BABERGH DISTRICT COUNCIL

To: Strategy Committee	**Report Number: R83**
From: Management Board	**Date of meeting: 7 January 2016**

DRAFT JOINT MEDIUM TERM FINANCIAL STRATEGY AND 2016/17 BUDGET

1. Purpose of Report

1.1 To consider the draft Joint Medium Term Financial Strategy (MTFS) and draft 2016/17 Budget, covering the General Fund, Council Housing and Capital Investment.

1.2 These reflect the challenges and opportunities facing the Council in the short and medium/long term, the business model that is being put in place to address these and an investment strategy to deliver the Council's strategic priority outcomes that will be set out in a refreshed Joint Strategic Plan that will come to Strategy Committee in February.

1.3 This report sets out, therefore, how the Council intends to use its available resources and funding to not only achieve the agreed strategic priority outcomes but also realign resources to them and undertake a programme of transformational activities and projects over the medium term.

1.4 To enable Members to consider key aspects of the 2016/17 Budgets, including Council Tax and Council House rent levels.

2. Recommendations

2.1 That the draft Joint Medium Term Financial Strategy (MTFS) and Budget proposals set out in the report be endorsed, subject to further consideration at the February meeting for recommendation to Council.

2.2 That the final General Fund Budget for 2016/17 is based on an increase to Council Tax of 5.4p per week for a Band D property, which is equivalent to 1.95%, to support the Council's overall financial position, which will be considered further at the February Strategy Committee meeting.

2.3 That the draft Housing Revenue Account (HRA) Investment Strategy 2016/17 to 2020/21 and draft HRA Budget for 2016/17 be agreed, subject to further consideration at the February Strategy Committee meeting.

2.4 That the mandatory decrease of 1% in Council House rents, equivalent to an average rent reduction of £0.92 a week as required by the Welfare Reform and Work Bill be implemented.

2.5 That an action plan be developed by the Head of Housing in consultation with the Tenants Forum, Joint Housing Board and elected Members to mitigate the impact of the legislative changes on the HRA and the strategic priorities.

2.6 That garage rents be increased by 10% to provide some additional income to the HRA (an increase of 76 pence per week).

2.7 That accommodation related service charges for sheltered tenants be increased by an average increase £4.87 per week.

2.8 That utility charges for sheltered tenants are reduced by 20%, representing an average reduction of £2.68 per week

2.9 That in principle, Right to Buy receipts should be retained to enable continued development and acquisition of new council dwellings.

2.10 That the revised HRA Business Plan in Appendix B be noted.

2.11 That the proposed capital programme in Appendix C be agreed.

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

3. Financial Implications

3.1 These are detailed in the report.

4. Legal Implications

4.1 These are detailed in the report.

5. Risk Management

5.1 This report is most closely linked with the following Significant Business Risks. Key risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to plan and identify options to meet the medium term budget gap and savings or additional income not being realised.	Unlikely	Bad	Clear priority outcomes and robust business cases for investment plus use of the Transformation Fund to support the MTFS and an Investment Strategy. Further use of Priority Based Resourcing approach to align resources to priorities
Ongoing impacts of the Welfare and Funding Reforms could lead to unpreparedness for further changes.	Unlikely	Bad	Ensure adequate bad debt provision and that the Income Management Strategy seeks to mitigate the impact of the changes on residents, the Council's income streams and budgets.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to implement cost sharing protocol results in inaccurate or unfair allocation of shared costs and income.	Very low	Noticeable	Assessment made for 2016/17 Budget, which will be reviewed further to ensure it is robust and accurate. Amend if circumstances change.
Council Housing self-financing results in a greater risk to investment and service delivery plans from inflation and other variables.	Unlikely	Noticeable	Inflation and interest rate assumptions have been modelled in the HRA business plan. Capital receipts and capital programme funding reviewed.
Failure to spend retained RTB receipts within 4 year period, will lead to requirement to repay to Government with an additional 4% interest.	Unlikely	Bad	Provision has been made in the updated HRA Investment Strategy to enable match funding and spend of RTB receipts, subject to the announcement of the details of the the Housing & Planning Bill measures affecting council housing.

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

6. Consultations

6.1 Consultation on the HRA proposals took place with the Tenants Forum on the 9 December 2015. The members of the Tenants Forum were surprised by the measures introduced by the Housing & Planning Bill and the Welfare Reform and Work Bill, ie, 1% reduction in social housing rents, higher rents for households with an income greater than £30k and the requirement for local authorities to sell high value council houses to fund Right to Buy discounts for housing associations. The Forum members were supportive of the council's approach to meeting these challenges and keen to work with officers to find the best solutions.

6.2 A meeting of the Joint Housing Board (JHB) took place on the 14 December 2015. The JHB generally support the overall Budget proposals and agreed the recommendations to Strategy Committee as set out in 2.5, 2.6 and 2.9.

7. Equality Analysis

7.1 Equality Analyses will be undertaken for any service areas where significant changes are proposed as a result of the above process.

8. Shared Service / Partnership Implications

8.1 The Joint Strategic Plan and MTFS determine and shape the Council's future plans and service provision, with regard to each Council's financial position.

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

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

9. Links to Joint Strategic Plan

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

10. STRATEGIC CONTEXT

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

10.2 The Council recognised the changing funding landscape, the challenges and opportunities this creates and has developed a Medium Term Financial Strategy (MTFS) that responds to this challenge. The draft updated MTFS is attached at Appendix D and continues the direction of travel of the councils in developing the business model to respond to the financial challenges.

10.3 The strategic response to those challenges, to ensure long term financial sustainability, is set out in six key actions:

(a) Aligning resources to the councils' refreshed strategic plan and essential services.

(b) Continuation of the shared service agenda, collaboration with others and transformation of service delivery.

(c) Behaving more commercially and generating additional income.

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

(e) Encouraging the use of digital interaction and transforming our approach to customer access.

(f) Taking advantage of new forms of local government finance (e.g. new homes bonus, business rates retention).

The actions that have been taken under this strategy, during 2014/15 and 2015/16, mean that the Council is in a better position to withstand the reduction in government grant and achieve a balanced budget in 2016/17.

10.4 The details within the Joint MTFS show the funding pressures over the three years 2017/18 to 2019/20 (£1.9m) and the level of resources that could be available to fund those pressures. This has been updated following the Local Government Finance Settlement announcement on 17 December.

