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

Cabinet

Members:

Councillor Steve Gallant (Leader)

Councillor Craig Rivett (Deputy Leader and Economic Development)

Councillor Norman Brooks (Transport)

Councillor Stephen Burroughes (Customer Services and Operational Partnerships)

Councillor Maurice Cook (Resources)

Councillor Richard Kerry (Housing)

Councillor James Mallinder (The Environment)

Councillor David Ritchie (Planning & Coastal Management)

Councillor Mary Rudd (Community Health)

Councillor Letitia Smith (Communities, Leisure and Tourism)

Members are invited to a **Meeting of the Cabinet** to be held on **Tuesday, 2 February 2021** at **6:30pm**

This meeting will be conducted remotely, pursuant to the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

The meeting will be facilitated using the Zoom video conferencing system and broadcast via the East Suffolk Council YouTube channel at https://youtu.be/LETm1IdZ39g

Please note, this agenda was re-published on 28 February 2021 to incorporate late changes to Item 11 - Draft General Fund Budget and Council Tax Report 2021-22 (ES/0663). These changes were necessary to enable the Cabinet to recommend a scheme for Council Tax Covid-19 Hardship Reliefs to Full Council on 24 February 2021.

An Agenda is set out below.

Part One – Open to the Public

Pages

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1 Apologies for Absence
To receive apologies for absence, if any.

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 Announcements
To receive any announcements.

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To receive any announcements.

4 Minutes **1 - 19**
To confirm as a correct record the Minutes of the Meeting held on 5 January 2021

KEY DECISIONS

5 Building Materials Supply Contract ES/0657 **20 - 24**
Report of the Cabinet Member with responsibility for Housing

6 Civil Penalty Policy (Amendment) ES/0658 **25 - 44**
Report of the Cabinet Member with responsibility for Housing

NON-KEY DECISIONS

7 Housing Development Strategy 2020/24 ES/0659 **45 - 54**
Report of the Chairman of the Scrutiny Committee, including the response from the Cabinet Member with responsibility for Housing at Appendix A

Part Two – Exempt/Confidential

16 East Suffolk Council's Cemeteries and Managed Closed Churchyard Service

- 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 **Cabinet** held via Zoom, on **Tuesday, 5 January 2021** at **6:30 pm**

Members of the Cabinet present:
Councillor Norman Brooks, Councillor Stephen Burroughes, Councillor Maurice Cook, Councillor Steve Gallant, Councillor Richard Kerry, Councillor James Mallinder, Councillor David Ritchie, Councillor Craig Rivett, Councillor Mary Rudd, Councillor Letitia Smith

Other Members present:
Councillor Paul Ashdown, Councillor Peter Byatt, Councillor Tony Cooper, Councillor Linda Coulam, Councillor Mike Deacon, Councillor John Fisher, Councillor Louise Gooch, Councillor Tracey Green, Councillor Mark Jepson, Councillor Keith Robinson, Councillor Rachel Smith-Lyte, Councillor Ed Thompson, Councillor Caroline Topping, Councillor Steve Wiles

Officers present: Stephen Baker (Chief Executive), Damilola Bastos (Finance Planning Manager), Kerry Blair (Head of Operations), Karen Cook (Democratic Services Manager), Neil Cockshaw (Programmes and Partnership Manager), Mark Fisher (Procurement Manager), Cairistine Foster-Cannan (Head of Housing), Naomi Goold (Senior Energy Projects Officer), Laura Hack (Delivery Manager), Andrew Jarvis (Strategic Director), Nick Khan (Strategic Director), Fern Lincoln (Housing Needs Service Manager), Paul Mackie (Strategic Funding Manager), Matt Makin (Democratic Services Officer), Sue Meeken (Political Group Support Officer (Labour)), Brian Mew (Chief Finance Officer & Section 151 Officer), Tamzen Pope (Coastal Engineering and Operations Manager), Nicole Rickard (Head of Communities), Philip Ridley (Head of Planning and Coastal Management), Lorraine Rogers (Deputy Chief Finance Officer), Deborah Sage (Political Group Support Officer (GLI)), Tim Snook (Commercial Contracts Manager (Leisure)), Karen Thomas (Head of Coastal Partnership East)

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1 Apologies for Absence

Apologies for absence were received from Councillor Cackett.

2 Declarations of Interest

Councillor Rivett declared a local non pecuniary interest in respect of agenda item 14, as he sat on the Lowestoft Flood Risk Management Project Board, as a Suffolk County Councillor.

Councillor Jepson declared a local non pecuniary interest in respect of agenda item 7, as he sat on the Felixstowe Citizens' Advice Board.

Councillor Mallinder declared a local non pecuniary interest in respect of agenda item 6, as he was Vice Chairman of the Suffolk Coast and Heaths AONB Advisory Committee.

Councillor Cooper declared a local non pecuniary interest in respect of agenda item 7, as he sat on the Leiston and Aldeburgh Citizens' Advice Board.

3 Announcements

The Leader of the Council referred to Covid-19 and the further period of lockdown restrictions that had recently been announced; he stated that he fully supported the measures introduced by the Government, particularly in light of the new variants which were in circulation, and which were dramatically increasing the transmissibility of the virus. Additionally, the virus was spreading quickly in the East of England and far more East Suffolk residents and communities were being affected by this latest wave. The Leader stated that he knew there was light at the end of the tunnel and that vaccinations would make a huge difference in the months to come. However, for now, East Suffolk must follow the guidance laid down and do its bit to help slow the spread of the virus. The residents and communities of East Suffolk had shown an incredible resolve during the past nine months and the Leader stated that he knew this had been an incredibly difficult time for many people. Naturally, ESC would continue to provide support and would work with businesses to ensure they received the funding payments they needed and ESC would work in its local communities to make sure residents were supported, particularly through the ongoing Home But Not Alone Scheme. And of course, ESC would continue to deliver vital services and the workforce would once again step up to the plate to ensure this happened as smoothly as possible.

The Cabinet Member with responsibility for Housing stated that this would be Cairistine Foster-Cannan's last Cabinet meeting before leaving ESC to start a new position with Orwell Housing. Councillor Kerry gave thanks to Cairistine and wished her well in her new post. He also stated that due to the current lockdown the interviews to appoint a new Head of Housing had had to be postponed; however, referring to the excellent Housing Team, Councillor Kerry was confident that work would continue to be delivered as planned. The Leader echoed the words of Councillor Kerry.

The Cabinet Member with responsibility for Resources stated that, due the current lockdown, he was pleased to announce that there would be additional support for businesses, as recently announced by the Chancellor of the Exchequer, totalling across the country, £4.6m. Councillor Cook outlined the details of the grants and clarified that they would be in addition to the monthly grants currently being paid out under Tier 4 regulations.

4 Minutes

RESOLVED

That the Minutes of the Meeting held on 1 December 2020 be agreed as a correct record and signed by the Chairman.

5 New Beach Hut Site - Felixstowe

Cabinet received report **ES/0609** by the Deputy Leader and Cabinet Member with responsibility for Economic Development, and the Assistant Cabinet Member with responsibility for Economic Development, who introduced the report.

Councillor Wiles stated that the proposals within the report signalled confidence and ambition for the Felixstowe seafront offer; with the ever-increasing popularity in staycations and day trips it had never been more important to offer inclusive facilities and popular amenities for residents and visitors alike. The proposal was, Councillor Wiles stated, for a new development at the south seafront, providing a key economic development. Development of the South Seafront area was ongoing, with the refurbishment of the Victorian shelters, the building of a cafe at Martello Park, and now a new beach hut site.

Councillor Wiles summarised the contents of the report, stating that it outlined the proposed development of the trim trail site on the South Seafront into a new beach hut village, with five accessible, purpose-built pods, 25 traditional huts and a new toilet block, with Changing Places facilities. The existing trim trial would be moved to the current volleyball site, which would be re-landscaped and made into a more comprehensive activity park.

The report sought Cabinet approval for the proposed design; further, to work up the detailed designs for the proposal and seek planning consent for them. Then, to procure and award a contract for the works, and oversee the construction of the projects at both sites. The report also sought approval for the necessary form of operating model for the proposed development, with Felixstowe Town Council being asked to manage the five pods for hire, with the 25 traditional huts being sold to bring in a capital receipt.

The Leader, commenting also as a Felixstowe Ward Councillor, stated that he very much welcomed this initiative, he thought the work that had gone into the design was excellent and he said that the accessible hut site was much welcomed, as was the provision of the Changing Places facility within the toilet block and the enhancements at the activity site. The Leader gave thanks for the hard work by officers.

Councillor Jepson commented that the project would very much enhance the area, he commented that the current issue with the beach huts on the promenade could not be sustained and he also acknowledged that the project would not be popular with all because some people want to remain in their current locations.

The Cabinet Members with responsibility for Planning and Coastal Management, Community Health, Housing, and Transport very much welcomed the project, commenting particularly on the enhanced beach hut offer across the whole district, the increase in revenue, providing what the public wanted, the accessible hut site, and the investment into Felixstowe.

The Cabinet Member with responsibility for Communities, Leisure and Tourism very much supported the proposal, commenting that it would be great for tourism; inviting people to the area; and she welcomed how the modules could open up into a bigger open space, meaning that the facilities could be used for larger events.

Councillor Deacon stated that, as a Felixstowe Ward Councillor, he was delighted with the project; however he did comment that he was a little disappointed that the traditional beach huts would all be for private sale and he would have liked to have seen two or three of them available for short term lets. Councillor Deacon asked what the ground rents of those huts would be per annum. Councillor Deacon also commented that he had seen in Germany, in a large urban park, two outdoor kitchens, which were very rugged, they had running water and a barbecue point built into them. Councillor Deacon commented that he noticed that there would be provision for picnic tables etc in the amenity block and he wondered whether something similar to what he had seen in Germany could be considered; this he said would make it unique in this area. Councillor Deacon also asked if the electricity supplies would be solar driven. In conclusion, Councillor Deacon stated that he wholeheartedly welcomed this development which he said would make an enormous difference to the seafront offer.

The Leader, in response to the comments and questions raised by Councillor Deacon, responded that many discussions had taken place in respect of the tenure of the more traditional beach huts. He commented too in respect of places that he had visited, mainly warmer / sunny locations, where he had seen outdoor kitchens / barbecue spaces; he commented that they could be great for those using the areas, but not so good for those people who were close by.

Officers, commenting in respect of the traditional huts, stated that it was expected that the licence fees would be the same as the current 900 huts already in existence in Felixstowe; there was a two tier approach dependent on whether there was a clear sea view, or not. Also, in respect of traditional huts, it was not proposed to have any other facilities available other than what was within the huts themselves, normally a gas cooking facility. In respect of the pods, green credentials were currently being explored. Commenting on a barbecue site, officers stated that they were looking to make the amenity park as amenable as possible; this would be given consideration.

Councillor Gooch, commenting on the outdoor facilities, suggested that perhaps an outdoor shower could be considered. Councillor Gooch also suggested that perhaps better advertising opportunities should be explored, she commented on the website page for the beach hut offer and suggested that illustrations could be added. The Leader, in response, commented that ESC would be, after the current pandemic, promoting everything that it had to offer.

Councillor Byatt referred to the reference within the report to keeping the beach huts in good order; he asked what the frequency of inspections would be. Councillor Byatt referred to the sale of some of the beach huts and the purchase of beach huts soon for Jubilee Terrace; he asked if there were opportunities for economies of scale. Councillor Byatt, referring to outside amenities, asked if an outside gym for adults could be explored. Finally, Councillor Byatt asked if solar lighting and CCTV cameras could be explored too.

The Leader, in response, stated that there was CCTV in place close by, and so a more direct viewing of the site could be explored. In respect of lighting, there was a current very early stage project looking at lighting all along the promenade at Felixstowe. In respect of the adult gym, that was already in place, that would move one bay along and would be enhanced as part of the activity centre. Officers, in respect of the maintenance of the huts, added that each licence holder would sign an agreement with ESC; this would include the colour of the huts and the condition that they should be kept in. Also, inspections did, and would continue, to take place on a regular basis. Officers, in respect of new beach huts and procurement, responded that they would look to achieve the best deal possible. In respect of the market value of huts, it was confirmed that approximately one year ago, beach huts with a sea view, were worth approximately £20k; those same huts were currently worth at least £30k.

On the proposition of Councillor Rivett, seconded by Councillor Gallant, it was by unanimous vote

RESOLVED

1. That the concept and plans for the project be approved and that it be agreed that what is set out in the report forms the basis for the delivery of the beach hut village and new activity park.

2. That the use of the Capital Budget of £875K and £100K from the 100% Pooled Rates funding be approved, to take the project from the current concept design stage through to detailed design, and an application for all necessary consents for the proposed development, including planning permission, inclusive of all associated fees and charges.

3. That delegated authority be given to the Strategic Director, acting in consultation with the relevant Cabinet Member, to procure all of the necessary contracts and agreement to enable to the construction of the development to be carried out, and to award the same on terms that best protect the Council’s interests.

4. That Option 1 be approved as the proposed operating model, that is, to sell the 25 traditional beach huts and to hire the 5 pods and approves Option A for the management of the hire facilities, that is, a 50/50 income split with Felixstowe Town Council, to be reviewed in 18 months from commencement.

5. That a regular update on the project be given to the Cabinet Member with responsibility for Asset Management.

6 East Suffolk Council Engagement and Position during the Examination and Post Examination Process for ScottishPower Renewables East Anglia One North and East Anglia Two Offshore Windfarm Proposals

Cabinet received report **ES/0610** by the Deputy Leader and Cabinet Member with responsibility for Economic Development who reported that since his last report to Cabinet regarding ESC's position on Scottish Power Renewables (SPR) much had transpired. ESC continued to support the principle of offshore wind energy and had worked with SPR to address its concerns as was set out last year. The Deputy Leader stated that before continuing, he would set out the wider context for which members must be cognisant; he reminded members that he had previously had meetings with the Energy Minister to express ESC's concerns regarding the cumulative impacts of energy projects. In February OFGEM in its Decarbonising Action Plan rightly recognised that individual radial offshore transmission links, it did not consider, were likely to be economical, sensible or acceptable for consumer and local communities as the offshore wind capacity ambition was set out. In March last year the Leader and the Deputy Leader were part of a delegation that met with BEIS to discuss the cumulative impacts of the energy projects potentially coming to the East Suffolk district. In July BEIS launched the Offshore Transmission Network Review, for which ESC submitted evidence. In September the Prime Minister stated, at the UN, that he wished the UK to become the Saudi Arabia of Wind.

The Deputy Leader stated that examination of EA1N and EA2 commenced in October 2020 following Covid delays, during which time further detail, deadlines and responses had been and would be required. Indeed, Councillor Rivett added, another deadline would be next week for which ESC would be responding.

The Deputy Leader thanked Cabinet for its approval of the recommendations previously that had enabled ESC to respond to such tight deadlines. The examination would run until 6th April 2020, at which point a recommendation would be made to the Secretary of State by the examining authority, for the Secretary of State to ultimately decide if these projects should proceed.

In November, Councillor Rivett reminded members, the Government launched its Ten Point Plan for a Green Industrial Revolution, which included advancing offshore wind, 40GW by 2030, enough to power every home. It also mentioned the Offshore Transmission Network Review.

In December the Government released its much anticipated Energy White Paper, with Wind getting no fewer than 90 mentions, restating the ambition to quadruple by 2030 wind energy production and to bring jobs and growth to ports and coastal regions. East Suffolk had already seen a snapshot of such investment that energy projects could bring to the district: SPR invested £25m into their Operations and Maintenance base in Lowestoft in 2019, furthermore EA1 saw a skills and education memorandum of understanding that brought scholarships and STEM (Science Technology Engineering and Maths) events and promotion; furthermore £45m to the supply chain.

BEIS published, the Deputy Leader stated, the ONTR findings just before Christmas. To summarise, he said, it could be said that they sought to achieve further coordination without jeopardising existing projects. Nonetheless, it rightly identified that early co-ordination could save consumers £6 billion and critically reduce the amount of infrastructure required.

Councillor Rivett stated that ESC's responses needed to be proportionate and evidenced, he thanked officers for the hard work they had undertaken in presenting such information for members to consider. Councillor Rivett added that he always kept an eye on planning metrics as external assessments of decisions gave he thought a good indicator. Locally made decisions challenged at appeal were backed up at appeal over and above the national thresholds. Furthermore, last year, ESC's planning decisions were subject to four judicial reviews and all four applications were defeated and regrettably the vindications came at a financial cost to the Council.

Councillor Rivett highlighted that the report before members set out the changes from the original proposal to those currently presented. For example, he said, at 7.4 to 7.6 it set out the original position regarding offshore elements and between 7.7 to 7.9 it detailed the new mitigation/compensation. Furthermore, onshore original proposals were set out at 7.10 to 7.31 and new mitigation/compensation at 7.32 to 7.46. Table 1 at 7.84 set out a summary of the original mitigation and table 2 at 7.87 the enhanced mitigation and compensation currently on offer.

