

- Affordability
- Maturity profile of existing debt
- Interest rate and refinancing risks
- Borrowing source.

As clearly highlighted by the Prudential Indicators, the level and ratio of General Fund borrowing costs will increase over the next few years to finance the potential capital programme. Affordability in terms of future revenue budgets will be reviewed as part of the ongoing budget monitoring process against the Medium Term Financial Strategy.

10.24 The revenue cost of borrowing in 2017/18 and subsequent years in relation to the capital programme will be minimised by borrowing on the most beneficial basis at the most appropriate time of the year, based on advice from our treasury advisors, Arlingclose.

10.25 The General Fund revenue budget for 2017/18 will include provision for interest payments relating to external borrowing and the statutory Minimum Revenue Provision (MRP) to ensure the principal is repaid. Different arrangements apply to the Housing Revenue Account (Council Housing) – there is no MRP.

10.26 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 year.

10.27 In accordance with the Department for Communities and Local Government (CLG) Guidance, the Councils will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, or in the Councils capital programmes or in the level of investment balances.

11. Appendices

Title	Location
A Existing Investment and Debt Portfolio Position	Attached
B Economic Outlook and Interest Rate Forecast	Attached
C Treasury Management Policy Statement	Attached
D Treasury Management Strategy 2017/18	Attached
E Treasury Management Indicators	Attached
F Institutions meeting high credit ratings criteria (as at end of December 2016)	Attached
G Prudential Indicators	Attached
H MRP Statement	Attached
I Glossary of Terms	Attached

12. Background Documents

12.1 CIPFA Treasury Management in the Public Services – 2011

12.2 The Prudential Code for Capital Finance in Local Authorities – 2011

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APPENDIX A

EXISTING INVESTMENT & DEBT PORTFOLIO POSITION

	31/12/2016 Actual Portfolio £m	
	Babergh District Council	**Mid Suffolk District Council**
External Borrowing:		
Fixed Rate – PWLB	87.1	71.5
Fixed Rate – Market	0.00	10.0
Total External Borrowing	**87.1**	**81.5**
Total Gross External Debt (see note below)	**87.1**	**81.5**
Investments: *Managed in-house*		
- Short-term monies (Deposits/monies on call /MMFs)	9.3	4.5
- Short-term investments (including CCLA, Funding Circle & UBS)	7.6	5.6
Total Investments	**16.9**	**10.1**

Note

The £87.1m and £81.5m relate entirely to the HRA - future borrowing is allocated specifically to the HRA or the General Fund based on the respective capital programmes.

APPENDIX B

ECONOMIC OUTLOOK AND INTEREST RATE FORECAST

1 Economic background

1.1 The major external influence on the Councils Treasury Management Strategy for 2017/18 will be the UK's progress in negotiating a smooth exit from the European Union. Financial markets wrong-footed by the referendum outcome, have since been weighed down by uncertainty over whether leaving the European Union also means leaving the single market. Negotiations are expected to start once the UK formally triggers the exit in early 2017 and is expected to last for at least two years. Uncertainty over future economic prospects will therefore remain throughout 2017/18.

1.2 The fall and continuing weakness in sterling and the near doubling in the price of oil in 2016 have combined to drive inflation expectations higher. The Bank of England is forecasting that Consumer Price Inflation will breach its 2% target in 2017, the first time since late 2013, but the Bank is expected to look through inflation overshoots over the course of 2017 when setting interest rates so as to avoid derailing the economy.

1.3 Initial post-referendum economic data showed that the feared collapse in business and consumer confidence had not immediately led to lower GDP growth. However, the prospect of a leaving the single market has dented business confidence and resulted in a delay in new business investment and, unless counteracted by higher public spending or retail sales, will weaken economic growth in 2017/18.

1.4 Looking overseas, with the US economy and its labour market showing steady improvement, the market has priced in a high probability of the Federal Reserve increasing interest rates in December 2016. The Eurozone meanwhile has continued to struggle with very low inflation and lack of momentum in growth, and the European Central Bank has left the door open for further quantitative easing.

1.5 The impact of political risk on financial markets remains significant over the next year. With challenges such as immigration, the rise of populist, anti-establishment parties and negative interest rates resulting in savers being paid nothing for their frugal efforts or even penalised for them, the outcomes of Italy's referendum on its constitution in December 2016, the French presidential and general elections (April – June 2017) and the German federal elections (August – October 2017) have the potential for upsets.

2 Credit outlook

2.1 Markets have expressed concern over the financial viability of a number of European banks recently. Sluggish economies and continuing fines for pre-crisis behaviour have weighed on bank profits, and any future slowdown will exacerbate concerns in this regard.

2.2 Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Councils; returns from cash deposits however continue to fall.

3 Interest rate forecast

3.1 The Councils treasury advisor Arlingclose are forecasting the UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive, although a low probability it cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

3.2 Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a possibility, to keep long-term interest rates low. A detailed economic and interest rate forecast is shown in the table below.

ECONOMIC AND INTEREST RATE FORECAST EX ARLINGCLOSE (DEC 2016)

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
Official Bank Rate														
Upside Risk	0.00	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.13
Arlingclose Central Case	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**	**0.25**
Downside Risk	-0.25	-0.25	-0.25	-0.25	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.42

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
3-month LIBID rate														
Upside Risk	0.05	0.10	0.10	0.10	0.15	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.19
Arlingclose Central Case	**0.25**	**0.25**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.30**	**0.29**
Downside Risk	-0.25	-0.25	-0.25	-0.30	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.36

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
1-yr LIBID rate														
Upside Risk	0.10	0.15	0.15	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.24
Arlingclose Central Case	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.50**	**0.60**	**0.70**	**0.85**	**0.90**	**0.90**	**0.90**	**0.95**	**0.68**
Downside Risk	-0.15	-0.15	-0.15	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.26

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
5-yr gilt yield														
Upside Risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	**0.50**	**0.45**	**0.45**	**0.45**	**0.50**	**0.50**	**0.50**	**0.55**	**0.60**	**0.65**	**0.70**	**0.75**	**0.80**	**0.57**
Downside Risk	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.48

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
10-yr gilt yield														
Upside Risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	**0.95**	**0.90**	**0.90**	**0.90**	**0.95**	**0.95**	**0.95**	**1.00**	**1.05**	**1.10**	**1.15**	**1.20**	**1.25**	**1.02**
Downside Risk	-0.45	-0.45	-0.45	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.48

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
20-yr gilt yield														
Upside Risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	**1.50**	**1.45**	**1.45**	**1.45**	**1.50**	**1.50**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.75**	**1.80**	**1.57**
Downside Risk	-0.55	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.58

	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Average
50-yr gilt yield														
Upside Risk	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40
Arlingclose Central Case	**1.40**	**1.35**	**1.35**	**1.35**	**1.40**	**1.40**	**1.40**	**1.45**	**1.50**	**1.55**	**1.60**	**1.65**	**1.70**	**1.47**
Downside Risk	-0.55	-0.55	-0.55	-0.55	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.60	-0.58

APPENDIX C

TREASURY MANAGEMENT POLICY STATEMENT

1. Introduction and Background

1.1 The two Councils adopt the key recommendations of the CIPFA Code of Practice on Treasury Management in the Public Services 2011 Edition (the Code) as described in Section 5 of the Code.

1.2 In addition, the Department for Communities and Local Government (CLG) issued revised guidance on Local Authority Investments in March 2010 that requires Councils to approve an investment strategy before the start of each financial year.

1.3 Accordingly, the Councils will create and maintain the following as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable treasury management practices (TMPs), setting out the manner in which the Councils will seek to achieve those policies and objectives, and prescribing how they will manage and control those activities.

1.4 The full Councils for Babergh and Mid Suffolk will receive recommendations from Strategy/Executive Committee on their treasury management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.

1.5 The Councils delegate responsibility for the implementation of its treasury management policies and practices to the Strategy/Executive Committee, monitoring to the Joint Audit and Standards Committee and the execution and administration of treasury management decisions to the Section 151 Officer and/or Corporate Manager - Financial Services, who will act in accordance with the organisations' policy statements, the TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

1.6 The Joint Audit and Standards Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

2. Policies and Objectives of Treasury Management Activities

2.1 The Councils define their treasury management activities in line with the CIPFA definition as: "the management of the organisation's investments and cash flows, it's banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance associated with those risks."

2.2 The Councils regard the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Councils.

2.3 The Councils recognise that effective treasury management will provide support towards the achievement of their business and service objectives. They are therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement techniques within the context of effective risk management.

2.4 Both Councils borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow the Councils transparency and control over their debt.

2.5 Both Councils primary objectives in relation to investments remain the security of capital. The liquidity or accessibility of the Councils investments followed by the yield earned on investments remain important but are secondary considerations.

TREASURY MANAGEMENT STRATEGY 2017/18

1. Background

1.1 Treasury Management is strictly regulated by statutory requirements. The Local Government Act 2003 and supporting regulations requires each Council to have regard to the Prudential Code and set Prudential Indicators for the next three years to ensure that both Councils capital investment plans are affordable, prudent and sustainable. The Act also requires each Council to set out annually their treasury strategy for borrowing and investment.

1.2 Effective management and decisions on funding ensure the Councils comply with the provisions of Section 32 of the Local Government Finance Act 1992 to set a balanced budget.

1.3 The Councils will reappraise their strategies from time to time in response to evolving economic, political and financial events.

1.4 The tables below show how the movement in actual external debt and usable reserves combine to identify the Councils borrowing requirement and potential investment strategy in the current and future years. 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.

Babergh District Council	**Forecast 2016/17 £m**	**Estimate 2017/18 £m**	**Estimate 2018/19 £m**	**Estimate 2019/20 £m**
General Fund **Housing Revenue Account**	20.9 86.3	36.9 85.8	52.5 85.3	55.5 84.7
TOTAL CFR	**107.2**	**122.7**	**137.8**	**140.2**
Less: Existing Profile of Borrowing*	**(87.3)**	(86.8)	(86.3)	(85.8)
Cumulative Maximum External Borrowing Requirement	**19.9**	**35.9**	**51.5**	**54.4**
Less: Balances & Reserves General Fund Housing Revenue Account	 (4.9) (17.3)	 (4.9) (18.4)	 (4.9) (18.1)	 (4.9) (18.4)
Less: Working Capital – net assets	(9.2)	(9.2)	(9.2)	(9.2)
Cumulative Net Borrowing Requirement / (Investments)	**(11.5)**	**3.4**	**19.3**	**21.9**

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

Mid Suffolk District Council	Forecast 2016/17 £m	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m
General Fund **Housing Revenue Account**	24.1 86.8	40.5 86.8	55.9 86.8	58.1 86.8
TOTAL CFR	**110.9**	**127.3**	**142.7**	**144.9**
Less: Existing Profile of Borrowing*	**(74.9)**	(74.1)	(73.8)	(73.5)
Cumulative Maximum External Borrowing Requirement	**36.0**	**53.2**	**68.9**	**71.4**
Less: Balances & Reserves General Fund Housing Revenue Account	 (11.3) (9.8)	 (14.5) (10.8)	 (14.5) (11.0)	 (14.5) (11.7)
Add: Working Capital – net liabilities	8.1	8.1	8.1	8.1
Cumulative Net Borrowing Requirement/(Investments)	**23.0**	**36.0**	**51.5**	**53.3**

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

2. Borrowing Strategy

2.1 **Objectives:** The chief objective for both Councils when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Councils long-term plans change is a secondary objective.

2.2 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the borrowing strategy of the Councils continue to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. This position will be monitored and evaluated on an ongoing basis to ensure the Councils achieve value for money.

2.3 By doing this, the Councils are able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Councils with this ‘cost of carry’ (the excess of interest payable on monies borrowed over interest received when the monies are invested) and breakeven analysis. Its output may determine whether the Councils borrow additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

2.4 Alternatively, the Councils may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

2.5 In addition the councils may borrow short term loans to cover unexpected cash flow shortages.

Sources of Borrowing and Portfolio Implications

2.6 In conjunction with advice from treasury management advisors, the Councils will keep under review the following long-term and short-term borrowing sources:

- Public Works Loan Board (PWLB) and any successor body
- Any institutions approved for investments (see section 6.5 below)
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Suffolk County Council Pension Fund)
- Capital market bond investors
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues

2.7 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Operating and finance leases
- Hire purchase
- Private Finance Initiative
- Sale and leaseback

2.8 The Councils have previously raised the majority of their long term borrowing from the PWLB but they continue to investigate other sources of finance, such as local authority loans and bank loans that may be available at more favourable rates.

2.9 **Municipal Bond Agency**: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons:

- borrowing Councils will be required to provide bond investors with a joint and several guarantees to refund their investment in the event that the agency is unable to for any reason;
- there will be a lead time of several months between committing to borrow and knowing the interest rate payable.

Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

2.10 **LOBOs:** Mid Suffolk holds £4m of LOBO (Lender's Option Borrower's Option), loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. There are no plans to use LOBO loans for future borrowing.

2.11 **Short-term and Variable Rate loans:** These loans leave the Councils exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators as shown in Appendix E paragraph 2.1.

3. Debt Rescheduling

3.1 The PWLB allows Councils to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Councils may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

3.2 Borrowing and any rescheduling activity will be reported to the Joint Audit & Standards Committee as part of the mid-year and annual treasury management reports.

4. Policy on Use of Financial Derivatives

4.1 Some local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

4.2 The Councils will only use standalone financial derivatives (such as swaps, forwards, futures and options) where these can be clearly demonstrated to reduce the overall level of the financial risks that the Councils are exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

4.3 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria (See Appendix D, Section 6.5. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

4.4 The Councils will only use derivatives after seeking advice from their treasury advisors, a legal opinion and ensuring officers have the appropriate training for their use.

5. Policy on Apportioning Interest to the HRA

5.1 On 1st April 2012, the Councils notionally split each of their existing loans into General Fund and HRA pools. In the future, new long term loans borrowed will be assigned in their entirety to one pool or the other. Interest payable and other costs / income arising from long term loans (e.g. premiums and discounts on early redemption) will be charged / credited to the respective revenue account.

5.2 Differences between the value of the HRA loans pools and the HRAs' underlying need to borrow (adjusted for HRA balance sheet resources available for investment) will result in a notional cash balance which may be positive or negative. This balance will be measured annually and interest transferred between the General Fund and HRA at the net average rate earned by the Councils on the relevant portfolios of treasury investments and short-term borrowing.

6. Annual Investment Strategy

6.1 The Councils hold significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past twelve months Babergh's investment balances have ranged between £11.2m and £27m and those of Mid Suffolk between £5.8m and £16.9m

6.2 **Objectives:** In accordance with Investment Guidance issued by CLG and the CIPFA Code, the Councils are required to invest their funds prudently and to have regard to the security and liquidity of their investments before seeking the highest rate of return or yield. The Councils 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. Where balances are expected to be invested for more than one year, both Councils will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

6.3 **Negative Interest Rates:** If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

6.4 **Strategy:** Given the increasing risk and falling returns from short-term unsecured bank investments, both Councils aim to further diversify into more secure and/or higher yielding asset classes during 2017/18. The majority of the Councils surplus cash is currently invested in short-term unsecured bank deposits, money market funds and UBS. Surplus cash is also invested in funds managed by CCLA and Funding Circle. This diversification will therefore represent a continuation of the new strategy adopted in 2015/16.

6.5 **Approved Counterparties:** The Councils may invest their surplus funds with any of the counterparty types in the list below, subject to the cash limits (per counterparty) and the time limits shown. The higher cash limits for Babergh reflect the fact that the Council has higher balances available for investment than Mid Suffolk. The differing cash limits result in a similar spread of risk across the different counterparty types.

Approved Investment Counterparties and Limits:

Babergh District Council

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£2m 5 years	£2m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£2m 5 years	£2m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£2 m 4 years	£2m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£2m 3 years	£2m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£2m 2 years	£2m 3 years	£2m 5 years	£1m 3 years	£1m 5 years
A	£2 m 13 months	£2m 2 years	£2m 5 years	£1 m 2 years	£1m 5 years
A-	£2m 6 months	£2m 13 months	£2m 5 years	£1m 13 months	£1m 5 years
None	£1m 6 months	n/a	£1m 25 years	£50,000 5 years	£1m 5 years
Pooled funds	£5m per fund				

Mid Suffolk District Council

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£1m 5 years	£1m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£1m 5 years	£1m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£1 m 4 years	£1m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£1m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£1m 2 years	£1m 3 years	£1m 5 years	£1m 3 years	£1m 5 years
A	£1 m 13 months	£1m 2 years	£1m 5 years	£1 m 2 years	£1m 5 years
A-	£1m 6 months	£1 m 13 months	£1m 5 years	£1m 13 months	£1m 5 years
None	£1m 6 months	n/a	£1m 25 years	£50,000 5 years	£1m 5 years
Pooled funds	£5m per fund				

These tables must be read in conjunction with the notes below:

Banks/Building Societies Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company becoming insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow Councils to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting both Councils investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by both Councils treasury advisors, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as “rating watch negative” or “credit watch negative”) so that it may fall below the approved rating criteria, then only investments that can be withdrawn (on the next working day) will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

See the table in Appendix F for an explanation of the credit ratings issued by the main credit ratings agencies.

Other Information on the Security of Investments: The Councils understand that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Councils will restrict their investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions.

If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Councils cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office (DMADF) or invested in government treasury bills (T-Bills) for example, or with other local authorities. This will result in lower levels of investment income being earned, but will protect the principal sum invested.

6.6 **Specified and Non-Specified Investments:** Investments are categorised as "Specified" or Non-Specified" within the investment guidance issued by the CLG:

- **Specified investments:**
  - are sterling denominated investments
  - have a maximum maturity of 364 days
  - meet the definition of "high credit quality" as determined by the Councils (currently A- or A3 for UK banks, building societies, money market funds and other pooled funds; and AA- for foreign banks (AAA sovereign rating only))
  - are not deemed capital expenditure investments under Statute.
  - may also be with the UK Government, a UK local authority, parish council or community council.
- **Non-Specified investments:** are, effectively, everything else.
  - The Councils may make investments in unrated building societies but do not intend to make any investments:
    - o denominated in foreign currencies,
    - o any that are defined as capital expenditure by legislation, such as company shares, nor
    - o with bodies and schemes not meeting the definition of high credit quality.
  - Non-specified investments will therefore be limited to long-term investments (those due to mature 12 months or longer from the date of arrangement) which are considered less liquid as the cash is not quickly realisable and to investments in unrated building societies.

Non-Specified Investment Limits

	Cash limit
Total long-term investments	£2m
Total investments without credit ratings	£10m
Total investments rated below A- (Lloyds Bank only see paragraph 7.2)	£1m
Total non-specified investments	£13m

6.7 Investments of 12 months or over (longer than 364 days) are subject to the prior approval of the S151 officer.

6.8 Any institution can be suspended or removed from the list should any of the factors identified above give rise to concern. The institutions that currently meet the criteria for term deposits, Certificates of Deposit (CDs) and call accounts are shown in Appendix F.

6.9 It remains the Councils policies to make exceptions to counterparty policy established around credit ratings, but this is conditional and directional. Therefore an institution that meets criteria may be suspended, but institutions not meeting criteria will not be added.

7. The Councils Banker

7.1 Both Councils bank with Lloyds Bank plc which currently has a credit rating of A+.

7.2 Should the credit rating fall below A-, the Councils may continue to deposit surplus cash with Lloyds Bank plc providing that investments can be withdrawn on the next working day.

8. Investment Limits

8.1 The Councils revenue reserves available to cover investment losses are forecast to be £13.7 million for Babergh and £16.8 million for Mid Suffolk on 31st March 2017. In order to minimise the available reserves that would be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £1 million for Mid Suffolk and £2 million for Babergh and £5 million for pooled funds. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below:

8.2 **Investment Limits**

	Cash limit	
	Babergh	**Mid Suffolk**
Any single organisation, except the UK Central Government	£2m each	£1m each
Unsecured investments with Building Societies	£2m in total	£2m in total
Loans to unrated corporates	£1m in total	£1m in total
UK Central Government	Unlimited	Unlimited
Any group of organisations under the same ownership	£1m per group	£1m per group
Any group of pooled funds under the same management	£5m per manager	£5m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker	£10m per broker
Foreign countries	£2m per country	£2m per country
Registered Providers	£5m in total	£5m in total
Money Market Funds	50% of total investments	50% of total investments

9. Liquidity Management

9.1 The Councils use cash flow forecasts to determine the maximum period for which funds may prudently be committed. The forecasts are compiled on a prudent basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Councils being forced to borrow on unfavourable terms to meet their financial commitments. Limits on long-term investments are set by reference to the Councils medium term financial plans and cash flow forecasts.

10. Investment Training

10.1 The needs of the Councils treasury management staff for training in investment management are assessed regularly and as part of the staff appraisal process and when the responsibilities of individual members of staff change.

10.2 Staff attend regular training courses, seminars and conferences provided by Arlingclose, CIPFA and other relevant bodies.

11. Investment Advisors

11.1 The Councils treasury management advisors are Arlingclose Ltd. The joint contract with Babergh and Mid Suffolk commenced on 1 June 2010 for 2 years, and has taken up the option to extend.

11.2 The advisors provide the following services:

- Investment advice
- Technical support
- Counterparty creditworthiness (credit ratings)
- Debt management advice
- Economic updates
- Interest rate forecasts

11.3 The treasury advisor service is subject to regular review to ensure compliance with the requirements of the Treasury Management Strategy and TMPs' Use of External Service Providers.

11.4 The Councils maintain the quality of the service with their advisors by holding quarterly meetings. Whilst the advisors provide support to the treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Councils.

11.5 The Councils have regard to the requirements of the Bribery Act 2011 in their dealings with external advisors.

12 Investment of Money Borrowed in Advance of Need

12.1 The Councils may from time to time borrow in advance of need where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Councils are aware that they will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Councils overall management of its treasury risks.

12.2 The total amount borrowed in 2017/18 will not exceed the authorised borrowing limit (£126 million for Babergh and £130 million for Mid Suffolk). See Appendix G paragraph 7.4.

13 Other Options Considered

13.1 The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The S151 Officer believes that the above strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications are listed below.

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

TREASURY MANAGEMENT INDICATORS

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

1 Security

1.1 The Councils have adopted a voluntary measure of their exposure to credit risk by monitoring the value-weighted average credit score of their 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.

	Target
Portfolio average credit score	7.0

2 Interest Rate Exposure

2.1 This indicator is set to control both Councils exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as a proportion of net principal borrowed will be:

Babergh District Council **Interest Rate Exposures**	**2017/18** **£m**	**2018/19** **£m**	**2019/20** **£m**
Fixed			
Upper Limit on Fixed Interest Rate Exposure	123	138	140
Variable			
Upper Limit on Variable Interest Rate Exposure	35	35	35

Mid Suffolk District Council **Interest Rate Exposures**	**2017/18** **£m**	**2018/19** **£m**	**2019/20** **£m**
Fixed			
Upper Limit on Fixed Interest Rate Exposure	127	143	145
Variable			
Upper Limit on Variable Interest Rate Exposure	40	40	40

2.2 Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

2.3 These indicators allow the Councils to manage the extent to which they are exposed to changes in interest rates. The upper limit for variable rate exposure has been set to ensure that the Councils are not exposed to interest rate rises which could adversely impact on the revenue budgets. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments.

2.4 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements.

3 Maturity Structure of Borrowing

3.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

3.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment. LOBO's are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment.

Babergh District Council **Maturity structure of fixed rate borrowing**	**Existing level at 31/12/16**	**Lower Limit for 2017/18**	**Upper Limit for 2017/18**
under 12 months	0%	0	50%
12 months and within 24 months	0%	0	50%
24 months and within 5 years	2.64%	0	50%
5 years and within 10 years	13.79%	0	100%
10 years and within 20 years	82.31%	0	100%
20 years and within 30 years	0%	0	100%
30 years and above	1.26%	0	100%

Mid Suffolk District Council **Maturity structure of fixed rate borrowing**	**Existing level at 31/12/16**	**Lower Limit for 2017/18**	**Upper Limit for 2017/18**
under 12 months	8.59%	0	50%
12 months and within 24 months	0%	0	50%
24 months and within 5 years	1.84%	0	50%
5 years and within 10 years	0%	0	100%
10 years and within 20 years	36.79%	0	100%
20 years and within 30 years	33.37%	0	100%
30 years and above	19.42%	0	100%

4 Upper Limit for total principal sums invested over 364 days

4.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Councils having to seek early repayment of the sums invested. The limits on the total principal sum invested for periods over 364 days will be:

Babergh and Mid Suffolk District Councils	**2016/17 Approved £m**	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Limit on principal invested beyond year end	2	2	2	2

APPENDIX F

INSTITUTIONS MEETING HIGH CREDIT RATINGS CRITERIA (AS AT END OF DECEMBER 2016)

This is based on UK Banks and Building Societies A-, Money Market Funds, Foreign Banks AA-. Foreign banks must be in a country with a sovereign rating of AAA.

Instrument	**Long Term Rating Fitch**		**Counterparty**
		UK BANKS	
Term Deposits & Certificates of Deposit	AA-	****	HSBC Bank Plc
Term Deposits & Certificates of Deposit	A	**	Barclays Bank
Term Deposits & Certificates of Deposit	A+	****	Bank of Scotland (Lloyds Banking Group)
Term Deposits & Certificates of Deposit	A+	****	Lloyds Bank (Lloyds Banking Group)
Term Deposits & Certificates of Deposit	A	***	Close Brothers Ltd
Term Deposits & Certificates of Deposit	A	**	Goldman Sachs International Bank
Term Deposits & Certificates of Deposit	A	***	Santander UK Plc
		BUILDING SOCIETIES	
Term Deposits & Certificates of Deposit	A	***	Nationwide
Term Deposits & Certificates of Deposit	A-	**	Leeds Building Society
Term Deposits & Certificates of Deposit	A	***	Coventry Building Society
		FOREIGN BANKS	
Australia			
Term Deposits & Certificates of Deposit	AA-	***	Australia & NZ Banking Group
Term Deposits & Certificates of Deposit	AA-	***	Commonwealth Bank of Australia
Term Deposits & Certificates of Deposit	AA-	***	National Australia Bank
Term Deposits & Certificates of Deposit	AA-	***	Westpac Banking Group
Canada			
Term Deposits & Certificates of Deposit	AA	****	Royal Bank of Canada
Term Deposits & Certificates of Deposit	AA-	****	Bank of Montreal
Term Deposits &	AA-	****	Bank of Nova Scotia

Instrument	Long Term Rating Fitch		Counterparty
Certificates of Deposit			
Term Deposits & Certificates of Deposit	AA-	****	Canadian Imperial Bank of Commerce
Term Deposits & Certificates of Deposit	AA-	****	Toronto-Dominion Bank
Netherlands			
Term Deposits & Certificates of Deposit	AA-	****	Rabobank
Singapore			
Term Deposits & Certificates of Deposit	AA-	****	Oversea-Chinese Banking Corporation
Term Deposits & Certificates of Deposit	AA-	****	DBS Bank Ltd
Term Deposits & Certificates of Deposit	AA-	****	United Overseas Bank
Sweden			
Term Deposits & Certificates of Deposit	AA-	****	Nordea Bank AB
Term Deposits & Certificates of Deposit	AA	****	Svenska Handelsbanken
MONEY MARKET FUNDS (MMF)		*****	
Call Account	AAAmmf	*	Standard life Investments Sterling Liquidity Fund (Formerly Ignis)
Call Account	AAAmmf	*	Goldman Sterling Liquid Reserves Fund
Call Account	AAAmmf	*	Insight Sterling Liquidity Fund
Call Account	AAAmmf	*	Federated Investors (UK) Sterling Liquidity Fund (Formerly Prime rate)
Call Account		*1	BlackRock Institutional Sterling Liquidity Fund
Call Account	AAAmmf	*	Invesco AIM STIC Sterling Liquidity Portfolio

*	Overnight limit
**	Maximum limit to maturity 100 days
***	Maximum limit to maturity 6 months
****	Maximum limit to maturity 13 months
*****	Maximum exposure limit of 10% of total investments per fund
*1	Blackrock has withdrawn from Fitch Rating

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

Long Term Investment Grades

Rating Agency	Rating	Definition
HIGHEST RATING		
Fitch	AAA	Highest credit quality – ‘AAA’ ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.
Moody’s	Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Standard & Poor’s	AAA	An obligator rated ‘AAA’ has extremely strong capacity to meet its financial commitments. ‘AAA’ is the highest issuer credit rating assigned by Standard & Poor’s.
NEXT HIGHEST RATING		
Fitch	AA+ AA AA-	Very high credit quality ‘AA’ ratings denote expectations of very low credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.
Moody’s	Aa1 Aa2 Aa3	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
Standard & Poor’s	AA+ AA AA-	An obligator rated ‘AA’ has very strong capacity to meet its financial commitments. It differs from the highest rated obligators only to a small degree.
THIRD HIGHEST RATING		
Fitch	A+ A A-	High credit quality – ‘A’ ratings denote expectations of low credit risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.
Moody’s	A1 A2 A3	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Standard & Poor’s	A+ A A-	An obligator rated ‘A’ has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligators in higher rated categories.

APPENDIX G

PRUDENTIAL INDICATORS 2016/17 – 2018/19

1 Background

1.1 There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objects of the Prudential Code are to ensure that the investment plans within the Councils are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

2 Gross Debt and the Capital Financing Requirement

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

2.2 If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with gross external debt.

2.3 The Section 151 Officer reports that the Councils will have no difficulty meeting this requirement in 2017/18, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

Babergh District Council

Gross Debt	31/3/17 Revised £m	31/3/18 Estimate £m	31/3/19 Estimate £m	31/3/20 Estimate £m
Outstanding Borrowing (at nominal value)	102.031	118.889	135.561	139.630

Mid Suffolk District Council

Gross Debt	31/3/17 Revised £m	31/3/18 Estimate £m	31/3/19 Estimate £m	31/3/20 Estimate £m
Outstanding Borrowing (at nominal value)	99.892	117.118	133.505	136.935

3 Estimates of Capital Expenditure

3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels. The table below shows planned capital expenditure up to 2018/19:

Babergh District Council

Capital Expenditure	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
General Fund	9.946	17.850	16.964	4.361
HRA	12.090	9.661	9.788	9.078
Total	**22.036**	**27.511**	**26.752**	**13.439**

Mid Suffolk District Council

Capital Expenditure	2016/17 Revised £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
General Fund	5.576	17.519	16.680	3.723
HRA	10.692	8.037	7.245	7.396
Total	**16.268**	**25.556**	**23.925**	**11.119**

3.2 Capital expenditure is expected to be financed for the General Fund and HRA as follows:

Babergh District Council

Capital Financing – GF	2016/17 Revised	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
	£m	£m	£m	£m
Capital receipts	0.298	0.700	0.000	0.000
Grants & Contributions	0.404	0.292	0.292	0.292
Revenue contributions	0.000	0.000	0.000	0.000
Reserves	0.010	0.000	0.000	0.000
Total Financing	**0.712**	**0.992**	**0.292**	**0.292**
Unsupported borrowing	9.234	16.858	16.672	4.069
Total Financing and Funding	**9.946**	**17.850**	**16.964**	**4.361**

Babergh District Council

Capital Financing - HRA	**2016/17 Revised**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
	£m	**£m**	**£m**	**£m**
Capital receipts	0.446	0.013	0.502	0.067
New build additional capital receipts	0.624	0.965	0.960	1.056
Grants & Contributions	0.407	0.066	0	0
Reserves	3.761	1.500	2.972	0
Revenue contributions including Major Repairs Reserve	6.852	7.117	5.354	7.955
Total Financing	**12.090**	**9.661**	**9.788**	**9.078**
Unsupported borrowing	0	0	0	0
Total Financing and Funding	**12.090**	**9.661**	**9.788**	**9.078**

Mid Suffolk District Council

Capital Financing – GF	**2016/17 Revised**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
	£m	**£m**	**£m**	**£m**
Capital receipts	0.175	0.024	0.024	0.024
Grants & Contributions	0.319	0.269	0.269	0.269
Reserves	0.077	0	0	0
Revenue contributions	0	0	0	0
Total Financing	**0.571**	**0.293**	**0.293**	**0.293**
Unsupported borrowing	5.005	17.226	16.387	3.430
Total Financing and Funding	**5.576**	**17.519**	**16.680**	**3.723**

Mid Suffolk District Council

Capital Financing - HRA	**2016/17 Revised**	**2017/18 Estimate**	**2018/19 Estimate**	**2019/20 Estimate**
	£m	**£m**	**£m**	**£m**
Capital receipts	2.229	0.749	0.749	0.709
New build additional capital receipts	0.912	1.132	1.210	1.292
Grants & Contributions	0.411	0.115	0.000	0.000
Reserves	3.407	2.444	3.238	2.831
Revenue contributions	3.733	3.597	2.048	2.564
Total Financing	**10.692**	**8.037**	**7.245**	**7.396**
Unsupported borrowing				
Total Financing and Funding	**10.692**	**8.037**	**7.245**	**7.396**

4 Ratio of Financing Costs to Net Revenue Stream

4.1 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. The definition of financing costs is set out in the Prudential Code and excludes revenue contributions to capital. The ratio is based on costs net of investment income.

