East Suffolk House, Riduna Park, Station Road,
Melton, Woodbridge, Suffolk, IP12 1RT

Scrutiny Committee

Members:

Councillor Stuart Bird (Chairman)
Councillor Mike Deacon (Vice-Chairman)
Councillor Edward Back
Councillor David Beavan
Councillor Judy Cloke
Councillor Linda Coulam
Councillor Andree Gee
Councillor Louise Gooch
Councillor Tracey Green
Councillor Geoff Lynch
Councillor Mark Newton
Councillor Keith Robinson
Councillor Caroline Topping

Members are invited to a **Meeting of the Scrutiny Committee** to be held in the Deben Conference Room, East Suffolk House, Melton on **Monday 16 December 2019** at **8pm or at the conclusion of the preceding Meeting of Full Council**

An Agenda is set out below.

Part One – Open to the Public

Pages

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1 Apologies for Absence and Substitutions

Pages

2 Declarations of Interest

Members and Officers are invited to make any declarations of Disclosable Pecuniary or Local Non-Pecuniary Interests that they may have in relation to items on the Agenda and are also reminded to make any declarations at any stage during the Meeting if it becomes apparent that this may be required when a particular item or issue is considered.

3 Minutes — **1 - 7**

To confirm as a correct record the Minutes of the Meeting held on 26 September 2019

4 Capital Programme for 2020/21 to 2023/24 including Revisions to 2019/20 ES/0080 — **8 - 24**

Report of the Leader of the Council and Cabinet Member with responsibility for Resources, and the Assistant Cabinet Member for Resources

5 Housing Revenue Account Budget Report 2020/21 ES/0082 — **25 - 43**

Report of the Leader of the Council and Cabinet Member with responsibility for Resources, the Cabinet Member with responsibility for Housing, and the Assistant Cabinet Member for Resources

6 Draft Medium Term Financial Strategy ES/0186 — **44 - 74**

Report of the Leader of the Council and Cabinet Member with responsibility for Resources, and the Assistant Cabinet Member for Resources

7 Scrutiny Committee's Forward Work Programme

To consider the Committee's Forward Work Programme

8 Exempt/Confidential Items

It is recommended that under Section 100(a)(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

Part Two – Exempt/Confidential

Pages

9 Exempt Minutes

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

Close

Stephen Baker, Chief Executive

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Unconfirmed

EASTSUFFOLK COUNCIL

Minutes of a Meeting of the **Scrutiny Committee** held in the Conference Room, Riverside, Lowestoft on **Thursday 26 September 2019** at **6:30 pm**

Members of the Committee present:

Councillor Stuart Bird, Councillor Judy Cloke, Councillor Linda Coulam, Councillor Mike Deacon, Councillor Andree Gee, Councillor Louise Gooch, Councillor Tracey Green, Councillor Geoff Lynch, Councillor Mark Newton, Councillor Keith Robinson

Other Members present:

Councillor Janet Craig, Councillor Graham Elliott, Councillor Richard Kerry, Councillor David Ritchie, Councillor Ed Thompson

Officers present:

Katherine Abbott (Democratic Services Officer), Martin Clarke (Housing Projects Lawyer), Cairistine Foster-Cannan (Head of Housing), Mark Harvey (Building Control Manager), Teresa Howarth (Principal Environmental Health Officer), David Howson (Housing Strategy Manager), Andy Jarvis (Strategic Director), Gary Mortishire (Housing Officer, Tenant Services), Jack O'Sullivan (Housing Enabling Officer), Mark Seaman (Environmental Protection Officer).

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1 Apologies for Absence and Substitutions

Apologies for absence were received from Councillor D Beavan and Councillor C Topping. Councillor G Elliott and Councillor E Thompson acted as their respective substitutes.

2 Declarations of Interest

There were no Declarations of Interest.

3 Minutes

RESOLVED

That the Minutes of the Meeting held on 25 July 2019 be confirmed as a correct record.

4 Community Energy Saving Programme 2011

The Scrutiny Committee received report **ES/0132** by the Cabinet Members with responsibility for Housing and Planning and Coastal Management, respectively.

Councillor D Ritchie, Cabinet Member for Planning and Coastal Management, introduced the report. He stated that the item was before the Committee as a result of a Notice of Motion submitted by Councillor Janet Craig at the January 2019 meeting of the previous Waveney District Council's Full Council. The Full Council had agreed the matter be referred to the Scrutiny Committee of the new Council in due course and was added to its work programme accordingly. The Committee was advised the report provided information about the Community Energy Saving Programme, the impact on local residents in Lowestoft and the role of the former Waveney District Council in this regard.

Councillor D Ritchie stated that the Programme was created as part of central Government's response to concerns around the costs of home energy consumption. As part of the resulting scheme, certain areas of the country with high levels of deprivation, including Harbour Ward in Lowestoft, had been eligible for the funding provided by Energy Supply Companies from surcharges payable by all customers. In the Harbour Ward, the funding was provided by NPower and the main contractor which undertook the works was Climate Energy Ltd., with Mitie as its sub-contractor. Bright Green has provided community support and the Yard Project had delivered loft and cavity wall insulation. The former Waveney District Council had supported the works and allowed Bright Green to use its logo. The former Council had sought to endorse the benefits of improvements through enhanced energy efficiency but it had not procured the contractors nor had any direct involvement with the Energy Supply Companies who had provided the funding; therefore, it had not been possible for the Council to have formally intervened and it had not been culpable. Councillor Craig advised that Preston City Council had successfully lobbied OFGEN for retribution at no cost to the tax payer. She concluded that residents were not able to pursue Mitie in the courts because they did not have private contracts with the company.

Councillor D Ritchie continued that various installations had been carried out including some external wall insulation installations carried out by Mitie; subsequently, some of these installations had been found to be defective. The Building Control team was contacted by concerned residents and had repeatedly tried to engage with Mitie with limited success; Climate Energy Ltd had not resolved the defects and had subsequently gone into receivership in Autumn 2015. Waveney District Council had supported affected residents, as had Mr Peter Aldous MP, and had communicated with Npower and Mitie.

Councillor D Ritchie clarified that the Council had no contractual or legal responsibility to resolve the defects and that this rested with Mitie; however, the Building Control team had continued to work with Mr Aldous to engage with Npower and Mitie. In conclusion of his summary introduction, Councillor D Ritchie stated that all subsequent energy efficiency programmes had been conducted via a different model and under the control of the Suffolk Climate Change Partnership/Suffolk Energy Action Link. This had brought the appointment of contractors and the quality of work under the Council's control and, therefore, it was unlikely that a similar situation would occur.

At this point, the Chairman advised that Mr Aldous MP had hoped to be at the meeting but the recall of Parliament had meant this had not been possible.

At the invitation of the Chairman, the Building Control Manager outlined how he had met with affected residents to ensure positive communications and support was provided. The Chairman asked how many properties had been affected by defective installations. The Building Control Manager explained that it had been very difficult to obtain accurate data from Mitie and, when this had been received, it had been difficult to correlate. He advised that the number of properties quoted by Mitie was 126 whilst the Building Control Manager's total figure was 152. He continued to explain that a significant number of the properties, around 80, had no building application approval against the original scheme and, therefore, outstanding Building Control fees applied. The Building Control Manager outlined how he had reached his differing total figure and the evidence he had submitted to Mitie; the company had not responded. Mr Aldous MP continued to seek engagement with Mitie in order that every property could be appraised against the Building Control Manager's data and a survey of the work carried out.

The Chairman invited questions from the Committee.

The Chairman asked for a timescale of how long the Council and Mr Aldous MP had been working to try and resolve this matter. The Building Control Manager said, in total, he had personally been involved for seven years and, over the last 18 months or so, a significant amount of resources had been devoted to this issue including multiple meetings with residents.

The Vice Chairman asked for an indication of the types of defective installations and to what degree the installations had been unauthorised. The Building Control Manager said the defects included the incorrect use of expanding polystyrene beads, cracked boards, and generally poor competency and consistency of work. He added that he had been unable to fully ascertain which installations had been correctly authorised.

A member of the Committee asked about the legal responsibility for the competency and regulatory compliance of the installations. The Building Control Manager said he would not be prepared to issue a completion certificate for any of the installations unless he had seen it constructed or it had been subject to an appraisal survey. If the installations were to be retrospectively inspected he estimated this would take three months if there were unlimited resources in terms of surveyors and enforcement officers, which was not the case. He added that unauthorised installations would result in difficulties for the owners of the properties when they were sold or insured. Councillor Ritchie reiterated that the Council had no contractual or legal responsibility to rectify the defects and that this sat with Mitie and that the Council had no direct powers to formally intervene. The member of the Committee further asked how Mitie might be held to account, legally. The Head of Housing said this was a matter for central Government as it had undertaken the original tender and awarded the contract to Mitie.

The Chairman asked if the affected properties were private dwellings and therefore the owners should have been invited to enter an individual contract with Mitie. The Principal Environmental Health Officer (Housing) confirmed that was the case but had not occured.

Another member of the Committee asked if the local MP might be able to seek central Government action. The Head of Housing said the Building Control Manager was in close and regular contact with Mitie, at director level, and it was hoped to maintain this dialogue. The Strategic Director advised that Mr Aldous MP was liaising with other MPs, in similarly affected areas, to explore how this matter might best be pursued.The member asked if the issues with Mitie had been unique to the initiative supported by the former Waveney District Council. The Building Control Manager said he had undertaken some research and there were other areas, nationally, which had experienced issues with schemes linked to other construction roles, including insulation products.

A member of the Committee thanked residents Mr and Mrs P Smith for bringing the defective installations to the attention of the Council and also wished to record thanks to the Officers for their extensive work to date. She asked if there was a professional body or ombudsman which could seek to investigate the matter. The Building Control Manager said this was, perhaps, beyond his role and remit as it would be linked to contract discussions.

At the invitation of the Chairman, Councillor J Craig, Ward Member for Harbour and Normanston, and who had raised the original Motion at Waveney District Council's Full Council, addressed the Committee. Councillor Craig said she had first been approached by a resident in 2013 regarding a problem with an installation and that she had thought this to be an isolated case; however, it had soon become clear there were numerous properties which had had defective installations. She added that, initially, Climate Energy had been involved in the resolution of problems but, as more cases were uncovered it seemed, to her, that Climate Energy was less keen to be involved and, in 2015, it had gone into receivership. Councillor J Craig said she had encouraged residents to contact their MP.

Councillor J Craig said the original ambition of the scheme had been to target areas of high deprivation to assist with energy efficiency matters but, sadly, issues at the properties had, in some instances been worsened because of the sub-standard work. She referred to damp created by faulty seals and related health issues, that no surveys had been undertaken prior to installations, that the information on-line had stated the products were not suitable for solid walls and yet had been used, that residents had been told by Mitie that the installations were guaranteed for 25 years yet no written certificates of guarantee had been issued, and that any such guarantee would be invalid as the installers had not been correctly or adequately trained. In addition, residents had not been informed that the seals needed to be regularly checked or how to do this, and the installations could not therefore be signed-off by Building Control and so residents were potentially unable to sell their properties. Councillor Craig added that residents had not received comprehensive documentation nor clarity about the legal status of the "partnership" which was inaccurately perceived to have included Waveney District Council. Councillor Craig advised that Preston City Council had successfuly lobbied OFGEN for restitution at no cost to the tax payers.

The Principal Environmental Health Officer (Housing) said it was not uncommon for schemes that promote benefits to residential properties to be supported by a Council's logo. It was acknowledged that use of words like "endorsed" in the scheme's broad description of a central Government initiative had, regrettably, given the impression that Waveney District Council's role was more than it was in reality. She added that the fact that individual house-holders were not asked to provide signed permission to undertake the works was a further legal abnormality.

A member of the Committee asked if Waveney District Council had received remuneration for the use of its logo; it was confirmed that this had not happened. The member added that Npower would have a specific team that would deal with enquiries from MPs. In terms of the present and future issuing of contracts, the member asked if the Council, having issued a contract, was advised if sub-contractors were then appointed. The Strategic Director replied that some contracts would explicitly state that no sub-contractors could be used, other contracts sought to be advised if sub-contractors were appointed, whilst others did not; what was and was not required was largely dictated by the type of contract and the service being procured.

Another member of the Committee, with reference to section 4.1 of the report, considered it important to recognise that many residents would have proceeded with the scheme because they perceived it to be endorsed by the Council due to the use of its logo.

The Chairman asked the Committee if it was content that Waveney District Council had exhibited all due diligence before publically indicating its support of the scheme through the inclusion of its logo. The Strategic Director said it was important for him to clarify that the Council had supported the scheme - not the company per se - because of its intended benefits of insulating energy-poor homes. He also wished to stress that the Officers before the Committee were not employed by the Council at the time of the scheme (2011). Councillor Ritchie suggested that, going forward, the Council should only promote schemes it was in full control of and not the work of other companies.

In response to a further query about who might be able to pursue Mitie for restitution, the Head of Housing reiterated that the Council did not have the authority or legal standing to do this as it had not been a signatory to the scheme awarded to a national contractor. Another member asked if it was possible to pursue the matter in the same way as Preston City Council. The Building Control Manager advised that Preston had achieved this through its MP and that Mr Aldous MP was already actively involved in seeking a resolution.

The Chairman stated that he considered the actions of the Council's Officers, to date, to have been praiseworthy and laudable. He suggested that additional wording for the recommendation be considered regarding the Council's support to Mr Aldous MP in his efforts, but was mindful of the Officer resources involved. The Vice Chairman supported the suggested additional wording and considered it important to support the local residents who had incorrectly assumed the scheme was endorsed by the former Waveney District Council. In response to a query by a member of the Committee regarding the Council potentially paying for legal advice to be provided to residents; the Housing Projects Lawyer said the issue had arisen seven years ago and so, potentially, was outside the legal limitation period.

There being no further questions or matters raised for debate, the Chairman moved to the recommendation within the report and also to the suggested additional wording in this regard; these were proposed, seconded and by a unanimous vote it was

RESOLVED

That, having received and considered report **ES/0132,** the Scrutiny Committee recommended to the Cabinet Member for Planning and Coastal Management that the Council's Officers continue to support Mr Peter Aldous MP in his endeavours to bring the matter to as successful a conclusion as possible for the affected residents of Harbour and Normanston Ward.

6 Exempt/Confidential Items

RESOLVED

That, under Section 100(a) of the Local Government Act 1972 (as amended) the public be excluded from the Meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Act.

7 Council Housing Development in Southwold

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

5 Scrutiny Committee's Forward Work Programme

This item was moved to the end of the Agenda by the Chairman.

The Scrutiny Committee received and reviewed its current forward work programme, the Council's Forward Plan of Key and Exempt Decisions, as well as three scoping forms submitted by members of the Committee.

The Scrutiny Committee identified several items for its future review:

- *Cabinet Member updates* would be received at regular intervals. The Guidelines for these items were also agreed by the Committee. The Leader of the Council to be invited to attend the January 2020 meeting of the Committee.
- Scoping form: *Littering and poor recycling practice in Waveney - An analysis of Council communication and public education.* It was agreed that the situation described within the form had changed considerably since its original submission and, therefore, a scrutiny review was not required. However, it was agreed that the form be submitted to the Cabinet Member for the Environment for consideration and potential discussion at the new Environment Task Group.
- Scoping form: *Review of postal voting and count arrangements at the District and European Elections in 2019*. It was agreed that this review would be undertaken at the March 2020 meeting of the Committee.
- Scoping form: *Review of how road closure permits were managed*. It was noted that the County Council's Scrutiny Committee had reviewed this area and that the responsibility for the permits lay with that Council. However, the impact of uncoordinated road closures on East Suffolk communities was a concern. It was agreed that a presentation on the process for managing road closure permits

would be arranged for the Committee on a date to be advised; the Council's Cabinet Member for Transport would also be invited.

The meeting concluded at 9:05 PM

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Chairman

Agenda Item 4

ES/0080

SCRUTINY COMMITTEE

Monday 16 December 2019

CAPITAL PROGRAMME FOR 2020/21 TO 2023/24 INCLUDING REVISIONS TO 2019/20

EXECUTIVE SUMMARY

1. This report sets out the Council's Capital Programme for the financial years 2020/21 to 2023/24 including revisions to 2019/20.
2. The report includes the main principles applied to set the programme and provides details of the expenditure and financing for 2019/20 and 2020/21 to 2023/24.
3. Total General Fund Capital investment for the period is anticipated to be £152.612m. In addition to the use of its internal resources and both internal and external borrowing, the Council will be benefiting from receiving £94.546m of external grants and contributions.
4. Total Housing Revenue Account capital investment for the period is anticipated to be £59.077m and benefiting from receiving £8.977m of external grants and contributions.
5. The Committee is asked to review the Capital Programme for 2020/21 to 2023/24 including revisions to 2019/20 and recommend its approval.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards across East Suffolk

Cabinet Member:	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources Councillor Maurice Cook Assistant Cabinet Member for Resources
Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 As part of the budget setting process, the Council is required to agree a programme of capital expenditure for the coming four years. The capital programme plays an important part in the delivery of the Council's Medium-Term Financial Strategy (MTFS), which in turn supports wider service delivery.

1.2 Capital expenditure within the Council is split into two main components, the General Fund Capital Programme and the Housing Revenue Account (HRA) Capital Programme.

1.3 The capital programme recognises the spending pressures within the Finance Settlement for 2020/21 on the resources available. Therefore, the programme continues to only incorporate those projects that are either a statutory requirement or are essential to the Council's service delivery. The programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured.

1.4 The capital programme has been compiled taking account of the following main principles, to:

- maintain an **affordable** four-year rolling capital programme;
- ensure capital resources are aligned with the Council's **Business Plan**,
- maximise available resources by actively seeking **external funding** and **disposal of surplus assets**; and
- not to anticipate **receipts** from disposals **until they are realised**.

1.5 The current economic climate also places further emphasis on ensuring that the levels of capital receipts are maximised through improved asset management and through the sale of surplus and underused assets. The Council has a successful track record of disposing of land and buildings surplus to its requirements, which have supported the overall financing of capital investment and at the same time reduced the demand on the revenue budget.

1.6 Capital Funding Sources - The capital investment proposals contained within this MTFS rely upon an overall funding envelope made up of several sources, including internal borrowing, capital receipts, and capital grant and revenue contributions.

1.7 Borrowing - The local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The Council must complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and repayment of principal by a minimum revenue payment (MRP) each year is considered when drafting the Budget and Medium-Term Financial Strategy. Over the course of this MTFS, prudential borrowing of £48.851m has been assumed for the General Fund Capital Programme, being £25.651m (internal borrowing) and £23.200m (external borrowing).

1.8 The Councils external borrowing limit is set at £155m with a General Fund limit of £67.74m and actual borrowing of £6.24m. The HRA borrowing limit is set at £87.26m with actual borrowing of £71.17m.

1.9 Capital Receipts - These are generated when a non-current asset is sold, and the receipt is more than £10k. Capital receipts can only be used to fund capital expenditure or repay borrowing. In determining the overall affordability of its capital programme, the Council has taken a prudent approach of not including anticipated capital receipts as a source of funding in the programme until such a time when the income is received and realised.

1.10 The programme set out in the report is affordable without the need to rely on future capital receipts, the extent and timing of which are unknown. Any receipts not used within the year are transferred into the Capital Receipts Reserve to be used for future capital investment financing.

1.11 Capital Grant - The Council receives additional grant funding for a variety of purposes and from a range of sources. These include the Ministry of Housing, Communities and Local Government (MHCLG) funding for Disabled Facility Grants and Environment Agency funding for Coastal Management projects.

1.12 Revenue Contributions - Although the Council can use its General Fund to pay for capital expenditure, as it has done in the past (formerly Suffolk Coastal DC and Waveney DC), the current financial constraints that are on the Revenue Budget means that this option is limited in the medium term.

1.13 General Fund Capital Reserves - Capital Short Life Asset Reserve – It is anticipated that this reserve will continue to fund assets with a life of less than 10 years, primarily being IT equipment and vehicles purchases.

1.14 HRA Right to Buy (RTB) Capital Receipts – The Right to Buy scheme helps eligible council tenants to buy their home with a discount of up to £82,800 (2019/20). The Council receives the sale proceeds of the Council House.

