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

2017/18 to 2020/21

February 2017

Contents

Foreword from the Leaders of the Councils

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

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

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

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

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

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

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

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

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

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

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

Cllr. Jennie Jenkins
Leader
Babergh District Council

Cllr. Nick Gowrley
Leader
Mid Suffolk District Council

1. Summary – Key Points

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

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

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

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

1.3 Key financial headlines:

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

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

2. Purpose of the MTFS

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

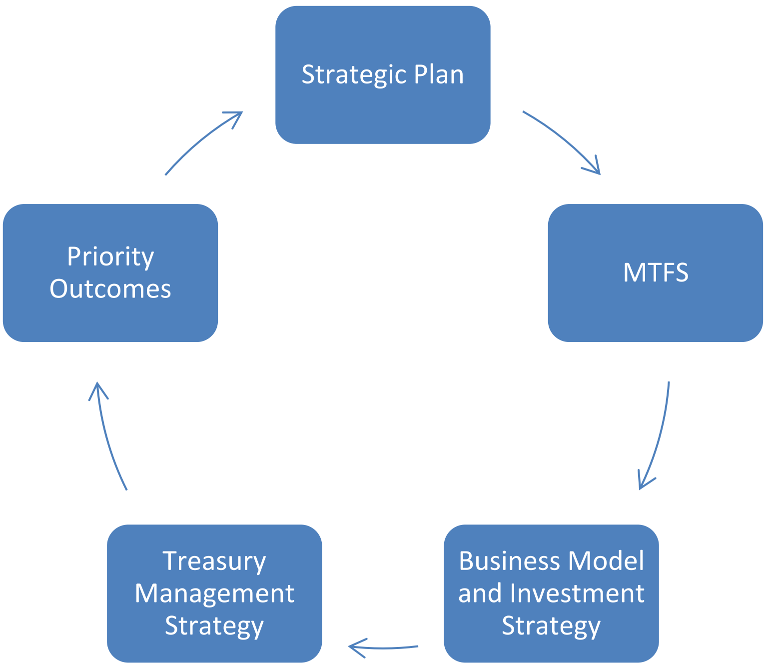
2.2 Like all local authorities, Babergh and Mid Suffolk's MTFS is influenced by national government policy, funding changes and Government spending announcements.