Babergh District Council

Ratio of Financing Costs to Net Revenue Stream	**2016/17 Revised %**	**2017/18 Estimate %**	**2018/19 Estimate %**	**2019/20 Estimate %**
General Fund	3.98%	1.84%	6.04%	7.60%
HRA	17.50%	17.45%	16.63%	16.27%

Mid Suffolk District Council

Ratio of Financing Costs to Net Revenue Stream	**2016/17 Revised %**	**2017/18 Estimate %**	**2018/19 Estimate %**	**2019/20 Estimate %**
General Fund	6.66%	1.16%	3.78%	5.48%
HRA	21.15%	21.04%	21.94%	22.94%

5 Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for capital purposes. The calculation of the CFR is taken from the amounts held on the Balance Sheet relating to capital expenditure and it's financing.

Babergh District Council

Capital Financing Requirement	**2016/17 Revised £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**
General Fund	20.938	36.896	52.556	55.479
HRA	86.258	85.758	85.258	84.758
Total CFR	**107.196**	**122.654**	**137.814**	**140.237**

Mid Suffolk District Council

Capital Financing Requirement	**2016/17 Revised £m**	**2017/18 Estimate £m**	**2018/19 Estimate £m**	**2019/20 Estimate £m**
General Fund	24.062	40.550	55.907	58.129
HRA	86.759	86.759	86.759	86.759
Total CFR	**110.821**	**127.309**	**142.666**	**144.888**

6 Incremental Impact of Capital Investment Decisions

6.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Babergh District Council

Incremental Impact of Capital Investment Decisions	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Increase in Band D Council Tax	4.21	8.77	5.60
Movement in Average Weekly Housing Rents	10.59	-10.13	18.66

Mid Suffolk District Council

Incremental Impact of Capital Investment Decisions	2017/18 Estimate £	2018/19 Estimate £	2019/20 Estimate £
Increase in Band D Council Tax	-4.25	12.85	6.09
Movement in Average Weekly Housing Rents	-0.82	-9.41	3.16

Note: The variations reflect changes in the value of the annual capital programmes.

6.2 The movements in Band D council tax reflect the increases / decreases in the provision for Capital Financing Charges as a result of movements in borrowing undertaken to finance the proposed capital programme from 2017/18 to 2019/20.

7 Authorised Limit and Operational Boundary for External Debt

7.1 The Councils have an integrated treasury management strategy and manage their treasury position in accordance with their approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Councils and not just those arising from capital spending reflected in the CFR.

7.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Councils. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Councils existing commitments, their proposals for capital expenditure and financing and their approved treasury management policy statement and practices.

7.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

7.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Babergh District Council

Authorised Limit for External Debt	2016/17	2017/18	2018/19	2019/20
	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Total Borrowing	110	126	141	143

Mid Suffolk District Council

Authorised Limit for External Debt	2016/17	2017/18	2018/19	2019/20
	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Total Borrowing	114	130	146	149

7.5 There is also an Operational Boundary for external debt, which links directly to the Councils estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

7.6 The Section 151 Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the Joint Audit and Standards Committee as part of the half yearly reports.

Babergh District Council

Operational Boundary for External Debt	2016/17	2017/18	2018/19	2019/20
	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Total Borrowing	107	123	138	140

Mid Suffolk District Council

Operational Boundary for External Debt	2016/17	2017/18	2018/19	2019/20
	Revised	Estimate	Estimate	Estimate
	£m	£m	£m	£m
Total Borrowing	111	127	143	146

8 Adoption of the CIPFA Treasury Management Code

8.1 This indicator demonstrates that the Councils have adopted the principles of best practice.

8.2 The Councils approved the adoption of the CIPFA Treasury Management Code in April 2002. CIPFA revised the Treasury Management Code in November 2011 following recent developments and anticipated regulatory changes to the Localism Act 2011, including the housing finance reforms and the introduction of the General Power of Competence.

8.3 The Councils will adopt the latest Code and the changes have been incorporated into the Treasury Management Strategy including its treasury policies, procedures and practices.

MINIMUM REVENUE PROVISION (MRP) STATEMENT 2017/18

Babergh District Council and Mid Suffolk District Council

1. Where the Councils finance capital expenditure by debt, they must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Councils to have regard to the Department for Communities and Local Government's Guidance on Minimum Revenue Provision (the CLG guidance most recently issued in 2012).

2. The broad aim of the CLG Guidance is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant.

3. The CLG Guidance requires the Councils to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP.

4. The four MRP options available are:

   - Option 1: Regulatory Method
   - Option 2: CFR Method
   - Option 3: Asset Life Method
   - Option 4: Depreciation Method

   The following statement incorporates options recommended in the Guidance.

5. For capital expenditure incurred before 1st April 2008, MRP will be determined in accordance with the former regulations that applied on 31st March 2008, incorporating an "Adjustment A" of £2.4m for Mid Suffolk District Council (Option 1). Babergh District Council does not have any capital expenditure incurred before 1st April 2008 on which to charge MRP.

6. For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets as the principal repayment on an annuity starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years. (Option 3).

7. For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.

8. There is no requirement to charge MRP in respect of Housing Revenue Account capital expenditure funded from borrowing. However, voluntary MRP contributions from the HRA may be made. Capital expenditure incurred during 2016/17 will not be subject to a MRP charge until 2017/18.

9. If it is ever proposed to vary the terms of the original MRP Statement during the year, a revised statement will be put to the Councils at that time.

Glossary of Terms

CCLA	Churches, Charities and Local Authority Property Fund
CFR	Capital Financing Requirement. The underlying need to borrow to finance capital expenditure.
CIPFA	The Chartered Institute of Public Finance and Accountancy. This is the leading professional accountancy body for public services.
CLG	Department for Communities and Local Government. This is a ministerial department.
DMADF	Debt Management Account Deposit Facility.
Funding Circle	Accounts set up to lend money to local and national businesses at competitive rates
GDP	Gross Domestic Product. This is the market value of all officially recognised goods and services produced within a country in a given period of time.
HRA	Housing Revenue Account. The statutory account to which are charged the revenue costs of providing, maintaining and managing Council dwellings. These costs are financed by tenants' rents.
LOBO	Lender's Option Borrower's Option. This is a loan where the lender has certain dates when they can increase the interest rate payable and, if they do, the Council has the option of accepting the new rate or repaying the loan.
MRP	Minimum Revenue Provision. Local authorities are required to make a prudent provision for debt redemption on General Fund borrowing.
MPC	Monetary Policy Committee – A committee of the Bank of England which meets each month to decide the official interest in the UK. It is also responsible for other aspects of the Government's monetary policy framework such as quantitative easing and forward guidance.
PWLB	Public Works Loan Board - offers loans to local authorities below market rates.
QE	Quantitative Easing. The purchase of Government bonds by the Bank of England to boost the money supply.
T Bills	Treasury Bill. A short term Government Bond.
UBS	UBS Multi Asset Income Fund (UK) - a pooled fund

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BABERGH DISTRICT COUNCIL

From: Assistant Director - Corporate Resources	**Report Number: S109**
To: Council	**Date of meeting: 21 February 2017**

JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2017/18 BUDGET

1. Purpose of Report

1.1 To consider the Joint Medium Term Financial Strategy (MTFS) and 2017/18 Budget, covering the General Fund, Council Housing and Capital Investment.

1.2 These reflect the challenges and opportunities facing the Council in the short and medium/long term, the business model that is being put in place to address these and an investment strategy to deliver the Council's strategic priority outcomes as set out in the Joint Strategic Plan.

1.3 This report sets out, therefore, how the Council intends to use its available resources and funding to not only achieve the agreed strategic priority outcomes but also realign resources to them and undertake a programme of transformational activities and projects over the medium term.

1.4 To enable Members to consider key aspects of the 2017/18 Budgets, including Council Tax and Council House rent levels.

2. Recommendations to Council

2.1 That the Joint Medium Term Financial Strategy (MTFS) and Budget proposals set out in the report be approved.

2.2 That the final General Fund Budget for 2017/18 is based on an increase to Council Tax of £5 per annum (10p per week) for a Band D property, which is equivalent to 3.4%, to support the Council's overall financial position be approved.

2.3 That the Housing Revenue Account (HRA) Investment Strategy 2017/18 to 2021/22 and HRA Budget for 2017/18 be agreed.

2.4 That rent increases under Pay to Stay for tenants with a household income above £60k is not introduced.

2.5 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.91 a week as required by the Welfare Reform and Work Bill be implemented.

2.6 That garage rents be increased by 10% to provide some additional income to the HRA (an average increase of 88 pence per week per garage).

2.7 Sheltered Housing service charges to be increased by a maximum £4 per week for each scheme (a maximum £2 increase last year) to reduce the subsidy by £72k.

2.8 That in principle, Right to Buy receipts should be retained to enable continued development and acquisition of new council dwellings.

2.9 That New Build and Acquisition capital funding is increased to £5m for 2017/18 (increase of £1.5m).

2.10 That Capital Programmes should be planned for one to three years once the stock condition data project has been completed with the view to commissioning a new sample stock condition survey in 2019/20.

2.11 That the revised HRA Business Plan in Appendix D be noted. A further review will be undertaken and a revised Babergh Mid Suffolk Building Services Plan and HRA Business Plan will be presented to Strategy Committee in April.

2.12 That the proposed Capital Programme in Appendix C be agreed.

2.13 That the following additional recommendations related to the Budget are approved;

a) The 2017/18 Precept dates shown in Appendix F.

b) The statement from the Chief Financial Officer under section 25 of the Local Government Act 2003 covering the robustness of estimates and adequacy of reserves set out in Appendix E and the minimum safe contingency level of unearmarked reserves is £1.2m.

c) The 2017/18 Budget and Council Tax resolutions as set out in Appendix F.

3. Financial Implications

3.1 These are detailed in the report.

4. Legal Implications

4.1 These are detailed in the report

5. Risk Management

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

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

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

5.2 A risk assessment by the Section 151 Officer on the General Fund Budget proposals and the adequacy of General Fund reserves, as required by statute is attached at Appendix E.

6. Consultations

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

7. Equality Analysis

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

8. Shared Service / Partnership Implications

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

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

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

9. Links to Joint Strategic Plan

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

10. STRATEGIC CONTEXT

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

10.2 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The updated MTFS is attached at Appendix G and continues the direction of travel of the Councils in developing the business model to respond to the financial challenges.

10.3 The strategic response to those challenges, to ensure long term financial sustainability, is set out in six key actions:

(a) Aligning resources to the Councils' refreshed strategic plan and essential services.

(b) Continuation of the shared service agenda, collaboration with others and transformation of service delivery.

(c) Behaving more commercially and generating additional income.

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

(e) Encouraging the use of digital interaction and transforming our approach to customer access.

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

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

10.4 The details within the Joint MTFS show the funding surplus / pressures over the three years 2018/19 to 2020/21, the strongest financial position shows a surplus £0.3m, and the weakest financial position, a deficit of £1.8m and the level of resources that could be available to fund those pressures. This has been updated following the Local Government Finance Settlement announcement on 15 December.

10.5 In recognition of the changing landscape for local authorities, the Joint Strategic Plan has been reviewed and refreshed. Complementing this has been a focussed management review to ensure that the Council has the right skills and capacity to support the MTFS.

10.6 The Transformation Fund has been supplemented with New Homes Bonus and Business Rates Grant and used cautiously over the last three years to support the transition to the different business model and this will continue during 2017/18. It will also be used to fund staff that are involved in projects that support new ways of working.

10.7 Each Council is being asked to agree the key aspects of the proposed Budget for 2017/18 and endorse the Joint MTFS in order to achieve a sustainable financial basis in the medium term. Without this strategy, which focuses on achieving outcomes, invest to save and generating income, there is a significant risk that each Council will be unsustainable financially in the medium to longer term.

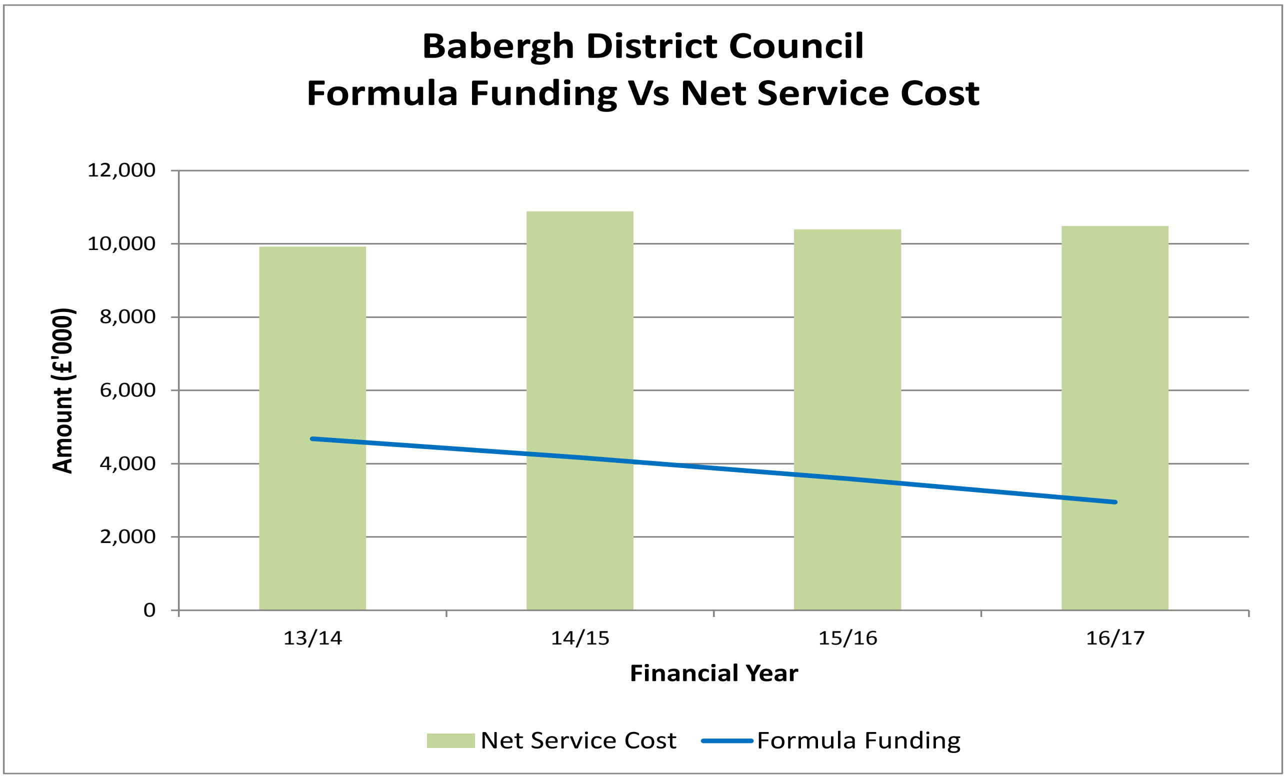
GENERAL FUND (GF)

11 GF Financial Position

11.1 Funding arrangements for councils have changed significantly over recent years with Revenue Support Grant being substantially withdrawn. The Council has seen a 65% cumulative cut in revenue support grant over the four years since 2013/14.

11.2 The Council's service cost budget has remained fairly static over the same period, as various budget saving and income generating initiatives have meant that service levels could be maintained. The Council has become reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus to support the Council's service cost budget. Since New Homes Bonus was introduced in 2011/12 the Council has received in total £6.4m, most of which has been used to balance the budget and the rest transferred to the Transformation Fund reserve.

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



11.4 Total Formula Funding (Revenue Support Grant + Baseline Business Rates) is reducing by a further 15% in 2017/18. This includes, in relation to the Revenue Support Grant element, a further cut of £488k or 49%. New Homes Bonus (NHB) is reducing from £1.779m to £1.212m. Included within this report are <u>provisional</u> settlement figures as announced on 15 December 2016, the details of which are set out below. The debate on the final settlement will take place in the House of Commons on 20 February 2017. A verbal update will be provided at this Council meeting.

- Continuation of the council tax referendum threshold at 2% for most authorities;

- All shire district councils and the lowest quartile of Police and Crime Commissioners will be able to increase council tax by the greater of 2% or £5;

- Parish and town councils will continue to not be subject to the council tax referendum

- Reduction in the number of years that a NHB payment is paid from 6 years currently to 5 years in 2017/18 and 4 years in 2018/19;

- NHB baseline for growth has been set at 0.4%, so only growth above that figure will receive a NHB payment in future;

- Continuation of the rural (SPARSE) services delivery grant;

- Full reimbursement from Government of the extension of the rural business rate relief to 100%. Babergh currently awards 40% discretionary relief on top of the 50% mandatory relief therefore there will be a financial benefit from this change. We are currently awaiting the new limits that will be effective from April 2017, therefore this has not been included within this report.

11.5 In order to receive certainty over the settlement numbers for the next three years from central government, councils were required to submit an efficiency plan. Babergh District Council took advantage of gaining certainty for the next three years by submitting the Medium Term Financial Strategy and Joint Strategic Plan by way of demonstrating that the Council has an efficiency plan.

11.6 Looking ahead to 2018/19 and beyond, the Government's indication is that Revenue Support Grant will reduce to £204k in 2018/19, followed by a tariff payable to central government of £131k in 2019/20 to redistribute the core funding and council tax generating capabilities to other councils across the country based on spending needs. The tariff is expected to disappear in 2020/21, however we do not know how business rates distribution will be affected, therefore we have left it in the MTFS but we will be keep it under review.

11.7 Council Tax, Business rates and new homes growth will, therefore be the main sources of income (plus other income generated locally) if we are to achieve a sustainable budget in the years ahead.

11.8 It must be emphasised that the total estimated core funding for next year and future years is not a fixed guaranteed amount as it is now dependent on variations in business rates income. This is carefully monitored and the volatility and risks, for example, the level of appeals, will affect the amount of income received. Business Rates revaluation comes into effect from April 2017, there will be tariffs and top-ups in place for each local authority to ensure that they are in the same position pre-revaluation. There will be transitional arrangements put in place however we are still awaiting the detail of this.

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

12.1 In order to address the budget gap, both in the short and medium term the budget process for 2017/18 has involved several strands of work with the focus on maximising our income streams, continuing to make efficiencies and productivity savings and using new ways of working to be as cost effective as possible.

12.2 Finance has worked closely with Corporate Managers and reviewed each budget in detail and taken a zero based budget approach for each service, challenging budgets and focussing on the service needs rather than a historic view that has traditionally occurred.

12.3 The Corporate Manager for Finance and the Senior Business Partner have attended all the services team meetings to discuss the funding challenges and to explore and capture ideas they have for savings, efficiency and income generating ideas.

12.4 These suggestions along with a great deal of work that is already happening across the Councils on the Capital Investment Strategy, Public Realm Review, Leisure Strategy Review and the Public Access Transformation and Accommodation Review were reviewed at the relevant Portfolio Holder briefings. The items that have been included in the base budget are shown in Appendix B.

12.5 Further work will continue on these and other initiatives during the year as set out in the Medium Term Financial Strategy (MTFS) at Appendix G, some of the strands that require further work at this stage are:

- Accommodation – the 2017/18 budget report includes the savings as per the business case report (S63) approved at Council 20 September. The costs and savings of the Public Access work will continue throughout the next 12 months and will be monitored and reported through the budget monitoring process. The final full year costs and savings will be incorporated in the 2018/19 budgets that will be set in February 2018.

- Public Realm Review – included in the 2017/18 budget as shown in Appendix B is a 10% reduction to the landscape group contract and waste disposal costs of £134k. However work continues on options appraisal through the Task and Finish Group.

- Leisure Review – work is progressing on the Leisure Review and at the time of preparing the budget for 2017/18 the Council has not reviewed or made decisions on any proposals. This work will continue and options will be considered toward the end of 2016/17 and into 2017/18.

12.6 Some key pieces of work during 2016/17 have contributed to the Councils financial sustainability over the short to medium term. In July, Strategy Committee approved the purchase and undertaking of Borehamgate shopping centre. The net rental income expected from this is £314k per annum. The remainder of the £10m cash investment that was approved as part of the Councils Treasury Management Strategy is expected to be invested in the final quarter of 2016/17, the projected return from this is £113k per annum. The decision taken in February 2016 to increase the Council Tax by £5 has enabled the Council to maintain the range of services it delivers.

12.7 In November 2016 both Councils approved the three strands of the Assets and Investment Strategy, comprising Investment (profit for purpose), Regeneration and Development, and Asset Management, in 2017/18 this is expected to generate £216k.

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

		2017/18 Cumulative Shortfall in Funding (Surplus funds) £000	**2018/19 Cumulative Shortfall in Funding (Surplus funds) £000**	**2019/20 Cumulative Shortfall in Funding (Surplus funds) £000**	**2020/21 Cumulative Shortfall in Funding (Surplus funds) £000**
Weakest Financial Position	Tax Base 0.4% Council Tax 0%	(0)	449	1,385	1,830
Medium Financial Position	Tax Base 1% Council Tax 2%	(0)	80	595	741
Strongest Financial Position	Tax Base 1.5% Council Tax £5	0	(9)	235	(273)

12.9 Council Tax income is set locally (within Government guidelines) and has an impact on the income the Council can generate. A 1% increase in Council Tax will generate an additional £48k per annum

13. GF 2017/18 Budget

13.1 The original budget gap for 2017/18 as identified in the MTFS approved by Council in February 2016 was £1.1m. After taking into account additional budgetary pressures including inflation and the work outlined above, the revised surplus is £15k, which will be transferred to the Transformation Fund. A summary of savings and pressures can be found at Appendix B.

13.2 In order to achieve a balanced budget for 2017/18 Babergh has had to utilise all apart from £15k of the £1.212m of New Homes Bonus expected in 2017/18 and S31 grant – a total of £1.8m, the same requirement as for 2016/17.

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

- A Council Tax increase in the Band D Council Tax of £5 per annum (10p per week) for a Band D property, which takes it to £153.86 and equates to a 3.4% increase.

- Certain fees and charges e.g. land charges, but excluding car parking, increased by 3%.

- Insurance premiums are expected to increase by 2% based on the information provided by our brokers.

- For salaries we have assumed a 1% pay award and an increment for all staff that are eligible.

- No changes to the Local Council Tax Reduction Scheme are proposed, residents will continue to pay 8.5%.

13.4 The key changes between the 2016/17 and 2017/18 Budgets are summarised in Appendix B. In order to provide further details on the 2017/18 budget, a full breakdown can be found in the form of the Council's Budget Book attached at Appendix H.

13.5 In relation to earmarked reserves, the estimated balance of earmarked reserves at the end of 2017/18 is £3.0m, including the Transformation Fund balance of £2.3m. Further details of the earmarked reserves can be found in Appendix G. In addition to this there is £1.2m, the minimum approved level, in the General Fund reserve/working balance.

14 GF Capital Programme Investment

14.1 The Capital Programme is attached at Appendix C.

14.2 A zero-based approach has been adopted for the preparation of the Capital Programme for 2017/18 to 2021/22, to ensure that resources are aimed at delivery of the Council's strategic priorities.

HOUSING REVENUE ACCOUNT (HRA)

15 HRA Financial Position

15.1 The HRA Business Plan has been updated to reflect the impact of the 1% rent reduction required by the Chancellor of the Exchequer in 2016/17 for 4 years across the Plan's 30 year life. The Business Plan is attached at Appendix D and shows additional detail for years 1-5.

15.2 The self-financing regime replaced the old Housing Revenue Account subsidy system on 1 April 2012. Babergh's settlement payment was calculated at £83.6m based on projected income, expenditure and existing stock values. This took HRA long term borrowing to £89.6m.

15.3 HRA Capital Financing Requirement levels are predicted to be £84.8m at 31 March 2017 providing borrowing headroom of £13.1m. New build/acquisitions funding within the Capital Programme 2017 – 2021 totals £15.1m and HRA reserve balances 2017–2021 are forecast at £4.4m. This will provide a total HRA Investment Fund contribution of £32.6m to deliver Members strategic housing priorities and outcomes (or, in relation to the HRA reserve balances, to set aside provision for future maturity debt repayment).

15.4 The Joint Strategic Plan sets out clearly the Councils' aligned strategic priorities. The key housing projects supporting delivery of the priorities are outlined in the HRA Business Plan.

15.5 For example: the delivery of the Homes and Communities Agency (HCA) 27 new affordable homes, and acquisition of 5 affordable homes (2015/16), which will become new HRA assets. These new homes will deliver New Homes Bonus for the Council, additional rent and council tax and local businesses will benefit. All these factors will bring growth to our local economy.

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

16.1 The Babergh HRA Business Plan presents a positive financial picture over the longer term (a thirty year period as required under the self-financing regime) but there are short to medium term challenges. These challenges were exacerbated by the proposals announced in the Chancellor's July 2016 Budget:

- The Welfare Reform and Work Bill includes a requirement for all social landlords to reduce their rents by 1% each year from 2016 to 2019

- This Bill reduced the benefit cap for working age families from £23k to £20k

- The Housing and Planning Bill includes requirements for households with an income higher than £30k to be charged higher rents. However in the Autumn Statement 2016 this amount was amended to £60k and changed it from being a mandatory policy to discretionary.

- This Bill also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government will fund the expanded scheme and the levy will not be brought in for 2017/18. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

- The impact of these measures and the action required to mitigate them are described in section 18.4 of this report

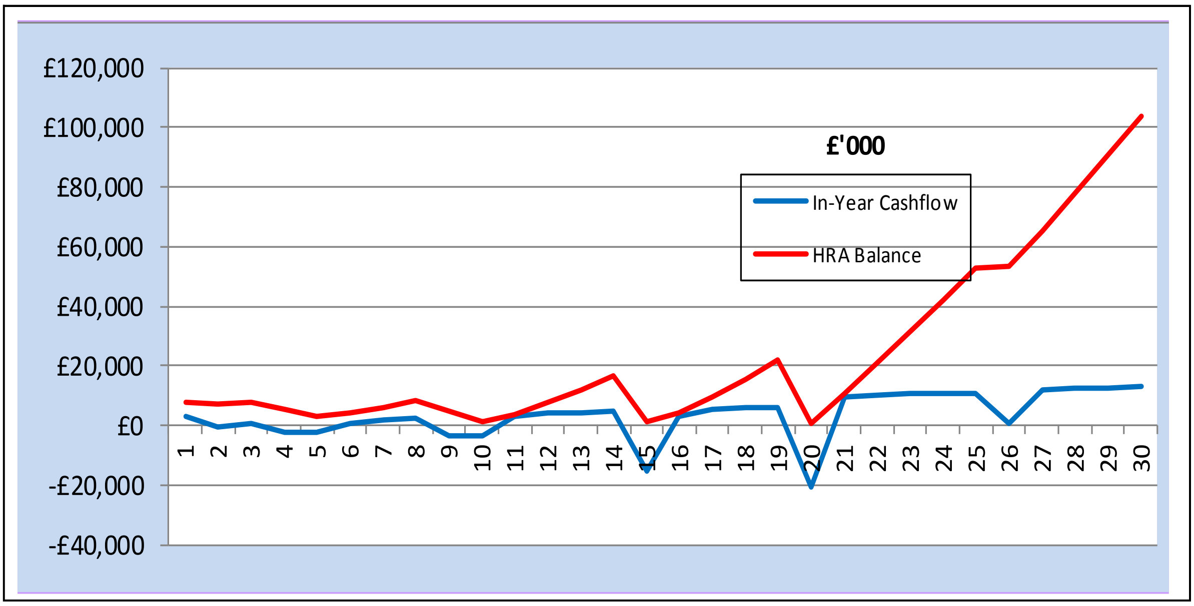
17. HRA Potential Resources Available for Investment

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

Graph A - Revenue cash flows from 2017/18 for 30 years

This graph shows healthy reserve balances within the HRA over the medium term based on annual rent decrease of 1% for the next three years.

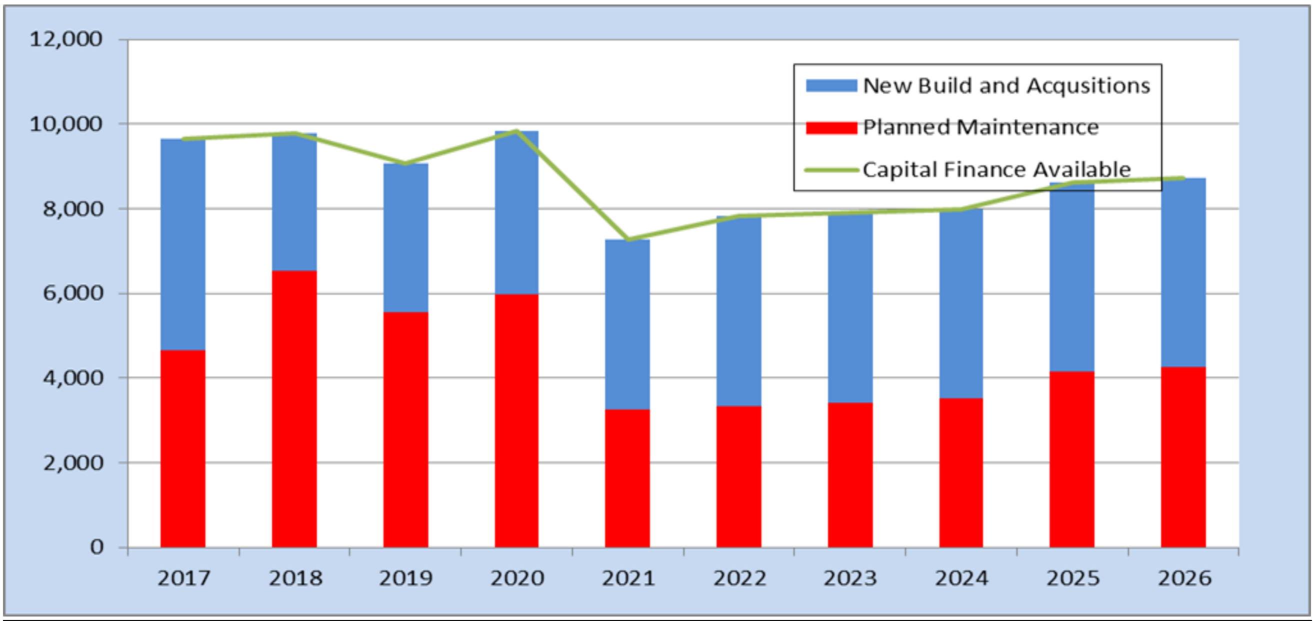
Graph A



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

This graph shows proposed Capital Programme expenditure and debt cap levels within the HRA Business Plan up to Year 10 (2017/18 to 2026/27). The HCA new build programme does not extend beyond year 2, although significant investment continues through the Right to Buy replacement programme. Graphs A and B are inter-dependent with revenue surpluses providing financial availability for investment in homes and improvement programmes.

