

BABERGH DISTRICT COUNCIL

TO: Overview and Scrutiny Committee	REPORT NUMBER: BOS/21/01
FROM: Councillor Simon Barrett Cabinet Member for Finance	DATE OF MEETING: 17 January 2022
OFFICER: Katherine Steel, Assistant Director – Corporate Resources	KEY DECISION REF NO. N/A.

GENERAL FUND BUDGET 2022/23 AND FOUR-YEAR OUTLOOK

1. PURPOSE OF REPORT

- 1.1 The Council has a statutory obligation to set a balanced budget. Each year, the Overview and Scrutiny Committee is invited to consider budget proposals before Cabinet decides in February what to recommend for approval by Full Council later in February and implementation from 1st April.
- 1.2 Progress against the budget is reported to Cabinet on a quarterly basis throughout the year. This year, proposals for the 2022/23 budget will be presented to Cabinet for approval on 7 February 2022 and to Full Council on 21 February 2022. Before the proposals are considered by Cabinet, this meeting will enable the Overview and Scrutiny Committee, on behalf of the residents of Babergh, to provide constructive challenge.
- 1.3 The budget process has been streamlined for 2022/23, resulting in the budget being presented to Cabinet in February only for onward recommendation to Full Council. As a result of this change, this report to Overview and Scrutiny Committee is in a different format to previous years.
- 1.4 The role of Overview and Scrutiny is to challenge assumptions and look at the risks associated with the budget proposals. The objectives of this scrutiny are to provide Councillors with an opportunity to discuss proposals for the budget for 2022/23 before a final decision is made, and to consider:
 - a) the financial position of the Council in the context of the current national political and economic landscape.
 - b) the Council's financial strategy and the options available to ensure services remain sustainable in 2022/23 and beyond.
 - c) the proposed revenue and capital budgets for each service compared with the current year and any predicted impact on service users and residents.

2. OPTIONS CONSIDERED

- 2.1 No other options were considered as one of the roles of Overview and Scrutiny Committee is to review the budget proposals before the final budget is presented to Cabinet and Full Council for approval.

3. RECOMMENDATIONS
3.1 That Overview and Scrutiny Committee decides whether it wishes to make any recommendations to Cabinet to consider alongside the budget proposals on 7 February 2022 before Cabinet makes its final recommendation to Full Council.
REASON FOR DECISION
Overview and Scrutiny Committee can contribute to and influence the final budget proposals that are considered by Cabinet and Full Council.

4. KEY INFORMATION

Background and COVID19

- 4.1 In February 2021 Babergh District Council approved the General Fund Budget 2021/22 and Four-Year Outlook. The budget was prepared during one of the most challenging and uncertain times due to the impacts of COVID19 on the Council's finances, staff, residents, and local economy. Income streams were reviewed when setting the budget and revised where appropriate and any COVID19 related costs were assumed to be funded from the COVID19 reserve.
- 4.2 The financial impact of COVID19 continues to be monitored during 2021/22 and the current forecast was presented to Cabinet in December as part of the second quarter budget monitoring report. As time passes more information is gathered about the impact and how this may affect the Council's finances going forward, but some uncertainty continues particularly in terms of what permanent changes in behaviour will be seen.
- 4.3 The Government provided some funding for the impact of COVID19 for the first quarter of 2021/22, in addition to what was allocated during 2020/21, but it is unlikely that any further funding will now be provided, so the Council needs to manage any continuing adverse impacts within the resources available.

2021/22 Budget and Forecast Outturn

- 4.4 On 23 February 2021 the Council set a balanced budget for 2021/22. This comprised gross expenditure of £33.7m and income of £23.3m, to give a net service budget of £10.4m, which is primarily funded from council tax, business rates and government grants. In addition, there was a new capital allocation totalling £6.2m. The pie charts in Appendix A provide a visual representation of the current year's budget across income, expenditure, reserves and capital.
- 4.5 The second quarter budget monitoring report was presented to Cabinet on 6 December 2021 showing a forecast surplus position as at 31 March 2022 of £320k. There are several variances which contribute to the overall position, that are detailed in the report, but two key factors are planning application income continues to exceed the budget and one-off additional income from the Suffolk business rates pool.
- 4.6 The third quarter position will be presented to Cabinet on 7 March 2022.

Medium Term Financial Strategy (MTFS) 2022-2026

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



- 4.8 The Council's main strategic financial aim remains to become self-financing i.e., not reliant on Government funding. The Council's parallel aim is to generate more funds than are required purely for core services, to enable additional investment into the district.
- 4.9 There are 3 key elements that need to be carefully balanced to ensure success, which are:
1. Cost management
 2. Income generation and
 3. Service levels.
- 4.10 The approach over the medium term is to transform the Council into an organisation that is thriving and not just surviving, by continuously reviewing, remodelling, and

reinventing the way the Council operates. For the Council to thrive, a strong focus is placed on the wellbeing of our staff and residents.

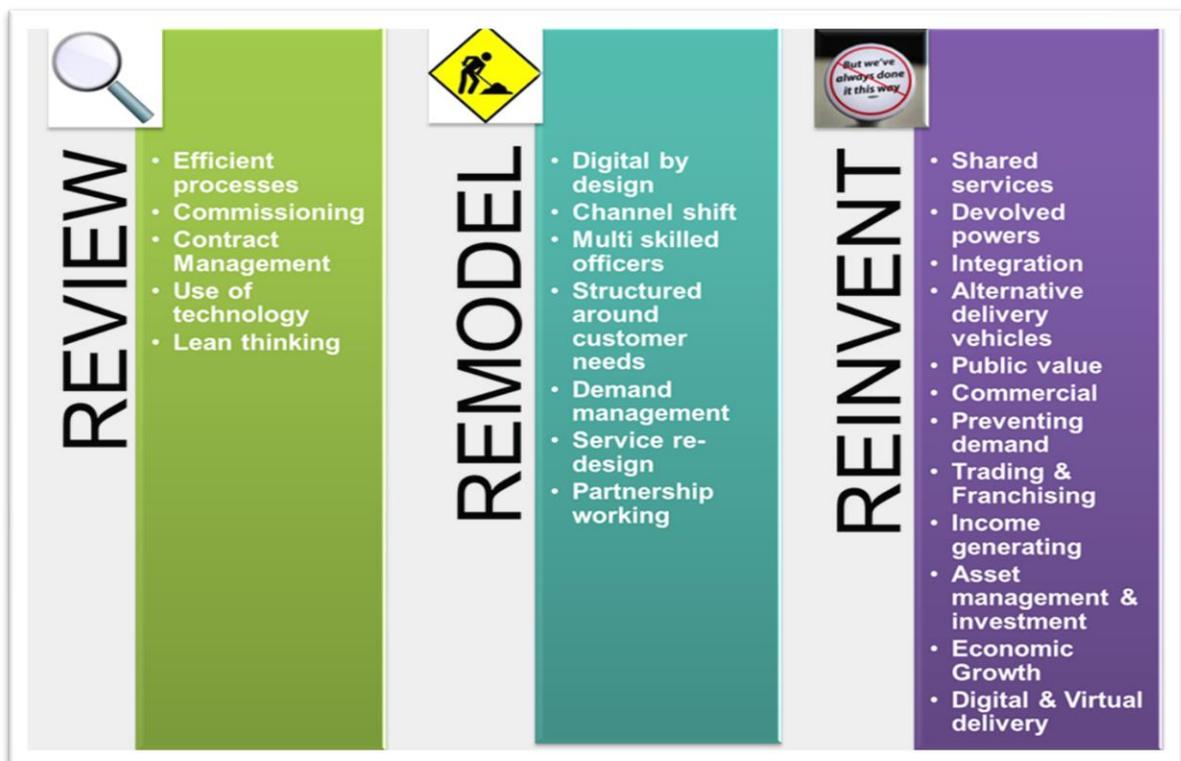
The following overarching principles are considered when evaluating ideas and opportunities for change:

