

## BABERGH DISTRICT COUNCIL

<b>COMMITTEE:</b> Cabinet	<b>REPORT NUMBER:</b> <b>BCa/23/39</b>
<b>FROM:</b> Councillor John Ward, Cabinet Member for Finance	<b>DATE OF MEETING:</b> 8 February 2024
<b>OFFICERS:</b> Karen Watling, Interim Corporate Manager: Finance (Deputy S151 Officer) Sean Coulter, Senior Finance Business Partner	<b>KEY DECISION REF NO.</b> CAB430

### GENERAL FUND BUDGET 2024/25 AND FOUR-YEAR OUTLOOK

#### 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the General Fund Budget for 2024/25 and four-year outlook.
- 1.2 To enable Cabinet Members to consider key aspects of the 2024/25 Budgets, including Council Tax and make any recommendations to feed into the final Budget report to Council on 20 February 2024.

#### 2. OPTIONS CONSIDERED

- 2.1 Setting a balanced budget is a statutory requirement: the budget figures presented in this report currently show a gap between forecast expenditure and income which needs to be resolved. Options for balancing the budget will be tabled at Cabinet for its consideration.

#### 3. RECOMMENDATIONS

- 3.1 That the General Fund Budget proposals for 2024/25 and four-year outlook set out in the report for both the revenue and capital budgets and the level of reserves be endorsed for recommendation to Council on 20 February 2024.
- 3.2 That the General Fund Budget for 2024/25 presented in this report assumes an increase in the Band D Council Tax of 2.99% for endorsement for recommendation to Council.
- 3.3 That, as at the time of writing this report, several budget items are not yet final estimates: namely, financing charges (see paragraph 5.10), costs arising from likely regulatory changes in accounting for loan impairments (paragraph 5.13) and final grant income figures from central government (paragraph 5.18). Officers will table final estimates to Cabinet at its meeting for endorsement.
- 3.4 That the Cabinet will need to consider options for balancing the budget for endorsement and recommendation to Council. These will be tabled at the Cabinet meeting on 8 February 2024.

3.5 That the new income bands and contribution rates for the 100% Local Council Tax Reduction (Working Age) Scheme, as set out in 5.27, are endorsed for recommendation to Council.

#### **REASON FOR DECISION**

**To bring together all the relevant information to enable Cabinet Members to review, consider and comment upon the Council's General Fund budget for endorsement and recommendation to Council.**

## **4. KEY INFORMATION**

### **Background**

- 4.1 In February 2023 Babergh District Council approved the General Fund Budget 2023/24 and Four-Year Outlook. The budget setting approach for 2023/24 took place against a background of several years of Covid funding helping the Council balance the budget with Government support assisting costs and covering income losses. The macro-economic effects of higher interest rates, cost inflation and reduced demand for Planning services leading to reduced income, have seen a marked deterioration in the Council's finances throughout the current financial year which will end in a forecast deficit of £922k (as at Quarter Two 2023/24).
- 4.2 Managers have traditionally used a worst-case scenario when putting their budget proposals together. Amalgamating these assumptions across the whole organisation has, in recent years, resulted in underspends. The unintended consequence is that resources are committed during the budget process that could be used for other priorities or alternatively savings must be made that are not actually needed.
- 4.3 For 2023/24 stretching, but realistic, assumptions were used when putting budget proposals together across both expenditure and income. However, global events, rising inflation and rising interest rates have created an unprecedented financial challenge for the Council resulting in a likely overspend position in 2023/24 as detailed in 4.6 below.

### **National Economic Position**

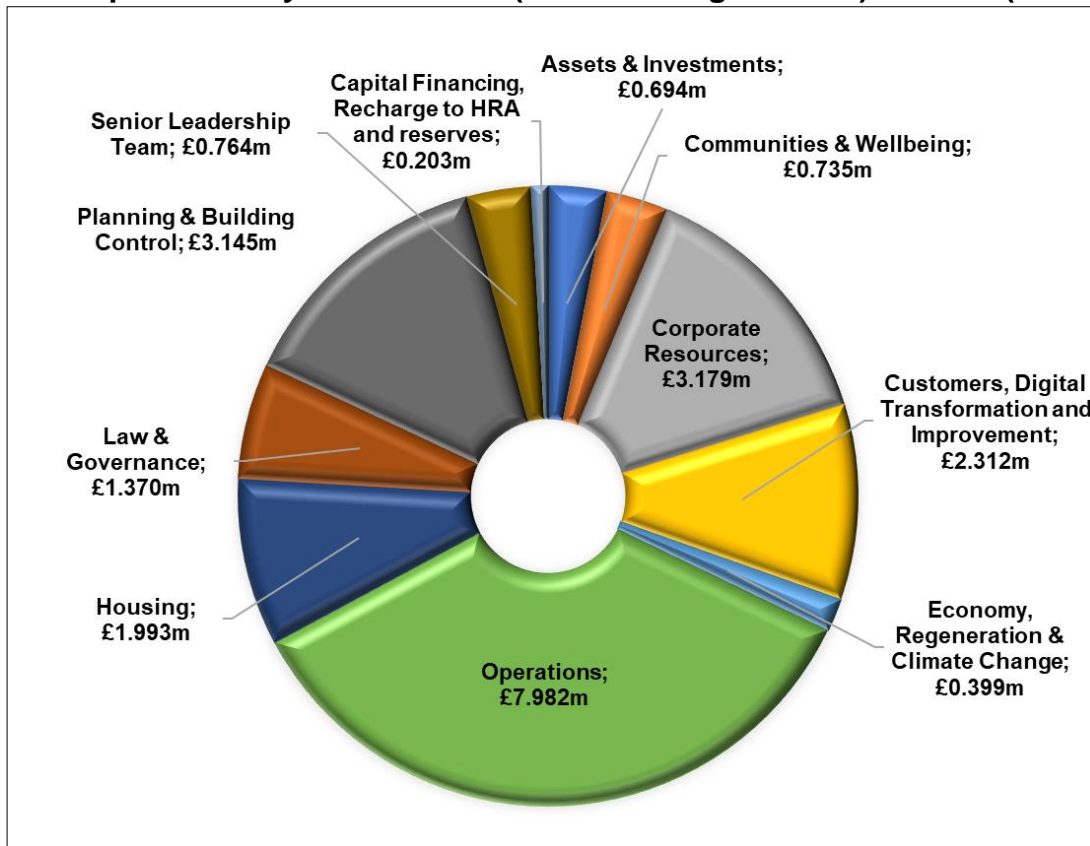
- 4.4 The OBR (Office for Budget Responsibility) set out its latest national economic forecast in November 2023. The main points are as follows:
- The economy has proved to be more resilient to the shocks of the pandemic and energy crisis than anticipated. By the middle of this year, the level of real GDP stood nearly 2% above its pre-pandemic level. But the OBR now expects the economy to now grow more slowly at 0.6% this year and 0.7% next year. They forecast that growth then picks up to 1.4% in 2025 and an average of 1.9% 2026 and 2028.
  - While inflation (as measured by the Consumer Price Index) has more than halved from its 40-year peak of 11% at the end of last year it is expected to be more persistent than previously thought, falling below 5% by the end of this year but not returning to the Bank of England's 2% target until the first half of 2025.

- Markets now expect that interest rates have peaked but will need to remain higher for longer to bring inflation under control. The Bank of England's Monetary Policy Committee (MPC) at its meeting on 13 December 2023, voted by a majority of 6–3 to maintain Bank Rate at 5.25%. Three members preferred to increase Bank Rate by 0.25 percentage points, to 5.5%.
- Consequently, there are continuing increased cost pressures for both the council and our core stakeholders such as the district's residents, local businesses, and the council's service users. In budgetary terms these pressures are being realised directly through increased unit costs for items such as energy, fuel and utilities, alongside inflation linked contractual cost increases and also the need to agree a fair and affordable pay offer for staff.
- The high interest rates have meant that our financing costs, particularly in obtaining short term loans, have increased significantly.
- In terms of the national public finances: higher and more domestically fuelled inflation – and in particular the interplay between higher nominal earnings and frozen tax thresholds – has raised nominal tax receipts and has reduced the underlying borrowing forecast by around £60 billion by 2027/28. But higher inflation and earnings have also pushed up the cost of inflation-linked welfare benefits and the triple-locked state pension by around £20 billion. And higher inflation and interest rates have added £15 billion to the cost of serving the government's debts. But because the Chancellor left departmental and other spending largely unchanged in his Autumn Statement the overall forecast net position is a £27 billion net fiscal windfall in 2027/28.
- The Chancellor announced that he would spend this windfall on cuts in National Insurance Contributions, permanent up-front tax write-offs for business investment, and a package of welfare reforms, which together provide a modest boost to output of 0.3% in 5 years.
- No major changes to departmental spending plans were announced in the Autumn Statement despite significantly higher inflation. Departmental expenditure limits (or DELs) account for around 40% of public spending and are allocated out between departments in periodic Spending Reviews. The current Spending Review period comes to an end in 2024/25, and the next review is not scheduled until 2025.
- Government will announce a Spring Budget on 6<sup>th</sup> March 2024, and there may also be an Autumn fiscal event, depending on the date chosen for the General Election. However, given the forecast state of the public finances it is not likely that significant increases in funding will be given to local government over the medium term even if there is a change in national government.

