



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

**2018/19 to 2021/22**

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## **Foreword from the Leaders of the Councils**

We are delighted to introduce the Joint Medium Term Financial Strategy (MTFS) for Babergh and Mid Suffolk Councils, which covers the period 2018/19 to 2021/22 and builds on the work started in earlier years.

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

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

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

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

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

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

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

We are also facing significant challenges in our role as a social housing landlord. We have reviewed our business model and plans during 2017/18 to ensure that it is fit to deliver a long-term sustainable service to some of the most vulnerable people in our districts.

As vast majority of our core funding will be within our control from 2018/19 we will need to keep our financial strategy under constant review and adapt our business model to continue to respond to the challenges.

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

Cllr. Jan Osbourne  
Leader  
Babergh District Council

Cllr. Nick Gowrley  
Leader  
Mid Suffolk District Council

## 1. Summary – Key Points

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

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

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

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

1.3 Key financial headlines:

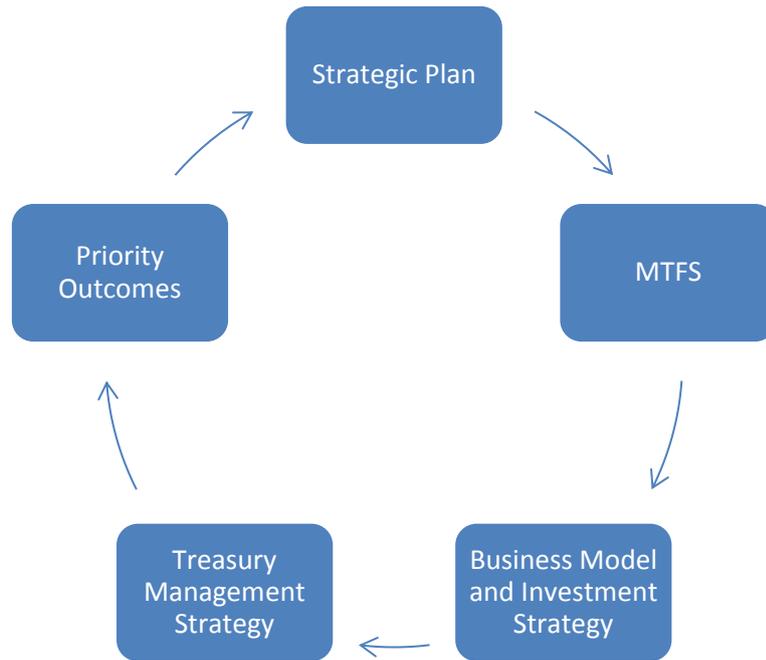
- Both Councils are Part of the Suffolk pilot for 100% Business Rates Retention
- New Homes Bonus (NHB) is decreasing from £1.212m to £865k for Babergh and from £2.028m to £1.463m for Mid Suffolk.
- Due to annual cost pressures and other things that impact on the Budget of each Council, we estimate for Babergh a shortfall of £2.2m by 2021/22. For Mid Suffolk, we estimate a shortfall of £2.5m by 2021/22. Further detail is provided at section 6.3.
- Mid Suffolk's position historically has been less reliant on NHB than Babergh's. However, from 2019/20 and beyond the projected NHB numbers for both Councils are not large enough to cover the projected

deficit. Therefore, more action and intervention is likely to be needed to achieve financial sustainability in the medium term and to move to a position where neither Council is reliant on NHB. Both Councils will, however, need to transform what they do as the funding change will bring challenges for both Councils.

- Transformation Funds of £0.6k for Babergh and £10.4m for Mid Suffolk are available currently to invest in changing our business model and generate sustainable economic growth. However, for Babergh with the 2018/19 budget shortfall, this fund could almost be wiped out depending on the 2017/18 outturn position. Some money has been used in the last three years to make the change in our business model, but more needs to be done.
- New homes and sustainable economic growth will be vital in making a significant contribution towards the Budget gap.
- Growth in Business Rates income and the Suffolk 100% Business Rate Retention pilot arrangements could make an important contribution towards delivering the councils' strategic priorities and the financial strategy and investment in the wider Suffolk area.
- An Assets and Investment Strategy & Prudential Borrowing strategy which is based on 'Invest to Save' and 'Profit for Purpose' principles
- An overall strategy that focuses on providing new housing, jobs and sustainable economic growth by working with communities and other partners.
- Review of the Councils' assets to maximise social and financial return.

## **2. Purpose of the MTFS**

- 2.1 This Medium Term Financial Strategy (MTFS) provides a high-level assessment of the financial resources required to deliver the Councils' strategic priorities and essential services over the next 4 years. It sets out how the Councils can generate and use these resources within the financial context and constraints likely to be faced.
- 2.2 Like all local authorities, Babergh and Mid Suffolk's MTFS is influenced by national government policy, funding changes and Government spending announcements.
- 2.3 It must be stressed that we are two sovereign councils, with two separate budgets - as shown in the 'summary of our financial position' section of this document. There are, however similarities in our approach to meeting the financial challenges.
- 2.4 We are therefore working together to build common strategies, and to share learning from one another in designing new approaches, although how these approaches apply to the different localities and communities in Babergh and Mid Suffolk, may still vary.
- 2.5 There are key links between the MTFS and other plans and strategies and a coherent joined up approach to each of these is essential:



### 3. National Economic Context

#### The UK economy

- 3.1 The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.
- 3.2 Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.
- 3.3 Two of the Bank of England's nine-member Monetary Policy Committee voted for an increase to 0.50% in September, and the decision was said to be finely balanced for others, although all agreed that any increases would be limited and gradual. But stilted progress in the EU exit negotiations, softening consumer spending and a tightening of consumer credit are expected to stay the Committee's hands. The risk of a cut to zero or negative rates has diminished and there is now a chance that rates will rise despite the economic fundamentals.
- 3.4 The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. UK Q2

2017 GDP growth was 0.3%, after a 0.2% expansion in Q1. The initial expenditure breakdown showed weakness in consumption, business investment and net trade. Both consumer and business confidence remain subdued.

- 3.5 Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low, with little scope for further reduction to smooth consumption. When inflation eventually eases, savings are likely to be replenished, further diverting money away from consumption.
- 3.6 Some data has held up better than expected, with unemployment falling to an all-time low and house prices remaining relatively resilient.
- 3.7 The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger Eurozone economic expansion.