10.5 In recognition of the changing landscape for local authorities, work has been underway to review and refresh the Joint Strategic Plan. This will be brought forward at the same time as the final budget proposals in February. Complementing this has been a focussed management review to ensure that the Council has the right skills and capacity to support the MTFS.

10.6 The Transformation Fund has been supplemented with New Homes Bonus and business rates grant and used cautiously over the last two years to support the transition to the different business model and this will continue during 2016/17. It will also be used to fund staff that are involved in projects that support new ways of working.

10.7 Each Council is being asked to agree the key aspects of the proposed Budget for 2016/17 and endorse the draft Joint MTFS in order to achieve a sustainable financial basis in the medium term. Without this strategy, which focuses on achieving outcomes, invest to save and generating income, there is a significant risk that each council will be unsustainable financially in the medium to longer term.

11. FINANCIAL POSITION

General Fund

11.1 Funding arrangements for councils have changed significantly with Revenue Support Grant (currently £1.6m) being substantially withdrawn over the next 2-3 years and Councils becoming reliant on Business Rates income and 'incentivised' funding such as the New Homes Bonus. Business rates and new homes growth will, therefore, be the main sources of income (plus other income generated locally) if we are to achieve a sustainable Budget in the years ahead.

11.2 Total estimated core funding (Revenue Support Grant + Baseline Business Rates) is reducing by a further 18% in 2016/17. This includes, in relation to the Revenue Support Grant element, a further cut of £654k or 40%. New homes bonus is increasing from £1.602m to £1.779m. Further details of the Government's provisional spending announcement on the 17 December 2015 are set out below:-

- Continuation of the council tax referendum threshold at 2%;
- Potential additional council tax revenue from £5 referendum principle for districts with lower quartile Band D council tax levels;
- A four year settlement is available, but the figures for 2017/18 and beyond will be conditional on councils publishing an efficiency plan;
- Compensation for the 2% cap on the small business rates multiplier in 2014/15 and 2015/16 and doubling of small business rate relief to continue – all funded by additional Section 31 grant;

- National New Homes Bonus top-slice of £1,275m from RSG and £210m specific grant;

- Continuation of the rural (SPARSE) services delivery grant.

11.3 Looking ahead to 2017/18 and beyond, the Government's indication is that Revenue Support Grant will reduce year on year and disappear by 2019/20. The rate at which it is being withdrawn is greater than anticipated. The provisional figures show, that for Babergh, RSG will be only £204k in 2018/19.

11.4 It must be emphasised that the total estimated core funding for next year and future years is not a fixed guaranteed amount as it is now dependent on variations in business rates income. This is carefully monitored and the volatility and risks, for example, rate relief for schools converting to academies and the level of appeals, will affect the amount of income received.

Council Housing - Housing Revenue Account (HRA)

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

11.6 On 1 April 2012 the HRA left the housing subsidy system and entered into Self-Financing. Babergh's determination settlement payment was calculated at £83.6m. This was based on projected levels of income, expenditure and existing stock values and took HRA long term borrowing levels to £89.6m. A borrowing cap in the form of a Capital Financing Requirement (CFR) is set at £97.8m. The CFR must not be exceeded.

11.7 HRA CFR levels are predicted to be £85.8m at 31 March 2016 providing borrowing headroom of £10.3m. New build/acquisitions funding within the Capital Programme 2016 – 2020 totals £15.9m and HRA reserve balances 2016 – 2020 are forecast at £5.7m. This will provide a total HRA Investment Fund contribution of £31.9m to deliver Members strategic housing priorities and outcomes (or, in relation to the HRA reserve balances, to set aside provision for future maturity debt repayment).

11.8 Aligned Strategic Priorities have been agreed by Elected Members and key projects, to support delivery of the Aligned Priorities have also been agreed.

11.9 For example: Project 6 – Housing Delivery is where work supporting delivery of the Homes and Communities Agency (HCA) 27 new affordable homes, which will become new HRA assets, sits. These new homes will deliver New Homes Bonus for the Council, additional rent and council tax, additional jobs and local businesses will benefit. All these factors will bring growth to our local economy.

12. Overall Financial and Budget Strategy (short and medium term)

12.1 In order to address the budget gap, both in the short and medium term, the process adopted was to continue the priority based budget approach in "outcome focused" workshops to identify ideas for services that could be delivered more efficiently and effectively.

12.2 As well as these workshops finance worked closely with Corporate Managers to identify savings from their budgets with a view to achieving approximately 10% savings, this achieved a total of £255k.

12.3 Three types of savings were identified from these discussions:

- Budget saving ideas where there was some impact, but could be managed amounting to £56k

- Budget saving and income generation ideas which have a service impact and were discussed with the Portfolio Holders amounting to £161k

- Financial planning ideas beyond 2016/17

12.4 The original budget gap for 2016/17 was £1.8m, after taking into account additional budgetary pressures including inflation and the above savings the remaining gap is £2m, which will be funded from a combination of New Homes Bonus and business rates grants. A summary of these savings and pressures can be found at Appendix E.

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

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

- This Bill also proposes a reduction in the benefit cap for working age families from £23k to £20k

- The Housing and Planning Bill includes requirements for households with an income higher than £30k to be charged higher rents

- This Bill also requires councils to sell their high value council homes to fund Right to Buy discounts for housing association tenants

- The impact of these measures and the action required to mitigate them are described in section 12 of this report

12.6 It is recognised that, in order to deliver the outcomes that we want to achieve and rise to the financial challenge over the next 3-4 years, 2016/17 will be a year that will need to provide further change to the business model. Funding from both the General Fund and HRA need to be harnessed to support our Investment Strategy and income generation/savings approach in terms of:-

- Applying incentivised funding (e.g. New Homes Bonus) through the Transformation Fund to support transformational projects, activities and strategic planning that will deliver the council's priorities in the short and medium term;