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

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

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

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



3. National Economic Context

The UK economy

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

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

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

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

Government borrowing and spending

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

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

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

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

The changing landscape of local government funding

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

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

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

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

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

- Business Rates Retention

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

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

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

- New Homes Bonus

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

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

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

- Additional Income

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

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

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

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

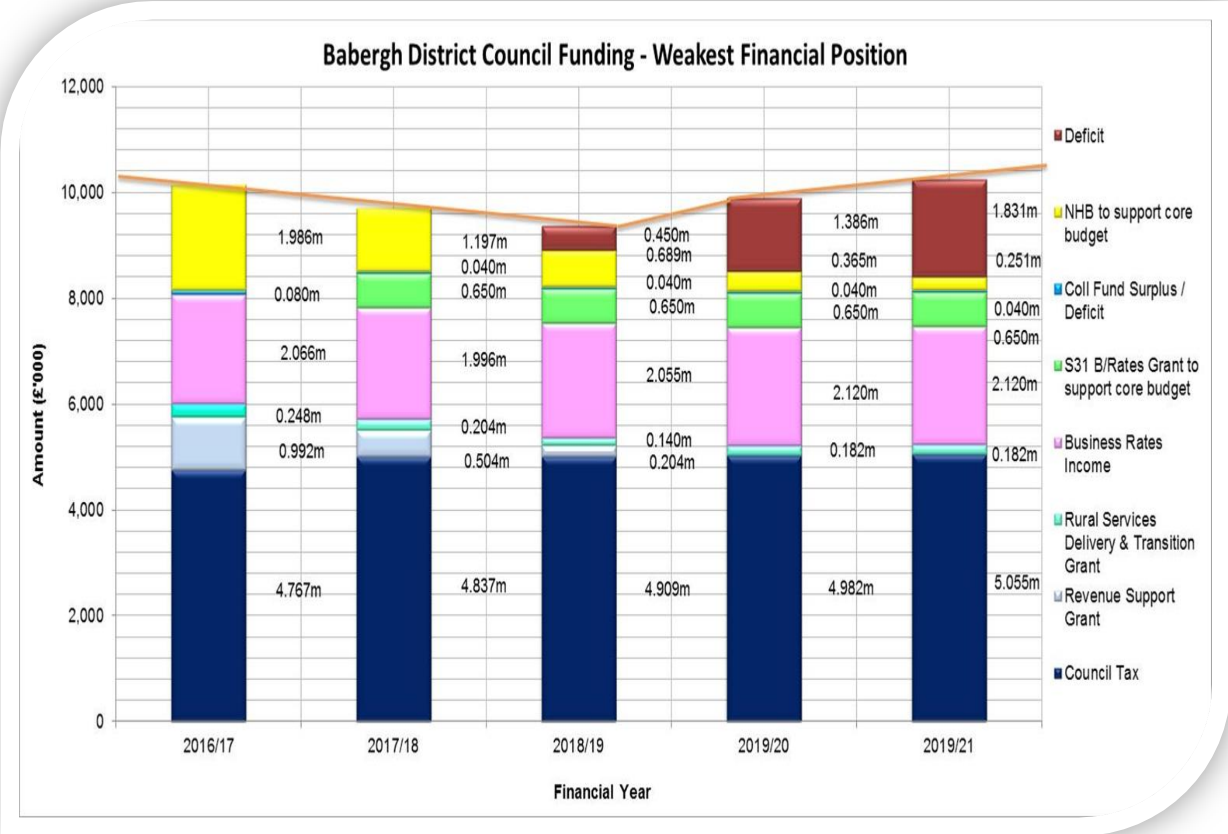
Each Council has also determined to use its prudential borrowing powers to invest in a way that will contribute towards our strategic priorities, but also deliver an investment return.