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

4.11 The focus is on:

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

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



- 4.13 Further work will continue in 2022/23 and a corporate plan will be established early in the new year to drive out inefficiencies across the organisation, but this is likely to require additional resources and investment. The Council will continue this approach to further transform the way it operates over the next three years, including looking at new working methods by building on the changes made to practices during the COVID19 pandemic.
- 4.14 A further key element of the Strategy is having adequate reserves available to manage any unexpected changes to spending and funding plans. They are a fundamental part of the way the Council manages its business risks and maintains a stable financial position.
- 4.15 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.
- 4.16 Reserves only provide one-off funding, so a core principle is that reserves should not be used to cover ongoing gaps between expenditure and funding and should be replenished as soon as practicable when used.
- 4.17 There are generally two types of reserves: unallocated and earmarked. The unallocated reserve is known as the General Fund Balance and is held by the Council to manage the financial risks it faces, and to ensure that it can remain solvent should any of these risks become realised. This reserve currently stands at £1.2m. It traditionally represents about 10% of the net budget, but as it was not used during the COVID19 pandemic this could be reviewed. Earmarked reserves are held by the Council's services and used to pay for specific commitments or set aside for anticipated projects and programmes. The projected earmarked reserves position as at 31 March 2022 is shown in the pie chart in Appendix A.

Changing Landscape for Local Government

- 4.18 Over recent months there have been some consultations and announcements that indicate the Government's wish to ensure that local government focuses on its core functions rather than expanding into what are seen as more 'commercial' or 'private sector' type activities. Some examples are:
- Changes to the Public Works Loan Board (PWLB) lending criteria to exclude the ability to borrow to invest in commercial property to generate income.
 - Consultations on the CIPFA Treasury Management and Prudential Codes to strengthen the intention around commercial investments and provide clarity about borrowing and investments
 - Current Government consultation about minimum revenue provision and use of capital receipts from commercial activity
- 4.19 The Council will need to have regard to these changes and the new operating parameters when considering future activity under the MTFS.

National Economic Position

- 4.20 The Office for Budget Responsibility's (OBR) economic forecasts, provided alongside the Chancellor's Comprehensive Spending Review (SR21) in October, show improvement compared with the numbers from March 2021. The economic scarring from the pandemic is now forecast to be 2% of Gross Domestic Product (GDP) compared to 3% forecast in March 2021 and economic growth is forecast to be 6.5% in 2021, 6% in 2022 and 2.1% in 2023 showing a strong recovery from last year's deep recession. The forecasts for the years beyond are more worrying at 1.3% in 2024, 1.6% in 2025 and 1.7% in 2026, as this is below the long-term trend of 2% and may signal difficulty in the ability to generate tax receipts to fund growing spending pressures for social care and the NHS.
- 4.21 The central government budget deficit peaked at £320bn in 2020/21 before falling to an estimated £183bn in 2021/22. The figure for the current year is about £35bn less than the March 2021 estimate and net borrowing is expected to settle around £50bn per annum.
- 4.22 The Consumer Price Index (CPI) dropped significantly in 2020 during the pandemic but had risen to 3.1% in September and has gone up further to 5.1% in November 2021. It is expected to hit a peak in the next few months before returning to its target level of 2% by 2023 or 2024, although economic commentators are increasingly challenging that assumption.
- 4.23 The Chancellor presented the Comprehensive Spending Review (SR21) on 27 October 2021 in the context of the national economic position as detailed above. Some of the key headlines for local government and specifically our council, ahead of the provisional finance settlement set out in paragraph 4.25 below, are as follows:
- Core spending power estimated to increase annually by an average of 3.2%, but this assumes maximum council tax increases. Real terms average increase of 1%.
 - Additional £4.8bn in grant over the next 3 years.
 - An increase in grant in 2022/23 of £1.5bn to be distributed via the finance settlement but then no further growth. Any increase in funding beyond 2022/23 will have to come from council tax.
 - Core council tax increase thresholds assumed as 1.99% and a further 1% for social care.
 - No announcements about New Homes Bonus, Fair Funding Review, Business Rates Reset or the length of the settlement.
 - Business rates announcements
 - Freezing the multiplier for 2022/23
 - 50% discount for retail, hospitality, and leisure sectors up to a maximum of £110k per business in 2022/23
 - Targeted reliefs and exemptions from April 2023 to support the decarbonisation of buildings
 - 100% relief on eligible property improvements to be implemented in 2023 (any increase in rates payable delayed for 12 months)
 - Extend transitional relief for small and medium-sized businesses for 1 year

- Local authorities will be fully funded for the loss of income from the multiplier, reliefs, and discounts
 - Revaluations every 3 years from 2023
 - Specific funding allocations announced that the Council may be eligible to bid for across a range of initiatives.
- 4.24 After the Chancellor's announcements, the Minister for the Department for Levelling-Up, Housing and Communities (DLUHC) announced that the move to 75% retention of business rates would be placed on hold as it was seen to contradict the aims of the levelling-up agenda.
- 4.25 The provisional local government finance settlement for 2022/23 was announced on 16 December 2021. The key headlines are as follows:
- The settlement is for one-year only.
 - A new one-off Services Grant in 2022/23 distributed via the Settlement Funding Formula. Distribution for 2023/24 and beyond will be considered in consultation with councils.
 - For shire district councils' council tax can be increased by the higher of 2% or £5, which the Government believes protects local taxpayers from excessive council tax increases.
 - The current approach to the New Homes Bonus is being applied to 2022/23.
 - Rural Services Delivery Grant is being maintained at the same level as 2021/22.
 - Lower Tier Services Grant is being maintained at the same level in 2022/23 despite the announcement when it was brought in last year that it was for one year only.
 - A commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of our needs and resources. The Government will work closely with the sector to look at challenges and opportunities before consulting on any potential changes. Part of this will look at options to support local authorities through transitional protection.