The report sought Cabinet's support to move to a neutral position, that of neither fully objecting nor fully supporting the NSIPs. To be clear, Councillor Rivett added, it did not infer that for the remainder of the examination ESC would sit mute. As detailed within the report ESC still had concerns, for example on noise and cumulative impacts, along with issues identified in the LIR. ESC would continue to make the case that where it had serious concerns and sought these to be addressed, seeking to achieve the best outcome possible for the district. Likewise, it would continue to press Government to support ESC recognising the large expectations for cumulative impacts energy projects being placed in and near the district would have. Nonetheless, members must consider and recognise the improvements made to the application, for example, the substations had reduced in size and height and were lower into the ground. This had enabled the retention of a wooded area that was originally going to be felled. Tree planting had both been increased and management thereof strengthened. As Councillor Rivett remarked earlier, he stated, during his evidence submission during examination on the lack of commitment to simultaneous construction of ducting for both projects, this had now been secured; in addition to that an increase in the scope and scale of the section 111. Tourism and environmental exemplar projects were much welcomed. Lastly, Councillor Rivett stated, Friday Street junction would have a traffic light solution.

The Leader referred to the negotiations that the Council had been in, and the asks that it had made, and the fact that the Council was achieving some movement to where it ultimately wanted to be, and this was important to him. There was still work to do, he stated, but this was an opportunity for ESC both to acknowledge what had happened and to look to the future and to continue the negotiation. ESC wanted to continue to attempt to get the best that it could for the residents of East Suffolk, albeit recognising the huge environmental benefits that wind energy generation brought to the UK.

Following a question by the Cabinet Member with responsibility for Housing, the Deputy Leader and officers gave a reassurance that they would keep pressing to obtain the best deal possible, in respect of noise and local impacts in and around Friston, for local people. The Deputy Leader referred to other projects in the rest of the eastern region; he referred to Norfolk Vanguard, commenting that the examining authority had recommended refusal, but the Secretary of State overrode that decision. The Deputy Leader stated that not only must the Council challenge, but it must have a productive and constructive relationship with the applicant to ensure that ESC could secure benefits where possible.

The Cabinet Member with responsibility for the Environment stated that he totally agreed with the Deputy Leader, as ESC was not the decision making body it should be prepared to deal with the consequences of the decision made by Westminster. It was not an easy decision to be made, Councillor Mallinder stated, balancing the concerns of local residents, the environmental impact in particular on the AONB and how to obtain a diverse energy portfolio across the UK. Care was needed, however, as a society to balance the target of carbon neutrality in energy sources with alterations to the environment and biodiversity. It would not be helpful to solve one problem and create another. Councillor Mallinder stated that this Administration was taking a mature attitude to its polices and by talking with SPR it had already seen improvements. In particular, SPR had clearly listened to concerns over the impact of the AONB landscape and the mitigation fund had increased from £240,000 to £400,000. Such improvements had been made as direct response from ESC's involvement. However, Councillor Mallinder added, it was important to highlight as this more neutral position was potentially taken, it did not mean that ESC was not representing its residents and ignoring its environment vison; to the contrary, should this project go ahead, it would be representing residents in further consultations and decisions.

Councillor Smith-Lyte, after commenting that she was pro-wind power generation, stated that she did not entirely accept the comments in respect of mitigation and the fact that the Council was not the decision maker; Councillor Smith-Lyte commented that ESC was an important stakeholder and, as such, it should be ambitious; she was somewhat reassured that the Council was being ambitious, however, she had undertaken her own research and was not convinced that it had to be done as proposed, via huge football pitch size sub-stations on the edge of a village and within an AONB, when she believed that it could be done via a ring main, which was currently happening in the Netherlands.

The Leader, in response, commented that there had been many debates in respect of ring mains; he added that what was on the table was what was on the table, and that was what the Council needed to consider; he emphasised that the Council could negotiate hard with the applicant and it would continue to do that. He emphasised that the Council was a consultee and not the decision maker. The Deputy Leader added that the Council had been and would continue to be as ambitious as it could be. The Deputy Leader, in response to the comments made by Councillor Smith-Lyte in respect of the off-shore ring main, drew members' attention to the BEIS offshore network transmission review, the document that looked into co-ordination about reducing the landfalls; he outlined the contents of the document and upon request, agreed to share this with Councillor Smith-Lyte.

Councillor Byatt sought clarification that EA1N would not have any impact on the AONB. The Deputy Leader, in his response, stated that the Council had challenged hard and, as a result, the funds had increased.

Councillor Byatt referred to the channels, which were to be 32 metres wide, and had reduced to 16.1 metres, and looking ahead, he suggested that future proofing should take place in case more cables were to come ashore.

Community Byatt referred to the community benefits fund and to the master scholarships and asked if the fund would be ring-fenced for East Suffolk communities. The Deputy Leader, in his response, said that he would be as rigorous as possible in protecting the fund.

In response to a question from Councillor Byatt related to noise, the Deputy Leader stated that he would continue to press this point; he referred to the quiet and beautiful countryside that needed to be protected as far as possible and he said that he would continue to challenge to ensure that any noise was as low as it could be.

On the proposition of Councillor Rivett, seconded by Councillor Cook, it was by unanimous vote

RESOLVED

1. That in negotiation with the Applicants on statements of common ground and in responses to the Planning Inspectorate/Examining Authority that East Suffolk Council continues to support the principle of offshore wind as a significant contributor to the reduction in carbon emissions and for the economic opportunities that they may bring to ports in the NALEP geography that could support the construction and maintenance of the windfarms.
Notwithstanding this, the Council:
a) Is neutral in relation to EA2 and the predicted offshore effects of the proposal on seascape, coastal landscapes, character and qualities of the AONB and cumulatively with EA1N due to the amendments made to the offshore wind turbine heights and provision of compensation.
b) Is moving towards a predominantly neutral position in relation to the overall impact of the onshore substations on EA1N and EA2 individually and cumulatively on the village and environs of Friston. The Council acknowledges that the onshore infrastructure is out of character with the village but recognises that the Applicants are seeking to provide embedded mitigation as part of their project which coupled with the mitigation and compensation packages proposed will enable the Council working with partners to provide additional improvements in addition to the embedded project mitigation.
c) Maintains significant concerns with regards to the impact of operational noise levels at the onshore substations site which will have an adverse impact on residential amenity and the character of the area until such time that appropriate and suitable mitigation or compensation is secured.
d) Maintains significant concerns with regards to the lack of cumulative assessment of the National Grid substation in its extended form, until such a time as this is considered to be adequately and appropriately addressed.
e) Maintains concerns with regards to the design of the onshore substations until such time that the Council's concerns are adequately and appropriately addressed.
f) Accepts the additional provision pledged with regards to: revisions to the A1094 junction with the A12 which will significantly improve road safety at this junction which is welcomed; a contribution to air quality monitoring/mitigation of the Stratford St Andrew AQMA; a contribution to a Tourism Fund to provide additional marketing of East Suffolk in conjunction with the Suffolk Coast Destination Management

Organisation and the commitment to lay ducting for the second project at the same time as the cabling for the first if they are constructed sequentially.
g) Accepts the Section 111 funds which will enable the provision of compensatory measures to help offset the impacts of the projects.
h) Accepts an environmental exemplar fund to support ambitious aims to improve biodiversity and drive the decarbonisation of energy used in homes and travel.
i) Will continue to engage with the Applicants to seek to address the matters of concern raised in the Relevant Representation and Local Impact Report and will raise these matters of concern during the examination as appropriate.

2. That authority be delegated to the Head of Planning and Coastal Management, in consultation with the Deputy Leader and Cabinet Member with responsibility for Economic Development to revise the Council's position on the projects if the matters of concern are adequately and appropriately addressed.

3. Should the Development Consent Orders (DCOs) for EA1N and/or EA2 be granted by the Secretary of State for BEIS, authority be delegated to the Head of Planning and Coastal Management, in consultation with the Deputy Leader and Cabinet Member with responsibility for Economic Development to:

- Discharge requirements of granted DCOs.
- Facilitate the Council's responsibilities under any Section 111/Memorandum of Understanding/agreement.
- Consider and respond to any minor revisions to the DCOs proposed.

7 East Suffolk Citizens Advice Review

Cabinet received report **ES/0611** by the Cabinet Member with responsibility for Communities, Leisure and Tourism who reminded members that at its meeting in March 2020 Cabinet agreed to make funding of up to £7,500 available to enable the three East Suffolk Citizens Advice to secure independent support to explore the opportunities for the transformation of Citizens Advice services in East Suffolk. Touchstone Renard Management Consultants were commissioned jointly by the Council and the three Citizens Advice to undertake a review, evaluate options for change and recommend a preferred option. Their comprehensive report was attached as Appendix A to the report and was summarised in paragraphs 4.1 to 5.8. An Executive Summary was attached as Appendix B to the report. The Cabinet Member with responsibility for Communities, Leisure and Tourism advised that the report was presented to the Chairs and Chief Officers of the three Citizens Advice at a meeting on 19 November 2020 when an initial joint response to the report was presented on behalf of the three Citizens Advice Chairs. The report before Cabinet sought approval for the next steps in the transformation process, including the allocation of funding, already available within the Council's budgets, to support further transformation work and additional, one off, funding, also from within existing budgets, for Citizens Advice North East Suffolk. It was emphasised that the report was very positive about the job that Citizens Advice did and recognised the excellent work that was being undertaken. It was also emphasised that the driver for the transformation within East Suffolk was not about resources and saving money; it was about looking at ways that services could be delivered even more effectively, and ESC wanted to free up the capacity to work with Citizens Advice on more preventative activity.

The Leader referred to the current pandemic, the current climate and the challenges that were being faced by the public and stated that they were being 100% supported by the Citizens Advice; ESC was, he said, committed to continuing to support Citizens Advice to deliver the vital services. It was ESC's wish to make the service even more efficient and to have a delivery model in place, that would be sustainable, and that would be more efficient going forward, thus allowing Citizens Advice to use their limited resources to deliver a better standard of service.

Cabinet very much supported the proposals, referring to the excellent work undertaken by Citizens Advice, providing assistance to the Anglia Revenues Partnership with regard to discretionary housing benefit and universal credit applications.

The Assistant Cabinet Member with responsibility for Community Health stated that he welcomed the proposals, but he did comment that it was important that the transformation service did not disrupt the service to the customers; he added that it was perhaps key that the people who were delivering the service were not disrupted; he referred to the need to look after the people who were delivering this valuable service. The Leader reiterated that ESC was supporting the Citizens Advice ambition to change; it had no wish to impose anything and the Leader was sure that the Citizens Advice would be mindful of the many volunteers who gave up their time.

Councillor Deacon stated that he agreed with the comments made by the Cabinet Member with responsibility for Community Health; he then drew Cabinet's attention to paragraph 6.2 of the report, and the words "the pressure to find a solution will not determine the pace of negotiations"; Councillor Deacon hoped that Cabinet would take this into consideration in making its decision. Councillor Deacon stated how much he appreciated the work undertaken by the Citizens Advice in Felixstowe and he felt that ESC should support Citizens Advice as much as it could.

Councillor Topping thanked the Leader for his reassuring words; Councillor Topping referred to the acknowledgements within the report and congratulated everybody on including all of the stakeholders. Councillor Topping referred to the reference within the report to the four merged CABs that had been interviewed and the lessons that had been learnt; she welcomed the fact that engagement had taken place with others who had already gone through this experience and the lessons that could be learnt. Councillor Topping referred to the location of the new headquarters, which she said would be important, particularly given the size of the district, and also the potential need for outreach locations. Councillor Topping, in conclusion, welcomed the proposals within the report.

Councillor Byatt welcomed the proposals within the report; he referred to it being crucial, in respect of funding, to ensure that the voice of a friend did not run short of funding because that would be crucial, particularly during the current pandemic.

On the proposition of Councillor Smith, seconded by Councillor Kerry, it was by unanimous vote

RESOLVED

1. That the findings of the Touchstone Renard Review of Citizens Advice in East Suffolk be noted.

2. That an additional sum of £5,700 from within existing budgets be made available to enable Touchstone Renard to continue to work with the three Citizens Advice on the next phase of transformation – specifically to prepare a phased implementation plan and a fuller business case for merger. The Council expects that additional funding, if required, should be provided by the three Citizens Advice.

3. That East Suffolk Council continues to support Touchstone Renard in working with the three Citizens Advice to define the scope of the next phase of transformation review.

4. That an additional one-off payment of £16,000 be made to North East Suffolk Citizens Advice for the financial year 2021/22, on condition that they also explore other avenues of funding (including the Ropes Trust).

8 Temporary Accommodation Procurement and Placement Strategy 2021-23

Cabinet received report **ES/0612** by the Cabinet Member with responsibility for Housing who stated that the report outlined the Temporary Accommodation Procurement and Placement Strategy 2021-23 to be used by the Council in connection with the provision of temporary accommodation for homeless households in the district. It considered the procurement of accommodation along with how households would be allocated properties. The Strategy would ensure that the Council could meet its legal duties and deliver the housing needs service in a transparent way that partners and service users could access.

Cabinet welcomed the proposed Strategy, commenting how it would positively impact on a number of people's lives, both immediately and in the future.

Councillor Topping referred to paragraph 8.3 of the report and the reference to occasions when demand for temporary accommodation could exceed the temporary accommodation placements; Councillor Topping asked how often that happened. Councillor Topping also referred to the reference within the report to bed and breakfast accommodation being used, for a maximum of six weeks for pregnant women and households with dependant children. Councillor Topping asked, if anybody was in the unfortunate position where six weeks had been reached and there was no other accommodation, where the people would be moved to. Councillor Topping asked a third question, referring to East Suffolk being a long geographical area, if for example a family was displaced in the northern part of the district, and it was closer for an out of district placement across the river in Norfolk, would that be considered before potentially moving the family to the southern end of the district. Councillor Topping referred perhaps to children being involved and the need for their schooling and social networks to be taken into account.

Officers, in response to the questions, stated that sometimes there were occasions where demand for temporary accommodation exceeded self contained units; in those circumstances, the Council could, potentially as a last resort, use accommodation with shared facilities which was referred to as bed and breakfast accommodation. Officers explained that in the past there had been a small number of families with dependant children in bed and breakfast accommodation; they had all been moved out and within the last 18 months not one household, with either pregnant women or children, had been placed within bed and breakfast accommodation or any accommodation with shared facilities. That had and would continue, in accordance with the Government's requirements and best practice, to be a priority for the Council.

Referring to out of district placements, officers referred to caselaw, which had led to legislation mandating local authorities to take into account in every placement the needs of children and all members of households. In short, whilst in-district placements were always seen as preferable in the eyes of the law, it was also mandatory for councils to consider all of the needs of a household, and if the household preferred to go into a placement out of district, the Council would seek to achieve that.

On the proposition of Councillor Kerry, seconded by Councillor Rivett, it was by unanimous vote

RESOLVED

That the Temporary Accommodation Procurement and Placement Strategy 2021-2023 be adopted.

9 Fees and Charges for 2021/22

Cabinet received report **ES/0613** by the Cabinet Member with responsibility for Resources who reported that income from fees and charges was an integral part of the Medium-Term Financial Strategy, generating essential funding for the Council to help minimise Council Tax increases and/or service reductions.

Appendix A of the report, Councillor Cook stated, set out the proposed Discretionary Fees and Charges for 2021/22. Areas to highlight were set out in paragraphs 2.7 to 2.10 of the covering report; this included further details on Parking Services, Beach Huts and Chalets, and Cemeteries and Pre-Application Planning Advice. The date for implementation of the Discretionary fees at ESC was 1 April 2021, unless otherwise stated.

The Statutory Charges were for noting and were set out in Appendix B. These were set by Government statute and councils usually had no control over service pricing. For some statutory fees there was no set review dates and some areas, such as licences, had not been increased for a number of years. Where review dates were known these were provided.

The Cabinet Member with responsibility for the Environment stated that the environment would continue to be a key focus of ESC and would always be a consideration of policy formation and implementation; ESC had a strong vision and was delivering for its residents. Part of his vision, Councillor Mallinder stated, was to encourage residents to make the right decisions and so it was important to note that waste disposal fees had minimum increases, in particular the green waste service, and by subscribing to this service not only was excessive garden waste composted, people did not need to drive to the recycling centre, thereby saving money on petrol and reducing carbon footprints. Although composting was always the best way to deal with garden waste, the amount of waste a garden could produce, this might not be practical so Councillor Mallinder encouraged any household who had not signed up for this service to do so. Councillor Mallinder stated that ESC had made it easy for residents to dispose of large items and by using the service, items were either recycled or broken down into component parts, and ultimately, disposed of correctly. Councillor Mallinder referred to fly tipping and stated that this was unacceptable and with thes waste disposal services provided by ESC there were no excuses. ESC was committed to a strong environmental vision and part of that was to empower residents to make the right decision Councillor Mallinder concluded.

Councillor Topping sought clarification in respect of charges for stray dogs, which was provided. Councillor Topping also asked why the Council was not increasing the amount of money charged to people who wished to have street naming and numbering changes. It was agreed that officers would answer this question following the meeting.