Graph B



18 HRA Key Challenges

18.1 HRA Self-financing has provided significant opportunities for Babergh. The development of 27 new council homes supported by Homes and Communities Agency Grant funding and acquisition of 5 affordable homes is a good example of how the funds available within the HRA are being used differently.

18.2 These opportunities, however, are threatened by the proposals described in paragraph 16.1. The table in paragraph 19.1 sets out the HRA budget for 2017/18 and highlights the variances from the current year as a result of a 1% rent reduction (an average rent reduction of 90 pence per week for Babergh tenants).

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

Year 1:	£ 0.3m
Years 1 to 4:	£ 4.5m
Years 1 to 10:	£18.1m

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

- Performance management measures and complaints handling

- New build programme and retention of Right to Buy receipts. An increase of £1.5m to Capital spend on New Build and Acquisitions would increase the amount to £5m and enable different ways of increasing affordable homes to be looked at. A review is being undertaken of the development programme in anticipation of increasing this spend to £5m from 2018 to 2021. The results will be brought to Committee in April.

- A review of garages was commenced to identify their condition and whether there are redevelopment opportunities on the sites or if they should be demolished and replaced with parking bays. 24 sites were identified as having development potential. These are being further explored by the Investment & Development Team who will report to the Joint Housing Board early in the new year.

- Our approach to HRA business planning includes, reviewing and realigning housing stock condition data and capital programme expenditure. Our current stock condition data is six years old. A project is underway to renew the data to enable an evidence based programme of capital works to be designed for 2017/18 and the following two years. In the meantime, all non-essential work has been ceased. We believe a fresh sample stock condition survey will be required in 2019/20. A contingency amount, based on the HRA Business Plan model, has been put into the 2017/18 Budget and four year MTFS 2017/18 and will be allocated against the relevant areas of spend once the Capital Programme is completed. Babergh's capital spend is predicted to come in at £1.3m below Budget in 2016/17 as a result of the change in policy.

- The Sheltered Housing Review concluded that some schemes which are difficult to let would be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding.

- Reviewing the existing Capital Projects Team (formerly part of the Asset Management Team) and Private Sector Housing Team has brought them together in one team called Property Services. This has led to a change in the way the work is being carried out and how the teams are structured to introduce a more efficient and consistent way of working. The new structure will be in place by March 2017.

- Councillors approved the formation of a new Babergh & Mid Suffolk Building Services (BMBS) team, which will carry out responsive repairs and programmed works. The BMBS business plan forecasts a surplus in year two of trading (2018/19). The back office team structure is currently under review, along with the Property Services team.

- A new HRA Accounting Team was set up following the appointment of a Professional Lead HRA Accountant in July 2016. A review of the budget setting and monitoring process, financial controls, support required by Corporate Managers and the Assistant Director and capital spend will be completed by March 2017.

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

18.5 **Sheltered housing** - Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £400k each year. The new pressures of rent reduction and the high value asset levy make this subsidy unsustainable. A review of the service charges is being undertaken by an external resource to identify the costs that should be recharged. The consultants work so far shows the following additional income using a range of caps: -

Table 1

Weekly/Annual	Total per Scheme if 30% increase but £4 Cap	Total per Scheme if 25% Increase but £3 Cap	Total per Scheme if 20% Increase but £2.50 Cap
Weekly Total	**1,384**	**1,038**	**865**
Annual Total	**71,968**	**53,976**	**44,980**

18.6 **Garage rents** – these are not controlled by the same regime as council house rents. Members therefore have the option to impose a rent increase and may wish to take the opportunity to raise additional income through this route. Table 2 provides details of the additional income generated by a range of rent increases.

Table 2

Increase	Average increase per garage per week	Additional income per annum
	Pence	£
CPI + 1% (1.90%)	17	4,928
5% Increase	44	12,969
10% Increase	88	25,939

HRA New build programme and retention of Right to Buy receipts

18.7 Right to Buy (RTB) sales for both councils have been less than projections in business plans. In 2015/16 Babergh sold 21 against original projections of 24 sales.

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

18.9 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are artificially restricted. The supported spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes is still achievable within current borrowing headroom. However, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable; although the rescinding of the mandatory pay to stay policy referred to in 16.1 may mitigate this risk as tenants are less likely to feel forced to exercise their Right to Buy.

19 HRA Budget 2017/18

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

Description	**2016/17 £000**	**2017/18 £000**	**Variance £000**	**Reason**
Rent and other income	(16,849)	(16,759)	90	Based on a proposed average rent decrease of 1%. Offset by increase in number of affordable homes, service charges and garage rents
Bad Debt Provision	75	115	40	Universal Credit is being implemented during 2017/18, so the provision has been increased to reflect the likelihood of additional rent arrears and bad debts.
Interest	(15)	(16)	(1)	
Total Net Income	**(16,789)**	**(16,660)**	**129**	
Repairs and Maintenance, Management and other costs	5,376	5,558	182	Reflects a review of all costs including BMBS following changes to assumptions.
Capital Charges	2,824	2,803	(21)	Reflects interest costs on fixed rate long term loans which has reduced as £500k paid against debt.
Revenue Contribution to Capital Programme	2,540	5,605	3,065	Major Repairs Allowance does not cover the increases in Capital spend so additional RCCO is required
Depreciation	2,721	2,721	0	
Debt Repayment	500	500	0	
Total Expenditure	**13,961**	**17,187**	**3,226**	
In-year operating (surplus)/deficit	(2,828)	527	3,355	Reflects additional Capital spend financing requirements
Year-end transfer to/from reserves	2,828	(527)	(3,355)	
Total	**0**	**0**	**0**	

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

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

19.3 The currently approved HRA Business Plan assumed projected rent increases at 3%. This assumption was based on CPI being 2%. CPI in September 2015 was -1%. The effect of this for Babergh is an average reduction in weekly rent of £0.91 per dwelling and £3,105 income per week.

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

20 HRA Capital Programme Investment

20.1 The Capital Programme is attached at Appendix C.

20.2 The proposed Capital Programme headlines for 2017 – 2021 are:-

Expenditure	**£m**
Housing Maintenance Programmes	**22.8**
New build (HCA programme)	**0.5**
RTB receipt funding	**15.1**
Total	**38.4**
Financing	
Capital receipts disposals and RTB receipts and HCA Grant	**4.7**
Revenue Contributions	**33.7**
Borrowing	**0**
Total	**38.4**
Remaining Borrowing Headroom available (31 March 2021)	**18.1**

21. Appendices

Title	**Location**
Appendix A –General Fund Budget Summary 2017/18	Attached
Appendix B – Movement of service cost budget year on year	Attached
Appendix C –Capital Programmes	Attached
Appendix D –updated HRA Business Plan	Attached
Appendix E – Robustness of Estimates and Adequacy of Reserves	Attached

Appendix F – Budget, Funding and Council Tax Requirements	Attached
Appendix G – Joint Medium Term Financial Strategy	Attached
Appendix H –Budget Book 2017/18	Attached

22. Background Documents

Local Government Finance Settlement.

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Appendix A

General Fund Budget Summary 2017/18

GENERAL FUND REVENUE BUDGET SUMMARY

		2016/17 £'000	2017/18 £'000	Movement £'000
1	Employee Costs	7,871	8,062	191
2	Premises	811	767	(44)
3	Supplies & Services	5,171	3,456	(1,715)
4	Transport	180	182	2
5	Contracts	4,092	4,108	16
6	Third Party Payments	13,789	20,202	6,412
7	Income	(23,135)	(27,447)	(4,312)
8	Transfers to HRA / Capital (recharge model)	(1,406)	(1,513)	(107)
9	Capital charges & Investment Income	280	(1)	(281)
10	Transfers to Reserves			
	(a) New Homes Bonus	1,779	1,212	(567)
	(b) S31 Business Rates Grant	624	650	26
	(c) Other	20	23	3
	Service Cost	**10,075**	**9,700**	**(376)**
11	Grants to parishes (LCTS)	63	-	(63)
12	Transformation Fund -Delivery Plan Projects	2,000	-	(2,000)
	Net Service Cost	**12,138**	**9,700**	**(2,439)**
13	Transformation Fund - Staffing (NHB)	(427)	(484)	(57)
14	Transformation Fund - Delivery Plan Projects (NHB)	(2,000)	-	2,000
15	S31 Grant	-	(650)	(650)
16	New Homes Bonus remaining	(1,559)	(713)	846
17	Deficit / (Surplus) on Collection fund	(80)	(40)	40
18	Revenue Support Grant (RSG)	(992)	(504)	488
19	Baseline business rates	(1,957)	(1,997)	(40)
20	Business rates – growth/pooling benefit	(109)	(109)	-
21	Transition Grant	(22)	(22)	0
22	Rural Services Support Grant	(225)	(182)	43
23	Council Tax	(4,766)	(4,999)	(232)
	Total Funding	**(12,138)**	**(9,700)**	**2,439**
24	Shortfall in funding / (Surplus Funds)	**-**	**-**	**-**

	2016/17	2017/18	Movement
Council Tax Base	(32,020)	(32,489)	(469)
Council Tax for Band D Property	148.86	153.86	5.00
Council Tax	**(4,767)**	**(4,999)**	**(232)**

Appendix B

Movement of service cost budget year on year

BABERGH - MOVEMENT YEAR ON YEAR		16/17 to 17/18 £000
Net Service Cost previous year		**12,138**
Cost Pressures		
Inflation		
Employees		76
Contracts		81
Premises		2
Supplies & Services		9
Employee costs including increments		151
Insurance Premiums		19
Business Rates - change in rateable value		8
Sub total cost pressure		**346**
Other increases to net service cost		
Agree where growth goes		
Strategic Planning		25
Communities embrace new homes growth		
Development Management - legal and consultancy fees		38
Digital by Design		
ICT & Information Management - change to Suffolk County Council contract		63
Financially Sustainable Councils		
Reduction to Corporate and Democratic Core Charge		157
Revenues and Benefits - adjustment to bad debt provision		97
Change to Minimum Revenue Provision (MRP)		48
VAT, District Valuers and Treasury Management consultancy		27
Shared Legal Team		21
Senior Leadership Team - corporate subscriptions		12
Modern Apprenticeship Levy		12
Banking Charges		10
Other changes		44
Waste		
Waste services		56
Leisure		
Leisure Contract		20
Sub total other increases to net service cost		**629**
Actions to offset increases to net service cost		
Inflation - income		(15)
Removal of £2m for Delivery Plan projects		(2,000)
Environment		
Public Realm - 10% reduction to Landscape Group contract plus waste disposal costs	Initiative	(134)
Financially Sustainable Councils		
Increase in charge to HRA / Capital		(107)
Pension fund deficit		(102)
SRP contract reduction		(95)
Accommodation review		(69)
Other savings - headquarters building		(63)
Removal of grants to Parishes		(24)
Photocopying costs		(20)
Communications		(15)
Sustainable Environment inc Suffolk Climate Change Partnership		(9)
Other changes (net)		(21)
Property investment to generate income and regenerate local areas		
Rental income (net) Borehamgate	Initiative	(314)
Investment income (net) Holding Company	Initiative	(216)
Investment income (net) Pooled Funds	Initiative	(113)
PV panel income - feed in tariff		(30)
Rental income Gainsborough Chambers		(12)
Targeted grants and funding to support Community Capacity Building		
Community grants		(21)
Waste		
Waste services - garden waste collection		(33)
Sub total actions		**(3,413)**
Total Net Service Cost movement		**(2,438)**
New Net Service Cost		**9,700**

Appendix C

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

General Fund

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 GENERAL FUND	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Supported Living												
Mandatory Disabled Facilities Grant	300	300	300	300	**1,200**				1,168		32	**1,200**
Discretionary Housing Grants	100	100	100	100	**400**						400	**400**
Empty Homes Grant	100	100	100	100	**400**						400	**400**
Total Supported Living	**500**	**500**	**500**	**500**	**2,000**	**0**	**0**	**0**	**1,168**	**0**	**832**	**2,000**
Strategic Housing												
Grants for Affordable Housing	100	100	100	100	**400**						400	**400**
Total Strategic Housing	**100**	**100**	**100**	**100**	**400**	**0**	**0**	**0**	**0**	**0**	**400**	**400**
Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	0	170	170	170	**510**						510	**510**
Recycling Bins	75	75	75	75	**300**						300	**300**
Total Environment and Projects	**75**	**245**	**245**	**245**	**810**	**0**	**0**	**0**	**0**	**0**	**810**	**810**
Communities and Public Access												
Community Development Grants	117	117	117	117	**468**						468	**468**
Play Equipment	50	50	50	50	**200**						200	**200**
Planned Maintenance / Enhancements - Car Parks	38	36	38	35	**147**						147	**147**
Total Community Services	**205**	**203**	**205**	**202**	**815**	**0**	**0**	**0**	**0**	**0**	**815**	**815**

Appendix C

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

General Fund

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 GENERAL FUND	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Leisure Contracts												
Kingfisher Leisure Centre - changing room replacement	550	0	0	0	**550**						550	**550**
Kingfisher Leisure Centre - plant and other capital	0	145	40	0	**185**						185	**185**
Hadleigh Sports and Swimming Pool - general	50	0	0	0	**50**						50	**50**
Total Leisure Contracts	**600**	**145**	**40**	**0**	**785**	**0**	**0**	**0**	**0**	**0**	**785**	**785**
Capital Projects												
Planned Maint / Enhancements - Hadleigh HQ	35	0	0	0	**35**						35	**35**
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	**192**						192	**192**
Carbon Reduction	50	50	50	50	**200**						200	**200**
Total Capital Projects	**133**	**98**	**98**	**98**	**427**	**0**	**0**	**0**	**0**	**0**	**427**	**427**
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	**11,892**						11,892	**11,892**
Total Investment and Commercial Delivery	**2,973**	**2,973**	**2,973**	**2,973**	**11,892**	**0**	**0**	**0**	**0**	**0**	**11,892**	**11,892**
Corporate Resources												
ICT - Hardware / Software costs	763	200	200	200	**1,363**	700					663	**1,363**
Total Corporate Resources	**763**	**200**	**200**	**200**	**1,363**	**700**	**0**	**0**	**0**	**0**	**663**	**1,363**
Total General Fund Capital Spend	**5,349**	**4,464**	**4,361**	**4,319**	**18,492**	**700**	**0**	**0**	**1,168**	**0**	**16,624**	**18,492**

Appendix C

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

HRA

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 HOUSING REVENUE ACCOUNT	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Housing Maintenance												
Planned maintenance	4,288	6,155	5,226	5,690	**21,359**	212	14,852	6,295				**21,359**
ICT Projects	80	0	0	0	**80**		80	0				**80**
Environmental Improvements	50	120	85	50	**305**		135	170				**305**
Disabled Facilities work	200	200	200	200	**800**		400	400				**800**
Horticulture and play equipment	33	60	47	54	**194**		80	114				**194**
New build programme inc acquisitions	5,010	3,253	3,520	3,840	**15,623**	436	3,699	11,422	66			**15,623**
Total HRA Capital Spend	**9,661**	**9,788**	**9,078**	**9,834**	**38,361**	**648**	**19,246**	**18,401**	**66**	**0**	**0**	**38,361**

Appendix D

HRA Business Plan updated 2017 – 2022

Year	2017-18	2018-19	2019-20	2020-21	2021-22
£'000					
Total Income	**(16,759)**	**(16,604)**	**(16,474)**	**(16,745)**	**(17,035)**
EXPENDITURE:					
General Management	2,101	2,340	2,398	2,458	2,520
Special Management	1,116	1,144	1,173	1,202	1,232
Other Management	198	(68)	(128)	(197)	(275)
Bad Debt Provision	115	154	191	194	157
Responsive & Cyclical Repairs	2,141	2,218	2,330	2,448	2,602
Total Revenue Expenditure	**5,672**	**5,788**	**5,964**	**6,106**	**6,237**
Interest Paid	2,803	2,776	2,727	2,692	2,662
Interest Received	(16)	(111)	(112)	(73)	(59)
Depreciation	2,721	2,721	2,721	2,721	2,789
Net Operating Income	**(5,579)**	**(5,430)**	**(5,173)**	**(5,298)**	**(5,407)**
APPROPRIATIONS:					
Revenue Provision (HRACFR)	500	500	-	-	-
Revenue Contribution to Capital	5,605	4,326	7,276	7,492	4,323
Total Appropriations	**6,105**	**4,826**	**7,276**	**7,492**	**4,323**
ANNUAL CASHFLOW	**526**	**(604)**	**2,103**	**2,194**	**(1,084)**
Opening Balance	(7,536)	(7,010)	(7,614)	(5,511)	(3,317)
Closing Balance	**(7,010)**	**(7,614)**	**(5,511)**	**(3,317)**	**(4,402)**

<u>Section 25 report on the robustness of estimates and adequacy of reserves</u>

1. Background

1.1 Section 25 of the Local Government Act 2003 requires Councils, when setting its annual General Fund Budget and level of Council Tax, to take account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This report fulfils that requirement for the setting of the Budget and Council Tax for 2017/18.

1.2 This is to ensure that when deciding on its Budget for a financial year, Members are made aware of any issues of risk and uncertainty, or any other concerns by the Chief Financial Officer (CFO). The local authority is also expected to ensure that its budget provides for a prudent level of reserves to be maintained.

1.3 The CFO has assessed that the minimum safe contingency level of unearmarked General Fund working balance/general reserve is £1.2m (the same figure as 2016/17).

1.4 Section 26 of the Act empowers the Secretary of State to set a minimum level of reserves for which a local authority must provide in setting its budget. Section 26 would only be invoked as a fallback in circumstances in which a local authority does not act prudently, disregards the advice of its CFO and is heading for financial difficulty. The Section 151 Officer and Members, therefore have a responsibility to ensure in considering the Budget that:

- It is realistic and achievable and that appropriate arrangements have been adopted in formulating it
- It is based on clearly understood and sound assumptions and links to the delivery of the Council's strategic priorities
- It includes an appropriate statement on the use of reserves and the adequacy of these.

2. Basis of Advice for Section 25 Report

2.1 In forming the advice for this year's Section 25 report, the CFO has considered the following:

- The requirement established in the Council's Medium Term Financial Strategy (MTFS) to ensure that a safe contingency level of reserves is maintained
- The degree to which the Council's financial plans are aligned to the Council's statutory obligations, local priorities and policy objectives
- The adequacy of the information systems underpinning the Council's financial management processes
- Risks associated with the Council's activities, as identified within the Significant Business Risks Register

- The level of earmarked reserves and unearmarked reserves within the General Fund and the degree to which uncertainties exist within the proposed 2017/18 budget.

3. Robustness of Estimates

3.1 In terms of the overall approach to financial planning and setting the budget, the following aspects increase confidence in the robustness of estimates:

- Cost pressures and variations in key areas of income and expenditure have been carefully considered and reflected in the Budget
- Key assumptions have been made and updated during the Budget process to reflect the changing economic position and latest information
- Existing and new risks and uncertainties have been identified and carefully considered
- Detailed scrutiny, review and challenge of budgets by finance officers, Assistant Directors and Corporate Managers
- The Scrutiny Committee has reviewed the proposed Budget for 2017/18 and their views are provided with the Budget report.

3.2 No Budget can, however, be completely free from risk and these are still prevalent in the ongoing financial climate. Babergh's integration and transformation plans (with Mid Suffolk) also require assumptions to be made. This means that the Budget will always have a certain amount of uncertainty. The following are the main areas identified:

- **Government Funding** - The Council's funding now includes a reliance on business rates income and other 'incentivised' funding such as the New Homes Bonus. Councils currently retain 50% of the business rates that are collected, this will increase to 100% from 2020 along with devolved responsibilities, the details of which are still to be announced. The risks of bad debts and other losses on collection as well as the impact of rating appeals and revaluation from April 2017 may affect the Council's income. An allowance has been made for these, but the actual amount of income could be higher or lower than this. The Council has included the amount reflected in the Government's 'baseline assessment', plus an element from being part of the Suffolk Pool in the 2017/18 Budget, but the actual amount of income could be lower - or higher (High Risk)
- **Welfare Reforms, Benefits and Council Tax Reductions** –The Budget for 2017/18 assumes that current caseloads will continue throughout next year. The impact of the introduction of Universal Credit on the Shared Revenues Partnership workload is still largely unknown. Further roll-out will take place during 2017/18. (Medium Risk)
- **Capital Financing Costs** - These are influenced by variable factors such as cash flow, variations in the capital programme, interest rates, availability of capital receipts and other sources of capital funding and borrowing/financing costs. (Medium Risk)

- **Income** - Whilst the Budget for 2017/18 has been prepared on the basis of trying to ensure that income estimates are realistic and achievable, with specific allowances for increased or reduced income on specific services, it is unknown as to how the economy and customer demand will fare during next year. Income has been included from the Capital Investment Fund following agreement by Council to establish the company structure, but the timing of investments in 2017/18 is still unknown. The amounts included in the Budget are therefore uncertain and variances may occur. (Medium Risk)
- **Inflation and Other Cost Pressures** – Allowances for inflation have been made on some budgets including major contracts, where there is a contractual requirement to do so. (Low Risk)

3.3 Taking all of the above into consideration, the Section 151 Officer's opinion is that the Council's Budget and estimates are reasonable but cannot be absolutely robust, so a full assurance cannot be given that there will be no unforeseen adverse variances. This is an expected and acceptable situation for any organisation that is dealing with a large number of variables and going through a transformation programme. Also, the general economic situation continues to impact on expenditure and income. Provided that the minimum safe level of reserves is maintained, any variations arising as a result of lack of robustness in the estimates should be manageable.

4 Adequacy of Reserves

4.1 There is no available guidance on the minimum level of reserves that should be maintained. Each authority should determine a prudent level of reserves based upon their own circumstances, risk and uncertainties. Regard has been had to guidance that has been issued to CFO's and the risks and uncertainties faced.

4.2 The Medium Term Financial Strategy (MTFS) states that the Council is required to maintain adequate financial reserves to meet the needs of the authority. This is the General Reserve and provides a safe level of contingency.

4.3 The CFO's opinion is that the minimum level of unearmarked reserves should, for the time being, be maintained at the current level of £1.15m without increasing the risk to the Council. This represents 12% of the annual General Fund Budget, which is relatively low compared to a number of councils but is seen as acceptable, so no action is required as part of the 2017/18 Budget. This is partly based on the understanding that there are further sums available in earmarked reserves that will not be fully spent during 2017/18 as set out below.

4.4 Levels of earmarked reserves (excluding those relating to the Housing Revenue Account, but including the Transformation Fund) are forecast to be £3.7m as at 31 March 2018. The level of earmarked reserves as at the 31 March 2018 will depend on the extent to which the New Homes Bonus money that is transferred to the Transformation Fund is spent in 2017/18. The Transformation Fund is supporting the delivery of the Council's Joint Strategic Plan in 2017/18.

5. Background Documents

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

Katherine Steel
Assistant Director, Corporate Resources
(Chief Financial Officer / Section 151 Officer)

Budget, Funding and Council Tax Requirements

1. The precept requirements of Parish / Town Councils must be aggregated with the requirement of this authority to arrive at an average Council Tax figure for the district / parish purposes. This figure however is totally hypothetical and will not be paid by any taxpayer (other than by coincidence). A schedule of the precept requirements from Parish / Town Councils will be reported to Council on 21 February.

2. The County and the Police and Crime Commissioner's precept requirements are added to this.

3. The legally required calculation is set out below:

   1) The General Fund Budget requirement for the District Council purposes in 2017/18 will be £153.86, based on an increase to Council Tax of 10p per week for a Band D property which is the equivalent to 3.4%. The Council plans to take advantage of the fact that it can raise council tax by £5 without the need for a referendum because it is in the lowest quartile nationally.

   2) The County Council precept requirement is still to be determined, but is likely to be £1,183.50 for a Band D property in 2017/18, an increase of 3%.

   3) The Police and Crime Commissioner's precept requirement is increasing by 1.97% to £176.85.

   4) At the time of preparing this report, not all Parish / Town Councils have supplied formal notification of their 2017/18 precept. These are highlighted in yellow at Appendix F. The final figures will be reported to Council**.**

4. Babergh is a billing authority and collects council tax and non-domestic rates on behalf of the other precepting authorities i.e. Suffolk County Council, Suffolk Police and Crime Commissioner and Parish / Town Councils. The dates that monies collected are paid over to the County Council, and the Police and Crime Commissioner ("precept dates") need to be formally agreed under Regulation 5(i) of the Local Authorities (Funds) (England) Regulations 1992.

5. Established practice is for payments to be made in 12 equal instalments on the 15^{th} of each month or the next banking day if the 15^{th} falls on a weekend or bank holiday. Accordingly the precept dates applicable for 2017/18 are expected to be as follows:

18 April 2017	15 May 2017	15 June 2017	17 July 2017
15 August 2017	15 September 2017	16 October 2017	15 November 2017
15 December 2017	15 January 2018	15 February 2018	15 March 2018

Appendix F

Budget and Council Tax Resolutions 2017/18

Summary of Budget 2017/18

	2017/18 Budget Requirement £	**2017/18 Council Tax at Band D £**	**2016/17 Budget Requirement £**
Babergh District Council General Fund Budget Requirement - District Council Purposes	7,852,508	241.70	8,089,663
Parish/Town Council Precepts (net of Council Tax Support Scheme grant)	2,546,886	78.39	2,423,167
	10,399,394	**320.09**	**10,512,830**
Settlement Funding from Government	(2,610,052)	(80.34)	(2,995,306)
Rural Services Delivery Grant	(181.970)	(5.60)	(80,000)
Transition Grant	(22,492)	(0.69)	(225,363)
Collection Fund Surplus	(39,750)	(1.22)	(22,492)
Babergh's basic amount under section 33 of the 1992 Local Government Act	**7,545,130**	**232.24**	**7,189,669**
LESS Parish/Town Council Precepts	(2,546,886)	(78.39)	(2,423,167)
Basic amount under s.34 of the 1992 Act for dwellings to which no special items relate	**4,998,244**	**153.86**	**4,766,502**
Suffolk County Council Precept Requirement	38,450,625	1,183.50	36,791,975
Suffolk Police and Crime Commissioner's Requirement	5,745,664	176.85	5,553,234
Basic amount for areas where there are no special items.	**49,194,533**	**1,514.21**	**47,111,711**

Council Tax Resolution 2017/18

1. It is a requirement for the billing authority to calculate a council tax requirement for the year as opposed to its budget requirement.

2. It be noted that the Council, as delegated to the Section 151 Officer, calculated the taxbase:

   a) for the whole Council area as 32,488.91 and,

   b) for dwellings in those parts of its area to which a Parish precept relates as further in Appendix F.

3. The council tax requirement for the Council's own purposes for 2017/18 (excluding Parish precepts) is £4,998,244.

4. That the following amounts be calculated for the year 2017/18 in accordance with Sections 31 to 36 of the Act:

a)	55,493,725	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A)(2) of the Act taking into account all precepts issued to it by Parish Councils (gross expenditure)
b)	(47,948,095)	Being the aggregate of the amounts which the Council estimates for items set out in Section 31(A)(3) of the Act (gross income)
c)	7,545,130	Being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the Council, in accordance with Section 31A(4) of the Act, as its council tax requirement for the year. (Item R in the formula in Section 31A(4) of the Act) (net expenditure)
d)	232.24	Being the amount at 4(c) above (item R) all divided by item T (2 above), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year (including Parish precepts) (average council tax)
e)	2,546,886	Being the aggregate amount of all special items (Parish precepts) referred to in Section 34(1) of the Act (as per Appendix F)
f)	153.86	Being the amount at 4(d) above less the result given by dividing the amount at 4(e) above by item T (1(a) above) calculated by the Council, in accordance with Section 34(2) of the Act, as the basic amount of its council tax for the year for dwellings in those parts of its area to which no Parish precept relates (basic council tax)

5. To note that Suffolk County Council and the Police and Crime Commissioner have issued precepts to the Council in accordance with section 40 of the Local Government Finance Act 1992 for each category of dwellings in the Council's area as indicated in Section 7 below.

6. That the Council in accordance with Sections 30 and 36 of the Local Government Finance Act 1992, hereby sets the aggregate amounts shown in

the table below and further in Appendix F as the amounts of council tax for 2017/18 for each part of its area and for each of the categories of dwellings.

7. Since Strategy Committee on 9 February 2017, the precept levels of other precepting bodies have been received. These are detailed below;

a) Suffolk County Council

Suffolk County Council met on 9 February 2017 and set their precept at £38,450,625, this includes an adjustment for the Collection Fund contribution of £203,405. This results in a Band D council tax of £1,183.50.

b) Suffolk Police and Crime Commissioner

The Police and Crime Commissioner has set their precept at £5,745,664, adjusted by a Collection Fund contribution of £30,700. This results in a Band D council tax of £176.85

c) Babergh District Council

The General Fund council tax requirement for Babergh District Council is based on an increase in council tax from £148.86 to £153.86 for a Band D property.

d) Aggregated council tax requirement

The aggregated council tax requirement for Suffolk County Council, Suffolk Police and Crime Commissioner and Babergh District Council results in a Band D council tax of £1,514.21.

	Suffolk County Council	Police and Crime Commissioner	Babergh District Council	Aggregated Council Tax requirement
Valuation Bands	£	£	£	£
A	789.00	117.90	102.57	1,009.47
B	920.50	137.55	119.67	1,177.72
C	1,052.00	157.20	136.76	1,345.96
D	1,183.50	176.85	153.86	1,514.21
E	1,446.50	216.15	188.05	1,850.70
F	1,709.50	255.45	222.24	2,187.19
G	1,972.50	294.75	256.43	2,523.68
H	2,367.00	353.70	307.72	3,028.42

8. The Town and Parish Council Precepts for 2017/18 are detailed further in Appendix F and total £2,546,886. The increase in the average Band D for Town and Parish Councils is 3.6% and results in an average Band D council tax figure of £78.39 for 2017/18.

