

BABERGH DISTRICT COUNCIL

To: Strategy Committee	Report Number: R83R
From: Management Board	Date of meeting: 7 January 2016

DRAFT JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2016/17 BUDGET

1. Purpose of Report

- 1.1 To consider the draft Joint Medium Term Financial Strategy (MTFS) and draft 2016/17 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 that will be set out in a refreshed Joint Strategic Plan that will come to Strategy Committee in February.
- 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 2016/17 Budgets, including Council Tax and Council House rent levels.

2. Recommendations

- 2.1 That the draft Joint Medium Term Financial Strategy (MTFS) and Budget proposals set out in the report be endorsed, subject to further consideration at the February meeting for recommendation to Council.
- 2.2 That the final General Fund Budget for 2016/17 is based on an increase to Council Tax of 5.4p per week for a Band D property, which is equivalent to 1.95%, to support the Council's overall financial position, which will be considered further at the February Strategy Committee meeting.
- 2.3 That the draft Housing Revenue Account (HRA) Investment Strategy 2016/17 to 2020/21 and draft HRA Budget for 2016/17 be agreed, subject to further consideration at the February Strategy Committee meeting.
- 2.4 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.92 a week as required by the Welfare Reform and Work Bill be implemented.
- 2.5 That an action plan be developed by the Head of Housing in consultation with the Tenants Forum, Joint Housing Board and elected Members to mitigate the impact of the legislative changes on the HRA and the strategic priorities.

- 2.6 That garage rents be increased by 10% to provide some additional income to the HRA (an increase of 76 pence per week).
- 2.7 That accommodation related service charges for sheltered tenants be increased by an average increase £4.87 per week.
- 2.8 That utility charges for sheltered tenants are reduced by 20%, representing an average reduction of £2.68 per week
- 2.9 That in principle, Right to Buy receipts should be retained to enable continued development and acquisition of new council dwellings.
- 2.10 That the revised HRA Business Plan in Appendix B be noted.
- 2.11 That the proposed capital programme in Appendix C be agreed.

The Medium Term Financial Strategy (MTFS) and Budget will be subject to final determination by the Strategy Committee and Council in February 2016.

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 Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to plan and identify options to meet the medium term budget gap and savings or additional income not being realised.	Unlikely	Bad	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
Ongoing impacts of the Welfare and Funding Reforms could lead to unpreparedness for further changes.	Unlikely	Bad	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.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to implement cost sharing protocol results in inaccurate or unfair allocation of shared costs and income.	Very low	Noticeable	Assessment made for 2016/17 Budget, which will be reviewed further to ensure it is robust and accurate. Amend if circumstances change.
Council Housing self-financing results in a greater risk to investment and service delivery plans from inflation and other variables.	Unlikely	Noticeable	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	Bad	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 the Housing & Planning Bill measures affecting council housing.

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

6. Consultations

- 6.1 Consultation on the HRA proposals took place with the Tenants Forum on the 9 December 2015. The members of the Tenants Forum were surprised by the measures introduced by the Housing & Planning Bill and the Welfare Reform and Work Bill, ie, 1% reduction in social housing rents, higher rents for households with an income greater than £30k and the requirement for local authorities to sell high value council houses to fund Right to Buy discounts for housing associations. The Forum members were supportive of the council's approach to meeting these challenges and keen to work with officers to find the best solutions.
- 6.2 A meeting of the Joint Housing Board (JHB) took place on the 14 December 2015. The JHB generally support the overall Budget proposals and agreed the recommendations to Strategy Committee as set out in 2.5, 2.6 and 2.9.

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 2016/17 reflect the estimated sharing of costs and savings between the two councils. However, there are and will be ongoing differences in the detailed financial position of each Council's General Fund and HRA. There will be instances, therefore, when staff resources and money is focused on a specific priority in one council.

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

9. Links to Joint Strategic Plan

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

10. Strategic Context

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

10.2 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The draft updated MTFS is attached at Appendix D 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, during 2014/15 and 2015/16, mean that the Council is in a better position to withstand the reduction in government grant and achieve a balanced budget in 2016/17.

- 10.4 The details within the Joint MTFS show the funding pressures over the three years 2017/18 to 2019/20 (£1.9m) 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 17 December.
- 10.5 In recognition of the changing landscape for local authorities, work has been underway to review and refresh the Joint Strategic Plan. This will be brought forward at the same time as the final budget proposals in February. 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 two years to support the transition to the different business model and this will continue during 2016/17. 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 2016/17 and endorse the draft Joint MTFS in order to achieve a sustainable financial basis in the medium term. Without this strategy, which focuses on achieving outcomes, invest to save and generating income, there is a significant risk that each council will be unsustainable financially in the medium to longer term.