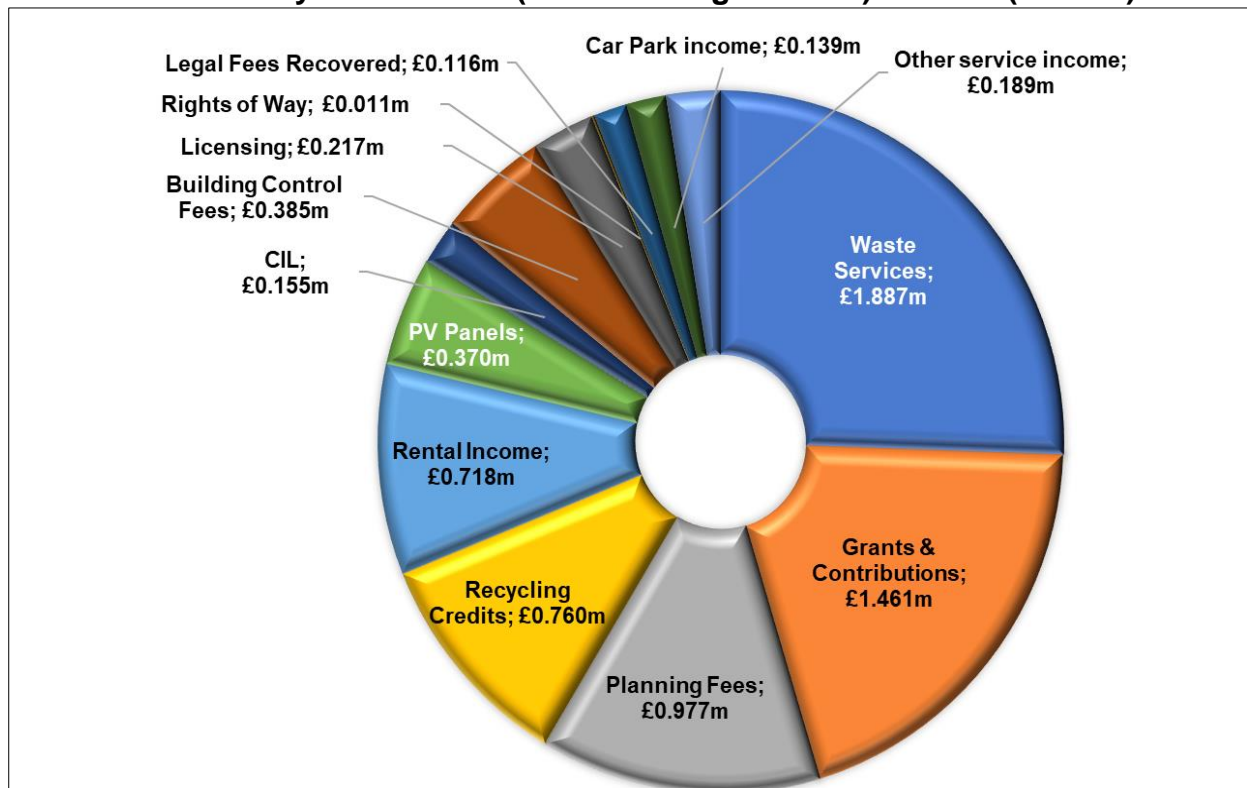
## **2023/24 Budget and Forecast Outturn**

- 4.5 On 24 February 2023, the Council set a balanced budget for 2023/24. The budget comprised of £22.8m gross expenditure and £10.2m income, to give a £12.6m cost excluding housing benefits payments and income. The net cost of services budget, which includes housing benefits payments and income was £12.5m, which is primarily funded from council tax, business rates and government grants. Chart 1 below shows how the £22.8m gross expenditure is allocated across the services and Chart 2 below shows the breakdown of the £10.2m service income.

**Chart 1: Expenditure by Service Area (excl. housing benefits) 2023/24 (£22.8m)**



**Chart 2: Income by service area (excl. housing benefits) 2023/24 (£10.2m)**



4.6 The second quarter 2023/24 budget monitoring report was presented to Cabinet on 4 December 2023 showing a forecast overspend of £922k against a budgeted surplus of £22k. It is proposed that any shortfall against budget will be funded from the Council's earmarked reserves.

4.7 The largest single variance is planning income which is £420k below budget, However, statutory increases to planning fees will take effect in year reducing the deficit.

4.8 The third quarter position will be presented to Cabinet on 5 March 2024.

## **5. 2024/25 PROPOSED BUDGET**

5.1 The approach to the budget setting for 2024/25 has been to take the 2023/24 forecast outturn position as a starting point as the most up to date position of the Council's financial requirements going forward. A number of budget items have also been forecast for the new financial year from a zero-base, including the employees' budget, grant income from central government, financing costs, interest income, and Business Rates/ Council Tax income.

5.2 The Finance Team have worked closely with budget managers and the Senior Leadership Team to update the Council's budget requirements for 2024/25, taking into account known pressures and identifying efficiencies, savings and income opportunities to help balance the budget position. However, the budget presented in this report is currently unbalanced and officers are currently working on options to both balance the 2024/25 budget and strengthen the short-term financial resilience of the council. These options will be tabled at Cabinet at its meeting on 8 February 2024.

5.3 The summary in Table 1 below shows the breakdown of the Council's net cost of service for 2024/25 (£14.9m) compared to 2023/24 (£12.5m), an increase of £2.4m (19%). For clarity, the £12.6m in paragraph 4,5 excludes Housing Benefits which are included in the council's Net Cost of Service but are not included in the Income & Expenditure.

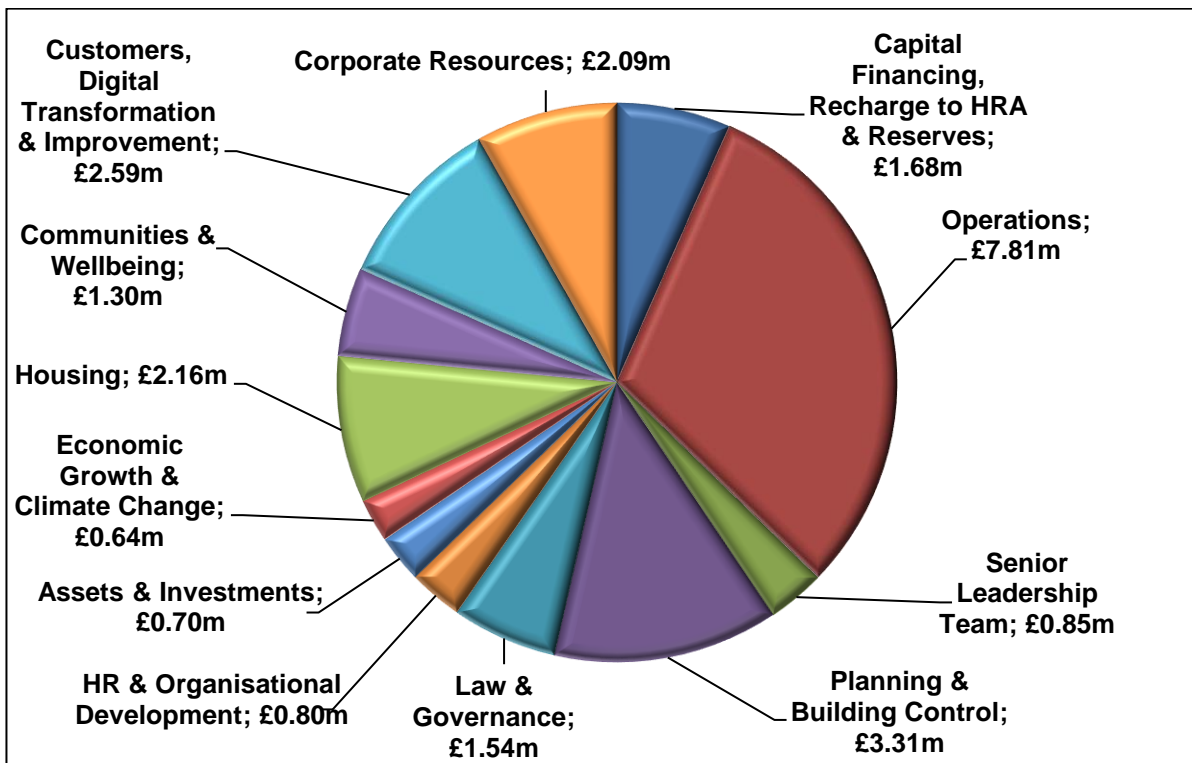
5.4 The Council's 2024/25 gross expenditure is £25.4m and income is £10.5m giving a net cost of service of £14.9m. Funding equates to £14.07m leaving a current forecast budget gap of £846k for 2024/25.