### **Government borrowing and spending**

- 3.8 Public sector net borrowing (excluding public sector banks) decreased by £3.1 billion to £48.1 billion in the current financial year-to-date (April 2017 to November 2017), compared with the same period in 2016; this is the lowest year-to-date net borrowing since 2007.
- 3.9 Public sector net borrowing (excluding public sector banks) decreased by £0.2 billion to £8.7 billion in November 2017, compared with November 2016; this is the lowest November net borrowing since 2007.
- 3.10 The Office for Budget Responsibility (OBR) forecast that public sector net borrowing (excluding public sector banks) will be £49.9 billion during the financial year ending March 2018, an increase of £4.4 billion on the outturn net borrowing in the financial year ending March 2017.
- 3.11 Public sector net debt (excluding public sector banks) was £1,734.8 billion at the end of November 2017, equivalent to 84.6% of gross domestic product (GDP), an increase of £72.2 billion (or 1.2 percentage points as a ratio of GDP) on November 2016.
- 3.12 Public sector net debt (excluding both public sector banks and Bank of England) was £1,574.5 billion at the end of November 2017, equivalent to 76.7% of GDP, a decrease of £23.5 billion (or 3.5 percentage points as a ratio of GDP) on November 2016.
- 3.13 Public sector net debt has been reduced by £65.5 billion in November 2017 due to the reclassification of English housing associations from the public to private sector.
- 3.14 Central government net cash requirement decreased by £30.6 billion to £30.7 billion in the current financial year-to-date (April 2017 to November 2017), compared with the same period in 2016; this is the lowest year-to-date central government net cash requirement since 2007.

## **The changing landscape of local government funding**

- 3.15 The way that local government is funded has changed. The Government has introduced:
- Incentivised Funding - New Homes Bonus introduced in 2011
  - The Business Rates Retention Scheme and Local Council Tax Reduction Scheme in April 2013
  - Council Housing – the HRA self-financing regime, ending the housing subsidy system and giving more freedom and flexibilities to councils
- 3.16 Core funding from Revenue Support Grant (RSG) has been reducing year on year and will disappear by 2019/20. Councils are, therefore, becoming reliant on locally generated income and incentivised funding.
- 3.17 Council tax income continues to be the main source of funding, in total value, for councils. Decisions around freezes or any annual increases are an important part of the financial strategy.
- 3.18 Other key income sources are as follows, and these funds are predicated on the two Councils following through on their growth strategy and policies:
- Business Rates Retention

Business rates retention affects councils, as future changes to the level of business rates yield now directly impact on council funding levels, with both the risks and rewards of business rate growth (or contraction) being shared between central government, and local authorities - 40% retained by district councils, increasing to 75% in 2020/21.

In order to help manage this risk, and to maximise the potential amount of business rates that are retained within Suffolk, Suffolk County Council and each Suffolk district/borough council submitted a bid, and were successful in becoming a pilot area for 100% Business Rates Retention in 2018/19. The financial benefits are shared between councils and a proportion used to support collaborative ventures that will achieve sustainable economic growth in the region.

- New Homes Bonus

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

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

The current amount received is based on the national average council tax band on each additional property built in the Council's area, or on each long-term empty property that is brought back into use. In 2017/18 the Government introduced baseline for growth at 0.4%, so only growth above that figure will receive a NHB payment in future. New homes also increase the council tax base and hence the amount of council tax income received.

- **Additional Income**

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

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

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

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

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

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

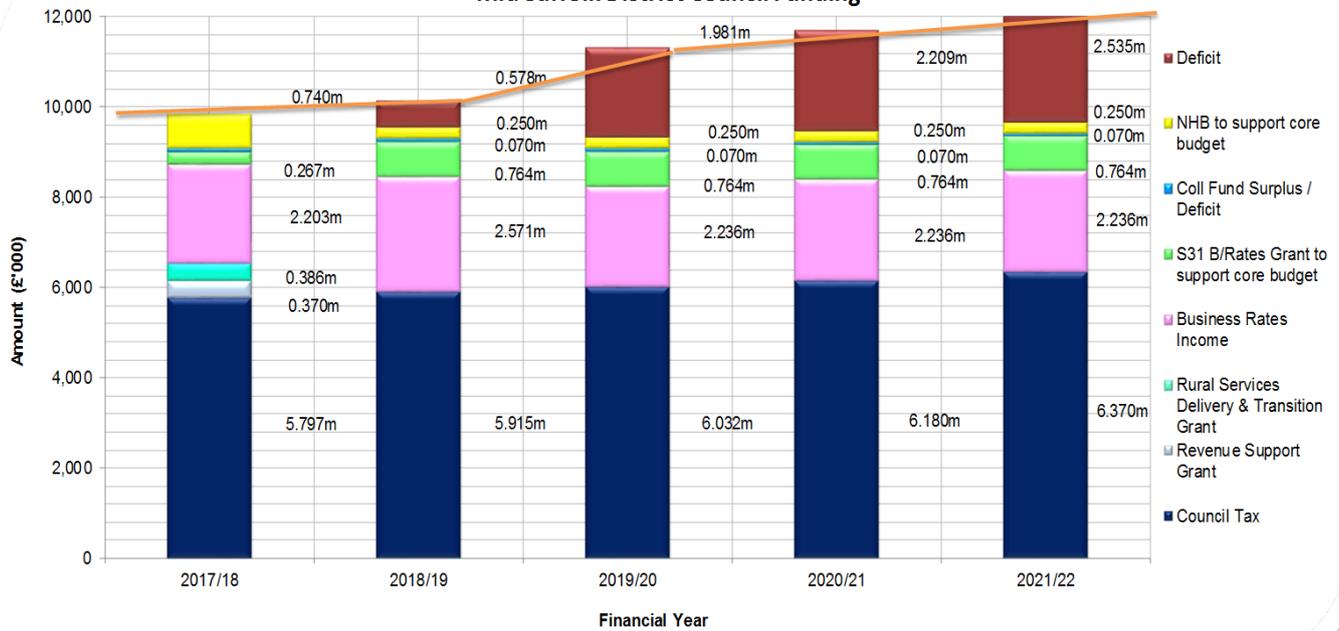
### **The Funding Gap**

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

### Babergh District Council Funding



### Mid Suffolk District Council Funding



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

- 4.1 The Government's new arrangements for funding local government present local authorities with a higher degree of uncertainty and risk than the previous arrangements. On the other hand, local authorities are now more able to control the level of funding they receive, due to the links to new commercial or housing development that they encourage and incentivise in their local areas. This presents Babergh and Mid Suffolk with both challenges and opportunities.
- 4.2 Each Council's financial position is based on their differing financial circumstances, local demand and opportunities. It is also all about our policies and strategies that affect growth, income, our approaches to service provision and a lot more.
- 4.3 We need to get these things right as part of our business model, plans and engagement with the communities we serve. Understanding and operating this business model is key to our future success and financial sustainability.
- 4.4 The 'Summary of our financial positions' section of this document details each Council's individual financial standing. The following section provides an overview of the local context in which both Councils need to operate.