1.15 HRA Other Capital Receipts - These are generated when a fixed asset is sold, and the receipt is more than £10k. Capital receipts can only be used to fund capital expenditure.

1.16 HRA Contributions – Funding for capital expenditure on housing can be met from within the HRA. The future funding requirements will be informed by the revised 30-year HRA business plan.

1.17 HRA Capital Reserves – Although the HRA subsidy system has ceased to exist, transitional arrangements allow the Council to continue to place the Major Repairs Allowance, as detailed in the settlement determination, in the Major Repairs Reserve. This is exclusively available for use on HRA capital expenditure.

2 SUMMARY GENERAL FUND CAPITAL PROGRAMME

2.1 Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset. The tables in Appendix A show the General Fund budgets for 2019/20 to 2023/24.

2.2 The capital programme for 2019/20 through to 2023/24 has a total budget requirement of £152.612m which will be financed through both internal and external resources.

2.3 The programme from 2019/20 to 2023/24 benefits from £94.546m (62%) of external grants and contributions, the use of £9.145m (6%) of reserves and internal/external borrowing of £48.851m (32%).

2.4 In the event of external funding not being secured then those projects will look to secure other funding or will not be pursued.

3 SUMMARY HRA CAPITAL PROGRAMME

3.1 Capital expenditure relates to the acquisition of fixed assets or expenditure that adds to (and not merely maintains) the value of an existing fixed asset. The tables in Appendix B show the HRA capital budgets for 2019/20 to 2023/24.

3.2 The capital programme for 2019/20 through to 2023/24 has a total budget requirement £59.077m which will be financed through both internal and external resources.

3.3 The programme from 2019/20 to 2023/24 relies upon £8.977m (15%) of external grants and contributions, the use of £27.671m (47%) of capital reserves and direct revenue financing of £22.429m (38%).

4 KEY INVESTMENTS

Leisure Development Investments

4.1 Prior to establishing East Suffolk Council, Suffolk Coastal DC had embarked into a five-year programme of redevelopment of the District's leisure centres. The work is part of the Council's commitment to improve our leisure centre offer and to encourage more people to become more active.

4.2 The work builds on the progress made by the Leisure Strategy formed in 2014, which sets out how improvements to the leisure provision will be made across the district, over the next ten years. The Leisure Strategy is currently being updated and due to be completed in early 2020. Deben Leisure Centre, the first of the redevelopments, commenced in September 2017 and reopened in the summer of 2018 after undergoing a £3.5 million refurbishment. Leiston Leisure Centre commenced in September 2018 and reopened in August 2019 after undergoing a £4 million refurbishment. Plans have been developed to address the Felixstowe, Brackenbury and Bungay Leisure Centres.

4.3 Felixstowe Regeneration

At East Suffolk Council's Cabinet meeting held on 3 September 2019, it was agreed that a new leisure centre for Felixstowe would be approved bringing a single destination facility to the town, which will service the community and attract people from further afield.

4.4 Bungay Leisure Centre

Bungay Leisure Centre is the third facility identified as a priority in the Leisure Redevelopment Programme, following Deben Leisure Centre (2018) and Leiston Leisure Centre (2019). The £3.4 million redevelopment has started, with the centre being closed on 12 September 2019 for a ten-month period

4.5 Lowestoft Beach Hut Replacement

Options to replace approximately 50 beach huts which closed due to structural issues are being considered and will follow the cliff stabilisation works once they have been completed.

Commercial Investment

4.6 The Council is constantly looking for opportunities to reduce its operational costs and or generate additional income. The Council has developed its Commercial Investment Strategy which is an important part of the Council's approach to delivering financial self-sufficiency. The Strategy sets out the detailed policies, processes and governance arrangements within which the investment decisions will be made, implemented, managed and monitored. The Council has set aside Capital funds of £10m to deliver the Council's Commercial Investment plans. Any proposed investment will be subject to a satisfactory business case and Cabinet approval.

Flood Alleviation

4.7 Lowestoft Tidal Barrier - A major project to construct a permanent tidal wall which will be built around the harbour to protect Lowestoft from future tidal surges, with a tidal gate located near to the Bascule Bridge to prevent surge water entering Lake Lothing.

HRA Redevelopment/ New Build Programme

4.8 The Housing Revenue Account has several purchased properties that require redevelopment or modernisation to ensure that they are fit for purpose and provide the appropriate type of accommodation for the area. The development programme provides the financial resources to achieve this.

4.9 The development of housing provision within the North of the District is paramount to the Housing Revenue Account's business plan and an affordable programme of land purchase and development has been drawn up to deliver the Councils objective.

5 THE REVIEW PROCESS

5.1 Monitoring of the capital programme takes place on a quarterly basis, with all project managers required to provide an update on the current status of their projects. A summary of this information is reported to Cabinet, forming part of the Council's integrated quarterly performance monitoring.

6 REVENUE IMPLICATIONS

6.1 Capital projects have revenue implications, depending on the nature of the projects and how they are financed. The majority of the Council's general fund capital expenditure is financed by prudential borrowing and therefore incurs both an interest charge and a charge for repaying the debt known as the Minimum Revenue Provision (MRP).

6.2 The HRA is funded through direct revenue financing (DRF) and only attracts an interest charge on its loans acquired for the settlement of its share of the Government's Housing debt in 2011/12.

6.3 Both these costs must be funded from the Council's General Fund or HRA as appropriate. Consequently, the amount of capital works that can be undertaken are constrained by the ability of the revenue accounts to absorb these charges. The current and forecast charges are shown in the table below.

	2019/20	2020/21	2021/22	2022/23	2023/24
General Fund - Capital Charges	£000	£000	£000	£000	£000
Interest	570	550	550	550	550
Borrowing repayment provision (MRP)	816	1,081	1,356	1,403	1,439
Total	**1,386**	**1,631**	**1,906**	**1,953**	**1,989**
HRA - Capital Charges					
Interest	**2,045**	**2,055**	**2,055**	**2,055**	**2,055**

7 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

7.1 The Capital Programme feeds directly into the Council's MTFS which in turn is the mechanism by which the key Business Plan objective of Financial Self-Sufficiency will be delivered over the medium term. The Capital Programme also links directly to the Council's specific actions within the Business Plan and provides the capital financing for some of these actions.

8 REASON FOR RECOMMENDATION

8.1 Approval of the capital programme for 2019/20 to 2023/24 is required as part of the overall setting of the budget and MTFS.

RECOMMENDATIONS

That the capital programme for 2020/21 to 2023/24 and revisions to 2019/20 be recommended for approval by Full Council.

APPENDICES	
Appendix A	General Fund summary and detailed capital investment projects
Appendix B	Housing Revenue Account summary and detailed capital investment projects
Appendix C	Capital Programme External Funding Summary

BACKGROUND PAPERS - none

SUMMARY - GENERAL FUND PROGRAMME	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	2019/20 to 2023/24 Total
Capital Expenditure						
Economic Development & Regeneration	830	0	0	0	0	830
Environmental Services & Port Health	50	11	30	0	0	91
Financial Services	5,380	5,300	600	0	0	11,280
ICT Services	670	400	50	50	50	1,220
Operations	11,056	19,611	11,370	1,405	6,725	50,167
Planning & Coastal Management	6,302	14,602	21,729	23,384	13,995	80,012
Housing Improvement	2,148	1,716	1,716	1,716	1,716	9,012
Total Capital Expenditure	**26,436**	**41,640**	**35,495**	**26,555**	**22,486**	**152,612**
Financed By:-						
External:						
Grants	9,150	15,440	23,245	25,000	21,461	94,296
Contributions	50	50	50	50	50	250
Borrowing	0	12,800	10,400	0	0	23,200
Internal:						
General Fund Capital Receipts	70	0	0	0	0	70
Borrowing	12,004	11,422	925	900	400	25,651
Reserves	5,162	1,928	875	605	575	9,145
Total Financing	**26,436**	**41,640**	**35,495**	**26,555**	**22,486**	**152,612**

Detailed capital investment projects

Funding Type key:			
EB	External Borrowing	IB	Internal Borrowing
EC	External Contribution	ICR	Internal Capital Receipt
EG	External Grant	IR	Internal Reserve

ECONOMIC DEVELOPMENT & REGENERATION	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
Ness Point Regeneration Project	830	0	0	0	0	EG
Total Budgeted Expenditure	**830**	**0**	**0**	**0**	**0**	
Financed By:-						
Internal Funding:						
Internal Borrowing	0	0	0	0	0	IB
Capital Receipt	0	0	0	0	0	ICR
Reserve	0	0	0	0	0	IR
	0	0	0	0	0	
External Funding:						
Grants	830	0	0	0	0	EG
Contributions	0	0	0	0	0	EC
Borrowing	0	0	0	0	0	EB
	830	0	0	0	0	
Total Budgeted Financing	**830**	**0**	**0**	**0**	**0**	
Ness Point Regeneration Project	The Lowestoft Ness Regeneration Scheme (East of England Park project) aims to create a visitor destination that celebrates the culture and heritage of its location.					

ENVIRONMENTAL SERVICES & PORT HEALTH	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
Port Health IT System	50	11	30	0	0	IR
Total Budgeted Expenditure	**50**	**11**	**30**	**0**	**0**	
Financed By:-						
Internal Funding:						
Internal Borrowing	0	0	0	0	0	IB
Capital Receipt	0	0	0	0	0	ICR
Capital Reserve - Port Health	50	11	30	0	0	IR
	50	**11**	**30**	**0**	**0**	
External Funding:						
Grants	0	0	0	0	0	EG
Contributions	0	0	0	0	0	EC
Borrowing	0	0	0	0	0	EB
	0	**0**	**0**	**0**	**0**	
	50	**11**	**30**	**0**	**0**	
Project	**Description**					

FINANCIAL SERVICES, CORPORATE PERFORMANCE & RISK MANAGEMENT	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
House Purchase - Blackstock	80	0	0	0	0	IR
Commercial Investment * subject to business case	2,500	2,500	0	0	0	IB
Land Acquisition Leiston* subject to business case	300	0	0	0	0	IR
Land Acquisition* subject to business case	2,500	2,500	0	0	0	IB
Post Office London Road North Lowestoft Redevelopment	0	300	300	0	0	EB/IR
Lowestoft Site - Traveller site * subject to business case	0	0	300	0	0	EB
Total Budgeted Expenditure	**5,380**	**5,300**	**600**	**0**	**0**	
Internal Funding:						
Internal Borrowing	5,000	5,000	0	0	0	IB
Capital Receipt	0	0	0	0	0	ICR
Reserve	380	0	200	0	0	IR
	5,380	5,000	200	0	0	
External Funding:						
Grants	0	0	0	0	0	EG
Contributions	0	0	0	0	0	EC
Borrowing	0	300	400	0	0	EB
	0	300	400	0	0	
Total Budgeted Financing	**5,380**	**5,300**	**600**	**0**	**0**	
Project	Description					
House Purchase - Blackstock	Purchase of investment property					
Commercial Investment * subject to business case	Commercial Investment budget to be used for the purchase of properties/land subject					
Land Acquisition Leiston* subject to business case	Purchase of investment property					
Land Acquisition* subject to business case	Purchase of investment property					
Post Office London Road North Lowestoft Redevelopment	Redevelopment of the recently purchased vacant Post Office site in London Road North.					
Lowestoft Site - Traveller site * subject to business case	Contribution to new traveller site					

ICT SERVICES	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
Corporate IT Requirements	454	400	50	50	50	IR
Members Webcasting	191	0	0	0	0	IR
Riverside Conference Room TV's	25	0	0	0	0	IR
Total Budgeted Expenditure	**670**	**400**	**50**	**50**	**50**	
Financed By:-						
Internal Funding:						
Internal Borrowing	0	0	0	0	0	IB
Capital Receipt	0	0	0	0	0	ICR
Reserve	670	400	50	50	50	IR
	670	400	50	50	50	
External Funding:						
Grants	0	0	0	0	0	EG
Contributions	0	0	0	0	0	EC
Borrowing	0	0	0	0	0	EB
	0	0	0	0	0	
Total Budgeted Financing	**670**	**400**	**50**	**50**	**50**	

Project	**Description**
Corporate IT Requirements	Desktop refresh - installation of new hardware
Members Webcasting	Installation of webcasting facility for Council meetings
Riverside Conference Room TV's	Installation of TV screens to conference rooms

OPERATIONS	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
Bawdsey Quay	57	0	0	0	0	IR
Beccles Sports Ground	70	0	0	0	0	ICR
Brackenbury Beach Hut replacement Handrailing	88	22	0	0	0	IR
Bungay LC redevelopment	2,061	1,839	0	0	0	IB
Cemeteries	395	0	0	0	0	IB
Dellwood Avenue Cricket Pavilion	15	0	0	0	0	IB
East Point Pavilion * subject to business case	0	1,500	0	0	0	EB
East Suffolk House - Reception	100	0	0	0	0	IR
Estates Management	571	200	200	200	200	IB
Felixstowe - Cliff Step Refurbishment	218	0	0	0	0	IB
Felixstowe Lighting	140	0	0	0	0	IB
Felixstowe Regeneration Project	1,000	10,000	10,000	0	0	EB/IR
Felixstowe Sea Front Shelters	125	0	0	0	0	IB
Felixstowe South - seafront work and Martello Cafe	1,750	0	0	0	0	IR/EC
Felixstowe Sports Hub	0	900	0	0	0	IR
Footway Lighting Works - Northern (cyclical replacement)	34	30	30	30	0	IR
Leisure Centre Brackenbury	20	20	20	0	0	IR
Leisure Centre Deben	20	20	20	0	0	IR
Leisure Centre Leiston	1,557	35	25	0	0	IB
Lowestoft Beach Hut - demolition/wall stabilisation/replacement Beach Huts	37	2,500	0	0	0	IB
Lowestoft South Beach Public Conveniences/Changing Facilities	200	0	0	0	0	IB
Melton Riverside Car Park Lighting	40	0	0	0	0	IR
New Beach Hut Sites	500	500	500	500	0	IB
Northern Car Park Works	0	220	0	0	0	IB
Public Conveniences	460	0	0	0	0	IB
Public Conveniences review - Lowestoft	100	300	0	0	0	IB
Seafront Gardens Beach Hut Development	500	0	0	0	0	IB
Southwold Caravan Site redevelopment * subject to business case	0	1,000	0	0	0	EB
Southwold Harbour South Pier	0	0	50	150	6,000	EG
Station Road Car Park	272	0	0	0	0	IR
Waveney Norse Grounds Equipment	25	25	25	25	25	IR
Waveney Norse Vehicles	656	500	500	500	500	IR
Wickham Market Churchyard Boundary Wall	45	0	0	0	0	IB
Total Budgeted Expenditure	**11,056**	**19,611**	**11,370**	**1,405**	**6,725**	
Internal Funding:						
Internal Borrowing	6,924	5,594	725	700	200	IB
Capital Receipt	70	0	0	0	0	ICR
Reserve	4,062	1,517	595	555	525	IR
	11,056	7,111	1,320	1,255	725	
External Funding:						
Grants	0	0	50	150	6,000	EG
Contributions	0	0	0	0	0	EC
Borrowing	0	12,500	10,000	0	0	EB
	0	12,500	10,050	150	6,000	
Total Budgeted Financing	**11,056**	**19,611**	**11,370**	**1,405**	**6,725**	

Project	
Bawdsey Quay	Capital costs of the sewage system, clearance of car park and signage
Beccles Sports Ground	Refurbishment of Beccles Sports Ground Changing Rooms
Brackenbury Beach Hut replacement Handrailing	Replacement safety railing along concrete terrace for beach huts.
Bungay LC redevelopment	Redevelopment of Leisure Centre
Cemeteries	£395k for purchase of land to extend cemetery at Leiston. Burial capacity calculated for further 16 years only.
Dellwood Avenue Cricket Pavilion	Demolition of Pavilion
East Point Pavilion * subject to business case	Potential redevelopment opportunity through refurbishment and partial redevelopment
East Suffolk House - Reception	Redevelopment of the reception area at East Suffolk House
Estates Management	A planned preventative maintenance list of works required on Council owned properties throughout the district
Felixstowe - Cliff Step Refurbishment	Project terminated
Felixstowe Lighting	Cyclical replacement of footway lighting
Felixstowe Regeneration Project	The Brackenbury and Felixstowe Leisure Centres are in need of considerable investment. A regeneration project for this area will follow consultation with the relevant partners.
Felixstowe Sea Front Shelters	Refurbishment of 6 sea front shelters in Felixstowe
Felixstowe South - seafront work and Martello Cafe	Development of South Seafront area and Martello Café Felixstowe
Felixstowe Sports Hub	ESC is working with key sports clubs in Felixstowe including, football, cricket, rugby and hockey in order to provide separate hubs in Felixstowe that each sport can develop and grow. The initial investment of £300k will support and enable this to progress with support to kick start the new pavilion required for cricket and hockey at the Felixstowe Academy.
Footway Lighting - Southern (Cyclical replacement)	Cyclical replacement of footway lighting
Footway Lighting Works - Northern (cyclical replacement)	Cyclical replacement of footway lighting
Leisure Centre Brackenbury	Planned preventative maintenance works required to ensure the immediate running of the facility.
Leisure Centre Deben	Planned preventative maintenance works required to ensure the immediate running of the facility.
Leisure Centre Leiston	Leiston is the second of the leisure redevelopment programme. The Leiston redevelopment will bring the 1970's sports centre and the 1980's swimming pool up to date providing a quality leisure provision that includes a 60 plus station gym, new changing rooms for both the swimming pool and separate for the sports centre and dance studios.
Lowestoft Beach Hut - demolition/wall stabilisation/replacement Beach Huts	Stabilisation of Cliff face and replacement of concrete beach huts
Lowestoft South Beach Public Conveniences/Changing Facilities	South Beach Lowestoft upgrade of public conveniences/changing facilities
Melton Riverside Car Park Lighting	Installation of lighting
New Beach Hut Sites	Proposed investment in additional Beach Hut sites
Northern Car Park Works	Planned preventative maintenance works
Oulton Country Park	Maintenance of Oulton County Park
Public Conveniences	Planned enhancement works to District wide Public Conveniences
Public Conveniences review - Lowestoft	Enhancement of Gordon Road Public Convenience and review of remaining Public Conveniences in Lowestoft
Redevelopment of Hotson Road Tennis Courts	Project terminated
Seafront Gardens Beach Hut Development	Development of Seafront Gardens site for new beach huts
Southwold Caravan Site redevelopment * subject to business case	Refurbishment of existing caravan site
Southwold Harbour South Pier	The Southwold Harbour South Pier is a river training structure that supports navigation and river discharge. Work is likely to involve reconstruction of the pier in rock. Needs to be developed as part of a Harbour Use Plan.
Station Road Car Park	Installation of lighting
Waveney Norse Grounds Equipment	Replacement lawn tractors/mowers
Waveney Norse Vehicles	Purchase of Vehicles for use by Waveney Norse (contractual)
Wickham Market Churchyard Boundary Wall	Replacement of closed churchyard wall

PLANNING & COASTAL MANAGEMENT	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
Bawdsey East Lane SMP Review	25	10	0	0	0	EG
Coast Protection - Minor Capital Works	80	828	200	200	200	IB
Corton & North Corton Hybrid Scheme	150	250	12,000	12,000	0	EG
Lowestoft Flood Risk Management Project Phase 1 (Tidal	4,312	9,472	4,963	0	0	EG
Lowestoft Flood Risk Management Project Phase 2 (Tidal	1,670	3,902	4,016	11,134	13,745	EG
S106 Play Equipment	50	50	50	50	50	EC
Slaughden Coast/Estuary SMP Policy review	15	20	0	0	0	EG
Thorpeness (Externally Funded)	0	70	500	0	0	EG
Total Budgeted Expenditure	**6,302**	**14,602**	**21,729**	**23,384**	**13,995**	
Internal Funding:						
Internal Borrowing	80	828	200	200	200	IB
Capital Receipt	0	0	0	0	0	ICR
Reserve	0	0	0	0	0	IR
	80	828	200	200	200	
External Funding:						
Grants	6,172	13,724	21,479	23,134	13,745	EG
Contributions	50	50	50	50	50	EC
Borrowing	0	0	0	0	0	EB
	6,222	13,774	21,529	23,184	13,795	
Total Budgeted Financing	**6,302**	**14,602**	**21,729**	**23,384**	**13,995**	

Project	Description
Bawdsey East Lane SMP Review	Review of the Bawdsey Shoreline Management Plan
Coast Protection - Minor Capital Works	The Coastal Management Team carries out a comprehensive programme of inspections which highlight when repair and maintenance works need to be carried out. This ensures that the defences are functioning correctly, extends the life of the assets and protects the public from potential hazards.
Corton & North Corton Hybrid Scheme	This item is for ESC contribution to privately funded works to part remove and part rebuild in rock, defences to the north of Corton Village that were abandoned after failure in line with 2010 Shoreline Management Plan policy, plus allow managed realignment to take place to north of village, creating a new beach
Lowestoft Flood Risk Management Project Phase 1 & 2	A major project to construct a permanent tidal wall which will be built around the harbour to protect Lowestoft from future tidal surges, with a tidal gate located near to the Bascule Bridge to prevent surge water entering Lake Lothing. Including the interim measure of temporary flood barriers
S106 Play Equipment	Play Equipment installation on play parks in the north of the district funded from S106 contributions
Slaughden Coast/Estuary SMP Policy review	Innovative scheme South of Aldeburgh likely to be delivered by a consortium of public and private partners to provide 20 years of resilience to the town and the Alde & Ore Estuary, offering scope for enhanced / new economic benefits and business opportunities.
Thorpeness (Externally Funded)	Strengthen the soft bag defences installed here in 2010/12 that were damaged by unusually high erosion pressure in 2013.