11. Financial Position

General Fund

- 11.1 Funding arrangements for councils have changed significantly with Revenue Support Grant (currently £1.6m) being substantially withdrawn over the next 2-3 years and Councils becoming reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus. Business rates and new homes growth will, therefore, be the main sources of income (plus other income generated locally) if we are to achieve a sustainable Budget in the years ahead.
- 11.2 Total estimated core funding (Revenue Support Grant + Baseline Business Rates) is reducing by a further 18% in 2016/17. This includes, in relation to the Revenue Support Grant element, a further cut of £654k or 40%. New homes bonus is increasing from £1.602m to £1.779m. Further details of the Government's provisional spending announcement on the 17 December 2015 are set out below:-
- Continuation of the council tax referendum threshold at 2%;
 - Potential additional council tax revenue from £5 referendum principle for districts with lower quartile Band D council tax levels;
 - A four year settlement is available, but the figures for 2017/18 and beyond will be conditional on councils publishing an efficiency plan;
 - Compensation for the 2% cap on the small business rates multiplier in 2014/15 and 2015/16 and doubling of small business rate relief to continue – all funded by additional Section 31 grant;

- National New Homes Bonus top-slice of £1,275m from RSG and £210m specific grant;
 - Continuation of the rural (SPARSE) services delivery grant.
- 11.3 Looking ahead to 2017/18 and beyond, the Government's indication is that Revenue Support Grant will reduce year on year and disappear by 2019/20. The rate at which it is being withdrawn is greater than anticipated. The provisional figures show, that for Babergh, RSG will be only £204k in 2018/19.
- 11.4 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, rate relief for schools converting to academies and the level of appeals, will affect the amount of income received.

Council Housing - Housing Revenue Account (HRA)

- 11.5 The HRA Business Plan has been updated to reflect the impact of the 1% rent reduction required by the Chancellor of the Exchequer both in 2016/17 and across the plan's 30 year life. The business plan is attached at Appendix B and shows additional detail for years 1-5.
- 11.6 On 1 April 2012 the HRA left the housing subsidy system and entered into Self-Financing. Babergh's determination settlement payment was calculated at £83.6m. This was based on projected levels of income, expenditure and existing stock values and took HRA long term borrowing levels to £89.6m. A borrowing cap in the form of a Capital Financing Requirement (CFR) is set at £97.8m. The CFR must not be exceeded.
- 11.7 HRA CFR levels are predicted to be £85.8m at 31 March 2016 providing borrowing headroom of £10.3m. New build/acquisitions funding within the Capital Programme 2016 – 2020 totals £15.9m and HRA reserve balances 2016 – 2020 are forecast at £5.7m. This will provide a total HRA Investment Fund contribution of £31.9m 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).
- 11.8 Aligned Strategic Priorities have been agreed by Elected Members and key projects, to support delivery of the Aligned Priorities have also been agreed.
- 11.9 For example: Project 6 – Housing Delivery is where work supporting delivery of the Homes and Communities Agency (HCA) 27 new affordable homes, which will become new HRA assets, sits. These new homes will deliver New Homes Bonus for the Council, additional rent and council tax, additional jobs and local businesses will benefit. All these factors will bring growth to our local economy.

12. 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 process adopted was to continue the priority based budget approach in "outcome focused" workshops to identify ideas for services that could be delivered more efficiently and effectively.

- 12.2 As well as these workshops finance worked closely with Corporate Managers to identify savings from their budgets with a view to achieving approximately 10% savings, this achieved a total of £255k.
- 12.3 Three types of savings were identified from these discussions:
- Budget saving ideas where there was some impact, but could be managed amounting to £56k
 - Budget saving and income generation ideas which have a service impact and were discussed with the Portfolio Holders amounting to £161k
 - Financial planning ideas beyond 2016/17
- 12.4 The original budget gap for 2016/17 was £1.8m, after taking into account additional budgetary pressures including inflation and the above savings the remaining gap is £2m, which will be funded from a combination of New Homes Bonus and business rates grants. A summary of these savings and pressures can be found at Appendix E.
- 12.5 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 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 also proposes a reduction in 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
 - This Bill also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants
 - The impact of these measures and the action required to mitigate them are described in section 12 of this report
- 12.6 It is recognised that, in order to deliver the outcomes that we want to achieve and rise to the financial challenge over the next 3-4 years, 2016/17 will be a year that will need to provide further change to the business model. Funding from both the General Fund and HRA need to be harnessed to support our Investment Strategy and income generation/savings approach in terms of:-
- Applying incentivised funding (e.g. New Homes Bonus) through the Transformation Fund to support transformational projects, activities and strategic planning that will deliver the council's priorities in the short and medium term;