2022/23 Budget Approach

- 4.26 In recent years the Council has tended to underspend the budget that has been set. The reasons for this have been reviewed and it has generally been due to additional income being received rather than expenditure proposals not being achieved.
- 4.27 Managers traditionally err on the side of caution when putting their budget proposals together, particularly in relation to income. Amalgamating these assumptions across the whole organisation has, in recent years, resulted in underspends at the year-end. The unintended consequence is that resources are committed during the budget process that could be used for other priorities or alternatively savings have to be made that are not actually needed.

- 4.28 For 2022/23, managers have looked to use stretching, but realistic assumptions when putting their budget proposals together across both expenditure and income. This should result in the overall outturn position being closer to the budget.
- 4.29 There is the risk that adopting the approach and events that happen during the year could result in an overspend position, but this will be monitored through the regular quarterly reporting to Cabinet and action taken if necessary. The Council has sufficient reserves to be able to manage that scenario should it come to fruition and would then be corrected when setting the budget for 2023/24.

2022/23 Budget Assumptions and Risks

- 4.30 Constructing a budget that runs to 13 months beyond when it was approved means that several assumptions have to be made about the conditions that are likely to exist over an extended period. Some of these are made centrally within the organisation and some are made locally at Corporate Manager level. The centrally made assumptions are set out below.

Inflation

- 4.31 Pay inflation and increments – the pay award for 2021/22 has not yet been agreed, with the main unions currently balloting their members about strike action. National negotiations stalled after the final employers offer of an increase of 1.75%. An allowance of 2% is contained within the 2021/22 budget and it is proposed that the same percentage is used for the budget for 2022/23 and the years beyond. Staff can also progress through the increments within their salary grades until they reach the top, which usually adds a further 2% to the overall staffing cost. The budgets have therefore been built on an annual increase in staffing costs of 4% to cover both the annual pay award and incremental progression. Each 1% increase would mean additional costs of £82k.
- 4.32 Non-pay inflation – whilst CPI is running at the highest level for several years, managers have been asked to accommodate any inflationary pressures within the same cost envelope that they have for the current financial year. If they are anticipating some cost increases, they will need to find savings from elsewhere within their budgets to accommodate it rather than their total budget being increased. For the years beyond 2022/23 non-pay inflation has been included at 2%.
- 4.33 Income – managers have reviewed the fee levels that are charged to customers and residents for the Council's range of services. These were presented to and approved by Cabinet in a separate report in January with the impact on income budgets being built into the proposed budget for 2022/23. Income levels have also been reviewed in line with recent experience of volumes and increased where appropriate.

Central Items

- 4.34 Vacancy management factor – this is currently set at a rate of 5% which reflects the fact that the Council has turnover in staff which invariably ends up with a gap between the end of the current postholder's notice period and the new postholder being able to take up the position. The second quarter budget monitoring report to Cabinet identified that at the end of September the Council had a 17% vacancy rate. Whilst this is significantly higher than the current vacancy management factor, it is a snapshot in time and does not suggest that this will be the pattern across the whole

year and there are currently high volumes of recruitment activity to fill the vacancies. On this basis, it is not proposed to change the vacancy management factor from the current figure of 5% for 2022/23.

- 4.35 Employer's pension fund contributions – an increase of £84k has been made to the deficit lump sum budget to correct an historic position, but this has been partially offset by a 1% reduction agreed from the last triennial valuation of the fund. The overall position is a net increase of £22k. The next triennial valuation is due as at 31 March 2022 and any changes to the employer contributions will take effect from 1 April 2023. It is anticipated that the funding position will have further improved at the next valuation date and therefore the Council's contributions could be reduced for the 3 years commencing 2023/24.
- 4.36 Interest payable – the interest payable on loans in 2022/23 is estimated to be £30k more than the budget for 2021/22 mainly to fund additional short-term borrowing for the capital programme. This assumes that the profile of loans to support the CIFCO borrowing remains the same as in 2021/22. Switching £20m of short-term loans to add to the existing £9.6m of long-term loans would add approximately £300k to the interest payable costs.
- 4.37 Minimum revenue provision (MRP) – capital expenditure funded from borrowing increases the level of MRP that has to be accommodated within the revenue budget. The level of expenditure at the end of 2021/22 determines the MRP for 2022/23. It is anticipated that MRP will be £179k higher in 2022/23 resulting from capital expenditure in 2021/22 and the end of an MRP 'holiday'. As the budget for 2022/23 has to be agreed before the final capital expenditure in 2021/22 is known, there is a risk that MRP will be higher or lower, but once known will be fixed for the year.
- 4.38 Investment income – this is generated from the loans to CIFCO and treasury management investments in pooled funds. As CIFCO is now fully invested there is just a small reduction in the income of budget of £11k for 2022/23 compared with 2021/22. This reflects the annuity nature of the loans to the company as over time the level of principal repaid increases and the interest reduces like private mortgages. CIFCO continues to provide income in excess of the cost to the Council of taking out the loans. There is no change expected to the level of income from the pooled investment funds and other interest receivable.
- 4.39 Recharges to the Housing Revenue Account (HRA) and Capital – these are assessed each year as part of the budget process and are currently expected to generate additional income of £176k to the General Fund.

Funding

- 4.40 Government grants – the relevant ones for the Council are New Homes Bonus (NHB), Rural Services Delivery Grant (RSDG), Lower Tier Services Grant, Section 31 Business Rates Grant, and a new Services Grant for one-year only. The provisional local government finance settlement indicates that RSDG will be at the same level as the current financial year. NHB will decrease by £33k compared to the current financial year, Lower Tier Services Grant will increase by £5k and the new Services Grant provides the council with £147k.
- 4.41 Business rates – there are several elements that make up the overall income that the Council receives from business rates. From the provisional settlement the baseline

figure and levy will remain the same as for the current financial year. The benefit from being part of the Suffolk business rates pool will increase by £21k and the Collection Fund deficit will reduce by £4k. The Enterprise Zone at Sproughton will provide an additional £216k in business rates income to the Council in 2022/23. A Government return (NDR1) that is required to be submitted by 31 January 2022, may result in some further changes to the business rates figures which will be included in the budget report presented to Cabinet in February.