GENERAL FUND HOUSING IMPROVEMENT	2019/20 £000 Revised Budget	2020/21 £000 Original Budget	2021/22 £000 Original Budget	2022/23 £000 Original Budget	2023/24 £000 Original Budget	Funding Type
Orbit HIA Disabled Facilities Grant	2,148	1,716	1,716	1,716	1,716	EG
Total Budgeted Expenditure	**2,148**	**1,716**	**1,716**	**1,716**	**1,716**	
Financed By :-						
Internal Funding:						
Internal Borrowing	0	0	0	0	0	IB
Capital Receipt	0	0	0	0	0	ICR
Reserve	0	0	0	0	0	IR
	0	0	0	0	0	
External Funding:						
Grant	2,148	1,716	1,716	1,716	1,716	EG
Contributions	0	0	0	0	0	EC
Borrowing	0	0	0	0	0	EB
	2,148	1,716	1,716	1,716	1,716	
Project						
Orbit HIA Disabled Facilities Grant	Grant expenditure on disabled adaptions					

Total Capital Budget	**26,436**	**41,640**	**35,495**	**26,555**	**22,486**	

APPENDIX B

SUMMARY – HOUSING PROGRAMME	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget		2019/20 to 2023/24 Total
Capital Expenditure							
Housing Repairs	2,736	2,865	2,415	2,535	2,535		13,086
Housing Project Development	1,603	3,967	2,450	1,650	1,650		11,320
New Build Programme	2,252	8,593	7,826	8,000	8,000		34,671
Total Capital Expenditure	**6,591**	**15,425**	**12,691**	**12,185**	**12,185**		**59,077**
Financed By:-							
External							
Grant	218	1,743	960	3,028	3,028		8,977
Contributions	0	0	0	0	0		0
Internal:							
-HRA Direct Revenue Financing	2,278	5,410	5,497	4,622	4,622		22,429
-HRA Reserves	4,095	8,272	6,234	4,535	4,535		27,671
-HRA Capital Receipts	0	0	0	0	0		0
Total Financing	**6,591**	**15,425**	**12,691**	**12,185**	**12,185**		**59,077**
Cumulative Expenditure to be financed by Housing Revenue Account	**2,278**	**7,688**	**13,185**	**17,807**	**22,429**		

Funding Type Key:

IHRA	Internal Housing Revenue Account	EG	External Grant
IR	Internal Housing Reserve	EC	External Contribution
ICR	Internal Capital Receipt		

Detailed HRA capital investment projects

HOUSING REPAIRS	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
Bathrooms	60	60	60	60	60	IR
Central Heating/Boilers	570	570	580	600	600	IR
Disabled Works	220	220	220	220	220	IR
Door Entry System - Park Road & The Hemplands	0	80	0	0	0	IR
Energy Efficiencies Work	200	200	200	200	200	IR
Environmental Works	10	10	10	10	10	IR
External Doors	20	20	20	20	20	IR
Fascia's	4	0	0	0	0	IR
Fire Door Replacement - All Schemes	20	0	0	0	0	IR
Garage Demolition	98	0	0	0	0	IR
Heat Metering	10	100	0	0	0	IR
Housing Repair Vans	110	110	110	210	210	IR
Kitchens	500	500	500	500	500	IR
Re-Roofing	350	430	450	450	450	IR
Rewiring	230	230	250	250	250	IR
St Peters Court - Fire Assessment	30	70	0	0	0	IR
St Peters Court - Lift	0	250	0	0	0	IR
St Peters Court - Openreach Rewiring	51	0	0	0	0	IR
St Peters Court - Sprinkler system	187	0	0	0	0	IR
St Peters Court - Water Tank	51	0	0	0	0	IR
Windows	15	15	15	15	15	IR
Total Budgeted Expenditure	**2,736**	**2,865**	**2,415**	**2,535**	**2535**	
Financed By:-						
Internal Funding:						
Housing Revenue Account	0	0	0	0	0	IHRA
Housing Revenue Account Reserves	2,736	2,865	2,415	2,535	2,535	IR
Housing Capital Receipts	0	0	0	0	0	ICR
	2,736	2,865	2,415	2,535	2,535	
External Funding:						
Grants	0	0	0	0	0	
Contributions	0	0	0	0	0	
	0	0	0	0	0	
Total Budgeted Financing	**2,736**	**2,865**	**2,415**	**2,535**	**2535**	

Project	
Bathrooms	Replacement and improvements to bathrooms and layouts to the housing stock.
Central Heating/Boilers	A rolling programme has been established which provides replacement heating appliances, boilers and installation of full heating systems to the housing stock.
Disabled Works	These works provide disabled adaptations to the Council's housing stock to improve the living conditions of
Door Entry System - Park Road & The Hemplands	New door entry system
Energy Efficiency Works	Energy improvement works to properties, examples could be electrical improvements to blocks of flats to
Environmental Works	Works controlled by tenants for environmental improvements, examples could be additional estate parking,
External Doors	A rolling programme provides replacement doors to the housing stock.
Fascia's	A rolling programme provides replacement fascia's to the housing stock.
Fire Door Replacement - All Schemes	Reolacement of Fire Doors
Garage Demolition	Demoliton of garages and construction of parking area
Heat Metering	Works to be compliant with the Heat metering network regulations. Every communal system should have
Housing Repair Vans	Cyclical renewal of Housing vans
Kitchens	Replacement and improvements to kitchens and layouts to the housing stock.
Re-Roofing	A rolling programme provides replacement roofs to the housing stock.
Re-Wiring	Rewiring to the housing stock.
St Peters Court - Fire Assessment	Fire Assesment of the St Peters Court tower block
St Peters Court - Lift	Replacement of St Peters Court Lift
St Peters Court - Openreach	Removal of old telecommunications wiring (H&S)
St Peters Court - Sprinkler System	Installation of sprinkler system
St Peters Court - Water Tank	Water Tank installation
Windows	A rolling programme provides replacement windows to the housing stock.

HOUSING PROJECT DEVELOPMENT	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
Digital Transformation	0	0	0	0	0	IHRA/IR
Mobility Scooter Parking	46	0	0	0	0	IHRA/IR
Office Accommodation	0	500	500	0	0	IHRA/IR
Redevelopment Programme	1,557	3,467	1,950	1,650	1,650	IHRA/IR/EG
Total Budgeted Expenditure	**1,603**	**3,967**	**2,450**	**1,650**	**1,650**	
Financed By :-						
Internal Funding:						
Housing Revenue Account	686	2,392	1,105	350	350	IHRA
Housing Revenue Account Reserves	917	1,575	1,285	1,300	1,300	IR
Housing Capital Receipts	0	0	0	0	0	ICR
	1,603	3,967	2,390	1,650	1,650	
External Funding:						
Grant	0	0	60	0	0	EG
Contributions	0	0	0	0	0	EC
	0	0	60	0	0	
Total Budgeted Financing	**1,603**	**3,967**	**2,450**	**1,650**	**1,650**	
Project						
Digital Transformation	Smarter working practices being considered such as mobile working.					
Mobility Scooter Parking	Provision of Mobility Scooter Parking					
Office Accommodation	Provided for alternative depot office accommodation.					
Redevelopment Programme	Redevelopment programme for purchased accommodation					

NEW BUILD PROGRAMME	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	Funding Type
New builds	2,252	8,593	7,826	8,000	8,000	IHRA/IR/EG
Total Budgeted Expenditure	**2,252**	**8,593**	**7,826**	**8,000**	**8,000**	**0**
Financed By :-						
Internal Funding:						
Housing Revenue Account	1,592	3,018	4,392	4,272	4,272	IHRA
Housing Revenue Account Reserves	442	3,832	2,534	700	700	IR
Housing Capital Receipts	0	0	0	0	0	ICR
	2,034	6,850	6,926	4,972	4,972	
External Funding:						
Grant	218	1,743	900	3,028	3,028	EG
Contributions	0	0	0	0	0	EC
	218	1,743	900	3,028	3,028	
Total Budgeted Financing	**2,252**	**8,593**	**7,826**	**8,000**	**8,000**	
Project						
New Builds	Provision of new housing					

Total Capital Budget	**6,591**	**15,425**	**12,691**	**12,185**	**12,185**	

Capital Programme External Funding Summary

Capital Projects 2019/20 to 2023/24	Total Project Cost	External Grant/Contibution	Net cost to East Suffolk
	£000	£000	£000
General Fund			
Bawdsey East Lane SMP Review	35	-35	0
Corton & North Corton Hybrid Scheme	24,400	-24,400	0
Felixstowe South - seafront work and Martello Cafe	1,750	-299	1,451
Lowestoft Flood Risk Management Project Phase 1 (Tidal Walls, Pluvial & Fluvial)	18,747	-18,747	0
Lowestoft Flood Risk Management Project Phase 2 (Tidal Gate)	34,467	-34,467	0
Lowestoft Former Post Office redevelopment	600	-400	200
Ness Point Regeneration Project	830	-830	0
Orbit HIA Disabled Facilities Grant	9,012	-9,012	0
S106 Play Equipment	250	-250	0
Slaughden Coast/Estuary	35	-35	0
Southwold Harbour & South Pier	6,200	-6,200	0
Thorpeness (Externally Funded)	570	-570	0
	96,896	**-95,245**	**1,651**
Housing Revenue Account			
Housing Redevelopment Programme	10,274	-60	10,214
New Build Programme	34,671	-8,917	25,754
	44,945	**-8,977**	**35,968**

Agenda Item 5
ES/0082

EASTSUFFOLK COUNCIL

SCRUTINY COMMITTEE

Monday 16 December 2019

HOUSING REVENUE ACCOUNT BUDGET REPORT 2020/21

EXECUTIVE SUMMARY

1. Under the Self-Financing regime, the future resources and spend of the Housing Revenue Account (HRA) are based on local decisions. This report outlines the HRA Income and Expenditure Budgets for the financial years 2020/21 to 2023/24 and notes the forecast position for 2019/20. In addition to this, a summary of its reserves and balances is included. The HRA budgets are fully funded from existing HRA funds to meet the Council's HRA spending plans. This includes the capital investment programme and reserve balances as per the HRA Financial Business Plan. Currently there is no requirement for any additional borrowing.

2. Since 1st April 2016, the Welfare Reform and Work Act 2016 has required social landlords to reduce their rents by 1% each year for four years ('the social rent reduction'). In October 2017, the Government announced that at the end of the four-year rent reduction, there would be a return to annual rent increases of up to the Consumer Price Index (CPI) plus 1% for at least five years. This would be implemented through the Rent Standard set by the Regulator of Social Housing rather than through legislation. On 26th February 2019 the Secretary of State for Housing, Communities and Local Government published a 'Direction to the Regulator' to set a Rent Standard that will apply from 1st April 2020. Alongside this Direction, the Government also issued a policy statement on rents for social housing (the Policy Statement) and the Regulator is required to have regard to this when setting its Rent Standard. For the first time, the Government has directed the Regulator to apply its Rent Standard to all registered providers of social housing, including local authorities. Details of the Policy Statement and Rent Standard from 2020 are provided in this report.

3. This report provides an opportunity for the Scrutiny Committee to submit any comments to Cabinet on the proposed 2020/21 budget for the HRA. The Committee is asked to consider and make recommendations to Cabinet and Full Council regarding the:

- HRA budget for 2020/21, and the indicative figures for 2021/22 to 2023/24;
- Forecast outturn position for 2019/20 for noting;
- Movements in HRA Reserves and Balances;
- Average weekly rent for 2020/21 of £84.95 over a 50-week collection year (£83.05 2019/20), an average weekly increase of £1.90 or 2.3%;
- Service charges and associated fees for 2020/21;
- The new Rent Standard with effective from 1st April 2020 for noting; and
- Changes affecting public and private sector housing and welfare also to be noted.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards within the District

Cabinet Member:	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources Councillor Richard Kerry Cabinet Member with responsibility for Housing Councillor Maurice Cook Assistant Cabinet Member for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer (01394) 444570 simon.taylor@eastsuffolk.gov.uk Amber Welham Senior Accountant (01502) 523662 amber.welham@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The Housing Revenue Account (HRA) reflects the statutory requirement under Section 74 of the Local Government and Housing Act 1989 to account separately for Local Authority housing provision. It is a ring-fenced account, containing solely the costs arising from the provision and management of the Council's housing stock, offset by tenant rents, service charges and other income. The Council has a statutory responsibility to set a balanced HRA budget (i.e. all budgeted expenditure must be matched by income).

1.2 The Welfare Reform and Work Act 2016 and the Housing and Planning Act 2016 made specific and significant provision for changes to the law affecting social housing providers with effect from April 2016. These changes included the statutory reduction of rents by 1% each year for four years, with 2019/20 being the final year of those reductions for the Council.

1.3 In February 2019 the Government set out a new policy statement for rents on social housing (the Policy Statement) effective from 1st April 2020. This will be implemented through the Regulator for Social Housing rather than through legislation. The Government published a 'Direction to the Regulator' to set a Rent Standard, and the Regulator is required to have regard to this when setting its Rent Standard. For the first time, the Government has directed the Regulator to apply its Rent Standard to all registered providers, including local authorities. Further detail on the 2020 Rent Standard is covered in Section 6 of this report.

1.4 The new rent policy will permit the Council to increase its rents for at least five years by up to the Consumer Price Index (CPI) plus 1%. Since 2001, social rents have been set based on a formula set by the Government and the new policy follows a similar process with the formulas set out in the Policy Statement.

1.5 In 2011, affordable rents were introduced and set at up to 80% of the market rent (inclusive of service charges), and from April 2015 the Government allowed social landlords to charge a full market rent where a social tenant has an annual household income of at least £60,000. This change allowed landlords to make better use of their social housing for properties rented to households with relatively high incomes.

2 KEY ISSUES AND CONSIDERATIONS

2020 Rent Standard

2.1 As referred to in Section 1.3 above, the Government's new policy statement for rents on social housing will be effective from 1st April 2020 and will be implemented through the 2020 Rent Standard. The new rent policy aims to strike a balance between the interests of existing social housing tenants who pay some or all of their own rent, the need to build more homes, and the importance of ensuring that providers of social housing have sufficient income to manage and maintain their housing stock.

2.2 The last significant change to rent setting was the 'social rent reduction' which came into effect in April 2016. This required social landlords to reduce their rents by 1% each year for four years. This reduction to rents had a significant impact on the HRA Financial Business Plan. Whilst the impact was contained within the existing parameters of the HRA, it resulted in reduced funds available to invest in the new housing development and redevelopment programme.

2.3 After four years of rent reduction, the new rent policy is welcomed. A five-year rent deal provides some stability to the Council in terms of its rental income stream, enabling the

Council to plan for its Housing Development Programme for the delivery of additional social housing properties.

Actuarial Valuation

2.4 The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31st March 2019. The Council is awaiting the actuarial report but has been advised that its share of the pension fund was 98% fully funded at this date. The proposed employers pension contribution rate for 2020/21, 2021/22 and 2022/23 is 34%, 33% and 32% and is a reduction on the current rate for East Suffolk of 35.4%. The current rate is based on a Primary Rate of 22.8%, plus a deficit payment of £2.6m at 12.6%. The HRA share of the deficit payment is currently in the region of £600,000. As a result of the proposed reduction to the employer's pension contribution rate for the next three years, this will generate an average annual saving to the HRA of £180,000.

Right to Buy Scheme

2.5 As at 6th April 2019 the maximum discount available to Right to Buys (RTB's) is 70% or £82,800 (£110,500 in London Boroughs), whichever is lower. This figure increases each year in line with inflation. In 2012, the Council entered into an agreement with the Ministry for Housing, Communities and Local Government (MHCLG) to retain a share of its RTB receipts to reinvest in the provision of new affordable homes. The receipts used can only fund up to 30% of any investment into new affordable housing and must be spent within three years of receiving them.

2.6 From April 2012 the number of properties sold through the RTB scheme has steadily increased. In 2012/13 only nine properties were sold through the scheme, compared to 22 in 2018/19. Future year estimates are 30 per annum and is built into the HRA Financial Business Plan.

2.7 The implications of RTB sales is a reduction in dwelling rents received. The annual income lost through RTB sales in 2018/19 is £99,000, adding to the importance of increasing the HRA housing stock. RTB sales are considered when setting the dwelling income budgets.

3 WELFARE REFORM

3.1 The Welfare Reform Act 2012 introduced major changes to the way people receive Housing Benefit and other welfare benefits which present new risks to HRA income collection from tenants.

Universal Credit

3.2 The welfare reform introduced Universal Credit. This is to replace most existing working-age benefits with a single payment made directly to the claimant. The new Universal Credit will also limit the total amount of benefit a household can claim. As a result of this change there is a high risk that income previously guaranteed to the HRA may now not be collected.

3.3 Universal Credit is a single payment for working age people who are looking for work or on a low income. It replaces Housing Benefit, Working Tax Credit, Child Tax Credit, Income Support, Income based Jobseekers Allowance and Income related Employment and Support Allowance. It has been rolled out across the country and was introduced in the district in March 2015. The introduction initially only applied to people who were single and who would have previously applied for Jobseekers Allowance.

3.4 All postcodes within the East Suffolk area are now covered by Universal Credit Full Service.

3.5 Universal Credit has given cause for concern with landlords nationally. Landlords, including local authorities who were once guaranteed income, must now rely on claimants to make payments. Measures (see section 3.13 and 3.14) are being implemented to monitor and improve the effects of Universal Credit.

3.6 From April 2018, claimants wait time, have reduced from six weeks to five weeks. If they are already receiving Housing Benefits, they will continue to receive this for the first two weeks of the claim process. This should help reduce pressure on tenants, and potentially have a positive impact on future rent arrears.

Under-Occupation Charge

3.7 The criteria under the Welfare Reform Act means that any working-age household deemed to be under-occupying their home receives a cut in their Housing Benefit (or Universal Credit). The cut is a fixed percentage of the Housing Benefit-eligible rent.

3.8 Government has set this at a 14% cut for one extra bedroom and a 25% cut for two or more extra bedrooms. In essence this means, for every £100 charged for rent, tenants will need to contribute £14 or £25 per week from their own resources. To help alleviate the pressure of this penalty, the Council's HRA offers the incentive of 'Cash-for-Moving'. This is a widely used scheme across councils to encourage tenants to downsize. Tenants can bid for a smaller property on Gateway to Home-Choice, and if successful the tenant could receive up to £2,000 depending on the number of bedrooms given up. The scheme was in place before welfare reform to encourage better use of the housing stock.

Rent Arrears

3.9 In addition to the loss of rental income, there is growing concern regarding rent arrears. In 2015 the total Benefit Cap was reduced from £26,000 to £20,000 (outside of London). This combined with the roll out of Universal Credit, the under-occupancy charge, and other general factors relating to the economy, has increased the risk of rent not being collected.