**Table 1: General Fund Budget Summary 2023/24 and 2024/25**

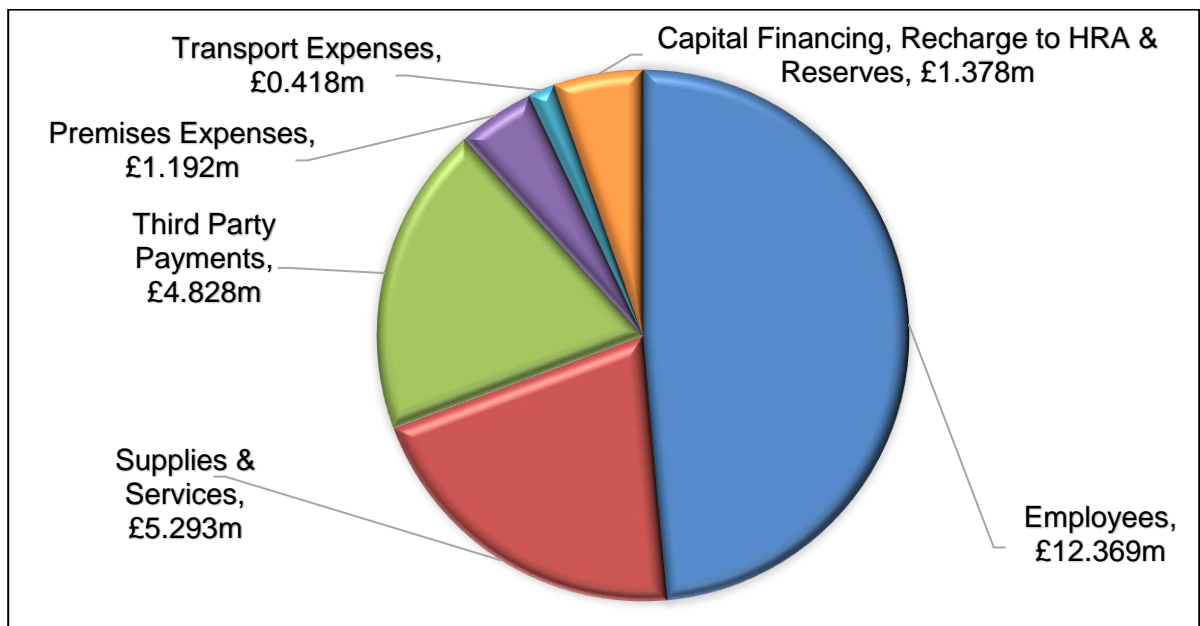
Service Area		Budget 2023/24	Budget 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
		£'000	£'000	£'000	£'000	£'000
<b>Service Expenditure</b>	Employees	11,613	12,369	12,770	13,298	13,945
	Premises	1,197	1,192	1,172	1,147	1,152
	Supplies & Services	4,800	5,293	5,031	5,058	5,092
	Transport	353	418	411	418	425
	Contracts	4,612	4,828	4,977	5,098	5,194
<b>Grants &amp; Income</b>	Grants and Contributions	(1,461)	(1,507)	(1,488)	(1,478)	(1,490)
	Sales, Fees & Charges	(4,075)	(3,837)	(4,085)	(4,578)	(5,083)
	Savings from Savings Programme	-	(540)	(692)	(497)	(597)
	Rental & Other Income (incl. PV panels)	(1,848)	(1,937)	(1,942)	(1,945)	(1,948)
<b>Housing Benefits</b>	HB Transfer Payments	11,769	12,401	12,401	12,401	12,401
	HB Grants and Contributions	(11,885)	(12,398)	(12,398)	(12,398)	(12,398)
<b>Net expenditure on services as above</b>		<b>15,074</b>	<b>16,283</b>	<b>16,155</b>	<b>16,523</b>	<b>16,692</b>
<b>Recharges</b>	Charge to HRA/Capital	(1,937)	(1,843)	(1,840)	(1,716)	(1,373)
<b>Capital Financing Costs</b>	Interest Payable - CIFCO	208	198	187	177	166
	Interest Payable - Other	1,271	2,457	1,902	1,957	1,774
	Minimum Revenue Provision (MRP)	1,708	1,665	1,961	2,136	2,180
<b>Investment Income</b>	Pooled Funds Net Income	(569)	(569)	(569)	(569)	(569)
	Interest Receivable - CIFCO	(2,187)	(2,172)	(2,160)	(2,146)	(2,132)
	Interest Receivable - Babergh Growth Ltd	(15)	-	-	-	-
<b>Reserves</b>	Transfers to / (from) Reserves	(1,025)	(1,100)	(421)	(353)	(333)
<b>Total Net Cost of Services</b>		<b>12,528</b>	<b>14,920</b>	<b>15,216</b>	<b>16,010</b>	<b>16,405</b>
<b>Government Grants</b>	New Homes Bonus	(825)	(910)	(455)	(455)	(455)
	Revenue Support Grant (RSG)	(130)	(119)	(60)	(60)	(60)
	Services Grant	(86)	(14)	(7)	(7)	(7)
	Rural Services Delivery Grant	(266)	(266)	(266)	(266)	(266)
	Funding Guarantee	(68)	(95)	(47)	(47)	(47)
<b>Business Rates</b>	Baseline Business Rates	(705)	(716)	(626)	(626)	(626)
	Business Rates Pool share of Growth	(457)	(364)	(364)	(364)	(364)
	Business Rates Pool - Removal of Top		(300)			
	S31 Business Rates Grant	(3,283)	(3,647)	(3,647)	(3,647)	(3,647)
	Enterprise Zone income	(319)	(276)	(538)	(567)	(578)
	B/R Prior Year Deficit/(Surplus)	25	(584)	57	57	57
<b>Council Tax</b>	Council Tax	(6,416)	(6,768)	(7,141)	(7,422)	(7,714)
	Council Tax Prior Year Deficit/(Surplus)	(21)	(15)	(15)	(15)	(15)
<b>Total Funding</b>		<b>(12,551)</b>	<b>(14,074)</b>	<b>(13,110)</b>	<b>(13,419)</b>	<b>(13,722)</b>
<b>Net Position Before Reserves</b>		<b>(22)</b>	<b>846</b>	<b>2,107</b>	<b>2,590</b>	<b>2,683</b>

5.5 The charts below show the breakdown of gross expenditure and service income excluding Housing Benefits payments and compensating subsidy income. Chart 3 below shows how the £25.4m gross service expenditure is allocated across the services, and Chart 4 shows the breakdown by expenditure type. Chart 5 shows the breakdown of total service income of £10.5m.

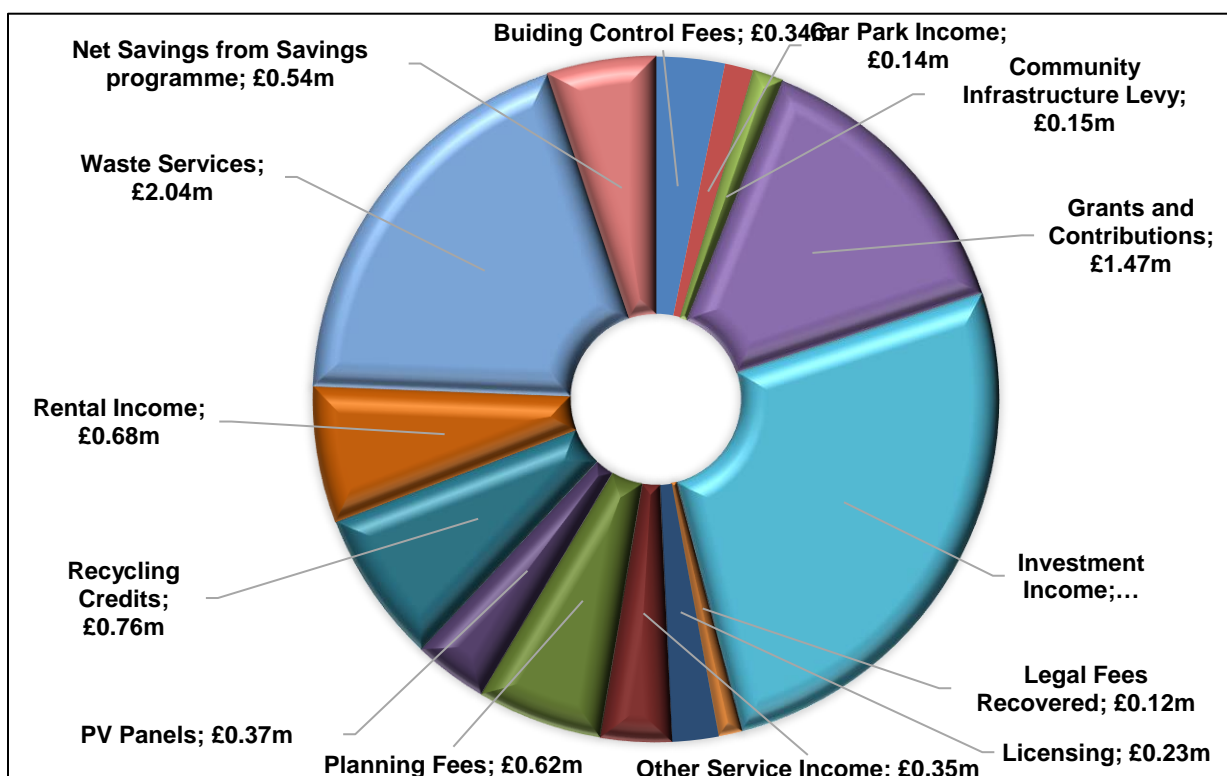
**Chart 3: Gross Expenditure by Service Area (excl. housing benefits) 2024/25 (£25.4m)**



**Chart 4: Expenditure by Type (excl. housing benefits) 2024/25 (£25.4m)**



**Chart 5: Total Income (excl. housing benefits) 2024/25 (£10.5m)**



5.6 Table 2 below shows the key changes proposed from the approved budget for 2023/24 (£22k surplus) to the proposed budget for 2024/25 (£846k Deficit before use of reserves) in terms of additional budget costs and additional income and/or savings. The overall change is an adverse £868k This deficit position has decreased since that reported at Overview and Scrutiny in January 2024 (report reference BOS/23/05). The explanations for the decreases are given in paragraph 5.28 for Business Rates income and paragraph 5.13 for interest income from CIFCO Ltd.

**Table 2: General Fund Overall budget changes from 2023/24 to 2024/25**

	£'000	£'000
Interest Payable due to rise in interest rates.	1,186	
Salary Costs Increases	756	
Reduction in Planning Fees	358	
Investment in Savings Programme	300	
Housing Benefits	119	
Serco Contract uplift	94	
Charges to HRA/Capital	94	
Decrease in Transfers from Reserves in Housing Services	91	
Increase in IT Contract Costs	78	
Equipment & Vehicle Hire in Public Realm	76	
External Audit Fees	62	
Reduction in Neighbourhood Plan Income	60	
Interim Staff cover in Commissioning & Procurement	49	
Increases in Member Allowances & responsibilities.	48	
Fixed Term roles in Planning no longer funded	42	
Reduction in Building Control Fees	41	
Additional transfer to reserves for Neighbourhood Plans	39	



	£'000	£'000
Climate Change posts added to core budget	39	
Reduction in Land Charges Income	35	
Increase in Shared Revenues Partnership Contract	34	
Health & Safety posts moved to core budget	33	
HR & organisational Development Costs	31	
Increased Fuel Costs	31	
Fixed Term roles in Economic Development to be funded from BRRP	29	
Gas, Electricity & Water	27	
Increase in Transport Costs in Housing Solutions	26	
Rent & Rates on land adjacent to old HQ Building	22	
Other Pressures	251	
<b>Total Pressures from above:</b>		<b>4,052</b>
Savings Realised from Savings Programme	(540)	
Transfers From Reserves	(300)	
Increase in Fees and Charges for Garden Waste, Bulky Items & Bins for	(134)	
Use of Commuted Maintenance Reserve	(95)	
Revenue improvements from the Car Parking Strategy	(70)	
Increase in Homelessness & Rough Sleeping Grants	(68)	
Dog & Litter Bins, Licencing & Footpaths	(60)	
Drawdown on Waste Reserve to offset contract increases	(56)	
Discount realised on Car Parks Non-Domestic Rates	(51)	
Reduction in MRP reflecting Slippage in Capital Programme	(43)	
Funding for usage of Guaranteed Rents Scheme	(34)	
Roles in Communities to be mitigated by external funding	(33)	
EVCP Income	(32)	
Increase in Housing Benefits	(32)	
Other Savings	(135)	
<b>Total Savings as above:</b>		<b>(1,682)</b>
Funding Changes		(1,524)
<b>2024/25 Funding Gap</b>		<b>846</b>

## 2024/25 Key Budget Assumptions

- 5.7 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. Assumptions made when constructing the budget for 2024/25 were reviewed and assessed by the Overview and Scrutiny Committee in November 2023 (report reference BOS/23/01), and in January 2024 (report reference BOS/23/05). The key assumptions are summarised below.
- 5.8 **Employees' Budget:** The council's pay structure is primarily based on national negotiating body pay spines and nationally negotiated settlements. An award for 2023/24 (£1,925 per pay point) was agreed in November 2023, being a rise of up to 9.42% for the lowest paid through to 3.88% for those on the highest bands. For 2024/25 a 4% Pay Award increase has been assumed. It should be noted every 1% increase in the pay-award creates a permanent and additional budget pressure of approximately £119k. Given that pay costs form a significant proportion of the council's budget and the uncertainty over future pay awards, this is a key budget risk. As in previous years we have assumed that, due to retirements, resignations, creation of new posts and turnover, a 5% vacancy management factor will be achieved (which equates to a £500k saving).