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

13. Potential Resources available for Investment

General Fund

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

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

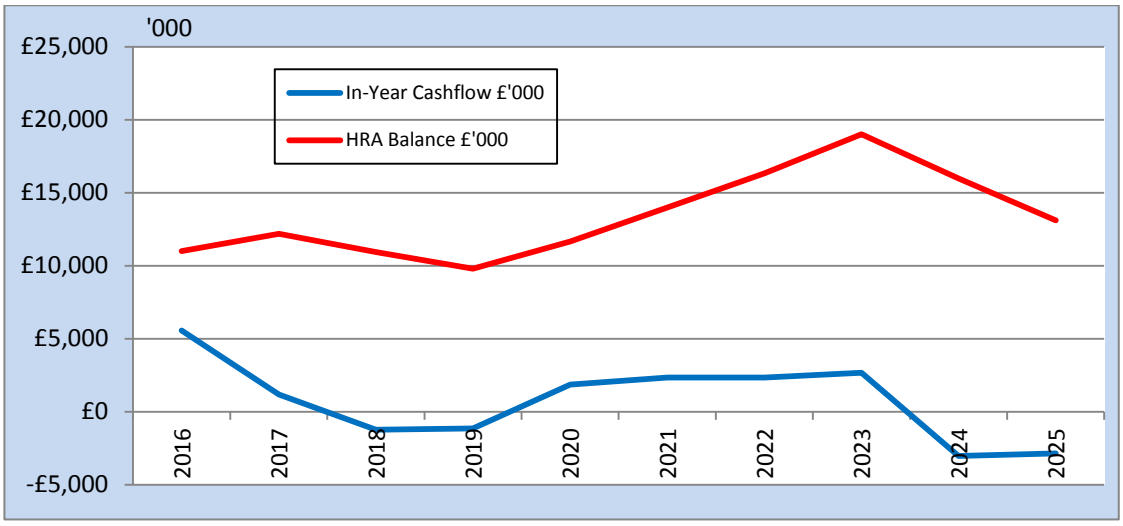
Housing Revenue Account

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

13.3 A key aspect of the business plan is the revenue cash flow predicted over the coming years. Another important feature is the amount available for building new homes. Both are illustrated in the following graphs:-

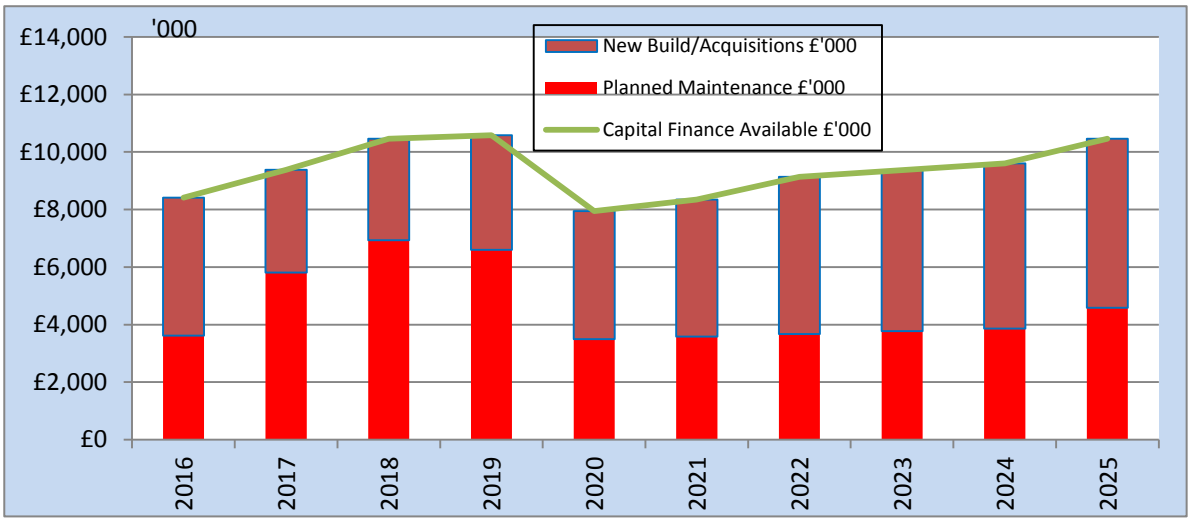
<u>Graph A - Revenue cash flows from 2016/17 for 10 years</u>

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



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

This graph shows proposed Capital Programme expenditure and debt cap levels within the HRA Business Plan up to Year 10 (2016/17 to 2025/26).). The HCA new build programme does not extend beyond year 2, although significant investment continues through the Right to Buy replacement programme. Graphs A and B are inter-dependent with revenue surpluses providing financial availability for investment in homes and improvement programmes.



14. 2016/17 Draft Budget

General Fund

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

- Expenditure and Income budgets for 2016/17 have been re-assessed to reflect updated information and the estimated impact of the capital programme and borrowing;

- This has resulted in an overall decrease in the ‘Core’ Budget of nearly £0.2m;

- Baseline Business Rates income to increase by 1%, recognising that any further income will provide an additional funding source;

- Increased income from the Council Tax base and a surplus on the Collection Fund (Note: No changes to the Local Council Tax Reduction Scheme are proposed – same as in 2015/16);

- A council tax increase in the Band D council tax of 5.4p per week for a Band D property, which takes it to £146.67 and equates to a 1.95% increase. The Council is minded to take advantage of the fact that it could raise Band D council tax by £5 without the need for a referendum because it is in the lowest quartile nationally. This would be an increase of 9.6p per week or 3.5% and will be included in the February report to Strategy Committee.

- Certain fees and charges e.g. land charges, but excluding car parking, increased by 3%.

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

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

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

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

Council Housing - Housing Revenue Account (HRA)

Key Challenges

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

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

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

Year 1:	£0.3m
Years 1 to 4:	£4.5m
Years 1 to 10:	£18.1m

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

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

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

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

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

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

New build programme and retention of Right to Buy receipts

14.11 Right to Buy (RTB) sales for both councils have exceeded projections in business plans. In 2014/15 Babergh sold 23 against original projections of 5 sales.

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

14.13 The Government has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are restricted. This time last year, we were able to say that supporting spending of RTB receipts, building new council homes and investing in the maintenance and improvement of council homes was achievable within current borrowing headroom. Now, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable. This could be further exacerbated by higher rents for tenants with higher incomes, potentially increasing Right to Buy sales.