- Meeting upfront infrastructure costs in relation to specific projects and development proposals;
- Developing new or improved income generating activities;
- Looking at new commissioning and delivery models for key services that will reduce costs in the medium to longer term;
- Reviewing the use of our assets and their contribution to the MTFS.

13. Potential Resources available for Investment

General Fund

13.1 The draft Budget for 2016/17 is summarised in Appendix A and further information is shown in Appendices E and F. Key information relating to this is set out below:-

- Government Funding (revenue Support Grant + Baseline Business Rates) reducing by £0.6m to £2.9m;
- Estimated Transformation Funds available at the end of 2015/16 of £2m;
- Further NHB allocation of £1.8m for 2016/17. Use of £0.4m for staffing costs involved in change projects;
- Potential Government Section 31 grant of an estimated £0.8m relating to business rates that can be transferred to the Transformation Fund.

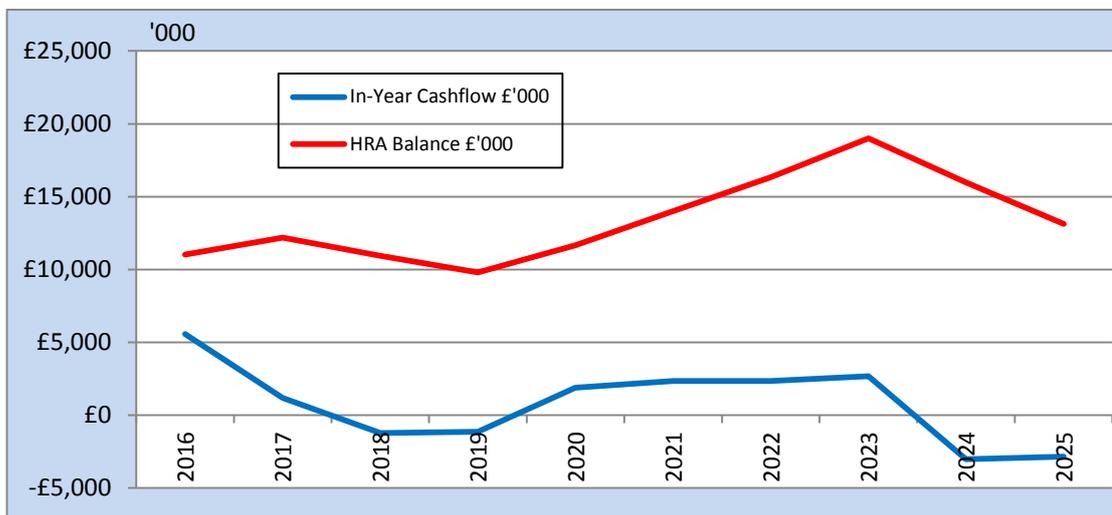
Housing Revenue Account

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

13.3 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:-

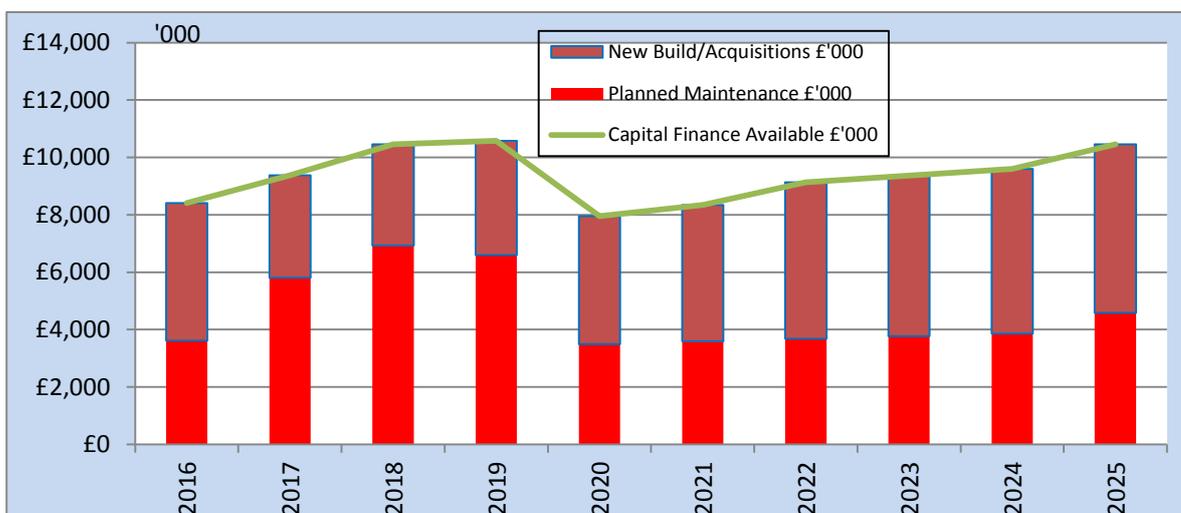
Graph A - Revenue cash flows from 2016/17 for 10 years

This graph shows reserve balances within the HRA increasing to approximately £13.1m by Year 10 (2025/26) based on annual rent decrease of 1% for the next four years followed by increases as agreed in the previously approved HRA Business Plan



Graph B - Capital programme from 2016/17 for 10 years (based on a 1% rent reduction in years 1 to 4)

This graph shows proposed Capital Programme expenditure and debt cap levels within the HRA Business Plan up to Year 10 (2016/17 to 2025/26). 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.



14. 2016/17 Draft Budget

General Fund

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

- Expenditure and Income budgets for 2016/17 have been re-assessed to reflect updated information and the estimated impact of the capital programme and borrowing;
- This has resulted in an overall decrease in the 'Core' Budget of nearly £0.2m;

- Baseline Business Rates income to increase by 1%, recognising that any further income will provide an additional funding source;
- Increased income from the Council Tax base and a surplus on the Collection Fund (Note: No changes to the Local Council Tax Reduction Scheme are proposed – same as in 2015/16);
- A council tax increase in the Band D council tax of 5.4p per week for a Band D property, which takes it to £146.67 and equates to a 1.95% increase. The Council is minded to take advantage of the fact that it could raise Band D council tax by £5 without the need for a referendum because it is in the lowest quartile nationally. This would be an increase of 9.6p per week or 3.5% and will be included in the February report to Strategy Committee.