Following a question from Councillor Byatt, it was confirmed that there we no sex establishments within the East Suffolk district.

Councillor Byatt referred to penalties for landlords and commented that there was nothing within the report about failing to supply carbon dioxide alarms within rented accommodation. Councillor Byatt also, with regard to boilers and boiler inspections, asked about penalties for landlords if their boilers were not as they should be. The Leader commented that enforcement issues related to unsafe premises / equipment should not be confused with fees and charges. The Cabinet Member with responsibility for Housing, in response to the points raised by Councillor Byatt, stated that he would speak with officers and clarify for Councillor Byatt separately.

Councillor Byatt referred to burials and felt that the proposed increase in fees was a large jump over one year; he suggested that it might be staggered over a period of time. In response, the Cabinet Member with responsibility for Resources stated that he was mindful of this; however it was a policy of ESC to standardise fees and charges as far as possible but at the same time being mindful of the fees and charges in place surrounding East Suffolk. Councillor Cook reminded members that the Council had postponed making a decision on this in April 2020 and so it was felt appropriate to continue with the standardisation, particularly taking into account that a high percentage of people chose the cremation route, which had been standardised and which was significantly lower and was competitive with surrounding districts.

Councillor Smith-Lyte, referring to the need to support the climate change commitment and energy efficiency standards, wondered if the Council should increase fees for sub-standard rental properties. The Cabinet Member with responsibility for Resources referred to one of the new Housing Strategies and commented that this would be covered within that; it did not relate to fees and charges. A balanced approach was required taking into account education of people as well as fees.

On the proposition of Councillor Cook, seconded by Councillor Burroughes, it was by unanimous vote

RESOLVED

1. That the discretionary fees and charges set out in Appendix A of report ES/0613 be approved for implementation from 1 April 2021.

2. That the fees and charges set by statute and the timing of any increase in these as set out in Appendix B of report ES/0613 be noted.

10 Council Tax Base 2021/22

Cabinet received report **ES/0614** by the Cabinet Member with responsibility for Resources, who stated that the report sought approval of the Council Tax Base for tax setting purposes for next year and approval for allocation of Local Council Tax Support grants to town and parish councils. The report outlined the process for estimating the tax base and the elements that needed to be taken into account.

Starting with the total number of dwellings in the district Councillor Cook reported, adjustments were made for reliefs, discounts, growth, and an estimated collection rate to arrive at a tax base expressed as a number of Band D equivalents. In normal circumstances, the tax base resulting from these calculations would be expected to increase by around 1% from year to year. However, this year, the economic impact of the Covid-19 pandemic had resulted in an increase in the number and value of Local Council Tax Reduction Scheme (LCTRS) reliefs reducing the tax base. The level of these reliefs had also had to be forecast for 2021/22. In addition, collection rates had been reviewed, and the collection rate used in the calculation had been reduced from 99% to 98.75%. Overall, Councillor Cook reported, a reduction of just under 550 Band D properties, or around 0.6%, was estimated compared with the 2020/21 base. Although this was significant, as more data and analysis on trends had become available, this was a lower impact than had been previously forecast in both Covid-19 impact and MTFS reports.

In the the one-year Spending Review announced on 25th November 2020, £670m additional grant funding was announced to provide support to authorities in respect of the impact on council tax bases arising from increased LCTRS reliefs. This funding had subsequently been confirmed in the Provisional Local Government Finance Settlement. Major precepting authorities would receive a Local Council Tax Support Grant allocation proportionate to their share of the council tax bill in the district, based on the increase in the value of LCTRS reliefs in the year between the October 2019 CTB1 and October 2020 CTB1 returns, together with an allowance for forecast increases at a national level.

As a billing authority, Councillor Cook advised members, the ESC grant of £370,000 included an element of £110,00 relating to the reduction in tax bases experienced at town and parish level. Councillor Cook's report recommended that this element be allocated to town and parish councils. The allocation of this grant to individual councils had been calculated in proportion to the reductions in the calculated tax base for the parish resulting from increased LCTRS reliefs and the use of a reduced collection rate.

The Leader, after giving thanks for the production of the report, stated that he was pleased to see that ESC would be passing on the required amounts to town and parish councils where that was appropriate. He encouraged all councils that could, to consider the financial impact that the pandemic had had on their residents and to do all that they could to keep any Council Tax rises, if there had to be any, to a minimum. The Leader concluded by stating that he had been impressed with the generosity of the Government in supporting local councils through the pandemic.

Councillor Topping very much welcomed the proposals within the report and stated that, once the decision had been taken by Cabinet, the decision for town and parish councils should be communicated via every avenue possible, including social media. Officers confirmed that they would be writing to town and parish councils the next day.

Councillor Ashdown commented that many town and parish councils were struggling with decisions on their budgets and precepts; this, he said, would be very good news for them.

In response to a question from Councillor Byatt, it was confirmed that ESC did not charge town and parish councils for the service that it provided, collecting precepts on their behalf was part of the function of the billing authority.

On the proposition of Councillor Cook, seconded by Councillor Gallant, it was by unanimous vote

RESOLVED

1. That 87,339.43 Band D equivalent properties be approved as the council tax base for 2021/22 for the East Suffolk district.

2. That the council tax bases for 2021/22 for individual town and parish areas as shown in Appendix A of report ES/0614 be approved.

3. That the Local Council Tax Support Grant allocations to Town and Parish Councils detailed in Appendix B of report ES/0614 be approved.

11 Capital Programme for 2021/22 to 2024/25 including Revisions to 2020/21

Cabinet received report **ES/0616** by the Cabinet Member with responsibility for Resources who reported that as part of the annual budget setting process, the Council was required to agree a programme of capital expenditure for the coming four years. The report before Cabinet set out ESC's General Fund Capital Programme and the Housing Revenue Account Capital Programme for the financial year 2020/21 to 2024/25, this incorporated revisions to 2020/21.

The capital programme, Councillor Cook stated, had been compiled taking account of the main principles to maintain an affordable four-year rolling capital programme; to ensure capital resources were aligned with the Council's Strategic Plan; to maximise available resources by actively seeking external funding and disposal of surplus assets; and to not anticipate receipts from disposals until they were realised.

Councillor Cook stated that the general fund capital programme included £103.65m of external contributions and grants towards financing the Council's £189.44m of capital investment for the Medium-Term Financial Strategy period. This represented 55% of the whole general fund capital programme. Key investments for the general fund were the Felixstowe Regeneration (Leisure Centre and Infrastructure), Lowestoft Beach Hut Replacements, Commercial Investment, Flood Alleviation, specifically the Lowestoft Tidal Barrier project and finally the loan to the LATCO.

The Housing Revenue Account capital programme totalled £64.95m for the Medium-Term Financial Strategy period and did not require any additional external borrowing to finance it. The Housing Revenue Account capital programme would benefit from £13.31m of external grants and contributions, which was 21% of the programme. Key investments for the Housing Revenue Account were the housing redevelopment programme and the housing new build programme.

The report also detailed the revenue implications arising from the capital programme, showing the capital charges for each year of the Medium-Term Financial Strategy period, split between general fund and Housing Revenue Account.

Councillor Cook concluded by stating that it was an extremely exciting capital programme over the next four years, particularly as many of the projects would bring additional revenue streams which would again in the coming years help ESC to limit the amount of burden that would have to be passed on to Council Tax and Business Rates payers.

The Leader echoed the comments of Councillor Cook and added that the report highlighted the ambitions of ESC and the fact that it would continue to deliver against those ambitions regardless of the current situation in respect of the virus. This he said was down to the prudent management of finances and the generosity of the Government in supporting councils through the crisis.

Cabinet Members very much supported the proposals within the report.

Councillor Byatt gave thanks for what he said was a bold Capital Programme; he referred to the Procurement Task and Finish Group that was in place and the need to ensure that the projects would acknowledge the things that ESC had pledged to do, particularly related to reducing the carbon imprint. Councillor Byatt hoped that the Cabinet Member with responsibility for the Environment would agree that the Council should always have at the forefront of its mind how it could make the environment cleaner through all projects. Both the Cabinet Members with responsibility for Resources and the Environment confirmed that that would be the case, and the Leader added that everything that the Council did would be driven by the overarching Strategic Plan, which set out the aims and aspirations of the Council. The Leader gave an undertaking that ESC would work to deliver against that Plan.

The Cabinet Member with responsibility for Planning and Coastal Management, referring to the Capital Programme, highlighted that the Council did not have to raise all of the money; a lot of the funding was drawn in from other sources he said. Councillor Ritchie highlighted the Lowestoft Flood Risk Management Project as an example.

On the proposition of Councillor Cook, seconded by Councillor Brooks, it was by unanimous vote

RESOLVED

That the capital programme for 2021/22 to 2024/25 and revisions to 2020/21 be recommended for approval by Full Council.

12 Exempt/Confidential Items

The Leader stated that in exceptional circumstances, the Council may, by law, exclude members of the public from all, or part of, an executive decision-making meeting. The Council should, unless there were urgent circumstances, give notice of its intention to do so via the Forward Plan, which was updated and published on its website 28 clear days prior to the meeting. There were various reasons that the Council, on occasions, had to do this and examples were because a report contained information relating to an individual, information relating to the financial or business affairs of a particular person, or information relating to any consultations or negotiations. Tonight, the Leader stated, ESC would be considering three substantive exempt matters which were outlined in agenda items 14 - 16 on the published agenda.

The Leader reported that, firstly, item 14, Approval to Enter into Legal Agreements with Landowners Related to the Lowestoft Flood Risk Management Project, asked Cabinet to give authority for one of the Council's Strategic Director's, in consultation with the Cabinet Member with responsibility for Planning and Coastal Management, and others, to negotiate terms and enter into the necessary agreements with the relevant landowners. The Lowestoft Flood Risk Management Project was now fully funded and ready to proceed with the next stage of phase 1, which was the construction of the tidal flood defence walls. However, certain agreements to allow for access to land needed to be put in place, first, with the various landowners. As the UK's most easterly town, Lowestoft's unique geographical position had enabled it to become a nationally significant offshore energy hub, serving some of the world's largest offshore wind farms. With billions of pounds of investment due to take place over the next decade in this type of energy generation, the town's resilience to tidal flooding and sea level rise was of paramount importance, not only to its residents to ensure their safety, but also for the economic viability of the area. Therefore, the Council viewed the Lowestoft Flood Risk Management Project construction of tidal flood defences as one with major economic significance, providing a crucial component to the country's energy security, and for its transition to a low carbon economy. The project would, the Leader stated, enable jobs, remove a key barrier to growth and increase productivity, significantly reduce the risk of flooding to key infrastructure, and reduce the risk of flooding to over 1085 families and 825 businesses for generations. The project would also support and compliment other major infrastructure investments in the town, such as the Gull Wing Bridge, as well as providing significant economic regeneration and jobs.

Turning to item 15, Leisure Operator – Contract Award, the Leader advised that this report asked Cabinet to approve the awarding of the leisure operator contract for the Waterlane and Waveney Valley Leisure Centres and to agree to various delegated decisions being taken.

Finally, Item 16, Temporary Staff Framework Procurement, asked Cabinet to agree to permission being granted to procure the framework for temporary staff. By centralising agreements into a single supplier, the Council would be able to lever better pricing, whilst the multi-tier solution ensured continuity of supply of the staff needed. It would also make recruiting temporary staff a simpler and more efficient process as it would set out how ESC engaged and what was required of both ESC as the client and the supplier appointed. This should reduce time in recruiting and also in managing temporary staff and ensure a higher quality of appointee.

In conclusion, the Leader stated that, shortly, ESC would have to end the YouTube link that was currently running.

On the proposition of Councillor Gallant, seconded by Councillor Rivett, it was by unanimous vote

RESOLVED

That under Section 100A(4) of the Local Government Act 1972 (as amended) the public be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraphs 1, 2, 3 and 5 of Part 1 of Schedule 12A of the Act.

13 Exempt Minutes

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

14 Approval to enter into Legal Agreements with Landowners related to the Lowestoft Flood Risk Management Project

- Information relating to any individual.
- Information that is likely to reveal the identity of an individual.
- Information relating to the financial or business affairs of any particular person (including the authority holding that information).

15 Leisure Operator - Contract Award

- Information relating to the financial or business affairs of any particular person (including the authority holding that information).
- Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

16 Temporary Staff Framework Procurement

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

The meeting concluded at 10:20 pm

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Chairman

Agenda Item 5

ES/0657

EAST SUFFOLK COUNCIL

CABINET

Tuesday 2 February 2021

BUILDING MATERIALS SUPPLY CONTRACT

EXECUTIVE SUMMARY

1. East Suffolk Council has retained social housing stock of around 4,500 properties for rent, generating around £20m per annum income to the Housing Revenue Account (HRA). The HRA is ringfenced and can only be used for the provision of housing, new developments, maintenance and other services on behalf of tenants.

2. East Suffolk Council has various workstreams in place to undertake a wide range of maintenance, refurbishment and improvement programmes to its social housing stock. Many of these workstreams are undertaken by the Council's retained in-house workforce, keeping homes in good condition for its tenants.

3. In order to undertake necessary and ongoing repair and maintenance activities, there is clearly a need to purchase a wide range of building materials. The current building material supplies contract will expire in 2021.

4. This report seeks permission to re-procure a new contract for the supply of general building materials, in accordance with contract procedure rules and procurement legislation. The value of such a contract will be above the key decision threshold of £250k and therefore requires Cabinet approval.

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Richard Kerry Cabinet Member with responsibility for Housing

Supporting Officer:	John Brown Housing Maintenance Manager Tel. 01502 523592/ 07748 146760 John.brown@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 East Suffolk Council has a retained social housing stock of circa 4,500 units of accommodation. Rental income generates approximately £20m per annum. This income is ringfenced to finance all HRA activities for the management, maintenance and provision of housing. Annual budgets are provided for the ongoing maintenance, improvement and refurbishment of the housing stock in the region of £7.5m per annum.

1.2 Within the latter, various workstreams are funded through budgets provided, such as statutory compliance (for example, electrical safety checks), responsive maintenance, void property refurbishments and planned programmes such as kitchen and bathroom replacements, re-roofing, replacement paths, reconversion projects etc.

1.3 All works undertaken require the ability to purchase a wide range of building material products including, but not limited to, timber, plaster, plasterboard, cement, bricks, blocks, roof tiles, drainage items etc.

2 BACKGROUND

2.1 The existing building material supplies contract, currently held by the local branch of the UK subsidiary of a multinational building supplies company, is due to expire in 2021. There remains the critical need to continue obtaining general building materials in order to be able to efficiently maintain the HRA properties in future, ensuring homes remain in good condition and are suitably modernised in line with current living requirements. As such, a new contract will need to be procured in line with relevant legislation.

2.2 The historic spend on the purchase of building materials through this contract is recorded as £252k per annum, based on spending over the last three years.

2.3 Noting the ongoing requirement in future years to maintain our housing stock, a 3 +1+1 year contract period would seem appropriate. As such, a potential spend in the region of £1,260m can be expected over the next 5 year period.

2.4 The Council's Standing Orders identify a spend level of £250k (or greater) to be a key decision, therefore requiring prior Cabinet approval.

2.5 This report seeks permission to undertake a compliant tendering process, or find an existing compliant procurement framework agreement, to enable the HRA housing stock to continue to be repaired and maintained to a high standard.

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

GROWING OUR ECONOMY

3.1 The repair and maintenance of the HRA stock results in an annual spend of some £7.5m, of which some £252k is spent annually on the local purchase of routine building supplies. The repair and maintenance of the housing stock is undertaken by a workforce of some 90 building trades and further management and support staff. The operation as a whole, and the financial flow it generates, results in significant financial benefit to the local economy.

ENABLING OUR COMMUNITIES

3.2 The Council retains a stock of some 4,500 properties for rent. These properties contribute to meeting a substantial and growing demand for affordable homes and support a corresponding number of households, many on very low incomes. In so doing, the Council's housing service makes a vital contribution to the diversity and strength of local communities.

REMAINING FINANCIALLY SUSTAINABLE

3.3 The HRA is a ringfenced account funded by the rent paid by HRA tenants. Ensuring that HRA properties are repaired promptly and maintained in good condition reduces the time properties need to be kept vacant in which state they result in a cost through, for example, lost rent and increased costs of deterioration.

DELIVERING DIGITAL TRANSFORMATION

3.4 The delivery of the HRA repair and maintenance activity is currently the subject of a transformation project to introduce digital technology and remove the previous, largely paper-based, works orders process. This is currently a work in progress, but it is already transforming the way the service operates.

CARING FOR OUR ENVIRONMENT

3.5 The building supplies contract provides a further opportunity to further the Council's commitment to put the environment at the heart of everything it does. In the procurement of this contract, the Council will seek to contract with a supplier with like-minded aspirations and subsequently will apply this principle, wherever possible, in the purchase of materials that are sustainable (for example, sustainable timber).