- 4.42 Council tax – the impact from Covid on collection rates, the number of Local Council Tax Reduction (LCTR) claimants and the build rate of new homes across the district has been less than anticipated when the budget for 2021/22 was set. This means that a 4.31% increase has been calculated for the tax base for 2022/23, which will generate additional council tax income of £251k. The improved position for the current year means that the Collection Fund will be in surplus at the end of 2021/22, which will be shared with the major precepting authorities in 2022/23. The benefit of this for the Council's budget in next year is £181k. We will however lose £116k of Local Council Tax Support Grant in 2022/23 as this was paid for 2021/22 only. The estimates for council tax income do not currently include any increase in the Band D element for the Council from the current rate of £173.66. A change of 1% equates to a change in income of £60.6k and the maximum increase of £5 would generate £177.6k. The final proposal relating to council tax will be included in the budget presented to Cabinet in February 2022.

Service Area Changes

- 4.43 The table below shows at an individual service level the proposed budget for 2022/23 compared with the budget in the current financial year and the position for the three years beyond 2022/23 i.e., up to 2025/26. Committee will be provided with further information in the format of a presentation at the meeting to help it understand and ask questions about the factors that are driving the changes in budget from the current year to the next to establish if they are reasonable.

Description	2021/22 Budget (incl. virements) £000	2022/23 Budget £000	2021/22 to 2022/23 Movement £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000
Strategic Property	187	226	39	157	168	148
The Councils' Companies	87	93	6	96	100	103
Total Assets & Investments	273	319	46	253	268	252
Communities	567	624	57	648	664	681
Leisure	278	260	(17)	265	270	276
Total Communities & Well-Being	845	885	40	914	935	956
Finance, Commissioning & Procurement	1,688	1,589	(99)	1,616	1,669	1,724
Human Resources & Organisational Development	409	461	52	549	564	581
Total Corporate Resources	2,097	2,050	(47)	2,165	2,234	2,305
Communications	175	177	2	183	189	196
Customer Operations	544	538	(5)	561	584	607
ICT	896	913	16	929	946	965
Strategic Policy, Performance and Insight	106	282	176	407	423	440
Total Customers, Digital Transformation & Improvement	1,720	1,910	189	2,080	2,142	2,208
Open for Business	282	305	23	338	351	364
Total Economic Development & Regeneration	282	305	23	338	351	364
Health & Safety, Business Continuity & Emergency Planning	169	177	7	201	207	212
Public Protection	571	596	25	625	653	683
Public Realm	1,648	1,629	(19)	1,586	1,648	1,700
Recycling, Waste & Fleet	1,212	1,212	(0)	1,248	1,284	1,330
Service Improvement	66	68	3	71	74	77
Total Environment & Commercial Partnerships	3,666	3,681	16	3,730	3,866	4,003
Housing Solutions	619	702	82	740	781	821
Total Housing	619	702	82	740	781	821
Electoral Services & Land Charges	85	94	9	97	105	113
Governance & Civic Off	461	353	(109)	370	387	406
Internal Audit, Risk & Data	91	85	(6)	87	90	93
Shared Legal Service	375	386	11	396	406	417
Total Law & Governance	1,012	918	(94)	950	989	1,029
Building Control	78	82	5	101	120	140
Chief Planning Officer	599	545	(54)	580	632	686
Strategic Planning	456	555	99	559	672	811
Total Planning & Building Control	1,133	1,182	50	1,240	1,424	1,637
Senior Leadership Team	653	692	39	729	756	783
Total Senior Leadership Team	653	692	39	729	756	783
Net Service Expenditure	12,299	12,644	345	13,139	13,744	14,358

Overall Position for 2022/23 and Beyond

- 4.44 The table below brings together all the information set out above to demonstrate the movement between the current year's budget and the proposed budget for 2022/23 including two reserve movements. It also shows the position for the 3 years beyond 2022/23 i.e., up to 2025/26.

Description	2021/22 Budget (incl. virements) £000	2022/23 Budget £000	2021/22 to 2022/23 Movement £000	2023/24 Forecast £000	2024/25 Forecast £000	2025/26 Forecast £000
Net Service Expenditure	12,299	12,644	345	13,139	13,744	14,358
Recharge to HRA / Capital	(1,195)	(1,372)	(176)	(1,382)	(1,393)	(1,421)
Investment Income	(2,764)	(2,753)	11	(2,742)	(2,728)	(2,720)
Capital Financing Charges	1,676	1,885	209	2,422	2,616	2,807
Total Cost of services	10,016	10,405	389	11,438	12,240	13,024
Grants	(2,650)	(2,769)	(119)	(2,321)	(2,321)	(2,321)
Business Rates	(1,645)	(1,886)	(241)	(1,895)	(2,113)	(2,113)
Council Tax	(5,864)	(6,180)	(316)	(6,131)	(6,269)	(6,336)
Transfer to Reserves (surplus)	143	-	(143)	-	-	-
Total Funding	(10,016)	(10,835)	(819)	(10,347)	(10,703)	(10,769)
Shortfall in funding / (Surplus Funds)	0	(430)	(430)	1,091	1,537	2,255

- 4.45 It is acknowledged that further work is required across the organisation to create efficiencies through driving down cost and cutting out work that does not add value. Opportunities exist in terms of improving digitisation and automation of some process. A corporate programme of work will be developed early in 2022 to enable some broad-based numbers to put against a 2-3 year programme. This is not currently included within the proposed budget for next year and beyond.

Capital

- 4.46 The detailed Capital Programme is attached at Appendix B. The new capital allocation for the 2022/23 budget totals £6.1m and along with an anticipated carry forward of £16m at the end of the current financial year, the total capital programme for next year could be in the region of £22.1m.
- 4.47 The most significant items for new planned spend are the replacement of the Council's refuse freighters in 2022/23, funding for the proposed Commercial Workspace Development at Hadleigh and for Babergh Growth to undertake housing developments at sites already in progress or ones currently under negotiation for purchase over the next 3 years as well as purchasing additional land for further development. Funding is also included to continue the range of annual capital initiatives such as housing and community grants.
- 4.48 The Capital, Investment and Treasury Management Strategy for 2022/23 will contain further details of the Council's borrowing capacity and the impacts of the capital programme. It will be reviewed by Joint Audit and Standards Committee at their meeting on 24 January 2022 before being presented to Cabinet in February for onward recommendation to Council as part of the suite of budget reports.