Appendix F

Council Taxbase for Parishes and District – 2017/18

Parish	COUNCIL TAX BASE 16/17	COUNCIL TAX BASE 17/18	% Change
Acton	612.98	628.19	2.42%
Aldham	82.54	81.76	-0.95%
Alpheton	107.24	107.48	0.22%
Erwarton	54.14	55.41	2.29%
Assington	171.81	173.40	0.92%
Belstead	86.88	87.35	0.54%
Bentley	322.10	325.62	1.08%
Bildeston	359.70	368.27	2.33%
Boxford	495.42	538.06	7.92%
Boxted	55.84	52.78	-5.80%
Brantham	855.78	862.77	0.81%
Brent Eleigh	82.36	78.88	-4.41%
Brettenham	120.17	124.18	3.23%
Bures St Mary	405.99	408.89	0.71%
Burstall	93.25	96.38	3.25%
Capel St Mary	1,114.08	1,126.40	1.09%
Chattisham	82.10	85.18	3.62%
Chelmondiston	398.14	403.24	1.26%
Chelsworth	84.82	84.27	-0.65%
Chilton	144.61	147.32	1.84%
Cockfield	368.46	373.72	1.41%
Copdock & Washbrook	420.80	427.57	1.58%
East Bergholt	1,103.70	1,120.05	1.46%
Edwardstone	164.97	164.92	-0.03%
Elmsett	306.65	307.43	0.25%
Freston	55.05	55.37	0.58%
Glemsford	1,212.64	1,229.10	1.34%
Great Cornard	2,614.62	2,694.20	2.95%
Great Waldingfield	601.82	607.09	0.87%
Great Wenham	56.36	56.86	0.88%
Groton	125.19	127.69	1.96%
Hadleigh	2,784.30	2,824.57	1.43%
Harkstead	111.95	117.33	4.59%
Hartest	224.47	226.98	1.11%
Higham	72.97	75.67	3.57%
Hintlesham	236.22	240.27	1.69%
Hitcham	291.48	294.46	1.01%
Holbrook	638.91	630.01	-1.41%

Parish	COUNCIL TAX BASE 16/17	COUNCIL TAX BASE 17/18	% Change
Holton St Mary	96.96	101.76	4.72%
Kersey	181.25	183.47	1.21%
Kettlebaston	36.57	38.81	5.77%
Lavenham	843.76	859.10	1.79%
Lawshall	360.46	361.05	0.16%
Layham	240.04	251.13	4.42%
Leavenheath	585.21	586.09	0.15%
Lindsey	83.93	86.52	2.99%
Little Cornard	143.23	141.26	-1.39%
Little Waldingfield	145.75	143.79	-1.36%
Little Wenham	20.62	19.71	-4.62%
Long Melford	1,380.04	1,412.50	2.30%
Milden	54.93	54.86	-0.13%
Monks Eleigh	238.87	240.90	0.84%
Nayland with Wissington	509.77	516.15	1.24%
Nedging with Naughton	162.89	171.68	5.12%
Newton	205.36	208.13	1.33%
Pinewood	1,408.28	1,419.39	0.78%
Polstead	379.77	381.37	0.42%
Preston St Mary	95.01	100.12	5.10%
Raydon	204.24	203.85	-0.19%
Semer	65.81	67.10	1.92%
Shelley	31.07	31.89	2.57%
Shimpling	184.02	182.47	-0.85%
Shotley	721.51	723.93	0.33%
Somerton	40.32	41.42	2.66%
Sproughton	544.48	556.23	2.11%
Stanstead	146.74	148.84	1.41%
Stoke by Nayland	294.72	296.53	0.61%
Stratford St Mary	313.16	319.04	1.84%
Stutton	330.92	331.07	0.05%
Sudbury	4,144.38	4,167.38	0.55%
Tattingstone	222.40	221.13	-0.57%
Thorpe Morieux	108.88	113.86	4.37%
Wattisham	43.79	43.63	-0.37%
Whatfield	121.36	139.42	12.95%
Wherstead	111.90	114.38	2.17%
Woolverstone	97.12	99.83	2.71%
	32,020.03	**32,488.91**	**1.44%**

Appendix F

Precepts and Council Tax Band D for Parishes

Parish	2016/17 Parish Precept	Tax Base	Council Tax Band D	2017/18 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Acton	44,822.58	612.98	73.12	45,000.00	628.19	71.63	-1.49
Aldham	1,144.00	82.54	13.86	1,210.00	81.76	14.80	0.94
Alpheton	2,989.00	107.24	27.87	3,091.00	107.48	28.76	0.89
Erwarton	-	54.14	-	-	55.41	-	0.00
Assington	7,568.00	171.81	44.05	7,800.00	173.40	44.98	0.93
Belstead	7,000.00	86.88	80.57	7,000.00	87.35	80.14	-0.43
Bentley	14,000.00	322.10	43.46	14,500.00	325.62	44.53	1.07
Bildeston	19,625.00	359.70	54.56	21,095.00	368.27	57.28	2.72
Boxford	33,847.00	495.42	68.32	37,127.00	538.06	69.00	0.68
Boxted	400.00	55.84	7.16	400.00	52.78	7.58	0.42
Brantham	43,260.00	855.78	50.55	44,485.00	862.77	51.56	1.01
Brent Eleigh	2,000.00	82.36	24.28	2,100.00	78.88	26.62	2.34
Brettenham	4,150.00	120.17	34.53	4,290.00	124.18	34.55	0.01
Bures St Mary	26,435.00	405.99	65.11	26,435.00	408.89	64.65	-0.46
Burstall	4,456.00	93.25	47.79	4,545.12	96.38	47.16	-0.63
Capel St Mary	81,002.00	1,114.08	72.71	83,113.00	1,126.40	73.79	1.08
Chattisham	1,512.68	82.10	18.42	1,565.67	85.18	18.38	-0.04
Chelmondiston	24,430.00	398.14	61.36	24,430.00	403.24	60.58	-0.78
Chelsworth	900.00	84.82	10.61	900.00	84.27	10.68	0.07
Chilton	7,579.00	144.61	52.41	7,721.00	147.32	52.41	-0.00
Cockfield	32,000.00	368.46	86.85	33,432.00	373.72	89.46	2.61
Copdock & Washbrook	23,333.30	420.80	55.45	24,032.00	427.57	56.21	0.76
East Bergholt	85,000.00	1,103.70	77.01	124,000.00	1,120.05	110.71	33.70
Edwardstone	5,625.00	164.97	34.10	5,625.00	164.92	34.11	0.01
Elmsett	9,700.00	306.65	31.63	10,000.00	307.43	32.53	0.90
Freston	800.00	55.05	14.53	800.00	55.37	14.45	-0.08
Glemsford	90,441.00	1,212.64	74.58	92,159.00	1,229.10	74.98	0.40
Great Cornard	197,639.00	2,614.62	75.59	207,727.00	2,694.20	77.10	1.51
Great Waldingfield	45,060.00	601.82	74.87	45,450.00	607.09	74.87	-0.01
Great Wenham	-	56.36	-	-	56.86	-	0.00
Groton	4,149.00	125.19	33.14	4,149.00	127.69	32.49	-0.65
Hadleigh	294,364.00	2,784.30	105.72	312,990.00	2,824.57	110.81	5.09
Harkstead	2,500.00	111.95	22.33	2,500.00	117.33	21.31	-1.02
Hartest	10,589.00	224.47	47.17	10,921.00	226.98	48.11	0.94
Higham	-	72.97	-	-	75.67	-	0.00
Hintlesham	4,352.32	236.22	18.42	4,416.33	240.27	18.38	-0.04
Hitcham	6,550.00	291.48	22.47	6,550.00	294.46	22.24	-0.23
Holbrook	24,000.00	638.91	37.56	25,000.00	630.01	39.68	2.12
Holton St Mary	4,590.00	96.96	47.34	4,722.00	101.76	46.40	-0.94

Appendix F

Precepts and Council Tax Band D for Parishes

Parish	2016/17 Parish Precept	Tax Base	Council Tax Band D	2017/18 Parish Precept	Tax Base	Council Tax Band D	Increase / Decrease (-)
	£		£	£		£	£
Kersey	6,786.00	181.25	37.44	7,340.00	183.47	40.01	2.57
Kettlebaston	1,050.00	36.57	28.71	2,200.00	38.81	56.69	27.97
Lavenham	68,000.00	843.76	80.59	69,000.00	859.10	80.32	-0.28
Lawshall	7,624.00	360.46	21.15	7,853.00	361.05	21.75	0.60
Layham	10,000.00	240.04	41.66	10,500.00	251.13	41.81	0.15
Leavenheath	19,084.00	585.21	32.61	19,494.00	586.09	33.26	0.65
Lindsey	2,221.00	83.93	26.46	2,720.00	86.52	31.44	4.98
Little Cornard	5,000.00	143.23	34.91	4,931.38	141.26	34.91	0.00
Little Waldingfield	8,000.00	145.75	54.89	8,250.00	143.79	57.38	2.49
Little Wenham	-	20.62	-	-	19.71	-	0.00
Long Melford	119,843.88	1,380.04	86.84	122,281.88	1,412.50	86.57	-0.27
Milden	907.15	54.93	16.51	925.29	54.86	16.87	0.35
Monks Eleigh	17,621.00	238.87	73.77	17,713.00	240.90	73.53	-0.24
Nayland with Wissington	32,646.00	509.77	64.04	33,682.00	516.15	65.26	1.22
Nedging with Naughton	4,650.00	162.89	28.55	4,922.00	171.68	28.67	0.12
Newton	9,380.00	205.36	45.68	10,000.00	208.13	48.05	2.37
Pinewood	135,081.79	1,408.28	95.92	141,835.88	1,419.39	99.93	4.01
Polstead	18,210.00	379.77	47.95	18,286.00	381.37	47.95	-0.00
Preston St Mary	4,300.00	95.01	45.26	4,700.00	100.12	46.94	1.69
Raydon	15,400.00	204.24	75.40	15,400.00	203.85	75.55	0.14
Semer	800.00	65.81	12.16	800.00	67.10	11.92	-0.23
Shelley	-	31.07	-	-	31.89	-	0.00
Shimpling	6,762.60	184.02	36.75	7,001.32	182.47	38.37	1.62
Shotley	55,955.00	721.51	77.55	57,172.00	723.93	78.97	1.42
Somerton	420.00	40.32	10.42	420.00	41.42	10.14	-0.28
Sproughton	49,110.00	544.48	90.20	50,139.00	556.23	90.14	-0.06
Stanstead	8,160.00	146.74	55.61	8,322.00	148.84	55.91	0.30
Stoke by Nayland	11,750.00	294.72	39.87	12,100.00	296.53	40.81	0.94
Stratford St Mary	15,800.00	313.16	50.45	15,800.00	319.04	49.52	-0.93
Stutton	11,600.00	330.92	35.05	11,120.00	331.07	33.59	-1.47
Sudbury	588,212.00	4,144.38	141.93	609,221.00	4,167.38	146.19	4.26
Tattingstone	9,180.00	222.40	41.28	9,650.00	221.13	43.64	2.36
Thorpe Morieux	1,800.00	108.88	16.53	1,800.00	113.86	15.81	-0.72
Wattisham	1,500.00	43.79	34.25	1,525.00	43.63	34.95	0.70
Whatfield	3,231.00	121.36	26.62	3,231.00	139.42	23.17	-3.45
Wherstead	2,650.00	111.90	23.68	2,650.00	114.38	23.17	-0.51
Woolverstone	2,619.00	97.12	26.97	2,619.00	99.83	26.23	-0.73
Total	**2,423,167.30**	**32,020.03**	**75.68**	**2,546,885.87**	**32,488.91**	**78.39**	**2.72**

Appendix F

Precept for each banding by Parish

	Valuation Bands							
	A	B	C	D	E	F	G	H
Babergh District Council	102.57	119.67	136.76	153.86	188.05	222.24	256.43	307.72
Suffolk County Council	789.00	920.50	1,052.00	1,183.50	1,446.50	1,709.50	1,972.50	2,367.00
Police and Crime Commissioner	117.90	137.55	157.20	176.85	216.15	255.45	294.75	353.70
Aggregate of Council Tax Requirements	**1,009.47**	**1,177.72**	**1,345.96**	**1,514.21**	**1,850.70**	**2,187.19**	**2,523.68**	**3,028.42**

Parish	Total Amount of Council Tax for 2017/18							
	6/9 ths	7/9 ths	8/9 ths		11/9 ths	13/9 ths	15/9 ths	18/9 ths
	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Acton	1,057.23	1,233.43	1,409.64	1,585.84	1,938.25	2,290.66	2,643.07	3,171.68
Aldham	1,019.34	1,189.23	1,359.12	1,529.01	1,868.79	2,208.57	2,548.35	3,058.02
Alpheton	1,028.65	1,200.09	1,371.53	1,542.97	1,885.85	2,228.73	2,571.62	3,085.94
Erwarton	1,009.47	1,177.72	1,345.96	1,514.21	1,850.70	2,187.19	2,523.68	3,028.42
Assington	1,039.46	1,212.70	1,385.95	1,559.19	1,905.68	2,252.16	2,598.65	3,118.38
Belstead	1,062.90	1,240.05	1,417.20	1,594.35	1,948.65	2,302.95	2,657.25	3,188.70
Bentley	1,039.16	1,212.35	1,385.55	1,558.74	1,905.13	2,251.51	2,597.90	3,117.48
Bildeston	1,047.66	1,222.27	1,396.88	1,571.49	1,920.71	2,269.93	2,619.15	3,142.98
Boxford	1,055.47	1,231.39	1,407.30	1,583.21	1,935.03	2,286.86	2,638.68	3,166.42
Boxted	1,014.53	1,183.61	1,352.70	1,521.79	1,859.97	2,198.14	2,536.32	3,043.58
Brantham	1,043.85	1,217.82	1,391.80	1,565.77	1,913.72	2,261.67	2,609.62	3,131.54
Brent Eleigh	1,027.22	1,198.42	1,369.63	1,540.83	1,883.24	2,225.64	2,568.05	3,081.66
Brettenham	1,032.51	1,204.59	1,376.68	1,548.76	1,892.93	2,237.10	2,581.27	3,097.52
Bures St Mary	1,052.57	1,228.00	1,403.43	1,578.86	1,929.72	2,280.58	2,631.43	3,157.72
Burstall	1,040.91	1,214.40	1,387.88	1,561.37	1,908.34	2,255.31	2,602.28	3,122.74
Capel St Mary	1,058.67	1,235.11	1,411.56	1,588.00	1,940.89	2,293.78	2,646.67	3,176.00
Chattisham	1,021.73	1,192.01	1,362.30	1,532.59	1,873.17	2,213.74	2,554.32	3,065.18
Chelmondiston	1,049.86	1,224.84	1,399.81	1,574.79	1,924.74	2,274.70	2,624.65	3,149.58
Chelsworth	1,016.59	1,186.03	1,355.46	1,524.89	1,863.75	2,202.62	2,541.48	3,049.78
Chilton	1,044.41	1,218.48	1,392.55	1,566.62	1,914.76	2,262.90	2,611.03	3,133.24
Cockfield	1,069.11	1,247.30	1,425.48	1,603.67	1,960.04	2,316.41	2,672.78	3,207.34
Copdock & Washbrook	1,046.95	1,221.44	1,395.93	1,570.42	1,919.40	2,268.38	2,617.37	3,140.84
East Bergholt	1,083.28	1,263.83	1,444.37	1,624.92	1,986.01	2,347.11	2,708.20	3,249.84
Edwardstone	1,032.21	1,204.25	1,376.28	1,548.32	1,892.39	2,236.46	2,580.53	3,096.64
Elmsett	1,031.16	1,203.02	1,374.88	1,546.74	1,890.46	2,234.18	2,577.90	3,093.48
Freston	1,019.11	1,188.96	1,358.81	1,528.66	1,868.36	2,208.06	2,547.77	3,057.32
Glemsford	1,059.46	1,236.04	1,412.61	1,589.19	1,942.34	2,295.50	2,648.65	3,178.38
Great Cornard	1,060.87	1,237.69	1,414.50	1,591.31	1,944.93	2,298.56	2,652.18	3,182.62
Great Waldingfield	1,059.39	1,235.95	1,412.52	1,589.08	1,942.21	2,295.34	2,648.47	3,178.16
Great Wenham	1,009.47	1,177.72	1,345.96	1,514.21	1,850.70	2,187.19	2,523.68	3,028.42
Groton	1,031.13	1,202.99	1,374.84	1,546.70	1,890.41	2,234.12	2,577.83	3,093.40
Hadleigh	1,083.35	1,263.90	1,444.46	1,625.02	1,986.14	2,347.25	2,708.37	3,250.04
Harkstead	1,023.68	1,194.29	1,364.91	1,535.52	1,876.75	2,217.97	2,559.20	3,071.04
Hartest	1,041.55	1,215.14	1,388.73	1,562.32	1,909.50	2,256.68	2,603.87	3,124.64
Higham	1,009.47	1,177.72	1,345.96	1,514.21	1,850.70	2,187.19	2,523.68	3,028.42
Hintlesham	1,021.73	1,192.01	1,362.30	1,532.59	1,873.17	2,213.74	2,554.32	3,065.18
Hitcham	1,024.30	1,195.02	1,365.73	1,536.45	1,877.88	2,219.32	2,560.75	3,072.90
Holbrook	1,035.93	1,208.58	1,381.24	1,553.89	1,899.20	2,244.51	2,589.82	3,107.78

Appendix F

Precept for each banding by Parish

	Valuation Bands							
	A	B	C	D	E	F	G	H
Babergh District Council	102.57	119.67	136.76	153.86	188.05	222.24	256.43	307.72
Suffolk County Council	789.00	920.50	1,052.00	1,183.50	1,446.50	1,709.50	1,972.50	2,367.00
Police and Crime Commissioner	117.90	137.55	157.20	176.85	216.15	255.45	294.75	353.70
Aggregate of Council Tax Requirements	**1,009.47**	**1,177.72**	**1,345.96**	**1,514.21**	**1,850.70**	**2,187.19**	**2,523.68**	**3,028.42**
Holton St Mary	1,040.41	1,213.81	1,387.21	1,560.61	1,907.41	2,254.21	2,601.02	3,121.22
Kersey	1,036.14	1,208.83	1,381.52	1,554.21	1,899.59	2,244.97	2,590.35	3,108.42
Kettlebaston	1,047.27	1,221.81	1,396.36	1,570.90	1,919.99	2,269.08	2,618.17	3,141.80
Lavenham	1,063.02	1,240.19	1,417.36	1,594.53	1,948.87	2,303.21	2,657.55	3,189.06
Lawshall	1,023.97	1,194.64	1,365.30	1,535.96	1,877.28	2,218.61	2,559.93	3,071.92
Layham	1,037.35	1,210.24	1,383.13	1,556.02	1,901.80	2,247.58	2,593.37	3,112.04
Leavenheath	1,031.65	1,203.59	1,375.53	1,547.47	1,891.35	2,235.23	2,579.12	3,094.94
Lindsey	1,030.43	1,202.17	1,373.91	1,545.65	1,889.13	2,232.61	2,576.08	3,091.30
Little Cornard	1,032.75	1,204.87	1,377.00	1,549.12	1,893.37	2,237.62	2,581.87	3,098.24
Little Waldingfield	1,047.73	1,222.35	1,396.97	1,571.59	1,920.83	2,270.07	2,619.32	3,143.18
Little Wenham	1,009.47	1,177.72	1,345.96	1,514.21	1,850.70	2,187.19	2,523.68	3,028.42
Long Melford	1,067.19	1,245.05	1,422.92	1,600.78	1,956.51	2,312.24	2,667.97	3,201.56
Milden	1,020.72	1,190.84	1,360.96	1,531.08	1,871.32	2,211.56	2,551.80	3,062.16
Monks Eleigh	1,058.49	1,234.91	1,411.32	1,587.74	1,940.57	2,293.40	2,646.23	3,175.48
Nayland with Wissington	1,052.98	1,228.48	1,403.97	1,579.47	1,930.46	2,281.46	2,632.45	3,158.94
Nedging with Naughton	1,028.59	1,200.02	1,371.45	1,542.88	1,885.74	2,228.60	2,571.47	3,085.76
Newton	1,041.51	1,215.09	1,388.68	1,562.26	1,909.43	2,256.60	2,603.77	3,124.52
Pinewood	1,076.09	1,255.44	1,434.79	1,614.14	1,972.84	2,331.54	2,690.23	3,228.28
Polstead	1,041.44	1,215.01	1,388.59	1,562.16	1,909.31	2,256.45	2,603.60	3,124.32
Preston St Mary	1,040.77	1,214.23	1,387.69	1,561.15	1,908.07	2,254.99	2,601.92	3,122.30
Raydon	1,059.84	1,236.48	1,413.12	1,589.76	1,943.04	2,296.32	2,649.60	3,179.52
Semer	1,017.42	1,186.99	1,356.56	1,526.13	1,865.27	2,204.41	2,543.55	3,052.26
Shelley	1,009.47	1,177.72	1,345.96	1,514.21	1,850.70	2,187.19	2,523.68	3,028.42
Shimpling	1,035.05	1,207.56	1,380.07	1,552.58	1,897.60	2,242.62	2,587.63	3,105.16
Shotley	1,062.12	1,239.14	1,416.16	1,593.18	1,947.22	2,301.26	2,655.30	3,186.36
Somerton	1,016.23	1,185.61	1,354.98	1,524.35	1,863.09	2,201.84	2,540.58	3,048.70
Sproughton	1,069.57	1,247.83	1,426.09	1,604.35	1,960.87	2,317.39	2,673.92	3,208.70
Stanstead	1,046.75	1,221.20	1,395.66	1,570.12	1,919.04	2,267.95	2,616.87	3,140.24
Stoke by Nayland	1,036.68	1,209.46	1,382.24	1,555.02	1,900.58	2,246.14	2,591.70	3,110.04
Stratford St Mary	1,042.49	1,216.23	1,389.98	1,563.73	1,911.23	2,258.72	2,606.22	3,127.46
Stutton	1,031.87	1,203.84	1,375.82	1,547.80	1,891.76	2,235.71	2,579.67	3,095.60
Sudbury	1,106.93	1,291.42	1,475.91	1,660.40	2,029.38	2,398.36	2,767.33	3,320.80
Tattingstone	1,038.57	1,211.66	1,384.76	1,557.85	1,904.04	2,250.23	2,596.42	3,115.70
Thorpe Morieux	1,020.01	1,190.02	1,360.02	1,530.02	1,870.02	2,210.03	2,550.03	3,060.04
Wattisham	1,032.77	1,204.90	1,377.03	1,549.16	1,893.42	2,237.68	2,581.93	3,098.32
Whatfield	1,024.92	1,195.74	1,366.56	1,537.38	1,879.02	2,220.66	2,562.30	3,074.76
Wherstead	1,024.92	1,195.74	1,366.56	1,537.38	1,879.02	2,220.66	2,562.30	3,074.76
Woolverstone	1,026.96	1,198.12	1,369.28	1,540.44	1,882.76	2,225.08	2,567.40	3,080.88

Appendix G

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

2017/18 to 2020/21

February 2017

Contents

Foreword from the Leaders of the Councils

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

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

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

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

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

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

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

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

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

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

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

Cllr. Jennie Jenkins
Leader
Babergh District Council

Cllr. Nick Gowrley
Leader
Mid Suffolk District Council

1. Summary – Key Points

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

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

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

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

1.3 Key financial headlines:

- Funding through Revenue Support Grant from the Government, which currently stands at £0.5m for Babergh and £0.3m for Mid Suffolk, will reduce year on year and will disappear by 2019/20
- New Homes Bonus (NHB) is decreasing from £2.641m to £2.028m for Mid Suffolk and from £1.779m to £1.212m for Babergh.
- Due to annual cost pressures and other things that impact on the Budget of each Council, we estimate for Babergh a financial position ranging from a surplus of £0.3m to a shortfall of £1.8m by 2020/21. For Mid Suffolk, we estimate a financial position ranging from a surplus of £0.5m to a shortfall of £1.0m by 2020/21. Further detail is provided at section 6.3.

- Babergh's financial position is more reliant on NHB to achieve a balanced budget than Mid Suffolk's, so more action and intervention is likely to be needed to achieve financial sustainability in the medium term. Both Councils will, however, need to transform what they do as the funding changes will bring challenges for both Councils.
- Transformation Funds of £2.3m for Babergh and £8.9m for Mid Suffolk are available currently to invest in changing our business model and generate sustainable economic growth. Some money has been used in the last three years to make the change in our business model, but more needs to be done.
- New homes and sustainable economic growth will be vital in making a significant contribution towards the Budget gap
- Growth in Business Rates income and the Suffolk rates pooling arrangement could make an important contribution towards delivering the councils' strategic priorities and the financial strategy. Business rates income will become even more prominent from April 2017 with any devolution deal that can be negotiated for Suffolk and interested bordering councils, the revaluation in 2017 and 100% retention from 2020.
- An Assets and Investment Strategy & Prudential Borrowing strategy that develops a fund, which is based on 'Invest to Save' and 'Profit for Purpose' principles
- An overall strategy that focuses on providing new housing, jobs and sustainable economic growth by working with communities and other partners.
- Review of the Councils' assets to maximise social and financial return.

2. Purpose of the MTFS

2.1 This Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver the Councils' strategic priorities and essential services over the next 4 years. It sets out how the Councils can generate and use these resources within the financial context and constraints likely to be faced.

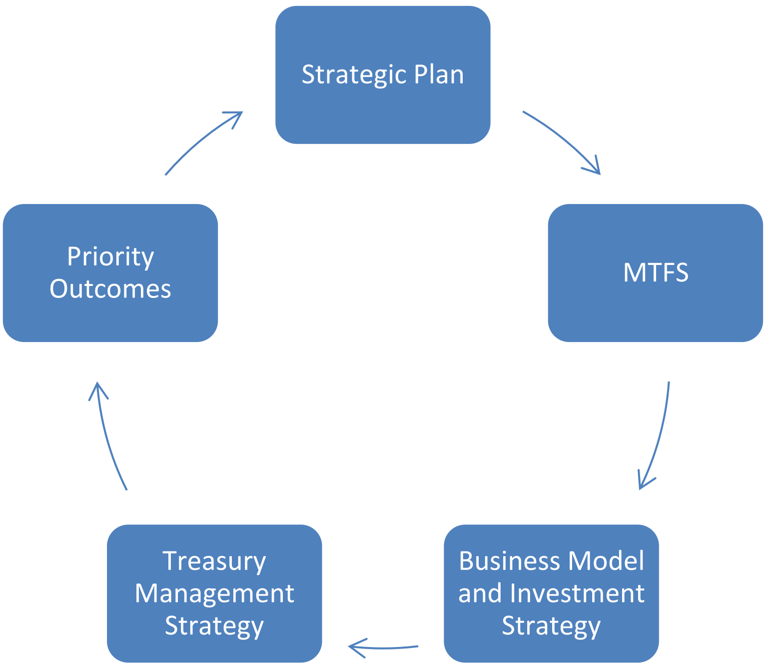
2.2 Like all local authorities, Babergh and Mid Suffolk's MTFS is influenced by national government policy, funding changes and Government spending announcements.

2.3 The Local Government Finance Settlement has published the figures for 2017/18 and indicative numbers to 2020/21. This MTFS therefore is based on these numbers and any other factors and uncertainties that will affect the overall strategy and detailed actions.

2.4 It must be stressed that we are two sovereign councils, with two separate budgets - as shown in the 'summary of our financial position' section of this document. There are, however similarities in our approach to meeting the financial challenges.

2.5 We are therefore working together to build common strategies, and to share learning from one another in designing new approaches, although how these approaches apply to the different localities and communities in Babergh and Mid Suffolk, may still vary.

2.6 There are key links between the MTFS and other plans and strategies and a coherent joined up approach to each of these is essential:



3. National Economic Context

The UK economy

3.1 The UK economy showed considerable momentum in the run up to the EU referendum, and has shown significant resilience since. The UK is forecast to be the fastest growing country in the G7 in 2016 and economic activity grew 2.3% in the year to Q3 2016. The employment rate is at a record high of 74.5%, and between 2009-10 and 2015-16 the deficit was reduced by almost two-thirds from 10.1% to 4.0% of GDP.

3.2 The UK is likely to face a period of uncertainty, followed by adjustment. Reflecting this, the Office for Budget Responsibility (OBR) forecasts that GDP growth will slow to 1.4% in 2017, and then recover to 1.7% in 2018, 2.1% in both 2019 and 2020, and 2.0% in 2021. The OBR expects lower business investment and household spending to weigh on GDP in the near term. Lower business investment is expected to exacerbate the long-standing weakness in UK productivity. The OBR highlights that there is a higher than usual degree of uncertainty in these forecasts.

3.3 CPI is forecast at 0.6% for 2016, 2.3% in 2017 and 2.5% in 2018, then falling to 2% by 2021.

3.4 The Bank of England’s Monetary Policy Committee (MPC) reduced the Bank Rate from 0.05% to 0.25% in August 2016 and announced a monetary stimulus package to support sustainable economic growth and achieve a sustainable return of inflation to target. The MPC extended the quantitative easing programme, and introduced a new Term Funding Scheme to enable banks to pass on the Bank Rate cut to businesses and households. The Bank of England will expand its purchases of UK government bonds by £60 billion, taking the stock of these asset purchases to £435 billion, and purchase up to £10 billion of corporate bonds, using newly created central bank reserves.

Government borrowing and spending

3.5 The UK’s public finances are in a much stronger position than in 2010 due to determined government action. However, the outlook for the public finances has deteriorated since Budget 2016, with disappointing tax revenues over the first half of this year, a weaker economic outlook weighing on receipts from income taxes, and higher spending by local authorities, public corporations, and on welfare benefits.

3.6 The government has announced they are continuing to focus on reducing the deficit in order to deliver a strong and stable economy. The 2016 Autumn Statement sets out the commitment to return public finances to balance, ensuring that the UK lives within its means. However, given the weaker growth outlook, and the period of uncertainty that is likely while the UK negotiates a new relationship with the EU, the government will no longer seek to reach a fiscal surplus in this Parliament.

3.7 The government's objective is to return the public finances to balance at the earliest possible date in the next Parliament. To ensure this objective is reached, the government has published a new Charter for Budget Responsibility. This commits to reducing the structural deficit to below 2% of GDP and to have debt falling as a percentage of GDP by the end of this Parliament. This new fiscal framework ensures the public finances continue on the path to sustainability, while providing the flexibility needed to support the economy in the near term.

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

The changing landscape of local government funding

3.9 The way that local government is funded has changed. The Government has introduced:

- Incentivised Funding - New Homes Bonus introduced in 2011
- The Business Rates Retention Scheme and Local Council Tax Reduction Scheme in April 2013
- Council Housing – the HRA self-financing regime, ending the housing subsidy system and giving more freedom and flexibilities to councils
- Introduction of devolution deals to some parts of the country that devolve additional responsibilities and funding from Government

3.10 Core funding from Revenue Support Grant (RSG) has been reducing year on year and will disappear by 2019/20. Councils are, therefore, becoming reliant on locally generated income and incentivised funding.

3.11 Council tax income continues to be the main source of funding, in total value, for councils. Decisions around freezes or any annual increases are an important part of the financial strategy.

3.12 Other key income sources are as follows and these funds are predicated on the two Councils following through on their growth strategy and policies:

- Business Rates Retention

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

In order to help manage this risk, and to maximise the potential amount of business rates that are retained within Suffolk, Suffolk County Council and each Suffolk district/borough council are part of a business rates pooling arrangement where a percentage of the business rates collected by each council goes into a single pool. The financial benefits are shared between councils and a proportion used to support collaborative ventures that will achieve sustainable economic growth in the region.

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

- New Homes Bonus

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

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

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

- Additional Income

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

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

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

The Strategy will provide the framework for the Councils' to jointly invest in commercial assets to generate long term revenue income streams, invest independently or jointly to deliver new homes, jobs and regenerate local areas and make best use of their own and the wider public sectors assets.