3.10 Rent arrears as at 27th November 2019 were at £1,286,890.17 with prepayments of £490,071.76, giving a net arrears position of £796,818.41. This is the first year since 2015/16, an improvement can be seen compared to the same point in time last year. At the same point in time in 2018/19, Rent arrears were at £1,260,612.52 with prepayments of £412,561.52, giving a net arrears position of £848,050.76.

3.11 There has been a shift in the arrears. Any increases in arrears are between 1-12 weeks old. These will be directly linked to new Universal Credit claims, which if applied for correctly, should take five weeks to be received. Therefore, these are managed arrears and are a timing difference, rather than an arrear.

3.12 To reduce the risk of arrears, new tenants are now asked to pay rent in advance. The amount they pay is linked to how regular they pay rents, e.g. if a tenant pays weekly, they will be required to pay one week in advance.

3.13 Predictive Analytics Software was implemented at the end of 2018/19 for current tenant arrears. This has been successful in reducing the number of cases rent officers look at each week, allowing them to get through their case load and contact the tenants whose accounts require action. This in turn has led to a reduction on current tenant arrears at the end of both Quarter One and Quarter Two of this financial year from the same point of the previous financial year. With the current climate of full UC, it is nationally recognised that standing still in terms of arrears is the new upper quartile position, so to have achieved small reductions is an extremely positive step. Due to its positive impact, the Former Tenant Arrears module has now been purchased and is currently being tested to address the high level of arrears in this area.

3.14 There is still much work to do in both areas, the tenant's portal and text messaging service are currently in test which will allow tenants to have 24-hour digital access to their rent account and will enable texting for automated balances or request contact from their Rent Officer. Tracing software is currently being explored as well as applying for money judgement orders for Former Tenant Arrears which will allow the Council to find and take action against those tenants who leave with a debt.

4 SELF-FINANCING ARRANGEMENT

4.1 The Self-Financing regime was introduced in April 2012. The Council had to take on a significant amount of debt (£68 million) in exchange for not paying future Housing Subsidy. This change is anticipated to be beneficial to the HRA over the long-term. It also means the future resources and spend of the HRA are now based on local decisions.

4.2 A 30-year financial business model is used to support the delivery of the HRA under the Self-Financing regime. It makes assumptions regarding the level of income available and the key risks facing the housing service delivery within this timeframe. It programmes in the years the Council expects to pay back the current borrowing, whilst delivering the needs of the service.

4.3 The HRA funds the costs of borrowing for the initial debt settlement. The Council has chosen to incorporate this debt into the Council's overall borrowing portfolio, creating a single pool and charging interest to the HRA in proportion to the debt it holds.

4.4 Self-Financing must not jeopardise the Government's priority to bring borrowing under control. It will give Council landlords direct control over a very large rental income stream, so borrowing financed from this income must be affordable within national fiscal policies as well as locally. Therefore, a limit was placed on the total housing debt that each local authority could support from its HRA. Waveney's HRA limit was placed at £87.26 million.

4.5 On the 3rd October 2018, it was announced by Central Government that the HRA borrowing cap was to be 'scrapped'. It was officially removed on the 30th October 2018 by Central Government issuing a determination revoking previous determinations that specified a local authority's limits on indebtedness. Nationally, the borrowing cap was tight in comparison to the value of the housing stocks local authorities hold, e.g. the Council's HRA housing stock has a market value of £536 million as at 31st March 2019, compared to a borrowing cap of £87.26 million.

4.6 As at 1st April 2019 the total debt for the Council's HRA was £76 million (£68 million from the Self-Financing settlement and £8 million pre-Self-Financing). During 2019/20 a further £4.8 million has been repaid on the Pre-Self-Financing debt, reducing the total debt for the HRA to £71.2 million. The HRA spending plans, including its capital investment programme, are currently fully funded from existing resources. Therefore, there is currently no need to make use of any additional borrowing.

4.7 Under Self-Financing, local authorities now have the opportunity with greater certainty to adopt a more strategic, long term approach to ensure that housing needs are met, that the housing stock is maintained, and where possible additional homes are provided. The Council has used this strategic approach to introduce the Housing Development and Redevelopment Programme.

5 HRA 2020/21 TO 2023/24 BUDGETS

5.1 The following table summarises the 2020/21 budget through to 2023/24. With a forecasted position for 2019/20. A brief description to each heading can be found in **Appendix A**.

	2019/20 Original £000	2019/20 Forecast £000	2019/20 Movement £000	2020/21 Budget £000	2021/22 Budget £000	2022/23 Budget £000	2023/24 Budget £000
Income							
Dwelling Rent	(18,765)	(18,703)	62	(19,157)	(19,540)	(19,988)	(20,445)
Non-Dwelling Rent	(181)	(163)	18	(175)	(178)	(181)	(184)
Service & Other Charges	(1,208)	(1,217)	(9)	(1,239)	(1,250)	(1,260)	(1,271)
Leaseholders Charges for Services	(10)	(10)	-	(10)	(10)	(10)	(10)
Contribution towards Expenditure	(33)	(69)	(36)	(34)	(34)	(34)	(34)
Reimbursement of Costs	(270)	(279)	(9)	(285)	(284)	(284)	(284)
Interest Income	(96)	(140)	(44)	(106)	(111)	(121)	(134)
Total Income	**(20,563)**	**(20,581)**	**(18)**	**(21,006)**	**(21,407)**	**(21,878)**	**(22,362)**
10% of total income	**(2,056)**	**(2,058)**	**(2)**	**(2,101)**	**(2,141)**	**(2,188)**	**(2,236)**
Expenditure							
Repairs & Maintenance	4,161	3,964	(197)	4,318	4,321	4,391	4,404
Supervision & Management	3,090	3,167	77	3,456	3,466	3,508	3,588
Special Services	1,908	1,942	34	2,109	2,123	2,147	2,181
Rents, Rates and other Charges	86	110	24	102	99	99	99
Movement in Bad Debt Provision	(26)	50	76	37	35	37	37
Contribution to CDC & Pension Backfunding	650	552	(98)	87	87	87	87
Capital Charges	3,736	3,339	(397)	3,539	3,818	4,069	4,310
Interest Charges	2,275	2,270	(5)	2,265	2,270	2,270	2,270
Revenue Contribution to Capital	5,120	2,277	(2,843)	5,410	5,497	4,623	4,623
Transfer to Earmaked Reserves	-	2,494	2,494	-	-	500	500
Total Expenditure	**21,000**	**20,165**	**(835)**	**21,323**	**21,716**	**21,731**	**22,099**
Movement in the HRA balance	**437**	**(416)**	**(853)**	**317**	**309**	**(147)**	**(263)**
HRA Balance carried forward	**(4,422)**	**(5,275)**	**(853)**	**(4,958)**	**(4,649)**	**(4,796)**	**(5,059)**

Highlights Regarding 2019/20 Forecast.

5.2 All income is still looking to come in close to the original budget. However, there are some large movements on the expenditure. There could potentially be a saving on repairs and maintenance. Details of repairs and maintenance can be seen in Section 7 and **Appendix C**. Some of the movement on repairs and maintenance relates to realignment of staffing, on supervision and management and special services.

5.3 There has been an increase on charges relating to void properties. This relates to the strategic management of some of the Council's housing stock to dispose of underperforming properties.

5.4 Although arrears are improving, the Council has erred on the side of caution regarding bad debt provision.

5.5 The cost for pension back funding provision in 2019/20 has been confirmed by Suffolk County Council to be less than anticipated, (See Section 2.4).

5.6 Capital Charges relates to depreciation which has reduced due to delays in the capital programme.

5.7 Revenue contributions to capital has reduced significantly. This relates to the Housing Development and Redevelopment Programme. There have been reduced levels of staffing in this area during 2019/20. The work is being covered by a consultant on four days per week. A restructure has been put in place, and all posts should be filled by March 2020, which will result in the programme picking up again in 2020/21.

5.8 The savings from the reduced capital spend has been transferred into HRA reserves, (See Section 9).

2020/21 to 2023/24 Budgets

5.9 The table demonstrates a healthy HRA working balance. The carry forward balance from 2018/19 was £4.859 million, more than double the requirement. Best practice is considered to have a minimum working balance that approximates to 10% of the total income received in one year. The balance is planned to be drawn down in 2020/21 and 2021/22, to make best use of the funds, but remaining well above the required 10% minimum.

6 RENTS, SERVICES AND OTHER CHARGES

Dwelling Rents

6.1 In February 2019 the Government set out a new policy statement for social housing rents (the Policy Statement) with effective from 1st April 2020. This will replace the current legislative rent reduction of 1% until 31st March 2020 for the Council.

6.2 The Policy Statement will be implemented through the 2020 Rent Standard of the Regulator of Social Housing. For the first time the Government has directed the Regulator to apply its Rent Standard to <u>all</u> social housing providers, including local authorities. From the 1st April 2020 annual rent increases will be permitted on both social and affordable rent of up to CPI (September of the previous year) plus 1% for at least five years to 2024/25. The Rent Standard also provides freedom to apply a lower increase or to freeze or reduce the rent if a registered housing provider chooses to do so.

6.3 The Council works on a 50-week rent period. The 52-week rent value is converted to the slightly higher 50-week value, allowing tenants to have two 'rent free weeks' over the Christmas period. This helps tenants at an expensive time of year, and for those in arrears, can help them 'catch up'. 2019/20 is an unusual year in that 53 rent weeks fall into it. If charged for, this would generate additional income to the HRA. However, tenants will not receive any additional benefits or UC to cover this week, resulting in tenants being required to pay for this from existing funds. This could result in many tenants, including 'good payers' going into arrears. The Council had not budgeted to receive this income, and therefore has decided to give week 53 as an additional 'free week'.

Social Rent

6.4 Social rent is described as all low-cost rental accommodation. Since 2001 social rents have been set based on a formula set by Government. This new policy follows a similar process with the formula and rent setting guidance, set out in the Policy Statement. Annual updates to the formula calculations will be published in November of the previous year.

6.5 Under the Rent Policy the initial rent may be set at a level no higher than formula rent, subject to rent flexibility. The formula rent takes account of relative property values, relative local earnings and a bedroom factor, i.e. smaller properties should have lower rents. The formula rent is also subject to a rent cap. The rent cap applies a maximum ceiling on the formula rent. Therefore, if the formula rent is higher than the rent cap for a particular property, the rent cap must be used instead. The rent caps will increase each year by CPI (September of the previous year) plus 1.5%.

6.6 The Government's Rent Policy recognises that registered housing providers should have some flexibility over the rent set for individual properties, to take account of local factors, in consultation with tenants. As a result, the Policy Statement contains flexibility to set rents at up to 5% above the formula rent (10% for supported housing). However, it must be demonstrated that there is clear rationale for doing so which considers local circumstances and affordability. This flexibility can be applied to new developments.

Affordable Rent

6.7 Affordable rent is exempt from the social rent requirements of the Policy Statement. The Government expects new properties to be let at affordable rent values. Affordable rent allows the Council to set rents at a level that are typically higher than social rents. The intention behind this flexibility is to enable local authorities to generate additional capacity for investment in new affordable homes. The Council is applying affordable rents to new build or purchased properties and can do so as it has an agreement in place with the Secretary of State. The agreement allows the Council to retain RTB receipts for investment in new affordable rented homes.

6.8 The rent for affordable rent housing (inclusive of service charges) must not exceed 80% of gross market rent, i.e. rent for which the accommodation might reasonably be expected to be let in the private rented sector. The size, location and service provision must be taken into account.

6.9 Affordable rents must not increase by more than CPI (September of the previous year) plus 1%. As with social rent setting, this is a ceiling and a lower increase, or to freeze or reduce affordable rents is permitted.

Dwelling Rent Budget for 2020/21 Onwards

6.10 In accordance with the Rent Standard for 2020, rent increases for 2020/21 can be increased by up to 2.7%. This is the CPI for September 2019 of 1.7% plus 1%. By applying the rent setting policy as set out in sections 6.1 to 6.9 above, the average weekly rent for the HRA for 2020/21 is £84.95 (£83.05 for 2019/20) and is based on a 50-week collection year. This is an average weekly increase of £1.90 or 2.3% from 2019/20 to 2020/21. This generates additional income for the HRA for 2020/21 of approximately £430k. The HRA Financial Business Plan had previously forecast an increase of 3% for the period 2020/21 to 2022/23, which has been revised to 2.7%. However, 2023/24 was forecasted at 2% which has been increased to 2.7%. Therefore, this has had little impact on the budget. A prudent approach will continue to be taken, assuming a consistent 2% from 2024/25 thereafter.

6.11 Other factors are also taken into consideration when calculating the dwelling rent budget. Such as disposals through RTB's or asset management of underperforming stock, reconversions, new build developments and acquisitions.

Service Charges

6.12 Service charges are those charges payable by tenants to reflect additional services which may not be provided to every tenant, or which may be connected with communal facilities, e.g. heating services and communal facilities in sheltered accommodation (Grouped Homes).

6.13 Councils can review their service charges annually. Service charges should be sufficient to cover the cost of providing the service and are not governed by the same factors as rents. Therefore, not all service charges will necessarily increase each year, they will replicate the cost of the service provided. As set out in the Policy Statement, increases for service charges should be managed, where possible, within the limit on rent changes of CPI plus 1%. Exceptions to this include new charges or where services have been extended.

6.14 The proposed service charges for 2020/21 are set out in **Appendix B** of this report. The costs of providing the services have been reviewed and set at a level to ensure that the costs are recovered. The HRA does not make a profit on the service charges, these are purely to recover HRA costs.

6.15 Many of the service charges, outlined in **Appendix B** will not increase in 2020/21. This is due to contracts that run for more than one year for a fixed price, or new contracts have been tendered resulting in reduced costs.

6.16 Grouped Home service charges relate to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2020/21 is set at an average weekly charge of £12.85 based on a 50-week collection year. This is a decrease of £1.02 compared to 2019/20. The new charge reflects the savings on providing the service.

6.17 The average heating charge is set to increase in 2020/21. The 2020/21 average Grouped Homes heating charge is £14.85 based on a 50-week collection year. This is an average weekly increase of £2.01 compared to 2019/20. Heating tariffs have increased in cost.

Other Charges

6.18 Garage rents are also set out in **Appendix B**. Garage rents are also collected on a 50-week collection period. For 2020/21 tenant's weekly garage rent is proposed to increase from £7.00 to £8.00, an increase of £1.00 on the 2019/20 charge. The proposed increased for non-tenant weekly garage rent is £11.40 from £10.00 (inclusive of VAT), an increase of £1.40 on the 2019/20 charge.

6.19 The increases are a reflection from extensive market research in the district.

6.20 Garage rents are to be considered for approval by Cabinet on 7th January 2020 as part of the 2020/21 Fees and Charges Report.

7 REPAIRS AND MAINTENANCE

7.1 The HRA repairs and maintenance (R & M) programme is split between capital and revenue. Revenue costs are to be funded from the revenue income derived from rents, whilst capital will be funded from the Major Repairs Reserve (MRR).

7.2 The repairs and maintenance revenue budget for 2020/21 has been set at £4.318 million, compared to £4.161 million in the 2019/20 budget. An analysis of the R & M revenue budget is set out in **Appendix C**. The £157,000 increase is due to a combination of things. £100,000 relates to growth on electrical testing. This is to cover the 'peak' of testing during 2020/21. The remaining £57,000 relates to increased staff costs, due to the change in the accounting treatment for the pension back funding, (see paragraph 2.4).

7.3 The amounts included in the repairs and maintenance revenue budget are deemed sufficient to allow the Council to carry out all necessary major works and to maintain the decent homes standard in all its properties.

HRA Capital Programme

7.4 The HRA capital programme forms part of the Council's overall capital programme, which is presented to Cabinet and Council at the same meeting as the HRA Budget Report. The HRA capital programme consists of capital budgets for housing repairs, project development and the Housing Development Programme.

7.5 The HRA capital programme will be funded via the rental income it retains, the Major Repairs Reserve (MRR), Right-to-Buy (RTB) receipts, external funding and capital receipts held. Details of the MRR are set out in paragraph 9.3. Funding of the repairs and maintenance aspect of the capital programme is through the MRR. The 2020/21 HRA capital programme is partly funded by Direct Revenue Financing, which totals £5.410 million. This represents £2.392 million towards housing projects and redevelopment and £3.018 million on the Housing Development Programme.

7.6 The Private Sector Housing Team continues to work hard, improving some of the most vulnerable stock in the District and ensuring that Disabled Facilities Grants are delivered to those who need such works to enable them to stay in their own home. These funds are provided by central Government with the HRA paying the cost of such works for its own council properties.

8 SPECIAL SERVICES

8.1 Special Services are made up of costs for Sheltered Schemes, Warden Services, Redevelopment and the New Build Programme. As the Redevelopment and New Build Programmes pick up pace, the associated revenue costs also increase. These costs include architect fees, consultant's fees and staffing.

9 HRA BALANCES AND RESERVES

9.1 The HRA has five Reserves as well as the HRA revenue working balance (see paragraph 5.9 for details on the revenue working balance). **Appendix D** shows the movement and balances of these reserves for the budget period 2019/20 to 2023/24.

9.2 Taking the Welfare Reform Act 2012 into account, the Council established an HRA Discretionary Housing Payments (DHP) 'topup' Reserve in 2012/13 with a fund of £500,000, recognising the unexpected and exceptional difficulties tenants may face arising from these changes. This reserve is to 'top up' the DHP's made by the Council by the value used by HRA tenants, only if the total payments made were to exceed the value of the DHP grant received by the Council. As yet, this has not been required. With increased Department for Work and Pensions (DWP) grant in recent years, it is unlikely to be required in 2019/20. However, the reserve will remain, in case it is required for future years. If any funds are to be transferred, it would require approval by the Secretary of State.

9.3 Following the introduction of the Self-Financing on 1st April 2012 and to meet changes in Accounts and Audit Regulations from 2012/13, depreciation charged to the HRA is no longer in the movement on the HRA statement. Instead, the depreciation charged to the HRA is credited to the Major Repairs Reserve (MRR). The MRR can be used to repay the principal elements of the HRA debt, as well as to finance capital expenditure on our existing dwelling stock. There are plans to use the MRR to part fund the capital programme in each year, whilst still increasing its balances to service future year's debt repayments. The balance as at 31st

March 2024 is projected to be a healthy £10.525 million, after paying the first instalment of £10.766 million borrowing that is due in 2021/22.

9.4 The viability of the Self-Financing regime depends ultimately on the Council acting prudently and in doing so, setting sufficient sums aside to meet its future liabilities. The transfer of funds to the Debt Repayment Reserve gives the Council flexibility around its future decisions for repaying the debt. The balance as at 31st March 2024 is forecasted to be £11.5 million. This is planned to pay the second substantial borrowing instalment of £10 million in 2026/27. Future debt repayment instalments will be funded by both the Debt Repayment Reserve and the MRR.

9.5 At the 31st March 2019 the Council's housing stock totalled 4,446. Between 31st March 2019 and the 30th November 2019 there have been 17 RTB sales. This brings the current housing stock to 4,429.

10 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?

10.1 The HRA Budget directly supports the Council's aim of Financial Self Sufficiency. With balanced budgets, and the ability to pay off its current debt, it demonstrates its ability to be financially self-sufficient.

10.2 In addition to demonstrating Financial Self-Sufficiency, the budget provides the finances to contribute to a number of the East Suffolk Business Plan action points, including specifically, 'Increase the number of new Council Houses', and 'Increase the opportunities and number of affordable homes'.

11 FINANCIAL AND GOVERNANCE IMPLICATIONS

11.1 The HRA Self-Financing regime transfers the financial risk to the Council. The HRA manages this risk through prudent budgeting, careful financial management and adoption of a rolling 30-year Financial Business Plan. The financial sustainability of the budget is managed by ensuring adequate funds are set aside to repay the debt and appropriate levels of working balances are available for any unforeseen costs. It also gives the HRA the opportunities to meet its business objectives whilst creating efficiencies and savings, giving added value for money.

12 OTHER KEY ISSUES

12.1 This report has been prepared having considered the results of an Equality Impact Assessment, and no issues have been identified. The proposed increase in rent will be eligible for Housing Benefit or Universal Credit. This means that tenants who are in receipt of limited incomes will not be disadvantaged.

12.2 The self-financing regime and the use of the 30-year financial business plan provides, long-term certainty over the Council's future investment decisions.