CIPFA's Financial Resilience Index

- 4.49 CIPFA's Financial Resilience Index, made publicly available for the first time in 2019, aims to support good practice in the planning of sustainable finance. The index does not come with CIPFA's own scoring, ranking or opinion on the financial resilience of an authority. However, users of the index can undertake comparator analysis drawing their own conclusions.

4.50 The 2020 index, which provides the relative position for the 2019/20 financial year, is the most up to date index currently available. Councils' performance is ranked relative to those in the selected 'comparator group'.

4.51 Babergh is seen as having higher risks around the level of external debt, interest payable and the proportion of fees and charges income against total revenue expenditure. The external debt includes that associated with the HRA, so the Council will always be seen as a higher risk compared to those councils without housing stock, but it is balanced against the value of the housing stock on the Council's balance sheet. The other elements are all linked to the investment that the Council has made in CIFCO by increasing General Fund debt levels, higher interest payments, but also higher investment income coming back to the Council and is secured by charges on the properties acquired by CIFCO.

5. LINKS TO CORPORATE PLAN

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

6. FINANCIAL IMPLICATIONS

6.1 These are detailed in the report.

7. LEGAL IMPLICATIONS

7.1 The provisions of the Local Government Finance Act 1992 (LGFA 1992) require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer (Section 151).

8. RISK MANAGEMENT

8.1 This report is most closely linked with the Council's Corporate / Significant Business Risk No. 13 - We may be unable to respond in a timely and effective way to financial demands and Corporate Risk No. 5E05 – if the Finance Strategy is not in place with a balanced position over the medium term the Councils will not be able to deliver the core objectives and service delivery may be at risk of not being delivered. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If Government funding does not keep pace with demand and other pressures, then the Council will have to consider how it continues to	3 - Probable	3 - Bad	The Council will continue to lobby Government both directly and via networks such as the District Councils' Network (DCN) and the

fund existing service levels			Rural Services Network (RSN)
If demand pressures and cost inflation exceed forecasts, then the Council could be in an overspend position at the year-end	2 - Unlikely	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to contain costs in year to offset the impact
If income levels are below forecast, then the Council could be in an overspend position at the year-end	2 - Unlikely	2 - Noticeable	Service areas will identify and analyse data that enable the best possible forecasts to be determined and act where possible to generate income to anticipated levels
If the financial impact of COVID19 continues over an extended period, then the Council will need to use and then replenish available reserves	2 - Unlikely	2 - Noticeable	Continue to monitor the situation closely to assess whether the COVID reserve is sufficient to meet any funding gap
If borrowing costs exceed projections, then the Council may need to fund the excess costs from reserves at year-end	2 - Unlikely	2 - Noticeable	Discussions with the Council's treasury management adviser on interest rates to be used when setting the budgets
If capital projects exceed budgeted figures, then the Council will achieve less with the resources available	2 - Unlikely	2 - Noticeable	Capital projects will include an appropriate level of contingency that will cover potential increases in costs

9. CONSULTATIONS

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

10. EQUALITY ANALYSIS

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

11. ENVIRONMENTAL IMPLICATIONS

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

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

11.3 A solar multi-function carport to generate electricity is being installed at Kingfisher Leisure Centre, Sudbury. The CO₂ savings are 4.4 times the volume of the Royal Albert Hall and it will generate enough power to supply 24 average homes in Sudbury.

11.4 The Council's leisure centres have been successfully transferred to certified low carbon tariffs for electricity use.

11.5 We have also installed a new pool water cleaning system at Kingfisher Leisure Centre which is expected to reduce annual CO₂ emissions by between 6.4 and 8.6 tonnes per annum and reduce combined gas and electricity consumption by 1.1% - 1.5%.

11.6 £1.4m of funding has been secured from the Government's Public Sector Decarbonisation Fund for carbon-saving measures at council leisure centres and other buildings including solar panels and air source heat pumps.

12. APPENDICES

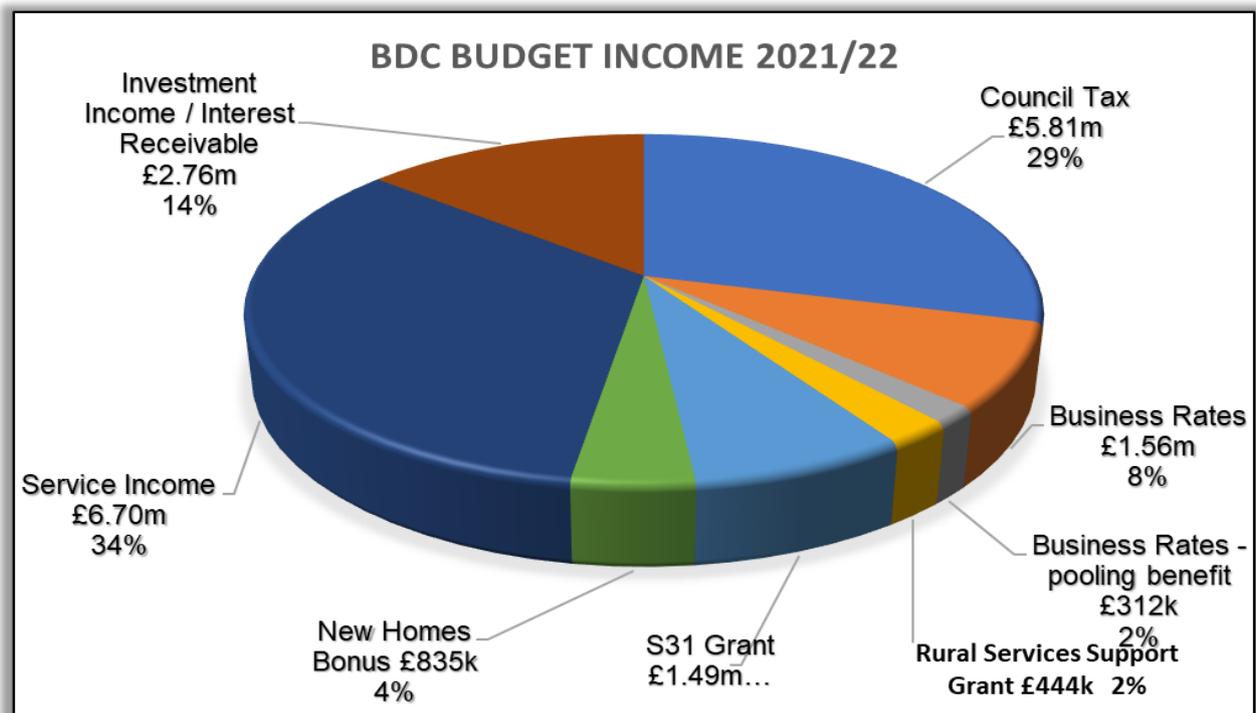
Title	Location
(a) Analysis of 2021/22 Budget	Attached
(b) Capital Programme 2022/23 to 2025/26	Attached