Draft Budget 2016/17

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

Description	2015/16 £000	2016/17 £000	Variance £000	Reason
Rent and other income	(16,940)	(16,940)	0	Based on a proposed average rent decrease of 1%. Offset by decrease in void days and changes in service charges
Bad Debt Provision	201	75	(126)	Bad debt levels can be reduced due to delay of Universal Credit and lower impact of welfare reform and other changes than anticipated
Interest	(15)	(16)	(1)	
Total Net Income	(16,754)	(16,881)	(127)	
Repairs and Maintenance, Management and other costs	5,674	5,262	(412)	Reflects review of all costs.
Capital Charges	2,860	2,824	(36)	Reflects interest costs on fixed rate long term loans
Revenue Contribution to Capital Programme	9,241	2,721	(6,520)	No additional revenue funding for the capital programme required beyond Major Repairs Allowance
Debt Repayment	500	500	0	
Total Expenditure	18,275	11,307	(6.968)	
In-year operating (surplus)/deficit	1,521	(5,574)	(7,095)	
Year-end transfer to/from reserves	(1,521)	5,574	7,095	
Total	0	0	0	

14.15 A revised and updated HRA Business Plan is attached at Appendix B, based on annual rent reduction of 1% also reflecting;

- HCA scheme development costs;
- Funding to support spend of RTB receipts and capital programme expenditure.

14.16 The currently approved HRA Business Plan assumed projected rent increases at 3%. This assumption was based on CPI being 2%. CPI in September 2015 was -1% but a 3% increase is needed to sustain investment plans, including new homes provision therefore an adjustment to capital programmes will be required in future years.

14.17 The established rent formula empowers Government to restrict our ability to increase rents through applying a 'limit rent' this is the average rent level at which full housing benefit will be paid. If our average rent exceeds this amount then a payment has to be made to the Government to make up the difference.

14.18 Limit rent figures will be released at the end of January 2016. This could still have an impact on rent levels in addition to the -1% change required.

Capital Programme Investment

General Fund

14.19 The draft capital programme is attached at Appendix C.

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

Council Housing - HRA

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

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

15. Appendices

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

16. Background Documents

Local Government Finance Settlement.

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Appendix A

Draft General Fund Budget Summary 2016/17

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

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

Transformation Funds - Replacement Table (pg 15)

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

HRA Business Plan updated 2016 – 2026

Babergh District Council

Appendix B

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

APPENDIX C

DRAFT CAPITAL PROGRAMME FOR 2016/76 TO 2019/20

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

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

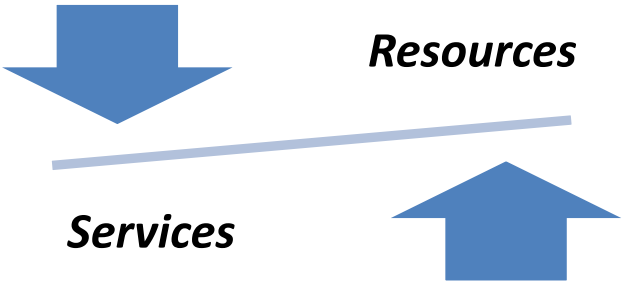
BABERGH CAPITAL PROGRAMME 2015/16	2015/16 Original Budget £'000	2015/16 Revised Budget inc Carry Forwards £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Housing Revenue Account						
Planned Maintenance & Response						
Planned maintenance	2,581	3,721	2,779	4,360	4,968	4,664
Other programmes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

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

Appendix D

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

2016/17 to 2019/20



Draft - December 2015

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 2016/17 to 2019/20 and builds on the work started in 2015/16 and before.

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 as outlined in the Comprehensive Spending Review announcement in November. 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 over the years before 2015/16 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 have also been reviewing the priorities set out in our Joint Strategic Plan to ensure that they support our ambitions since the local election in May 2015.

The vision, priorities and outcomes set out in our refreshed Joint Strategic Plan will shape and inform real choices about the allocation of resources in future 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 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 will be reviewing 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.

Announcements during 2015 that local authorities will be able to retain 100% of business rates income from 2020 and that Revenue Support Grant will be phased out, mean 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. Derrick Haley
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, which could include the establishment of a trading company through which we can generate additional income.

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 £3.3m across both councils, will reduce year on year and will disappear by 2019/20
- Allocation of New Homes Bonus (NHB) to local authorities will change during 2016/17 following consultation and is likely to decrease for district councils
- Due to annual cost pressures and other things that impact on the Budget of each council, we estimate that further savings/additional income of around £3.6m will be needed by 2019/20

- 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 challenges are significant and similar for both councils.
- Transformation Funds of around £8.5m across the two councils are available currently to invest in changing our business model and generate economic growth. Some money has been used in the last two years to make the change in our business model, but more needs to be done.
- New homes and 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 with any devolution deal across Suffolk and Norfolk, the revaluation in 2017 and 100% retention from 2020.
- A Capital Investment & 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 economic growth by working with communities and other partners.

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.

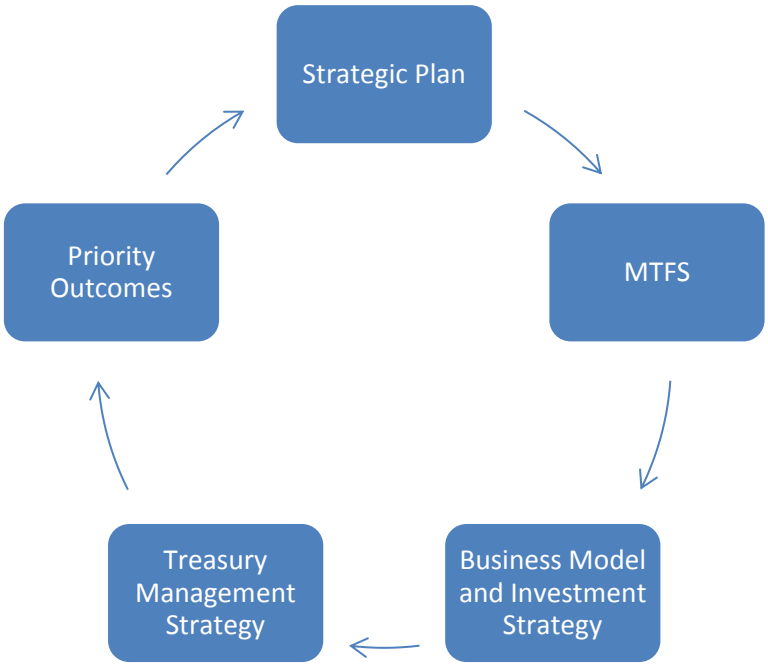
2.2 Like all local authorities, Babergh and Mid Suffolk's MTFS is influenced by national government policy, funding changes and Government spending announcements.

2.3 The Local Government Finance Settlement has published the figures for 2016/17 and indicative numbers to 2019/20. 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 Domestic demand has grown robustly through 2015, supported by sustained real income growth and a gradual decline in private sector savings.