4 FINANCIAL AND GOVERNANCE IMPLICATIONS

4.1 Any expenditure greater than £250k is a key decision requiring prior Cabinet approval. Expenditure for works to the housing stock is funded through the HRA. Appropriate budgets for delivery are in place and planned for future years to allow the Council to fulfil its obligations under the Landlord and Tenant Act 1985. Maintaining homes in good order is an essential part of the Council's legal duty under the Landlord and Tenant Act 1985.

5 OTHER KEY ISSUES

5.1 This report has been prepared on the understanding that an Equality Impact Assessment is not necessary. The report seeks to replace an existing supply contract that will help deliver a range of works for all tenants based upon need. Individual programmes of work will consider EIAs before delivery.

5.2 Tenant safety is of paramount importance to the Council. It is therefore essential that we can undertake necessary works to maintain homes in good and safe condition.

6 CONSULTATION

6.1 Not appropriate. The contract will support delivery of work programmes where appropriate consultations are undertaken.

7 OTHER OPTIONS CONSIDERED

7.1 All works necessary will require some degree of material purchases. As such no other alternative options are available.

8 REASON FOR RECOMMENDATION

8.1 To allow the continued repair, maintenance, improvement, and refurbishment programmes to our retained housing stock, ensuring it remains in good order and that the Council can comply with its legal duty under the Landlord and Tenant Act 1985.

RECOMMENDATIONS

That the procurement of a new contract for the supply of general building supplies be approved and delegated authority be given to the Strategic Director, in consultation with the Cabinet Member with responsibility for Housing, the Head of Legal and Democratic Services and the Section 151 Officer, to award a three year contract with an option to extend (1 year, plus 1 year) with an estimated contract value of £1,260m, in line with the Council's Contract Procedure Rules (inclusive of EU procurement legislation) and subject to terms that both protect the Council's interests and support the delivery of its Strategic Plan.

APPENDICES – None

BACKGROUND PAPERS – None

Agenda Item 6
ES/0658

CABINET BRIEFING

Tuesday 2 February 2021

CIVIL PENALTY POLICY (AMENDMENT)

EXECUTIVE SUMMARY

1. East Suffolk Council's Private Sector Housing team has a duty to ensure that the housing stock within the district is of a decent standard, and to do so, has a range of tools at its disposal including the ability to issue civil penalties under the Housing and Planning Act 2016.

2. This report seeks to amend the existing policy applied to administer these penalties, and to introduce specific matrices for houses in multiple occupancy and new electrical safety regulations.

Is the report Open or Exempt?	Open

Wards Affected:	All

Cabinet Member:	Councillor Richard Kerry Cabinet Member with responsibility for Housing

Supporting Officer:	Victoria Cotterill Senior Environmental Health Officer 07786 190570 victoria.cotterill@eastsuffolk.gov.uk

1 INTRODUCTION AND BACKGROUND

1.1 The Housing and Planning Act 2016 allows local housing authorities to impose financial penalties ("civil penalties") of up to £30,000 as an alternative to prosecution for a range of offences contained within the Housing Act 2004. These offences include:

- failing to comply with improvement notice. These notices are served when there are significant hazards in premises that can reasonably be remedied
- licensing failures in relation to Houses in Multiple Occupation (HMOs). Councils currently license all HMOs that are 3 storeys or higher and house 5 or more people, forming 2 or more households
- contravention of an overcrowding notice
- breach of HMO management regulations. These cover matters such as maintenance of gas and electrical supplies, disrepair and safety

1.2 The Council adopted a policy for issuing civil penalties, which now requires updating to reflect the introduction of a new type of penalty, to add specific matrices for houses in multiple occupation and to remove an inconsistency within its original scoring matrix whereby the minimum level of penalty could not be achieved using the scoring matrix.

1.3 Guidance from the Ministry for Homes, Communities and Local Government (MHCLG) states that local housing authorities should consider the following factors to help ensure that the financial penalty is set at an appropriate level:

- Severity of the offence.
- Culpability and track record of the offender.
- The harm caused to the occupier of the property.
- Punishment of the offender.
- Deter the offender from repeating the offence.
- Deter others from committing similar offences.
- Remove any financial benefit the offender may have obtained as a result of committing the offence.

1.4 Additional considerations allow for adjustments to the level of the financial penalty to be levied based on repeat offending and the most unsafe properties warranting emergency action to be taken by the Council due to an imminent risk of harm.

1.5 When considering the use of Civil Penalties in enforcement full regard is had to the East Suffolk Corporate Compliance and Enforcement Policy of February 2019. At the heart of this policy are a set of principles incorporating the ideals of targeting the approach to highest risk offences; transparency; consistency; proportionality; intelligence led; joined up; risk based and accountable.

1.6 A revised version of our original scoring matrix and adopted civil penalty policy is provided at Appendix A. The matrix has been adjusted so that all levels of penalty are achievable.

2 HOUSES IN MULTIPLE OCCUPATION (HMO)

2.1 Practical application of the civil penalty policy has shown that a new matrix is required to address breaches of the Management of Houses in Multiple Occupation (England) Regulations 2006.

2.2 The legislation allows that a financial penalty can be issued as an alternative to prosecution for each separate breach of the HMO management regulation.

2.3 In cases where both the letting / managing agent and landlord can be prosecuted for failing to obtain a licence for a licensable HMO, then a financial penalty can also be imposed on both parties as an alternative to prosecution. The amount of the financial penalty issued to each party may differ depending on the individual circumstances of the case.

2.4 The suggested matrices for HMOs are provided within the proposed Civil Penalties Policy at **Appendix A**.

3 ELECTRICAL SAFETY STANDARDS (PRIVATE RENTED SECTOR) REGULATIONS 2020

3.1 The Electrical Safety Standards in the Private Rented Sector (England) Regulations 2020 ("the regulations") came into force on 01 June 2020 and places a responsibility on landlords to ensure their electrical installations are safe, checked regularly and that reports for which are provided to tenants at specified times.

3.2 These requirements commenced for all new tenancies from 01 July 2020 and rolls out to existing tenancies from 01 April 2021.

3.3 Local housing authorities (LHA) must take action under the regulations where a landlord has failed to act. This is initially by way of a Remedial Notice. Where a Remedial Notice is not complied with, the LHA has the ability to carry out remedial action and re-charge the costs of this to the landlord. Where works are of an urgent nature (i.e. an imminent danger to life or significant risk of harm), the LHA is able to carry out urgent remedial action.

3.4 Where a landlord has failed to act, and the relevant action has been taken, the LHA has the ability to impose a financial penalty of up to £30,000 on the landlord.

3.5 There is no requirement to publish a matrix to determine the level of fines under these regulations, but to ensure a consistent approach to the issue of financial penalties, a suggested matrix for electrical safety related civil penalties is included in the revised Civil Penalties Policy at **Appendix A**.

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

4.1 The East Suffolk Council Strategic Plan seeks to support communities to enhance the places we live and work, with the Private Sector Housing team performing both an enforcement and educational role to improve the standard of all private residential accommodation within the district thereby improving the well-being of our residents.

4.2 Whilst we seek to take a graduated approach to enforcement, in line with the council's general enforcement policy, there are instances where regulatory enforcement is necessary, for which must have a clear policy in place to guide our actions and provide clarity and consistency to our residents and stakeholders.

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 No new implications are brought about by this amendment.

6 OTHER KEY ISSUES

6.1 This report has been prepared having considered the results of an Equality Impact Assessment and has no significant impact on any one particular group.

7 OTHER OPTIONS CONSIDERED

7.1 The existing policy has been in operation some time and following its use, and although is still in operation, has been found to require amendment. Should this revision not take place, the council would be open to challenge by appeal to a Tribunal by those to which a penalty has been issued.

8 REASON FOR RECOMMENDATION

8.1 To enable the council to continue to effectively deal with breaches of housing legislation, as an alternative to prosecution.

8.2 To enable the council to consistently, and fairly, issue civil penalties for the Electrical Safety Standards (Private Rented Sector) Regulations 2020.

RECOMMENDATIONS

That the revised Civil Penalty Policy and associated matrices be adopted.

APPENDICES	
Appendix A	Proposed Civil Penalty Policy
Appendix B	East Suffolk Council Civil Penalties Policy - Current

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**
12 January 2021	MHCLG Guidance on Civil Penalties	Hyperlink

Appendix A
Civil Penalties Policy February 2021

East Suffolk Council (ESC) has adopted a policy under the Housing and Planning Act 2016 to enable the imposition of Civil Penalties on private landlords who are found to have committed offences. The policy is set out below.

What is a civil penalty?
Civil penalties are fines imposed by the Council as an alternative to prosecution. There is a need to demonstrate “beyond reasonable doubt” that an offence has been committed, so the burden of proof is similar to a prosecution case. The maximum fine that can be imposed is £30,000.

When can a civil penalty be imposed?
A landlord, or letting agent, or both, may face a civil penalty if they:

- Fail to comply with improvement notice served under section 11 and/or 12 of the Housing Act 2004. These notices are served when there are significant hazards in premises that can resolved in a reasonable and practicable way.
- Fail to apply for a licence for Houses in Multiple Occupation (HMOs). Councils currently license all HMOs housing 5 or more people, forming 2 or more households. Other HMO’s are currently exempt from licensing.
- Contravene an overcrowding notice served on an (HMO) under section 139 of the Housing Act 2004.
- Breach the Management of Houses in Multiple Occupation (England) Regulations 2006. These cover matters such as maintenance of gas and electrical supplies, disrepair and safety.

How is the amount of the fine determined?
The Ministry for Homes, Communities and Local Government (MHCLG) published statutory guidance on civil penalties under the Housing and Planning Act 2016 (HPA). This guidance has been followed in establishing this policy.

The ESC has adopted a scoring matrix to determine the level of penalty to be imposed and broadly cases will fall within three categories, which have their own matrix:

- Housing Disrepair and Overcrowding
- Electrical Safety
- Houses in Multiple Occupation

Each case will be reviewed against one or more of the matrices, but it is recognized that it may be more appropriate to refer the matter for prosecution in the following circumstances:

- If there have been two or more previous offences by the same landlord or letting agent within 3 years.
- If the landlord has been listed on the Rogue Landlords database. This is a national database of landlords who have been subject to a banning order (imposed by the Courts to ban them from renting our properties) or received two or more civil penalties.

The following pages show each scoring matrix and a worked example of a housing disrepair case to show how a score may be considered.

Civil Penalty Review

The Principal Environmental Health Officer (PEHO) will review the case in conjunction with the Council's Legal Team to determine if there is sufficient evidence to be satisfied that, if the case were taken to the Magistrates Court, there would be a realistic prospect of conviction. Regard will be had to the Crown Prosecution Service Code for Crown Prosecutors for this purpose as it provides advice on the extent to which there is likely to be sufficient evidence to secure a conviction. The Code has two stages: (i) the evidential stage and (ii) the public interest stage.

Once satisfied that the appropriate action is a Civil Penalty, the Council will serve a Notice of Intention to impose a Civil Penalty which will be signed by the PEHO.

There is a 28 day appeal period during which the recipient can appeal in writing. Any appeal would be heard by the Head of Housing, another Head of Service or Director.

After the Appeal period if the Council still consider the issue of a Civil Penalty is correct a Final Notice will be served, signed by the PEHO. This Notice will include the following information:

- the amount of the financial penalty;
- the reasons for imposing the penalty;
- information about how to pay the penalty;
- the period for payment of the penalty (28 days);
- information about rights of appeal; and
- the consequences of failure to comply with the notice.
- The local housing authority may at any time:
- withdraw a notice of intent or final notice; or
- reduce the amount specified in a notice of intent or final notice.

On receipt of a final notice imposing a financial penalty a landlord can appeal to the First-tier Tribunal against the decision to impose a penalty and/or the amount of the penalty. The appeal must be made within 28 days of the date the final notice was issued. The final notice is suspended until the appeal is determined or withdrawn.

Date of Policy Adoption
5 September 2017 – Suffolk Coastal DC 13 September 2017 Waveney District Council
Amended following transfer to East Suffolk Council: 1 September 2019
Amended following Cabinet approval:

XXXXX

Civil Penalty Charge	£500	£1000	£2000	£5000	£7000	£15,000	£30,000
Severity of offence *How significant was the offence?*	Moderate scoring category 2 hazard(s) only Score 0	One cat 1 hazard or at least one significant category 2 Score 1	Two or more cat 1 hazards or breaches Score 2	Multiple cat 1 hazards B or C, or breaches Score 3	Multiple cat 1 hazards A and B or breaches Score 4	Multiple cat 1 hazards band A and B or breaches Score 5	Multiple cat 1 hazards band A or breaches Score 6
Harm or **potential** harm to tenant (*Class of Harm taken from HHSRS guidance*) *What was / could have been the result?*	Likely to be comparatively minor. Score 1	Moderate e.g. occasional slight pneumonia, regular serious coughs and cold, broken finger, mild concussion Score 2	Moderate/ serious e.g. occasional slight pneumonia, regular serious coughs and cold, broken finger, mild concussion Score 5	Serious e.g. fractured skull, concussion, loss of finger, gastroenteritis, serious puncture wounds Score 7	Serious/ severe e.g. fractured skull, concussion, loss of finger, gastroenteritis, serious puncture wounds Score 10	Severe e.g. serious burns, serious fractures, anaphylactic shock, cardio respiratory disease Score 15	Extreme e.g. death Score 25
Track record of landlord / agent. *Previous experience with the landlord*	First dealings with landlord Score 0	Good track record of high standards Score 1	Notices previously served and complied with Score 2	Enforcement action previously taken and prosecution or works in default (WID) for moderate or serious risks Score 3	Enforcement action previously taken including prosecution or WID for severe or extreme risks Score 4	Repeated enforcement action previously taken including prosecution or WID Score 5	Repeated enforcement action previously taken including prosecution or WID Score 6
Economic impact on offender *what is their income?*	Landlord with single property Score 0	Landlord with 2 properties Score 1	Landlord with 3-4 properties Score 2	Landlord with small portfolio 5 - 10 Score 3	Large landlord 10+ properties Score 4	Large landlord 20+ properties Score 5	Large landlord 50+ properties Score 6
Deterrent to offender	Noticeable Score 1	Noticeable Score 2	Noticeable Score 3	Moderate Score 4	Significant Score 5	High Score 6	High Score 7
Proportionate punishment compared to prosecution	Level 1 to 3 Score 1	Level 4 Score 2			Level 5 Score 4		
Deterrent to others	Possible Score 1	Noticeable Score 2	Moderate Score 3	Moderate Score 4	Significant Score 5	High Score 6	High Score 7
Eliminate financial benefit of offence. *The penalty should exceed savings to the landlord of not doing works*	Penalty equivalent to cost of works Score 1	Penalty equivalent to cost of works Score 2	Penalty slightly higher than cost of works Score 3	Penalty 2x cost of works Score 4	Penalty 3x cost of works Score 5	Penalty 5x cost of work Score 6	Penalty more than 5x cost of works Score 7

Matrix Scoring Sheet – Housing Disrepair and Overcrowding

								Officer scoring
Severity of offence	0	1	2	3	4	5	6	
Harm or potential harm to tenant	1	2	5	7	10	15	25	
Track record of landlord / agent	0	1	2	3	4	5	6	
Economic impact on offender	0	1	2	3	4	5	6	
Deterrent to offender	1	2	3	4	5	6	7	
Proportionate punishment compared to prosecution	1		2			4		
Deterrent to others	1	2	3	4	5	6	7	
Eliminate financial benefit of the offence	1	2	3	4	5	6	7	
								Total points:
Score range	0-9	10-15	16-20	21-30	31-40	41-50	50+	**Score range:**
Charge linked to above score	£500	£1000	£2000	£5000	£7,000	£10,000	£30,000	**Financial Penalty:**

Electrical Safety Matrix

Electrical Installation Condition Reports (EICR) should be completed by a qualified electrician, and provide a guide to officers as to the severity of any hazardous elements of an electrical installation. The EICR, categorises hazards into risk-based classification codes. These are:
C1 – Danger present – Risk of injury. Immediate remedial action required
C2 – Potentially Dangerous – Urgent remedial action required
C3 – Improvement Recommended

<table>
<tr><th>First Offence</th><th>Second Offence</th><th>Subsequent Offences for C1 and / or multiple C2</th></tr>
<tr><td>C1 Codes present
£5,000</td><td rowspan="2">C1 code present
£15,000</td><td rowspan="3">£30,000</td></tr>
<tr><td>C2 codes present (4+)
£2,500</td></tr>
<tr><td>C2 codes present (1-3)
£1,000</td><td>C2 codes (no C1 codes)
£10,000</td></tr>
<tr><td colspan="3">Failure to obtain EICR, with a satisfactory report being produced by the LHA under remedial action (no remedial works required)
£500</td></tr>
</table>

This electrical matrix also takes into account ***the culpability of offender*** as penalties increase for subsequent offences. Offences under other Acts, such as the Housing Act 2004, have been considered, but will not impact on penalties for these Regulations as LHAs are already able to charge penalties specifically for those offences.