13. BACKGROUND DOCUMENTS

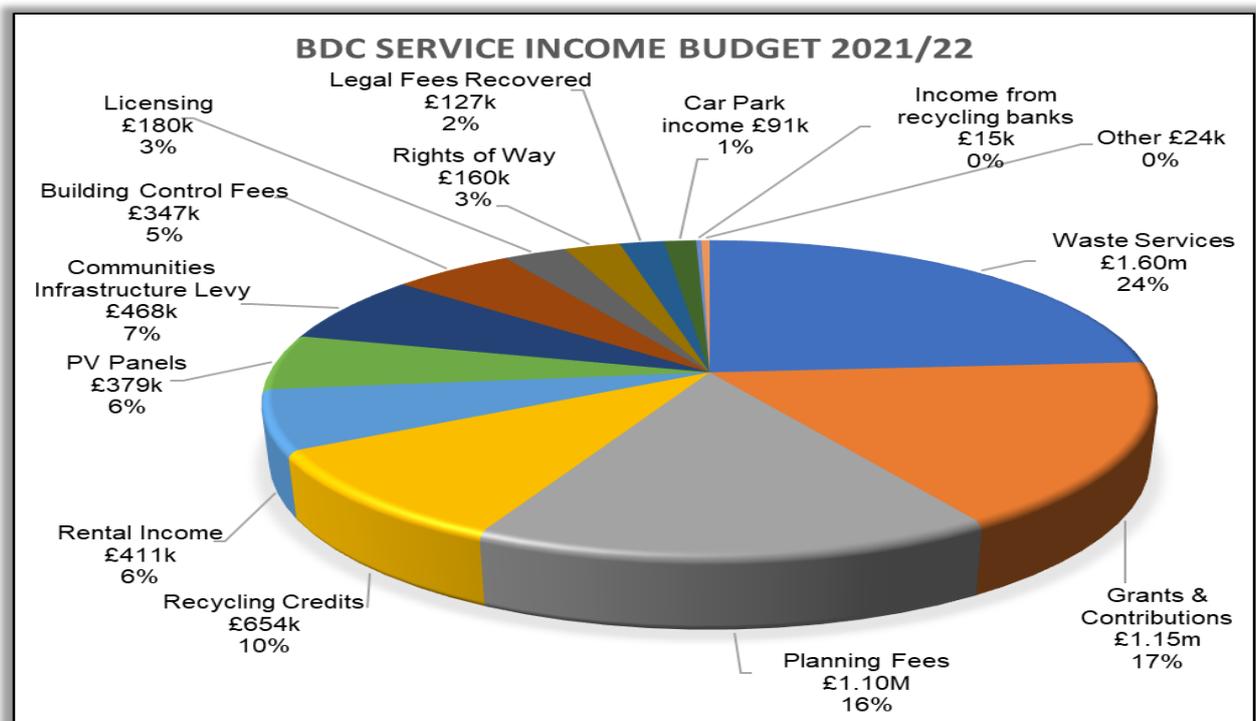
13.1 General Fund Budget 2021/22 and Four-Year Outlook – BC/20/24

General Fund Financial Monitoring 2021/22 – Quarter 2 BCa/21/29

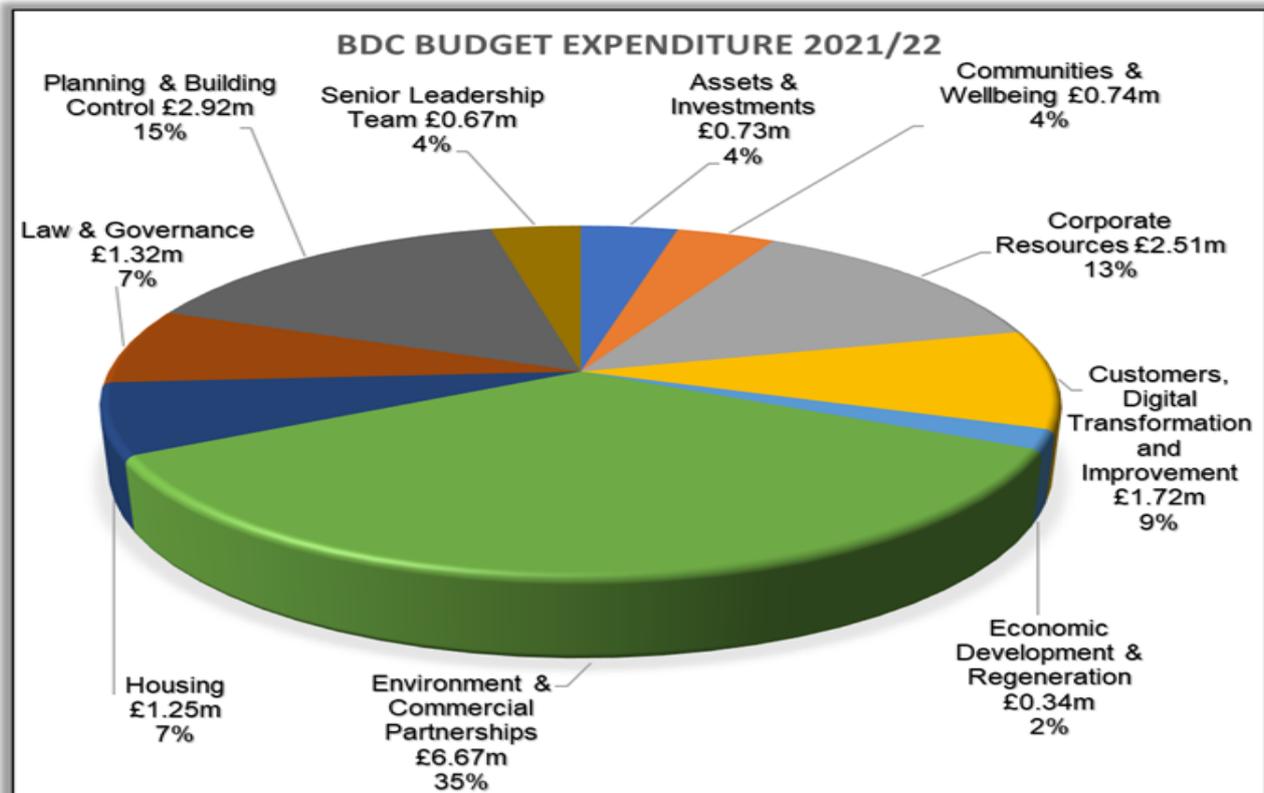
TOTAL INCOME (£19.9m)