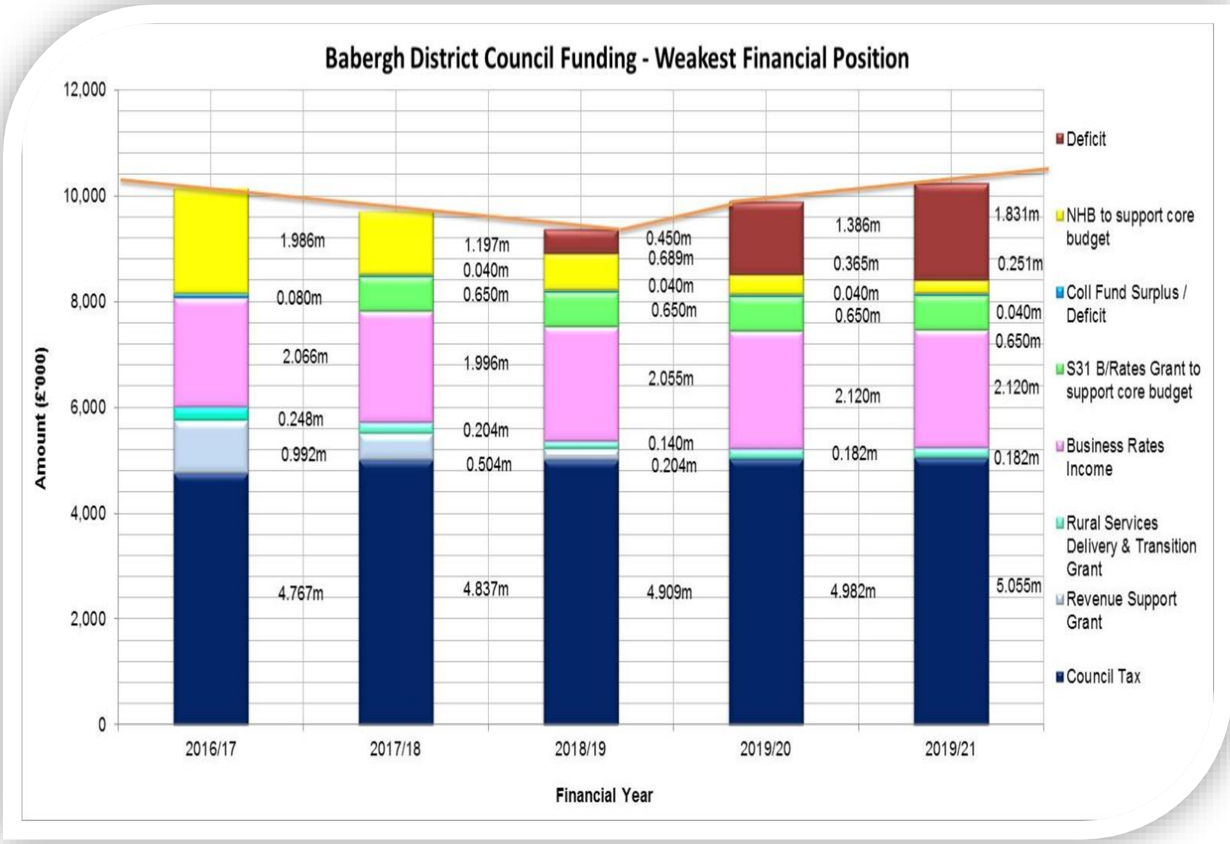
Each Council has also determined to use its prudential borrowing powers to invest in a way that will contribute towards our strategic priorities, but also deliver an investment return.

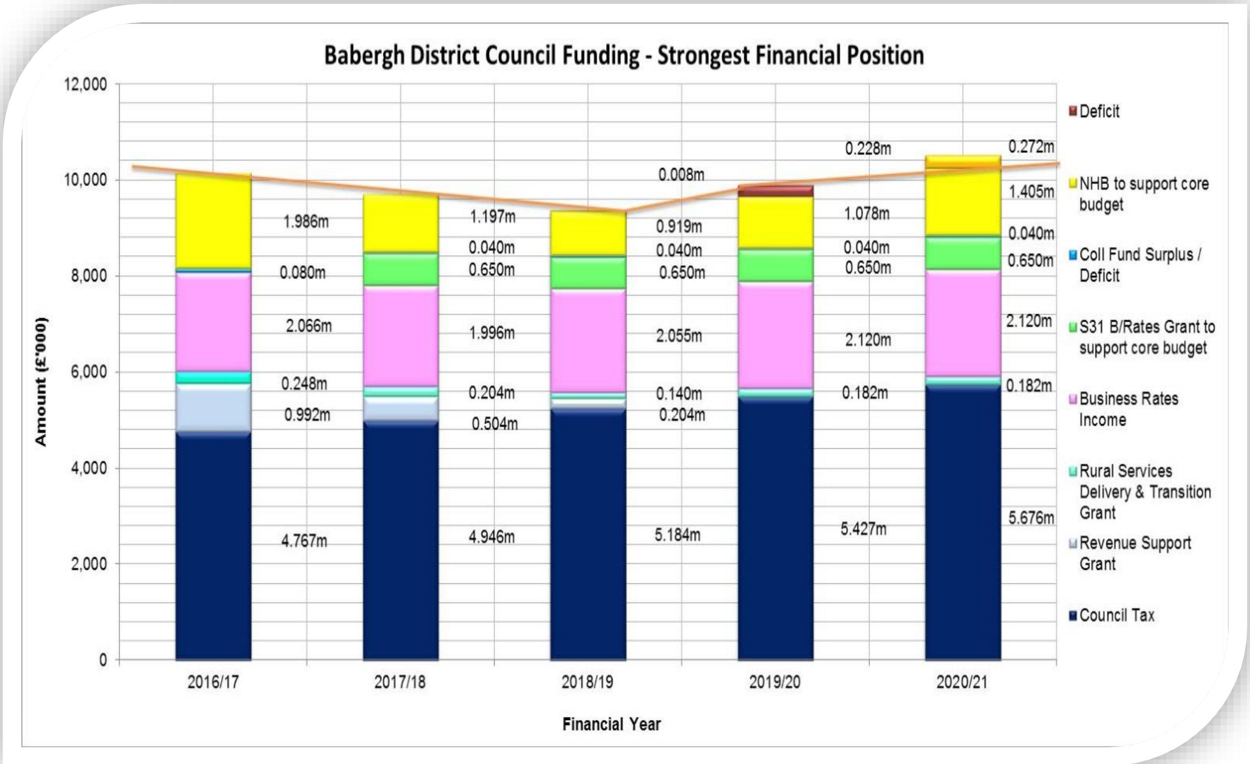
The success of this approach is paramount to future funding and service provision as, without this additional income, cuts to services or service standards will be needed over the next few years.

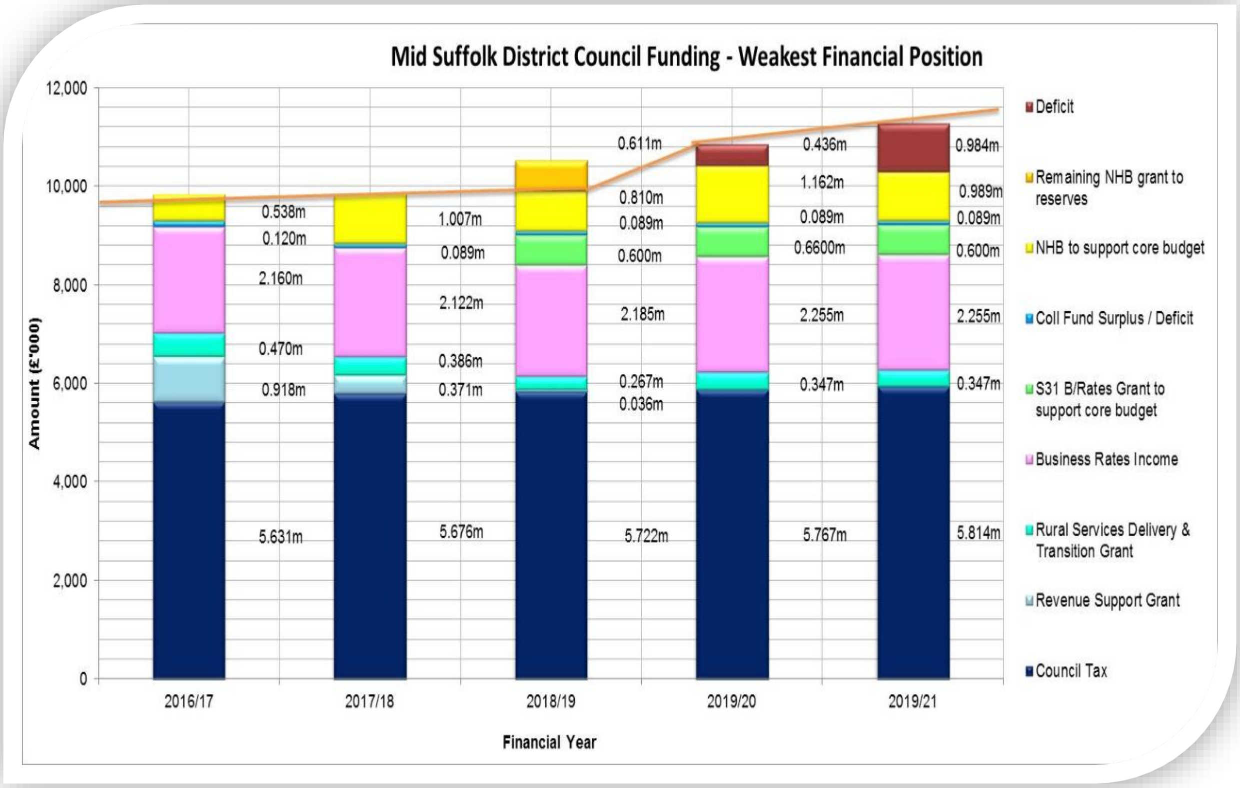
The Funding Gap

3.13 A number of scenarios could be modelled, based on different assumptions about New Homes Bonus, Council Tax Base, and Council Tax levels.

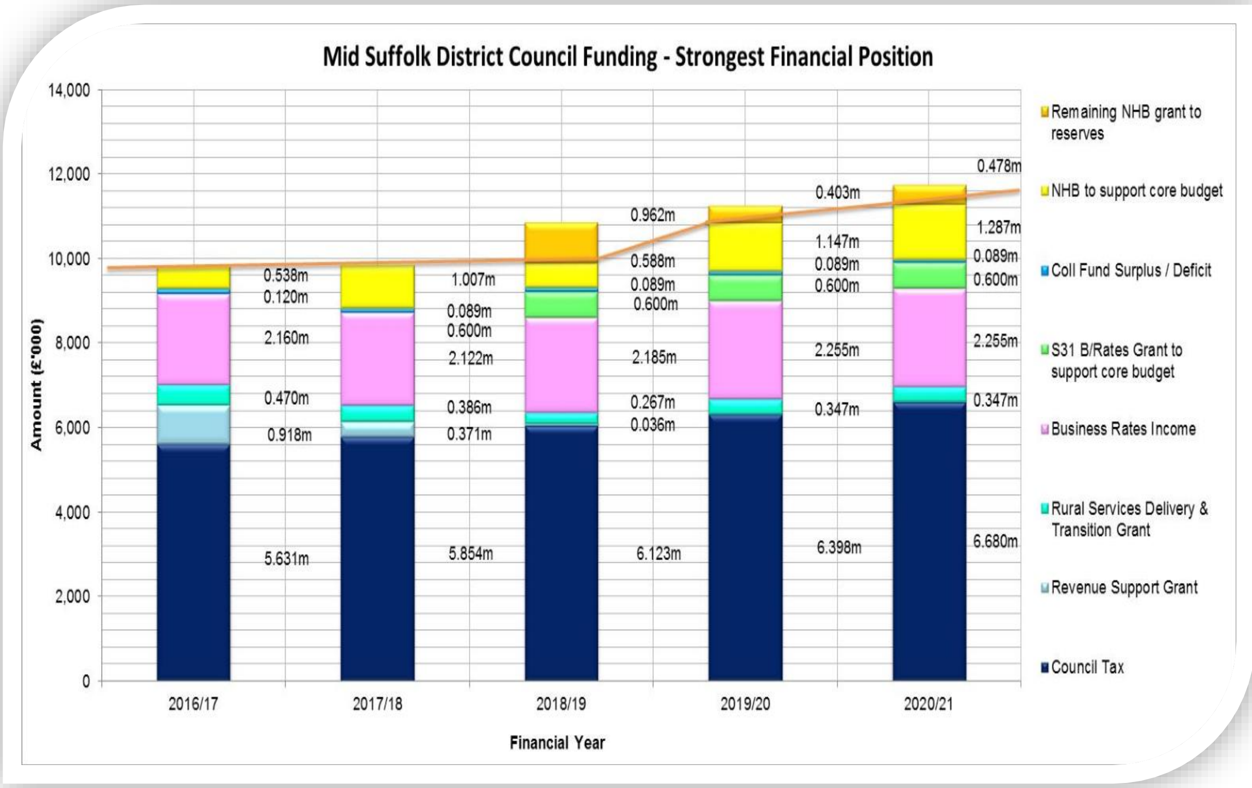
3.14 Modelling the strongest and weakest financial positions scenarios, the graphs below show the different funding position for the General Fund of the two Councils over the next 4 years and whether there is a surplus or deficit in the funds available. Further steps to increase income and/or reduce costs could still be needed in order to achieve medium term financial sustainability depending upon which assumptions becomes reality.


Babergh District Council Funding - Weakest Financial Position
12,000
10,000
8,000
6,000
4,000
2,000
0
Amount (£'000)
1.986m
0.080m
2.066m
0.248m
0.992m
4.767m
1.197m
0.040m
0.650m
1.996m
0.204m
0.504m
4.837m
0.450m
0.689m
0.040m
0.650m
2.055m
0.140m
0.204m
4.909m
1.386m
0.365m
0.040m
0.650m
2.120m
0.182m
4.982m
1.831m
0.251m
0.040m
0.650m
2.120m
0.182m
5.055m
2016/17
2017/18
2018/19
2019/20
2019/21
Financial Year
Deficit
NHB to support core budget
Coll Fund Surplus / Deficit
S31 B/Rates Grant to support core budget
Business Rates Income
Rural Services Delivery & Transition Grant
Revenue Support Grant
Council Tax


Babergh District Council Funding - Strongest Financial Position
12,000
10,000
8,000
6,000
4,000
2,000
0
Amount (£'000)
1.986m
0.080m
2.066m
0.248m
0.992m
4.767m
1.197m
0.040m
0.650m
1.996m
0.204m
0.504m
4.946m
0.008m
0.919m
0.040m
0.650m
2.055m
0.140m
0.204m
5.184m
0.228m
1.078m
0.040m
0.650m
2.120m
0.182m
5.427m
0.272m
1.405m
0.040m
0.650m
2.120m
0.182m
5.676m
2016/17
2017/18
2018/19
2019/20
2020/21
Financial Year
Deficit
NHB to support core budget
Coll Fund Surplus / Deficit
S31 B/Rates Grant to support core budget
Business Rates Income
Rural Services Delivery & Transition Grant
Revenue Support Grant
Council Tax



Mid Suffolk District Council Funding - Weakest Financial Position
Amount (£'000)
Financial Year
2016/17
2017/18
2018/19
2019/20
2019/21
Deficit
Remaining NHB grant to reserves
NHB to support core budget
Coll Fund Surplus / Deficit
S31 B/Rates Grant to support core budget
Business Rates Income
Rural Services Delivery & Transition Grant
Revenue Support Grant
Council Tax



Mid Suffolk District Council Funding - Strongest Financial Position
Amount (£'000)
Financial Year
2016/17
2017/18
2018/19
2019/20
2020/21
Remaining NHB grant to reserves
NHB to support core budget
Coll Fund Surplus / Deficit
S31 B/Rates Grant to support core budget
Business Rates Income
Rural Services Delivery & Transition Grant
Revenue Support Grant
Council Tax

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

4.1 The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents Babergh and Mid Suffolk with both challenges and opportunities.

4.2 Each Council's financial position is based on their differing financial circumstances, local demand and opportunities. It is also all about our policies and strategies that affect growth, income, our approaches to service provision and a lot more.

4.3 We need to get these things right as part of our business model, plans and engagement with the communities we serve. Understanding and operating this business model is key to our future success and financial sustainability.

4.4 The 'Summary of our financial positions' section of this document details each Council's individual financial standing. The following section provides an overview of the local context in which both Councils need to operate.

A developing business model

4.5 In high level terms, this comprises:

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

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

4.6 In practical terms, this will mean achieving further efficiencies and making sure what we do is effective and has impact, managing demands on our services from residents (including a commitment to channel shift) and spending only on things that achieve our strategic priorities and essential services.

4.7 Use of capital and one off funds is critical and need to be linked into our future delivery plans. The Transformation Fund must be used wisely to ensure it supports the shift in our business model and capacity to deliver within our future resources.

4.8 We are continuing to develop and use a Priority Based Resourcing (PBR) and zero based budgeting approach to aligning our resources to our key strategic objectives. As we evolve the PBR process we need to be able to demonstrate that all of our activity and resources are supporting the overall aims of the Councils. We will focus our efforts in the following areas:

1. Corporate core (the things we have to do/provide to just keep the Councils running) - which we will seek to minimise.
2. Costs of things we must do – essential/statutory services which we will make more efficient and cost effective.
3. Costs of things that achieve our priorities (some of which will generate new sources of funding e.g. growth).
4. Pure income generating activities.

Our Overall Strategic Response

4.9 Based on the issues and approaches set out in the previous section and whilst recognising that Babergh and Mid Suffolk are separate councils with their own individual budgets and requirements, the Councils' joint response to the challenges we face and the opportunities we need to grasp are based on six key actions:

1. Aligning resources to the Councils' refreshed strategic plan and essential services.
2. Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
3. Behaving more commercially and generating additional income.
4. Considering new funding models (e.g. acting as an investor).
5. Encouraging the use of digital interaction and transforming our approach to customer access.
6. Taking advantage of new forms of local government finance (e.g. new homes bonus, business rates retention).

4.10 Further details on each key action are provided below:

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

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

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

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

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

- Changing needs – challenging the presumption of public services' role as meeting needs rather than developing and working with people and assets within communities

- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

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

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

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

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

Behaving more commercially and generating additional income

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

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

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

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

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

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

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

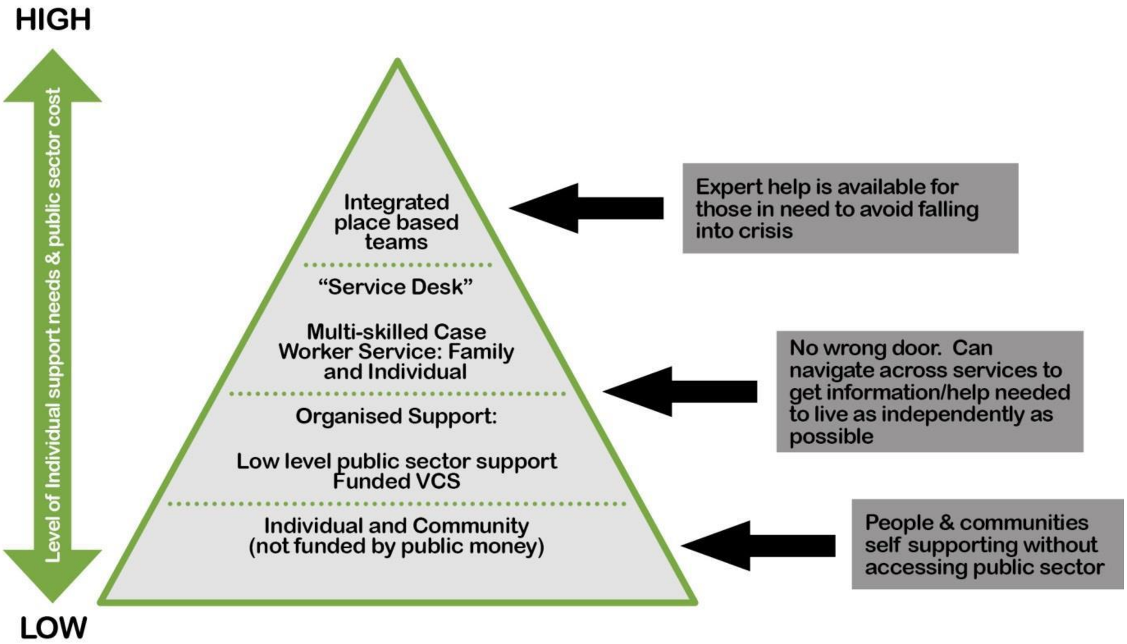
The traditional model of public sector service delivery is obsolete. The Joint Strategic Plan recognises this and contains a commitment to deliver more efficient Public Access arrangements. The aim of the Public Access Strategy is to support us to deliver these outcomes in the Joint Strategic Plan and to become enabled, efficient, flexible, agile, innovative, collaborative and accessible. It takes a whole system approach and supports collaborative work with partners in order to enable communities to do more for themselves, generating less demand on public services. Together with developing self-service options this will mean we can focus more attention on those that really need our help.

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

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

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

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



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

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

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

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

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

Links to our Joint Strategic Plan

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

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

5. Investing in our Strategic Priorities and future

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

Funding and Investment Opportunities

5.2 We can do this both through prudential borrowing and using our Transformation Funds to support our delivery plans, new funding models and innovative/different ways of working. The Transformation Funds are increased by receiving the balance of New Homes Bonus funding that is not required to support the budget. We anticipate having £2.3m in the Transformation Fund for Babergh and £10.5m for Mid Suffolk in 2017/18.

5.3 As identified earlier in this document, the Government have changed the way that New Homes Bonus is distributed to local authorities. With the aim of being able to transfer resources to support social care, councils will receive less funding than they have in the past from this source for the same level of growth.

5.4 The level of growth will have to increase significantly to maintain the income that has been received in the past, but also to contribute towards future funding shortfalls.

5.5 Growing this funding is paramount, but is dependent on communities, the Councils and others working together. It also depends on the wider housing economy, developers, labour and material supply/shortages.

5.6 In relation to the potential for additional business rates income, this will depend on economic growth and the level of appeals. This would contribute towards the funding gap and depending upon the level achieved would also add to the amount of funding available for transformation and projects.

5.7 In relation to future prudential borrowing, our Capital Investment Strategy is expected to take 12-18 months from 2017/18 to be fully invested, will deliver much needed additional income.

Council Housing

5.8 In relation to Council Housing, the HRA Business Plan presents a positive financial picture over the longer term (a thirty year period as required under the self-financing regime) but there are short to medium term challenges. These challenges have been exacerbated by the proposals announced in the Chancellor's July 2016 Budget:

- The Welfare Reform and Work Bill includes a requirement for all social landlords to reduce rents by 1% each year from 2016 to 2019.
- This Bill reduced the benefit cap for working age families from £23k to £20k
- The Housing and Planning Bill includes requirements for households with an income higher than £31k to be charged higher rents. However, in the Autumn Statement this amount was amended to £60k and the policy became discretionary.

- This Bill also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government will fund the expanded scheme and the levy will not be brought in for 2017/18. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

5.9 HRA Self-financing has provided significant opportunities for both Councils. The development of 38 new council homes for Mid Suffolk and 27 for Babergh, supported by Homes and Communities Agency Grant funding is a good example of how the funds available within the HRA are being used differently. These opportunities, however, are threatened by rent reduction and requirement to sell off high value dwellings. The roll out of Universal Credit is also expected to impact upon our rental income collection as housing benefit becomes payable one month in arrears to the individual rather than directly to the landlord.

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

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

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

5.12 A balanced budget has been achieved for 2017/18 by reducing both capital and revenue budgets – see table in Attachment 3. A fundamental review of the housing service has been undertaken during 2016/17 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review has examined:

- Performance management measures and complaints handling

- New build programme and retention of Right to Buy receipts. An increase of £1.5m to Capital spend on New Build and Acquisitions would increase the amount to £5m and enable different ways of increasing affordable homes to be looked at. A review is being undertaken of the development programme in anticipation of increasing this spend to £5m from 2018 to 2021. The results will be brought to Committee in April.

- A review of garages was commenced to identify their condition and whether there are redevelopment opportunities on the sites or if they should be demolished and replaced with parking bays. 24 sites were identified as having development potential. These are being further explored by the Investment & Development Team who will report to the Joint Housing Board early in the New Year.

- Our approach to HRA business planning including, reviewing and realigning housing stock condition data and capital programme expenditure. Our current stock condition data is 6 years old. A project is underway to renew the data to enable an evidence based programme of capital works to be designed for 2017/18 and the following 2 years. In the meantime, all non-essential work has been ceased. We believe a fresh sample stock condition survey will be required in 2019/20. A contingency amount, based on the HRA Business Plan model, has been put into the 2017/18 Budget and 4 year MTFS 2017/18 and will be allocated against the relevant areas of spend once the capital programme is completed.

- The Sheltered Housing Review concluded that some schemes which are difficult to let would be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding.

- Reviewing the existing Capital Projects Team (formerly part of the Asset Management Team) and Private Sector Housing Team has brought them together in one team called Property Services. This has led to a change in the way the work is being carried out and how the teams are structured to introduce a more efficient and consistent way of working. The new structure will be in place by March 2017.

- Councillors approved the formation of a new Babergh & Mid Suffolk Building Services (BMBS) team, which will carry out responsive repairs and programmed works. The BMBS business plan forecasts a surplus in year two of trading (2018/19). The back office team structure is currently under review, along with the Property Services team.

- A new HRA Accounting Team was set up following the appointment of a Professional Lead HRA Accountant in July 2016. A review of the Budget setting and monitoring process, financial controls, support required by CM's and Assistant Director and Capital spend will be completed by March 2017.

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

New build programme and retention of Right to Buy receipts

5.13 Right to Buy (RTB) sales for both Councils exceeded projections in 2014/15 business plans. However in 2016/15 Babergh sold 21 against original projections of 24 sales. Mid Suffolk sold 32 homes against original projections of 26 sales.

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

5.15 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are artificially restricted. The supported spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes is still achievable within current borrowing headroom. However, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable; although the rescinding of the mandatory pay to stay policy referred to in 16.1 may mitigate this risk as tenants are less likely to feel forced to exercise their Right to Buy.

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

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

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

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

5.18 Attachment 3 sets out further details of the current HRA Business Plan, with detailed figures for the next 5 years.

Links to Our Overall Delivery Plans

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

- Providing new homes, including delivering outcomes on strategic sites
- Regenerate the market town centres
- Review of grant funding to support building capacity in the community
- The decision has been made about the future location of the Councils' accommodation

- Investment in IT to drive efficiencies and support new ways of working
- Leisure Strategy
- Public Realm Review

6. Summary of our financial positions

Revenue Budget Strategy

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

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

Key aspects of the funding position and the MTFS forecasts

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

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

BABERGH		2017/18 Cumulative Shortfall in Funding (Surplus funds) £000	2018/19 Cumulative Shortfall in Funding (Surplus funds) £000	2019/20 Cumulative Shortfall in Funding (Surplus funds) £000	2020/21 Cumulative Shortfall in Funding (Surplus funds) £000
Weakest Financial Position	Tax Base 0.4% Council Tax 0%	(0)	449	1,385	1,830
Medium Financial Position	Tax Base 1% Council Tax 2%	(0)	80	595	741
Strongest Financial Position	Tax Base 1.5% Council Tax £5	0	(9)	235	(273)

MID SUFFOLK		2017/18 Cumulative Shortfall in Funding (Surplus funds) £000	2018/19 Cumulative Shortfall in Funding (Surplus funds) £000	2019/20 Cumulative Shortfall in Funding (Surplus funds) £000	2020/21 Cumulative Shortfall in Funding (Surplus funds) £000
Weakest Financial Position	Tax Base 0.8% Council Tax 0%	(0)	(615)	430	978
Medium Financial Position	Tax Base 1% Council Tax 2%	(0)	(872)	(156)	129
Strongest Financial Position	Tax Base 1.5% Council Tax £5	(0)	(966)	(408)	(484)

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

Key assumptions in the MTFS:

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

General Fund minimum working balance

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

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

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

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

Capital Investment Strategy

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

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

6.10 Both Councils have a long tradition of investing in their communities. Having limited capital and revenue reserves and facing increased pressure on external funding, the Councils' focus is now on the use of prudential borrowing to secure a rate of return, whilst also delivering the strategic priorities.

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

Council Housing

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

Expenditure	**Babergh £m**	**Mid Suffolk £m**
Housing Maintenance Programmes	22.8	12.9
New build (HCA programme)	0.5	0.7
New build (Additional Borrowing)	0	0
RTB receipt funding	15.1	17.3
Total	**38.4**	**30.9**
Financing		
Capital receipts disposals and RTB receipts and HCA Grant	4.7	8.2
Revenue Contributions	33.7	22.7
Borrowing	0	0
Total	**38.4**	**30.9**
Remaining Borrowing Headroom (31/03/21)	18.1	4.8

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

Treasury Management Strategy

6.14 Each Council's capital and revenue budget plans inform the development of their Treasury Management and Investment Strategies, which are agreed annually as part of its budget setting report. The Treasury Management Strategy sets out borrowing forecasts/limits and who the Council can invest with.

6.15 We have reviewed the strategy to align to the refreshed Joint Strategic Plan, our delivery plans, this MTFS and the business model.

Prudential Borrowing

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

Managing Risks

6.17 In setting the revenue and capital budgets, both Councils take account of the key financial risks that may affect their plans, but there is increasing future uncertainty as a result of the changes that are taking place and the new business model.

6.18 An awareness of the potential risks and the robustness of the budget estimates inform decisions about the level of working balances needed to provide assurance that the Councils have sufficient contingency reserves to meet unforeseen fluctuations and changes.