13 CONSULTATION

13.1 The proposed average weekly rent increase of £1.90 or 2.3% will be presented at the next Housing Benefit and Tenants Services Consultation Group on 20th January 2020.

14 OTHER OPTIONS CONSIDERED

14.1 Following four years of compulsory rent reduction, setting rents for 2020/21 below the maximum permitted under the Rent Standard is not recommended for the following reasons:

1) Under self-financing, the debt settlement figure that the Council can afford is based on a valuation of the Council's housing stock. This valuation is based on assumptions about income and need to spend over 30 years and that the Council will follow the Government's social rent policy. Therefore, the main disadvantage of setting rents lower than that permitted by the Rent Standard is the loss of revenue over the 30 years of the HRA Business Plan, the ability to service the debt and the adverse impact this will have on investment in the Council's existing housing stock and the delivery of the Housing Development Programme as currently planned. There is an expectation from Government for the social housing sector to make the best use of their resources to provide the homes needed.

2) The HRA has the option to borrow additional funds for future projects, as the borrowing cap has been removed, but the affordability of taking any additional borrowing would need to be assessed. At this time there is no need to make use of any additional borrowing, but this situation could change if rental income streams are not maintained.

15 REASON FOR RECOMMENDATION

15.1 To bring together all relevant information to enable Members to review, consider and comment upon the Council's Housing Revenue Account budgets, the average weekly housing rent, service and other charges and movements in reserves and balances, before making recommendations to Full Council on 22nd January 2020.

15.2 To advise Members of the wider housing and welfare changes that will impact on future service delivery.

RECOMMENDATIONS

To recommend that Cabinet and Full Council:

1. Approve the Housing Revenue Account Budget for 2020/21, and the indicative figures for 2021/22 to 2023/24;
2. Note the forecast outturn position for 2019/20;
3. Approve the movements in Reserves and Balances as presented in **Appendix D**;
4. Approve the average weekly rent for 2020/21 of £84.95 over a 50-week collection year, an average weekly increase of £1.90 or 2.3%;
5. Note the new Rent Policy Statement and Rent Standard for 2020 with effective from 1st April 2020;
6. Approve the Service Charges and associated fees for 2020/21, **Appendix B**; and
7. Note the changes affecting public and private sector housing and welfare.

APPENDICES	
Appendix A	Summary of Headings on HRA Chart of Accounts
Appendix B	HRA Service and Other Charges
Appendix C	HRA Repairs and Maintenance Revenue Budgets
Appendix D	HRA Balance and Reserve Summary
Appendix E	HRA Budget Key Assumptions

BACKGROUND PAPERS

Please note that copies of background papers have not been published on the Council's website www.eastsuffolk.gov.uk but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	Type	Available From
November 2019	**Equality Impact Assessment**	**Financial Services Team**
31st October 2019	**Regulator of Social Housing - Rent Standard April 2020**	**https://www.gov.uk/government/consultations/consultation-on-a-new-rent-standard-from-2020**
26th February 2019	**MHCLG – The Direction on the Rent Standard 2019**	**https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020**
26th February 2019	**MHCLG – Policy statement on rents for social housing**	**https://www.gov.uk/government/publications/direction-on-the-rent-standard-from-1-april-2020**

SUMMARY OF HEADINGS ON CHART OF ACCOUNT

Income;

- **Dwelling Rent**; Rental income from tenants for housing (Including Housing Benefits).
- **Non-Dwelling Rent**; Rental income for garages, and any other assets rented out by the HRA.
- **Services and other Charges**; Service Charges and nonspecific income.
- **Leaseholders charges for services**; Recharges to Leaseholders for works and services.
- **Contributions towards expenditure**; External contributions towards expenditure.
- **Reimbursement of costs**; Rechargeable works to a third party.
- **Interest Income**; Interest received on cash balances held by the HRA.

Expenditure;

- **Repairs and Maintenance;** General Repairs and Maintenance to all housing stock.
- **Supervision and Management;** Costs associated with running the HRA, e.g. tenant's services, office-based staff, IT etc.
- **Special Services;** Sheltered schemes, warden costs, property acquisitions, redevelopment and new development costs.
- **Rents, Rates and other Charges;** Council Tax charges for void properties.
- **Movement in Bad Debt Provision;** Bad debt provision is to hold funds to cover debt (arrears) that are unlikely to be recovered by the HRA. The current bad debt provision is £822k.
- **Contribution to CDC & Pension Back funding;** CDC is Corporate & Democratic Core costs. This is the HRA's contribution towards these and pension back funding.

  * NOTE; Contribution towards pension back funding is included in the pension cost to individual departments from 2020/21.
- **Capital Charges;** Depreciation charged to HRA assets. (This is transferred to the Major Repairs Reserve. This can fund capital work or contribute to paying down the debt).
- **Interest Charges;** The interest payments relating to HRA borrowing.
- **Revenue contribution to Capital;** Capital expenditure is large repairs work such as 'replacing a kitchen' or building new properties. These are funded from either the HRA 'Revenue Contribution', receipts held through the sale of assets (e.g. Right to Buy Properties), or other reserves and contributions.
- **Transfer to Earmark Reserves;** The HRA has several reserves, but the one used most frequently is the Debt Repayment Reserve. Money is transferred to this reserve each year to pay off the debt held by the HRA.

HRA SERVICE AND OTHER CHARGES

The following charges are based on a 50 week collection year. Under current policies, the following increases/(Decreases) in charges are proposed for 2020/21.

	Average Weekly Charge 2019/20 £	Average Proposed Weekly Charge 2020/21 £	Average Weekly Increase/ (Decrease) £
Grouped Homes Service Charges:			
General Service Charge	13.87	12.85	(1.02)
Heating Charge	12.84	14.85	2.01
Communal Water Charge	2.85	2.93	0.08
Support Charge	3.33	3.33	0.00
Laundry	3.90	3.90	0.00

	Weekly Charge 2019/20 £	Proposed Weekly Charge 20/21 £	Weekly Increase/ (Decrease) £
Caretaker:			
St Peter's Court	5.50	6.15	0.65
Dukes Head Street	4.10	4.55	0.45
Chapel Court	3.00	3.35	0.35
Servicing:			
Electric Central Heating System (Wet Systems)	1.60	1.60	0.00
Solid Fuel Central Heating System	2.36	2.36	0.00
Gas Fire	0.50	0.50	0.00
Ecodan Central Heating System Air Source Heat Pump	2.30	2.30	0.00
Septic Tank Emptying/Servicing	5.18	5.34	0.16
Flue Maintenance	2.36	2.36	0.00
Grounds Maintenance	1.38	1.38	0.00
Other:			
Communal Area Cleaning Service	0.52	0.54	0.02

	Weekly Charge 2019/20 £	Proposed Weekly Charge 2020-21 £	Weekly Increase/ (Decrease) £	
Garage Rents:				
Tenants	7.00	8.00	1.00	
Non Tenants (net of VAT)	8.33	9.50	1.17	**(11.40 inclusive of VAT)**

HRA REPAIRS & MAINTENANCE REVENUE BUDGETS

	2019/20 Approved Budget	2019/20 Forecast Outturn	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
Responsive Maintenance	**£**	**£**	**£**	**£**	**£**	**£**
Jobbing Repairs	1,345,700	1,348,600	1,552,100	1,604,200	1,636,700	1,634,100
Mutual Exchange (See note 1 below)	0	0	10,000	10,000	10,000	10,000
Tenant Allowances	50,000	50,000	50,000	50,000	50,000	50,000
Disabled Adaptations (See note 2 below)	190,000	190,000	190,000	190,000	190,000	190,000
Environmental Works	5,000	5,000	5,000	5,000	5,000	5,000
Fire Fighting Equipment and Detection	22,500	22,500	18,000	18,000	18,000	18,000
Door Porter and Security Systems (See Note 3 below)	17,000	2,000	0	0	0	0
Solid Fuel and Heating Repairs (See Note 4 below)	41,000	40,000	13,000	13,000	13,000	13,000
Emergency Lighting	7,000	15,000	7,000	7,000	7,000	7,000
Drainage and Pumping Stations	5,000	9,400	8,900	8,900	8,900	8,900
Insurance / Misc. - expenditure (See Note 5 below)	17,000	0	0	0	0	0
Rechargeable Works - Incl's Leaseholder Properties	25,000	40,000	40,000	40,000	40,000	40,000
Relet Repairs (Voids)	903,000	904,500	904,000	914,000	924,000	924,000
Lifts	8,000	8,000	8,000	8,000	8,000	8,000
Roof and PVC Panelling Cleaning	36,000	20,000	37,000	37,000	39,000	39,000
External Decoration	115,000	115,000	120,000	120,000	130,000	130,000
Loft Insulations (See Note 6 below)	5,000	0	0	0	0	0
Servicing Contracts & Repairs	561,500	475,000	486,500	500,500	515,500	530,500
Asbestos - Removal	80,000	80,000	80,000	80,000	80,000	80,000
Asbestos - Testing	95,000	95,000	95,000	95,000	95,000	95,000
Legionella	6,000	6,000	6,000	6,000	6,000	6,000
Electrical Testing & Repairs (See Note 7 below)	100,000	200,000	200,000	100,000	100,000	100,000
Communal Areas	57,000	35,000	58,000	60,000	60,000	60,000
Total Responsive Maintenance	**3,691,700**	**3,661,000**	**3,888,500**	**3,866,600**	**3,936,100**	**3,948,500**
Planned Maintenance	**£**		**£**	**£**	**£**	**£**
Bathrooms (See Note 8 below)	40,000	0	0	0	0	0
Chimneys	30,000	20,000	30,000	30,000	30,000	30,000
External Walls	25,000	45,000	25,000	30,000	30,000	30,000
Canopy / Porches (See Note 9 below)	6,000	0	0	0	0	0
Paths / Hardstanding	230,000	150,000	235,000	245,000	245,000	245,000
Boundary / Retaining Walls	23,000	23,000	25,000	30,000	30,000	30,000
Outbuildings	35,000	15,000	35,000	40,000	40,000	40,000
Structural / Damp / Drainage / etc	80,000	50,000	80,000	80,000	80,000	80,000
Total Planned Maintenance	**469,000**	**303,000**	**430,000**	**455,000**	**455,000**	**455,000**
Total HRA Housing Repairs	**4,160,700**	**3,964,000**	**4,318,500**	**4,321,600**	**4,391,100**	**4,403,500**

Notes:

Note 1 - A new charge is being introduced in 2020/21 for mutual exchanges. This fee will contribute towards the cost, producing a saving for the Council. This is a charge that many Councils have in place.

Note 2 - The Housing team completes Disabled Adaption works for the Private Sector Housing team. Income is received for this work covering the increase in costs.

Note 3 - Door Porter security system charges are now accounted for directly under the schemes they relate to, giving a true cost of each asset. The total cost is still the same as 19/20 original budget.

Note 4 - More heating repair costs are covered under the central contract, saving money on repairs costs.

Note 5 - Budget removed for insurance claims and only budgeted for, if and when they happen.

Note 6 - Most lofts are now insulated. These will be picked up under normal jobbing repairs in the future.

Note 7 - Budget for electrical testing increased for 2 years. There is a peak in the planned cycle testing programme.

Note 8 - Most Bathroom related costs are capital costs. Revenue costs to be picked up under jobbing repairs.

Note 9 - Very few Canopy or porches requiring work now. Therefore, costs are now picked up under jobbing repairs.

APPENDIX D

HRA BALANCE AND RESERVE SUMMARY

HRA WORKING BALANCE

	Closing Balance 31/03/19 £'000	*2019/20 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/20 £'000	*2020/21 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/21 £'000	*2021/22 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/22 £'000	*2022/23 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/23 £'000	*2023/24 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/24 £'000
HRA Working Balance	**-4,859**	-416	0	**-5,275**	0	317	**-4,958**	0	309	**-4,649**	-147	0	**-4,796**	-263	0	**-5,059**

HRA EARMARKED RESERVES

	Closing Balance 31/03/19 £'000	*2019/20 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/20 £'000	*2020/21 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/21 £'000	*2021/22 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/22 £'000	*2022/23 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/23 £'000	*2022/24 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/24 £'000
Debt Repayment Reserve	**-10,000**	-500	0	**-10,500**	0	0	**-10,500**	0	0	**-10,500**	-500	0	**-11,000**	-500	0	**-11,500**
HRA DHP topup Reserve	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**
MMI Reserve	**-66**	0	6	**-60**	0	0	**-60**	0	0	**-60**	0	0	**-60**	0	0	**-60**
Impairment/Revaluation Reserve	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**	0	0	**-256**
Acquisition & Development Reserve	**-1,500**	-2,000	0	**-3,500**	0	3,500	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Total HRA Earmarked Reserves	**-12,322**	-2,500	6	**-14,816**	0	3,500	**-11,316**	0	0	**-11,316**	-500	0	**-11,816**	-500	0	**-12,316**

HRA CAPITAL RESERVE

	Closing Balance 31/03/19 £'000	*2019/20 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/20 £'000	*2020/21 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/21 £'000	*2021/22 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/22 £'000	*2022/23 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/23 £'000	*2022/23 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/24 £'000
HRA Major Repairs Reserve	**-19,630**	-3,318	2,841	**-20,107**	-3,518	3,550	**-20,075**	-3,796	14,311	**-9,560**	-4,047	3,685	**-9,922**	-4,288	3,685	**-10,525**

APPENDIX E

HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in the budgets.

Income	**2020/21**	**2021/22**	**2022/23**	**2023/24**
Dwelling rents annual increase	2.7%	2.7%	2.7%	2.7%
Allowance for voids - % of total rent roll	1.3%	1.3%	1.3%	1.3%
Garage rents annual increase *	14.0%	2.0%	2.0%	2.0%
Charges for services & facilities annual increase	1.00%	1.00%	1.00%	1.00%
Write-off allowance	£100,000	£100,000	£100,000	£100,000
Number of dwellings lost through Right To Buys (RTB's)	30	30	30	30
Number of new dwellings added to the stock	30	50	50	50
Average interest rate on HRA balances	0.74%	0.74%	0.74%	0.74%
Expenditure				
Average interest rate on variable debt	1.00%	1.00%	1.00%	1.00%

* 2020/21 High % increase is based on market research in the local area and charge is very low.

Agenda Item 6

ES/0186

EASTSUFFOLK
COUNCIL

SCRUTINY COMMITTEE

Monday 16 December 2019

DRAFT MEDIUM TERM FINANCIAL STRATEGY

EXECUTIVE SUMMARY

1. The Medium Term Financial Strategy (MTFS) provides a baseline forecast of income and expenditure and looks at the overall financial climate. It provides a framework within which the Council's overall spending plans will be developed. The draft MTFS was approved by the Shadow Cabinet on 10th December 2018 and was subsequently updated when Shadow Cabinet approved the General Fund Budget on 18th February 2019.

2. Overall, this period and the long-term Local Government financial picture continues to be characterised by an increased shift towards locally generated resources, with an accompanying transfer of both risk and opportunity. The Government has been working towards significant reform of the Local Government Finance System from 2020/21. However, with the announcement of a one-year only Government Spending Round and Local Government Settlement for 2020/21, these reforms have now been delayed until 2021/22. Consequently, whilst this brought a significant degree of certainty for next year, the announcement of a General Election on 12th December 2019 has now added further uncertainty for the Council going forward in the MTFS period. This report sets out the assumptions made in identifying resources for the MTFS.

3. The predecessor Councils had signed up to a four-year Local Government Finance Settlements for the period 2016/17 – 2019/20 (with East Suffolk receiving the final year of the settlement), covering the elements of Revenue Support Grant, Transitional Grant, and Rural Services Delivery Grant. To take advantage of this offer each authority needed to submit an Efficiency Plan. Although not required in respect of the one-year 2020/21 Settlement, an updated Efficiency Plan will be produced for consideration as part of the 2020/21 Budget process.

4. A technical consultation on the 2020/21 Local Government Finance Settlement was issued on 3rd October 2019. As well as deferring reforms to the system, the proposal for 2020/21 is essentially to roll forward the 2019/20 Settlement with relevant uplifts for inflation. Consequently, the Council is likely to receive Revenue Support Grant and Rural Services Delivery Grant and will also benefit financially from an additional year under the Business Rates Retention system in its present form. Partly offsetting these elements, the allocations for New Homes Bonus (NHB) for 2020/21 will also be for one year only for 2020/21, rather

than for four years. The Government will consult further on incentives to promote housing growth, and indications are that NHB may not continue beyond 2020/21 in its present form. Council tax referendum principles are likely to remain the same as in previous years. Only business rates pilots in the original “devolution” areas will go ahead in 2020/21, with all other pilots cancelled.

5. The MTFS appended to this report has been revised for updates including those resulting from the 2018/19 outturn position of the predecessor Councils; budget monitoring forecasts; budget review meetings; and the Local Government Finance Settlement technical consultation. The draft MTFS will be continually revised with updates including those resulting from further budget monitoring forecasts; the provisional Local Government Finance Settlement, and the emerging replacement for the East Suffolk Business Plan.

6. At the end of the 2020/21 budget process, in February 2020, the Council is required to approve a balanced budget for the following financial year and set the Band D rate of Council Tax. This report sets out the context and initial parameters in order to achieve that objective and contribute towards a sustainable position going into the major changes now planned for the medium term.

Is the report Open or Exempt?	Open

Wards Affected:	All wards in East Suffolk

Cabinet Member:	Councillor Steve Gallant Leader of the Council and Cabinet Member with responsibility for Resources Councillor Maurice Cook Assistant Cabinet Member for Resources

Supporting Officer:	Simon Taylor Chief Finance Officer and Section 151 Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk Lorraine Rogers Finance Manager and Deputy Section 151 Officer 01502 523667 lorraine.rogers@eastsuffolk.gov.uk Brian Mew Finance Consultant 01394 444571 Brian.Mew@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. To ensure Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year these are:

- October/November – as a framework for initial detailed budget discussions for the forthcoming financial year;
- January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build; and
- February – with the final Budget for the new financial year.

1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Business Plan, over the medium term.

2 MEDIUM TERM FINANCIAL STRATEGY

2.1 The draft MTFS for this period is attached as Appendix A and represents a base position for the medium term. In the MTFS, the key uncertainties over this period relate to the proposed reforms to the Local Government finance system – Business Rates Retention and the Fair Funding Review – that have now been deferred until 2021/22.

3 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

3.1 The MTFS sits beneath the East Suffolk Business Plan in the Council's hierarchy of plans and strategies and is effectively the mechanism by which the key Business Plan objective of Financial Self-Sufficiency will be delivered over the medium term.

4 FINANCIAL AND GOVERNANCE IMPLICATIONS

4.1 All Financial and Governance implications are contained within the MTFS document.

5 OTHER KEY ISSUES

5.1 This report has been prepared having taken into account the results of an Equality Impact Assessment.

6 CONSULTATION

6.1 The Council will consult on its strategy and detailed financial plans for the coming year with staff, residents, partners, and business through a variety of methods including e-consultation and forums.

7 OTHER OPTIONS CONSIDERED

7.1 The consideration of the MTFS by members at an early stage of the budget process is essential, especially in order to commence actions to achieve a balanced budget and sustainable medium-term position. Consequently, no other options were considered to be appropriate in respect of this.

8 REASON FOR RECOMMENDATION

8.1 To approve an updated MTFS, taking account of new and revised risks in order that the Council will be able to set a balanced budget that delivers its priorities for the period under review 2020/21 to 2023/24.

RECOMMENDATIONS
That the draft Medium Term Financial Strategy 2020/21 to 2023/24 be reviewed, commented upon, and recommended to Cabinet.

APPENDICES	
Appendix A	Medium Term Financial Strategy
Appendix A1	MTFS Key Principles and Risk Analysis
Appendix A2	East Suffolk Council Tax Base 2020/21
Appendix A3	NHB Reserve 2019/20 – 2023/24
Appendix A4	MTFS Key Movements February – November 2019

BACKGROUND PAPERS

Please note that copies of background papers have not been published on the Council's website www.eastsuffolk.gov.uk but copies of the background papers listed below are available for public inspection free of charge by contacting the relevant Council Department.