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

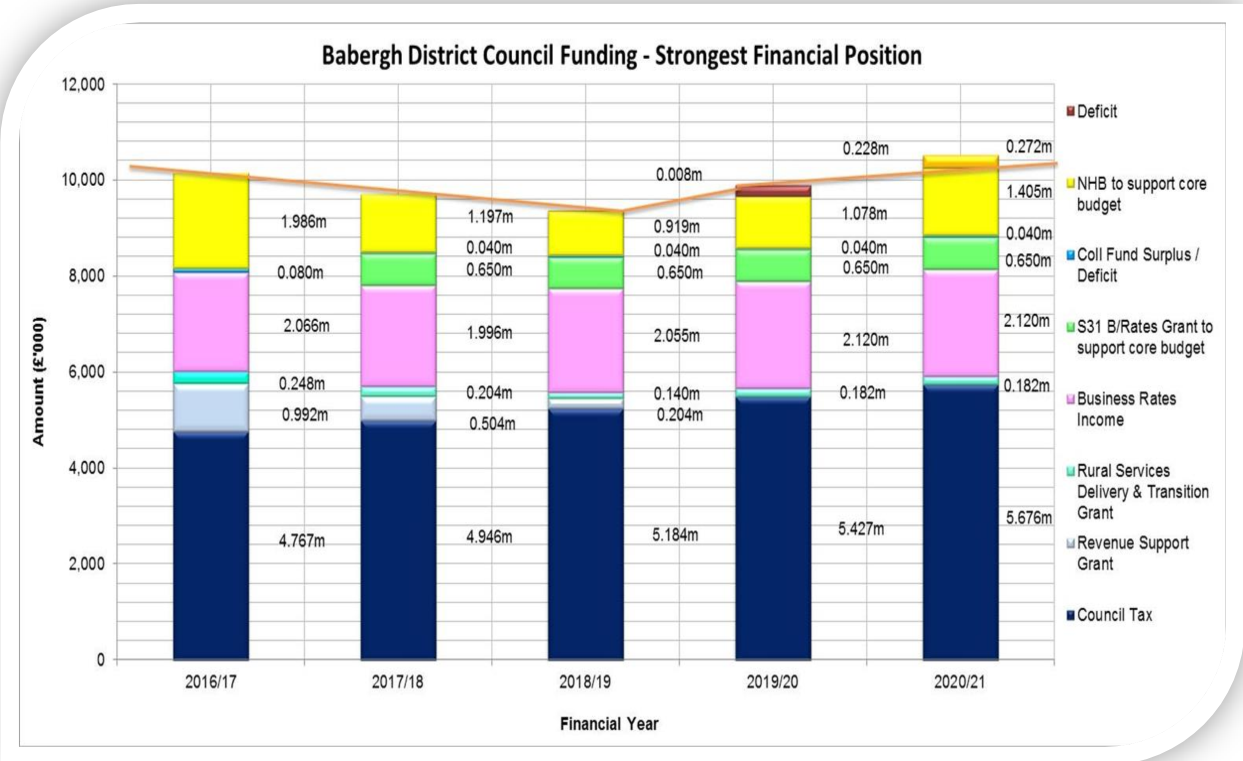
The Funding Gap

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

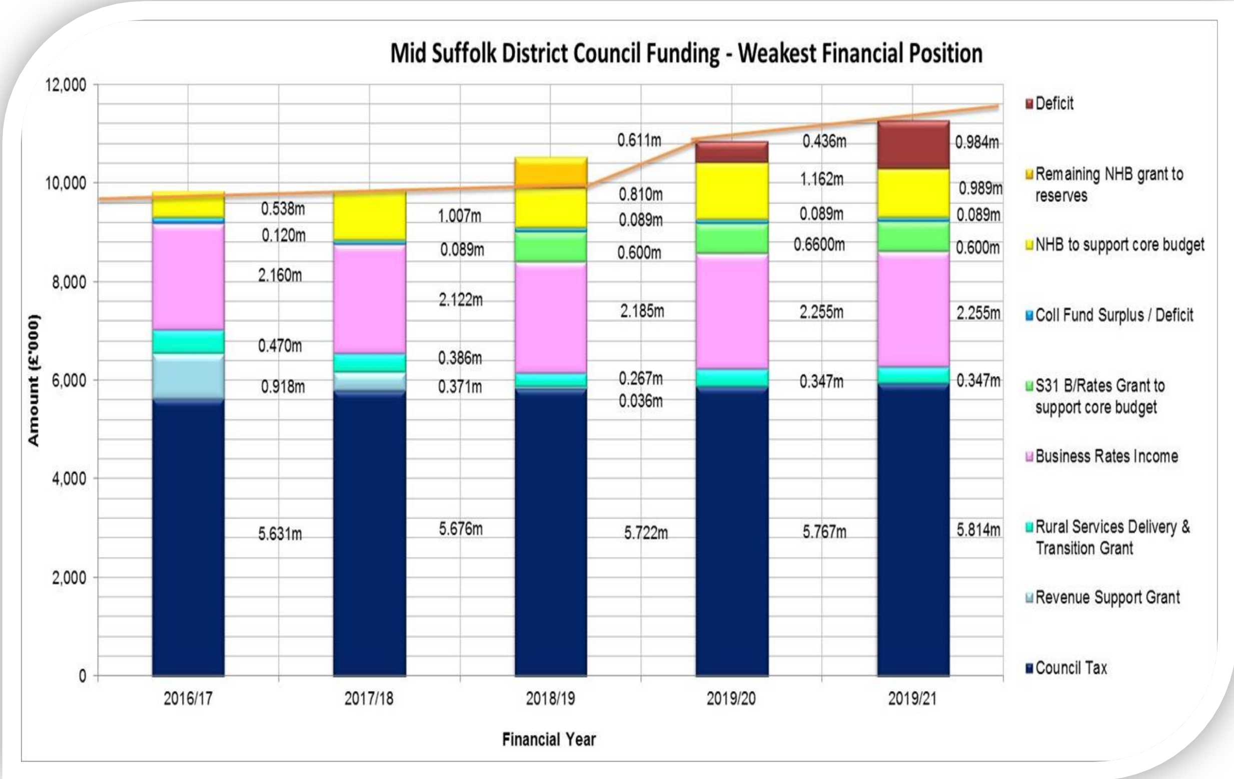
3.14 Modelling the strongest and weakest financial positions scenarios, the graphs below show the different funding position for the General Fund of the two Councils over the next 4 years and whether there is a surplus or deficit in the funds available. Further steps to increase income and/or reduce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