3.2 Low oil and commodity prices were a notable feature of 2015, and contributed to annual CPI inflation standing at 0.1% in November. Wages are growing at 3% a year, and the unemployment rate has dropped to 5.4%. Mortgage approvals have risen to over 70,000 a month and annual house price growth is around 3.5%. These factors have boosted consumer confidence, helping to underpin retail spending and hence GDP growth, which was an encouraging 2.3% a year in the third quarter of 2015.

3.3 The Bank of England's Monetary Policy Committee (MPC) sent signals that some Members were willing to countenance higher interest rates, but the MPC held the base rate at 0.5% for the 81st consecutive month at its meeting in November 2015. Our treasury advisor projects the first 0.25% increase in UK Bank Rate in the third quarter of 2016, rising by 0.5% a year thereafter, finally settling between 2% and 3% in several years' time.

3.4 The outcome of the UK general election saw some big shifts in the political landscape and put the key issue of the UK's relationship with the EU at the heart of future politics. Uncertainty over the outcome of the forthcoming referendum could put downward pressure on UK GDP growth and interest rates.

Government borrowing and spending

3.5 The Government's continuing intention to reduce the UK's current budget deficit and level of debt, through public spending control, is well documented.

3.6 The Chancellor's Autumn Statement and Comprehensive Spending Review in November 2015 confirmed that the austerity programme to reduce the structural deficit will continue for the remainder of this Parliament. The continued commitment to protect services such as the National Health Service, education, overseas aid and support for social care is continuing the pressure on the local government sector's overall national budget.

3.7 Future borrowing and spending will be affected by general economic conditions and Government priorities.

The changing landscape of local government funding

3.8 There is a different way that local government is funded. The Government has introduced:

- Incentivised Funding - New Homes Bonus introduced in 2011 and other bids for funding increasing such as Transformation Challenge Awards

- 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.

3.9 Core funding from Revenue Support Grant (RSG) has been reducing year on year and the Government announced in the Autumn Statement that it will disappear by 2019/20. Councils are, therefore, becoming reliant on locally generated income and incentivised funding.

3.10 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.

3.11 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 have entered into a business rates pooling arrangement where a percentage of the business rates collected by each councils goes into a single pool. The financial benefits are shared between councils and a proportion used to support collaborative ventures that will achieve 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. Current levels of new homes being built will not meet the forecast funding gaps over the 3 years beyond 2016/17.

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, and is paid for the following six years. New homes also increase the council tax base and hence the amount of council tax income received.

The Government will be consulting on changes to the NHB scheme during 2016/17, with any changes likely to take effect from April 2017. The proposal is to reduce the number of years paid from six to four to release resource that can be directed towards social care. There may also be some change between the current 80:20 split between district and county councils.

The assumption in this MTFS is that NHB will reduce to four years beyond 2016/17 and that the current split between district and county councils remains. The latter assumption is likely to change when the consultation document is published. The only increase in funding from this source in future will come from additional growth in housing numbers as long as the income from growth in the new year is greater than the year it is replacing.

- 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. private rented sector, borrowing to invest to generate 'profit for purpose' and other new ways of doing business better. We will also investigate establishing a trading company that could also generate income for the councils.

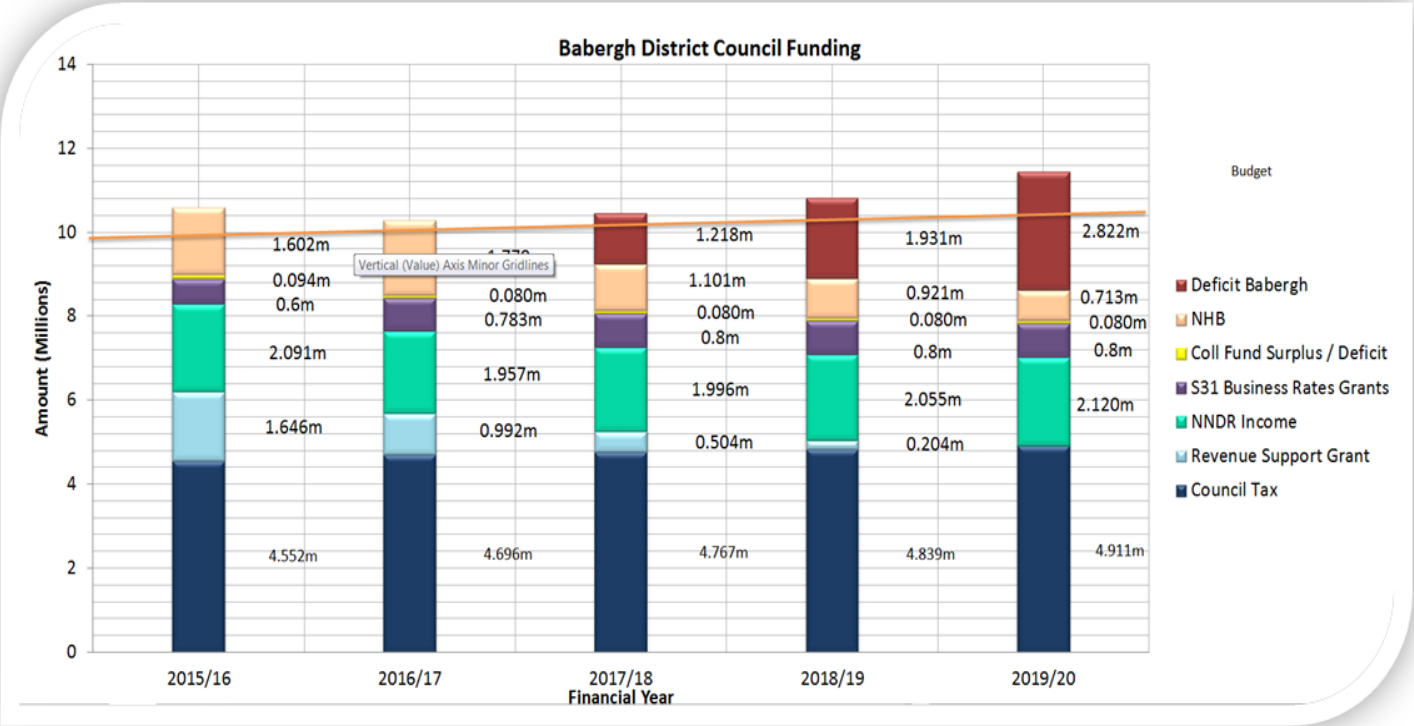
Each council has also determined to use its prudential borrowing powers to invest in assets that will contribute towards our strategic priorities, but also deliver an investment return.