Date	**Type**	**Available From**
October 2019	2020/21 Local Government Finance Settlement Technical Consultation	Financial Services
November 2019	Equality Impact Assessment	Financial Services

EAST SUFFOLK COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2020/21 – 2023/24

NOVEMBER 2019

1 INTRODUCTION

1.1 The **Medium Term Financial Strategy** (MTFS) sets the strategic financial direction for the Council and is regularly updated as it evolves and develops throughout the year to form the framework for the Council's financial planning. This ensures Members have a sound basis for planning and decision making, the MTFS is reviewed and updated at key points in the year:

- October/November – as a framework for initial detailed budget discussions for the forthcoming financial year;
- January – an update to include additional information received at a national level and corporate issues identified through service planning and the detailed budget build; and
- February – with the final Budget for the new financial year.

1.2 The purpose of the MTFS is to set out the key financial management principles, budget assumptions and service issues. It is then used as the framework for the detailed budget setting process to ensure that resources are managed effectively and are able to deliver the aspirations of the Council as set out in the Business Plan, over the medium term.

1.3 The vision of the East Suffolk Business Plan is to "Maintain and sustainably improve the quality of life for everybody growing up, living in, working in and visiting East Suffolk". The MTFS underpins the **Efficiency Plan**, which outlines how the key Business Plan objective of Financial Self Sufficiency will be delivered. The Council is currently developing a brand new plan and vision for East Suffolk, focussing on the five key themes of:

- Economic Growth
- Enabling Communities
- Financial Sustainability
- Digital Transformation
- The Environment

As the plan develops, the MTFS will be revised to reflect this.

1.4 The MTFS provides an integrated view of the Council's finances, recognising that the allocation and management of its human, financial and physical resources play a key role in delivering its priorities and ensuring that the Council works effectively with its partners locally, regionally and nationally.

1.5 The key underlying principles of the MTFS are:

- securing a balanced budget with reduced reliance on the use of reserves and general balances to support its everyday spending;
- setting modest increases in Council Tax when appropriate; and
- delivering service efficiencies and generating additional income where there are opportunities to do so.

1.6 Part of the process of delivering a robust MTFS to enable the Council to manage its affairs soundly, is to have regard to both external and internal risks, and to identify actions to mitigate those risks. MTFS key principles and a risk analysis together with mitigating actions are provided in **Appendix A1**.

1.7 Sections 2 to 4 provide an update on the financial challenge facing the Council, taking into account economic factors, the local government finance environment, and the Council's key funding streams. Sections 5 to 7 outline how the Council will respond to the challenge, as expressed in terms of its Budget and strategies towards reserves and capital.

2 PUBLIC FINANCES

2.1 The Government's Autumn Budget to Parliament, which was scheduled to be presented to Parliament on 6th November 2019, has now been postponed. The Autumn Budget provides a formal update on the state of the economy, responds to new economic and fiscal forecasts from the Office for Budget Responsibility (OBR) and sets out fiscal measures for the following year. The General Election scheduled for 12th December 2019 has increased uncertainty regarding the medium-term outlook for public finances and local government funding.

3 ECONOMIC INDICATORS

3.1 The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances. The inflation rate impacts on the cost of services the Council purchases, as the Council delivers much of its service provision through contractual arrangements where inflationary pressures have to be negotiated and managed. Specific contractual inflation has been incorporated into the Council's financial position, where appropriate, based on the actual contractual indices.

Gross Domestic Product (GDP)

3.2 The Bank of England's overall forecast for growth in Gross Domestic Product as outlined in its November 2019 Inflation Report, are shown below.

Bank of England - November 2019			
Gross Domestic Product (GDP) Forecasts			
2019	2020	2021	2022
1.0%	1.6%	1.8%	2.1%

Consumer Pricing Index (CPI)

3.3 Inflation as measured by CPI, was 1.7% for September 2019, unchanged from 1.7% in August 2019, and close to the Bank of England target rate of 2%. September CPI is of particular importance as it is used as the basis for indexed increases in a number of areas in the Local Government Finance system, including Business Rates. The Bank of England's latest forecast (as at November 2019) is set out below.

Bank of England - November 2019			
Consumer Pricing Index (CPI) Inflation Forecasts			
2019	2020	2021	2022
1.4%	1.5%	2.0%	2.2%

Bank Interest Rate

3.4 At its November 2019 meeting, the Bank of England Monetary Policy Committee (MPC) voted by a majority of 7-2 to maintain the bank rate at 0.75%. The Bank of England MPC's new projections for activity and inflation are based on the assumption of an orderly transition to a deep free trade agreement between the United Kingdom and the European Union. The MPC is projecting a reduction in bank rate to 0.5% during the course of 2020.

4 LOCAL GOVERNMENT FINANCE

4.1 The introduction of the Local Business Rates Retention System in 2013/14, together with the Government's programme of fiscal consolidation since 2010, have combined to both reduce the level of funding available to the Council, and to shift the balance of funding significantly away from central to local sources.

4.2 The Final Local Government Finance Settlement 2019/20 announced on 29th January 2019 was the last year of the Four-year settlement period that started in 2016/17.

4.3 On 13th December 2018 the Government launched a further consultation *'A review of local authorities relative needs and resources'*, which sought views on the approach to measuring the relative needs and resources of local authorities, with the aim of determining new baseline funding allocations for local authorities in England in 2020/21.

4.4 The 2019 Spending Review was intended to confirm overall local government resourcing from 2020/21, and the Government has been working towards significant reform in the local government finance system in 2020/21. This includes an updated, more robust and transparent distribution methodology to set baseline funding levels and resetting business rates baselines.

4.5 However, it was announced in September that the 2019 Spending Round would be for one year only in respect of 2020/21. The Spending Round announcement covered the following key areas for local government:

- Additional £3.5bn to Local Government;
- Core Spending Power increased by £2.9bn – 4.3% real terms increase;
- £1bn grant funding for social care and £200m through Adult Social Care council tax precept;
- Business Rates Retention and Fair Funding reforms delayed until 2021/22; and
- Technical consultation due on Local Government Finance settlement.

4.6 Subsequently, a technical consultation on the 2020/21 Local Government Finance Settlement was issued on 3rd October 2019. The technical consultation covered the following key points, and subsequent sections of the MTFS contain more information on these aspects of the consultation and the implications for the Council:

- 2019/20 Settlement "rolled forward" into 2020/21.
- Settlement Funding assessment uprated in line with September 2019 CPI.
- Government likely to pay off Negative RSG in 2020/21.
- Council Tax referendum principle for Shire Districts likely to be 2% or £5, whichever is greater.

- New Homes Bonus (NHB) to be funded at £900m using current arrangements. 2020/21 "legacy" payment not carried forward into 2021/22. Future position is uncertain.
- Rural Services Delivery Grant will continue with allocations unchanged.
- Business Rates Retention and Fair Funding reforms delayed until 2021/22. Strong commitment to resetting baselines.
- Only original Devolution Business Rates Pilots will proceed in 2020/21.

4.7 As in previous years, the Provisional Local Government Finance Settlement would be expected in early / mid-December, with the Final Settlement expected in late January / early February. However, this timetable may be subject to change as a result of the General Election. On 5th November 2019, the MHCLG wrote to authorities with the following information regarding the settlement:

"Last year the independent review of local government finance and processes recommended the department issue the provisional settlement around 5 December. This is no longer possible because of the General Election. However, the department anticipates that the provisional Settlement will be a priority for Ministers to consider after the General Election. We will take all possible steps to ensure that the final settlement aligns with local authority budget setting timetables.

In the meantime, local authorities should take account of the proposals the Government has published in the technical consultation in drawing up draft budgets for next year."

Revenue Support Grant (RSG) and Rural Services Delivery Grant

4.8 RSG has been substantially reduced in recent years. RSG for 2019/20 as confirmed in the Final Local Government Finance Settlement is £323k. The MTFS has previously assumed that 2019/20 will be the final year of RSG. However, the one-year settlement announced in the technical consultation now indicates that the position for 2020/21 will now be the 2019/20 allocation uplifted by inflation as shown below:

Revenue Support Grant (RSG)	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
East Suffolk	(323)	(328)	0	0

4.9 The Government's approach to Negative RSG in 2019/20 was to eliminate it in full via forgone business rates receipts. In the Technical Consultation, the Government is minded to pay off Negative RSG again in 2020/21 and is consulting on this approach.

4.10 The Rural Services Delivery Grant is a Government grant recognising cost pressures associated with service delivery in rural sparse areas. The Final Finance Settlement provided for the grant to continue for East Suffolk in 2019/20, at a level of £248k. As with RSG, it has previously been assumed in the MTFS that this grant would not be received after 2019/20. In the Technical Consultation, the Government is now proposing that 2019/20 allocations of Rural Services Delivery Grant will be rolled forward to 2020/21. 2019/20 allocations were distributed to the top quartile of local authorities on the basis of the 'super-sparsity' indicator, which ranks authorities by the proportion of the population which is scattered widely, using Census data and weighted towards the authorities with the sparsest populations. It is assumed in the MTFS that RSDG will not be received from 2021/22 onwards in the current form, as sparsity is expected to be an area considered as part of the Fair Funding reforms.

Business Rates – Business Rates Retention and Fair Funding Review

4.11 In its 2015 Spending Review, the Government announced proposals for Councils to retain all locally raised business rates by the end of the decade, and to end the distribution of core grant from central Government. Originally, this was planned to begin in 2019/20, but has been subject to delay, the most recent being as a result of the one year Spending Round. However, the Government continues to be committed to give local government greater control over the money it raises and to address concerns about the fairness of current funding distributions.

4.12 To complement the changes to Business rates, the Government announced a Fair Funding Review in February 2016, which will affect how funding is allocated and redistributed between local authorities. Implementation of this review has now also been delayed until 2021/22. The Government is continuing to work with the Local Government Association (LGA) and local authority representatives to develop the new system. Indicative numbers for funding allocations to individual councils are now expected to be available by spring-summer 2020/21, with the review to be implemented in April 2021 via the Local Government Finance Settlement process.

4.13 In December 2017, the Government announced proposals for the proportion of business rates income to be retained by the local authority sector to be increased from the current 50% to 75% from April 2020, a development which does not require primary legislation, unlike the move to 100% local retention. As referred to above, this has now been delayed to April 2021.

4.14 The new system of 75% rate retention will consist of a ‘reset’, which will involve assigning a new baseline funding level and subsequent new tariff or top-up values. Reset of the system and the establishment of new funding formulae could result in East Suffolk losing the financial advantage that it has under the current system - Suffolk Coastal benefited from actual business rates income being significantly above the baseline, which was set at a low level in 2013/14. As a result of the delay in implementing the Business Rate reforms, in 2020/21 the Council will benefit from another year under the current regime, which has a significant impact on the MTFS position for 2020/21 compared with previous forecasts.

4.15 General grants, e.g. RSG and the Rural Services Delivery Grant, will be few and far between after 2021, because the proportion of local business rate retention will rise. It is not yet clear whether any of these grants will be abolished when 75% retention is introduced, but a cautious approach has been adopted in the MTFS. Local authorities have expressed the view that the additional revenue available with 75% retention should be available to meet existing spending pressures, instead of being matched with new responsibilities or being offset by the removal of grant funding. The sector will not initially, at least, have more funding. Over the longer term that will depend on whether business rates grow faster or slower than local authority service demands and costs.

4.16 In 2017/18 local authorities in England were invited to bid to pilot the 100% Business Rates Retention scheme in 2018/19 and to pioneer new pooling and tier-split models. Suffolk was one of ten successful bids with its “Inclusive Growth” focus. The Suffolk Pilot resulted in significantly more retained business rate income for Suffolk, with East Suffolk's share in the region of £3.9m.

4.17 In July 2018, the Government invited local authorities in England to apply for a 75% business rates retention pilot scheme for 2019/20. Suffolk submitted an application for the 2019/20 pilot but was unsuccessful. In the Technical Consultation, the Government has announced that only the original Devolution Business Rates Pilots will proceed in 2020/21, with all other pilots being cancelled.

Business Rates

4.18 Since 2013/14, business rates income has tended to be characterised by a high degree of volatility and uncertainty. Variances between estimated and actual business rate income are realised in the form of deficits or surpluses on the business rates element of the Collection Fund. For each year, the amount of business rates income credited to the General Fund is the amount estimated on the National Non Domestic Rate (NNDR1) return to Government submitted in January in the preceding year, including a calculation of the estimated Collection Fund deficit or surplus to be charged to the General Fund. As a result, in practice, variances between business rates estimates and actual figures are reflected as an element of the Collection Fund deficit or surplus two years after they take place.

4.19 The impact of appeals by businesses against their rating valuations has been the main cause of this volatility in recent years, particularly where the financial impact of these has been backdated. Since April 2017, there has been a new regime for appeals entitled "Check, Challenge, Appeal". This change has been introduced at the same time as the 2017 Revaluation has come into effect. Over the past two years, data has increasingly emerged that the "Check, Challenge, Appeal" regime has very significantly reduced the level of appeals compared with the previous regime. Consequently, the estimation of the provisions that are required to be made in respect of the potential financial impact of appeals have been reviewed for both the year-end figures for 2018/19 and 2019/20 resulting in very large variances as referred to below.

4.20 **2018/19 Actuals** – The methodology for estimating the appeals provision has been revised at year end, enabling appeals provision to be released and income increased, a change that was particularly advantageous given the 100% Suffolk Business Rates Pilot. However, increased income results in the payment of a higher levy paid on additional income, which impacted in 2018/19. As referred to above, due to accounting timing differences, the impact on the Collection Fund deficit/surplus is not reflected in General Fund budget setting until 2021. A net transfer from the Business Rates Equalisation Reserve of £5.797m was made in 2018/19 to finance this temporary shortfall in Business Rates income.

4.21 **2019/20 Revised Forecast** - The methodology for estimating the appeals provision has also been reviewed in-year. A lower contribution to the appeals provision than estimated on the NNDR1 will be required and income will increase. However, as in 2018/19, a higher levy will need to be paid so net income will be down for year. However, Pooling Benefit from the Suffolk Pool will be increased, and this movement will also be reflected in the estimated Collection Fund surplus used in 2020/21 budget setting.

4.22 **Suffolk Pool** - In order to reduce the amounts paid to Government in levy, in 2012, all Suffolk Councils agreed to enter a pooling arrangement which would allow them to retain a larger proportion of their share of growth by reducing their individual rate of levy. The estimated

Pooling benefit for 2019/20 is dependent on all of the NNDR1 returns being prepared by the Suffolk Councils and then collated by Suffolk County Council (SCC) in January. This figure will be confirmed in January but given the changes in appeals provision methodology referred to above, is currently estimated to be £1.927m for 2019/20.

4.23 Business Rates income for 2020/21 is based on the NNDR1 return, and all Business Rates estimates included in the MTFS will be updated when this return is produced in January 2020. As detailed earlier in the report, the Business Rates system is now to be reformed from 2021/22, including a resetting of the Business Rates Baseline. Due to the uncertainty this reform will have on the income to the Council, the Council has taken a prudent approach with the estimates for future years. The income figures included for 2022/21 and beyond, are based on the current Business Rates system and only include estimates of Baseline income, which is approximately £7m, plus S31 Grant. The updated MTFS now includes the following estimates for Business Rates income and related S31 Grant. In 2020/21, the first call on the Business Rates Collection Fund Surplus should be to reverse the transfer from the Business Rates Equalisation Reserve of £5.797m made in 2018/19, to ensure that this reserve is in place to deal with both uncertainty in the new Business rates and funding regimes, and the uncertainty inherent in the Business Rates system.

Business Rates Income	2019/20 Budget £'000	2019/20 Revised £'000	2020/21 MTFS £'000	2020/21 Revised MTFS £'000	2021/22 MTFS £'000	2022/23 MTFS £'000	2023/24 MTFS £'000
Net Business Rates Income	(8,002)	(6,932)	(7,018)	(8,440)	(7,229)	(7,446)	(7,669)
Section 31 Grant	(4,557)	(4,557)	(2,782)	(4,635)	(2,865)	(2,951)	(3,039)
Renewables	(544)	(544)		(564)			
Pooling Benefit	(1,623)	(1,927)		(1,600)			
Total Business Rates Income	**(14,726)**	**(13,960)**	**(9,800)**	**(15,239)**	**(10,094)**	**(10,397)**	**(10,708)**
Collection Fund Surplus	(416)	(416)		(5,197)			
Total inc Collection Fund	**(15,142)**	**(14,376)**	**(9,800)**	**(20,436)**	**(10,094)**	**(10,397)**	**(10,708)**

Council Tax

4.24 Council Tax is one of the Council's most important and stable income streams, funding approximately 50% of the net budget requirement of the Council. In the Technical Consultation, the Government has proposed that the Council Tax increase referendum limits continue as at present, i.e. shire districts in two-tier areas will be able to increase Council Tax by a maximum of £5.00 or 2%, whichever is the higher. An increase of £5.00 for East Suffolk would equate to an increase of 3% on the current District Band D Council Tax of £166.32. It is worth noting that in its assessment of the Core Spending Power of local authorities, the Government assumes that councils increase council tax at the maximum permitted levels.

4.25 The Government proposes to continue with no referendum principles for Town and Parish Councils in 2020/21 but will continue to keep this area under review.

4.26 **Council Tax Base** – The CTB1 Council tax base return was submitted to Government on 11th October 2019. Growth in the tax base for East Suffolk is 1,133.73 Band D equivalent properties, increasing the overall tax base for East Suffolk from 86,755.14 to 87,888.87 Band D equivalents for 2020/21. This equates to around £189k of additional Council Tax income to the Council based on the current District Band D Council Tax of £166.32. The estimated Council Tax Base for East Suffolk parish by parish is shown in **Appendix A2**.

4.27 **District Band D Council Tax 2020/21** – An increase of £4.95 for 2020/21 would equate to a District Band D Council Tax for East Suffolk of £171.27. An increase of £4.95 would generate £435k of income for East Suffolk in 2020/21, and overall Council Tax income for East Suffolk for 2020/21 based on a Band D equivalent of £171.27 is £15.053m.

4.28 Based on the above data, the table below sets out the estimated Council Tax income and assumptions on Council Tax as included in the latest update of the MTFS for East Suffolk.

Council Tax Income	**2019/20 £'000**	**Estimate 2020/21 £'000**	**Estimate 2021/22 £'000**	**Estimate 2022/23 £'000**	**Estimate 2023/24 £'000**
Council Tax Income - Base	(13,890)	(14,429)	(15,053)	(15,643)	(16,243)
Growth in Tax Base	(188)	(189)	(151)	(156)	(162)
Council Tax Increase	(351)	(435)	(439)	(444)	(448)
Total Council Tax Income	**(14,429)**	**(15,053)**	**(15,643)**	**(16,243)**	**(16,853)**
Council Tax Band D	£166.32	£171.27	£176.22	£181.17	£186.12
Council Tax Base	86,755.14	87,888.87	88,767.76	89,655.44	90,551.99
Growth in Tax Base %	1.36%	1.31%	1.00%	1.00%	1.00%
Council Tax Increase £	£4.05	£4.95	£4.95	£4.95	£4.95
Council Tax Increase %	2.50%	2.98%	2.89%	2.81%	2.73%

4.29 **Council Tax Collection Fund** – The Collection Fund is monitored closely throughout the financial year. No Council Tax Collection Fund Surplus was declared last year, and the residual surplus for 2018/19 feeds into the surplus to be declared for 2019/20. An overall surplus of £4.001m is estimated to be declared at this stage, which would result in a surplus to East Suffolk of just under £543k. The Collection Fund surplus position will be confirmed in January.

New Homes Bonus (NHB)

4.30 The Government established the New Homes Bonus in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. Over £7.9 billion has been allocated to local authorities through the scheme to reward additional housing supply.

4.31 NHB is funding allocated to councils based on the building of new homes and bringing empty homes back into use. The intention for the New Homes Bonus is to ensure that the economic benefits of growth are returned to the local authorities and communities where growth takes place. Over the past few years, NHB has become an extremely important source of incentivised income.

4.32 The NHB allocations for 2017/18 (Year 7) reflected a previous Government consultation which had the objectives of diverting at least £800m of funding to Social Care (the Better Care Fund), and of sharpening the incentives for authorities. Although the Bonus has been successful in encouraging authorities to welcome housing growth, it has not rewarded those authorities who are the most open to growth, and in December 2016 the Government announced reforms to the system. The key features in the new NHB allocations included:

- The allocation period being reduced from six to four years in 2018/19, with 2017/18 as a transition year with a five year allocation; and
- The introduction of a national baseline for housing growth was set at 0.4% of Council Tax base growth (weighted by band) for 2017/18 and remained at this level for 2018/19 and 2019/20. The purpose of the baseline is to remove “deadweight” growth that would occur normally without active delivery by councils – councils will only receive NHB for new properties above this level.