The ***severity of the offence***, incorporating the ***harm posed to the occupants***, is linked to the condition reported by the qualified electrician and the relevant penalty increases to reflect the number and/or type of hazardous conditions found.

Where a landlord has failed to provide a report, where the LHA takes remedial action to commission such a report, with the installation found to be **in a satisfactory condition**, a penalty will be imposed to reflect:

- the attitude of the landlord
- failure to comply with the requirement for the report to be carried out
- the cost of obtaining a report, with the penalty being a deterrent

with a £500 maximum fine for this offence.

SCORING MATRICES FOR OFFENCES RELATING TO HMOs:

Matrix 1: Culpability/ Severity:

Offence:	Low	Medium	High

Not having an HMO licence	Responsible person unaware of licensing requirement and had not been previously advised/ prompted by the LHA. Licence application and fee submitted quickly after offence identified. Responsible person a first time (inexperienced) landlord who is not a member of the RLA or working via an agent and HMO has been operational for less than 3-months. Responsible person unaware that his property has become an HMO and applies for a TEN when notified by the LHA.	Responsible person not a first-time landlord but does not have any HMOs within his portfolio. HMO has drifted into the mandatory licensing criteria due to a lack of proactive management by the responsible person. Responsible person is a member of the RLA/ELA and/ or is working in conjunction with a recognised estate agent. Responsible person has not been prompted by LHA to licence the HMO but is regarded as having sufficient experience of being a landlord to have known of the mandatory licensing criteria.	Responsible person has been notified of the need to licence the HMO or has previously been made aware of the mandatory licensing criteria by the Council or other agency but has failed to apply for a licence before it became occupied by 5 or more persons. Responsible person has provided false or misleading information in an attempt to obstruct/ deceive the LHA. Responsible person has provided false or misleading information or failed to provide adequate information that invalidates his licence application and continues not to provide the required information after being requested to do so. Responsible person continues to operate the house as a licensable HMO after the expiry of a TEN. Responsible person avoids applying for an HMO licence because they are not legally considered to be a fit and proper person. Responsible person is an experienced landlord that has or has had other HMOs in his portfolio. Responsible person wilfully obstructs the LHA and licensable HMO determination made by exercising a warrant of entry.

			Responsible person has been prosecuted previously for operate a house as an HMO without the requisite licence. The unlicensed HMO is being used to provide accommodation for persons who do not have the right to rent/ remain in the country and/ or have been victims of modern day slavery/ human trafficking. Responsible person is the subject of a Banning Order.
Financial Penalty (as a stand-alone offence):	**£1000**	**£2000**	**£5000**

Matrix 2: Severity & Potential for Harm:

Offence:	Low	Medium	High
Failure to comply with the HMO Management Regulations:	1 – 2 minor regulation breaches that do not pose a serious risk to the health, safety & well-being of the occupants of the HMO and HMO otherwise in a good condition. For example, not displaying contact information; untidy gardens. 1 – 2 regulation breaches that contribute to low scoring category 2 hazards when assessed using the HHSRS.	1 – 3 regulation breaches that could cause moderate or serious harm to the occupants of the HMO if not attended to. 1 – 3 regulation breaches that have not been adequately addressed after being brought to the attention of the responsible person. Persistent mismanagement of the HMO that gives rise to repeated regulation breaches, that is, the same breaches occur time and time again and are only addressed when brought to the attention of the responsible person. 1 – 3 regulation breaches that contribute to category 2 hazards when assessed using the HHSRS.	4 or more regulation breaches of any description. 1 or more serious regulation breaches that contributes to a category 1 hazard when assessed using the HHSRS. 4 or more regulation breaches that have not been adequately addressed after being brought to the attention of the responsible person. Failure to maintain fire safety equipment or implement adequate fire safety precautions. Serious and regular mismanagement of the HMO by the responsible person leading to frequent breaches of the HMO management regulations.
Financial Penalty (as a stand-alone offence):	**£500**	**£1500**	**£2500**

Matrix 3: Combined Offences:

Offence:		Not having a licence		
		Low	Medium	High
HMO Regulation breaches	Low	£1500	£2500	£5500
	Medium	£2000	£3500	£6500
	High	£3500	£4500	£7500

Matrix 4: Additional Considerations:

Factor to be considered:		Adjustment to Financial Penalty:
Responsible person has received a financial penalty within last 3-years.		Add £1000
Responsible person has been previously prosecuted for Housing Act offences.		Add £1000
Responsible person has received a financial penalty within previous 12-months		Add £3000
Case HMO was found to be in such a condition that warranted the service of an Emergency Prohibition Order		Add £2500
Case HMO was found to be in such a condition that warranted the taking of Emergency Remedial Action		Add £2000
Responsible person is in breach of an Overcrowding Notice		Add £1000 Plus 2x the benefit received from additional rents collected or + £250 per person over the maximum occupancy stated in the Order, whichever is the greater sum.
Level of co-operation received following LHA's intervention:	First-time offender who co-operates fully with LHA with minimal intervention and follow-up action necessary.	Minus £1000
	Significant involvement by the LHA to achieve compliance.	Add £1000
	Significant lack of co-operation received from the responsible person resulting in further enforcement action.	Add £2500

Matrix 5: Calculation Summary:

Matrix	Band/ Consideration:	Penalty Value (£):	Notes:
Culpability/ Severity			
Severity			
Matrix 3: Combined sub-total			
Additional Considerations	Responsible person has received a financial penalty within last 3-years.		
	Responsible person has been previously prosecuted for Housing Act offences.		
	Responsible person has received a financial penalty within previous 12-months		
	Case HMO was found to be in such a condition that warranted the service of an Emergency Prohibition Order		
	Case HMO was found to be in such a condition that warranted the taking of Emergency Remedial Action		
	Responsible person is in breach of an Overcrowding Notice		
Level of co-operation received following LHA's intervention:	First-time offender who co-operates fully with LHA with minimal intervention and follow-up action necessary.		
	Significant involvement by the LHA to achieve compliance.		
	Significant lack of co-operation received from the responsible person resulting in further enforcement action.		
TOTAL PENALTY AMOUNT:			

EASTSUFFOLK COUNCIL

Civil Penalties Policy

East Suffolk Council (ESC) has adopted a policy under the Housing and Planning Act 2016 to enable them to impose Civil Penalties against private landlords who are found to have committed offences. The policy is set out below. It was originally adopted by Suffolk Coastal District Council and Waveney District Council which became East Suffolk Council on 1 April 2019

What is a civil penalty?

Civil penalties are fines imposed by the Council as an alternative to prosecution. There is a need to demonstrate "beyond reasonable doubt" that an offence has been committed, so the burden of proof is similar to a prosecution case. The maximum fine that can be imposed is £30,000.

When can a civil penalty be imposed?

A landlord, or letting agent, or both, may face a civil penalty if they:

- Fail to comply with improvement notice served under section 11 and/or 12 of the Housing Act 2004. These notices are served when there are significant hazards in premises that can resolved in a reasonable and practicable way.
- Fail to apply for a licence for Houses in Multiple Occupation (HMOs). Councils currently license all HMOs housing 5 or more people, forming 2 or more households. Other HMO's are currently exempt from licensing.
- Contravene an overcrowding notice served on an (HMO) under section 139 of the Housing Act 2004.
- Breach the Management of Houses in Multiple Occupation (England) Regulations 2006. These cover matters such as maintenance of gas and electrical supplies, disrepair and safety.

How is the amount of the fine determined?

The Department for Communities and Local Government (DCLG) published statutory guidance on civil penalties under the Housing and Planning Act 2016 (HPA). This guidance has been followed in establishing this policy.
The ESC has adopted a scoring matrix to determine the level of penalty to be imposed. Each case will be reviewed against the matrix but it is recognized that it may be more appropriate to refer the matter for prosecution in the following circumstances.

- If there have been two or more previous offences by the same landlord or letting agent within 3 years.
- If the landlord has been listed on the Rogue Landlords database. This is a national database of landlords who have been subject to a banning order (imposed by the Courts to ban them from renting our properties) or received two or more civil penalties.

The following is the scoring matrix which has been adopted to give a consistent approach to the setting of fines. There is also a worked example.

Civil Penalty Charge	£1000	£2000	£5000	£7,000	£15,000	£30,000
Severity of offence *How significant was the offence?*	One cat 1 hazard or other breach Score 1	Two or more cat 1 hazards or breaches Score 2	Multiple cat 1 hazards B or C, or breaches Score 3	Multiple cat 1 hazards A and B or breaches Score 4	Multiple cat 1 hazards band A and B or breaches Score 5	Multiple cat 1 hazards band A or breaches Score 6
Harm or **potential** harm to tenant (*Class of Harm taken from HHSRS guidance*) *What was / could have been the result?*	Moderate e.g. occasional slight pneumonia, regular serious coughs and cold, broken finger, mild concussion Score 3	Moderate e.g. occasional slight pneumonia, regular serious coughs and cold, broken finger, mild concussion Score 5	Serious e.g. fractured skull, concussion, loss of finger, gastroenteritis, serious puncture wounds Score 7	Serious e.g. fractured skull, concussion, loss of finger, gastroenteritis, serious puncture wounds Score 10	Severe e.g. serious burns, serious fractures, anaphylactic shock, cardio respiratory disease Score 15	Extreme e.g. death Score 25
Track record of landlord / agent. *Previous experience with the landlord*	Good track record of high standards Score 1	Notices previously served and complied with Score 2	Enforcement action previously taken and prosecution or works in default (w.i.d) for moderate or serious risks Score 3	Enforcement action previously taken including prosecution or w.i.d for severe or extreme risks Score 4	Repeated enforcement action previously taken including prosecution or w.i. d Score 5	Repeated enforcement action previously taken including prosecution or w.i.d Score 6
Economic impact on offender – *what is their income?*	Landlord with 1-2 properties Score 1	Landlord with 3-4 properties Score 2	Landlord with small portfolio 5 - 10 Score 3	Large landlord 10+ properties Score 4	Large landlord 20+ properties Score 5	Large landlord 50+ properties Score 6
Deterrent to offender	Mild Score 1	Noticeable Score 2	Moderate Score 3	Significant Score 4	High Score 5	High Score 6
Proportionate punishment compared to prosecution	Level 4 Score 2			Level 5 Score 4		
Deterrent to others	Slight Score 1	Moderate Score 2	Moderate Score 3	Significant Score 4	High Score 5	High Score 6
Eliminate financial benefit of offence. *The penalty shouldexceed savings to the landlord of not doing works*	Penalty equivalent to cost of works Score 1	Penalty slightly higher than cost of works Score 2	Penalty 2x cost of works Score 3	Penalty 3x cost of works Score 4	Penalty 5x cost of work Score 5s	Penalty more than 5x cost of works Score 6

Inspection revealed :

One cat 1 hazard with potential for moderate harm e.g. rising damp. Landlord previously prosecuted, has 4 properties and need for a moderate deterrent. If prosecution taken, the level of fines in Magistrates court could be unlimited but estimated more likely to be in the region of £2500 -£5000. Fine needs to register with others as a deterrent. Penalty needs to be more than cost of works.

Severity of offence	1	2	3	4	5	6		
Harm or potential harm to tenant	3	5	7	10	15	25		
Track record of landlord / agent	1	2	3	4	5	6		
Economic impact on offender	1	2	3	4	5	6		
Deterrent to offender	1	2	3	4	5	6		
Proportionate punishment compared to prosecution	2			4				
Deterrent to others	1	2	3	4	5	6		
Eliminate financial benefit of the offence	1	2	3	4	5	6		
Total	4	6	12				22	22 points = penalty charge of £7000
Score range	7	8-14	15-21	22-28	29-35	36-42		
Charge linked to above score	1000	£2000	£5000	£7,000	£10,000	£30,000		

Civil Penalty Review

The Principal Environmental Health Officer (PEHO) will review the case in conjunction with the Council's Legal Team to determine if there is sufficient evidence to be satisfied that, if the case were taken to the Magistrates Court, there would be a realistic prospect of conviction. Regard will be had to the Crown Prosecution Service *Code for Crown Prosecutors'11* for this purpose as it provides advice on the extent to which there is likely to be sufficient evidence to secure a conviction. The Code has two stages: (i) the evidential stage and (ii) the public interest stage.

Once satisfied that the appropriate action is a Civil Penalty, the Council will serve a Notice of Intention to impose a Civil Penalty which will be signed by the PEHO.

There is a 28 day appeal period during which the recipient can appeal in writing. Any appeal would be heard by the Head of Housing, another Head of Service or Director.

Final Notice

After the Appeal period if the Council still consider the issue of a Civil Penalty is correct a Final Notice will be served , signed by the PEHO. This Notice will include the following information:

- the amount of the financial penalty;
- the reasons for imposing the penalty;
- information about how to pay the penalty;
- the period for payment of the penalty (28 days);
- information about rights of appeal; and
- the consequences of failure to comply with the notice.

The local housing authority may at any time:

- withdraw a notice of intent or final notice; or
- reduce the amount specified in a notice of intent or final notice.

Appeal to Residential Property Tribunal

On receipt of a final notice imposing a financial penalty a landlord can appeal to the First-tier Tribunal against the decision to impose a penalty and/or the amount of the penalty. The appeal must be made within 28 days of the date the final notice was issued. The final notice is suspended until the appeal is determined or withdrawn.

Date of Policy Adoption

5 September 2017 – Suffolk Coastal DC 13 September 2017 Waveney District Council

Amended following transfer to East Suffolk Council: 1 September 2019

Agenda Item 7

ES/0659

EASTSUFFOLK COUNCIL

CABINET

Tuesday 2 February 2021

HOUSING DEVELOPMENT STRATEGY 2020/24

EXECUTIVE SUMMARY

1. At its meeting on 24 September 2020, the Scrutiny Committee received a requested report to update it on East Suffolk Council's Housing Development Strategy. The report, which was presented by the Cabinet Member with responsibility for Housing and the Head of Housing, focussed on how the Council intended to identify and obtain both suitable housing land and dwellings to purchase to help meet the target of 50 Council homes per annum.

2. Having considered and questioned the report, the Scrutiny Committee wished to submit constructive recommendations to Cabinet with the aim of assisting the Council to meet this target.

Is the report Open or Exempt?	Open

Wards Affected:	All

Report of:	Councillor Stuart Bird Chairman of the Scrutiny Committee

Supporting Officer:	Katherine Abbott Democratic Services Officer Katherine.abbott@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 The Council's Housing Development Strategy 2020/24 (the Strategy) was approved by Cabinet at its meeting on 7 January 2020 (report ES/0240 refers) (the Cabinet Report) The Strategy was created to provide structure to the Council's intention to build new Council homes and redevelop existing housing stock. The Strategy set out the approach which the Council will take to help achieve its objectives and bring transparency to the process.

1.2 In recognition of the Council's declaration of a climate emergency in July 2019, the Strategy also addressed issues of sustainability and the environment.

1.3 At the Scrutiny Committee meeting held on 24 September 2020, a report was received (report ES/0504) (the Scrutiny Committee report) which provided an update on the Strategy. The Scrutiny Committee report set out how the Strategy intended to identify and obtain both suitable housing land and dwellings to purchase to meet the target set in the Housing Revenue Account (HRA) Business Plan that funds the building of 50 new homes each year. The Strategy also outlined the proposed preparation of a three-year rolling development programme for new council housing to meet this target.

1.4 The Scrutiny Committee Report advised of the projected 'pipeline' of 150 units to be delivered across the new build and redevelopment programme. Of these, 60 had already received planning permission and, therefore, the certainty of them being built was significantly increased. As with all development, the report noted that until planning permission had been secured, there was a risk of some of the other schemes not coming to fruition. Consequently, the Development Team, set up by the Council to implement this aspect of the Strategy, was continuing to find new sites and partners to help achieve the HRA Business Plan target.

1.5 The Strategy recognised that further property acquisitions could provide redevelopment opportunities that may deliver more new homes and had the potential to bring wider social benefit to an area. Redevelopment of acquired or existing properties was identified in the Strategy to deliver an additional 30 units a year by 2021.

1.6 Land acquisition is acknowledged as a means of delivering new homes in the district to help meet the housing target. The Council is exploring the potential of land acquisition to contribute to the supply of new council housing, as well as actively acquiring land on the open market, and in partnership with other third parties, to ensure that homes can be provided where they are needed.

1.7 At the meeting of the Scrutiny Committee held on 24 September 2020, it was noted that currently, there was a limited number of staff able to work on the Strategy's ambitions; such as what opportunities there were for new builds and conversions, how existing assets were performing, as well as what strategic acquisitions could be made. The Scrutiny Committee also noted the wish to increase numbers in the team to fulfil and, if possible, exceed the Strategy's current targets for the duration of the HRA business plan.

1.8 Given the importance of the Strategy, the need for new build, and the aspiration of building 50 new homes per annum, the Scrutiny Committee was very interested to be kept appraised of progress against this target. One of its recommendations to Cabinet, below, was to receive a written report from the Cabinet Member with responsibility for Housing at its meeting in September 2021 about progress to date.