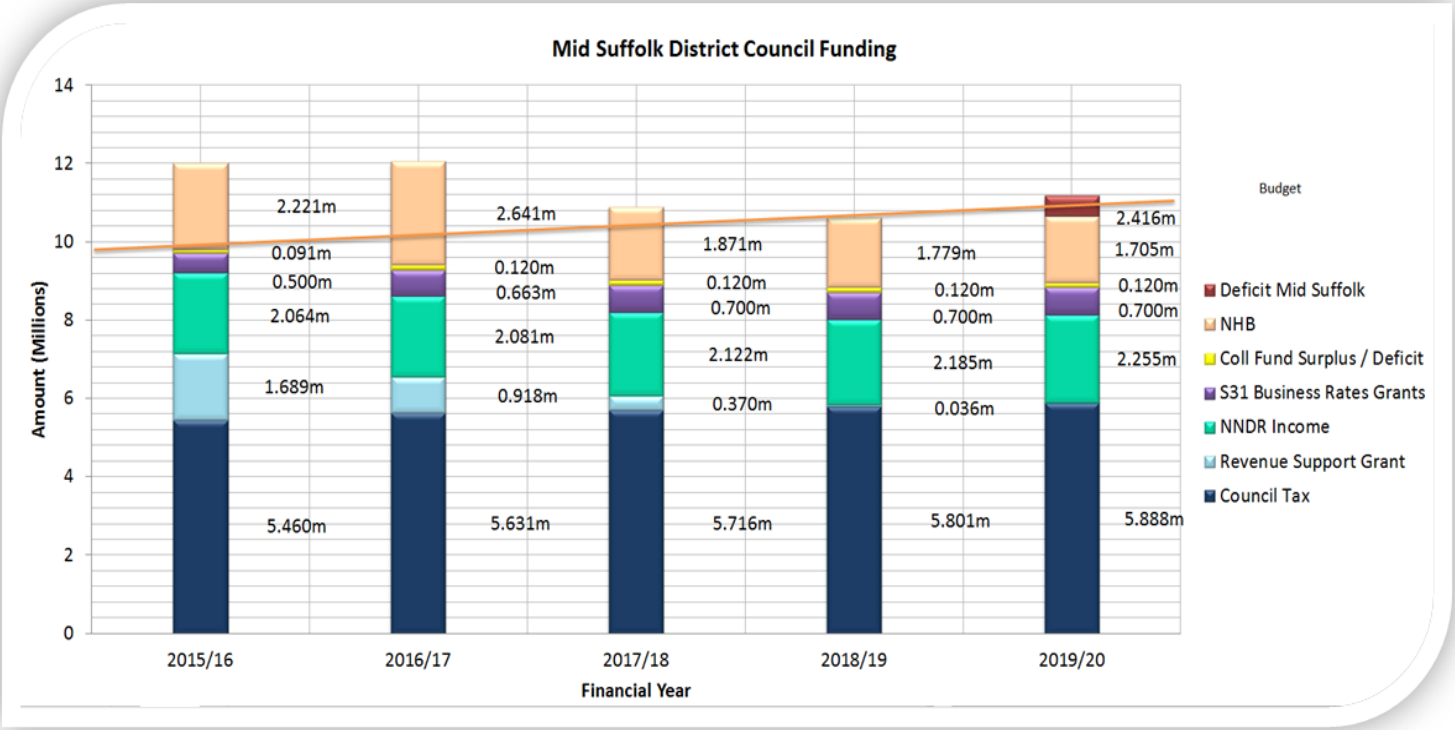
The success of this approach is paramount to future funding and service provision as, without this additional income, cuts to services or service standards will be needed over the next few years.

The Funding Gap

3.12 A number of scenarios could be modelled, based on different assumptions about growth and the generation of other forms of additional income. The charts below show the challenge that each council is facing over the next 4 years i.e. it shows our increasing cost base from budget pressures and our known income at this stage, but does not bring in our actions to address the future funding position e.g. income from additional growth or our capital investment strategy.

3.13 The graphs show the different funding position for the General Fund of the two councils over the next 4 years and how much of the gap can be addressed through receipt of New Homes Bonus income and business rates grants. Further steps to increase income and/or reduce costs would still, therefore, be needed as part of the transformation programme in order to achieve medium term financial sustainability.




Mid Suffolk District Council Funding
Amount (Millions)
14
12
10
8
6
4
2
0
2015/16
2016/17
2017/18
2018/19
2019/20
Financial Year
2.221m
0.091m
0.500m
2.064m
1.689m
5.460m
2.641m
0.120m
0.663m
2.081m
0.918m
5.631m
1.871m
0.120m
0.700m
2.122m
0.370m
5.716m
1.779m
0.120m
0.700m
2.185m
0.036m
5.801m
2.416m
1.705m
0.120m
0.700m
2.255m
5.888m
Budget
Deficit Mid Suffolk
NHB
Coll Fund Surplus / Deficit
S31 Business Rates Grants
NNDR Income
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. There is the potential to establish a trading company to generate income.

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 current management review and then 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) 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. This approach has also been used for the 2016/17 budget.

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 Norfolk 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. In the meantime, other discussions are progressing in terms of individual shared services.

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. A potential solution may be to establish a trading company that would provide the focus for such commercial activities, separate from the core functions of the councils. 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, in support of the delivery of their shared strategic priorities, and in particular to aid economic growth across the two districts.