- Certain fees and charges e.g. land charges, but excluding car parking, increased by 3%.

14.2 The figures relating to the draft Budget shown in Appendix A are provisional and are still being reviewed. They will be finalised for the February Budget report. Subject to this, the key changes between the 2015/16 and 2016/17 Budgets are summarised below:-

	£000
2015/16 Core Budget	10,138
Cost pressures - inflation and other changes in income and expenditure	+1,079
Savings	-1,101
Draft 2016/17 Budget	10,116

14.3 In relation to earmarked reserves, the table below shows the potential balance on earmarked reserves at the end of 2015/16 based on known/estimated contributions and withdrawals (excluding any unspent money in the Transformation Fund). In addition to this there is £1.15m, the minimum approved level, in the General Fund reserve/working balance. Full details of these will be included in the final Budget report in February.

	£000
Estimated balance of earmarked reserves at 1 April 2016	1,761
Planned additions to earmarked reserves in 2016/17	+20
Planned withdrawals in 2016/17	0
Estimated balance of earmarked reserves at 1 April 2017	1,781

Council Housing - Housing Revenue Account (HRA)

Key Challenges

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

14.5 These opportunities, however, are threatened by the proposals described in paragraph 12.5. The table in paragraph 14.12 sets out the draft HRA budget for 2016/17 and highlights the variances from the current year as a result of a 1% rent reduction (an average decrease of 92 pence per week for Babergh tenants).

14.6 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

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

14.7 A balanced budget has been achieved for 2016/17 by reducing both revenue and capital budgets (see table in 14.12). A fundamental review of the housing service will need to be undertaken during 2016/17 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review will need to examine:

- The criteria for disposal or redevelopment of existing council housing
- Service standards and performance
- Staffing levels
- New build programme and retention of Right to Buy receipts
- Our approach to HRA business planning including, reviewing and realigning housing stock condition data and capital programme expenditure and using our resources with partner's resources to create the right solutions for tenants and communities.
- Reviewing our approach to repairs and maintenance/asset management services.