- 5.9 **Inflation on supplies & services and contractual costs:** Many of the council's contracts have inflationary increases incorporated within them and therefore the significant increases in CPI and RPI measures have created a clear pressure on the budget position. Inflationary increases have been applied across the council's main contracts. The major increases due to inflation are in insurance (6%), the refuse contract (5%), the Shared Legal Service contract (4%) and Shared Revenues Partnership (3%) contract.
- 5.10 **Financing Costs:** These comprise of interest charges and MRP (Minimum Revenue Provision) costs and arise when the council borrows money for funding capital expenditure, for refinancing existing external loans at the end of their term, and for financing short term cash needs. The Finance Team is currently reviewing the assumptions that have gone into the estimation of the 2024/25 financing costs budget and will table any updates on these estimates at Cabinet on the 7 February 2024. More information will be found in the annual Treasury Management, Investment, and Capital Strategy report that will be presented to Council on 20 February 2024.
- 5.11 **Fees and Charges Income:** These have been reviewed by budget holders as part of this budget setting process and were agreed by Cabinet in January 2024 (report reference BCa/23/32). The impact of the charges agreed have been built into the budget for 2024/25. Possible changes to car parking fees were not included in the January Cabinet report nor are they in these budget figures. A report on this matter will go to Cabinet in March 2024.
- 5.12 **Savings Programme:** Total savings of £540k have been included in the budget proposals as shown in Table 3 below. These will be monitored, and progress reported to Cabinet in the quarterly budget monitoring reports.

**Table 3: 2024/25 Savings Programme**

	<b>£000</b>
<b>Staff reductions</b> through deleting vacant posts – budgeted reduction of 5 FTE (either removed or reprofiled to MSDC)	<b>285</b>
Review of internal <b>ad hoc specialist support</b> and whether it could be outsourced and / or whether external support would be cheaper in-house. Also maximising use of capitalisation of staffing costs	<b>30</b>
4% target reduction of <b>contract spend</b> or at least absorbing inflation costs	<b>200</b>
Revised approach to <b>residents' survey</b>	<b>15</b>
<b>Miscellaneous</b> - reduce conference, awards, Suffolk Show & 'Navigating our future' and colour printing costs	<b>10</b>
<b>TOTAL</b>	<b>540</b>

- 5.13 **Investment Income:** More detailed information on this income will be found in the annual Treasury Management, Investment, and Capital Strategy report that will be presented to Council on 20 February 2024 which will also give information regarding the council's subsidiary companies. The key points to highlight in this report are as follows.
- A reduction of £232k in the interest income budget received by the council from its lending to CIFCO Ltd was shown in the January 2024 Overview & Scrutiny Committee report. This reduction has been reversed in the figures included in this report following the completion of budget forecasting work by CIFCO Ltd and their advisers. In addition, Arlingclose, the council's treasury management advisers, were asked to

calculate an Expected Credit Loss (ECL) figure to measure the credit risk of this loan and to give advice on the revenue budget impacts. An ECL calculation is undertaken annually on all loans made by the council to third parties. They are reported in the annual Statement of Accounts and their reporting is a requirement of International Financial Reporting Standards. The calculation is an assessment of how much of the loan balance **may** not be recoverable from the company at the current time and reflects the previously agreed interest repayment deferrals during 2022/23 and 2023/24. The government is likely to introduce new regulations, to take effect in 2024/25, that require any ECL amount to be charged to the revenue budget. Arlingclose advise that the Council is therefore at risk of needing to charge the 2024/25 revenue budget an amount in the order of £0.584m. Ongoing advice on this admittedly complex matter is still being received from Arlingclose and officers will table the latest position to Cabinet at its meeting on 7 February 2024.

- Cabinet received a report in December 2023 reporting a likely loss from the regeneration and housing development being undertaken by Babergh Growth Ltd at the former council offices at Hadleigh. Arlingclose has advised that the Expected Credit Loss on the loan the council is making to the company is some £0.4m for 2024/25 and that the council is therefore at risk of needing to charge this amount to the 2024/25 revenue budget if government's proposed regulations are introduced. They also advise that the interest income owed to the council under the loan agreement should be credited to the revenue budget despite the Expected Credit Loss, this income has not yet been included in the budget forecast. As for the previous issue above, officers will table the latest position to Cabinet at its meeting on 8 February 2024.

## **Local Government Funding**

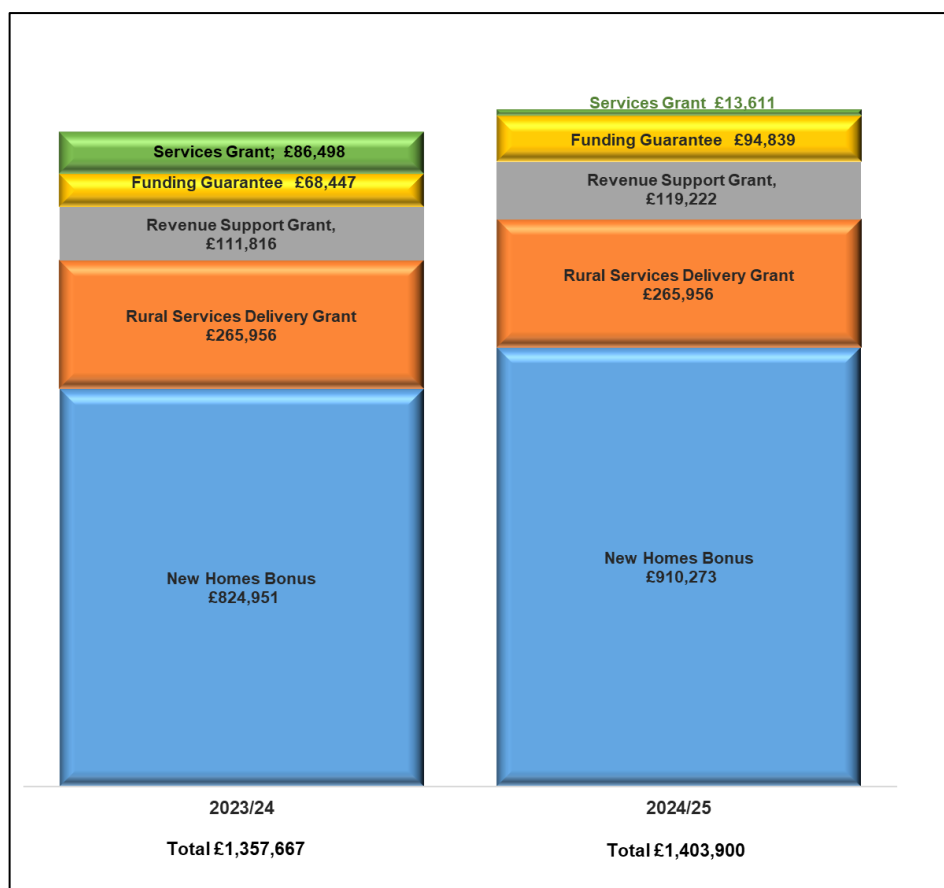
5.14 The provisional local government finance settlement for 2024/25 was announced on 18 December 2023. The key headlines for District Councils are as follows:

- For the sixth time, the settlement is for one-year only.
- The small business rates multiplier will be frozen at 49.9p. The standard business multiplier will rise by CPI to 54.6p. The Government will compensate local authorities for the loss of income for this decision up to the level of the September 2023 Consumer Prices Index (CPI), meaning that, taken together, the increase in the Baseline Funding Level (BFL) and the multiplier under-indexation grant for 2024/25 provide an increase of 6.7%.
- For District Councils' council tax can be increased by the higher of 2.99% or £5
- The current approach to the New Homes Bonus (NHB) is being applied to 2024/25 with a further one-year allocation for housing growth between October 2022 and October 2023. There will be no legacy payments as was the case in 2023/24.
- Revenue Support Grant (RSG) to be increased by CPI (6.7%).
- Rural Services Delivery Grant was announced as being maintained at the same level as 2023/24 in the provisional settlement (however see paragraph 5.17 below).
- The Services Grant will decrease from its 2023/24 level of £483.3 million to £76.9 million for 2024/25. This will be distributed through the Settlement Funding Assessment, in the same way as in 2023/24

- The Government has announced that as in 2023/24 it will pay a Funding Guarantee to ensure that all councils will see at least a 3% increase in their Core Spending Power before any decisions about organisational efficiencies, use of reserves or council tax levels. This has now been increased (see paragraph 5.17 below)
- All current enhanced business rates retention areas. e.g., Suffolk Business Rates Pool will continue for 2024/25.
- The Government has asked authorities to continue to consider how they can use their reserves to maintain services over this and the next financial year, recognising that not all reserves can be reallocated, and that the ability to meet spending pressures from reserves will vary between authorities.
- The Government also states that it is their view that now is not the time for fundamental reform of the local government finance system, for instance implementing the Review of Relative Needs and Resources or a reset of accumulated business rates growth.