Capital Receipts

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

Earmarked Reserves

6.20 The Councils each hold earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose.

6.21 The level of earmarked reserves at the end of 2016/17 (including the Transformation Fund) is expected to be as follows:

- £11.5m for Mid Suffolk; and
- £3m for Babergh

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

Attachment 1

General Fund Revenue Budget Summary/Forecasts - Babergh

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

Weakest Financial Position

Line	Description	2016/17 Budget £000	2017/18 Budget £000		2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000
1a	Expenditure	31,914	36,777		36,909	37,124	37,445
1b	Income	(23,135)	(27,447)		(26,984)	(26,473)	(26,424)
1c	Capital Financing Charges	280	(1)		(416)	(411)	(315)
1d	Charge to HRA	(970)	(1,106)		(1,106)	(1,106)	(1,106)
1e	Charge to Capital	(436)	(407)		(407)	(407)	(407)
1f	Transfers to Reserves						
	New Homes Bonus	1,779	1,212		689	365	251
	S31 Business Rates Grant	624	650		650	650	650
	Other	20	23		20	20	20
1g	**Service Cost**	**10,076**	**9,700**		**9,357**	**9,762**	**10,113**
2	Grants to parishes (LCTS)	63					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	**Net Service Cost**	**12,138**	**9,700**		**9,357**	**9,762**	**10,113**
	Funding:						
5	Other Earmarked Reserves						
6	Transformation Fund - DP Project (Staffing)	(427)	(484)				
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	New Homes Bonus	(1,559)	(713)		(689)	(365)	(251)
	S31 Business Rates Grant		(650)		(650)	(650)	(650)
9	Government Support						
	(a) Baseline business rates	(1,957)	(1,997)		(2,165)	(2,231)	(2,231)
	(b) B/Rates – growth/pooling benefit	(109)	(109)				
	(b) Revenue Support Grant	(992)	(504)		(204)	-	-
	(c) Rural Services Delivery Grant	(225)	(182)		(140)	(182)	(182)
	(e) Revenue Support Grant (RSG) Tariff					131	131
	(f) Transition Grant	(22)	(22)				
10	Collection Fund surplus	(80)	(40)		(40)	(40)	(40)
11	Council Tax (£5 increase to Band D)	(4,767)	(4,929)		(4,999)	(5,019)	(5,039)
12	Growth in taxbase	-	(70)		(20)	(20)	(20)
13	**Total Funding**	**(12,138)**	**(9,700)**		**(8,907)**	**(8,376)**	**(8,282)**
14	2017/18		**(0)**		**(0)**	**(0)**	**(0)**
15	2018/19				**450**	**450**	**450**
16	2019/20					**936**	**936**
17	2020/21						**445**
18	**Shortfall in funding / (Surplus Funds) - cumulative**		**(0)**		**450**	**1,386**	**1,831**
19	Council Taxbase	1.20%	1.50%		0.40%	0.40%	0.40%
20	Band D Council Tax %	3.50%	3.40%		0.00%	0.00%	0.00%
21	**Band D Council Tax**	*£148.86*	*£153.86*		*£153.86*	*£153.86*	*£153.86*

General Fund Revenue Budget Summary/Forecasts - Babergh

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

Medium Financial Position

Line	Description	*2016/17* Budget £000	*2017/18* Budget £000		*2018/19* Forecast £000	*2019/20* Forecast £000	*2020/21* Forecast £000
1a	Expenditure	31,914	36,777		36,909	37,124	37,445
1b	Income	(23,135)	(27,447)		(27,221)	(26,997)	(27,108)
1c	Capital Financing Charges	280	(1)		(416)	(411)	(315)
1d	Charge to HRA	(970)	(1,106)		(1,106)	(1,106)	(1,106)
1e	Charge to Capital	(436)	(407)		(407)	(407)	(407)
1f	Transfers to Reserves	2,423					
			1,212		927	889	935
			650		650	650	650
			23		20	20	20
1g	**Service Cost**	**10,076**	**9,700**		**9,357**	**9,762**	**10,113**
2	Grants to parishes (LCTS)	63					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	**Net Service Cost**	**12,138**	**9,700**		**9,357**	**9,762**	**10,113**
	Funding:						
5	Other Earmarked Reserves						
6	Transformation Fund - DP Project (Staffing)	(427)	(484)				
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	New Homes Bonus	(1,559)	(713)		(927)	(889)	(935)
	S31 Business Rates Grant		(650)		(650)	(650)	(650)
9	Government Support						
	(a) Baseline business rates	(1,957)	(1,997)		(2,165)	(2,231)	(2,231)
	(b) B/Rates – growth/pooling benefit	(109)	(109)				
	(b) Revenue Support Grant	(992)	(504)		(204)	-	-
	(c) Rural Services Delivery Grant	(225)	(182)		(140)	(182)	(182)
	(e) Revenue Support Grant (RSG) Tariff					131	131
	(f) Transition Grant	(22)	(22)				
10	Collection Fund surplus	(80)	(40)		(40)	(40)	(40)
11	Council Tax (£5 increase to Band D)	(4,767)	(4,929)		(5,100)	(5,254)	(5,412)
12	Growth in taxbase	-	(70)		(50)	(51)	(53)
13	**Total Funding**	**(12,138)**	**(9,700)**		**(9,276)**	**(9,166)**	**(9,372)**
14	2017/18		**(0)**		**(0)**	**(0)**	**(0)**
15	2018/19				**81**	**81**	**81**
16	2019/20					**515**	**515**
17	2020/21						**146**
18	**Shortfall in funding / (Surplus Funds) - cumulative**		**(0)**		**81**	**596**	**741**
19	Council Taxbase	1.20%	1.50%		1.00%	1.00%	1.00%
20	Band D Council Tax %	3.50%	3.40%		2.00%	2.00%	2.00%
21	**Band D Council Tax**	*£148.86*	*£153.86*		*£154.87*	*£157.97*	*£161.13*

General Fund Revenue Budget Summary/Forecasts - Babergh

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

Strongest Financial Position

Line	Description	*2016/17* Budget £000	*2017/18* Budget £000		*2018/19* Forecast £000	*2019/20* Forecast £000	*2020/21* Forecast £000
1a	Expenditure	31,914	36,777		36,909	37,124	37,445
1b	Income	(23,135)	(27,447)		(27,221)	(27,186)	(27,850)
1c	Capital Financing Charges	280	(1)		(416)	(411)	(315)
1d	Charge to HRA	(970)	(1,106)		(1,106)	(1,106)	(1,106)
1e	Charge to Capital	(436)	(407)		(407)	(407)	(407)
1f	Transfers to Reserves						
		1,779	1,212		927	1,078	1,677
		624	650		650	650	650
		20	23		20	20	20
1g	**Service Cost**	**10,076**	**9,700**		**9,357**	**9,762**	**10,113**
2	Grants to parishes (LCTS)	63					
3	Transformation Fund -Delivery Plan Projects	2,000					
4	**Net Service Cost**	**12,138**	**9,700**		**9,357**	**9,762**	**10,113**
	Funding:						
5	Other Earmarked Reserves						
6	Transformation Fund - DP Project (Staffing)	(427)	(484)				
7	Transformation Fund - Delivery Plan projects	(2,000)					
8	New Homes Bonus	(1,559)	(713)		(927)	(1,078)	(1,677)
	S31 Business Rates Grant		(650)		(650)	(650)	(650)
9	Government Support						
	(a) Baseline business rates	(1,957)	(1,997)		(2,165)	(2,231)	(2,231)
	(b) B/Rates – growth/pooling benefit	(109)	(109)				
	(b) Revenue Support Grant	(992)	(504)		(204)	-	-
	(c) Rural Services Delivery Grant	(225)	(182)		(140)	(182)	(182)
	(e) Revenue Support Grant (RSG) Tariff					131	131
	(f) Transition Grant	(22)	(22)				
10	Collection Fund surplus	(80)	(40)		(40)	(40)	(40)
11	Council Tax (£5 increase to Band D)	(4,767)	(4,929)		(5,164)	(5,406)	(5,654)
12	Growth in taxbase	-	(70)		(75)	(79)	(82)
13	**Total Funding**	**(12,138)**	**(9,700)**		**(9,365)**	**(9,534)**	**(10,385)**
14	2017/18		**(0)**		**(0)**	**(0)**	**(0)**
15	2018/19				**(8)**	**(8)**	**(8)**
16	2019/20					**235**	**235**
17	2020/21						**(500)**
18	**Shortfall in funding / (Surplus Funds) - cumulative**		**(0)**		**(8)**	**227**	**(272)**
19	Council Taxbase	1.20%	1.50%		1.50%	1.50%	1.50%
20	Band D Council Tax	3.50%	3.40%		3.25%	3.15%	3.05%
21	**Band D Council Tax**	*£148.86*	*£153.86*		*£158.86*	*£163.86*	*£168.86*

Attachment 2

Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR		16/17 to 17/18 £000	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000
Net Service Cost previous year		**12,138**	**9,700**	**9,357**	**9,762**
Cost Pressures					
Inflation					
Employees		76	75	77	79
Contracts		81	82	84	85
Premises		2	12	13	13
Supplies & Services		9	9	9	10
Employee costs including increments		151	112	115	119
Insurance Premiums		19	-	-	-
Business Rates - change in rateable value		8	-	-	-
Sub total cost pressure		**346**	**290**	**298**	**306**
Other increases to net service cost					
Agree where growth goes					
Strategic Planning		25	-	-	-
Communities embrace new homes growth					
Development Management - legal and consultancy fees		38	-	-	-
Digital by Design					
ICT & Information Management - change to Suffolk County Council contract		63	-	-	-
Financially Sustainable Councils					
Reduction to Corporate and Democratic Core Charge		157	-	-	-
Revenues and Benefits - adjustment to bad debt provision		97	-	-	-
Change to Minimum Revenue Provision (MRP)		48	26	96	73
VAT, District Valuers and Treasury Management consultancy		27	-	-	-
Shared Legal Team		21	-	-	-
Senior Leadership Team - corporate subscriptions		12	-	-	-
Modern Apprenticeship Levy		12	13	14	15
Banking Charges		10	-	-	-
Other changes		44	-	-	-
Waste					
Waste services		56	-	-	-
Recycling credits			-	250	-
Leisure					
Leisure Contract		20	-	-	-
Sub total other increases to net service cost		**629**	**39**	**360**	**88**
Actions to offset increases to net service cost					
Inflation - income		(15)	(61)	(62)	(64)
Removal of £2m for Delivery Plan projects		(2,000)	-	-	-
Environment					
Public Realm - 10% reduction to Landscape Group contract plus waste disposal costs	Initiative	(134)	-	-	-
Financially Sustainable Councils					
Increase in charge to HRA / Capital		(107)	-	-	-
Pension fund deficit		(102)	(102)	(98)	-
SRP contract reduction		(95)	-	-	-
Accommodation review		(69)	(69)	-	-
Other savings - headquarters building		(63)	-	-	-
Removal of grants to Parishes		(24)	-	-	-
Photocopying costs		(20)	-	-	-
Communications		(15)	-	-	-
Sustainable Environment inc Suffolk Climate Change Partnership		(9)			
Other changes (net)		(21)	-	-	-
Property investment to generate income and regenerate local areas					
Rental income (net) Borehamgate	Initiative	(314)	-	-	-
Investment income (net) Holding Company	Initiative	(216)	(445)	(97)	18
Investment income (net) Pooled Funds	Initiative	(113)	5	5	5
PV panel income - feed in tariff		(30)	-	-	-
Rental income Gainsborough Chambers		(12)	-	-	-
Targeted grants and funding to support Community Capacity Building					
Community grants		(21)	-	-	-
Waste					
Waste services - garden waste collection		(33)			
Sub total actions		**(3,413)**	**(673)**	**(253)**	**(42)**
Total Net Service Cost movement		**(2,438)**	**(343)**	**405**	**352**
New Net Service Cost		**9,700**	**9,357**	**9,762**	**10,113**

Attachment 3

Council Housing Revenue Account (HRA) Business Plan – Babergh

Year	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
£'000					
Total Income	**(16,759)**	**(16,604)**	**(16,474)**	**(16,745)**	**(17,035)**
EXPENDITURE:					
General Management	2,101	2,340	2,398	2,458	2,520
Special Management	1,116	1,144	1,173	1,202	1,232
Other Management	198	(68)	(128)	(197)	(275)
Bad Debt Provision	115	154	191	194	157
Responsive & Cyclical Repairs	2,141	2,218	2,330	2,448	2,602
Total Revenue Expenditure	**5,672**	**5,788**	**5,964**	**6,106**	**6,237**
Interest Paid	2,803	2,776	2,727	2,692	2,662
Interest Received	(16)	(111)	(112)	(73)	(59)
Depreciation	2,721	2,721	2,721	2,721	2,789
Net Operating Income	**(5,579)**	**(5,430)**	**(5,173)**	**(5,298)**	**(5,407)**
APPROPRIATIONS:					
Revenue Provision (HRACFR)	500	500	-	-	-
Revenue Contribution to Capital	5,605	4,326	7,276	7,492	4,323
Total Appropriations	**6,105**	**4,826**	**7,276**	**7,492**	**4,323**
ANNUAL CASHFLOW	**526**	**(604)**	**2,103**	**2,194**	**(1,084)**
Opening Balance	(7,536)	(7,010)	(7,614)	(5,511)	(3,317)
Closing Balance	**(7,010)**	**(7,614)**	**(5,511)**	**(3,317)**	**(4,402)**

Attachment 4

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

General Fund

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 GENERAL FUND	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Supported Living												
Mandatory Disabled Facilities Grant	300	300	300	300	**1,200**				1,168		32	**1,200**
Discretionary Housing Grants	100	100	100	100	**400**						400	**400**
Empty Homes Grant	100	100	100	100	**400**						400	**400**
Total Supported Living	**500**	**500**	**500**	**500**	**2,000**	**0**	**0**	**0**	**1,168**	**0**	**832**	**2,000**
Strategic Housing												
Grants for Affordable Housing	100	100	100	100	**400**						400	**400**
Total Strategic Housing	**100**	**100**	**100**	**100**	**400**	**0**	**0**	**0**	**0**	**0**	**400**	**400**
Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	0	170	170	170	**510**						510	**510**
Recycling Bins	75	75	75	75	**300**						300	**300**
Total Environment and Projects	**75**	**245**	**245**	**245**	**810**	**0**	**0**	**0**	**0**	**0**	**810**	**810**
Communities and Public Access												
Community Development Grants	117	117	117	117	**468**						468	**468**
Play Equipment	50	50	50	50	**200**						200	**200**
Planned Maintenance / Enhancements - Car Parks	38	36	38	35	**147**						147	**147**
Total Community Services	**205**	**203**	**205**	**202**	**815**	**0**	**0**	**0**	**0**	**0**	**815**	**815**

Attachment 4 Cont'd

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

General Fund

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 GENERAL FUND	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Leisure Contracts												
Kingfisher Leisure Centre - changing room replacement	550	0	0	0	**550**						550	**550**
Kingfisher Leisure Centre - plant and other capital	0	145	40	0	**185**						185	**185**
Hadleigh Sports and Swimming Pool - general	50	0	0	0	**50**						50	**50**
Total Leisure Contracts	**600**	**145**	**40**	**0**	**785**	**0**	**0**	**0**	**0**	**0**	**785**	**785**
Capital Projects												
Planned Maint / Enhancements - Hadleigh HQ	35	0	0	0	**35**						35	**35**
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	**192**						192	**192**
Carbon Reduction	50	50	50	50	**200**						200	**200**
Total Capital Projects	**133**	**98**	**98**	**98**	**427**	**0**	**0**	**0**	**0**	**0**	**427**	**427**
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	**11,892**						11,892	**11,892**
Total Investment and Commercial Delivery	**2,973**	**2,973**	**2,973**	**2,973**	**11,892**	**0**	**0**	**0**	**0**	**0**	**11,892**	**11,892**
Corporate Resources												
ICT - Hardware / Software costs	763	200	200	200	**1,363**	700					663	**1,363**
Total Corporate Resources	**763**	**200**	**200**	**200**	**1,363**	**700**	**0**	**0**	**0**	**0**	**663**	**1,363**
Total General Fund Capital Spend	**5,349**	**4,464**	**4,361**	**4,319**	**18,492**	**700**	**0**	**0**	**1,168**	**0**	**16,624**	**18,492**

Attachment 4 Cont'd

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

HRA

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 HOUSING REVENUE ACCOUNT	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Housing Maintenance												
Planned maintenance	4,288	6,155	5,226	5,690	**21,359**	212	14,852	6,295				**21,359**
ICT Projects	80	0	0	0	**80**		80	0				**80**
Environmental Improvements	50	50	50	50	**200**		30	170				**200**
Disabled Facilities work	200	200	200	200	**800**		400	400				**800**
Horticulture and play equipment	23	23	23	23	**92**			92				**92**
New build programme inc acquisitions	5,010	3,253	3,520	3,840	**15,623**	436	3,699	11,422	66			**15,623**
Total HRA Capital Spend	**9,651**	**9,681**	**9,019**	**9,803**	**38,154**	**648**	**19,061**	**18,379**	**66**	**0**	**0**	**38,154**

Attachment 5

Earmarked Funds/Reserves – Babergh

Transfers to / from Earmarked Reserves	Balance 31 March 2016 £'000	Transfer in 16/17 £'000	Transfer out 16/17 £'000	Balance 31 March 2017 £'000	Transfer in 17/18 £'000	Transfer out 17/18 £'000	Balance 31 March 2018 £'000
General Fund							
Carry Forwards	(230)		230	-			-
Transformation Fund	(1,929)	(2,463)	2,130	(2,262)	(1,862)	1,847	(2,277)
Government Grants	(371)			(371)			(371)
S.106 Agreements	(232)			(232)			(232)
Elections Fund	(10)	(20)		(30)	(20)		(50)
Planning Enforcement	(40)			(40)			(40)
Green Initiatives	(25)			(25)			(25)
Revocation of personal search fees	(60)			(60)			(60)
Total General Fund	(2,897)	(2,483)	2,360	(3,020)	(1,882)	1,847	(3,055)
Total General Fund excluding Transformation	(968)	(20)	230	(758)	(20)	-	(778)

Appendix H

Budget Book 2017/18

Budget Book 2017/18

Contents

GENERAL FUND REVENUE BUDGET SUMMARY

		2016/17 £'000	2017/18 £'000	Movement £'000
1	Employee Costs	7,871	8,062	191
2	Premises	811	767	(44)
3	Supplies & Services	5,171	3,456	(1,715)
4	Transport	180	182	2
5	Contracts	4,092	4,108	16
6	Third Party Payments	13,789	20,202	6,412
7	Income	(23,135)	(27,448)	(4,313)
8	Transfers to HRA / Capital (recharge model)	(1,406)	(1,513)	(107)
9	Capital charges & Investment Income	280	(1)	(281)
10	Transfers to Reserves			
	(a) New Homes Bonus	1,779	1,212	(567)
	(b) S31 Business Rates Grant	624	650	26
	(c) Other	20	23	3
	Service Cost	**10,075**	**9,700**	**(376)**
11	Grants to parishes (LCTS)	63	-	(63)
12	Transformation Fund -Delivery Plan Projects	2,000	-	(2,000)
	Net Service Cost	**12,138**	**9,700**	**(2,439)**
13	Transformation Fund - Staffing (NHB)	(427)	(484)	(57)
14	Transformation Fund - Delivery Plan Projects (NHB)	(2,000)	-	2,000
15	S31 Grant	-	(650)	(650)
16	New Homes Bonus remaining	(1,559)	(712)	846
17	Deficit / (Surplus) on Collection fund	(80)	(40)	40
18	Revenue Support Grant (RSG)	(992)	(504)	488
19	Baseline business rates	(1,957)	(1,997)	(40)
20	Business rates – growth/pooling benefit	(109)	(109)	-
21	Transition Grant	(22)	(22)	0
22	Rural Services Support Grant	(225)	(182)	43
23	Council Tax	(4,766)	(4,999)	(232)
	Total Funding	**(12,138)**	**(9,700)**	**2,439**
24	Shortfall in funding / (Surplus Funds)	**-**	**-**	**-**

	2016/17	2017/18	Movement
Council Tax Base	(32,020)	(32,489)	(469)
Council Tax for Band D Property	148.86	153.86	5.00
Council Tax	**(4,767)**	**(4,999)**	**(232)**

GENERAL FUND BUDGET - Services and Activities Summary

Planning for Growth	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Growth and Sustainable Planning	808	0	228	20	0	0	(532)	**524**
Business Improvement	31	0	0	1	0	0	0	**32**
Sustainable Environment	450	0	29	16	0	0	(5)	**490**
Strategic Planning	644	0	136	8	0	0	(20)	**769**
TOTAL	**1,933**	**0**	**393**	**46**	**0**	**0**	**(557)**	**1,815**

Supported Living	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Private Sector Housing	73	0	30	4	0	0	(2)	**106**
Housing Options	144	28	99	6	0	0	(88)	**189**
Property Services	469	282	147	28	8	0	(574)	**361**
TOTAL	**687**	**310**	**277**	**38**	**8**	**0**	**(664)**	**656**

Environment and Projects	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Building Control	354	3	9	21	0	0	(309)	**77**
Waste Services	203	0	617	9	1,810	0	(2,022)	**617**
Food and Safety	231	0	9	9	0	0	(9)	**239**
Leisure	0	54	0	0	228	0	(31)	**251**
TOTAL	**788**	**57**	**635**	**38**	**2,038**	**0**	**(2,371)**	**1,185**

Communities and Public Access	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Customer Services	407	0	36	2	0	0	0	**445**
Strong and Safe Communities	251	0	225	6	0	0	0	**482**
Countryside and Public Realm	266	292	334	8	718	0	(364)	**1,254**
Policy and Strategy (Health and Well Being)	90	0	35	4	0	0	0	**128**
TOTAL	**1,013**	**292**	**630**	**19**	**718**	**0**	**(364)**	**2,309**

Investment and Commercial Delivery	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Open for Business	250	5	96	6	0	0	(192)	**164**
Housing and Regeneration	115	13	29	1	0	0	(369)	(211)
TOTAL	**365**	**17**	**125**	**7**	**0**	**0**	**(561)**	**(47)**

Corporate Resources	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
HR and Organisational Development	376	0	32	1	0	0	0	**409**
Financial Services	1,315	91	199	4	1,116	20,202	(22,591)	**336**
Commissioning and Procurement	136	0	14	1	0	0	0	**151**
Senior Leadership Team	646	0	35	10	0	0	(33)	**658**
TOTAL	**2,472**	**91**	**280**	**17**	**1,116**	**20,202**	**(22,624)**	**1,554**

Law and Governance	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Information Management and ICT	382	0	466	1	228	0	(214)	**863**
Internal Audit	72	0	1	0	0	0	0	**73**
Democratic Services	121	0	376	14	0	0	(7)	**504**
Business Improvement	108	0	8	1	0	0	0	**117**
Shared Legal Services	120	0	265	0	0	0	(85)	**301**
TOTAL	**803**	**0**	**1,115**	**16**	**228**	**0**	**(306)**	**1,857**

TOTAL	**8,062**	**767**	**3,456**	**182**	**4,108**	**20,202**	**(27,448)**	**9,329**

GENERAL FUND BUDGET - Planning for Growth

Growth and Sustainable Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Development Management	773	0	228	20	0	0	(532)	**490**
Development Management - Transformation	34	0	0	0	0	0	0	**34**
	808	**0**	**228**	**20**	**0**	**0**	**(532)**	**524**

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

Sustainable Environment	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Abandoned Vehicles	0	0	1	0	0	0	0	**1**
Climate Change and Sustainability	0	0	6	0	0	0	0	**6**
Dog Control	0	0	7	0	0	0	0	**7**
Environmental Protection	294	0	13	10	0	0	(5)	**312**
Planning Enforcement	157	0	1	6	0	0	0	**163**
	450	**0**	**29**	**16**	**0**	**0**	**(5)**	**490**

Strategic Planning	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
CIL	84	0	0	0	0	0	0	**85**
Conservation	176	0	0	5	0	0	0	**182**
Development Policy and Local Plans	332	0	72	1	0	0	0	**406**
Housing Enabling	0	0	8	0	0	0	0	**8**
NPG - General	0	0	18	0	0	0	(20)	**(3)**
Social Housing	51	0	4	1	0	0	0	**57**
Strategic Planning General	0	0	1	0	0	0	0	**1**
Local Plans	0	0	34	0	0	0	0	**34**
	644	**0**	**136**	**8**	**0**	**0**	**(20)**	**769**

TOTAL	**1,933**	**0**	**393**	**46**	**0**	**0**	**(557)**	**1,815**

GENERAL FUND BUDGET - Supported Living

Private Sector Housing	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Home Improvement Agency	0	0	16	0	0	0	0	**16**
Housing Advances	0	0	0	0	0	0	(0)	**(0)**
Housing Standards	73	0	0	4	0	0	0	**78**
Other Housing Matters	0	0	11	0	0	0	0	**11**
Other Housing Services	0	0	2	0	0	0	(2)	**0**
Renovation Grants Administration	0	0	1	0	0	0	0	**1**
	73	**0**	**30**	**4**	**0**	**0**	**(2)**	**106**

Housing Options	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Homeless Prevention Fund	0	0	1	0	0	0	0	**1**
Homelessness Private Sector	101	18	99	3	0	0	(78)	**142**
Rent Deposit Scheme	43	10	0	3	0	0	(10)	**47**
	144	**28**	**99**	**6**	**0**	**0**	**(88)**	**189**

Property Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Asset Management	33	0	15	0	0	0	(0)	**48**
Asset Management Technical Staff	392	0	0	25	0	0	0	**417**
Belle Vue House	0	23	0	0	0	0	(13)	**9**
Calais St Depot	0	2	0	0	0	0	0	**2**
Chilton Depot	0	47	0	0	1	0	(4)	**44**
Community Safety-CCTV	13	1	15	0	0	0	0	**29**
East House	0	5	4	0	0	0	0	**9**
Hadleigh Market	0	0	0	0	0	0	(2)	**(1)**
Headquarters General	31	62	79	0	7	0	0	**178**
HQ Energy	0	72	0	0	0	0	0	**72**
HQ Repairs	0	68	1	0	0	0	0	**69**
Industrial Estates	0	1	0	0	1	0	(67)	**(65)**
Pool Cars	0	0	0	3	0	0	0	**3**
PV Panels	0	0	33	0	0	0	(478)	**(445)**
Wenham Depot	0	2	0	0	0	0	(10)	**(8)**
	469	**282**	**147**	**28**	**8**	**0**	**(574)**	**361**

TOTAL	**687**	**310**	**277**	**38**	**8**	**0**	**(664)**	**656**

GENERAL FUND BUDGET - Environment and Projects

Building Control	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Commercial Income	0	0	2	0	0	0	(2)	**(0)**
Building Regulations: chargeable service	245	0	4	14	0	0	(295)	**(32)**
Building Regulations: non-chargeable service	55	0	0	3	0	0	0	**59**
Building Regulations: other activities	34	0	0	2	0	0	0	**36**
Street Naming and Numbering	19	3	3	1	0	0	(12)	**15**
	354	**3**	**9**	**21**	**0**	**0**	**(309)**	**63**

Waste Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Bring Sites	10	0	86	0	0	0	(139)	**(43)**
Domestic Waste	127	0	201	8	1,360	0	(431)	**1,266**
Garden Waste	51	0	115	0	323	0	(908)	**(419)**
Trade Waste	15	0	215	0	128	0	(544)	**(186)**
	203	**0**	**617**	**9**	**1,810**	**0**	**(2,022)**	**617**

Food & Safety	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Animal Welfare Licensing	0	0	1	0	0	0	(6)	**(5)**
Food & Safety (General)	231	0	3	9	0	0	0	**243**
Food Hygiene Courses	0	0	0	0	0	0	(0)	**(0)**
Food Safety	0	0	1	0	0	0	0	**1**
Health & Safety Regulation	0	0	0	0	0	0	(0)	**(0)**
Water Sampling	0	0	3	0	0	0	(3)	**(0)**
	231	**0**	**9**	**9**	**0**	**0**	**(9)**	**239**

Leisure	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Hadleigh Pool	0	20	0	0	59	0	0	**79**
Kingfisher Leisure Centre	0	33	0	0	139	0	0	**172**
New Hadleigh Pool & Leisure	0	0	0	0	31	0	(31)	**0**
	0	**54**	**0**	**0**	**228**	**0**	**(31)**	**251**

TOTAL	**788**	**57**	**635**	**38**	**2,038**	**0**	**(2,371)**	**1,170**

GENERAL FUND BUDGET - Communities and Public Access

Public Access	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Customer Services	407	0	36	2	0	0	0	**445**
	407	**0**	**36**	**2**	**0**	**0**	**0**	**445**

Strong and Safe Communities	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Civil Protection and Emergency Planning	0	0	24	0	0	0	0	**24**
Community Development	87	0	0	3	0	0	0	**90**
Communications	78	0	6	0	0	0	0	**84**
Community Achievement Awards	0	0	3	0	0	0	0	**3**
Community Safety-General	35	0	14	1	0	0	0	**50**
Grants and Contributions	31	0	172	1	0	0	0	**203**
The Arts	20	0	8	1	0	0	0	**28**
	251	**0**	**225**	**6**	**0**	**0**	**0**	**482**

Countryside and Public Realm	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
AONB Contributions	0	0	32	0	0	0	0	**32**
Car Parks General	7	29	1	0	3	0	(0)	**40**
Community Development -Countryside	44	0	0	0	0	0	0	**45**
Footpaths	21	1	4	1	0	0	(11)	**16**
Hadleigh Car Parks	0	24	19	0	4	0	(33)	**14**
Holbrook Car Park	0	(0)	0	0	0	0	0	**(0)**
Nayland and Sproughton Closed Burial Grounds	0	0	0	0	1	0	0	**1**
Open Spaces	135	31	144	2	293	0	(51)	**553**
Pin Mill Car Park	0	1	5	0	0	0	(14)	**(8)**
Public Conveniences	0	60	20	0	33	0	0	**114**
Public Tree Programme	52	21	0	4	0	0	0	**78**
River Gipping Drainage Levy	0	0	2	0	0	0	0	**2**
Street and Major Road Cleansing	6	0	56	1	375	0	(86)	**351**
Sudbury Car Parks	0	126	47	0	8	0	(169)	**12**
The Greenways Project	0	0	6	0	0	0	0	**6**
	266	**292**	**334**	**8**	**718**	**0**	**(364)**	**1,254**

Policy and Strategy (Health & Well Being)	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Policy and Strategy (Health and Well Being)	90	0	35	4	0	0	0	**128**
	90	**0**	**35**	**4**	**0**	**0**	**0**	**128**

TOTAL	**1,013**	**292**	**630**	**19**	**718**	**0**	**(364)**	**2,309**

GENERAL FUND BUDGET - Investment and Commercial Delivery

Open for Business	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Alcohol, Entertainments and Late Night Refreshment	30	0	8	0	0	0	(78)	**(40)**
Economic Development	115	0	25	5	0	0	0	**145**
Gambling and Small Lotteries	41	0	0	1	0	0	(8)	**34**
Lavenham Tourist Information Centre	56	5	13	0	0	0	(24)	**49**
Taxi and Private Hire Licensing	9	0	13	0	0	0	(79)	**(57)**
Tourism General	0	0	38	0	0	0	(4)	**33**
	250	**5**	**96**	**6**	**0**	**0**	**(192)**	**164**

Housing and Regeneration	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Asset Utilisation	95	2	4	1	0	0	0	**102**
Borehamgate Shopping Centre	0	0	20	0	0	0	(334)	**(314)**
Gainsborough Chambers	0	0	0	0	0	0	(12)	**(12)**
Navigation House	0	11	5	0	0	0	(23)	**(7)**
Capital Investment Strategy	20	0	0	0	0	0	0	**20**
	115	**13**	**29**	**1**	**0**	**0**	**(369)**	**(211)**

TOTAL	**365**	**17**	**125**	**7**	**0**	**0**	**(561)**	**(47)**

GENERAL FUND BUDGET - Corporate Resources

HR and Organisational Development	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Health & Safety	26	0	2	0	0	0	0	**29**
Organisational Development	349	0	30	1	0	0	0	**380**
	376	**0**	**32**	**1**	**0**	**0**	**0**	**409**

Financial Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Bank Charges	0	0	60	0	0	0	(6)	**54**
Contingencies/Savings Adjustments	74	0	0	0	0	0	0	**74**
Revenues and Benefits	0	0	2	0	0	20,202	(20,723)	**(519)**
External Audit	0	0	74	0	0	0	0	**74**
Financial Services	358	0	35	4	0	0	0	**397**
Insurance Premiums	125	91	12	1	0	0	0	**228**
Pay Inflation and Increment Costs	(100)	0	0	0	0	0	0	**(100)**
Shared Revenues Partnership	0	0	0	0	1,116	0	0	**1,116**
Treasury Management	0	0	16	0	0	0	0	**16**
Pension Lump Sum Deficit	858	0	0	0	0	0	0	**858**
New Homes Bonus	0	0	0	0	0	0	(1,212)	**(1,212)**
Section 31 Grant	0	0	0	0	0	0	(650)	**(650)**
	1,315	**91**	**199**	**4**	**1,116**	**20,202**	**(22,591)**	**336**

Commissioning and Procurement	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Central Stationery and Equipment	0	0	10	0	0	0	0	10
Commissioning and Procurement	136	0	4	1	0	0	0	141
	136	**0**	**14**	**1**	**0**	**0**	**0**	**151**

Senior Leadership Team	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Senior Leadership Team	646	0	35	10	0	0	(33)	**658**
	646	**0**	**35**	**10**	**0**	**0**	**(33)**	**658**

TOTAL	**2,472**	**91**	**280**	**17**	**1,116**	**20,202**	**(22,624)**	**1,554**

GENERAL FUND BUDGET - Law and Governance

Information Management and ICT	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
ICT	244	0	443	0	228	0	0	**916**
Information Management	91	0	0	0	0	0	0	**91**
Land Charges	0	0	23	0	0	0	(214)	**(191)**
ICT Transformation Programmes	47	0	0	0	0	0	0	**47**
	382	**0**	**466**	**1**	**228**	**0**	**(214)**	**863**

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

Democratic Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Central Postal Services	10	0	51	0	0	0	0	**61**
Central Printing	13	0	27	0	0	0	(3)	**37**
Cost of Democracy	(156)	0	244	14	0	0	(2)	**101**
Elections	38	0	0	0	0	0	0	**39**
Electoral Registration	0	0	50	0	0	0	(2)	**48**
Governance	214	0	3	0	0	0	(0)	**217**
Village of the Year	0	0	1	0	0	0	0	**1**
	121	**0**	**376**	**14**	**0**	**0**	**(7)**	**504**

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

Shared Legal Services	Employee Costs £'000	Premises Costs £'000	Supplies & Services £'000	Transport Costs £'000	Major Contracts £'000	Third Party Payments £'000	Income £'000	Net Expenditure £'000
Shared Legal Services	120	0	265	0	0	0	(85)	**301**
	120	**0**	**265**	**0**	**0**	**0**	**(85)**	**301**