4.33 **NHB 2020/21** – As part of the roll-forward settlement the Government has proposed in the Technical Consultation to retain the £900 million top-slice of Revenue Support Grant to fund NHB payments in 2020/21. In addition to funding legacy payments associated with previous allocations, the Government is minded to make a new round of allocations for 2020/21. The Government will retain the option of adjusting the baseline in 2020/21 to reflect significant additional housing growth and spending limits, and any proposals in respect of this will be set out in the Provisional Local Government Finance Settlement.

4.34 As the roll forward is for one year, with any funding beyond 2020/21 subject to the 2020 Spending Review and potential new proposals, any new allocations in 2020/21 will not result in legacy payments being made in subsequent years on those allocations. The payment of an allocation for one year instead of four years has a significant impact on NHB funding availability, as current annual allocations amount to over £500k per year.

4.35 It is the Government’s intention to look again at the New Homes Bonus and explore the most effective way to incentivise housing growth, and there will be further consultation on proposals prior to implementation. Combined with a one-year allocation and no legacy payments, indications are that NHB is being phased out more rapidly than previously anticipated and may be abolished altogether in its current form.

4.36 **NHB Allocation -** The Council Tax Base return to Government (CTB1) provides the basis for calculating the NHB allocation each year. Based on the existing methodology and the Technical Consultation, the total NHB allocation for East Suffolk is forecast in the table below.

NHB	**2019/20 £'000**	**2020/21 £'000**	**2021/22 £'000**	**2022/23 £'000**	**2023/24 £'000**
Year 6	(770)	0	0	0	0
Year 7	(565)	(565)	0	0	0
Year 8	(548)	(548)	(548)	0	0
Year 9	(525)	(525)	(525)	(525)	0
Year 10	0	(564)	0	0	0
Forecast October 2019	**(2,408)**	**(2,202)**	**(1,073)**	**(525)**	**0**
MTFS Forecast February 2019	**(2,408)**	**(2,163)**	**(2,124)**	**(2,102)**	**0**
Forecast Change in NHB	**0**	**(39)**	**1,051**	**1,577**	**0**

4.37 As part of the in-year NHB allocation, the Council receives payment for each affordable home completed (80% of £350 per property). For the 2019/20 NHB allocation this amounts to £92.4k for the Council (330 properties). This is included in the above figure of £2.408m.

4.38 Prior to 2019/20 the approach to using NHB funding differed between Suffolk Coastal and Waveney. Suffolk Coastal used NHB funding to support specific community related projects and initiatives, whereas Waveney used the income as part of its core funding to support the General Fund budget. After consideration by the relevant Member Working Groups for the East Suffolk project, a modified version of the Suffolk Coastal approach was adopted for East Suffolk. This approach provides an expansion to supporting community initiatives across East Suffolk, balanced against the overriding need to retain financial sustainability. **Appendix A3** outlines the position on the NHB Reserve and proposed use of NHB funding for East Suffolk over the MTFS period, and this is summarised in the table below.

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Opening Balance	(4,415)	(3,403)	(4,119)	(3,943)	(3,412)
Add: Allocation Received	(2,408)	(2,202)	(1,073)	(525)	0
Less: Proposed Use	3,420	1,486	1,249	1,056	1,058
Closing Balance	**(3,403)**	**(4,119)**	**(3,943)**	**(3,412)**	**(2,354)**

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2020/21 to 2023/24

5.1 The Finance team works with Service Areas to review their budget requirements and budget monitoring is an ongoing process between Finance, Service Areas and the Corporate Management Team. This work leads to continual updating of the MTFS for the Council. As at November 2019, key areas of the budget that are yet to be finalised include partnerships, revenue implications of the capital programme, and the use of reserves.

5.2 The MTFS was last updated in February 2019 when the first budget for East Suffolk was set. A summary of analysis of the key movements as at November 2019 is shown in the following table. This table is supported by **Appendix A4**. As noted in paragraph 5.1 above, there is continual updating of the MTFS and there are key areas of the budget still to be finalised which are not included in the updated MTFS position as set out in this report.

MTFS Updates - November 2019	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2022/24 £'001
Key Budget Movements:					
Additional Income	(320)	(137)	(137)	(162)	(162)
Operational Savings	(725)	(1,751)	(1,785)	(1,798)	(1,813)
Operational Requirements	1,872	1,170	912	872	1,374
Reduced Income	456	397	397	397	397
Section 31 Grant (Business Rates)	0	(1,853)	0	(57)	(145)
Reserve Movement	(2,049)	3,080	0	0	0
Funding:					
Rural Services Delivery Grant	0	(248)	0	0	0
Revenue Support Grant (RSG)	0	(328)	0	0	0
Council Tax Income	0	(42)	(24)	2	(608)
Council Tax Surplus	0	(543)	0	0	0
Business Rates	766	(3,586)	0	(145)	(368)
Net Total of Updates	**0**	**(3,841)**	**(637)**	**(891)**	**(1,325)**

5.3 The summary MTFS position resulting from these movements as at November 2019 is shown in the table below.

MTFS Forecast - East Suffolk	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
February 2019	0	3,841	3,849	3,872	3,872
November 2019	0	0	3,212	2,981	2,547

5.4 There are a number of key features in the latest MTFS position as at November 2019 resulting from the roll forward of the 2019/20 Local Government Finance Settlement to 2020/21 and the delay in the Business Rate Retention and Fair Funding reforms until 2021/22. East Suffolk is in an advantageous position under the current Business Rates Retention system and deferral of the reforms will enable the council to benefit from another year of the current regime. Combined with the roll forward of Revenue Support Grant and Rural Services Delivery Grant, this has created a favourable position for 2020/21. Effectively, the significant underlying budget gap previously forecast in the MTFS for East Suffolk has been deferred until 2021/22. Although valuable work has been done in identifying over £1.7m of operational savings, these have been largely offset by other operational and income pressures. The period from 2021/22 onwards is extremely uncertain, and the position forecasted represents a likely base scenario in terms of external funding, assuming business rates income at the current baseline level. In addition, from 2021/22, the Technical Consultation indicates that NHB will significantly reduce as a funding source and will probably be phased out completely in its current form.

5.5 Consequently, budget setting for 2020/21 needs to balance the favourable one-off position that the Council finds itself in with the pressures and uncertainties of the medium term, and the underlying budget gap that needs to be addressed. It is important that the Council’s policy towards its reserves and balances, and towards income streams such as Council Tax, seeks to provide some contingency against these future pressures, and ensures the continuation of valuable programmes and initiatives, particularly those currently funded from NHB.

Budget Planning Assumptions

5.6 **Goods & Services** - The Council’s financial strategy assumes that any inflationary pressures incurred on goods and services expenditure are contained within existing budgets, or through more efficient spending. This will be kept under review to ensure this planning assumption remains adequate. This does not impact on inflation for specific contracts where the budget planning assumptions reflect specific contract increases.

5.7 Contracts have been inflated based on the specified inflation indices within each individual contract. Additional negotiation has taken place with contractors to determine how these cost increases can be reduced where possible. This negotiation and retendering of contracts is part of the Council’s strategy for cost reduction and will continue over the medium-term.

5.8 **Fees and Charges** are based on the Council’s agreed principles of increasing existing fees and charges on a market forces basis whilst having regard to the Council’s policies and objectives. As a minimum, fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate. Proposed fees and charges will be considered by the Cabinet in January 2020.

5.9 **Public Sector Pay** – In December 2017 the National Employers made a final pay offer covering the period 1st April 2018 to 31st March 2020, which included a 2% increase in 2018/19 and 2019/20. The opening MTFS position for East Suffolk had assumed a 2% pay award increase per annum for 2020/21 onwards. This assumption remains unchanged. In addition to pay increases, pay costs include incremental progression and on-costs such as employer national insurance and pension contributions. A 1% pay awards equates to approximately £230k including on-costs.

5.10 **Actuarial Valuation** - The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31st March 2019. As at October 2019, the Council is awaiting the actuarial report but has been advised that its share of the pension fund was 98% fully funded at this date. The proposed employers pension contribution rate for 2020/21, 2021/22 and 2022/23 is 34%, 33% and 32% and is a reduction on the current rate for East Suffolk of 35.4%. The current rate is based on a Primary Rate of 22.8%, plus a deficit payment of £2.6m at 12.6%. For 2020/21 to 2022/23 onwards there will not be a deficit payment, and instead it is incorporated into the primary rate.

5.11 In formulating its detailed spending plans, the Council has also taken account of past performance and the previous year's outturn position.

5.12 The Council's financial planning assumptions are summarised below:

Budget Area	**Assumption**
Inflation	
Goods & Services	Met within existing budgets (exception is contract)
Utilities	4.4% RPI (utilities) September 2019
Fees & Charges	2.9% RPI June 2019
Staffing Costs	2% per annum plus incremental progression
In-Year Vacancy Saving	£300k per annum
Investment Income	0.91% Term Investments (average) 0.4% Call Accounts 4.22% Property Fund (as at June 2019)
Interest Payable	0.5% every 6 months

5.13 **Other Pressures** – Ranging from increased demand for services or changes in national policy, the Council's MTFS will be adjusted to reflect the financial implications of these changes. The budget monitoring work is ongoing with the Finance Team working with service areas to review their budget requirements. This work will continue to update the MTFS over the coming weeks.

6 RESERVES AND BALANCES

6.1 In order to manage its financial affairs soundly, the Council needs to hold an appropriate level of reserves and balances. These allow it to:

a) manage its cash flows economically and avoid temporary borrowing pending receipt of income due during the year;

b) deal promptly and efficiently with emergencies if they occur, as this year;

c) take previously unseen opportunities to secure benefits that may arise during the year;

d) mitigate reliance on volatile sources of funding;

e) set money aside for known events but where the timing or precise amount required is not yet certain; and

f) accumulate monies to meet costs that it would be unreasonable for taxpayers to meet in a single year.

6.2 In addition to the General Fund Balance, the Council keeps a number of earmarked reserves on the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans or potential liabilities.

6.3 The Council has continued to develop its prudent financial management arrangements, through the development of earmarked reserves to mitigate potential future risks. As issues arise, the potential requirement for an earmarked reserve is considered. New earmarked reserves are formally considered as part of the detailed budget process, to ensure that risks identified are adequately mitigated, and throughout the annual budget monitoring process as risks arise or become clearer.

General Fund Balance and Earmarked Reserves

6.4 The detailed budget process includes an assessment of risk, the adequacy of General Fund Reserves and a review of earmarked reserves. This review evaluates the need to create and/or change earmarked reserve levels and to also release reserves which are no longer required, thereby becoming a one-off resource for the Council. A risk assessment of the General Fund Balances informs the Chief Finance Officer's view of the adequacy of reserves to provide assurance to the budget. Having regard to the financial risks surrounding the budget planning process; the Council maintains the level of General Fund balances at around 3%-5% of its budgeted gross expenditure (in the region of £120m for East Suffolk). This would equate to maintaining a General Fund balance for East Suffolk, in the region of between £4.0m and £6.0m. As at 1st April 2019, the opening General Fund balance of East Suffolk stood at £8.0m

6.5 The General Fund Balance and Earmarked Reserves position for East Suffolk as at 1st April 2019 has been informed by the outturn positions of Suffolk Coastal and Waveney for 2018/19.

6.6 Key features of the 2018/19 outturn position for Suffolk Coastal are noted below:

- General Fund – surplus of £639k transferred to in-year savings reserve, in addition to planned transfer of £1.3m.
- Earmarked reserves increased by £2.4m to £33.1m.
- General Fund balance maintained at £4m.
- Capital Programme spend of £6.7m, underspent by £2.2m – largely rephased to 2019/20.

6.7 Key features of the 2018/19 outturn position for Waveney are noted below:

- General Fund – surplus of £94k transferred to in-year savings reserve.
- Earmarked reserves increased by £0.7m to £12.2m.
- General Fund balance maintained at £4m.
- General Fund Capital Programme spend of £3.2m, and HRA Capital Programme spend of £7m – underspends mainly rephased to 2019/20.

6.8 £2.0m of the General Fund Balance is being transferred to the earmarked Capital Reserve in 2019/20, to set aside additional revenue funding for the capital programme. Further use of the General Fund balance will be evaluated against an assessment of risk, to ensure financial sustainability for the Council is maintained, whilst supporting the strategy direction and ambitions of the Council.

6.9 One of the key underpinning financial principles of the MTFS is to not use the Council's Reserves (and other one-off resources) as a primary method to balance the ongoing pressures in the budget. Earmarked reserves are used for specific one-off purposes to support the delivery of corporate objectives and to mitigate risks.

6.10 The current projected position on Reserves and Balances for East Suffolk is summarised in the following table.

Reserves	**Actual April 2019 £'000**	**Projected April 2020 £'000**	**Projected April 2021 £'000**	**Projected April 2022 £'000**	**Projected April 2023 £'000**	**Projected April 2024 £'000**
General Fund	**8,000**	**6,000**	**6,000**	**6,000**	**6,000**	**6,000**
Earmarked Reserves:						
Corporate - Contingency, Service Requirements	10,914	6,213	7,755	7,702	7,728	7,728
Business Rate Equalisation	8,476	10,064	9,864	9,814	9,764	9,764
Service Transformation	2,349	2,031	3,461	3,461	3,461	3,461
Community Projects & Initiatives	6,641	5,577	6,293	6,117	5,586	4,528
Housing & Homelessness	4,015	3,761	3,695	3,626	3,554	3,554
Regeneration & Economic Development Projects	3,594	1,041	1,041	1,041	1,041	1,041
Port Health	4,623	4,625	4,629	4,600	4,610	4,610
Capital	4,525	8,925	8,431	8,189	8,012	8,012
Total Earmarked Reserves	**45,137**	**42,237**	**45,169**	**44,550**	**43,756**	**42,698**

7 CAPITAL STRATEGY

7.1 The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services in East Suffolk, along with an overview of how associated risk is managed and the implications for future financial sustainability. The Capital Strategy for the period 2020/21 to 2023/24 will be considered by both the Scrutiny Committee and the Cabinet before approval by the Council in January 2020. Capital planning is about financial investment on the purchase of new assets, the creation of new assets and enhancing and/or extending the useful life of existing assets. The Council's approach is being enhanced with the aim of achieving the optimum balance between the future needs of East Suffolk (including the need to drive growth) and the ongoing challenge of public sector austerity. Key principles include:

- Developing asset and capital strategies that facilitate a long-term approach to decision-making;
- Ensuring that assets are only held as needed to achieve Council objectives;
- Maximising efficiency in the management and use of assets;
- Ensuring that pressure to achieve short-term savings does not compromise the value of assets through lack of investment; and
- Ensuring that capital investment is targeted where it will achieve the greatest long-term benefit.

7.2 Enhancing the management of the Council's existing asset base and looking beyond the traditional medium-term financial planning horizon is a major priority. An updated Asset Management Strategy was approved in July 2019, broken down into four key components:

- Administrative Improvements
- Compliance and Sustainability
- A strategic approach to assets
- Reducing expenditure and increasing income

7.3 For the purposes of setting the budget for 2020/21 and medium-term financial planning, the current rolling Capital Programme is being updated to reflect existing projects and the latest capital investments plans for the period 2019/20 to 2023/24.

7.4 The Capital Programme including both General Fund and HRA elements is subject to the scrutiny process and formally adopted by Full Council each year and the decision to accept individual projects onto the Programme is driven by the overriding requirement to support the priorities communicated in the East Suffolk Business Plan.

7.5 As well as adequately maintaining the asset base, a range of other important factors also have to be considered, especially when deciding upon the allocation of General Fund resources. Notably:

- Legislation – the need for capital investment due to changes in legislation, including those with health and safety implications, is given due priority; and
- Resource Availability – the sustainability of the Capital Programme is a primary consideration and integral to the MTFS.

7.6 Where required, capital projects are supported by a detailed business case, which demonstrates a set of clear objectives and measurable benefits, as well as detailed financial implications. This includes the on-going revenue implications of a capital project, to ensure these are built into the MTFS revenue assumptions.

7.7 Major capital projects are delivered by dedicated project managers, with leadership and oversight provided by the Senior Management Team.

7.8 The 2019/20 Capital Programme for the Council was considered by the Shadow Scrutiny Committee and Shadow Cabinet at their respective meetings on 17th December 2018 and 21st January 2019, with Shadow Council approval on 28th January 2019. The Capital

Programme has continued to be reviewed and revised, and an updated Programme as at November 2019 is shown below:

SUMMARY - GENERAL FUND PROGRAMME	2019/20 £000 Revised Budget	2020/21 £000 Revised Budget	2021/22 £000 Revised Budget	2022/23 £000 Revised Budget	2023/24 £000 Revised Budget	2019/20 to 2023/24 Total
Capital Expenditure						
Economic Development & Regeneration	830	0	0	0	0	830
Environmental Services & Port Health	50	11	30	-	-	91
Financial Services, Corporate Performance & R	5,951	5,500	800	200	200	12,651
ICT Services	655	400	50	50	50	1,205
Operations	10,485	18,811	11,170	1,205	6,525	48,196
Planning & Coastal Management	11,763	18,304	25,169	24,805	250	80,291
Housing Improvement	934	900	900	900	900	4,534
Total Capital Expenditure	**30,668**	**43,926**	**38,119**	**27,160**	**7,925**	**147,798**
Financed By:-						
External:						
Grants	13,397	18,326	25,869	25,605	6,900	90,097
Contributions	50	50	50	50	50	250
Borrowing	0	5,300	400	0	0	5,700
Internal:						
General Fund Capital Receipts	70	0	0	0	0	70
Borrowing	9,119	18,387	10,400	400	400	38,706
Reserves	8,032	1,863	1,400	1,105	575	12,975
Total Financing	**30,668**	**43,926**	**38,119**	**27,160**	**7,925**	**147,798**

EAST SUFFOLK MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

1 PRIORITIES, AIMS AND OBJECTIVES

1.1 The **East Suffolk Business Plan** provides the overarching vision for East Suffolk. In fulfilment of the Plan, the Council makes use of significant resources to achieve its aims including money, people, property and technology. In order to allocate resources to competing demands, achieve effective and efficient use of its resources, best value and ultimately achieve its vision, the Council has several strategies and plans which give a clear sense of direction and underpin the deployment of those resources. The **Medium Term Financial Strategy** sits under the **Efficiency Plan,** and combined with other strategies and plans, they support and embrace the strategic direction of East Suffolk.

2 STRATEGY OBJECTIVES

2.1 The Council's MTFS aims to ensure the provision of the best quality services possible within the resources available. To do so it must maximise the use of its resources to ensure they are used efficiently and effectively to support the development of longer term sustainable objectives.

2.2 The specific objectives of the MTFS are to:

a) ensure that the Council sets a balanced, sustainable budget year by year, so that forecast spending does not exceed forecast resources available to it;

b) plan for a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to ensure that it has the financial capacity to deliver the Council's policies and objectives;

c) redirect resources over time to adequately support and resource the priorities of the both the Council and the wider community; and

d) maintain sufficient reserves and balances to ensure that the Council's long term financial health remains sound.

3 STRATEGY PRINCIPLES

3.1 The principles set out below provide a framework within which the Council will develop its detailed financial plan over the medium term.

General

There are a number of overarching principles that will apply across the Council's detailed financial accounting, planning and monitoring:

a) that the Council's budgets, financial records and accounts will be prepared and maintained in line with approved Accounting Standards, the CIPFA Code of Practice on Local Government Accounting, the CIPFA Prudential Code and the relevant sections of the Council's Constitution and Finance Procedure Rules;

b) prior to setting a budget, the Council will always analyse potential risks and ensure these are minimised in line with its Risk Management Strategy;

c) that the Council's Corporate Management Team will review the budget proposals for reasonableness and adherence to corporate policies and objectives prior to the budget being submitted to Cabinet;

d) the Council will monitor its revenue and capital budgets effectively. Monitoring will be undertaken monthly by Heads of Service together with their portfolio holders, and integrated quarterly monitoring reports will be reported to Cabinet. In cases where significant financial and service performance deviates from that planned, action plans setting out corrective action will be drawn up by Heads of Service / Portfolio Holders and reported to Cabinet as appropriate;

e) that the Council's Corporate Management Team will take appropriate steps to continue to maintain and improve the accuracy and quality of data that it uses throughout the Council thereby ensuring that budget and other decisions are taken on a sound basis; and

f) the Council will seek to maximise external contributions towards revenue and capital spending for example through bidding for specific grants, attracting levered funding, participating in new funding streams and engaging in further strategic partnering opportunities where appropriate.