### **A developing business model**

- 4.5 In high level terms, this comprises:
- Maximising income and one-off/temporary/ongoing incentivised funding
  - Using one off/temporary money to generate ongoing funding and income streams or to reduce our costs
  - Not simply monitoring and managing resources and what we spend but 'resource weaving' to make sure that the funds that are available work together, complement each other and produce the maximum outcomes across different activities and with different partners. We need to ensure that our resources are being used to their optimum effect.
  - Exploring and seizing new opportunities and ventures that are innovative and will deliver a rate of return on investment that supports the MTFS
  - Being more commercial, using prudential borrowing and other available funding to deliver 'profit for purpose' and new income streams.
- 4.6 The business model requires a strong commitment and leadership to this new way of working and a change in thinking for councillors and officers. The management review and development of the organisation will ensure that we have the right skills, capabilities and capacity in place to deliver.

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

- 4.7 Use of capital and one off funds is critical and need to be linked into our future delivery plans. Mid Suffolk's Transformation Fund must be used wisely to ensure it supports the shift in the business model and capacity to deliver within future resources. Babergh have limited resources to adopt the same strategy, therefore savings and income generation are key to achieve this.
- 4.8 We are continuing to develop and use a Priority Based Resourcing (PBR) and zero based budgeting approach to aligning our resources to our key strategic objectives. As we evolve the PBR process we need to be able to demonstrate that all of our activity and resources are supporting the overall aims of the Councils. We will focus our efforts in the following areas:
1. Corporate core (the things we have to do/provide to just keep the Councils running) - which we will seek to minimise.
  2. Costs of things we must do – essential/statutory services which we will make more efficient and cost effective.
  3. Costs of things that achieve our priorities (some of which will generate new sources of funding e.g. growth).
  4. Pure income generating activities.

### **Our Overall Strategic Response**

- 4.9 Based on the issues and approaches set out in the previous section and whilst recognising that Babergh and Mid Suffolk are separate councils with their own individual budgets and requirements, the Councils' joint response to the challenges we face and the opportunities we need to grasp are based on seven key actions:
1. Aligning resources to the Councils' refreshed strategic plan and essential services.
  2. Continuation of the shared service agenda, collaboration with others and transformation of service delivery.
  3. Behaving more commercially and generating additional income.
  4. Considering new funding models (e.g. acting as an investor).
  5. Encouraging the use of digital interaction and transforming our approach to customer access.
  6. Taking advantage of new forms of local government finance (e.g. new homes bonus, business rates retention).
  7. Business and Housing growth.

4.10 Further details on each key action are provided below:

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

So far both councils have addressed the need for financial savings by integrating services and meeting savings 'targets' for different parts of the council by reducing budgets (including 'salami slicing') cutting out waste, joint procurement and partnership work and reducing staff levels. The approach used for the 2018/19 budget has been to review each budget in detail and a zero based budget approach for each service, challenging budgets and focussing on the service needs.

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

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

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

- Changing needs – challenging the presumption of public services' role as meeting needs rather than developing and working with people and assets within communities
- Preventing and reducing demand – there are fewer resources and a history of rising demands on public services; we cannot resolve this challenge by trying to do the same things with less money.

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

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

Sharing services has to be wider than just the two Councils. A key part in achieving the shift in thinking will be the importance of working differently not just across the whole of Suffolk but also our partners (statutory,

private, community, voluntary and not-for profit). We are building new working relationships where influence is more important than control.

Both Councils now share their headquarters with Suffolk County Council, so that they are co-located with key partners. This will generate savings in the Councils overheads in the future and greatly increase our efficiencies. A shared legal service with West Suffolk was established in November 2016, further discussions are progressing for other areas.

### **Behaving more commercially and generating additional income**

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

We are beginning to identify areas where there may be commercial opportunities for the Councils to be able to generate additional income. In October, both Cabinets endorsed a new investment and commercial delivery business unit model, which will be called 'BMS Invest'.

The holding companies will provide the focus for such commercial activities, separate from the core functions of the Councils. The holding companies are structured in such a way that should further opportunities arise, this will be a suitable vehicle to deliver other commercial areas.

This MTFs therefore relies far more on commercial behaviours being adopted in a number of areas of the Councils' business.

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

Both Councils have a long tradition of investing in their communities and look to continue to do so, to support the delivery of their shared strategic priorities, and in particular to aid sustainable economic growth across the two districts. Both have invested in opportunities during 2017/18 to promote housing and sustainable economic growth.

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

The Councils have adopted an asset and investment strategy utilising the prudential borrowing facility available to them. The return on this investment has already begun in 2017/18.

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

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

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

A new Public Access Strategy is being implemented alongside the move of the two Councils to Endeavour House in Ipswich. Its focus is on improving access and contact to modernised local services for residents, and refining the way the organisations work

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

Customer Services successfully opened in Stowmarket and Sudbury in September offering enhanced services such as providing assistance to customers to view planning applications on the Council's website, access land charge searches and receive assistance in photographing and printing documents.

Investment in new IT systems has included the launch of a new single website for both Babergh and Mid Suffolk District Councils and there has been a steady increase in the number of daily visitors to the site. The functionality enables customers to access information on mobile devices as well as PC's and laptops and a steady increase in the number of sessions where mobile devices are used can be seen.

New software has been introduced, 'UNIFORM', that will combine data across departments such as planning and building control. This will improve customer service, and the organisation's engagement with communities will be streamlined

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

These new forms of local government finance have now become the key sources of income for councils. The Suffolk 100% Business Rates Retention Pilot in 2018/19 means that this source of funding will become even more important.

The Councils will therefore take the opportunity to grow our own funding through a strong, and growing, local economy alongside the skills, housing and infrastructure to sustain it.