1.9 Following the discussion of the Scrutiny Committee report, an interesting area for consideration was that of modular construction (*this being a prefabricated construction that consists of repeated sections called modules. Modularity involves constructing* *sections away from the building site, then delivering them to the intended site. Installation of the prefabricated sections is then completed on site*).

1.10 At the meeting on 24 September 2020, in response to a question from the Chairman about the possibility of modular builds being explored for the construction of some of the annual new build target, the Head of Housing had stated that this was part of the Strategy's considerations but modular builds were not always suitable or right for some locations.

1.11 The Scrutiny Committee noted that the Strategy referenced the Council's wish to explore the use of greener building technologies and innovative design ideas. It was informed of an engagement event to be held at the end of October with the aim of investigating possible models for greener housing developments.

1.12 The Scrutiny Committee acknowledged that sustainable development by the Council would also be a significant contributor to the Council achieving its pledge to be carbon neutral by 2030; the Committee considered that energy efficient properties contributed to the lowering of the carbon footprint of East Suffolk communities. It also acknowledged that energy efficient properties would offer tenants reduced fuel bills. It was therefore considered that sustainable development – such as modular builds – offered lasting environmental, social, and economic benefits.

1.13 Therefore, the Scrutiny Committee wished to include a recommendation about the exploration of the use of modular construction by the Council. Please see below.

2 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

2.1 The development of new homes for our community meets two of East Suffolk's Strategic Plan's objectives - Growing Our Economy and Caring for Our Environment

2.2 The Strategy seeks to meet these objectives as well as those stated in the Housing Development Strategy to help deliver good quality affordable homes that improve living conditions for members of the community.

2.1 In making its recommendation to Cabinet, the Scrutiny Committee seeks to offer a constructive suggestion to help meet the Strategy's target.

3 FINANCIAL AND GOVERNANCE IMPLICATIONS

3.1 These were provided in paragraph 4 of the Cabinet Report. In summary, no financial implications were identified with the adoption of the Strategy; resources to ensure the delivery of the Strategy's targets were considered; a comprehensive financial viability assessment would be required for each proposed development to protect the Council's interests; a corporate risk assessment for each proposed development would be required; and, Cabinet approval of any contract for each proposed development would be required.

3.2 The terms of reference of the Scrutiny Committee set out that it "*may make reports or recommendations to the Council or Cabinet…. in connection with the discharge of any functions*". The Council is a local housing authority, and the Strategy is one means by which the Council discharges its housing functions.

3.3 Further, paragraph 8.1 of the Scrutiny Procedure Rules (SPRs) says that where the Scrutiny Committee makes a report or recommendation to the Cabinet, it may publish that report or recommendation, and must by notice in writing require the Cabinet to consider the report or recommendation. Also, for the Cabinet to respond to the Scrutiny Committee indicating what (if any) action the Cabinet proposes to take. The Scrutiny Committee hereby respectfully gives notice that it would like the Cabinet to consider its recommendations, below, and to respond, indicating what action, if any, the Cabinet intends to take. In accordance with the Council's Constitution, the Cabinet should respond within two months of receiving the report or recommendations from the Scrutiny Committee.

4 OTHER KEY ISSUES

4.1 An Equality Impact Assessment (EIAs) has not been completed for this report as it is in response to two previous formal reports (one to Cabinet and one to Scrutiny Committee) which had included EIAs.

5 CONSULTATION

5.1 None. The Scrutiny Committee noted that the Cabinet report had been prepared following consultation with the Council's Planning and Asset Management teams

6 OTHER OPTIONS CONSIDERED

6.1 None.

7 REASON FOR RECOMMENDATIONS

7.1 The Scrutiny Committee welcomed the aspirational target to build 50 Council homes per annum. In considering the Strategy and this target, the Scrutiny Committee was interested in the concept of modular construction and wished the Cabinet to consider its use. It has made recommendations to Cabinet, therefore, in accordance with SPR 8.1, and wishes the Cabinet to consider these. In making its recommendation to Cabinet, the Scrutiny Committee seeks to offer a constructive suggestion to help meet the Strategy's target.

RECOMMENDATIONS

1. That, whilst bearing in mind the limited resources available, the Scrutiny Committee encourages Cabinet to explore the potential for modular construction (carbon neutral where possible) on appropriate sites at the earliest realistic opportunity.
2. That Cabinet provides the Scrutiny Committee with a formal, written response to recommendation 1, above.
3. That a written update on progress against the target of 50 homes per annum be provided by the Cabinet Member for Housing to the Scrutiny Committee in September 2021

APPENDICES	
Appendix A	Response to the Scrutiny Committee recommendation to Cabinet September 2020

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**
	None, save those referenced within this report	**www.eastsuffolk.gov.uk**

EASTSUFFOLK
COUNCIL

APPENDIX

In response to Scrutiny Committee recommendation to Cabinet September 2020.

RECOMMENDATIONS FROM SCRUTINY

1. *That, whilst bearing in mind the limited resources available, the Scrutiny Committee encourages Cabinet to explore the potential for modular construction (carbon neutral where possible) on appropriate sites at the earliest realistic opportunity.*
2. *That Cabinet provides the Scrutiny Committee with a formal, written response to recommendation 1, above.*
3. *That a written update on progress against the target of 50 homes per annum be provided by the Cabinet Member for Housing to the Scrutiny Committee in September 2021*

1. INTRODUCTION

1.1 In response to Scrutiny Committee recommendation to Cabinet in September 2020, Cabinet addresses recommendations 1 and 2 from the review. Recommendation 3 will be addressed within a report to Scrutiny Committee in September 2021.

2. BACKGROUND

2.1 East Suffolk's Housing Development Team have been progressing a number of workstreams which will directly contribute to the delivery of the Environmental Theme within the Council's Strategic Plan 2020-2024. These include the review of existing housing stock in accordance with the Council's carbon neutral ambitions, the development of Minimum Energy Efficiency Standard (MEES) for the Council's new build programme and the development of a procurement systems to help improve efficiency and streamline delivery of sustainable housing solutions.

2.2 This work also aligns with Recommendation 1 above and will be detailed within this report. The exploration of the use of Modern Methods of Construction (MMC) and Low Carbon design / construction is a key area of focus for the future of Council-led Housing Development. For example, such construction methods are being considered for at least part of the redevelopment of the former Deben High School site in Felixstowe. Early discussions are also taking place to consider the benefits of MMC in the redevelopment of brownfield land in Lowestoft.

3. RESPONSE

3.1 This briefing note outlines Housing's approach to modular construction, carbon neutral and low carbon design / constructions on appropriate sites within the current Housing Development Programme. It describes work that has been carried out to date and the next steps for new build housing delivery in the Council's journey to carbon neutrality by 2030.

4. EXISTING COMMITMENTS

4.1 The Council's Housing Development Strategy 2020-2024 identifies 'Environmental Sustainability' as an essential element in the creation of homes and communities in which people will want to live and work in the future. It notes that lowering the whole-life carbon footprint of properties will help tenants save money and can deliver lasting environmental, social, and economic benefits. To achieve this, the Council has committed to exploring the use of greener building technologies both within the design and construction processes. The team are currently exploring innovative design solutions which recognise the benefit of PassiveHaus principles and the value of carbon neutral design. For example, the Former Deben High School site in Felixstowe which is currently being designed to PassiveHaus standards and preliminary discussions regarding an innovative carbon neutral home are being considered for a single building plot in Beccles.

5. CURRENT WORKSTEAMS

5.1 The Housing Development team have been working collaboratively with the Council's Procurement team to carry out a series of market engagement events to better understand the sustainable housing development market. This work has been carried out to help inform the Council's housing development priorities and explore suitable delivery models, including modular and carbon neutral design, to address the collective aim to deliver more sustainable housing.

5.2 **Why is the Council doing this?**
Within the adopted Strategic Plan, the Council has committed to "lead by example" and the Council's pledge to become a carbon neutral by 2030 requires environmental benefits to be sought in every area of Council activity, including the development of new housing.

5.3 The Council has an ambitious Housing Development Programme and within its Housing Development Strategy it aims to maintain a rolling 3-year plan of development opportunities which will include enough sites to meet the Housing Revenue Account (HRA) Business Plan projection of 50+ new build housing units a year.

5.4 **Recent Engagement and Research**
Research into the adoption of modular or carbon neutral approaches was broken down into various stages:

1. Making it known to the MMC market that the Council is interested in speaking with organisations already delivering within the sustainable housing market.
2. Targeting several organisations including modular house builders, Sustainability & Biodiversity consultants, PassiveHaus designers, Smart House tech companies, and several others to understand best practice within the industry.
3. Collating expressions of interest from organisations interested in working with East Suffolk.

4. Over 30 expressions of interest were received. Of these, almost a quarter were modular house building companies which demonstrates a clear growth within this industry. Many organisations had already worked on award winning schemes including the well-known Goldsmiths Street in Norwich.
5. These organisations were invited to meet with the team and the outcome of these discussions are detailed in 5.5 of this document.
6. The meetings were informal discussions allowing organisations the opportunity to further expand on what they can do to help East Suffolk meet its sustainable housing objectives.

5.5 From speaking with a number of the above organisations there were some common themes:

- **Fabric First** - Heating and providing power within homes accounts for around 35.8% of total energy consumption and 34.8% of CO_2 emissions. Buildings, specifically homes, provide some of the best opportunities for Local Authorities to improve energy efficiency and help move towards the zero-carbon target by adopting a 'Fabric First' approach.

  The Fabric First approach works by maximising the performance of the materials that make up the building's fabric before considering the use of mechanical or electrical systems. This can help achieve a number of objectives including reducing capital and operational costs, improving energy efficiency, cutting carbon emissions and reducing the need for maintenance during the building's lifetime.

- **Performance Gap** - There is significant evidence to suggest that buildings do not perform as well once they are completed compared to their anticipated performance at the time of their design. The difference between anticipated and actual performance is known as the performance gap. Some factors contributing to the performance gap include:

  - Discrepancies between design specification and the 'as-built' product.
  - Practical buildability.
  - A lack of monitoring and feedback once the building is occupied.

  The implementation of quality monitoring alongside the appointment of specialist sub-contractors will help to ensure projects do not fall short of the intended design specification.

- **One Size Fits All** - Speaking with modular housing providers and offsite construction companies, it is apparent that the same approach will never be suitable for all sites. The Council has a variety of land and property assets, however not all sites would be suitable for all types of delivery. Constraints around access, planning, geographical location, and orientation were common themes when discussing the suitability of sites for modular housing.

- **Off Site Construction Opportunities** - Off site construction not only offers speed and accuracy but can also offer economic benefits to development organisations willing to adopt these methods. Many organisations have opened factories in areas where demand is at its highest. Several companies also have associated training programmes which look to partner with local collages to provide opportunities for local people to train in the construction methods required for production and on-site assembly. Satellite factories are common within the off-site construction industry where demand is high. The required level of demand is often achieved through collaboration agreements with several organisations with similar housing aspirations.

- **Assistive Technology** - Across East Suffolk it is estimated that 10% of the population are in fuel poverty. Compared to a national average of 10.6% this appears relatively consistent but localised data shows there are specific areas within East Suffolk where figures are as high as 19.2%. One of the best approaches to tackling fuel poverty is to build houses which are thermally efficient and affordable to live in. As previously mentioned, this can be done via a fabric first approach. However, understanding energy consumption is also vitally important. Assistive technology is becoming more common within homes and the innovation within this sector is enabling occupants to make the most of the buildings whilst relying less on external sources for energy. Studies show that people who are aware of their energy consumption are more likely to make reductions and minimise their environmental impact. These monitoring systems will not only help tenants understand their homes better but could also provide the Council with valuable data upon which to plan further future improvements.

- **Cost** - Is it more expensive to build sustainably? PassiveHaus homes are one area where there is well documented evidence on the cost differential between traditional vs Passive construction. According to The Innovation Centre for Passive Design, passive homes cost on average 8% more than a traditional build property. However, as innovation costs associated with early PassiveHaus projects begin to reduce and methodology becomes more widely adopted, passive design is becoming more affordable.

  The above, notwithstanding the cost benefit to passive housing, is realised by the reduced running costs. Tenants benefit initially and immediately. The benefit for Local Authority landlords is demonstrated in an anticipated 31% reduction in rent arrears due to the reduction in fuel poverty and the consequent ability of tenants to be better able to pay their rent.

  Modular homes are often described as a perfect solution to difficult sites. On average a modular home would cost between 4-8% more than a traditional property. This data is based on an *'off the shelf'* design and not the development of a new modular home. Costs are likely to be in the region of 15% higher than traditional projects for any new schemes developed by a Local Authority. Economies of scale can be expected to quickly reduce these costs where LA's can commit to repetition of design across several sites.

5.6 Following the success of the Council's market engagement initiative, potential development opportunities have been prioritised based on their suitability to deliver on three key areas, namely:

- **Traditional Build** - Projects where traditional construction approach is most suitable but sustainable innovation is incorporated within the design. This could be in the form of solar PV, air source heat pumps, rainwater harvesting and other simple but effective specification additions such as rainwater butts and landscaping to promote biodiversity and environmental sustainability.
- **Modular and MMC delivery** - Projects seeking sites which are suitable for offsite construction and require speed of delivery.
- **Alternative Innovation** - Projects where new and emerging technologies are explored, or specific accreditations are targeted for individual properties or developments.

5.7 Understanding what individual developments can realistically deliver will enable innovative solutions to be piloted whilst still maintaining scale of delivery. This approach will also enable the Housing Development Team to grow its own capability through live projects and then implement the most successful solutions into the programme as the Council progresses towards carbon neutral development. Without better understanding of the delivery options outlined within this report, it could be considered premature to commit to delivering all future Council housing development via one particular route.

6 POTENTIAL PROJECTS

6.1 Since November, a number of potential sites have been reviewed to establish their suitability for a modular or off-site construction. The team is currently progressing the first of these schemes (circa 6-8 units) at Elim Terrace in Lowestoft and hopes to bring this proposal to Cabinet later this year for consideration.

6.2 The former Deben High School site is being progressed under the alternative innovation workstream. The proposal is for a certified PassiveHaus development of 61 units. A further site, in Beccles, suitable for one exemplar unit is being investigating to deliver a zero-carbon home in partnership with a local Architectural firm who specialise in alternative construction methods.

7 FINANCIAL IMPLICATIONS

7.1 There are several funding streams specifically directed towards the two areas, modular construction (carbon neutral where possible), Scrutiny Committee have asked Cabinet to explore. In December 2020, Housing Development team proactively engaged with the Council's Funding Team to ensure all opportunities relating to the implementation of MMC / Modular and Low Carbon Construction were captured, reviewed, and explored.

7.2 Whilst embarking on alternative construction methods and providing zero carbon homes may cost more initially, the long-lasting benefits will be realised by both the Council and our tenants in future years.

8 CONCLUSIONS

8.1 The Council is progressing pilot 'green' build schemes as a result of the commitments made within the Strategic Plan and existing service strategies. Cabinet can therefore be confident in accepting the recommendation from Scrutiny Committee that it explore the potential for modular construction (carbon neutral where possible) on appropriate sites at the earliest realistic opportunity.

8.2 The Council's commitment is to lead by example and the information and schemes outlined in this report are intended to be the starting point in a movement towards delivering sustainable housing as standard. There is an appetite within the affordable housing sector to explore the benefits of collaboration between Registered Providers and Local Authorities. East Suffolk has already begun working with other local stakeholders and partners to understand how collaboration can help drive forward a change within the affordable housing sector.

Agenda Item 8

ES/0660

EAST SUFFOLK COUNCIL

CABINET

Tuesday 2 February 2021

FREEPORT EAST SUBMISSION

EXECUTIVE SUMMARY

1. In February 2020 HMG launched the Freeports initiative aimed at boosting economic growth by creating special economic zones around ports which would provide an array business incentives. This policy is designed to take advantage of the UK's new economic freedoms following Brexit, contribute to the 'levelling up' agenda and support the country's economic recovery from the Covid downturn. The recently launched Freeports Prospectus set out the bidding criteria and set 5 February as the deadline for submissions.

2. Freeport East, a partnership of Hutchison Ports (operators of Felixstowe and Harwich ports), the upper and lower tier Councils covering Felixstowe and Harwich and the LEPs covering the same geography was established to develop a bid to secure Freeport status for a zone encompassing the ports of Felixstowe and Harwich. This bid focuses on this cluster's global trade connections, intermodal connections with the Midland and North, strong links to the net zero energy generation/ use, innovation via links to BT's Adastral Park and academia, regeneration to address coastal and urban deprivation and complementary programmes to promote inclusive growth.

3. The key areas of economic activity within Freeports will be based at the Tax and Customs sites where tax, planning and business incentives apply. Each Freeport can propose up to three of these sites and for Freeport East the chosen sites include Felixstowe Port's Logistics Park, Bathside Bay within Harwich International Port's demise and Gateway 14 owned by Mid Suffolk DC. These sites will be the main focus for economic growth; however Freeport status will induce further growth within the surrounding area inside and outside of the Freeport.