14.8 Reducing energy costs will enable utility charges for sheltered housing tenants to be reduced by 20%, an average of £2.68 per week – see recommendation 2.8.

14.9 Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £250K each year. The new pressures of rent reduction and the high value asset levy make this subsidy unsustainable. An average increase of £4.87 per week will reduce the subsidy by £87K. When offset against the rent reduction and the decrease in utility costs, sheltered tenants will see an average increase in their overall charges of £1.26 per week – see recommendation 2.7.

14.10 The Joint Housing Board has proposed an increase in garage rents of 10% to mitigate the reduction in rental income on dwellings. This would raise an additional £17k for the HRA at a cost of 76 pence per week for garage tenants.

New build programme and retention of Right to Buy receipts

- 14.11 Right to Buy (RTB) sales for both councils have exceeded projections in business plans. In 2014/15 Babergh sold 23 against original projections of 5 sales.
- 14.12 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.
- 14.13 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are restricted. This time last year, we were able to say that supporting spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes was achievable within current borrowing headroom. Now, 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. This could be further exacerbated by higher rents for tenants with higher incomes, potentially increasing Right to Buy sales.

Draft Budget 2016/17

- 14.14 The table below sets out the draft HRA budget for 2016/17, based on a 1% rent decrease, highlighting the variance from 2015/16.

Description	2015/16 £000	2016/17 £000	Variance £000	Reason
Rent and other income	(16,940)	(16,940)	0	Based on a proposed average rent decrease of 1%. Offset by decrease in void days and changes in service charges
Bad Debt Provision	201	75	(126)	Bad debt levels can be reduced due to delay of Universal Credit and lower impact of welfare reform and other changes than anticipated
Interest	(15)	(16)	(1)	
Total Net Income	(16,754)	(16,881)	(127)	
Repairs and Maintenance, Management and other costs	5,674	5,262	(412)	Reflects review of all costs.
Capital Charges	2,860	2,824	(36)	Reflects interest costs on fixed rate long term loans
Revenue Contribution to Capital Programme	9,241	2,721	(6,520)	No additional revenue funding for the capital programme required beyond Major Repairs Allowance
Debt Repayment	500	500	0	
Total Expenditure	18,275	11,307	(6,968)	
In-year operating (surplus)/deficit	1,521	(5,574)	(7,095)	
Year-end transfer to/from reserves	(1,521)	5,574	7,095	
Total	0	0	0	

- 14.15 A revised and updated HRA Business Plan is attached at Appendix B, based on annual rent reduction of 1% also reflecting;
- HCA scheme development costs;
 - Funding to support spend of RTB receipts and capital programme expenditure.
- 14.16 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% but a 3% increase is needed to sustain investment plans, including new homes provision therefore an adjustment to capital programmes will be required in future years.
- 14.17 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.
- 14.18 Limit rent figures will be released at the end of January 2016. This could still have an impact on rent levels in addition to the -1% change required.

Capital Programme Investment

General Fund

- 14.19 The draft capital programme is attached at Appendix C.
- 14.20 A zero-based approach has been adopted for the preparation of the capital programme for 2016/17 to 2020/21, to ensure that resources are aimed at delivery the council's strategic priorities. This has resulted in a significant reduction in the proposed programme. The figures for 2017/18 to 2020/21 will be further validated before the final report in February.

Council Housing - HRA

- 14.21 The proposed Capital Programme headlines for 2015 – 2020 are:-

Expenditure	£m
Housing Maintenance Programmes	22.9
New build (HCA programme)	2.9
RTB receipt funding	13.0
Total	38.8
Financing	
Capital receipts disposals and RTB receipts and HCA Grant	5.4
Revenue Contributions	33.4
Borrowing	0
Total	38.8
Remaining Borrowing Headroom available (31 March 2021)	16.8

15. Appendices

Title	Location
APPENDIX A – Draft General Fund Budget Summary 2016/17	Attached
APPENDIX B – Draft updated HRA Business Plan	Attached
APPENDIX C – Draft Capital Programmes	Attached
APPENDIX D – Draft Joint Medium Term Financial Strategy	Attached
APPENDIX E – 2016/17 Summary of Major Budget Changes	Attached
APPENDIX F – Further Detail of Savings	Attached

16. Background Documents

Local Government Finance Settlement.