Babergh and Mid Suffolk District Councils launched the consultation on a draft Joint Local Plan and have held events across the districts for Parish Councils, Neighbourhood Plan groups and the public. The Joint Local Plan will shape how development happens across both districts with the consultation providing an early and meaningful opportunity for communities to engage in the plan-making process and therefore influence the policy backdrop against which planning decisions are made

To ensure that communities are thriving, growing, healthy, active, and self-sufficient, it is vital that the Council builds and strengthens relationships, working together to understand what works best for them, being at the forefront of service design and to reduce demand, and prevent more costly interventions arising in the future.

### **Links to our Joint Strategic Plan**

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

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

## **5. Investing in our Strategic Priorities and future**

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

### **Funding and Investment Opportunities**

- 5.2 We can do this both through prudential borrowing and using our Transformation Funds to support our delivery plans, new funding models and innovative/different ways of working. The Transformation Funds are increased by receiving the balance of New Homes Bonus funding that is not required to support the budget. We anticipate having £0.6k in the Transformation Fund for Babergh and £10.3m for Mid Suffolk in 2017/18.
- 5.3 As identified earlier in this document, the Government changed the way that New Homes Bonus is distributed to local authorities from 2016/17. With the aim of being able to transfer resources to support social care, councils receive less funding than they have in the past from this source for the same level of growth.
- 5.4 The level of growth will have to increase significantly to maintain the income that has been received in the past, but also to contribute towards future funding shortfalls.
- 5.5 Growing this funding is paramount, but is dependent on communities, the Councils and others working together. It also depends on the wider housing economy, developers, labour and material supply/shortages.
- 5.6 In relation to the potential for additional business rates income, this will depend on economic growth and the level of appeals. This would contribute towards the funding gap and depending upon the level achieved would also add to the amount of funding available for transformation and projects.
- 5.7 In relation to future prudential borrowing, our Capital Investment Strategy is expected to take 12-18 months from 2017/18 to be fully invested, this will deliver much needed additional income.

### **Council Housing**

- 5.8 The Babergh HRA Business Plan presents a positive financial picture over the longer term (a thirty-year period as required under the self-financing regime) but there are short to medium term challenges. These challenges have been exacerbated by the proposals announced in the Chancellor's July 2016 Budget:
- The Welfare Reform and Work Act includes a requirement for all social landlords to reduce rents by 1% each year from 2016 to 2019. However, the recent Government announcement that rents can be increased by

CPI +1% for five years from 2020/21 will reduce the impact of this on the 30-year plan.

- This Act reduced the benefit cap for working age families from £23k to £20k
- This Act also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants. A letter from the Housing Minister following the Autumn Statement explained that the pilot scheme for housing association Right to Buy will be expanded. The government has not made it clear when the introduction of this levy may commence. Details of how the levy will be calculated are still unknown. On the advice of the Chartered Institute of Housing the budget does not include a figure for the levy.

5.9 The Government proposal to cap housing benefit in the social housing sector at Local Housing Allowance (LHA) rates has been dropped. This is good news for our tenants, especially those under 35, as they would have been responsible to pay the difference between their rent and the LHA putting them at risk of rent arrears.

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

5.11 It is important to understand that the 30-year HRA business plan was predicated on an annual rent increase of CPI + 1%, the formula agreed by the government in 2014. In business planning terms, the loss to the HRA was forecast to be £4.5m for years 2016/17 to 2019/20.

However, the recent announcement that Local Authorities can increase rents by up to CPI +1% for five years from 2020/2021 has resulted in an impact of greater than 1% per annum. The cumulative impact of the rent increase results in a higher income (against business plan projections) to the HRA as follows:

Years	<b>Babergh</b>	<b>Mid Suffolk</b>
1 to 5	£1.0m	£0.9m
1 to 10	£5.4m	£4.8m
1 to 15	£10.7m	£9.5m

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

5.13 A balanced budget has been achieved for 2018/19 by reducing both capital and revenue budgets – see table in Attachment 3. A fundamental review of

the housing service has been undertaken during 2017/18 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review has examined:

- Performance management measures and complaints handling
- New build programme and retention of Right to Buy receipts. A back to back contract with Orbit Housing is about to be completed which will provide 15 affordable rental homes and 12 Shared ownership at a cost of £3.2m. Icen Homes have been appointed to look into development opportunities to enable us to deliver our affordable housing programme.
- A number of Council landholdings such as underutilised open space, garage sites and severed gardens are currently being assessed by the Investment and Development Team and be added to the pipeline subject to their suitability.
- Our approach to HRA business planning including, reviewing and realigning housing stock condition data and capital programme expenditure. The data has been reviewed and Ridge have been appointed to carry out a stock condition survey on 24% of housing stock by the end of February 2018 to enable us to produce a robust 30-year capital programme. A contingency amount, based on £1,300 per property, has been put into the 2018/19 Budget and 4-year MTFS 2018/19. Once the capital programme is completed the budget will be allocated against the relevant areas of spend.
- The Sheltered Housing Review concluded that some schemes which are difficult to let would be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding, this work has now been completed. The business plan has been amended to reflect the reduction in expenses and service charge income following the de-sheltering of properties in April 2017, as well as the loss of the Supporting People Grant of £42k from Suffolk County Council (SCC) from April 2018.
- Councillors approved the formation of a new Babergh & Mid Suffolk Building Services (BMBS) team, which carries out responsive repairs and programmed works. The BMBS business plan forecasts a surplus within five years of its implementation.
- The HRA Accounting Team are implementing a robust budget setting and monitoring process together with financial controls.
- Leaseholders service charges have been reviewed to identify the gap between costs incurred and the amount recharged. Completion of this work allows us to increase income over the next three years to bring us to a cost neutral position.

**5.14 Sheltered housing** - Babergh District Council has historically subsidised sheltered service charges from the HRA by approximately £400k each year. The new pressures of rent reduction and removal of the Housing Related Support Grant from Suffolk County Council of £42k from April 2018 make this subsidy unsustainable in the long term.

To reduce the subsidy from the HRA, we propose the following:

- to increase service charges for sheltered residents, which are eligible for housing benefit, by £5 per week from April 2018.
- that the Housing Related Support charge of £3 per week, which is an ineligible cost for housing benefit purposes, is removed from April 2018.