- 5.15 The Council's 2024/25 provisional grant allocation has increased by £46.2k (3.4%) compared to 2023/24.
- 5.16 On 24 January 2024 the Department of Levelling Up, Housing and Communities (DLUHC) announced that Councils across England will receive a £600m support package, in addition to funding outlined at the provisional settlement, to help them deliver key services.
- 5.17 The majority of the money (£500m) will go into the Social Care Grant. All councils will see an increase in Core Spending Power of at least 4% through the Funding Guarantee - an increase from the 3% announced at the provisional settlement. An additional £15m Rural Services Delivery Grant will also be given.
- 5.18 The announcements made on 24 January 2024 have not been included in the grant figures showed in this report and we await the release of the Final Settlement to know the exact figures for this council.

**Chart 6: Government provisional grant allocations 2023/24 and 2024/25**



### New Homes Bonus (NHB)

- 5.19 Since NHB was introduced in 2011/12 the Council will have received £13.6m in total. The Council continues to be reliant on NHB to support the budget but was in the past able to use some to supplement the Strategic Priorities reserve. For 2024/25 Babergh will be using the entire £910k allocation of NHB to balance the budget.
- 5.20 As shown in Table 4 below, the use of NHB to balance the budget has increased from 34% in 2022/23 to 100% in 2023/24 and 2024/25.

**Table 4: New Homes Bonus used from 2016/17 to 2024/25**

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Amount of NHB received	1,779	1,212	866	683	1,055	835	802	825	910
NHB used to balance the budget	1,559	1,197	866	683	343	692	275	825	910
% of NHB allocation to balance budget	88%	99%	100%	100%	33%	83%	34%	100%	100%

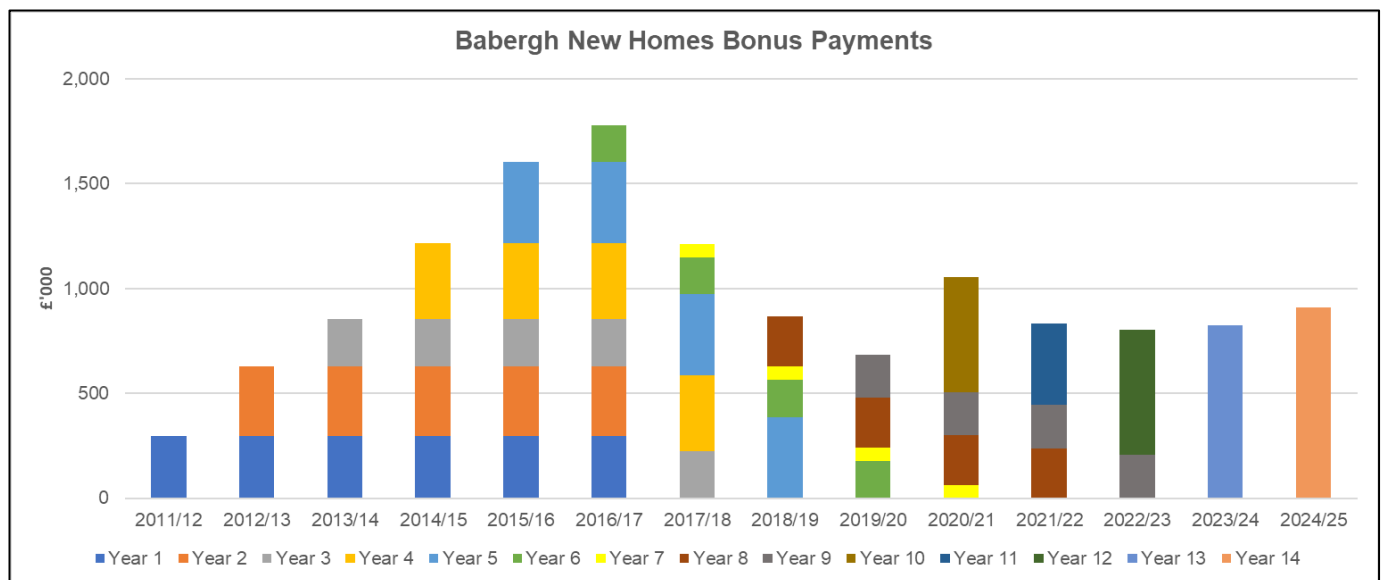
- 5.21 Table 5 and Graph 1 below shows the NHB over the last fourteen years. This shows how NHB has declined from a peak of £1.8m in 2016/17 to £910k in 2024/25, as a consequence of the Government announcing that it would reduce the allocation from 6 years to 5 years in 2017/18 and to 4 years in 2018/19 and it continuing to phase out legacy payments, as well as it introducing a 0.4% growth baseline in 2017/18.

5.22 For 2024/25 the 0.4% growth baseline for Babergh means that the first 163 new homes built will receive no payment.

**Table 5: New Homes Bonus sums per year**

Payments	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Provisional 2024/25
Year 1	295	295	295	295	295	295								
Year 2		334	334	334	334	334								
Year 3			226	226	226	226	226							
Year 4				360	360	360	360							
Year 5					387	387	387	387						
Year 6						177	177	177	177					
Year 7							63	63	63	63				
Year 8								239	239	239	239			
Year 9									205	205	205	205		
Year 10										548				
Year 11											391			
Year 12												597		
Year 13													825	
Year 14														910
<b>Total</b>	<b>295</b>	<b>630</b>	<b>856</b>	<b>1,215</b>	<b>1,602</b>	<b>1,779</b>	<b>1,212</b>	<b>866</b>	<b>683</b>	<b>1,055</b>	<b>835</b>	<b>802</b>	<b>825</b>	<b>910</b>

**Graph 1: New Homes Bonus Payments**



**Council Tax**

5.23 The taxbase for 2024/25 has increased from 35,437.40 to 35,834.64 or 1.12%. Whilst there has been growth of dwellings built and occupied from October 2022 to October 2023, the taxbase growth is impacted by discounts and reductions for things like the single person discount and the council tax reduction scheme. This growth in taxbase generates £72k for 2024/25 based on a band D equivalent.

5.24 Given the significant budget gap forecast next year the maximum amount of permissible increase in council tax of 2.99% without a referendum is recommended for 2024/25. The decision to raise council tax influences not just the 2024/25 budget but future years.

5.25 The 2.99% increase will take the band D equivalent from £182.64 to £188.10 per annum, an increase of £5.46 or 10p per week. This will generate an additional £195k for 2024/25.

5.26 A surplus of £15k is currently projected for the Collection Fund in 2023/24, which is £6k less than the previous year. The way that the Collection Fund operates means that this

will be recognised in the Council’s budget in 2024/25 but will be funded from the business rate reserve.

### Local Council Tax Reduction Scheme

5.27 The Council introduced an ongoing 100% Local Council Tax Reduction Scheme last year. It is proposed to update the Income Bands by the Consumer Price Index (6.7%) as for other welfare benefits to ensure the scheme continues to support the most vulnerable households. The contribution rates will be increased by indicative council tax increases to control the cost of the LCTR Scheme. This ensures that the scheme remains affordable and sustainable. The proposed criteria for 2024/25 are summarised in the table below.

**Table 5: 2024/25 Proposed Income Bands**

<b>Income Bands (Monthly)</b>	<b>monthly contribution</b>	<b>Income Bands (Weekly up to)</b>	<b>Weekly contribution</b>
Not in work or less than £309	£0	Not in work or less than £71.30	£0
£309 - £649.99	£41	£150.00	£9.46
£650 - £1236.99	£87	£285.46	£20.08
£1237 to £1967.99	£128	£454.15	£29.54
£1968 - £2527.99	£195	£583.38	£45.00
£2528 - £2999.99	£254	£692.30	£58.62
Over £3000	No entitlement to LCTR	over £692.31	No entitlement to LCTR

### Business Rates

5.28 The headlines for Business Rates are as follows:

- An increase of just over £468k, mainly because of Government’s commitment to compensate Councils for the freeze on the multiplier.
- The finalisation of the government return (NNDR1) that is required to be submitted by 31 January 2024, has resulted in changes to the business rates estimates from those reported at the January 2024 Overview and Scrutiny Committee. The external advisers, Wilks, Head and Eve, have recently updated their advice regarding the level of appeals and the impact of these on the forecast income levels. They advise that at the end of March 2023 agents put through speculative appeals nationwide against the 2017 valuation list, as this list was closing due to the 2023 revaluation. The national process is that if the Valuation Office Agency (VOA) rejects these claims then agents have a 4 month period to appeal against the rejection. Wilks, Head and Eve did not anticipate the level of the March appeals that would come through and the VOA did not reject a lot of these appeals until July 2023 – which is when the 4-month period for agents to appeal against the VOA rejections started. Now that the 4-month period for most of the March claims

have ended they have been removed from the appeals listing – which means that the provision for the impact of successful appeals can be reduced, and the forecast income levels increases. With updated KPI's from Government the impact is an additional £950k in income for this council.

- The benefit from being part of the Suffolk business rates pool will decrease by £93k. In addition, it has been agreed that the top slice awarded annually to Suffolk Public Sector Leaders Group (SPSLG) to fund county wide projects would instead be retained by each council in the pool to help fund each council's budget. Babergh will benefit from an additional £300k from this in 2024/25.
- The Collection Fund forecast balance at the end of March 2023 is a deficit position of £57k, which is £32k more than the previous year. This will be an impact on the budget in 2024/25 due to the way the collection fund operates.