General Fund (Revenue)

3.2 In relation to its revenue budgets the Council will:

a) set a balanced budget each year that will be constructed to reflect its objectives, priorities and commitments. In particular, the budget will influence and be influenced by the Business Plan, the Organisational and Development Strategy, Capital and Asset Management Strategies, the Risk Management Strategy, its Comprehensive Equality Scheme and its Consultation and Engagement Strategies;

b) within the constraints of the resources available to it, set a sustainable budget each year that meets on-going commitments from on-going resources. The Council will continue to aim to maintain its level of general balances when it sets its revenue budget each year now that a prudent level of balances has been achieved;

c) seek to identify annual efficiency savings through business process improvement, shared service initiatives, service best value reviews and benchmarking and strategic partnering opportunities within and across county borders;

d) review the appropriateness of service delivery between the Council, parishes and other partners;

e) increase existing fees and charges on a market forces basis whilst having regard to the Council's policies and objectives. As a minimum fees and charges should be increased by price inflation. The Council will also review opportunities to introduce new fees as appropriate; and

f) within Government guidelines, set a level of Council Tax that the Council, its residents and Government see as necessary, acceptable and affordable to deliver the Council's policies and objectives.

Capital

3.3 When considering its capital investment the Council will:

a) maximise the generation of capital receipts and grants to support its planned investment programmes;

b) enhance its capital investment by applying specific grants and contributions, capital receipts, earmarked reserves and revenue contributions, with any balance being met by external borrowing;

c) not recognise capital receipts until there is certainty that the receipt will materialise, and will not be earmarked against specific developments without express Cabinet approval;

d) allocate its capital resources in line with its Capital Strategy and Asset Management Plan whilst recognising that other priorities may emerge that may require those plans to be amended and resources to be diverted;

e) annually review and prioritise capital schemes in accordance with Council objectives having regard to:

f) the business case for any given project; asset management planning; and

g) affordability in line with the application of the Prudential Code.

Balances and Reserves

3.4 In relation to its balances and earmarked reserves, the Council will:

- each year maintain the level of General Fund balances at around 3% - 5% of its budgeted gross expenditure. This would lead the Council to maintain a General Fund balance in a range of around £4m to £6m.

- have regard to the financial risks surrounding the budget planning process, including those associated with the structural deficit, inflationary pressures, interest rates, partnerships, the treatment of savings, new burdens and demand led expenditure.

- review its earmarked reserves, which have been established to meet known or predicted liabilities, to ensure that the level of those reserves are still appropriate; and

- return reserve balances no longer required to the General Fund as appropriate.

Treasury Management and Investment

3.5 The Council will:

a) having regard to risk, maximise investment income and minimise borrowing costs within the overall framework set out in the Council's annual Treasury Management and Investment Strategy; and

b) secure the stability of the Council's longer term financial position rather than seeking to make short-term one-off gains which may lead to higher costs in the long term.

c) having regard to risk, seek to diversify its investment portfolio; maximise investment income; and deliver economic development objectives through the Asset Investment Strategy (in development).

4 OTHER CONSIDERATIONS

4.1 The Council's spending will have regard to:

a) the base budget position for the current financial year, adjusted for in year grant changes;

b) the Council's medium term priorities;

c) the refocusing of service expenditure through transactional, shared services and other efficiencies to support the achievement of its medium term priorities and satisfy Government funding changes;

d) demographic and welfare changes;

e) consultation outcomes; and

f) fiscal matters including:

- price inflation;
- the effect on the level of General Fund balances and reserves;
- the impact of any changes to the capital programme on the potential costs of borrowing;
- triennial revaluation of the pension fund;
- ongoing commitments, arising in part, from initiatives that have previously been funded from specific grants;
- achieving budgeted savings from outsourcing, shared services and service reviews; and
- the likely passporting of some Government departmental savings targets to councils.

RISKS	PROBABILITY HIGH (H) MEDIUM (M) LOW (L)	IMPACT HIGH (H) MEDIUM (M) LOW (L)	MITIGATING ACTIONS
Strategic Risks			
The absence of a robust Medium Term Financial Strategy could adversely affect the Council's budget and resource planning and projections.	**L**	**H**	Continually monitor and refine the strategy in line with changing influences. Update Corporate Management Team and Cabinet.
Failure to understand changing community needs and customer expectations can result in the Council providing levels of service which are not appropriately aligned to the needs of communities and customers.	**L**	**H**	Continuously engage with key stakeholders and take advantage of existing consultation methodologies. Continue to monitor and more closely align service levels to demand and need.
Local Government funding is under continuous pressure and review. Failure to respond to these funding pressures may adversely impact on the Council's ability to service delivery.	**M**	**H**	Take advantage of the Council's growth opportunities to reduce dependency on government funding. Align service delivery to funding levels, improve exist strategy to minimise risk.
Budget pressures arising from housing and economic growth and other demographic changes.	**H**	**H**	Take advantage of technological advancements to understand and reduce unit costs, monitor demand for services and proactively manage resourcing requirements, invest in schemes to promote skills and developments.
Financial			
Uncertain medium term sustainability of incentivised income areas subject to Government policy, economic factors, and revaluation e.g. Brexit, business rates and New Homes Bonus.	**H**	**H**	Constantly monitor information and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Adopt prudent budgeting approach not placing undue reliance on uncertain funding sources.

Uncertainty surrounding the Government's change agenda including, business rates and welfare reform over the medium term.	**H**	**H**	Constantly monitor information from Government and update risk appraisals and financial projections. Provide timely briefings and updates to Members/ key stakeholders to facilitate decision making. Lobby through the LGA as appropriate.
Budget pressures from demand led services and income variances reflecting the wider economy.	**M**	**M**	Monitor pressures throughout the budget process and take timely actions.
Costs arising from the triennial review of the Local Government Pension Scheme.	**H**	**M**	Review and monitor information from Government and actuaries. Update forecasts as necessary.
Interest rate exposure on investments and borrowing.	**L**	**L**	Review cash flows, ensuring the Council has a flexible and forward looking Treasury management policy.
Information			
The Council itself has no influence over the outcome of some of the other bigger assumptions such as formula grant, national pay awards, interest rates, inflation and statutory fees and charges.	**L**	**M**	Key assumptions made are regularly reviewed from a variety of sources. Forecasts are updated as necessary.
Operational			
The Council has entered into a number of strategic partnerships and contracts and is therefore susceptible to price changes.	**M**	**H**	Effective negotiation, sound governance arrangements and regular reviews of performance and partnership risks.
There is a potential risk to the Council if there is a financial failure of an external organisation, providing services to the public on behalf of the Council.	**L**	**H**	Ensure rigorous financial evaluations are carried out at tender stage. Consideration of processes to ensure annual review of the successful organisation and review any external auditor comments.

People			
Loss of key skills, resources and expertise.	**M**	**L**	Continue to invest in staff developments, service continuity measures. Monitor succession planning. Keep staff consulted and informed. Ensure employment terms and conditions are competitive and development needs identified through 'My Conversation' programme with staff are satisfied.
Regulatory			
Changes of responsibility from Government can adversely impact on service priorities and objectives.	**L**	**L**	Sound system of service and financial planning in place. Lobby as appropriate.
Reputation			
Loss of reputation if unforeseen resource constraints result in unplanned service reductions.	**L**	**H**	Identify and implement robust solutions in response to changes. Consult widely. Seek to achieve a prudent level of balances and reserves.

East Suffolk Council Council Taxbase by Parish 2020/21

Appendix A2

Parish Area	2019/20 Taxbase	2020/21 Taxbase
Aldeburgh	1,869.81	1,883.62
Alderton	177.28	174.22
Aldringham-Cum-Thorpe	576.82	575.43
All Saints & St. Nicholas, St. Michael and St. Peter S E	101.25	102.49
Badingham	219.72	224.14
Barnby	214.49	217.09
Barsham and Shipmeadow	130.74	129.08
Bawdsey	188.48	188.02
Beccles	3,198.11	3,206.36
Benacre	34.33	33.97
Benhall & Sternfield	288.33	290.55
Blaxhall	109.76	112.44
Blundeston and Flixton	446.39	456.35
Blyford and Sotherton	72.39	71.01
Blythburgh	187.24	191.21
Boulge	13.91	14.85
Boyton	61.21	59.66
Bramfield & Thorington	190.65	191.03
Brampton with Stoven	145.21	148.52
Brandeston	144.24	146.11
Bredfield	149.29	147.28
Brightwell, Foxhall & Purdis Farm	984.12	985.21
Bromeswell	157.31	154.82
Bruisyard	65.85	66.12
Bucklesham	200.26	200.74
Bungay	1,628.79	1,631.58
Burgh	81.11	79.37
Butley, Capel St Andrew & Wantisden	112.68	113.32
Campsea Ashe	147.02	155.05
Carlton Colville	2,652.40	2,657.67
Charsfield	146.41	145.84
Chediston, Linstead Magna & Linstead Parva	154.35	158.06
Chillesford	63.34	63.35
Clopton	144.54	145.80
Cookley & Walpole	151.90	153.33
Corton	554.75	567.16
Covehithe	10.41	10.84
Cransford	65.34	67.42
Cratfield	147.65	148.76
Cretingham, Hoo & Monewden	200.37	207.77
Dallinghoo	82.52	84.77
Darsham	177.51	181.67
Debach	32.22	32.01
Dennington	234.56	232.70
Dunwich	88.91	86.20
Earl Soham	198.87	202.46
Easton	151.37	163.04
Eyke	149.69	154.63
Felixstowe	8,324.16	8,474.25
Flixton, St. Cross S E & St. Margaret South Elmham	162.58	165.31
Framlingham	1,391.92	1,492.68
Friston	207.09	211.74
Frostenden, Uggeshall and South Cove	169.39	164.76
Gisleham	245.15	248.05
Great Bealings	127.85	132.25
Great Glemham	101.44	103.37
Grundisburgh & Culpho	631.37	634.94
Hacheston	159.33	159.69
Halesworth	1,695.51	1,719.61
Hasketon	172.61	175.12
Hemley	26.08	25.33
Henstead with Hulver Street	138.42	139.22
Heveningham	64.21	65.50
Hollesley	469.73	475.97
Holton	303.11	308.32
Homersfield	59.44	59.30
Huntingfield	76.31	78.65
Iken	62.83	63.31
Kelsale-cum-Carlton	398.23	406.67
Kesgrave	4,782.80	4,788.23
Kessingland	1,422.07	1,427.93
Kettleburgh	108.42	109.66
Kirton & Falkenham	545.10	554.01
Knodishall	312.46	315.05

Parish Area	2019/20 Taxbase	2020/21 Taxbase
Leiston	1,702.25	1,777.07
Letheringham	40.95	42.82
Levington & Stratton Hall	127.01	125.62
Little Bealings	212.78	213.74
Little Glemham	67.32	67.14
Lound	118.75	117.41
Lowestoft	12,554.29	12,682.12
Marlesford	88.61	87.42
Martlesham	2,301.57	2,296.38
Melton	1,744.44	1,822.60
Mettingham	81.68	82.10
Middleton	191.13	198.64
Mutford	183.55	185.31
Nacton	341.44	344.26
Newbourne	106.28	107.22
North Cove	148.71	149.89
Orford & Gedgrave	398.50	394.25
Otley	289.69	288.92
Oulton	1,411.47	1,463.43
Oulton Broad	3,240.96	3,250.37
Parham	122.53	120.08
Peasenhall	235.03	232.77
Pettistree	87.00	87.15
Playford	110.05	112.89
Ramsholt	13.02	12.77
Redisham	51.57	52.13
Rendham	127.47	129.57
Rendlesham	936.97	939.42
Reydon	1,176.73	1,192.36
Ringsfield and Weston	219.71	221.44
Rumburgh	119.15	119.50
Rushmere	32.78	33.07
Rushmere St Andrew	2,560.08	2,573.67
Saxmundham	1,520.55	1,566.89
Saxtead	125.30	126.06
Shadingfield, Sotterley, Willingham and Ellough	171.96	180.14
Shottisham	84.23	84.33
Sibton	93.24	94.89
Snape	323.12	329.04
Somerleyton, Ashby & Herringfleet	161.52	164.18
Southwold	1,052.55	1,094.99
Spexhall	84.31	85.38
St. Andrew Ilketshall	113.36	110.89
St. James South Elmham	88.84	87.83
St. John Ilketshall	20.30	20.38
St. Lawrence Ilketshall	61.52	61.77
St. Margaret Ilketshall	70.13	69.38
Stratford St Andrew and Farnham	139.34	138.50
Sudbourne	175.83	184.58
Sutton	138.26	142.39
Sutton Heath	320.82	327.25
Sweffling	95.54	96.45
Swilland & Witnesham	391.91	398.60
Theberton	150.53	152.35
Trimley St Martin	719.86	731.42
Trimley St Mary	1,247.84	1,267.47
Tuddenham St Martin	164.51	164.05
Tunstall	236.97	264.01
Ubbeston	43.27	42.45
Ufford	358.42	382.86
Walberswick	377.68	388.72
Waldringfield	251.81	249.75
Wangford with Henham	248.23	249.08
Wenhaston with Mells Hamlet	411.58	417.09
Westerfield	231.48	234.74
Westhall	129.95	130.45
Westleton	298.94	308.52
Wickham Market	814.49	818.13
Wissett	120.79	123.66
Woodbridge	3,121.95	3,149.75
Worlingham	1,278.44	1,289.04
Wrentham	368.67	382.53
Yoxford	342.12	343.31
Total Taxbase - Band D	**86,755.14**	**87,888.87**

NHB Reserve	2019/20 Revised Budget £'000	2020/21 Revised Budget £'000	2021/22 Revised Budget £'000	2022/23 Revised Budget £'000	2023/24 Revised Budget £'000
NHB Reserve Balance Brought Forward	(4,415)	(3,403)	(4,119)	(3,943)	(3,412)
NHB In-Year Funding	(2,408)	(2,202)	(1,073)	(525)	0
Total NHB Funding in Reserve	**(6,823)**	**(5,605)**	**(5,192)**	**(4,468)**	**(3,412)**
Application of NHB					
Enabling Communities Budget					
55 Councillors * £7.5k	413	413	413	413	413
	413	**413**	**413**	**413**	**413**
Community Partnerships					
8 Partnership * £25k each	80	200	200	200	200
Resourcing & Engagement					
CP Manager	57	61	62	62	64
Communities Officer	20	20	20	20	20
Funding Officer	20	20	20	20	20
Venues for meetings	3	3	3	3	3
Contribution to Suffolk Association Local Councils	10	10	10	10	10
Contribution to Community Action Suffolk	10	10	10	10	10
	200	**324**	**325**	**325**	**327**
Strategic Community Partnerships (£200k per annum)	**150**	**300**	**300**	**300**	**300**
Exemplar Grants	**160**	**0**	**0**	**0**	**0**
WIFI Implementation on Market Towns	**200**	**0**	**0**	**0**	**0**
ESP	**100**	**0**	**0**	**0**	**0**
Lowestoft Full Fibre project	**1200**	**0**	**0**	**0**	**0**
UCI World Masters Cycle Cross Championships	**0**	**8**	**8**	**0**	**0**
Commitments Pre 2019/20					
Tour of Britain - Womens Tour 2019 & 2020	112	0	0	0	0
Housing Enabling Support	19	26	22	0	0
Better Broadband Suffolk	111	0	0	0	0
Community Enabling (locality budget)	3	0	0	0	0
Economic Development Major Projects	22	0	0	0	0
Landguard	18	18	18	18	18
	285	**44**	**40**	**18**	**18**
Place Based initiatives					
Felixstowe Forwards	106	106	0	0	0
Leiston Together	26	39	31	0	0
Lowestoft Rising	20	8	0	0	0
	152	**153**	**31**	**0**	**0**
Total NHB Earmarked for Community Initiatives	**2,860**	**1,242**	**1,117**	**1,056**	**1,058**
	119%	56%	104%	201%	
Set Aside to Support the Budget					
To Support Transition of NHB use to East Suffolk	560	244	132	0	0
% of In Year NHB allocation	23%	11%	12%	0%	
Total NHB use for the Year	**3,420**	**1,486**	**1,249**	**1,056**	**1,058**
NHB Reserve Balance Carried Forward	**(3,403)**	**(4,119)**	**(3,943)**	**(3,412)**	**(2,354)**

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Net Budget Expenditure After Reserve Movements - February 2019	25,585	25,870	26,697	27,418	27,418
Growth to Budget					
Roll forward of salary budgets to 2023/24	0	0	0	0	500
2018/19 green waste scheme contribution paid in arrears to SCC	468	0	0	0	0
Bungay Leisure Centre development	344	0	0	0	0
Melton Hill vacant costs	0	250	0	0	0
Leiston Leisure Centre closure costs	152	0	0	0	0
Car Park Enforcement	125	384	391	399	399
Increase in MRF gate fee	100	100	100	100	100
Lowestoft town centre masterplan	75	0	0	0	0
East Suffolk Council vehicle re-branding	74	0	0	0	0
Tree Management to check all Tree Preservation Orders	70	0	0	0	0
Political assistant support agreed to be funded from savings	62	95	97	98	98
Lloyds Bank charges	55	55	55	55	55
Match funding for HAZ project. As per Cabinet report 11th April 2018 Item (5).	50	50	50	0	0
Green Waste - operational costs of scheme (external printing)	37	37	37	37	37
Other	260	199	182	183	185
	1,872	**1,170**	**912**	**872**	**1,374**
Reduced Income					
Jubilee Parade - overnight stay beach hut project did not progress	355	305	305	305	305
Southwold Caravan Park project delayed (additional static sites)	74	74	74	74	74
Other	27	18	18	18	18
	456	**397**	**397**	**397**	**397**
Additional Income					
Investment income due to better deals and rates	(200)	0	0	0	0
Total from Head of Service meetings	(93)	(110)	(110)	(135)	(135)
Other	(27)	(27)	(27)	(27)	(27)
	(320)	**(137)**	**(137)**	**(162)**	**(162)**
Operational Savings					
Reduction to employer pension contribution rate	(260)	(660)	(660)	(660)	(660)
Savings on insurance premium	(188)	(185)	(182)	(175)	(168)
Total from Head of Service meetings	(137)	(699)	(717)	(717)	(717)
External audit fee reduction	(134)	(134)	(134)	(134)	(134)
Finance lease interest	(49)	(67)	(87)	(108)	(131)
Economic Development restructure saving	0	(50)	(50)	(50)	(50)
Customer Services premise costs and general supplies and services	(45)	(45)	(45)	(45)	(45)
Other	(12)	(11)	(10)	(9)	(8)
Reduce vacancy saving due to vacancies given up as part of service reviews	100	100	100	100	100
	(725)	**(1,751)**	**(1,785)**	**(1,798)**	**(1,813)**
Non-Specific Grant Income - Section 31 Grant Business Rates	0	(1,853)	0	(57)	(145)
Variance on Reserve Movements - November 2019 Update	(2,049)	3,080	0	0	0
Net Budget Expenditure After Reserve Movements - November 2019 Update	**24,819**	**26,776**	**26,084**	**26,670**	**27,069**
Financed By:					
Revenue Support Grant	(323)	(328)	0	0	0
Rural Services Delivery Grant	(248)	(248)	0	0	0
Council Tax	(14,429)	(15,053)	(15,643)	(16,243)	(16,853)
Council Tax Surplus	0	(543)	0	0	0
Business Rates	(9,819)	(10,604)	(7,229)	(7,446)	(7,669)
	(24,819)	**(26,776)**	**(22,872)**	**(23,689)**	**(24,522)**
Budget Gap - November 2019 Update	**0**	**0**	**3,212**	**2,981**	**2,547**