This will mean that all residents, whether they be self-payers or not, will only see a net increase of £2 per week in 2018/19 in comparison to the £4 increase in 2017/18

- 5.15 **Garage rents** – It is proposed that, following a number of significant increases in garage rents, it is not sustainable to continue with further increase in 2018/19. This would make garages undesirable as a result we propose to maintain garage rents at current levels.

### **New build programme and retention of Right to Buy receipts**

- 5.16 Right to Buy (RTB) sales for 2016/17 in Babergh were 26 against original projections of 24 sales. Mid Suffolk sold 26 homes against original projections of 31 sales.

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

- 5.18 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are artificially restricted. The supported spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes is still achievable within current borrowing headroom. However, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable; although the announcement that we can increase rent by a maximum of CPI +1% for five years from 2020/21 will help to mitigate this risk.

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

- Borrowing headroom within the Government's overall debt cap, which is higher for Babergh than Mid Suffolk (in 2017/18 Babergh £11.2m; Mid Suffolk £4.1m).
- Surplus annual funds from the HRA for investment in new and existing homes due to the new self-financing freedoms given to councils.

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

<b>Year</b>	<b>Babergh £m</b>	<b>Mid Suffolk £m</b>
2018/19	11.7	4.1
2019/20	12.5	4.5
2020/21	13.0	3.6
2021/22	13.2	3.8

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

### **Links to Our Overall Delivery Plans**

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

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

## **6. Summary of our financial positions**

### **Revenue Budget Strategy**

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

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

## Key aspects of the funding position and the MTFs forecasts

- 6.2 There are limitations on the degree to which both Councils can produce medium term financial projections as there are always uncertainties.
- 6.3 It is important to remember that these financial forecasts have been produced within a dynamic financial environment, based on ever changing assumptions and that they will be subject to change over time.
- 6.4 Both Councils' medium term financial projections also include the following key budget assumptions, detailed below. Budget assumptions will continue to be reviewed and updated as economic indicators change.

### Key assumptions in the MTFs:

Type of Expenditure	2018/19		2019/20		2020/21		2021/22	
	BDC	MSDC	BDC	MSDC	BDC	MSDC	BDC	MSDC
General Inflation/utilities	0%		0%		0%		0%	
Fees and Charges	3%		3%		3%		3%	
Employee pay increase	2%		2%		2%		2%	
Employer's pension contn. based on actuarial valuation	38.4%	35%	36%	36%	37%	37%	38%	38%
Vacancy Savings	2.5%		2.5%		2.5%		2.5%	
Transport Fuel	2%		2%		2%		2%	
Return on Investments	2.25%	2.5%	2.25%	2.5%	2.25%	2.5%	2.25%	2.5%
Grant reduction on RSG (reducing balance)	-£0.3m	-£0.4m	-£0.2m	-£0.04m	-	-	-	-

### General Fund minimum working balance

- 6.5 Each Council is required to maintain adequate financial reserves to meet the needs of the authority. The reserves we hold can be classified as either working balances – known as the general fund balance, or as specific reserves which are earmarked for a particular purpose – known as earmarked reserves.
- 6.6 The Councils each hold General Fund balances as a contingency to cover the cost of unexpected expenditure or events during the year. The Councils' policies regarding the General Fund are as follows, to hold a balance of:
- £1.05m for Mid Suffolk and
  - £1.2m for Babergh
- 6.7 These amounts equate to approx. 10% to 13% of net 'service cost' expenditure at the 2018/19 Budget level.

## Capital Investment Strategy

- 6.8 Attachment 4 shows the current 4 year planned Capital Programme for 2018/19 to 2021/22, together with information on the funding of that expenditure (i.e. borrowing, grants and contributions, use of earmarked revenue reserves and usable capital receipts reserve).
- 6.9 Both Councils have a long tradition of investing in their communities. Having limited capital and revenue reserves and facing increased pressure on external funding, the Councils' focus is now on the use of prudential borrowing to secure a rate of return, whilst also delivering the strategic priorities.
- 6.10 The investment strategy will detail the parameters that will be operated for the fund including the anticipated return on investment and internal rate of return.

## Council Housing

- 6.12 The proposed Capital Programme headlines for 2018/19 – 2021/22 are:

<b>Expenditure</b>	<b>Babergh £m</b>	<b>Mid Suffolk £m</b>
Housing Maintenance Programmes	21.2	15.9
New build (HCA programme)	0.1	0.1
New build (Additional Borrowing)	0	0
RTB receipt funding	15.9	22.3
<b>Total</b>	<b>37.2</b>	<b>38.3</b>
<b>Financing</b>		
Capital receipts disposals and RTB receipts and HCA Grant	17.0	23.3
Revenue Contributions	20.2	13.7
Borrowing	0	1.3
<b>Total</b>	<b>37.2</b>	<b>38.3</b>
Remaining Borrowing Headroom (31/03/22)	13.2	3.8

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

## Treasury Management Strategy

- 6.14 Each Council's capital and revenue budget plans inform the development of their Treasury Management and Investment Strategies, which are agreed annually as part of its budget setting report. The Treasury

Management Strategy sets out borrowing forecasts/limits and who the Council can invest with.

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

### **Prudential Borrowing**

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

### **Managing Risks**

- 6.17 In setting the revenue and capital budgets, both Councils take account of the key financial risks that may affect their plans, but there is increasing future uncertainty as a result of the changes that are taking place and the new business model.
- 6.18 An awareness of the potential risks and the robustness of the budget estimates inform decisions about the level of working balances needed to provide assurance that the Councils have sufficient contingency reserves to meet unforeseen fluctuations and changes.

### **Capital Receipts**

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

### **Earmarked Reserves**

- 6.20 The Councils each hold earmarked reserves, which are earmarked for a particular purpose and are set aside in order to meet known or predicted future expenditure in relation to that purpose.
- 6.21 The level of earmarked reserves at the end of 2017/18 (including the Transformation Fund) is expected to be as follows:
- £13.3m for Mid Suffolk; and
  - £2.2m for Babergh

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

**General Fund Revenue Budget Summary/Forecasts - Babergh**

(Note: the forecasts for 2019/20 onwards are illustrative and actual budgets will be reviewed and determined by the Council annually).