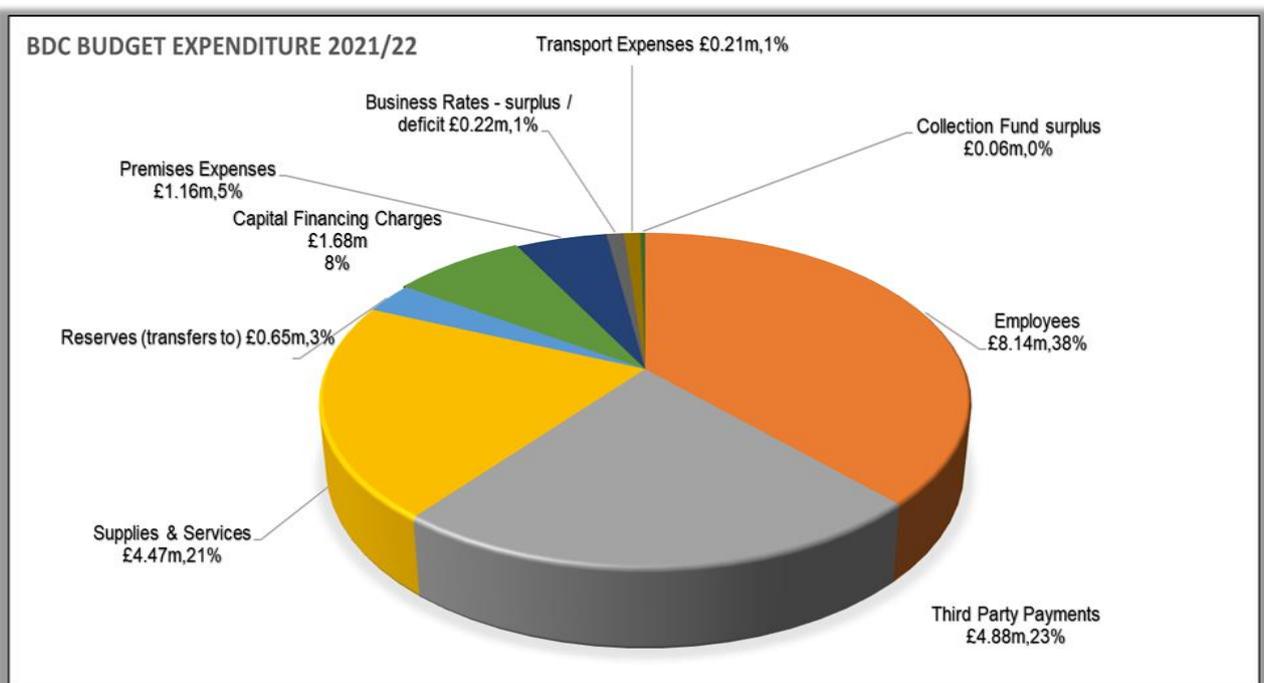
ANALYSIS OF SERVICE INCOME (£6.7m)



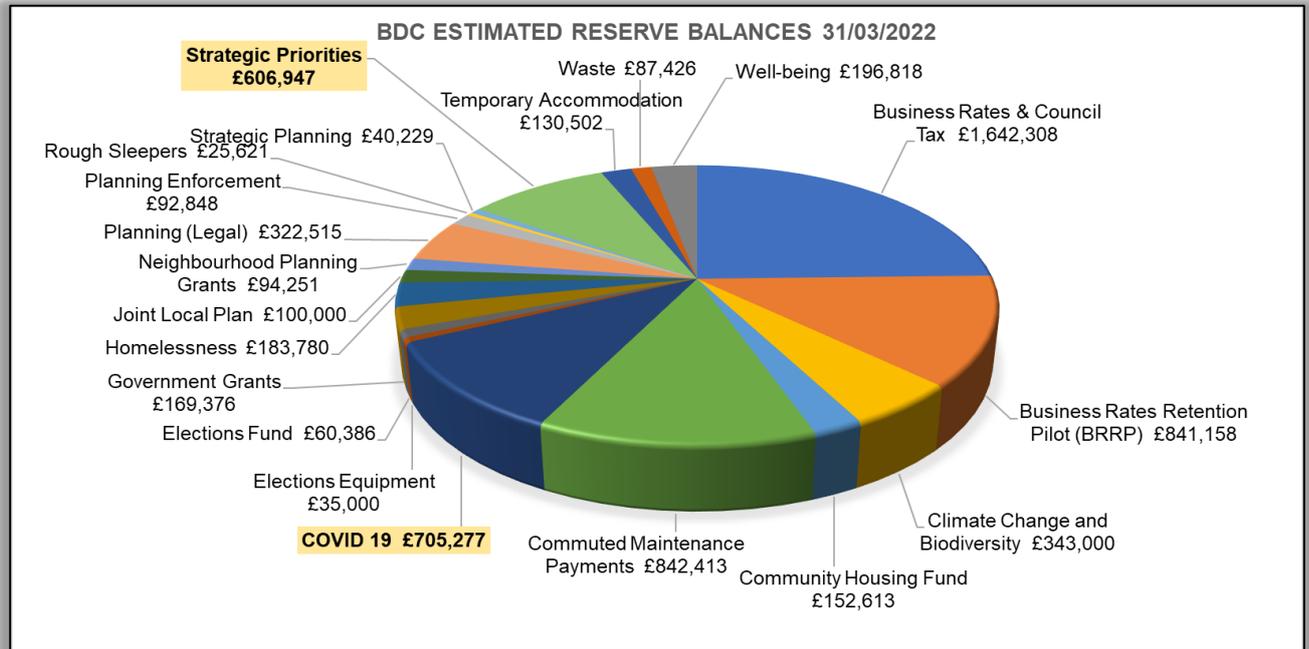
TOTAL SERVICE EXPENDITURE (£18.9m)