## **6. RESERVES**

- 6.1 Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year the Council must have regard to the level of reserves needed to provide enough resources to finance estimated future expenditure plus any appropriate allowances that should be made for contingencies.
- 6.2 In 2024/25 the Council is currently planning to use £1.23m from earmarked reserves against specific service expenditure and projects as shown in Table 6 below. However, the reserves position presented in this table does not yet include any proposals for using and repurposing reserves to help fund the 2023/24 forecast overspend and the 2024/25 estimated budget gap. Any use of reserves is a one-off funding resource, and the Council will find it challenging to replenish these reserves to meet the continuing financial pressures over the medium term.
- 6.3 There are a small number of reserves that the Council is budgeting to top up to cover future commitments, £131k in total. Comprising £30k to the Elections Reserve, £90k to Neighbourhood Planning Reserve and £11k to the Climate Change & Biodiversity Reserve.
- 6.4 The council also has a General Fund reserve balance of £1m on top of the earmarked reserves reported in table 6. This is totally uncommitted and acts as a contingency to fund unforeseen costs. There is no statutory minimum level for such a reserve; it is a matter for each local authority's own judgement after taking into consideration the strategic, operational, and financial risks it faces. Many councils set a minimum reserve provision of between 6% to 10% of the Net Revenue Budget. This council's General Fund balance is about 8% of the Net Revenue Budget.



**Table 6: Earmarked Reserves**

Reserve	Opening Balance as at 31/03/23	Forecast Balance as at 31/03/24	To Reserves 2024/25	From Reserves 2024/25	Estimated Balance 31/03/2025	Committed 2025/26	Committed 2026/27	Committed 2027/28	Balance as at 31st March 2028
<b>Business Rates &amp; Council Tax</b>	3,545,890	1,353,389	0	0	1,353,389	0	0	0	1,353,389
<b>Business Rates Retention Pilot (BRRP)</b>	792,182	784,477	0	-43,789	740,687	-37,124	0	0	703,564
<b>Carry Forwards</b>	147,258	147,258	0	0	147,258	0	0	0	147,258
<b>Climate Change and Biodiversity</b>	249,507	107,147	11,301	0	118,447	11,866	12,459	13,082	155,853
<b>Community Housing Fund</b>	122,309	122,309	0	-31,480	90,829	-32,425	-33,397	-24,005	1,002
<b>Commuted Maintenance Payments</b>	1,346,309	1,384,831	0	-123,050	1,261,781	-123,050	-126,478	-127,637	884,616
<b>COVID 19</b>	1,501,470	1,443,758	0	-1,443,758	0	0	0	0	0
<b>Elections Equipment</b>	35,000	35,000	0	0	35,000	0	0	0	35,000
<b>Elections Fund</b>	90,386	0	30,000	0	30,000	30,900	31,827	32,782	125,509
<b>Financial Resilience Reserve</b>		0	1,426,016	0	1,426,016	0	0	0	1,426,016
<b>Government Grants</b>	259,376	259,376	0	0	259,376	0	0	0	259,376
<b>Homelessness</b>	291,097	170,999	0	-28,404	142,595	-28,404	-28,404	-28,404	57,383
<b>Neighbourhood Planning Grants</b>	48,711	75,739	90,000	-26,523	139,216	63,477	63,477	63,477	329,647
<b>Planning (Legal)</b>	741,808	597,805	0	-128,000	469,805	-128,000	-128,000	-128,000	85,805
<b>Planning Enforcement</b>	92,848	92,848	0	0	92,848	0	0	0	92,848
<b>Rough Sleepers</b>	16,592	16,592	0	0	16,592	0	0	0	16,592
<b>Strategic Planning / Joint Local Plan</b>	322,466	85,000	0	-10,000	75,000	-10,000	-10,000	0	55,000
<b>Strategic Priorities</b>	1,871,206	1,317,187	0	-565,423	751,764	-111,914	-77,386	-77,386	485,079
<b>Temporary Accommodation</b>	220,138	226,981	0	-56,657	170,324	-56,657	-56,657	-56,657	353
<b>Waste</b>	380,056	235,932	0	-200,000	35,932	0	0	0	35,932
<b>Well-being</b>	84,873	4,223	0	0	4,223	0	0	0	4,223
<b>TOTAL</b>	<b>12,159,482</b>	<b>8,460,850</b>	<b>1,557,316</b>	<b>-2,657,085</b>	<b>7,361,082</b>	<b>-421,331</b>	<b>-352,559</b>	<b>-332,748</b>	<b>6,254,444</b>

**Note:** the table does not yet include funding needed for the forecast 2023/24 budget overspend nor the 2024/25 Budget Deficit.

## 7. MEDIUM TERM PROJECTIONS

7.1 Table 8 below shows the forecast position for the period 2024/25 to 2027/28. Over the forecast period to 2027/28, the net cost of service increases by £1.5m from the 2023/24 approved budget, mainly due to forecast pay awards, increments, inflationary increases on major contracts and capital financing charges. For a summary of the major cost assumptions used see Table 7 below. But the uncertainties over central government funding as well as increasing costs mean that the forecast shows an increasing deficit position for the council over the medium-term planning period.

**Table 7: Cost assumptions 2025/26 to 2027/28**

Description		2024/25 £'000	2025/26 £'000	2026/27 £'000
Employee Costs	Pay Award- 4% 24/25 then 3%	477	342	355
	Increments - 2%	202	171	223
	Insurance Premiums - 3%	18	10	10
Contracts	Refuse Contract 5% reducing to 2%	70	73	50
	Shared Revenues Partnership - 3%	33	34	35
	ICT Contract -4%	78	20	20

- 7.2 A 2.99% increase in council tax, subject to Council approval has been built into the projections over the next three years. The increase every year for the next three years would generate an additional £606k which is only 29% of the forecast increase in net cost of service over the same period.
- 7.3 The growth in the council tax base is forecast at 1.12% in 2024/25, 0.94% in 2025/26, 0.93% in 2026/27 and 0.93% in 2027/28, which generates approximately £188k more council tax income over the period and only covers 9% of the forecast increase in the net cost of service budget.
- 7.4 There is significant uncertainty however over local government funding in the medium term in the absence of a longer-term Spending Review and the outcome of other significant reforms to Local Government funding, for example the Fair Funding review and reforms to the business rates regime including a base line reset of accumulated business rates growth. As reported above the government has said that “now is not the time” for reform but they have not clarified this any further.
- 7.5 As a result, our longer-term financial position remains very uncertain which does not allow the council to effectively plan for the future.
- 7.6 When forecasting the expected level of government funding for the next four years, we have assumed that local government will still receive funding but at a reduced rate given the current state of the public finances and the possible effects of the financial reforms. We have therefore assumed that all the grant income we currently receive from government will continue in 2025/26 but at half the current amount.
- 7.7 We have not considered however the impact on Business Rates income levels arising from a possible baseline reset. The current baseline was set in 2013, when all councils were given a share of Business Rates equal to their calculated needs. Since then councils have been allowed to keep a share of their growth. For authorities who have had

significant business rate growth and are significantly above their current funding baseline, such as Babergh, this will have a significant impact if the baseline is reset as we will lose this growth, subject perhaps to any damping arrangements, on existing funding levels through the business rates retention scheme. However, the actual impact on the council is difficult to calculate with any robustness without any guidance from government on the possible changes that may be implemented.

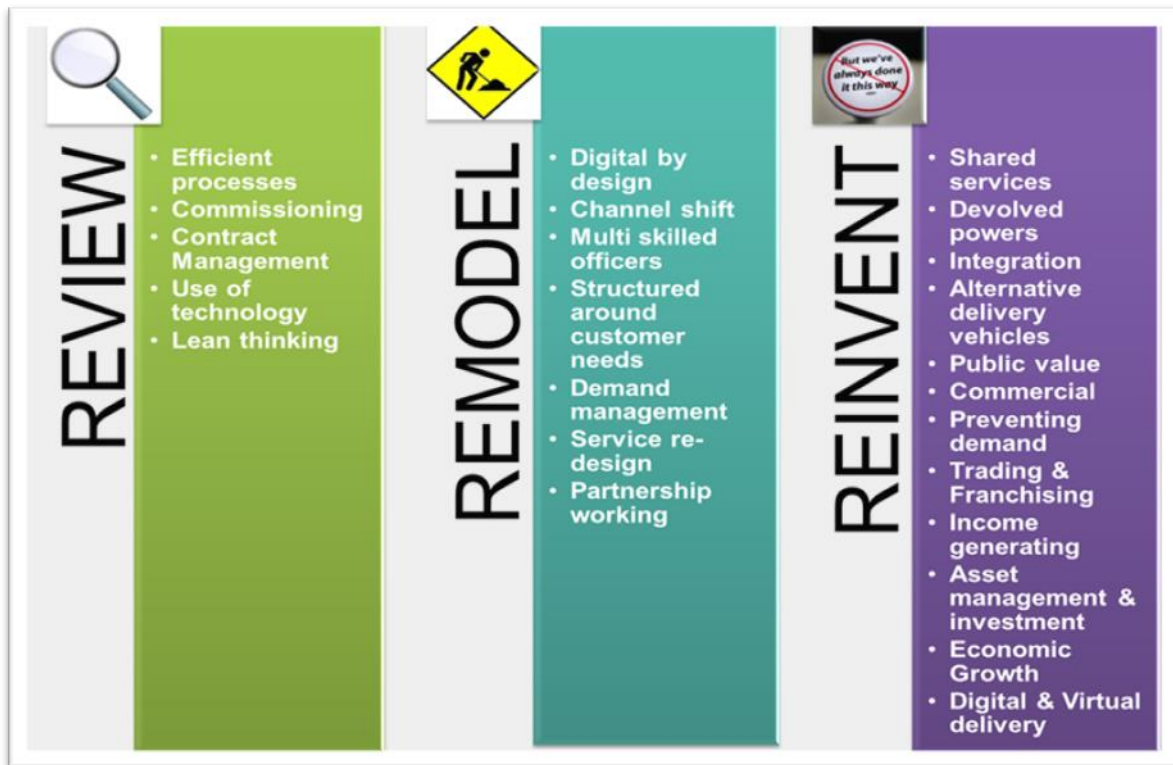
7.8 Taking the assumptions in 4.44 above, funding would increase by 2% over the 4-year period from 2024/25 to 2027/28.