TOTAL	**803**	**0**	**1,115**	**16**	**228**	**0**	**(306)**	**1,857**

HOUSING REVENUE ACCOUNT 2017/18

Income	2016/17 £'000	2017/18 £'000
Dwelling Rent and Other Income	(16,849)	(16,759)
Less Bad Debt Provision	75	115
Interest Income	(15)	(16)
Gross Income	**(16,789)**	**(16,660)**

Expenditure	2016/17 £'000	2017/18 £'000
Repairs, maintenance, management and other costs	5,376	5,558
Capital Charges (funding the capital programme)	2,824	2,803
Depreciation	2,721	2,721
Revenue Contribution to Capital Programme	2,540	5,605
Gross Expenditure	**13,461**	**16,687**

Net Operating Income	**(3,328)**	**27**
Net Transfer to Revenue Provision for Repayment of Borrowing	**500**	**500**
(Surplus)/Deficit for the Year	**(2,828)**	**527**

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 GENERAL FUND	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Gov't Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Supported Living												
Mandatory Disabled Facilities Grant	300	300	300	300	**1,200**				1,168		32	**1,200**
Discretionary Housing Grants	100	100	100	100	**400**						400	**400**
Empty Homes Grant	100	100	100	100	**400**						400	**400**
Total Supported Living	**500**	**500**	**500**	**500**	**2,000**	**0**	**0**	**0**	**1,168**	**0**	**832**	**2,000**
Strategic Housing												
Grants for Affordable Housing	100	100	100	100	**400**						400	**400**
Total Strategic Housing	**100**	**100**	**100**	**100**	**400**	**0**	**0**	**0**	**0**	**0**	**400**	**400**
Environment and Projects												
Replacement Refuse Freighters - Joint Scheme	0	170	170	170	**510**						510	**510**
Recycling Bins	75	75	75	75	**300**						300	**300**
Total Environment and Projects	**75**	**245**	**245**	**245**	**810**	**0**	**0**	**0**	**0**	**0**	**810**	**810**
Communities and Public Access												
Community Development Grants	117	117	117	117	**468**						468	**468**
Play Equipment	50	50	50	50	**200**						200	**200**
Planned Maintenance / Enhancements - Car Parks	39	36	38	36	**147**						147	**147**
Total Community Services	**206**	**203**	**205**	**203**	**815**	**0**	**0**	**0**	**0**	**0**	**815**	**815**
Leisure Contracts												
Kingfisher Leisure Centre - changing room replacement	550	0	0	0	**550**						550	**550**
Kingfisher Leisure Centre - plant and other capital	0	145	40	0	**185**						185	**185**
Hadleigh Sports and Swimming Pool - general	50	0	0	0	**50**						50	**50**
Hadleigh Community Facility	0	0	0	0	**0**							**0**
Installation of PV Panels on Housing Stock	0	0	0	0	**0**							**0**
Total Leisure Contracts	**600**	**145**	**40**	**0**	**785**	**0**	**0**	**0**	**0**	**0**	**785**	**785**
Capital Projects												
Planned Maint / Enhancements - Hadleigh HQ	35	0	0	0	**35**						35	**35**
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	**192**						192	**192**
Carbon Reduction	50	50	50	50	**200**						200	**200**
Hadleigh Community Facility	0	0	0	0	**0**							**0**
Installation of PV Panels on Housing Stock	0	0	0	0	**0**							**0**
Total Asset Management	**133**	**98**	**98**	**98**	**427**	**0**	**0**	**0**	**0**	**0**	**427**	**427**
Investment and Commercial Delivery												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	**11,892**						11,892	**11,892**
Total Investment and Commercial Delivery	**2,973**	**2,973**	**2,973**	**2,973**	**11,892**	**0**	**0**	**0**	**0**	**0**	**11,892**	**11,892**
Corporate Resources												
ICT - Hardware / Software (incl joint working with MSDC)	763	200	200	200	**1,363**	250					1,113	**1,363**
Total Corporate Resources	**763**	**200**	**200**	**200**	**1,363**	**250**		**0**	**0**	**0**	**1,113**	**1,363**
Total General Fund Capital Spend	**5,349**	**4,464**	**4,361**	**4,319**	**18,492**	**250**	**0**	**0**	**1,168**	**0**	**17,074**	**18,492**

BABERGH CAPITAL PROGRAMME 2017/18 - 2020/21 HOUSING REVENUE ACCOUNT	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Gov't Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
Capital projects												
Planned maintenance	4,288	6,155	5,226	5,690	**21,359**	212	14,852	6,295				**21,359**
ICT Projects	80	0	0	0	**80**		80	0				**80**
Environmental Improvements	50	50	50	50	**200**		30	170				**200**
Disabled Facilities work	200	200	200	200	**800**		400	400				**800**
Horticulture and play equipment	23	23	23	23	**92**			92				**92**
New build programme inc acquisitions	5,010	3,253	3,520	3,840	**15,623**	436	3,699	11,422	66			**15,623**
Total HRA Capital Spend	**9,651**	**9,681**	**9,019**	**9,803**	**38,154**	**648**	**19,061**	**18,379**	**66**	**0**	**0**	**38,154**
Total Capital Spend	**15,000**	**14,145**	**13,380**	**14,122**	**56,646**	**898**	**19,061**	**18,379**	**1,234**	**0**	**17,074**	**56,646**

RESERVES

GENERAL FUND

	Estimated Balance 31 Mar 2017 £'000	2017/18 Transfer into reserves £'000	2017/18 Use of reserves £'000	Estimated Balance 31 Mar 2018 £'000
Working Balance	**(1,200)**			**(1,200)**
Government Grants	**(371)**			**(371)**
Personal Searches	**(60)**			**(60)**
Elections	**(30)**	(20)		**(50)**
Green Initiatives	**(25)**			**(25)**
Section 106 (part only)	**(232)**			**(232)**
Planning Enforcement	**(40)**			**(40)**
Other				**0**
Sub total	**(758)**	**(20)**	**0**	**(778)**
Transformation Fund	**(2,262)**	**(1,862)**	**1,847**	**(2,278)**
TOTAL GENERAL FUND RESERVES	**(4,220)**	**(1,882)**	**1,847**	**(4,256)**

Agenda Item 12

BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Chief Executive	**Report Number: S110**
To: Babergh Council Mid Suffolk Council	**Date of meeting: 21 February 2017 23 February 2017**

FURTHER ELECTORAL REVIEW – COUNCIL SIZE SUBMISSION

1. Purpose of Report

1.1 The Local Government Boundary Commission for England (LGBCE) is undertaking a further electoral review ('review') of both Babergh and Mid Suffolk District Councils. The Mid Suffolk review is an 'intervention' review which has been triggered by significant electoral inequality between different wards within the district. The timetable for the review was agreed at the Council meeting on 28 July 2016. Babergh District Council agreed, at the Council meeting on 26 July 2016, to request that an electoral review of Babergh be run concurrently with Mid Suffolk.

1.2 The collective review of both districts is being undertaken by LGBCE in two stages. Stage one is to determine the Council size i.e. the total number of Councillors, and stage two is to redraw the ward boundary lines to achieve electoral equality using the revised Councillor numbers. The outcomes of the review will be effective from the next scheduled district Council elections in May 2019. This report seeks approval of the Council size submission in relation to stage one of the review.

2. Recommendations

2.1 That the Council agrees the Council size submission as appended to this report and authorises the Chief Executive to present the submission to the Local Government Boundary Commission for England on behalf of the Council.

2.2 That the Chief Executive, in consultation with the Leader of the Council, be given delegated authority to make minor amendments to the Council size submission in response to any feedback received from the Local Boundary Commission for England.

3. Financial Implications

3.1 There are no direct financial implications associated with this report.

4. Legal Implications

4.1 The LGBCE are responsible for conducting the review and for ensuring compliance with all relevant legal provisions.

5. Risk Management

5.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 5c. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
That the Council size is insufficient for effective decision making and ward representation.	2- Unlikely	3 – Bad	The submission is based on evidence from the existing Council structure alongside projections for the governance arrangements in 2019. All Councillors have been involved in determining the Council size.

6. Consultations

6.1 A number of engagement activities have been undertaken with Councillors including three workshops for all Councillors, an online Councillor survey and through the meetings of the Strengthening Governance Task & Finish Group.

6.2 All Councillors have been given early sight of the draft Council size submission (Appendix A) and invited to comment on the proposals through their respective political group leaders and meetings.

6.3 There is no requirement to undertake formal public consultation during stage one of the review, however the LGBCE will undertake extensive public consultation about the proposed warding patterns during stage two.

7. Equality Analysis

7.1 There are no equality and diversity implications.

8. Shared Service / Partnership Implications

8.1 This report supports the ongoing joint working arrangements of the two Councils.

9. Links to Joint Strategic Plan

9.1 This report supports the Enabled and Efficient Organisation programme.

10. Key Information

10.1 The LGBCE is responsible for conducting the further electoral review and for setting the review timetable. At stage one of the review the LGBCE require the Councils to submit their Council size proposals, supported by background data and projected electorates. Attached at Appendix B is a copy of the current review timetable and the LGBCE's guidance for determining Council sizes.

10.2 The factors that should be taken into consideration when determining the Council size are the number of Councillors needed to effectively operate the Council, demands on Councillors' time, and the role of Councillors as community representatives. The LGBCE will then hold an internal meeting to agree indicative Council sizes for each Council which will then be used to develop revised warding patterns for each districts.

10.3 As the two authorities have a joint management structure and workforce, and a background of joint committees, a single submission has been prepared. This document must be submitted to the LGBCE by 17 March 2017.

10.4 In December 2016, both Councils made a decision to adopt the cabinet-leader model of governance, effective from May 2017. The revised Council size will not however be implemented until the next scheduled elections in May 2019. In developing the Council size submission several assumptions have therefore been made about how the Councils will have further transformed and will be operating together by May 2019 and beyond. This reflects the integration journey that the Councils have been on together since first agreeing to share a Chief Executive in 2011, through to the decision made in 2016 to move into a single headquarters for both Councils. In addition this reflects the ongoing strengthening governance journey that the Councils have been on together; and their history and desire for the increased use of combined, joint or simultaneous committee meetings once the new governance model has had an initial period of 'bed-in'.

10.5 The Strengthening Governance Task & Finish Group have been involved in the drafting of the Council size submission and all Councillors were given the opportunity to discuss the factors that determine Council sizes at a workshop on 31 January 2017.

10.6 During the Councillor engagement concerns were raised about the differences in the need for representation between urban and rural wards, the ability to attract candidates to stand as Councillors, the need to try to 'future-proof' when agreeing the Councillor numbers, the ability to assign seats on politically proportionate committees and the potential increase in Councillor workload, especially in liaising with parish Councils. These concerns have been debated during the engagement activities and acknowledged within the draft Council size submission.

10.7 The overall consensus at the Councillor workshop was that a Council size of approximately 36 Councillors for each Council would be most effective. However, these conversations did not fully take into account the further integration of the governance arrangements that are anticipated to have happened by May 2019. There was also a general desire expressed through the workshop that both Councils should seek to achieve electoral equality across both districts rather than in isolation from each other. Councillors at the workshop and at the Strengthening Governance Task & Finish Group therefore acknowledged that the final Council size numbers could be slightly lower than 36 and would need to be different for each Council. These elements have been reflected in the final Council size submission of 31 Councillors for Babergh and 34 Councillors for Mid Suffolk.

11. Appendices

Title	Location
A. Council Size Submission	Attached
B. Further Electoral Review Timetable LGBCE Guidance	Attached http://www.lgbce.org.uk/__data/assets/pdf_file/0006/10410/technical-guidance-2014.pdf

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Appendix A

Babergh and Mid Suffolk Councils – Further Electoral Review

Council Size Submission to the Local Government Boundary Commission for England

1. Introduction

Babergh District Council ('BDC') and Mid Suffolk District Council ('MSDC') are two sovereign district councils with a joint Chief Executive, fully integrated management team and single staff body serving the two councils under a Memorandum of Understanding and section 113 Agreement. The councils are responsible for a significant geographical area (59,378 and 87,107 hectares respectively) in the heart of Suffolk, covering a mix of urban and rural locations. Both council areas are fully parished (76 and 124 parishes respectively).

MSDC received notification of a proposed intervention electoral review from the Local Government Boundary Commission for England ('LGBCE') due to a significant disparity in electoral equality across a number of wards[1]. MSDC subsequently agreed the proposed electoral review timetable at its meeting on 28 July 2016.

Due to the nature and history of MSDC and BDC working together BDC therefore requested that the LGBCE also undertake a further electoral review of their district to coincide with the review of Mid Suffolk. This was agreed at BDC's Council meeting on 26 July 2016.

Due to the joint working relationship of the two councils, this submission has regard to both councils' size. Details of this joint relationship and areas where there are differences are set out below. This document forms both councils' formal response to the LGBCE's request that the councils put forward a submission regarding 'Council Size'.

This submission has been prepared in full accordance with the LGBCE's "Electoral reviews – Technical guidance (April 2014)". Councillors have been engaged throughout this process and specifically through a cross party 'Strengthening Governance' Task & Finish Group, and a series of information sessions and workshops.

2. Summary

In 2011 Babergh and Mid Suffolk District Councils ('BMSDC') proposed to formally dissolve the two councils and merge to form a new single district council for their areas. Under the legislation and guidance in place at that time it was a necessary pre-cursor to any such merger that the councils conduct a non-binding local advisory referendum of their electorate. BMSDC decided to make this referendum binding upon them, and that therefore more than 50% of each electorate would need to vote in favour of the merger for the councils to proceed. The referendum took place in May 2011. Of those who voted, 60% of Mid Suffolk electors voted in favour of the councils' proposed merger but only 40% of Babergh's electors supported the proposal.

[1] Stowmarket North ward has an imbalance of +31%, and a further 9 wards (30%) have an imbalance of +/- 10%

Although the two councils did not therefore proceed with such a merger at that stage a transformational integration programme of joint working, known as 'Working Together', was put in place. This integration began with the appointment of a joint Chief Executive in 2011, subsequent changes to join the management structures, and a fully integrated workforce being in place by 2013.

Although the Councils remain as politically sovereign bodies, the elected members do also work very closely together and a single Vision and Joint Strategic Plan (2016-2020) has been adopted. BMSDC also has a track record of a number of joint Councillor arrangements. These include joint committees; namely Scrutiny Committee and Audit & Standards Committee; and a variety of other formal and informal arrangements such as the Joint Member Integration Board, Joint Portfolio Holder Briefings, a Joint Housing Board, various Joint Task & Finish Groups; and Joint Member briefings and training.

The strength of this partnership working and relationship is demonstrated by the fact that it has survived for six years, and despite a change of administration, both Leaders, and of Chief Executive. BMSDC's continuing desire, through 'Working Together', to operate wherever possible as a single organisation and to potentially work towards becoming a single council, has been further extended by a variety of recent decisions. These include the creation of a single BMSDC owned company for £50m of investments and the decision to move into a single, joint headquarters building in Summer 2017; which will host all councillors, and the majority of staff and public meetings. Similarly, this integration work will further evolve during 2017 with a launch of a single joint website, new joint customer access points in both districts, refreshed joint branding, and adoption of shared staff values.

BDC currently has 43 councillors representing an electorate of 71,686 across 27 wards and MSDC currently has 40 councillors representing 79,885 electors across 30 wards. All-out elections are held every four years. Both councils have had essentially the same number of Councillors since the councils were first established in 1974. The only change has been at BDC, which has increased by one councillor from the 42 Councillors that it first had in 1974. Both councils now have wards where there is notable electoral inequality[2].

In December 2016 both councils resolved to move from a committee style of governance to a Leader-Cabinet model. This will be implemented from May 2017 and will be fully embedded by the elections in 2019, at which time the outcomes from this electoral review will be enacted. As such, this council size submission seeks to address two issues:

a. The current, and potential for further electoral inequality within the warding structure of the councils, particularly having regard to future development and the estimated increase to the electorate; and
b. The anticipated change in the councillor workload and number of committee placements as a result of the change to the Leader-Cabinet model in May 2017, and the further evolution of joint working and governance leading up to and beyond 2019.

It is therefore proposed that the number of councillors be reduced from 43 to 31 for Babergh District Council and from 40 to 34 for Mid Suffolk District Council.

[2] In Babergh there are 22% of wards with an imbalance of +/- 10% of the average electorate per councillor

The factors that have been considered when reaching this proposal are as follows:

- The move to a Leader-Cabinet model of governance and the expected structure of committees and decision making within that framework, which will lead to fewer councillors being directly involved in day to day decision making;
- The reduction in the number of committee placements needed to operate effectively within the Leader-Cabinet structure by 2019, in particular with regard to scrutiny, audit and regulatory functions;
- The number of councillors needed to represent and engage with the community, including working with parish councils and undertaking case work on behalf of constituents;
- The current and expected time commitment required of a councillor in order to fulfil all of their responsibilities in respect of council business, representation on external bodies and as community leaders;
- An officer assessment of member workload has concluded that, taking no account of representational needs, each council could operate with a minimum of 20 to 25 Councillors.
- The broadly agreed Councillor opinion, that emerged through the recent workshops, that each council could operate most effectively in the Leader-Cabinet model from May 2017, fulfilling all of its respective governance and representational roles, with approximately 36 Councillors;
- The current and historic working relationship between the two councils, and the realistic anticipated increased use of joint committees, joint representation and joint decision making from the new joint headquarters building;
- The councils' long term Joint Strategic Plan and delivery programme;
- The councils' desire to achieve electoral equality both within and across both districts.

Further explanation of the considerations around these factors is given below in sections 3 to 10.

It is acknowledged that at the time of this submission, the new Leader-Cabinet governance arrangements have not yet been implemented. These will take effect from May 2017 and so will be fully embedded by 2019 but there is therefore less relevance to BMSDC's historic evidence on which to base assertions about future councillor involvement and the time commitment needed. However, the assumptions made in this proposal are based on how this model of governance operates in other local authorities and in particular our neighbouring Suffolk authorities, both of which will be familiar to the LGBCE.

3. Full Council

BMSDC's Constitutions are currently being redrafted to reflect their decisions to move to the Leader-Cabinet governance model. This work will be completed and approved by each council at their meetings in April 2017. The work carried out through the Councillor workshops and Strengthening Governance Task & Finish Group has confirmed that there will be relatively few changes to the role and functions of Full Council, and no additional matters will be reserved to Full Council. The relevant extract from the current Constitutions has therefore been appended to this document.

In accordance with the Leader-Cabinet style of governance the majority of day to day decisions will, from May 2017, be taken at Cabinet meetings (see below). Although the terms of reference for each Full Council will not be changing significantly, it is anticipated that this change in governance will result in a reduction in regular business being conducted at Full Council meetings. Council meetings will remain however the place for motions, significant debates and councillor questions.

Full Council will continue to require the attendance of all Councillors. The Council (for each district) currently meets at least six times per year. In the past however there has frequently been the need to schedule additional meetings. In light of the change to the Leader-Cabinet model it is no longer anticipated that additional Council meeting will be required other than in exceptional circumstances.

BMSDC will be relocating to new offices (shared with Suffolk County Council) during Summer 2017. This is an existing building which will become the administrative headquarters of BMSDC and Suffolk County Council. The building has a dedicated, fully digitally equipped, council chamber. As the current council chamber for the County Council the room is just large enough to accommodate all of the current BMSDC Councillors, and certainly would be large enough to accommodate the combined proposed council sizes of 65 Councillors. It is anticipated therefore, in light of the continuous journey of integration between BMSDC, that up to half of BMSDC's Council meetings may be held as simultaneous meetings from 2019, if not before.

4. <u>Cabinet</u>

The adoption of the Leader-Cabinet governance model has had a dramatic impact on the role and workload of Councillors at every council that has adopted it since 2000. From May 2017 only a relatively small number of Councillors will be directly involved in making decisions, except for those limited matters that must still be determined at a Council meeting.

The Leader of each council will be elected by Councillors, for the remainder of the four year term, at the annual meetings in May 2017. The Leaders will then each appoint a Deputy Leader, and five further Cabinet Members / Portfolio Holders. Each of the Cabinet Members will be aligned to BMSDC's priorities, as defined in the Joint Strategic Plan. Although BMSDC may wish to retain a couple of extra Councillors, outside of their respective Cabinets, with lead responsibility for particular places or themes (to provide additional informal policy support), it is anticipated that the Cabinets will mirror each other, and only contain seven Councillors rather than the maximum of ten. Similarly none of the Cabinet Members will have a deputy and will <u>not</u> have delegated authority from the Leaders to make decisions with regard to functions within their portfolio.

Again the terms of reference for the Cabinets are not available yet as this work is being completed as part of the revisions to the Constitutions to be approved by each council at their meetings in April 2017. The role of the 'executive' under the Cabinet-Leader model is, however, largely determined by legislation; and so BMSDC's Cabinets will fulfil these same functions.

BMSDC currently operate cross party Strategy and Executive Committees respectively, which meet eleven times per year and will be replaced by a similar schedule of Cabinet meetings. As described above, both BMSDC are already delivering to the same shared Vision and outcomes set out in the Joint Strategic Plan through a single officer team and mirrored Portfolios, that meet jointly. It is therefore anticipated that once the Leader-Cabinet model has become embedded, and BMSDC move to their joint headquarters, then simultaneous Cabinet meetings of BMSDC are likely to become the preferred mechanism for decision making.

As this approach continues to evolve beyond 2019 then it could even result in a reduction in Cabinet sizes, with individual Portfolio Holders taking responsibility for each priority across the whole of Babergh and Mid Suffolk rather than simply within their own council area. This approach of collective representation has already been adopted by BMSDC in relation to various outside bodies, such as the Health & Wellbeing Board, where one Councillor represents both councils. Again it is anticipated that this approach is only likely to increase between now and 2019.

It has been proposed that all Councillors, and specifically the Leaders of the other political groups, and the Chairmen of the Scrutiny and Audit Committees will be invited to attend Cabinet Meetings. Any Councillor present will then be able to question Cabinet Members directly on items presented for decision and performance reports, but of course they cannot play any role in making such decisions.

It is anticipated that regular informal Cabinet Briefings will provide the opportunity for the Cabinet Members and Senior Officers to consider key issues and debate policy matters. The majority of executive decisions, that are not already delegated to officers, will then be made at the formal Cabinet Meetings. Again it is anticipated that as BMSDC become more comfortable with and embed the Leader-Cabinet model of governance then the level of delegated authority to officers is likely to increase.

5. <u>Governance Committees</u>

It is anticipated that as BMSDC makes a reduction in May 2017 in the number of Councillors involved in decision making, then it is likely that there may be a gradual reduction over time in the number of Councillors involved in the governance functions. Any such change is unlikely however to happen initially as both councils are determined to reinforce and further strengthen the arrangements for holding the respective Cabinets to account, especially through their scrutiny arrangements. As part of the change to the Leader-Cabinet model BMSDC have therefore decided to adopt a strengthened but streamlined framework for its governance committees. This will see each council having one Scrutiny Committee and one Audit & Standards Committee as described below.

Scrutiny

BMSDC currently has separate Scrutiny Committees made up of 8 Councillors respectively, but also meets every two months as a Joint Scrutiny Committee of 16 councillors (8 from each council). The committees have a forward programme of work which includes performance monitoring, policy development, proactive and responsive scrutiny, and pre-scrutiny in support of the Joint Strategic Plan. The committees are also responsible for dealing with any 'call-ins', although with the current governance system that is operating these have been extremely rare.

BMSDC has recognised however that it will be essential to further strength their approach to Scrutiny in order to ensure that, alongside the Audit Committee and Full Council, the Cabinet is properly being held to account for its decision making. With this in mind, BMSDC have proposed not to have a Joint Scrutiny Committee during an initial period whilst the Leader-Cabinet model is adopted and embedded at each council. By 2019 however it is anticipated that the separate Committees will have been abandoned in favour of having only a Joint Scrutiny Committee.

Both councils will need to re-learn over the next 9 to 12 months how to have an effective scrutiny function under their revised governance system. BMSDC are both keen however to retain the strong culture of collaborative, cross party and council, working that has developed under their Committee system and joint arrangements. It is anticipated therefore that there will be an even greater level of pre-scrutiny than was necessary before under the Committee system. This should also ensure that any 'call-ins' will remain extremely rare.

Overall however BMSDC's Councillors are clear, as discussed and established through the recent Member workshops, that the priority for all scrutiny functions will be to ensure that there is 'added value' for the organisation, decision making and our communities; aligned to the Joint Strategic Plan. There will therefore be a clear focus at both councils on 'quality' rather than 'quantity' of scrutiny. This approach will be supported by:

- A-Political Scrutiny;
- Electing an effective Chairperson;
- Providing bespoke training & skills (including listening, critical thinking and constructive questioning);
- Putting in place dedicated scrutiny officer resource and senior officer support;
- Clear use of the Cabinet Forward Plan;
- Calling upon external bodies as witnesses;
- Greater research and adoption of best practice;
- Ensuring all Councillors have the confidence to challenge each other effectively;
- Developing good relationships between Scrutiny and Cabinet.

Audit & Standards

BMSDC currently operate the Audit and Standards Committee arrangements in the same way as Scrutiny (as described above). Each council has an Audit & Standards Committee made up of 8 Councillors respectively, but also meets every two months as a Joint Audit & Standards Committee of 16 councillors (8 from each council). It is the role of the Audit and Standards Committees to deal with audit, corporate and financial governance, and risk in accordance with the relevant CIPFA (Chartered Institute of Public Finance Accountants) Guidance.

Responsibility for reviewing the Constitution currently rests with the joint Strengthening Governance Task & Finish Group; but in the longer term this is likely to rest with the Audit & Standards Committees as a continuous role.

Following the reforms to the Code of Conduct regime, introduced through the Localism Act during 2012, the Audit Committees took on the ethical governance responsibilities within its terms of reference, and any previous Standards Committees were dissolved. In addition, BMSDC and Suffolk County Council operate a Suffolk Joint Standards Board. The new arrangements adopted by the councils for dealing with Code of Conduct complaints involves less Councillors than the previous regime. In the vast majority of cases only the relevant Group Leader is involved at all. Similarly complaints about parish / town councillors (which previously made up the majority of all complaints) only involve District Councillors if, exceptionally, they result in an investigation and a finding by the Investigating Officer that there has been a breach of the Suffolk Code of Conduct.

Again BMSDC have proposed not to have a Joint Audit & Standards Committee during the initial period whilst the Leader-Cabinet model is adopted and embedded at each council. By 2019 however it is anticipated that the separate Committees, including the Suffolk Joint Standards Board, may have been abandoned in favour of having only a Joint Audit & Standards Committee.

6. Regulatory Functions

Development Control

The councils currently operate different committee arrangements for each area but all such committees are politically balanced. BDC has a single Planning Committee of 14 Councillors that meets on a fortnightly basis. MSDC has shared the planning workload between two Development Control Committees (A and B). Each of these Committees is made up of 10 Councillors which meet monthly. MSDC also operates a Planning Referrals Committee (made up of all the members of committee A and B) to which applications can be referred on an ad hoc basis.

A special responsibility allowance is paid (see Members Allowance Schemes) to all members of the BDC Planning Committee in recognition of the extra responsibility and time demands placed on BDC members because of the frequency of meetings and the requirement to make site visits on a regular basis. All BMSDC Committee Members are also required to attend regular workshops on related planning issues and to keep informed about current regulatory practice.

The Councils are currently working towards adopting a Joint Local Plan before 2019, which will entirely replace the existing separate Local Plans. Although some change to the committee structure described above is possible, it is anticipated that, given the nature of planning matters there will remain at least two planning Committees, one for each of the councils, and that these will continue to have their meetings directly in the districts.

Regulatory and Licensing

BMSDC each have Regulatory and Licensing Committees, made up of 10 and 12 Councillors respectively. These Committees are responsible for each council's functions in the control of services, persons, vehicles and premises that are required to be licensed or registered.

A number of licensing matters are also dealt with through delegated decisions by officers. In recent years the workload of the Committees has remained relatively consistent and this is not anticipated to change. The Committee has only six scheduled meetings per year but also meets as a sub-committee to determine applications for licences and to consider breaches of licensing conditions. Such sub-committees are comprised of three Councillors.

Again both councils have slightly different arrangements regarding special responsibility allowances for Regulatory and Licensing Committees. However none of the ordinary members of these Committees at either council (non Chairman or Vice Chairman) receive a special responsibility allowance. It is anticipated however, given the nature of such licensing and regulatory matters, that by 2019 such decisions are likely to be determined through a single Joint Committee.

7. Other Committees, Task & Finish Groups and Partnership working

Committees and Task & Finish Groups

All other Committee arrangements in place for BMSDC are joint. These are the Joint Appointments Committee (ad hoc), Joint Health & Safety Committee (6 monthly), Joint Staff Consultation Committee (6 monthly) and Joint Housing Board (monthly).

It will be necessary for the councils to maintain a joint committee to deal with any statutory officer appointments and dismissals. These are, by their nature, extremely infrequent. Following the appointment of the new Chief Executive (from January 2017) and adoption of the Leader-Cabinet model it is proposed that the Joint Health & Safety Committee and Joint Staff Consultation Committee will now be dissolved from May 2017 as these are the responsibilities of the Head of Paid Service, who shall be held accountable for such matters by each Cabinet.

The current Joint Housing Board arrangements are currently being reviewed in light of the emerging financial differences between each council's Housing Revenue Account. Tenant involvement and engagement may therefore be conducted separately from May 2017 in conjunction with the relevant Housing Portfolio Holders.

As mentioned in the Summary section above BMSDC put in place a Joint Member Integration Board ('JMIB') when the two councils first discussed and began integrating in 2010. JMIB was created to steer and scrutinise the governance of the integration and transformation programme between BDC and MSDC. JMIB was established as cross party group of five Councillors from each authority. JMIB meets monthly to provide pre-scrutiny to all proposals to undertake joint transformation and to provide an ongoing governance role with regard to programme management, assumptions and risk. Following a period of six years however, this phase of integration and transformation will be fully complete following the move to new single headquarters and implementation of the Public Access Strategy (both of which are subject to separate project governance arrangements). Again therefore with the introduction of the Leader-Cabinet model from May 2017 the JMIB will now be dissolved.

Each Council and Cabinet (from May 2017) may periodically appoint non decision making working / task & finish groups to consider and make recommendations on particular areas of policy. This is a mechanism that has been used relatively infrequently in the recent past and neither council has any permanent working groups. Task & Finish Groups have been used where appropriate, recently these have included:

- Strengthening Governance
- Capital Investment Strategy
- Environment
- Implementation of modern.gov
- Leisure
- Local Plan

It is intended that this approach will continue from May 2017 with the revised Scrutiny Committees taking on a much wider pre-scrutiny function themselves. Where appropriate however the Cabinets or Scrutiny Committees may decide to form separate or joint Task & Finish Groups to explore specific issues.

Partnership working

Previous Local Strategic Partnership arrangements have been dissolved in both districts. Both councils are however engaged with the wider public, voluntary and private sectors through a number of Suffolk wide mechanisms, including the Health & Wellbeing Board, Local Enterprise Partnership and Public Sector Leaders Board. The nature of these broad arrangements is such that each usually involves only one Councillor from each authority, or on behalf of both councils. At the more local level the councils also have direct relationships with their 200 town and parish councils through 6 monthly parish liaison meetings, ward councillors and area-based community development shared arrangements with Suffolk County Council.

BMSDC also has several external contractual partnerships for the delivery of various council services. These include:

- Serco who provide waste and recycling collections for both councils;
- Shared Revenues Partnership with Ipswich Borough Council;
- Emerging service level agreements with neighbouring districts for the provision of car parking services;
- SLM and South Suffolk Leisure Trust for the delivery of councils' four sport & leisure centres; and
- Gateway to Homechoice for the delivery of choice based lettings.