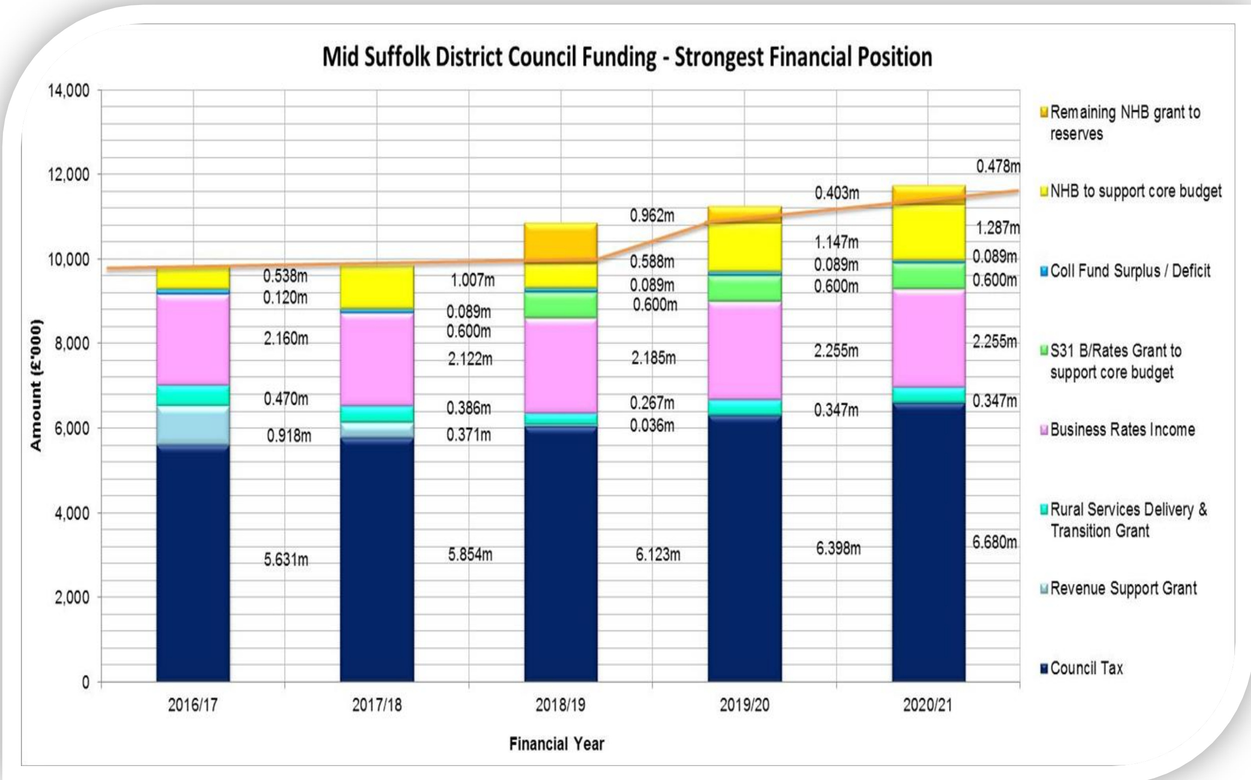
Babergh District Council Funding - Weakest Financial Position
Amount (£'000)
12,000
10,000
8,000
6,000
4,000
2,000
0
1.986m
0.080m
2.066m
0.248m
0.992m
4.767m
1.197m
0.040m
0.650m
1.996m
0.204m
0.504m
4.837m
0.450m
0.689m
0.040m
0.650m
2.055m
0.140m
0.204m
4.909m
1.386m
0.365m
0.040m
0.650m
2.120m
0.182m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