**Table 8: Forecast Position 2024/25 – 2027/28**

Service Area		Budget 2024/25	Forecast 2025/26	Forecast 2026/27	Forecast 2027/28
		£'000	£'000	£'000	£'000
<b>Service Expenditure</b>	Employees	12,369	12,770	13,298	13,945
	Premises	1,192	1,172	1,147	1,152
	Supplies & Services	5,293	5,031	5,058	5,092
	Transport	418	411	418	425
	Contracts	4,828	4,977	5,098	5,194
<b>Grants &amp; Income</b>	Grants and Contributions	(1,507)	(1,488)	(1,478)	(1,490)
	Sales, Fees & Charges	(3,837)	(4,085)	(4,578)	(5,083)
	Savings from Savings Programme	(540)	(692)	(497)	(597)
	Rental & Other Income (incl. PV panels)	(1,937)	(1,942)	(1,945)	(1,948)
<b>Housing Benefits</b>	HB Transfer Payments	12,401	12,401	12,401	12,401
	HB Grants and Contributions	(12,398)	(12,398)	(12,398)	(12,398)
<b>Net expenditure on services as above</b>		<b>16,283</b>	<b>16,155</b>	<b>16,523</b>	<b>16,692</b>
<b>Recharges</b>	Charge to HRA/Capital	(1,843)	(1,840)	(1,716)	(1,373)
<b>Capital Financing Costs</b>	Interest Payable - CIFCO	198	187	177	166
	Interest Payable - Other	2,457	1,902	1,957	1,774
	Minimum Revenue Provision (MRP)	1,665	1,961	2,136	2,180
<b>Investment Income</b>	Pooled Funds Net Income	(569)	(569)	(569)	(569)
	Interest Receivable - CIFCO	(2,172)	(2,160)	(2,146)	(2,132)
	Interest Receivable - Babergh Growth Ltd	-	-	-	-
<b>Reserves</b>	Transfers to / (from) Reserves	(1,100)	(421)	(353)	(333)
<b>Total Net Cost of Services</b>		<b>14,920</b>	<b>15,216</b>	<b>16,010</b>	<b>16,405</b>
<b>Government Grants</b>	New Homes Bonus	(910)	(455)	(455)	(455)
	Revenue Support Grant (RSG)	(119)	(60)	(60)	(60)
	Services Grant	(14)	(7)	(7)	(7)
	Rural Services Delivery Grant	(266)	(266)	(266)	(266)
	Funding Guarantee	(95)	(47)	(47)	(47)
<b>Business Rates</b>	Baseline Business Rates	(716)	(626)	(626)	(626)
	Business Rates Pool share of Growth	(364)	(364)	(364)	(364)
	Business Rates Pool - Removal of Top	(300)			
	S31 Business Rates Grant	(3,647)	(3,647)	(3,647)	(3,647)
	Enterprise Zone income	(276)	(538)	(567)	(578)
	B/R Prior Year Deficit/(Surplus)	(584)	57	57	57
<b>Council Tax</b>	Council Tax	(6,768)	(7,141)	(7,422)	(7,714)
	Council Tax Prior Year Deficit/(Surplus)	(15)	(15)	(15)	(15)
<b>Total Funding</b>		<b>(14,074)</b>	<b>(13,110)</b>	<b>(13,419)</b>	<b>(13,722)</b>
<b>Net Position Before Reserves</b>		<b>846</b>	<b>2,107</b>	<b>2,590</b>	<b>2,683</b>

## **8. MEDIUM TERM FINANCIAL STRATEGY (MTFS) 2024-2027**

- 8.1 To achieve its ambitions, the Council needs to take a medium-term view of budgeting through a robust financial strategy that is focused on delivering the priorities in the new corporate Plan.
- 8.2 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.
- 8.3 There are 3 key elements that need to be carefully balanced to ensure success, which are:
- Cost management
  - Income generation and
  - Service levels.
- 8.4 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.
- 8.5 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
- 8.6 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.
- 8.7 The approach below shows in more detail for each element the methodology that has been adopted to achieve this.



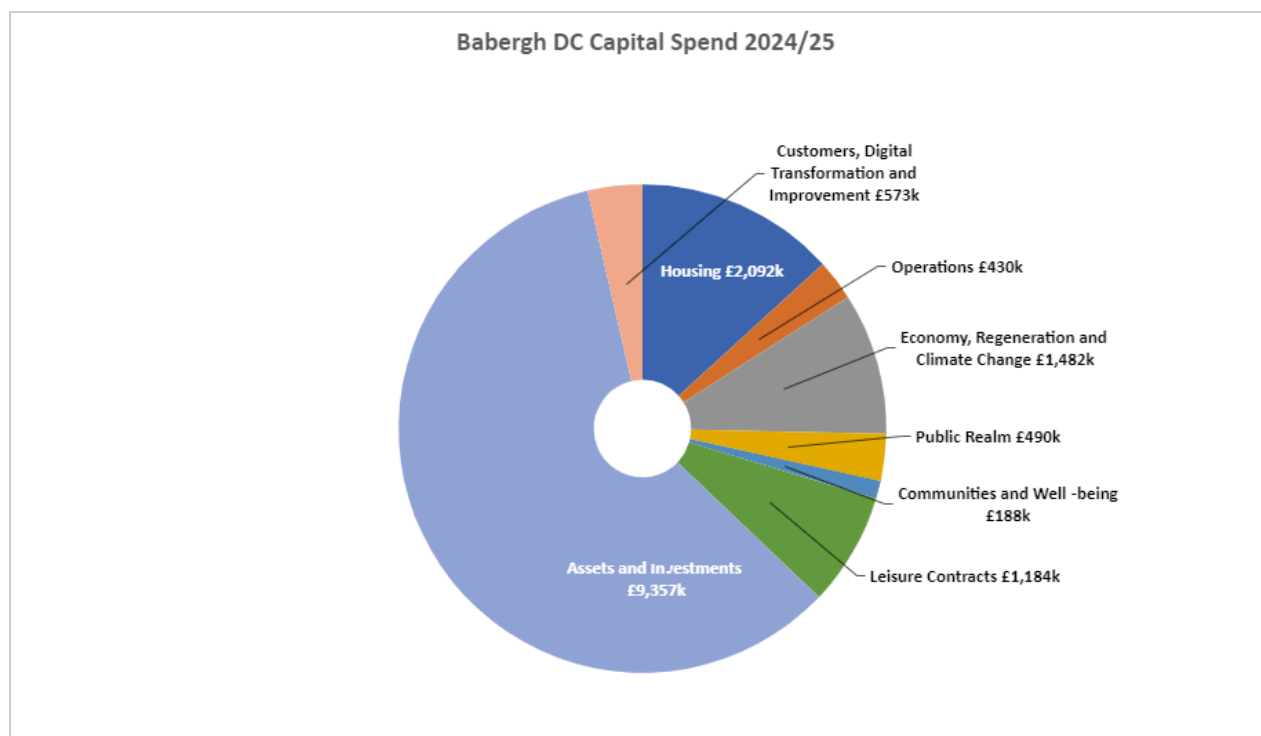
- 8.8 Over the three-year period from 2025/26 the Council's cumulative deficit of £2.7m must be addressed through delivering further savings and generating additional income. The Council acknowledges that it can still benefit from further work across the organisation to create efficiencies through driving down cost and cutting out work that does not add value. Opportunities exist in terms of improving digitisation and automation of some processes.
- 8.9 As part of the 2024/25 budget setting work, Corporate Managers and Directors identified areas where further savings and efficiencies could be made across the organisation. This work will continue during 2024/25 to develop a delivery and implementation plan to support the MTFs and to enable the development of a financially robust, risk based, 2 year transformation programme.
- 8.10 It is likely that additional resources and investment will be required in order to deliver efficiencies and savings in the longer term. £300k of investment into the savings programme is included in the budget proposals. The Council will continue this approach to further transform the way it operates over the next three years.
- 8.11 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.

## 9. CAPITAL PROGRAMME

- 9.1 The proposed Capital Programme is attached at Appendix A. Revised Estimates for 2023/24 of £9.878m are proposed and new approvals of £6.784m for 2024/25. This means that along with slippage of £9.012 from this year, the 2024/25 capital budget is

forecast to be £15.795m. This will be financed by using £1m of grants and £1.215m of capital receipts and by borrowing £13.580m.

**Chart 7: Capital Budget 2024/25 (including forecast carry forwards) - £15.795m**



- 9.2 The most significant items included in the proposed total budget are the construction of a new depot to be shared with Mid Suffolk District Council (£6m), Roadside Workspace Development at Hadleigh (£2.1m), the refurbishment of Belle View (£1.9m), and funding for Babergh Growth Ltd (£9.2m) to undertake housing developments at the former council offices site in Hadleigh. Budgets are also included to continue a range of annual capital initiatives such as housing and community grants.
- 9.3 Work is currently being undertaken on reviewing the best way of financing the building of the new depot with the aim of bringing a report on this matter to each Council in March 2024. At this point in time the budget figures presented in this report assume that this is a jointly shared budget being financed through borrowing with the resultant financing charges impacting equally on the General Fund revenue budget of each council.
- 9.4 Following review by Joint Audit and Standards Committee in January 2024, the Capital and Investment Strategy will have further details of the Council's borrowing capacity and the impacts of the capital programme, and this will be presented to Council in February along with the final budget report.

## 10. LINKS TO THE CORPORATE PLAN

- 10.1 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.

## **11. FINANCIAL IMPLICATIONS**

11.1 These are detailed in the report.

## **12. LEGAL IMPLICATIONS**

12.1 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) in relation to the level of reserves, the robustness of the estimates, and the risks associated with the proposed budget.