Working with all partners remains a strong foundation for the delivery of BMSDC's Joint Strategic Plan. This is particularly so in relation to the delivery of the councils' shared priorities for Housing delivery, Business growth and increased productivity, and Community capacity building and engagement.

8. Councillor Involvement in Council Business and External Bodies

For the purposes of assessing Councillor involvement in council business consideration has been made of all of the committees that will be in place from May 2017. Additional involvement in various joint committees, or other committees that may be discontinued, have been ignored. The full spreadsheets of current Councillor involvement have however been attached as an appendix.

There are currently 5 Councillors of the 83 BMSDC Councillors who are not a member of any council committee. A further 47 Councillors are only members of one committee. 25 Councillors sit on two committees and just 6 Councillors are members of three committees.

External Involvement

In addition to the councils' internal and joint governance arrangements described above, BMSDC also appoint a number of their Councillors on to various outside bodies. The list of outside bodies is reviewed annually and has reduced overtime, but has not changed significantly in recent years. Most of these outside bodies meet between one and four times per annum.

BDC currently appoints to 34 places on 28 different outside bodies. MSDC currently appoints to 25 places on 23 different outside bodies. Of these outside bodies however 17 of them are appointed to by both BDC and MSDC. Overall 33 different BMSDC Councillors currently fill all of the available outside body roles.

As highlighted above a growing number of Suffolk wide outside body appointments are being shared between BMSDC. 3 of shared 17 outside bodies described above are already a joint appointment whereby the Councillor appointed represents both BDC and MSDC on the outside body. It is anticipated that this approach is only likely to increase between now and 2019.

9. Councillors' Time Commitment

The number of council committees and task & finish groups, and how often they operate is set out in each of the sections above. Council meetings and task & finish groups are broadly well attended and where Councillors are unable to attend good use is regularly made of the substitute arrangements.

The councils have never had any difficulties in servicing their committees, working groups or managing the business of the councils. However not many Councillors routinely attend other meetings of the council if they are not members of that particular committee or task & finish group and not required to substitute.

The most recent evidence that the councils have as to how much time Councillors spend on council business comes from a survey undertaken for the purposes of this report in 2017. The survey was open to all Councillors and completed by 42 of 83 Councillors (split evenly between each district and broadly in line with the rural / urban proportions across the districts). 30 of the 42 Councillors who responded hold significant additional roles within the councils, for example as Leader, Deputy Leader, Chairman, Portfolio Holder or Member with Special Responsibility. This therefore needs to be taken into account when trying to extrapolate the results of this survey for all 83 Councillors.

Of those who responded the majority are appointed to one formal committee (38%) although a significant amount are appointed to two committees (29%). By contrast the majority of those responding are not appointed to any outside bodies (43%) or task & finish groups (33%). The majority of outside body and task & finish work is instead concentrated with a smaller number of Councillors.

The survey also sought to analyse how the Councillors currently spend their time. Again there is no consistency to the amount of time spent by different Councillors on different council activities. For example roughly the same number of Councillors spend between 4 and 6 hours, as spend over 10 hours, per month attending formal council and committee meetings. The time spent attending such meetings does broadly correlate however, as might be expected, with the proportions of time spent preparing for such meetings.

The level of difference between Councillors becomes even more distinct when considering the amount of time spent by Councillors in internal council meetings and with officers. 43% of Councillors spend up to 4 hours per month on such activity, but this contrasts with 33% spending over 10 hours per month.

By contrast the amount of time spent by Councillors at parish council meetings is more consistent – with over 50% spending between 2 and 6 hours per month. Similarly, in accordance with the figures above, the vast majority of those responding (47%) spend less than 2 hours per month on outside body matters. As would be expected there is also more consistency in terms of the time spent by Councillors attending training, workshops and conferences. 50% spend up to 4 hours per month on such activities.

In line with the different nature of the various parts of the districts, and the issues that may be occurring at any point in time, there is no consistency in the amount of time spent by Councillors in engaging with their constituents. This varies from less than 2 hours per month through to over 10 hours per month, but the majority of those responding spend between 2 and 4 hours (29%).

Finally, given the geography of the districts and the different nature of the roles of those responding, the greatest contrast of responses is in terms of the amount of time spent by Councillors travelling on council business. The largest responses were over 10 hours (32%) and less than 2 hours (26%) respectively.

Overall therefore the survey demonstrates huge variation in the number of hours spent by each Councillor. There certainly is no real average. In light of the future changes, as described elsewhere in this document, 81% of respondents do however expect their workload to increase during their remaining term of office.

The councils do not currently have formal role descriptions for Councillors but each Constitution does contain a summary of the key roles, functions, rights and duties of all Councillors. The councils may develop one in future as a result of any Independent Remuneration Panel's recommendations, but have no current plans to do so.

It is not a council policy requirement that each Councillor should serve on either one committee or task & finish group, in addition to Full Council. As set out above currently 5 Councillors of the 83 BMSDC Councillors are not members of any council committee. The vast majority of Councillors (57%) only serve on one such other formal committee. This is clearly inefficient in terms of best managing the business of the councils but may also indicate that a disproportionate number of Special Responsibility Allowance ('SRA') payments are currently being awarded. Currently MSDC Councillors are allowed to claim more than one SRA. There are 32 councillor roles within MSDC which qualify for a SRA. By contrast at BDC Councillors can only claim one SRA (whichever the larger if they are entitled to more than one). 25 of the 43 BDC Councillors therefore currently receive a SRA payment.

Similarly it is clear from the data above that the work of managing the business of the Council is not evenly spread across all of the Councillors. A disproportionate amount of such work is currently falling on 37% of the Councillors. This situation is also not even reflected in the current award of SRAs – with 13 of those 31 Councillors receiving either no SRA or only the lowest level of Councillor SRA, and two of these Councillors only receive a SRA by virtue of being Group Leaders.

A simple officer assessment of member workload has concluded that (taking no account of representational needs) if each Councillor sat on at least two committees (each comprised of 7 or 8 Councillors), then each Council could operate the future governance arrangements set out above in an evenly balanced way, with a minimum of between 20 and 25 Councillors.

10.Community Leadership and Representational Role

Babergh and Mid Suffolk are represented in Parliament by three MPs. They represent the constituencies known as Bury St Edmunds, Central Suffolk & North Ipswich, and South Suffolk. All three of these MPs represent constituencies that extend beyond the BMSDC boundaries.

In addition the district is represented by 20 county councillors, three of whom are district councillors for BDC and seven are also district councillors for MSDC. Many district councillors are also parish councillors serving on one of the 200 town and parish councils in Babergh and Mid Suffolk.

The councils cover a large and mixed area. The current combined electorate as at December 2016 is 151,571. This is predicted to increase to 157,586 electors by 2022. The electorate is spread unevenly however across the parishes, towns and the 57 wards that make up the two districts. This includes several more sparsely populated rural parishes and wards.

In Mid Suffolk 25 of the 30 wards can be considered as rural and currently provide 75% of all MSDC Councillors. The 5 urban wards (17%) provide 25% of the Councillors (10). Three of these urban wards (7 of the 10 current Councillors) represent just one town - Stowmarket. The most significant electoral inequality (which triggered the need for an electoral review) is in one of these urban wards where the 3 ward councillors each represent 30% more electors than the average across the district.

The other areas of significant inequality (of more than 10% from the average) are spread across nine other wards (currently represented by 10 councillors). Eight of those nine wards are in rural areas. These are split evenly however in terms of those that are above and below the average for the district.

By contrast in Babergh 19 of the 27 wards can be considered as rural and currently provide 63% of all BDC Councillors. The 8 urban wards (30%) provide 37% of the Councillors (16). The areas of significant inequality (of more than 10% from the average) are spread across six wards (currently represented by 8 councillors). Five of those six wards are in rural areas. Again they are split evenly in terms of those that are above and below the average for the district.

As can be seen from the councils' projected electorate growth forecasts (previously submitted to the LGBCE) it is anticipated that there will continue to be further significant growth for Mid Suffolk in the Stowmarket (North) ward of 20.4%. In addition significant electorate growth is also projected to be concentrated in two other wards (Bramford and Blakenham 19.3% and Haughley and Wetherden 14.5%). Other notable areas of electoral growth of between approximately 4% and 6% are projected in Eye, Needham Market, Onehouse, Stowmarket Central, Stowmarket South, Stradbroke and Laxfield, and Thurston and Hessett.

In Babergh significant electorate growth is also forecast in the wards of Berners (16.1%), Brook (13.7%) and Great Cornard South (10.9%). Again in addition other notable areas of electoral growth of between approximately 4% and 7% are projected in the wards of Alton, Dodnash, Great Cornard North, Hadleigh North, Holbrook, Long Melford, Sudbury East and Sudbury South.

The combination of the reduction in the size of the Council and anticipated electorate growth in wards such as Bramford and Blakenham, Haughley and Wetherden, Stowmarket North, Berners, Brook and Great Cornard South are likely to place additional pressures on the workload of Councillors, especially in the more sparsely populated wards, as their ward areas and number of associated parishes may be enlarged in order to achieve greater electoral equality.

Regardless of the different sizes of electorate, parishes act as the main focal point for community engagement within Babergh and Mid Suffolk. BMSDC is anxious to maintain good links with its parishes. This does not mean however that BMSDC believes that the number of district Councillors should be set at a level which would enable such district Councillors to attend all of the parish council meetings in their ward.

In light of the mixed nature of the districts, as described above, BMSDC believes it is for each ward Councillor, either individually or together with their fellow ward Councillors in multi-seat wards, to determine how best to engage with their communities and respective fellow county councillors, parish and town councils and their councillors in their respective ward areas. BMSDC does not consider that it would be appropriate or possible, either under the current warding patterns or following the electoral review, to determine a set manner in which Councillors should engage with their communities. This view is further strengthened by the fact that many of the district Councillors are also town or parish councillors, and the ongoing exponential growth in the availability and use of digital technology and communications by all Councillors (which already includes smart phones, laptops, tablets and Skype).

The nature of 'Community Leadership', particularly in response to the councils' priority to build community capacity and engagement, is likely to be different across the various parts of the districts. Lack of direct support from local authorities, SALC or NALC could often require ward Councillors to be significantly involved in facilitating community capacity and engagement. Often this is more acutely recognised in the more sparse communities, which tend to be reliant upon a smaller pool of the same people to volunteer across a range of community organisations. Councillor support for such communities may therefore have to be both more intense and provided over a longer time period if all communities are to thrive, grow, be healthy, active and self sufficient. This may be particularly so for Councillors operating in single seat wards.

BMSDC believes that it is the role of Councillors to nurture and lead their communities and not to become directly involved in the delivery of services at a local level. In recognition of the increased burden that the localism approach has brought for Councillors, the councils have restructured their Community Development team, with dedicated area based internal Community Development Officers supporting ward Councillors alongside Suffolk County Council's locality resources.

BMSDC are also anticipating that reducing levels of resources within the public sector, significant Planning and Housing reforms, and increasing demand on Councillors representing a larger electorate, may also cause Councillors to be more often drawn directly into community issues. This in turn may prevent Councillors from being able to deal with the lower level concerns raised with them, and could create an additional strain upon the councils' customer services role. It is anticipated however that any such increased demand will be mitigated and managed as a result of BMSDC's ongoing Public Access transformation.

The councils hope that the Further Electoral Review ('FER') will respect the integrity of parishes as units of representation for local people. The councils will continue to monitor the parish pattern within Babergh and Mid Suffolk and will undertake community governance reviews where considered necessary to maintain parishes that reflect the identities and interests of the communities they represent.

The mixed urban / rural nature of the districts is likely to mean that following the FER there will still be (regardless of any reduction in the size of the councils) a number of single seat ward Councillors representing areas that contain a number of parishes. In such circumstances the councils may also review and adapt accordingly the current community development arrangements, as set out above, in order to further support the representational role of Councillors.

11. Conclusions

It is proposed that the number of Councillors be reduced from 43 to 31 for Babergh District Council and from 40 to 34 for Mid Suffolk District Council.

Although, as demonstrated above, it is possible to manage the business and responsibilities of each council with a minimum number of 20 to 25 Councillors, BMSDC believe that the size of their respective councils should be increased above 25 in order to properly reflect the representational role, described above, and to provide some additional flexibility and resilience in terms of managing the business of each council.

There is no scientific manner to reflect the representational role and so calculate the overall 'correct' size of each council. BMSDC have therefore taken into account a number of factors in considering the representational role as set out above. These have included changes in the size of the electorate size since 1974, the time spent by Councillors in their representational role, current Councillor to electorate ratios in each district, and the forecast electorate figures as at 2022.

From this it is clear that currently, in local government alone, there are 1,418 councillor seats representing the electorate of Babergh and Mid Suffolk at the parish and town (1,315), district (83) and county level (20). Any changes to the number of district councillors will not therefore dramatically impact upon the overall level of local government representation.

For the BDC the current average ratio of Councillor to electorate is 1 councillor for every 1667 electors. For MSDC the current average ratio of Councillor to electorate is 1 councillor for every 1997 electors.

The FER for MSDC has been triggered however because the significant variances from that average ratio in the district. The greatest variance is currently in the ward of Stowmarket (North) where the Councillor: Elector ratio is 2497 compared to the district average of 1997. This is a multi seat ward with a current electorate of 7490 represented by three ward councillors. Whilst MSDC agrees that such ratio imbalance should be corrected across the district through the FER, it is also comfortable that such higher ratios have not detrimentally impacted upon the ability of those particular ward Councillors to fulfil roles both in managing the business of the council and representing their wards. The councils therefore believe that average ratios below 1 Councillor to every 2500 electors are realistic.

If the councils were to take no account of the representational role and set the size of each council purely based upon delivery of the business of the council (upto 25 Councillors) then this would result in a current Councillor to electorate ratio of approximately 2800 and 3200 electors respectively.

BMSDC is concerned that having only 25 Councillors would create unrealistic pressure upon the workload of those Councillors. There are a number of factors that might create such demands. As expressed above, there is a need to incorporate some resilience within the size in order to continue to ensure delivery of the business and responsibilities of the councils. In addition the dynamics and demographics of the districts are continuously evolving over time. It would be overly simplistic and incorrect to describe this as a simple urban / rural divide. Councillors have to manage complex workloads arising from the variety of different communities that exist within and between wards. These challenges include for example economic growth, urban and rural deprivation, inward and outward migration of older people and younger people respectively, rural sparsity, and the sustainability of services and communities. As evidenced above the extent of such workloads varies from Councillor to Councillor and at different times. In considering the size of the councils it is therefore important to recognise the diversity of wards, electorate and challenges across the districts; and incorporate sufficient flexibility to enable each Councillor to manage their workload in the most appropriate way for their ward at any point in time.

The changing national framework for local government and the wider public sector has also had implications for the complexity of the role of Councillors. Fundamental changes have and will continue to be made, in particular with regard to planning, council tax, business rates and benefits. Councillors must have a firm understanding of these reforms as they may be more regularly required to support those members of their electorate that are affected. Whilst localism may result in fewer services being directly delivered by councils, Councillors may be called upon to support their more proactive communities that wish to take up the opportunity to exercise their 'community rights'. Finally BMSDC also understands the importance, both in terms of running the business of the authorities and to its electorate, of wherever possible, maintaining a diversity of Councillors. The Council therefore wishes to avoid reducing the size of the councils to such an extent that the workload could only be performed by non-working people.

Having considered all of these factors both councils considered that the most appropriate size for operating each council from May 2017, under the new Leader-Cabinet model, would be 36 Councillors. In reaching this conclusion however the Councillors did not factor in any of the further governance changes that are either likely to, or may, be adopted by 2019 (as outlined above).

BMSDC have also made it a collective priority to seek to achieve the same ratio of electoral equality for both districts. This is because BMSDC are jointly running services across both districts and believe that there are not sufficient differences between the districts to justify any difference in ratios. In addition adopting the same ratio at this stage will future-proof these arrangements, and avoid unnecessary duplication of work for the LGBCE, in the event that BMSDC decide to re-explore whether to merge at any stage post 2019.

In all the circumstances therefore the council have concluded that the size of BDC should be reduced to 31 Councillors and the size of MSDC should be reduced to 34 Councillors. Both councils are confident that such council sizes will ensure that the business of the councils is delivered in the most efficient manner possible whilst also providing the flexibility to address future challenges, and the sustainability to represent the diverse electorate of Babergh and Mid Suffolk both now and through until at least 2022.

Supporting Documentation

1. Joint Strategic Plan (2016-2020)
2. Joint Member Integration Board Terms of Reference
3. Current Joint Task & Finish Groups
4. Councillor survey of involvement and time commitment
5. Schedule of committee memberships
6. Schedule of appointments to outside bodies
7. Relevant extract from current Constitutions regarding Full Council's role
8. Relevant extract from current Constitutions - summary of the key roles, functions, rights and duties of all Councillors
9. Notes of 'Strengthening Governance' Councillor workshops
10. Members Allowance Schemes
11. Changes in the size of the electorate size since 1974
12. Current Councillor to electorate ratios in each district
13. Forecast electorate figures as at 2022

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Appendix B

Local Government Boundary Commission for England

Further Electoral Review Babergh and Mid Suffolk District Councils

Review Timetable

Stage	Date
Council size submission deadline	**17 March 2017**
Council Size Commission Meeting	18 April 2017
Warding Patterns Consultation	**9 May – 17 July 2017**
Draft Recommendations to Commission meeting	19 September 2017
Draft Recommendations Consultation	**17 October – 11 December 2017**
Final Recommendations to Commission	16 January 2018
Final Recommendations published	**13 February 2018**
Order Laid	March 2018
Implementation	Elections 2019

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Agenda Item 13

BABERGH DISTRICT COUNCIL

From: Assistant Director - Investment and Commercial Delivery	**Report Number: S111**
To: Council	**Date of meeting: 21 February 2017**

ASSETS AND INVESTMENT STRATEGY – PHASE TWO – APPOINTMENT OF DIRECTORS TO THE HOLDING COMPANIES AND CAPITAL INVESTMENT FUND SUBSIDIARY COMPANY

1. Purpose of Report

1.1 In November 2016 at Council, Members approved the emerging Assets and Investment Strategy and the proposal for an incorporated wholly owned group company structure to support delivery of a range of asset, investment, and regeneration projects, including investment in commercial property to generate 'profit for purpose'. The incorporated group structure is illustrated in Appendix 1 attached to this report.

1.2 The purpose of this report is firstly; to seek Members approval for appointment of three Elected Member Directors to the BDC Holding Company, following a comprehensive skills and experience evaluation process.

1.3 Secondly; to appoint the Chief Executive to the Holding Company Board in the role of Company Secretary.

1.4 And finally the report seeks approval from Members to delegate authority to the Directors of the BDC Holding Company, to appoint to the Capital Investment Fund (CIF) Subsidiary:

a) Three externally recruited Non-Executive Directors

b) An Elected Member Director from the Holding Company Board.

2. Recommendations

2.2 Members authorise the appointment of: Councillor Jennie Jenkins, Councillor Nick Ridley and Councillor David Busby to the BDC Holding Company Board.

2.3 Members approve the appointment of the Chief Executive in the role of Company Secretary to the BDC Holding Company Board.

2.4 Members delegate authority to the BDC Holding Company Board to appoint one of its Directors to the Capital Investment Fund Subsidiary and (in association with the MSDC Holding Company Board) three externally recruited Non-Executive Directors.

3. Financial Implications

3.1 Transformation fund resources will be used to support the costs incurred in setting up the company structure. The costs incurred will be split 50/50 between MSDC and BDC. Estimated figures are included in the table below:

	Holding Companies	Capital Investment Fund (CIF) Subsidiary
Legal Advice and Support	£20,000	£5,000
Procurement Support	£5,000	£5,000
General set up costs (including training and insurance)	£10,000	£5,000
Total (Estimated)	**£35,000**	**£15,000**

3.2 The Elected Members of the Holding Company Boards will not be entitled to remuneration above and beyond normal members' allowances.

3.3 All company set-up costs and the annual running costs incurred by the Holding Companies will be funded from Council Budgets. The Holding Companies will require business support from internal services such as, administration, finance, IT and legal. The running costs are not anticipated to be significant and will be dependent on and laid out in, the final Business Plan for the CIF Subsidiary. The future annual running costs incurred by the Capital Investment Fund Subsidiary will not be funded from Council Budgets but from the income generated from the trading activity.

4. Legal Implications

4.1 Trowers & Hamlins LLP, legal advisors, is appointed to continue advising the Councils' on this, Phase Two of the Assets and Investment Strategy. Trowers & Hamlins recommended the approved incorporated group structure in their previous report to Council in November 2016

4.2 The Councils have clear powers to establish or participate in a company or registered society when exercising either the Councils' trading powers under section 95 Local Government Act 2003 or pursuant to the Councils' general power of competence for a commercial purpose under sections 1 and 4 of the Localism Act 2011.

4.3 Company directors are under a personal statutory duty to act in the best interest of the company (rather than the interests of the entity who appointed them or any individual shareholder). Company directors may sometimes be under confidentiality obligations pursuant to non-disclosure agreements in respect of company transactions. It is proposed that Board Members receive training and briefing as to their legal responsibilities and clearly set out mandates as to the parameters of their role.

4.4 The Councils will obtain insurance to indemnify the appointed directors against non-fraudulent personal liabilities. However, company directors can be personally liable under wrongful and fraudulent trading legislation.

5. Risk Management

5.1 The incorporation of the group company structure requires funding as set out in the table in section 3 of this report. The sum totalling £50,000 will be at risk if the group structure is not set up or is set up and fails to trade.

5.2 A risk register for investment activity being undertaken will be initiated in the Business Plan and then maintained by the Holding Companies to inform their future financial investment strategy. This report however is most closely linked with the Council's Corporate Risk No 5f:

Risk Description	Likelihood	Impact	Mitigation Measures
5f. Failure of the Councils to become financially sustainable in response to funding changes	2	4	Continued development of the strands within the Medium Term Financial Strategy (MTFS)/ Alignment of resources to priorities/ Use one off funding to change the business model and support functions during change/ Early identification of initiatives for the 2017/18 budget/ Engagement of Councillors to understand options/Modelling analysis to understand impact

6. Consultations

6.1 Consultation has taken place with Lead Members, the Chief Executive, and Portfolio Holders.

6.2 The Councils' appointed Janice Smith, HR Consultant, ARK Consultancy Ltd, to design and evaluate the Skills and Experience Audit undertaken by Elected Members.

6.3 The Councils have instructed Trowers and Hamlins LLP to advise on company and legal matters.

7. Equality Analysis

7.1 The content of this report is such that there are no equality issues arising.

8. Shared Service / Partnership Implications

8.1 The incorporated group structure will involve both Councils' setting up their own wholly-owned holding companies, which then take a 50% equal shareholding in a jointly owned company limited by shares. The jointly owned CIF subsidiary will have a single strategy.

9. Key Information

9.1 In report S83 dated 22 November 2016 Members previously approved;

- An Asset and Investment Strategy
- An incorporated group company structure consisting of a Holding Company for each Council and a Joint Capital Investment Fund Subsidiary owned 50:50 by each.
- The Capital Investment Fun model and structure as out in the confidential business case attached to the report

9.2 In the report in Section Four, pages 100/101, paragraphs 13.1 to 13.5. A range of actions, appointments and approvals were set out which enabled the initiation of the company structure.

9.3 **Appointment of Three Elected Member, Holding Company Directors**

ARK HR Consultancy was appointed to design a Skills Assessment Framework and analyse the responses to reach a recommended shortlist of applicants. A role profile was created and a questionnaire developed which asked Members to evaluate their skills and experience across a range of areas. In addition, applicants were also asked to provide a maximum 500 word expression of interest detailing the strongest skill set or area of expertise that they would bring to the Board and why they wanted to be a member. The Elected Members recommended to the Holding Company Board are detailed in the recommendations in 2.3 of this report.

9.4 **Appointments to the Capital Investment Fund Subsidiary Board**

An advertisement for CIF Subsidiary Board, Non-Executive Directors has been run and (just prior to the closing date) had resulted in 24 applications being received. It is proposed that the Directors of the two Holding Company Boards will be given delegated authority to jointly appoint three Non-Executive Directors to the CIF Subsidiary Board. Each Holding Company Board will also then, individually, nominate an Elected Member to the CIF Subsidiary Board.

9.5 **Appointment of Consultancy support**

Trowers and Hamlins (Legal) and Kennedy Cater (Procurement) are appointed to provide specialist advice and support.

9.6 **Next Steps**

A comprehensive CIF Subsidiary Business Plan will be developed and presented to Council in April 2017. The Business Plan will be recommended to Council by the Holding Company. It is this final approval by Council which will enable the CIF to commence trading.

10. Appendices

Diagram of Incorporated Group Company Structure	Attached – Appendix 1

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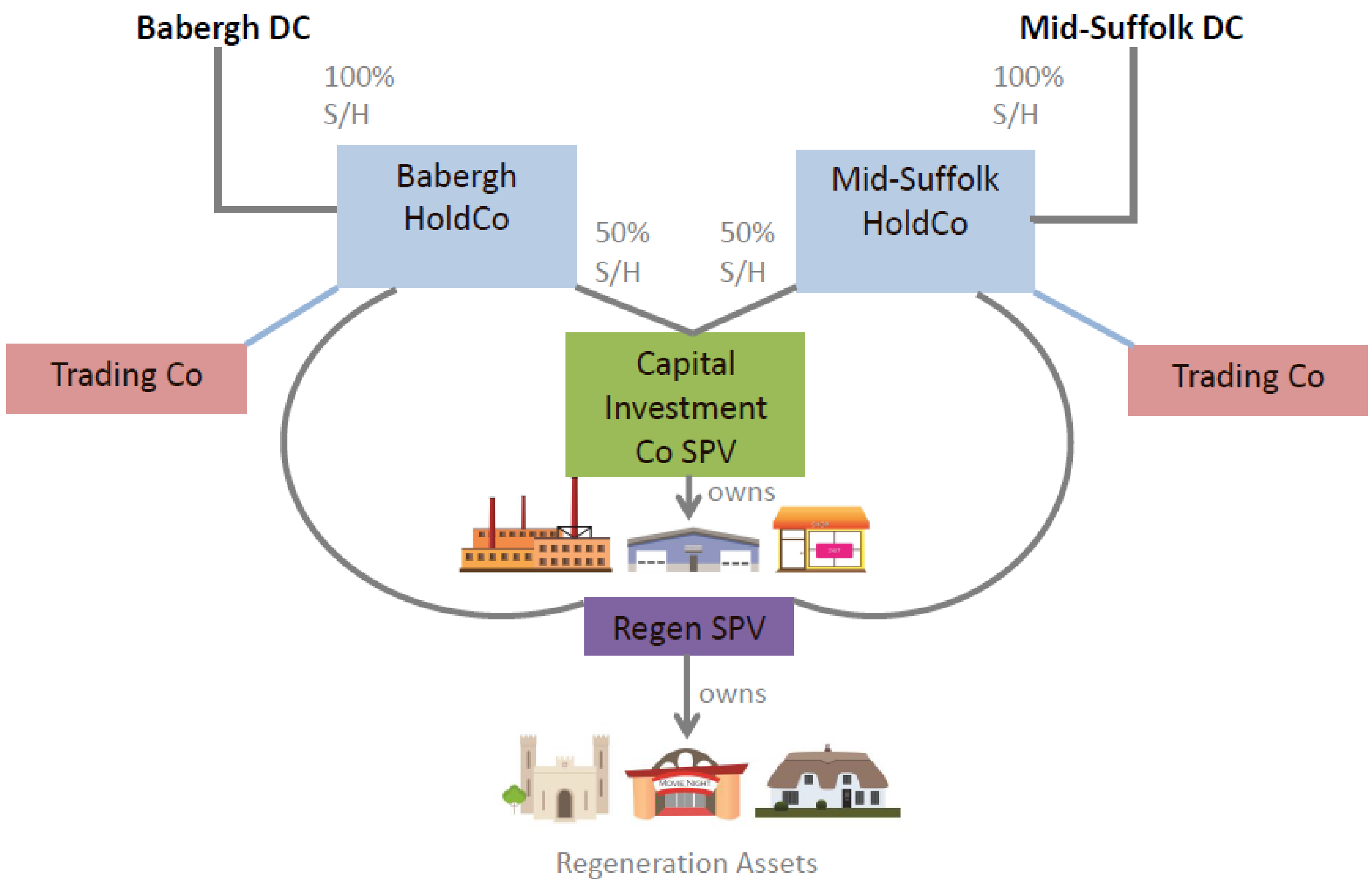
Appendix 1

Holding Companies with Subsidiary Special Purpose Vehicle(s) (Option 3)



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BABERGH DISTRICT COUNCIL and MID SUFFOLK DISTRICT COUNCIL

From: Chief Executive	**Report Number: S112**
To: Babergh Council Mid Suffolk Council	**Date of meeting: 21 February 2017 23 February 2017**

DESIGNATION OF THE MONITORING OFFICER ROLE

1. Purpose of Report

The purpose of this report is to approve the designation of the Monitoring Officer for Babergh and Mid Suffolk District Councils. Due to the closing date of the internal recruitment process for the temporary Assistant Director – Law & Governance, the name of the successful candidate will be reported at the meeting.

2. Recommendation

2.1 That the designation of the Monitoring Officer for Babergh and Mid Suffolk District Councils as required under Section 5 of the Local Government and Housing Act 1989 be approved.

3. Financial Implications

3.1 None directly arising from this report.

4. Risk Management

4.1 Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
It is a statutory duty to appoint a Monitoring Officer to undertake the role as set out in Section 5 of the Local Government and Housing Act 1989 and subsequent legislation.	Low	High	Appoint a Monitoring Officer

5. Consultations

5.1 Not applicable.

6. Equality Analysis

6.1 Not applicable.

7. Shared Service / Partnership Implications

7.1 It is proposed that the same person is appointed Monitoring Officer for both Councils.

8. Key Information

8.1 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989, who is required to report to Council where it appears to him/her that the Authority has done or is about to do anything which would contravene the law or which would constitute maladministration.

8.2 An internal recruitment process has been undertaken to appoint a temporary Assistant Director – Law & Governance which includes the Monitoring Officer role. The deadline for applications to this role was 12 February 2017 and interviews will follow. For this reason the name of the successful candidate, and the person who will be designated as Monitoring Officer, will be reported at the meeting. A full external recruitment will shortly be undertaken to fill the role on a permanent basis.

8.3 Following the appointment of the Assistant Director Law & Governance the successful candidate's designation as Monitoring Officer requires the formal agreement of Council.

9. Appendices

None.

10. Background Documents

None.

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Agenda Item 15

BABERGH DISTRICT COUNCIL

From: Corporate Manager – Democratic Services	**Report Number: S113**
To: Babergh District Council	**Date of meeting: 21 February 2017**

APPOINTMENT OF COUNCILLORS TO COMMITTEES AND JOINT COMMITTEES

1. Purpose of Report

1.1 At its meeting on 28 June 2016 Council approved a revised allocation of seats for Committees and Joint Committees subject to the Local Government and Housing Act 1989. Some changes to the approved compositions of Committees and Portfolio Holder appointments were made at the Council meeting on 31 October.

1.2 This report refers to changes proposed by the Conservative group to Committee and Joint Committee appointments.

1.3 The Conservative Group Leader has supplied the names for the appointments referred to in the Recommendation below.

2. Recommendation

2.1 That the following appointments are made to Committees and Joint Committees:-

Planning Committee
Tina Campbell (replacing Melanie Barrett)

Joint Audit and Standards Committee
Melanie Barrett (replacing Fenella Swan)

Joint Scrutiny Committee
Fenella Swan (replacing Tina Campbell)

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