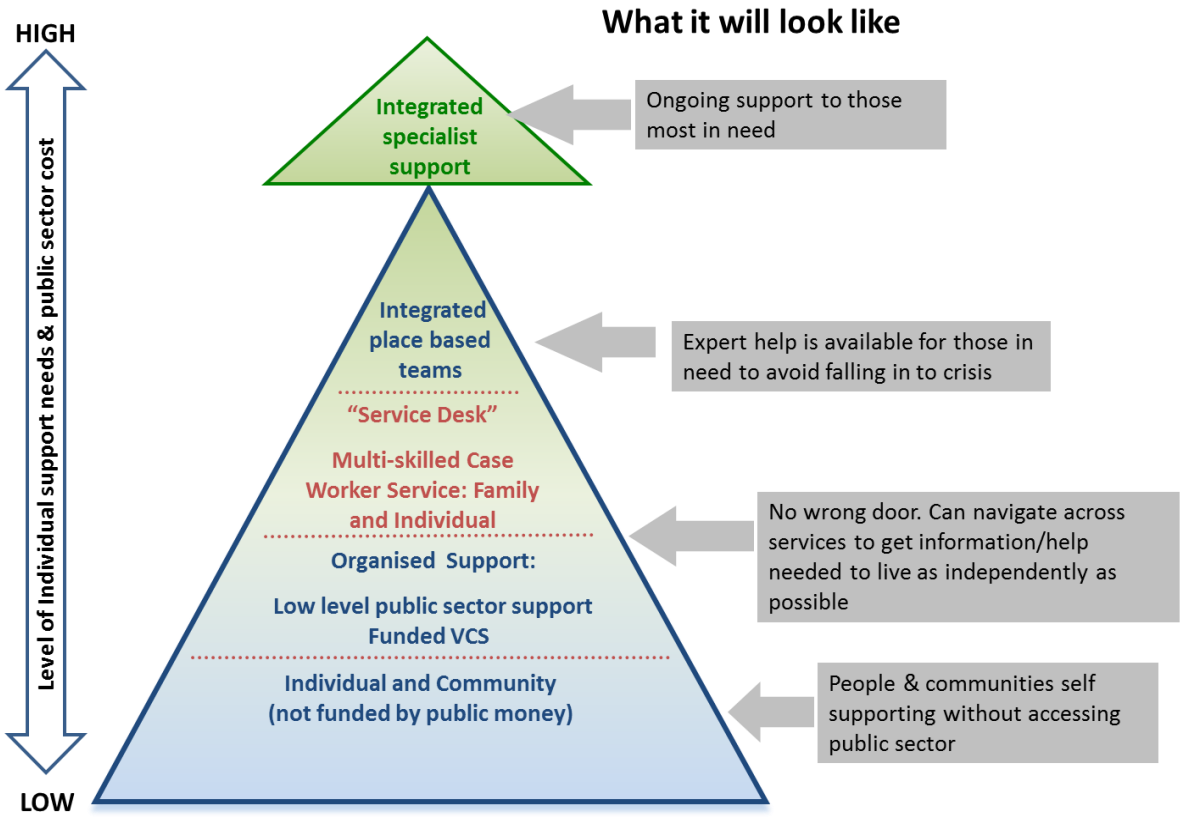
Having limited capital and revenue reserves and facing increased pressure on external funding, the councils' focus is now on the use of prudential borrowing to secure a rate of return whilst also delivering the strategic priorities. The use of borrowing is both flexible and relatively straightforward.

We are currently in the process of developing an investment strategy and fund and have already approved the use of prudential borrowing to support this approach. It is anticipated that the investment strategy will be in place in the first half of 2016/17 and will detail the parameters that will be operated for the fund and the anticipated return on investment. In the meantime individual opportunities for investment are being investigated arising from discussions with partners.

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

The transformation of our approach to customer access is an important part of our next phase of development and is inextricably linked to the need to ensure that our resources are being used to their optimum effect. We are currently trialling a new approach with our local businesses.

Customer Services, and the way that other services interact with it, must have a clear approach to managing demand and to reduce our overheads through encouraging people to self-serve and to do business with us online. The diagram below illustrates our aspiration in relation to a future customer access model and how we would work across the public sector.



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 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 Norfolk, which may result in a "devolution deal" for the area based around 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 £11.2m in the Transformation Funds across both councils in 2016/17.

5.3 As identified earlier in this document, the Government will be consulting in 2016/17 about changes to the way that New Homes Bonus is distributed to local authorities. With their stated aim of being able to transfer resources to support social care, it is inevitable that the 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, if the balance between district and county councils is changed, to maintain the income that has been received in the past, but also to contribute towards future funding shortfalls.

5.5 It is difficult to predict the outcome of the consultation, to enable more detailed modelling to be undertaken at this point in time, but will be undertaken as soon as we receive further details from the Government.

5.6 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.

5.7 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.

5.8 In relation to future prudential borrowing, our investment strategy should be in place in the first half of 2016/17, but significant borrowing and investment could deliver much needed additional income streams.

Council Housing

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

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

- The Bill also proposes a reduction in the benefit cap for working age families from £23K to £20K

- The Housing and Planning Bill includes requirements for households with an income higher than £30K to be charged higher rents

- Councils are to sell their high value council homes to fund Right to Buy discounts for housing association tenants. We know that this will be in the form of an annual levy but the figures for individual councils are not yet available.

- HRA Self-financing has provided significant opportunities for both Councils. The development of 27 new council homes supported by Homes and Communities Agency Grant funding is a good example of how the funds available within the HRA are being used differently. 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 is therefore greater than 1% per annum. The cumulative impact of the rent reduction results in a reduced income (against business plan projections) to the HRA as follows:

Year 1:	£0.3m
Years 1 to 4:	£4.5m
Years 1 to 10:	£18.1m

5.12 This will reduce 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 2016/17 by reducing both revenue and capital budgets – see Appendix B. A fundamental review of the housing service will need to be undertaken during 2016/17 to identify savings, efficiencies and income generation opportunities that will achieve a sustainable business plan into the future. The review will need to examine:

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

5.14 During 2015 we began reviews of our sheltered housing services and responsive repairs delivery. The results of these and a proposed income management strategy will be presented to Strategy Committee in early 2016.

New build programme and retention of Right to Buy receipts

5.15 Right to Buy (RTB) sales for both councils have exceeded projections in business plans. In 2014/15 Babergh sold 23 against original projections of 5 sales.

5.16 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.

5.17 The self-financing regime has applied a cap to the amount that Councils can borrow through the HRA. This means that borrowing levels are restricted. This time last year, we were able to say that supporting the spending of RTB receipts; building new council homes; and investing in the maintenance and improvement of council homes was achievable within current borrowing headroom. Now, the 1% rent reduction and the proposed high value dwellings levy threaten to make finding the 70% match funding for Right to Buy receipts unsustainable.

5.18 This could be further exacerbated by the requirement to charge higher rents for tenants with higher incomes (£30K+), which has the potential to lead affected tenants to exercise their Right to Buy.