## **13. RISK MANAGEMENT**

13.1 Key risks are set out below:

Key Risk Description	Likelihood 1-4	Impact 1-4	Key Mitigation Measures	Risk Register and Reference
The income projections for the Councils investment in the Capital Investment Fund (CIFCO) may not be met.	2 - unlikely	3 - Bad	Implementation of strong corporate governance. Engagement of independent professional advisers and preparation of annual audited accounts. Business Plan 23/24 approved by Council. Review by Overview and Scrutiny Committee. Council oversight of trading companies' management accounts.	Significant Risk Register - SRR001
Babergh District Council may be unable to react in a timely and effective way to financial demands.	3 - probable	3 - Bad	Monitoring and reporting of financial forecast. Capital reserves. SLT position review workshops. Cabinet briefings to review position and budget options. Budget approval. Internal and external audits.	Significant Risk Register - SRR004 BDC



<p>Babergh District Council may fail to be financially sustainable.</p>	<p>3 - probable</p>	<p>4 - Disaster</p>	<p>Sharing of integrated workforce with Babergh.  Single efficient office space with remote working strategy.  Joint strategic plan/Corporate Plans  Joint medium term financial strategy.  Shared outcomes.  Joint performance and risk monitoring.  Shared policies and procedures.  Joint Cabinet briefings, audit and standards, overview and scrutiny.</p>	<p>Significant Risk Register - SRR008BDC</p>
<p>Babergh District Council may suffer a significant overspend that needs to be funded from reserves.</p>	<p>3 - probable</p>	<p>3 - Bad</p>	<p>Reporting of impacts of inflationary pressure forecast to SLT and early warning cabinet and monitored through the quarterly outturn reports.  Review level of reserves with SLT.  Quarterly financial monitoring.</p>	<p>Significant Risk Register - SRR0013BDC</p>

<p>Babergh District Council may expose itself to financial risk through its own subsidiary companies and other commercial activities.</p>	<p>3 - probable</p>	<p>4 - Disaster</p>	<p>Directors representing the Council Shareholders on the board. Non-Exec Directors Management accounts shared with the Council Finance team monthly. Director of Assets and Investments is a Director on each Company Board. Director of Finance is provisioned with Company accounts annually in addition to receiving quarterly financial reporting. Quarterly risk briefing attended by Risk Management Lead.</p>	<p>Significant Risk Register - SRR0017BDC</p>
<p>The councils may face significant increases in their borrowing costs.</p>	<p>3 - probable</p>	<p>3 - Bad</p>		<p>Significant Risk Register - SRR0025BDC</p>

## 14. CONSULTATIONS

- 14.1 Consultations have taken place with Directors, Corporate Managers and other Budget Managers as appropriate.
- 14.2 The Council launched a 6-week consultation on the 4th October 2023 to give people the opportunity to provide feedback on the Councils long term vision and strategic priorities for the district.
- 14.3 The consultation also includes engagement around how the Council currently spends its money by presenting the budget by % spend in different areas. Respondents were shown a breakdown of the councils' (combined) spend and asked to what extent they agreed or disagreed this was the right mixture of spending activities. Views were mixed: with 38% agreeing (6% 'strongly'), 35% disagreeing (13% 'strongly') and 23% neutral. Four per cent gave a 'Don't know' response.
- 14.4 One-in-five felt spending should be increased on climate change and a similar proportion felt spending should be reduced on 'running the organisation'. Between 6-8% each felt that spending should be increased on economic growth, housing/affordable housing and communities and wellbeing.

- 14.5 A number (5%) felt that the presentation of spend data needed more information / better explanation or that they did not have sufficient understanding or expertise to judge (3%).

## **15. EQUALITY ANALYSIS**

- 15.1 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 under the Equality Act 2010.

## **16. ENVIRONMENTAL IMPLICATIONS**

- 16.1 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.
- 16.2 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.
- 16.3 The Councils' Sustainable Travel Vision and Local Cycling and Walking Infrastructure Plan (LCWIP) was approved by cabinet in April 2022. The Sustainable Travel Vision will be used to inform the public about our key values, aims, ambitions and narrative around Sustainable Travel. The key functions of the LCWIP are to inform SCC Highways and our own planning team of our active travel infrastructure ambitions, in order to capture opportunity for delivery. To compliment the LCWIP, the [Quiet Lanes Suffolk](#) project continues to support Parishes across the district to identify and designate suitable rural lanes as 'Quiet Lanes' to make them safer for people to use for exercise and more active forms of travel.
- 16.4 In December 2022, funding of £300k was secured from the Office for Zero Emission Vehicles (OZEV) for the installation of EV charge points in 12 car parks across both Mid Suffolk and Babergh Building upon the bid's success, the Councils are working in partnership with SCC to create an EV charge point infrastructure plan. The plan will cover:
- Place of Business destination charging
  - Provision for existing social housing residents
  - Provision of rapid charging for taxis
- 16.5 In conjunction with Suffolk County Council the Council is engaging with local primary schools, running theatrical workshops, to highlight the issue of poor air quality and to promote sustainable travel.
- 16.6 Following completion of the solar carports, 40 of our existing car parking spaces now help to power Kingfisher Leisure Centre in Sudbury providing just over 16% of the centre's annual electricity demand. Babergh, alongside Mid Suffolk are among the UK's first rural local authorities to trial the technology, which will reduce the centres' reliance on the grid and cut carbon emissions. The site also includes battery storage so excess energy produced during sunnier periods can be saved for later, as well as electric vehicle charging points.

## 17. APPENDICES

Title	Location
Capital Programme	Appendix A
Budget, Funding and Council Tax Requirements	Appendix B
Robustness of Estimates and Adequacy of Reserves	Appendix C

## 18. BACKGROUND DOCUMENTS

Provisional Local Government Finance Settlement 2024/25

General Fund Financial Monitoring 2023/24 – Quarter 2 - BCa/23/27

Draft General Fund 2024/25 assumptions – BOS/23/01 and BOS/23/05

Fees and Charges 2024/25 - BCa/23/32

**CAPITAL PROGRAMME 2024/25 TO 2027/28**

**APPENDIX A**

Babergh District Council - General Fund Capital Budgets  2023/24 to 2027/28	2023/24 Anticipate d C/Fwds	2024/25 New Approvals	2024/25 Total Budget	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast	Total Spend 2024/25 - 2027/28
	(A)	(B)	(A + B)				
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Housing</b>							
Mandatory Disabled Facilities Grant	240	760	1,000	760	760	760	3,280
Renovation / Home Repair Grants	51	100	151	100	100	100	451
Empty Homes Grant	441	100	541	100	100	100	841
Grants for Affordable Housing	400	0	400	0	0	0	400
<b>Total Housing</b>	<b>1,132</b>	<b>960</b>	<b>2,092</b>	<b>960</b>	<b>960</b>	<b>960</b>	<b>4,972</b>
<b>Operations</b>							
Replacement Refuse Freighters - Joint Scheme	0	315	315	420	335	335	1,405
Bins	15	100	115	100	100	100	415
<b>Total Operations</b>	<b>15</b>	<b>415</b>	<b>430</b>	<b>520</b>	<b>435</b>	<b>435</b>	<b>1,820</b>
<b>Economy, Regeneration and Climate Change</b>							
Belle Vue Refurbishment / Replacement	1,482	0	1,482	0	0	0	1,482
<b>Total Economy, Regeneration and Climate Change</b>	<b>1,482</b>	<b>0</b>	<b>1,482</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,482</b>
<b>Public Realm</b>							
Vehicle and Plant Renewals	0	200	200	100	175	175	650
Planned Maintenance / Enhancements - Car Parks	0	15	15	15	15	15	60
Parking Strategy Implementation	150	0	150	0	0	0	150
Pin Mill - Planned Maintenance	100	25	125	25	25	25	200
<b>Total Public Realm</b>	<b>250</b>	<b>240</b>	<b>490</b>	<b>140</b>	<b>215</b>	<b>215</b>	<b>1,060</b>
<b>Communities and Well-being</b>							
Play equipment	18	50	68	50	50	50	218
Community Development Grants	0	120	120	120	120	120	480
<b>Total Communities and Well-being</b>	<b>18</b>	<b>170</b>	<b>188</b>	<b>170</b>	<b>170</b>	<b>170</b>	<b>698</b>
<b>Leisure Contracts</b>							
Kingfisher Leisure Centre Planned Maintenance	555	100	655	100	100	100	955
Hadleigh Leisure Planned Maintenance	479	50	529	50	50	50	679
<b>Total Leisure Contracts</b>	<b>1,034</b>	<b>150</b>	<b>1,184</b>	<b>150</b>	<b>150</b>	<b>150</b>	<b>1,634</b>
<b>Assets and Investments</b>							
Corporate Buildings - Planned Maintenance / Enhancements	179	30	209	30	30	30	299
Corporate Buildings - New Joint Depot	0	500	500	5,500	0	0	6,000
Borehamgate	110	60	170	60	60	60	350
Hamilton Road Regeneration	73	0	73	0	0	0	73
Strategic Investment Fund	2,777	0	2,777	0	0	0	2,777
A1071 Roadside Workspace Development	1,878	0	1,878	0	0	0	1,878
Housing Delivery - Capital Loan to Babergh Growth Ltd	0	3,750	3,750	0	0	0	3,750
<b>Total Assets and Investments</b>	<b>5,017</b>	<b>4,340</b>	<b>9,357</b>	<b>5,590</b>	<b>90</b>	<b>90</b>	<b>15,127</b>
<b>Customers, Digital Transformation and Improvement</b>							
Replacement Finance Management System	0	356	356	0	0	0	356
ICT - Hardware/Software Refresh	65	153	217	225	95	95	632
<b>Total Customers, Digital Transformation and Improvement</b>	<b>65</b>	<b>509</b>	<b>573</b>	<b>225</b>	<b>95</b>	<b>95</b>	<b>988</b>
<b>TOTAL General Fund Capital Spend</b>	<b>9,012</b>	<b>6,784</b>	<b>15,795</b>	<b>7,755</b>	<b>2,115</b>	<b>2,115</b>	<b>27,780</b>
<b>90</b>							
<b>GF Financing</b>							
External Grants and contributions	240	760	1,000	760	760	760	3,280
Capital Receipts	1,100	115	1,215	0	0	0	1,215
Borrowing	7,672	5,909	13,580	6,995	1,355	1,355	23,285
<b>Total GF Capital Financing</b>	<b>9,012</b>	<b>6,784</b>	<b>15,795</b>	<b>7,755</b>	<b>2,115</b>	<b>2,115</b>	<b>27,780</b>

**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 20 February 2024.
- 2) The County and the Police and Crime Commissioner's precept requirements are added to this.
- 3) The legally required calculation will be set out for February Council meeting after we have been notified of the preceptors' requirements.

**Section 25 report on the robustness of estimates and adequacy of reserves**

Section 25 of the Local Government Act 2003 requires that a Council, when setting its annual budget and level of council tax, takes account of a report from its Section 151 Officer on the robustness of estimates and adequacy of reserves. This advice will be presented to Council on 22 February 2024