4. This paper is seeking Cabinet approval for the Freeport on the basis that it will directly contribute to the Council's Strategic Plan objectives of enabling economic growth and in light of the Covid downturn such growth is an even greater priority. Freeport status will also strengthen our current competitive advantage within the ports and logistics sector as well as strengthening existing and emerging sectors in low/ zero carbon energy and not least our ambitions around establishing a hydrogen economy within the district.

Is the report Open or Exempt?	Open

Wards Affected:	Eastern Felixstowe, Western Felixstowe, Woodbridge, Kesgrave, Martlesham and Purdis Farm, Rushmere St. Andrew, Deben, Melton, Carlford & Fynn Valley, Wickham Market, Rendlesham & Orford, Framlingham, Orwell & Villages

Cabinet Member:	Councillor Craig Rivett Deputy Leader & Cabinet Member with responsibility for Economic Development

Supporting Officer:	Paul Wood Head of Economic Development & Regeneration 07798 797275 Paul.wood@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 In February 2020 HM Government published their Freeports consultation document. The document states that the Freeports initiative will be the cornerstone of the Government's plan to level up opportunity across the country. The overriding objective of Freeports is to boost trade, jobs and investment through streamlining regulations, speeding up planning processes and accelerating development and housing delivery in and around Freeports. This policy is also a response to the UK's departure from the EU and more latterly part of the national economic recovery plan following the Covid 19 economic shock.

1.2 The Government aims to create 10 Freeports across the UK, however if more than 10 compelling proposals are received this could be higher. The model being developed could work for rail, sea and airports. Measures to make Freeports attractive to domestic and international investors will include:

- Tariff flexibility
- Simpler customs processes
- Tax measures to incentivise investment
- Planning reforms
- Additional funding for infrastructure improvements

1.3 Freeports are secure customs zones located at ports where business can be carried out inside a country's land border but where different customs rules apply. They can reduce administrative burdens and tariff controls, provide relief from duties and import taxes and ease tax and planning regulations. Typically, goods brought into a Freeport do not attract a requirement to pay duties until they leave the Freeport and enter the domestic market. No duty at all is payable if they are re-exported. The Freeports prospectus, published in December 2020, sets out a UK Freeport model which would include multiple customs zones located within or away from a port to maximise flexibility in addition, Special Economic Zones designated over or around the customs zones would be created to maximise business investment in the Freeport.

1.4 The Freeports prospectus sets out in more detail, following consultation, how Freeports would operate as well as setting out the bidding process for submitting an application to become a Freeport. The government's key objectives for Freeports are set out below:

- Become national hubs for global trade and investment.
- Promote regeneration and job creation.
- Create hotbeds for innovation.

1.5 Within a Freeport there can be up to three Tax Sites and three Customs Sites. The tax sites, which can be up to 200ha each, will be areas where the following benefits will apply:

- Stamp Duty Land Tax Relief
- Enhanced Structures and Buildings Allowances
- Enhanced Capital Allowances
- Employer National Insurance Contributions Relief
- Business Rates Relief
- Local retention of business rates

- Permitted development rights

1.6 The Customs Sites offer the following benefits to businesses located within them: duty deferral, duty inversion on finished goods exiting the Freeport attract a lower tariff than their component parts, duty exemptions on goods imported into the Freeport, suspension of import VAT on good entering the Freeport and the authorisation to use simplified import procedures.

1.7 In terms of the overall geography of the Freeport these designated sites must be within a 45km boundary (see diagram at appendix 1) along with the primary customs site i.e. the port.

2 FREEPORT EAST

2.1 Since the launch of the consultation in February partners across Suffolk and Essex have been working in partnership to develop a Freeport proposal that would focus on the ports of Felixstowe and Harwich, both owned and operated by Hutchison Ports. This partnership includes the following organisations:

- Hutchison Ports
- Harwich Haven Authority
- New Anglia LEP
- South East LEP
- East Suffolk Council
- Tendring District Council
- Essex County Council
- Suffolk County Council
- Haven Gateway Partnership

It was agreed by the partnership that the Freeport bid would be named Freeport East, reflecting its location and the associated branding has been developed by Hutchison's in-house branding team.

2.2 The decision to apply for Freeport status has been driven by the significant potential economic growth it could enable. Partners such as Hutchison view this from a commercial growth/ competitiveness perspective whereas the local authorities and LEPs are keen to exploit the regional economic growth potential. This economic growth potential could be significant and would be driven by:

- Direct employment/ business creation and income generation
- Export growth and diversification
- Foreign Direct Investment
- Foreign exchange earnings
- Government revenues
- Supply chain development
- Technology transfer
- Regional development and increased competitiveness

2.3 In addition, Freeports will have the opportunity to bid into a £175m fund of seed capital to support the development of the Freeport as well as a Freeport Innovation Fund. As part of this development funding government wants to see Freeport contribute to the decarbonisation agenda and achieve net zero status by 2050.

2.4 In terms of the proposed outer boundary of the Freeport, it is geographically centred around the two ports of Felixstowe and Harwich. This represents a dual port freeport model. The two ports are owned and operated by the same port operator – Hutchison Ports and given the geographic proximity of the two ports, common ownership and consistent operating models and environments – a dual node port proposition will enable advantage to be taken of economies of scale in operation, governance, connectivity, trade related dynamics and local/regional industry value chains.

2.5 With the two ports sitting at the centre of the 45km geography, the zone naturally extends into the communities of East Suffolk, Tendring (especially around Clacton and Jaywick) and Ipswich. The Tendring and Ipswich areas contain communities with significant deprivation-related characteristics. Tackling economic deprivation and contributing to the 'levelling up' agenda are part of HMG's key objectives for establishing Freeports. This geography represents a natural economic catchment area around the two ports with an overall population of 726,000 and a labour market catchment of approximately 431,000 working age residents. The geography is characterised by extensive port operations, associated landside activity and locally relevant supply chains and value chain activity related to logistics, and processing.

2.6 The Felixstowe/ Harwich ports cluster has a number of USPs which make its bid for Freeport status particularly strong. This includes its global and regional connectivity with over 40% of all the UK's container traffic passing through the Port of Felixstowe, it has unrivalled international connections, particularly with Asia, strong intermodal connectivity to the Midlands Engine and Northern Powerhouse areas thereby supporting the 'levelling up agenda' in these areas. The bid also performs strongly against other national objectives such as technology and clean energy. The PoF is currently trialling a pilot 5G network, has strong R&D links with BT, Adastral Park and Cambridge and Essex Universities, furthermore there are strong links with Sizewell C, the offshore wind sector and the emerging hydrogen economy.

2.7 The prospectus requires that all bids for Freeport status should be submitted by 5 February 2021. This represents a challenging timeline and as such the Freeport East partnership agreed to appoint consultants, WSP, to support the development of the bid. This work has now progressed to the drafting stage (see Appendix B) and the key elements of the bid such as the location of the Tax and Customs Sites have now been agreed. The view was taken by the partnership that to derive maximum economic value from these designations the Tax and Customs Sites should be one and the same. Therefore, three combined Tax/ Customs sites have been agreed and these are:

- Port of Felixstowe Logistics Park (owned by Hutchison Ports)
- Port of Harwich Bathside Bay (owned by Hutchison Ports)
- Gateway 14 (currently an Enterprise Zone and owned by Mid Suffolk DC)

2.8 The rationale for choosing these sites is that they are compact and within close proximity to the ports. Furthermore, two of the sites (Felixstowe Logistics Park and Gateway 14) are prepared for development with planning consent in place and therefore able to progress quickly and accommodate additional economic activity, thereby realising tax and business rate benefits within the first five-year period and demonstrating good return on public investment. They are also in strategically important locations and Freeport status would provide the stimulus and catalyst for additional development, new economic activity and job creation. The sites have proven positive market characteristics and attractiveness due to a combination of locations, proximity to the ports and connecting infrastructure. Their risk profile is low given existing development and operations and therefore development can move at pace, enabling realisation of benefits – tariff-related and business rates – and wider economic and regeneration benefits within the first five-year window.

2.9 For the bid to progress government require that it has the full support of the local authorities in which the proposed Freeport is based. This is due to the business rate (see Finance section) and planning implications. Furthermore, Freeports represent a key regional economic growth initiative and therefore the support of Councils, who are key players in driving local economic growth is sought.

2.10 The Freeport East submission meets the government's objectives for establishing Freeports in then following ways:

- **UK's Trading Gateway to the World**
  - Freeport East has major port infrastructure accounting for a major part of the UK's trade with the rest of the world
  - Freeport status provides a basis for strengthening this position and accelerating growth
  - Ability to draw in Foreign Direct Investment from various locations and embed quickly in regional value chains

- **Innovation Freeport**
  - A strong innovation eco-system that can act as a springboard for economic growth and diversification – taking full advantage of existing strengths around 5G infrastructure, links with BT Adastral Park and links to zero carbon energy
  - Freeport status will enable a faster pace of innovation, dissemination and take up through incentivising high-value investment
  - A major opportunity exists to drive forward innovation and new firm formation in renewable energy – with the freeport zone being a prime location for the emerging hydrogen economy and offshore wind

- **Local Regeneration**
  - Significant deprivation persists in coastal and inner urban areas and average incomes are low across the sub-region
  - Freeport status will expand and deepen a range of higher-value industry and sectoral activities, providing greater accessibility to higher income jobs.
  - Complementary programmes will be developed to provide greater access to new jobs and to upskill the existing workforce thereby embracing inclusive growth

- **Regional Levelling Up**
  - The Freeport East zone already supports high-value, globally competitive industry sectors across the Midlands region.

- Freeport status will allow the zone to develop incentivized and targeted mechanisms for promoting further high-value growth across the central regions of the UK, through diversifying and deepening sectoral value chains, enabling greater sophistication in supply chains and by facilitating further innovation
- The economic and regenerative impacts of Freeport East will be felt widely across central parts of the UK.

2.11 The Freeport East bid will also meet all of the government's key objectives by complementing an array of existing local and regional economic growth strategies and initiatives and building on the local strengths of the surrounding area. Freeport East will benefit from drawing on the knowledge and expertise of several authorities and partnerships at the local level, who share the common goal of wanting to exploit existing trade connections and capabilities at Felixstowe and Harwich International Port.

2.12 The East of England is home to major maritime assets that can be harnessed to drive long-term sustainable growth in the region. Felixstowe is the UK's largest and busiest container port, handling 42% of all UK container trade and along with Harwich International Port offer regular RoRo short-sea ferry crossings that connect the UK with mainland Europe. There are also very few ports other than Port of Felixstowe with approach channels of sufficient depth to accommodate the largest and most efficient container ships. The East of England also sits at the heart of the world's largest market for offshore wind, and Harwich International Port is the home to the purpose built £10m Operations and Maintenance Facility of Galloper Offshore 353MW Wind Farm, supporting 60 jobs.

2.13 A fundamental capability of Freeport East will be its ability to harness local clean energy from offshore and other carbon-free sources. In doing so, it could serve as a centre for the development and testing of innovative technologies and clean-fuel applications such as hydrogen and battery technology. Freeport East's access to these sustainable energy sources is unrivalled in the UK, and there is continuing market appetite and political ambition both nationally and locally to further the development of offshore wind. For example, the Prime Minister recently announced a revised target of 40GW of offshore wind by 2030. This commitment formed part of the first stage outlined within the Prime Minister's ten-point plan, and almost quadrupling capacity to 40GW can only be facilitated by the continued expansion of offshore operations in the East of England. The government has also recently announced its intention to create port side manufacturing hubs for offshore energy, and Freeport East is primed to be focal point of this national initiative, which would bring much needed regeneration to the local area.

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

3.1 The Freeport East proposal supports three themes within ESC's Strategic Plan – Enabling Economic Growth, Caring for Our Environment and Remaining Financially Sustainable. In terms of enabling economic growth the proposal will directly support the achievement of all the theme priorities:

- Building the right environment
- Attracting inward investment
- Maximise and grow our USPs
- Business partnerships
- Supporting the delivery of infrastructure

3.2 In terms of the environment theme the proposal is heavily based on growing the existing and emerging renewable energy sectors of offshore wind and hydrogen. The proposal will also support the financial theme through generating increased business rates income within and outside of the Freeports area some of which will be retained to encourage further economic growth.

3.3 The Freeports proposal will generate significant economic growth and provide employment opportunities to the ES communities. There is an accepted and strong link between employment and good mental health outcomes and therefore combined with the right support to access these new roles this will support good mental and physical health and wellbeing. The proposal will be complemented with ongoing skills development interventions and in particular programmes focussed on the young and those who are NEET, thereby supporting the inclusive growth agenda.

4 FINANCIAL AND GOVERNANCE IMPLICATIONS

4.1 The Freeport proposal will have financial implications for ESC since the business rates payable at the proposed ES tax sites i.e. Felixstowe Logistics Park will not be paid by business but instead by HMG. Business rate revenue will be apportioned based on a bespoke hybrid model. Under this model a portion of the total income generated will be earmarked for reinvestment within the tax/ custom site area; a portion will be retained by the local authority within which the tax/ custom site falls; and a portion will go into a pot to be reinvested across the wider freeport area. The hybrid model aims to provide a means for improving and enhancing tax/customs sites, while ensuring that the benefits of freeport status are distributed evenly across the area. The percentage breakdown of income apportionment between the different parties is yet to be agreed.

4.2 A two-tier governance arrangement, comprising a Supervisory Board and a Management Board is proposed for Freeport East. This would include a Supervisory Board which will be responsible for the strategic direction of Freeport East development and for monitoring and holding to account the Management Board for the effective delivery of the interventions and strategy and for receiving assurance about the effective management of the physical and fiscal security aspects of Freeport East. It will ensure that appropriate mechanisms are in place for the application and management of public funding through an accountable body, such as a County Council, which will hold all public money.

4.3 The Management Board will be responsible for the day-to-day operation of Freeport East and the discharge of its obligations regarding security, crime prevention and for executing the strategy agreed by the Supervisory Board under delegated powers. It will be responsible for submitting regular reports to Government.

4.4 The Supervisory Board would be composed of a Chair, recruited through an open and transparent process and subject to the Nolan Principles of Public Life, the Chief Executive of Freeport East and seven non-executive directors. The non-executive members of Supervisory Board are nominated by the stakeholders based on their knowledge and experience and in the case of local authorities to provide democratic accountability. East Suffolk Council will have representation on both tiers of this proposed governance structure.

5 OTHER KEY ISSUES

5.1 This report has been prepared having taken into account the results of an Equality Impact Assessment. The assessment identified that the Freeport East bid would have a positive impact on the age protected characteristic due to the inclusive growth programme associated with the initiative. For all other protected characteristics the impact was neutral

6 CONSULTATION

6.1 The development of the Freeport East proposal has been undertaken in partnership with all relevant local authorities and LEPs. Furthermore, industry representation has been undertaken through Hutchison Ports and Harwich Haven Authority. Wider consultation has also taken place with a wide range of public and private sector organisations including business networks and academia within the Freeport area.

7 OTHER OPTIONS CONSIDERED

7.1 The other option was for the partnership not to submit a bid for Freeport status. This would have signalled a lack of ambition for the sub-regional economy which is at odds with the partnership's published economic objectives and risk the area missing out of significant economic growth opportunities.