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Draft General Fund Budget Summary 2016/17

	2015/16 £000	2016/17 £000	Variation £000
Core Budget – spending on services	10,138	10,116	-22
Parish Council grants – Local Council Tax Scheme	125	63	-62
Total Core Budget	10,263	10,178	-85
Integration costs	49		-49
Transformation Fund - Delivery Plan projects*	217	336	119
	10,529	10,515	-14
Funding:			
• Integration Reserve	49		-49
• Other Earmarked Reserves	95		-95
• New Homes Bonus – fixed term posts	208		-208
• Transformation Fund - Delivery Plan projects (Staffing)		427	427
• Transformation Fund - Delivery Plan projects	217	336	119
• Transformation Fund - Core Budget	1,577	2,026	449
• Baseline Government Support - RSG	1,646	992	-654
• Baseline Government Support – Business Rates	1,941	1,957	16
• Additional Business Rates Income	150		-150
• Collection Fund Surplus/Deficit	94	80	-14
• Council Tax	4,552	4,696	144
	10,529	10,515	-14

* Maximum available each year – actual expenditure will happen over 2 or more years

	£000
Transformation Funds	
Estimated balance of Transformation Funds at 1 April 2016	1,983
Income - New Homes Bonus	1,779
Income - S31 Business Rates Grant	783
Utilisation - core budget	-2,026
Utilisation - core staffing	-427
Estimated balance of Transformation Funds available for investment in 2016/17	2,092

HRA Business Plan updated 2016 – 2026
Babergh District Council

Appendix B

Year	2016.17	2017.18	2018.19	2019.20	2020.21	2021.22	2022.23	2023.24	2024.25	2025.26
£'000	1	2	3	4	5	6	7	8	9	10
INCOME:										
Total Income	16,940	16,985	16,858	17,044	17,276	17,832	18,426	19,040	19,674	20,700
EXPENDITURE:										
General Management	-2,120	-2,173	-2,228	-2,283	-2,340	-2,399	-2,459	-2,520	-2,583	-2,648
Special Management	-1,091	-1,119	-1,147	-1,175	-1,205	-1,235	-1,266	-1,297	-1,330	-1,363
Bad Debt Provision	-75	-75	-75	-75	-76	-79	-82	-84	-87	-92
Responsive & Cyclical Repairs	-2,051	-2,102	-2,154	-2,208	-2,263	-2,328	-2,386	-2,446	-2,507	-2,570
Total Revenue Expenditure	-5,337	-5,469	-5,603	-5,742	-5,885	-6,041	-6,192	-6,348	-6,507	-6,673
Interest Paid	-2,824	-2,798	-2,772	-2,727	-2,697	-2,671	-2,653	-2,636	-2,618	-2,432
Interest Received	16	81	112	107	113	148	187	230	227	177
Depreciation	-2,721	-3,415	-3,410	-3,406	-3,490	-3,576	-3,667	-3,762	-3,860	-3,965
Net Operating Income	6,072	5,385	5,185	5,275	5,318	5,693	6,101	6,523	6,915	7,808
APPROPRIATIONS:										
Revenue Provision (HRACFR)	-500	-500	-500	0	0	0	0	0	0	0
Revenue Contribution to Capital	0	-3,714	-5,925	-6,430	-3,447	-3,359	-3,762	-3,853	-9,947	-10,660
Total Appropriations	-500	-4,214	-6,425	-6,430	-3,447	-3,359	-3,762	-3,853	-9,947	-10,660
ANNUAL CASHFLOW	5,572	1,171	-1,240	-1,155	1,871	2,334	2,339	2,670	-3,032	-2,852
Opening Balance	1,398	6,971	8,142	6,901	5,747	7,617	9,951	12,291	14,960	11,928
Closing Balance	6,971	8,142	6,901	5,747	7,617	9,951	12,291	14,960	11,928	9,076