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



Mid Suffolk District Council Funding - Weakest Financial Position
Amount (£'000)
Financial Year
2016/17
2017/18
2018/19
2019/20
2019/21
0.538m
0.120m
2.160m
0.470m
0.918m
5.631m
1.007m
0.089m
2.122m
0.386m
0.371m
5.676m
0.611m
0.810m
0.089m
0.600m
2.185m
0.267m
0.036m
5.722m
0.436m
1.162m
0.089m
0.6600m
2.255m
0.347m
5.767m
0.984m
0.989m
0.089m
0.600m
2.255m
0.347m
5.814m
Deficit
Remaining NHB grant to reserves
NHB to support core budget
Coll Fund Surplus / Deficit
S31 B/Rates Grant to support core budget
Business Rates Income
Rural Services Delivery & Transition Grant
Revenue Support Grant
Council Tax



Mid Suffolk District Council Funding - Strongest Financial Position
Amount (£'000)
Financial Year
2016/17
2017/18
2018/19
2019/20
2020/21
0.538m
0.120m
2.160m
0.470m
0.918m
5.631m
1.007m
0.089m
0.600m
2.122m
0.386m
0.371m
5.854m
0.962m
0.588m
0.089m
0.600m
2.185m
0.267m
0.036m
6.123m
0.403m
1.147m
0.089m
0.600m
2.255m
0.347m
6.398m
0.478m
1.287m
0.089m
0.600m
2.255m
0.347m
6.680m
Remaining NHB grant to reserves
NHB to support core budget
Coll Fund Surplus / Deficit
S31 B/Rates Grant to support core budget
Business Rates Income
Rural Services Delivery & Transition Grant
Revenue Support Grant
Council Tax

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

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

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

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

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

A developing business model

4.5 In high level terms, this comprises:

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

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

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

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

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

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

Our Overall Strategic Response

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

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

4.10 Further details on each key action are provided below:

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

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

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

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

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

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

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

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

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

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

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

Behaving more commercially and generating additional income

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

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

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

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

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

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

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

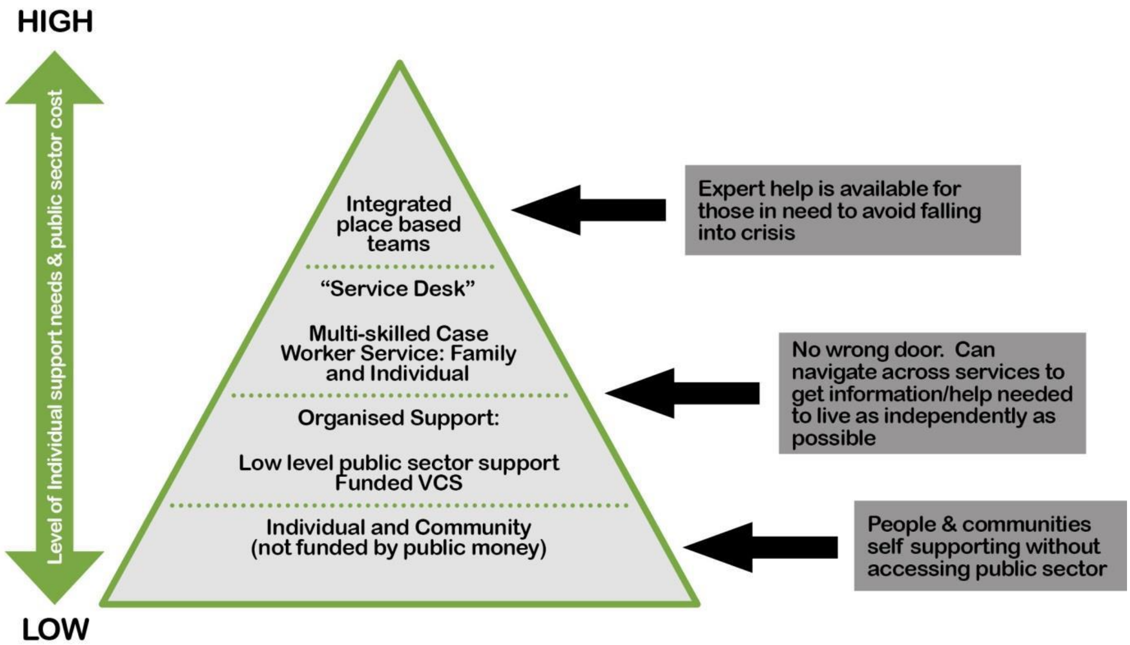
The traditional model of public sector service delivery is obsolete. The Joint Strategic Plan recognises this and contains a commitment to deliver more efficient Public Access arrangements. The aim of the Public Access Strategy is to support us to deliver these outcomes in the Joint Strategic Plan and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