Line	Description	2017/18	2018/19	2019/20	2020/21	2021/22
		Budget	Budget	Forecast	Forecast	Forecast
		£000	£000	£000	£000	£000
1	Expenditure	36,811	37,078	37,291	37,686	38,158
2	Income (incl.S31 B/Rates Grant)	(26,238)	(26,655)	(26,388)	(26,388)	(26,397)
3	New Homes Bonus Income	(1,212)				
4	Capital Financing Charges	920	1,561	1,758	1,861	1,858
5	Investment Income	(922)	(1,392)	(1,471)	(1,810)	(1,804)
6	Charge to HRA	(1,138)	(1,119)	(1,141)	(1,164)	(1,187)
7	Charge to Capital	(407)	(227)	(232)	(237)	(241)
8	Transfers to Reserves					
9	New Homes Bonus	1,212				
10	S31 Business Rates Grant	650	797	797	797	797
11	Other	23	27	20	20	20
12	<b>Net Service Cost</b>	<b>9,700</b>	<b>10,071</b>	<b>10,634</b>	<b>10,766</b>	<b>11,204</b>
13	<b>Funding:</b>					
14	Other Earmarked Reserves	-	(432)	(95)		
15	Transformation Fund - DP Project (Staffing)	(484)	(50)			
16	New Homes Bonus	(713)				
17	S31 Business Rates Grant	(650)	(797)	(797)	(797)	(797)
18	Government Support					
19	(a) Baseline business rates	(1,997)	(2,443)	(2,103)	(2,103)	(2,103)
20	(b) B/Rates – growth/pooling benefit	(109)	(206)	(206)	(206)	(206)
22	(e) Revenue Support Grant	(504)	-	-	-	-
23	(f) RSG Tariff	-	-	131	131	131
24	(g) Rural Services Delivery Grant	(182)	0	0	0	0
25	(h) Transition Grant	(22)	-	-	-	-
26	(i) Business Rates Collection Fund deficit	-	371	-	-	-
27	Collection Fund surplus	(40)	(12)	(12)	(12)	(12)
28	Council Tax (£5 increase to Band D)	(4,929)	(5,125)	(5,381)	(5,630)	(5,885)
29	Growth in taxbase	(70)	(89)	(79)	(82)	(86)
30	<b>Total Funding</b>	<b>(9,700)</b>	<b>(8,783)</b>	<b>(8,542)</b>	<b>(8,699)</b>	<b>(8,958)</b>
31	2018/19	0	1,287	1,287	1,287	1,287
32	2019/20			804	804	804
33	2020/21				(25)	(25)
34	2021/22					179
35	<b>Shortfall in funding / (Surplus Funds) - cumulative</b>	<b>0</b>	<b>1,287</b>	<b>2,092</b>	<b>2,066</b>	<b>2,246</b>
36	Estimated New Homes Bonus (5 year average of No of houses built)		(843)	(517)	(414)	(423)
37	Estimated New Homes Bonus (projected completions)		(851)	(948)	(1,299)	(1,629)
38	Minimum New Homes Bonus		(866)	(478)	(302)	(239)
39	Council Taxbase	1.50%	1.03%	1.50%	1.50%	1.50%
40	Band D Council Tax	3.40%	3.25%	3.15%	3.05%	2.96%
41	<b>Band D Council Tax</b>	<b>£153.86</b>	<b>£158.86</b>	<b>£163.86</b>	<b>£168.86</b>	<b>£173.86</b>

## Movement of Service Cost Budget Year on Year

BABERGH - MOVEMENT YEAR ON YEAR	17/18 to 18/19 £000	18/19 to 19/20 £000	19/20 to 20/21 £000	20/21 to 21/22 £000
<b>Net Service Cost previous year</b>	<b>9,700</b>	<b>10,072</b>	<b>10,634</b>	<b>10,766</b>
<b>Cost Pressures</b>				
<b>Inflation</b>				
Employees - 2% pay award	165	149	155	161
Employees - increments	102	149	155	161
Employees - deficit pension fund change (2.4% reduction in 19/20, 1% increase from 20/21)	-	(137)	59	61
Other Employee costs	1	1	1	1
Contracts	42	85	87	88
Supplies & Services	7	7	8	8
Insurance Premiums	5	5	5	5
Business Rates	12	12	13	13
<b>Sub total cost pressure</b>	<b>333</b>	<b>271</b>	<b>481</b>	<b>499</b>
<b>Other increases to net service cost</b>				
<b>BMS Invest</b>				
Staff costs	41			
<b>Communities</b>				
Car Park income - revision of budgets (including ECNs)	58			
Strong and Safe Communities - staff costs	37			
Street and Major Road Cleanisng - recycling performance payments	26			
Business Rates - car parks	15			
Domestic Homicide Review	12			
<b>Corporate Resources</b>				
Reduction to HB Admin Subsidy Grant	26			
Organisational Development inc Health and Safety - staff costs	25	(13)		
Phased reduction of general savings	20	20	20	20
Shared Revenues Partnership contract increase	20			
Borehamgate - reduction in rental income (empty units)	14			
Reduction to income received for Credit Card charges.	6			
<b>Customer Services</b>				
Customer Services - staff costs	7			
Contribution to Sudbury Customer Access Point	4			
<b>Environment and Commercial Partnerships</b>				
Net reduction to Building Control Income	61			
Waste - recycling performance payments	39	250		
Trade Waste Income (net) including glass collection service cost	25			
Environmental Protection - legal expenses	6			
<b>Housing</b>				
Homelessness - staff costs (funded from grants)	115			
<b>Law &amp; Governance</b>				
Governance - staff costs (including Scanners)	44			
Information Management - staff costs (re-allocation of time chnarged to Capital)	39			
Shared Legal Services (net) including staff costs	35			
Internal Audit - staff costs	6			
<b>Planning for Growth</b>				
Community Housing Fund inc fixed term post for 2 years (funded from grant in earmarked reserves)	95		(95)	
Development Management - staff costs (funded from 20% inc to planning fees)	95			
<b>Property Services</b>				
Hadleigh HQ security costs	114			
Belle Vue House - reduction in rental income	19			
Wenham Depot - includes reduction to rental income	12			
PV Panels - cleaning and repairs / maintenance	6			
<b>Other Cost Pressures</b>				
Minimum Revenue Provision	322	174	107	
Recharge to Capital (can be offset in part by capital projects - staff costs below)	180	(5)	(5)	(5)
Other items (net)	70			
SLT staff costs	25			
Recharge to HRA	19	(22)	(23)	(23)
Modern Apprentice Levy - net cost	14	1	1	1
Interest payable / receivable	6	-	-	-
Pooled Funds income (net of management fees)	6	4	4	4
<b>Sub total other increases to net service cost</b>	<b>1,664</b>	<b>409</b>	<b>10</b>	<b>(3)</b>