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 (Babergh £10.3m; 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:

Year	Babergh £m	Mid Suffolk £m
2016/17	18.8	4.3
2017/18	15.6	3.5
2018/19	14.4	2.3
2019/20	15.6	2.5

5.21 Appendix B sets out further details of the current HRA Business Plan, with detailed figures for the next 5 years and summarised forecasts over the following 10 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. This is changing as we refresh our Joint Strategic Plan, but some examples of the projects that link to the developing business model 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
- Reviewing the councils accommodation
- Investment in IT to drive efficiencies and support new ways of working
- Renewal Energy Programme e.g. PV Panels on council properties
- New waste and recycling initiatives

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:

- keeping council tax as low as possible, 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, the revenue position for each council as currently forecast is summarised in the table below and detailed further in Appendix A.

6.4 Although there are similarities in each council's financial position, both now and in the future, there are also differences. Based on the draft 2016/17 Budget for each council, 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 future funding challenges are significant and similar in size for both councils.

Annual savings required to achieve a balanced budget

Annual savings	Babergh £m	Mid Suffolk £m	Combined £m
2017/18	0.7	0.7	1.4
2018/19	0.5	0.5	1.0
2019/20	0.7	0.5	1.2

6.5 Both councils' medium term financial projections 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	2016/17		2017/18		2018/19		2019/20	
	BDC	MSDC	BDC	MSDC	BDC	MSDC	BDC	MSDC
General Inflation/utilities	2%		3%		3%		3%	
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	£0.05m							
Transport Fuel	2%		2%		2%		2%	
Return on Investments	0.97%	0.93%	1.22%	1.18%	1.47%	1.43%	1.72%	1.68%
Grant reduction on RSG (reducing balance)	-£0.7m		-£0.5m		-£0.3m		-£0.2m	£0.0m

General Fund minimum working balance

6.6 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.

6.7 The councils each hold general fund balances as a contingency to cover the cost of unexpected expenditure or events during the year. The council's policies regarding the level of general fund are as follows, to hold a balance of:

- £1.05m for Mid Suffolk; and
- £1.15m for Babergh

6.8 These amounts equate to approx. 10% to 11% of net 'core' expenditure at the 2015/16 Budget level.

Capital Investment Strategy

6.9 Appendix C shows the current 4 year planned capital programme for 2016/17 to 2019/20, 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).

6.10 £25m is in each council's 2015/16 capital programme that will be used to fund the Capital Investment Strategy. Any unspent balance at the end of 2015/16 will be carried forward into 2016/17.

6.11 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.

6.12 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

6.13 The proposed Capital Programme headlines for 2015 – 2020 are:

Expenditure	**Babergh £m**	**Mid Suffolk £m**
Housing Maintenance Programmes	22.9	20.9
New build (HCA programme)	2.9	4.0
New build (Additional Borrowing)	0	0
RTB receipt funding	13.0	15.9
Total	**38.8**	**40.8**
Financing		
Capital receipts disposals and RTB receipts and HCA Grant	5.4	7.9
Revenue Contributions	33.4	30.3
Borrowing	0	2.6
Total	**38.8**	**40.8**
Remaining Borrowing Headroom (31/03/20)	16.8	1.5

6.14 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. The position on this in relation to future HRA Business Plans is to be reviewed during 2016 with the Council's treasury advisors.

Treasury Management Strategy

6.15 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.

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

Prudential Borrowing

6.17 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 were it delivers the councils' strategic plan priority outcomes and an agreed rate of return.

6.18 Specific investment plans will be reflected in future Budgets and capital investment programmes. Each council has included £25m in the 2015/16 capital programme to cover potential schemes and any unspent balance will be carried forward to 2016/17. Further sums can be added to future years as part of the annual financial planning process.

Managing Risks

6.19 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.

6.20 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

6.21 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

6.22 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.

6.23 The level of earmarked reserves at the end of 2015/16 (excluding the Transformation Fund) is expected to be as follows:

- £2.8m for Mid Suffolk; and
- £1.8m for Babergh

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

Appendix A

General Fund Revenue Budget Summary/Forecasts - Babergh

(Note: the forecasts for 2017/18 onwards are illustrative and actual budgets will be reviewed and determined by the Council annually).

Line	Description	2015/16 Budget £000	2016/17 Budget £000		2017/18 Forecast £000	2018/19 Forecast £000	2019/20 Forecast £000
1a	Core Budget	10,138	10,116		*10,466*	*10,830*	*11,446*
1b	Grants to parishes (LCTS)	125	63		*0*	*0*	*0*
2	Integration costs	49	0		*0*	*0*	*0*
3	Transformation Fund -Delivery Plan Projects	217	336		*0*	*0*	*0*
4	**Total Planned Net Expenditure**	**10,529**	**10,515**		***10,466***	***10,830***	***11,446***
	Funding:						
5	Integration Reserve	-49	0		*0*	*0*	*0*
6	Other Earmarked Reserves	-95	0		*0*	*0*	*0*
7	New Homes Bonus – fixed term posts	-208	0		*0*	*0*	*0*
8	Transformation Fund - DP Project (Staffing)	0	-427		*-427*	*-427*	*-427*
9	Transformation Fund - Delivery Plan projects	-217	-336				
10	Transformation Fund - Core Budget	-1,577	-2,026				
11	Government Support						
	(a) Baseline Business Rates	-1,941	-1,957		*-1,996*	*-2,055*	*-2,120*
	(b) B/Rates – growth/pooling benefit	-150					
	(c) Revenue Support Grant	-1,646	-992		*-504*	*-204*	*0*
12	Collection Fund (surplus) /deficit	-94	-80		*-80*	*-80*	*-80*
13	Council Tax	-4,552	-4,696		*-4,767*	*-4,839*	*-4,911*
14	**Total Funding**	**-10,529**	**-10,515**		***-7,774***	***-7,604***	***-7,539***
	Savings required (NHB discounted as temporary)						
15	2017/18				*2,693*		
16	2018/19					*3,226*	
17	2019/20						*3,907*
18	Council Taxbase		1.95%		*1.50%*	*1.50%*	*1.50%*
19	**Band D Council Tax**	£ 143.86	£ 146.67		*TBA*	*TBA*	*TBA*

Appendix B

Council Housing Revenue Account (HRA) Business Plan – Babergh

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

Appendix C

Capital Summary – General Fund and Council Housing – Babergh

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

Appendix C (Continued)

Capital Summary – General Fund and Council Housing – Babergh

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

Appendix D

<u>Earmarked Funds/Reserves – Babergh</u>

General Fund

Housing Revenue Account (HRA)

To be added

APPENDIX E

2016/17 Summary of Major Budget Changes

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

APPENDIX F

Further Detail of Savings

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