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

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

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

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



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

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

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

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

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

Links to our Joint Strategic Plan

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

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

5. Investing in our Strategic Priorities and future

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

Funding and Investment Opportunities

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

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

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

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

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

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

Council Housing

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

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

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

- The Housing and Planning Bill includes requirements for households with an income higher than £31k to be charged higher rents. However, in the Autumn Statement this amount was amended to £60k and the policy became discretionary.

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

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

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

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

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

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

- Performance management measures and complaints handling

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

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

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

- The Sheltered Housing Review concluded that some schemes which are difficult to let would be 'de-sheltered' ahead of a predicted reduction in Housing Related Support funding.
- Reviewing the existing Capital Projects Team (formerly part of the Asset Management Team) and Private Sector Housing Team has brought them together in one team called Property Services. This has led to a change in the way the work is being carried out and how the teams are structured to introduce a more efficient and consistent way of working. The new structure will be in place by March 2017.
- Councillors approved the formation of a new Babergh & Mid Suffolk Building Services (BMBS) team, which will carry out responsive repairs and programmed works. The BMBS business plan forecasts a surplus in year two of trading (2018/19). The back office team structure is currently under review, along with the Property Services team.
- A new HRA Accounting Team was set up following the appointment of a Professional Lead HRA Accountant in July 2016. A review of the Budget setting and monitoring process, financial controls, support required by CM's and Assistant Director and Capital spend will be completed by March 2017.
- Leaseholders service charges are being reviewed to identify the gap between costs incurred and the amount recharged. This is currently ongoing and will be completed in 2017/18 so any increase in income identified has not been put into the 2017/18 Budget.

New build programme and retention of Right to Buy receipts

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

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

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

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

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

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

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

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

Links to Our Overall Delivery Plans

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

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

6. Summary of our financial positions

Revenue Budget Strategy

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

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

Key aspects of the funding position and the MTFS forecasts

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

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

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

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

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

Key assumptions in the MTFS:

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

General Fund minimum working balance

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

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

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

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

Capital Investment Strategy

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

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

6.10 Both Councils have a long tradition of investing in their communities.

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

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

Council Housing

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

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

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

Treasury Management Strategy

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

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

Prudential Borrowing

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

Managing Risks

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

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

Capital Receipts

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

Earmarked Reserves

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

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

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

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

Attachment 1

General Fund Revenue Budget Summary/Forecasts - Babergh

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

Weakest Financial Position

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

General Fund Revenue Budget Summary/Forecasts - Babergh

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

Medium Financial Position

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

Attachment 1 Cont'd

General Fund Revenue Budget Summary/Forecasts - Babergh

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

Strongest Financial Position

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

Movement of Service Cost Budget Year on Year

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

Attachment 3

Council Housing Revenue Account (HRA) Business Plan – Babergh

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

Attachment 4

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

General Fund

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

Attachment 4 Cont'd

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

General Fund

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

Attachment 4 Cont'd

CAPITAL PROGRAMME FOR 2017/18 to 2020/21

HRA

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

Attachment 5

Earmarked Funds/Reserves – Babergh

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