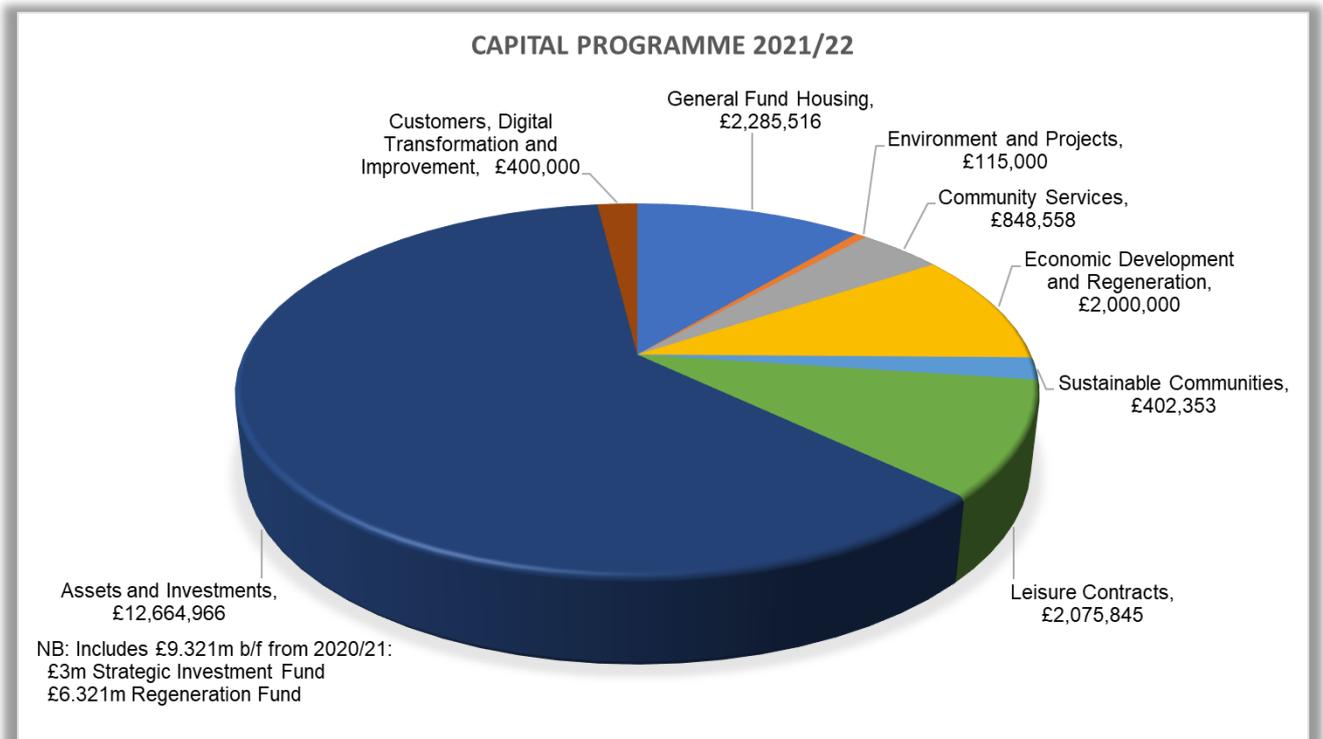
EXPENDITURE BY SUBJECTIVE (£21.5m)



EARMARKED RESERVES (£6.7m)



CAPITAL PROGRAMME (£20.8m)



APPENDIX B

Babergh District Council - General Fund Capital Budgets		2021/22 Anticipated C/Fwds	2022/23 Budget for Approval	2022/23 Total Spend Required	2023/24 Forecast	2024/25 Forecast	2025/26 Forecast
		(A)	(B)	(A + B)			
2022/23 to 2025/26		£'000	£'000	£'000	£'000	£'000	£'000
Housing							
Mandatory Disabled Facilities Grant		747	760	1,507	760	760	760
Renovation/Home Repair Grants		50	100	150	100	100	100
Empty Homes Grant		222	100	322	100	100	100
Grants for Affordable Housing		200	0	200	0	0	0
Total Housing		1,219	960	2,179	960	960	960
Environment and Projects							
Replacement Refuse Freighters - Joint Scheme		0	2,060	2,060	0	231	0
Bins		0	75	75	75	75	75
Total Environment and Projects		0	2,135	2,135	75	306	75
Economic Development and Regeneration							
Belle Vue Refurbishment / Replacement		2,000	0	2,000	0	0	0
Total Economic Development and Regeneration		2,000	0	2,000	0	0	0
Communities and Public Access							
Vehicle and Plant Renewals		0	100	100	0	0	0
Planned Maintenance / Enhancements-Car Parks		0	7	7	45	5	5
Pin Mill Hard and toilet refurbishment		0	115	115	0	0	0
Total Community Services		0	222	222	45	5	5
Sustainable Communities							
Play equipment		136	50	186	50	50	50
Community Development Grants		55	117	172	117	117	117
Total Sustainable Communities		191	167	358	167	167	167
Leisure Contracts							
Kingfisher Leisure Centre Improvements		0	100	100	100	100	100
Hadleigh Leisure Improvements		0	50	50	50	50	50
Total Leisure Contracts		0	150	150	150	150	150
Investment and Commercial Delivery							
Planned Maintenance / Enhancements - Corporate Buildings		0	330	330	30	30	30
Borehamgate		0	64	64	64	64	64
Strategic Investment Fund		2,906	0	2,906	0	0	0
A1071 Roadside Commercial Workspace Development		0	1,075	1,075	1,075	0	0
Babergh Growth		0	500	500	3,750	3,750	
Regeneration Fund		6,305	0	6,305	0	0	0
Regeneration Fund - HQ Sites		3,160	0	3,160	0	0	0
Total Investment and Commercial Delivery		12,371	1,969	14,340	4,919	3,844	94
ICT & Customer							
ICT - Hardware / Software costs		200	475	675	225	150	150
Total Corporate Resources		200	475	675	225	150	150
TOTAL General Fund Capital Spend		15,981	6,078	22,059	6,541	5,582	1,601
GF Financing							
External Grants and contributions		747	760	1,507	760	760	760
s106		0	0	0	0	0	0
Capital Receipts		1,100	0	1,100	0	0	0
Transformation / GEF / BRRP Reserves		0	0	0	0	0	0
Borrowing		14,134	5,318	19,452	5,781	4,822	841
Other Reserves		0	0	0	0	0	0
Total GF Capital Financing		15,981	6,078	22,059	6,541	5,582	1,601