DRAFT CAPITAL PROGRAMME FOR 2016/76 TO 2019/20

BABERGH CAPITAL PROGRAMME 2015/16	2015/16 Original Budget £'000	2015/16 Revised Budget inc Carry Forwards £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
General Fund						
Housing						
Mandatory Disabled Facilities Grant	350	329	300	300	300	300
Discretionary Housing Grants inc empty homes	313	100	100	100	100	100
Empty Homes (loan)		150	100	100	100	100
Energy Efficiency Grants	-	9	-	-	-	-
Grants for Affordable Housing	100	288				
Total Housing	763	876	500	500	500	500
Environmental Services						
Replacement Refuse Freighters - Joint Scheme	0	0	1,800	0	0	0
Recycling Bins	62	62	62	56	50	45
Total Environmental Services	62	62	1,862	56	50	45
Community Services						
Planned Maintenance / Enhancements - Car Parks	40	37	30	40	40	40
Planned Maintenance / Enhancements - Kingfisher	65	287	56	56	56	56
Planned Maint / Enhancements - Hadleigh Pool	25	60	25	25	25	25
Play Equipment	25	79	25	25	25	25
Broadband Development	0	50				
Replacement CCTV cameras	40	40				
Street Parking Improvement	8	-				
Community Development Grants	129	355	129	129	129	129
Total Community Services	332	908	265	275	275	275
Asset Management						
Planned Maint / Enhancements - Hadleigh HQ	35	59	25	35	35	35
Planned Maint / Enhancements - Other Corp Buildings	48	84	33	48	48	48
Carbon Reduction	50	31	34	50	50	50
Hadleigh Community Facility	-	9	-	-	-	-
Installation of PV panels on Housing stock	2,900	3098	-	-	-	-
Total Asset Management	3,033	3,281	92	133	133	133
Corporate Services						
ICT costs related to joint working with Mid Suffolk	550	600	335	215	215	50
Land assembly, property acquisition and regeneration opportunities	1,250	2,898	-	-	-	-
Total Corporate Services	1,800	3,498	335	215	215	50
Delivery Programme Investment Opportunities	25,000	25,000	-	-	-	-
TOTAL General Fund Capital Spend	30,990	33,625	3,054	1,179	1,173	1,003

DRAFT CAPITAL PROGRAMME FOR 2016/17 TO 2019/20 (Continued)

BABERGH CAPITAL PROGRAMME 2015/16	2015/16 Original Budget £'000	2015/16 Revised Budget inc Carry Forwards £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Housing Revenue Account						
Planned Maintenance & Response						
Planned maintenance	2,581	3,721	2,779	4,360	4,968	4,664
Other programmes	683	2,166	625	897	1,187	1,042
Environmental Improvements	50	50	90	120	120	120
Horticulture and play equipment	31	101	33	50	60	55
Disabled Adpatations	-	200	200	200	200	200
New build acquisitions	5,200	492	2,071			
New build programme	1,400	3,793	3,454			
TOTAL HRA Capital Spend	9,945	10,523	9,252	5,627	6,535	6,081
TOTAL CAPITAL SPEND	40,935	44,148	12,306	6,806	7,708	7,084

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

2016/17 Summary of Major Budget Changes

<u>Revenue 2016/17 Budget</u>	£,000
2015/16 Base reliance on NHB	1,787
<u>2016/17 Pressures</u>	
Inflationary increases - expenditure	73
Reduction in Government grants	674
Business rates growth and pooling benefit	134
Pay changes incl pension and pay award	557
Movement on collection fund surplus	14
Other changes	430
<u>Actions in place</u>	
Inflationary increases - income	(47)
Change in Minimum revenue provision	(100)
Movement in reserves	(335)
Increase in investment Interest	(280)
Growth in taxbase	(54)
Parish Grants	(63)
Increase in charge to HRA	(59)
PV Feed in tariff income	(234)
<u>Further Actions</u>	
Efficiency savings	(255)
Savings proposals (See Appendix F)	(127)
1.95% Council Tax increase	(90)
Net shortfall	2,026
<u>Options for funding</u>	
New Homes Bonus	(1,779)
S31 Grant	(783)
	(2,562)
Transfer to Transformation Fund	(336)
Transfer to Business Rates Equalisation Reserve	(200)

Further Detail of Savings

Service Area	Amount £'000	Description
Governance	-16.0	Staffing structure to be changed in 2016/17
Licensing	-5.0	Increase fees for Taxi/Private Hire licences (not changed since 2010)
Waste	-30.0	Increase brown bin subscription by £2.50 to £47.50
Waste	-10.0	Increase bulky waste charge by £10 to £38.50
Housing	-4.7	Minor team change
Healthy Communities	-32.0	Removal of specialist sports development services including research and support of major sporting events in the district. One-off pieces of work will be funded through the Transformation Fund.
Strong Communities	-29.0	10% reduction in community grants. We will work with the communities to enable them to source their own external funding.
Total	-126.7	