**Movement of Service Cost Budget Year on Year**

<b><u>Actions to offset increases to net service cost</u></b>				
Inflation - income	(23)	(61)	(63)	(65)
<b><u>Communities</u></b>				
Public Realm - staff costs	(25)			
Increase to fees for dog & litter bin emptying	(2)			
<b><u>Corporate Resources</u></b>				
Management Review Savings	(160)			
Commissioning and Procurement - staff costs	(14)			
External Audit Fees	(11)			
Corporate Training	(10)			
Stationery	(8)			
I-Trent	(7)			
Finance - staff costs	(5)			
Contracted services (Vertas)	(3)			
<b><u>Customer Services</u></b>				
ICT costs - server room, printers, general savings	(56)			
ICT - staff costs	(30)			
<b><u>Environment and Commercial Partnerships</u></b>				
Reduction of payments to third parties for Bring sites - Glass & Textile recycling	(20)			
Building Control - staff costs	(18)			
Garden Waste Income (net)	(12)			
Energy Proficiency Certificates (SAPs) income	(4)			
Income for Food Hygiene Rating System rescore visits	(1)			
<b><u>Housing</u></b>				
Homelessness - flexible support and new burden grants	(191)			
<b><u>Law and Governance</u></b>				
Alignment of Chairman's expenses	(7)			
Course conference fees for members	(4)			
Impact of the Boundary Review		(20)		
<b><u>Planning for Growth</u></b>				
Planning fee income - 20% price increase	(120)			
Planning fee income - volume increase	(110)	72	65	58
Reduction of License costs for UNIFORM	(39)			
CIL 5% to cover administration costs	(11)	(1)	(2)	(2)
<b><u>Property Services</u></b>				
Capital Projects - staff costs	(107)			
East House running costs	(9)			
<b><u>Other Savings</u></b>				
Removal of Transformation Funded Posts	(367)	(50)		
CIFCO	(138)	(61)	(347)	(1)
Increase vacancy management contingency to 2.5%	(88)	(6)	(8)	(8)
Accommodation - All Together	(23)	11	(5)	(39)
Transfer to reserves	(5)			
<b>Sub total actions</b>	<b>(1,626)</b>	<b>(117)</b>	<b>(359)</b>	<b>(56)</b>
<b>Total Net Service Cost movement</b>	<b>371</b>	<b>563</b>	<b>132</b>	<b>439</b>
<b>New Net Service Cost</b>	<b>10,072</b>	<b>10,634</b>	<b>10,766</b>	<b>11,205</b>

**Movement of Service Cost Budget Year on Year**

<b>BABERGH - MOVEMENT YEAR ON YEAR</b>	<b>17/18 to 18/19 £000</b>	<b>18/19 to 19/20 £000</b>	<b>19/20 to 20/21 £000</b>	<b>20/21 to 20/22 £000</b>
<b>Funding previous year</b>	<b>(9,700)</b>	<b>(8,784)</b>	<b>(8,542)</b>	<b>(8,700)</b>
<b>Cost Pressures</b>				
Movement in Reserves	568	387	95	-
Removal of Revenue Support Grant (RSG) - now included within baseline Business Rates	504	-	-	-
Business Rates - collection fund deficit 2017/18	371	(371)		
Removal of Rural Services Support Grant (RSDG) - now included within baseline Business Rates	182	-	-	-
Change to Council Tax Collection fund surplus	28			
Removal of Transition Grant	22			
<b>Sub total cost pressure</b>	<b>1,675</b>	<b>16</b>	<b>95</b>	<b>-</b>
<b>Savings / Actions to increase funding</b>				
Business Rates - baseline (now includes RSG & RSDG)	(446)	340	-	-
Business Rates - pooling benefit	(97)	-	-	-
RSG - tariff	-	131	-	-
Council Tax (£5 increase to Band D)	(196)	(257)	(248)	(255)
Growth in taxbase	(20)	11	(4)	(4)
<b>Sub total savings /actions to increase funding</b>	<b>(758)</b>	<b>225</b>	<b>(252)</b>	<b>(258)</b>
<b>New Year Funding</b>	<b>(8,784)</b>	<b>(8,542)</b>	<b>(8,700)</b>	<b>(8,958)</b>
<b>Annual Budget (surplus)/deficit</b>	<b>1,288</b>	<b>804</b>	<b>(26)</b>	<b>181</b>
<b>Total 4 year (surplus)/deficit</b>				<b>2,247</b>

## Council Housing Revenue Account (HRA) Business Plan – Babergh

Year	2018.19	2019.20	2020.21	2021.22	2022.23
£'000	1	2	3	4	5
<b>Total Income</b>	<b>(16,645)</b>	<b>(16,532)</b>	<b>(17,077)</b>	<b>(17,668)</b>	<b>(18,338)</b>
<b>EXPENDITURE:</b>					
General Management	2,586	2,430	2,503	2,578	2,663
Special Management	935	907	937	969	1,001
Other Management	400	398	341	220	154
Bad Debt Provision	155	193	200	165	127
Responsive & Cyclical Repairs	2,153	2,326	2,329	2,396	2,482
<b>Total Revenue Expenditure</b>	<b>6,229</b>	<b>6,254</b>	<b>6,310</b>	<b>6,328</b>	<b>6,427</b>
Interest Paid	2,847	2,829	2,809	2,795	2,794
Interest Received	(15)	(14)	(14)	(14)	(20)
Depreciation	2,721	2,721	2,721	2,789	2,789
<b>Net Operating Income</b>	<b>(4,863)</b>	<b>(4,743)</b>	<b>(5,251)</b>	<b>(5,770)</b>	<b>(6,348)</b>
<b>APPROPRIATIONS:</b>					
Revenue Provision (HRACFR)	500	0	0	0	0
Revenue Contribution to Capital	4,124	5,796	6,332	3,991	5,090
<b>Total Appropriations</b>	<b>4,624</b>	<b>5,796</b>	<b>6,332</b>	<b>3,991</b>	<b>5,090</b>
<b>ANNUAL CASHFLOW</b>	<b>(239)</b>	<b>1,053</b>	<b>1,081</b>	<b>(1,779)</b>	<b>(1,258)</b>
Opening Balance	(7,306)	(7,545)	(6,492)	(5,411)	(7,191)
<b>Closing Balance</b>	<b>(7,545)</b>	<b>(6,492)</b>	<b>(5,411)</b>	<b>(7,191)</b>	<b>(8,449)</b>

**CAPITAL PROGRAMME FOR 2018/19 to 2021/22****General Fund**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
<b>Supported Living</b>												
Mandatory Disabled Facilities Grant	409	409	409	409	1,637				1,637			1,637
Discretionary Housing Grants	100	100	100	100	400						400	400
Empty Homes Grant	100	100	100	100	400						400	400
<b>Total Supported Living</b>	<b>609</b>	<b>609</b>	<b>609</b>	<b>609</b>	<b>2,437</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,637</b>	<b>0</b>	<b>800</b>	<b>2,437</b>
<b>Strategic Housing</b>												
Grants for Affordable Housing	100	100	100	100	400						400	400
<b>Total Strategic Housing</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>400</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>400</b>	<b>400</b>
<b>Environment and Projects</b>												
Replacement Refuse Freighters - Joint Scheme	185	185	185	0	555						555	555
Recycling Bins	65	65	65	65	260						260	260
<b>Total Environment and Projects</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>65</b>	<b>815</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>815</b>	<b>815</b>
<b>Communities and Public Access</b>												
Community Development Grants	117	117	117	117	468						468	468
Play Equipment	50	50	50	50	200						200	200
Planned Maintenance / Enhancements - Car Parks	36	38	35	35	144						144	144
<b>Total Community Services</b>	<b>203</b>	<b>205</b>	<b>202</b>	<b>202</b>	<b>812</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>812</b>	<b>812</b>

**CAPITAL PROGRAMME FOR 2018/19 to 2021/22****General Fund**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 GENERAL FUND	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
<b>Leisure Contracts</b>												
Kingfisher Leisure Centre - plant and other capital	145	40	50	50	285						285	285
Hadleigh Sports & Swimming Pool - General	0	50	50	50	150						150	150
<b>Total Leisure Contracts</b>	<b>145</b>	<b>90</b>	<b>100</b>	<b>100</b>	<b>435</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>435</b>	<b>435</b>
<b>Capital Projects</b>												
Planned Maint / Enhancements - Other Corp Buildings	48	48	48	48	192						192	192
<b>Total Capital Projects</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>48</b>	<b>192</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>192</b>	<b>192</b>
<b>Investment and Commercial Delivery</b>												
Land assembly, property acquisition and regeneration opportunities	2,973	2,973	2,973	2,973	11,892						11,892	11,892
<b>Total Investment and Commercial Delivery</b>	<b>2,973</b>	<b>2,973</b>	<b>2,973</b>	<b>2,973</b>	<b>11,892</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>11,892</b>	<b>11,892</b>
<b>Corporate Resources</b>												
ICT - Hardware / Software costs	200	200	200	200	800						800	800
<b>Total Corporate Resources</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>200</b>	<b>800</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>800</b>	<b>800</b>
<b>Total General Fund Capital Spend</b>	<b>4,528</b>	<b>4,475</b>	<b>4,482</b>	<b>4,297</b>	<b>17,783</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,637</b>	<b>0</b>	<b>16,146</b>	<b>17,783</b>
<b>Total Capital Spend</b>	<b>13,103</b>	<b>13,520</b>	<b>14,081</b>	<b>14,302</b>	<b>55,007</b>	<b>2,746</b>	<b>20,243</b>	<b>14,235</b>	<b>1,637</b>	<b>0</b>	<b>16,146</b>	<b>55,007</b>

**CAPITAL PROGRAMME FOR 2018/19 to 2021/22****HRA**

BABERGH CAPITAL PROGRAMME 2018/19 - 2021/22 HOUSING REVENUE ACCOUNT	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL BUDGET (over 4 years) £'000	Capital Receipts £'000	Revenue Contributions to Capital £'000	Reserves £'000	Government Grants £'000	S106 £'000	Borrowing £'000	Total Financing £'000
<b>Housing Maintenance</b>												
Planned maintenance	4,587	4,782	4,888	5,006	19,262		9,802	9,460				19,262
ICT Projects	300	200	200	200	900		900					900
Environmental Improvements	50	50	50	50	200		200					200
Disabled Facilities work	200	200	200	200	800		800					800
Horticulture and play equipment	23	23	23	23	92		92					92
New build programme inc acquisitions	3,415	3,791	4,239	4,526	15,970	2,746	8,449	4,775				15,970
<b>Total HRA Capital Spend</b>	<b>8,575</b>	<b>9,045</b>	<b>9,599</b>	<b>10,005</b>	<b>37,224</b>	<b>2,746</b>	<b>20,243</b>	<b>14,235</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37,224</b>

**Earmarked Funds/Reserves – Babergh**

Transfers to / from Earmarked Reserves	Balance 31 March 2017 £'000	Transfers 2017/18			Balance 31 March 2018 £'000	Transfers 2018/19			Balance 31 March 2019 £'000
		Intra £'000	Out £'000	In £'000		Intra £'000	Out £'000	In £'000	
<b>General Fund</b>									
Carry Forwards	(219)		219		-				-
Transformation Fund	(1,006)		2,587	(2,179)	(598)		2,134	(1,663)	(126)
Non Domestic Rates Equalisation	-			(337)	(337)		337		-
Government Grants	(265)			(88)	(353)				(353)
Waste - MRF	-			(102)	(102)				(102)
S.106 Agreements	(232)				(232)				(232)
Community Infrastructure Levy (CIL)	(67)				(67)				(67)
Growth and Sustainable Planning	(20)			(45)	(65)				(65)
Strategic Planning	(295)			(3)	(298)		95		(203)
Elections Fund	(30)			(20)	(50)			(20)	(70)
Planning Enforcement	(20)				(20)				(20)
Revocation of personal search fees	(54)				(54)				(54)
<b>Total General Fund</b>	<b>(2,208)</b>	<b>-</b>	<b>2,806</b>	<b>(2,774)</b>	<b>(2,176)</b>	<b>-</b>	<b>2,566</b>	<b>(1,683)</b>	<b>(1,293)</b>
<b>Total General Fund excluding Transformation</b>	<b>(1,202)</b>	<b>-</b>	<b>219</b>	<b>(595)</b>	<b>(1,578)</b>	<b>-</b>	<b>432</b>	<b>(20)</b>	<b>(1,166)</b>