8 REASON FOR RECOMMENDATION

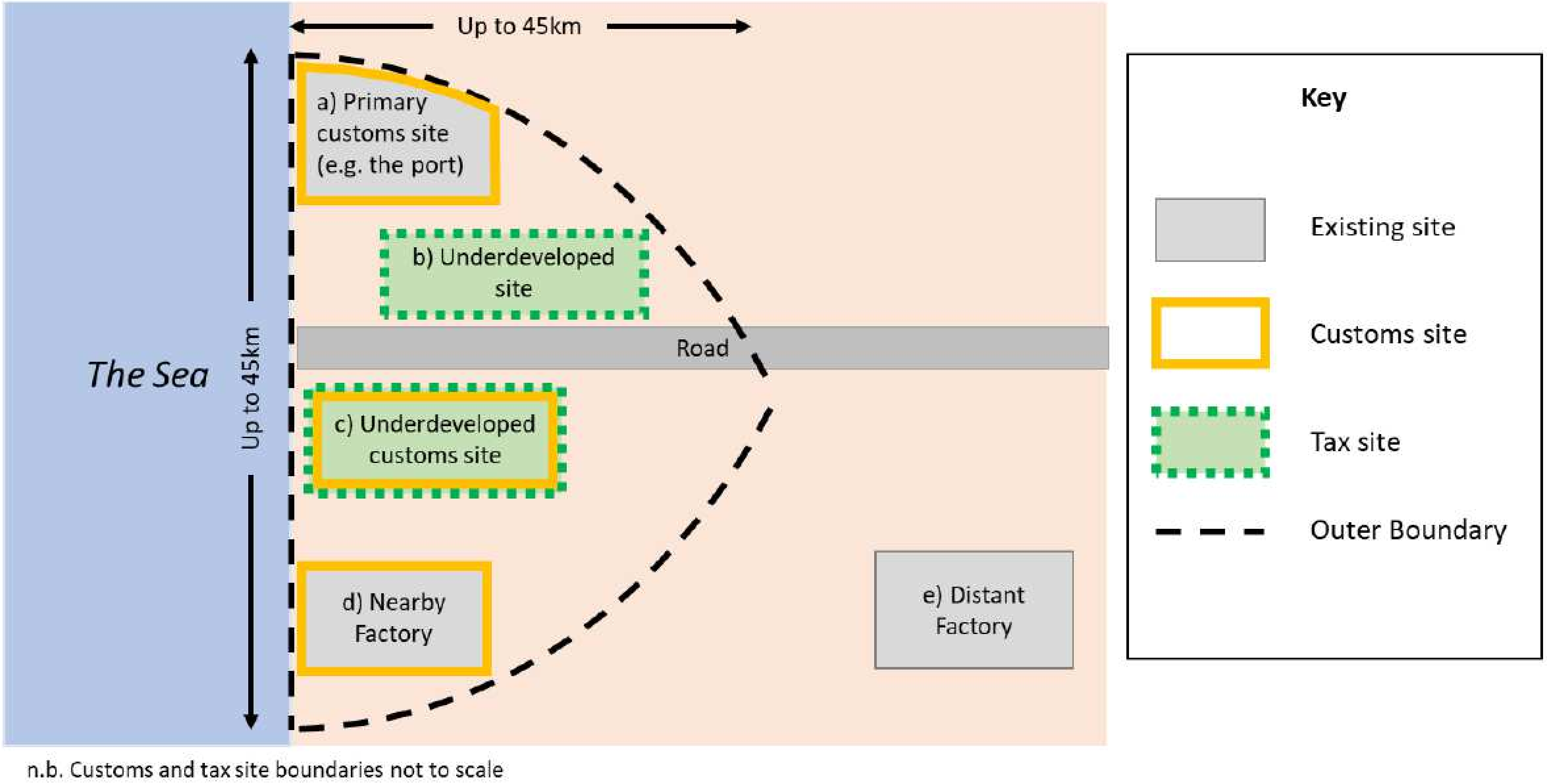
8.1 Achieving Freeport status for the Felixstowe/ Harwich ports cluster will provide the opportunity for significant economic growth within the District which will build on the sub-region's already strong ports and logistics sector. Such growth in employment, business creation, supply chain, inward investment and support for associated clean energy sectors is completely in line with the Council's ambitions for economic growth as set out in its Strategic Plan and Economic Growth Plan.

RECOMMENDATIONS

That the Freeport East submission be approved to achieve Freeport status recognising the significant economic growth opportunities this will provide to the District and the wider economic sub-region within which East Suffolk operates.

APPENDICES	
Appendix A	Overview of Freeport model
Appendix B	Draft Freeport East submission
Appendix C	Draft Freeport East governance structure

BACKGROUND PAPERS: None.



Appendix A: Freeport Overview Model

Agenda Item 8
ES/0660

Freeport East

Responses to Bid Questions

DRAFT 27.01.2021

1.1 Please submit a proposed name for your Freeport. This should clearly distinguish it from any other potential Freeport proposals.

Short text box

Check against other possible/similar names.

Response:

Freeport East

1.2 Provide name and contact details for the Senior Responsible Officer for the programme.

NB: This will be the key point of contact for the government.

Short text box; email; address; tel.

Response:

Mark Taylor, Hutchison Ports UK

1.3 Please upload the following pdf files legible at A3:

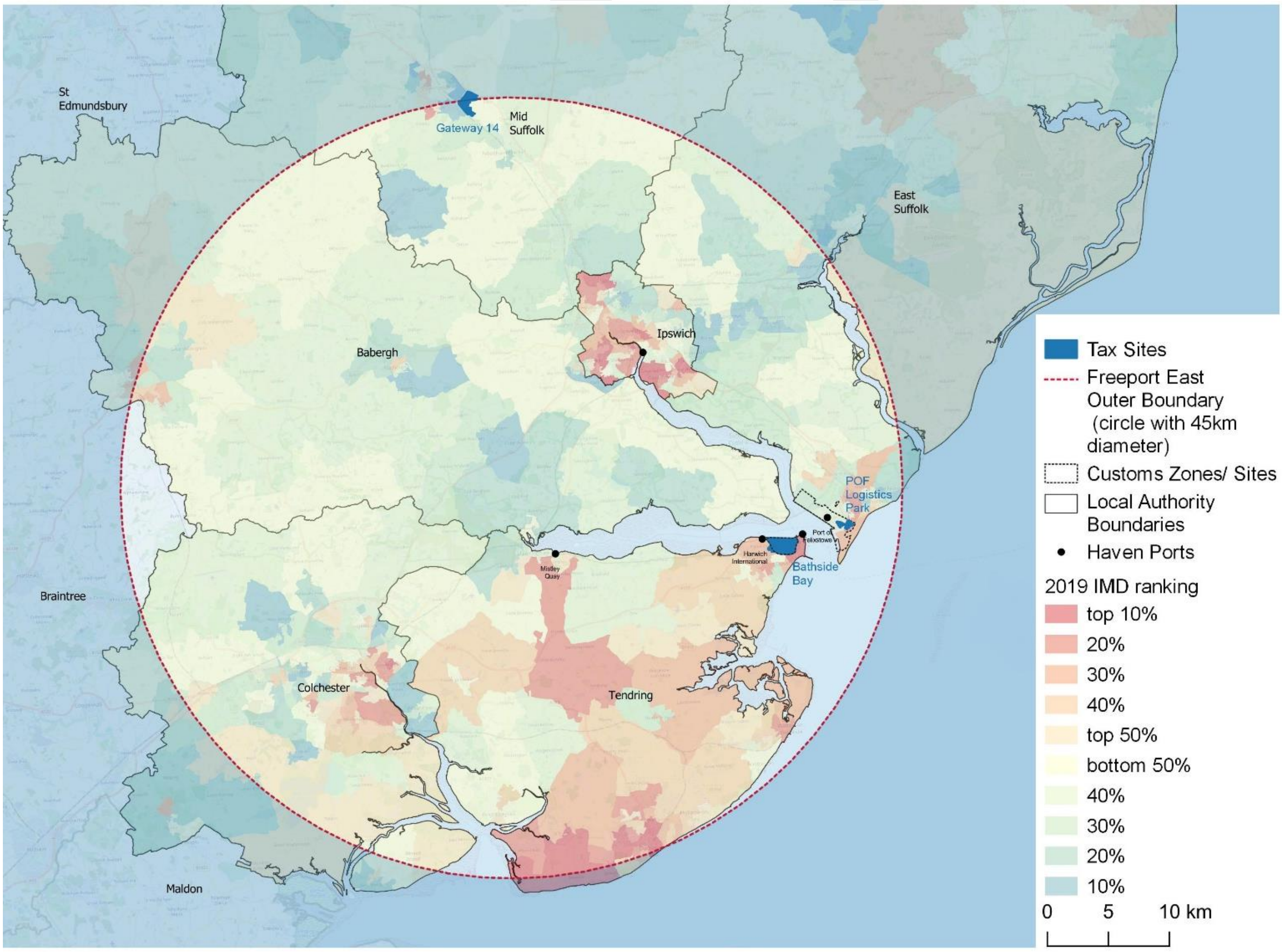
- **One map showing your <u>Freeport outer boundary</u>, no points on which should be more than 45km apart, and the locations of the tax site(s), customs sites, and any other sites which make up the bid (e.g. infrastructure projects)**
- **One map <u>per customs zone</u> defining its boundaries**
- **One map <u>per tax site</u> defining its boundaries (sites must be single and individual)**

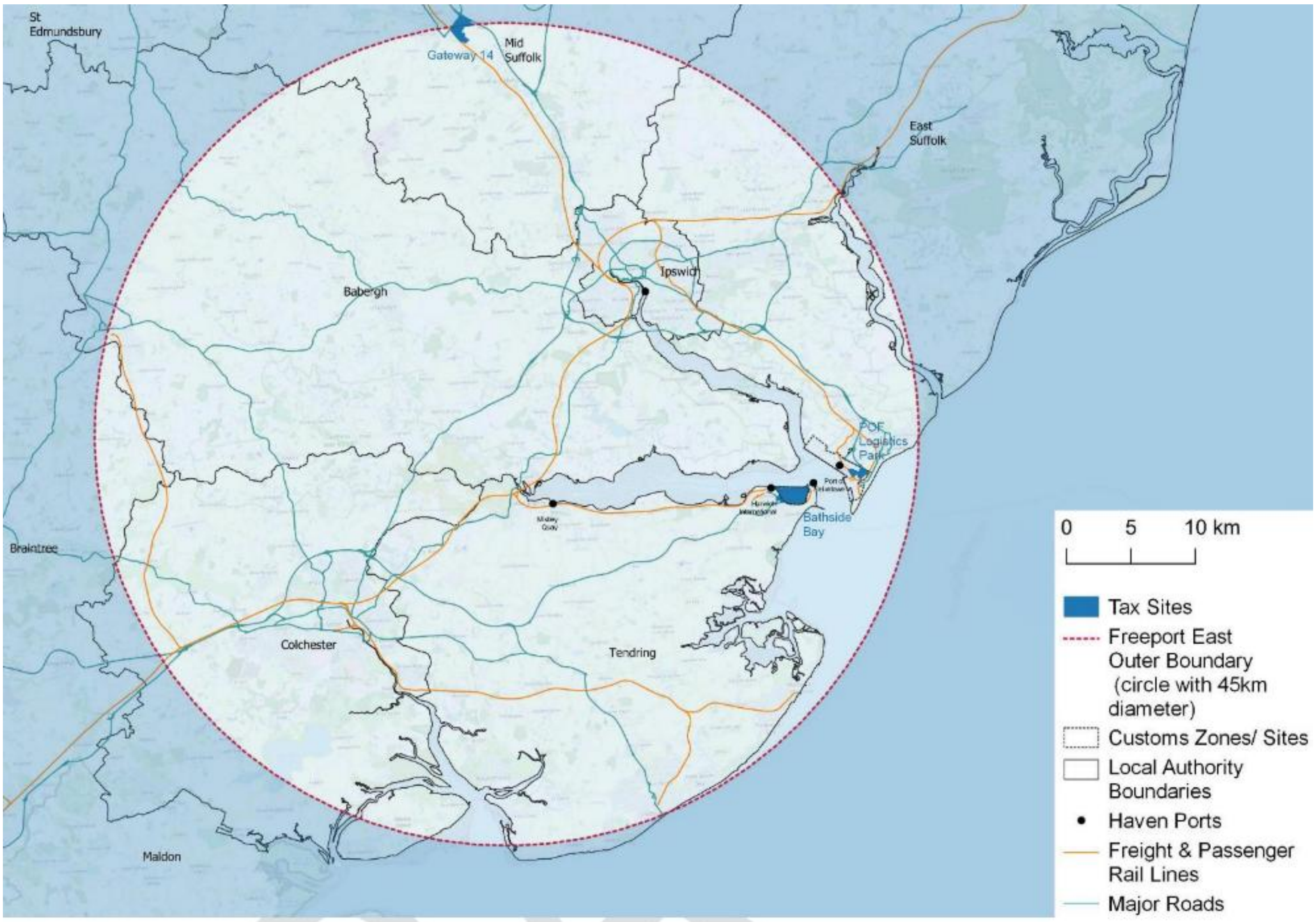
Upload pdf legible at A3

50MB max

The tax site or sites, the customs sites, and the planning, regeneration spending and innovation measures outlined in subsequent sections – must all be applied within the Outer Boundary.

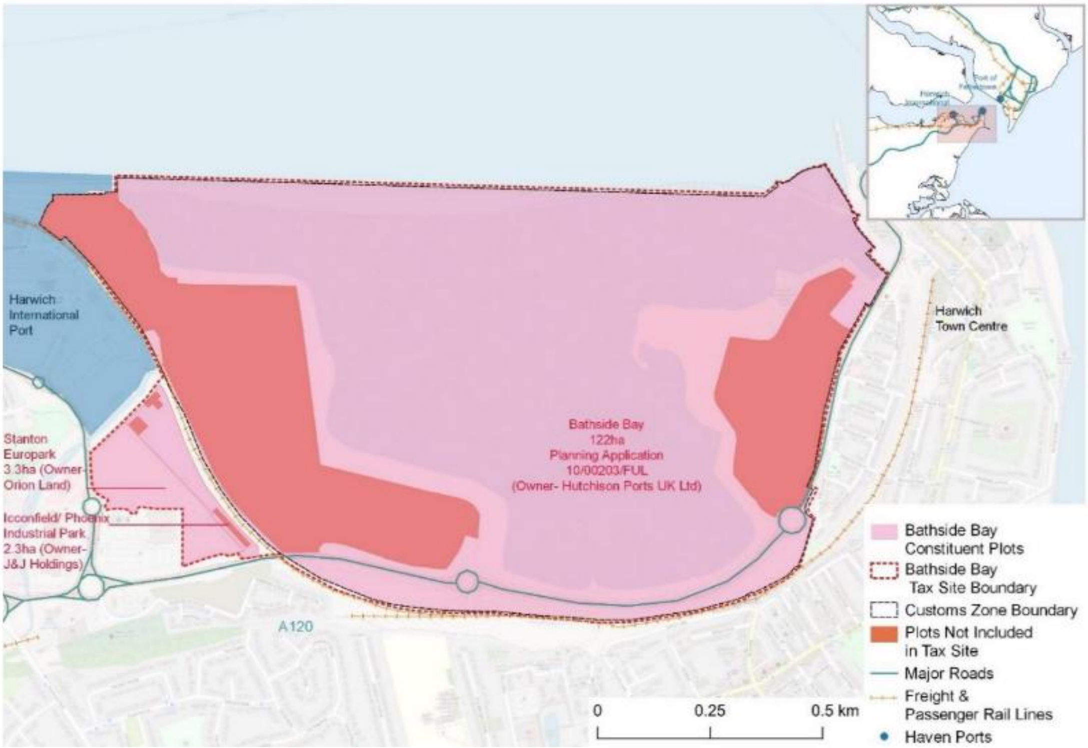
Response:



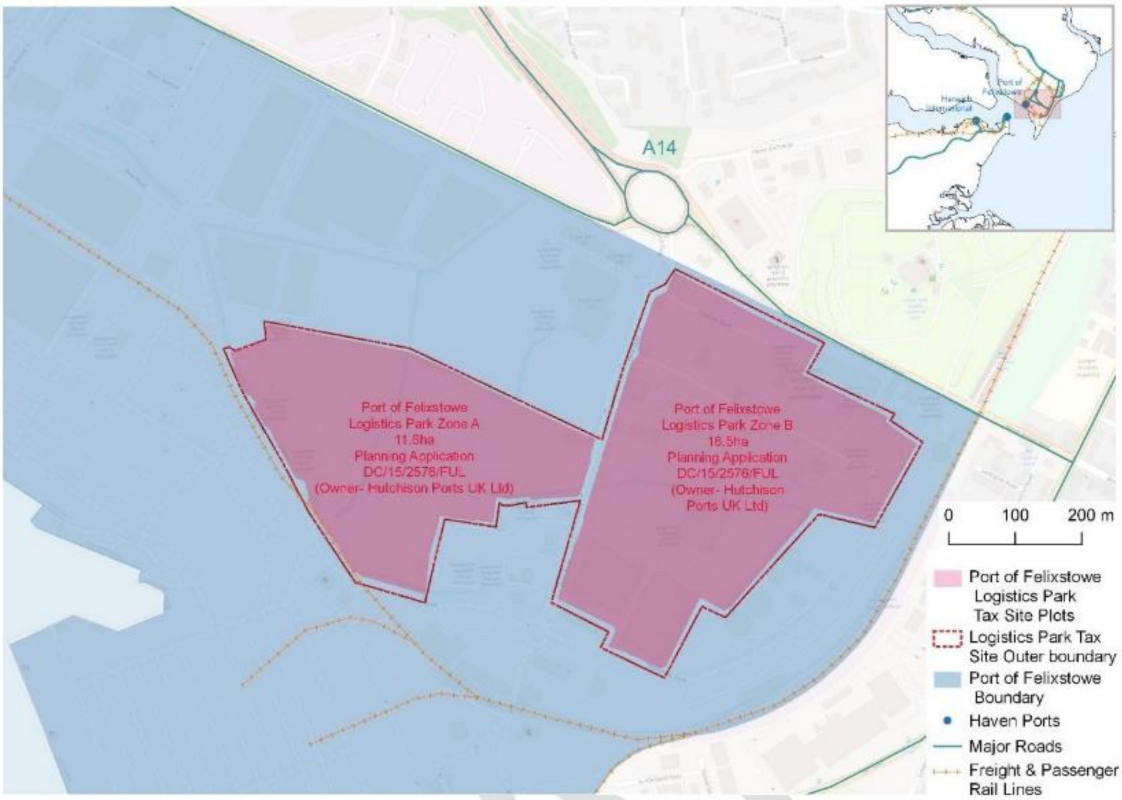


Tax & Customs Sites

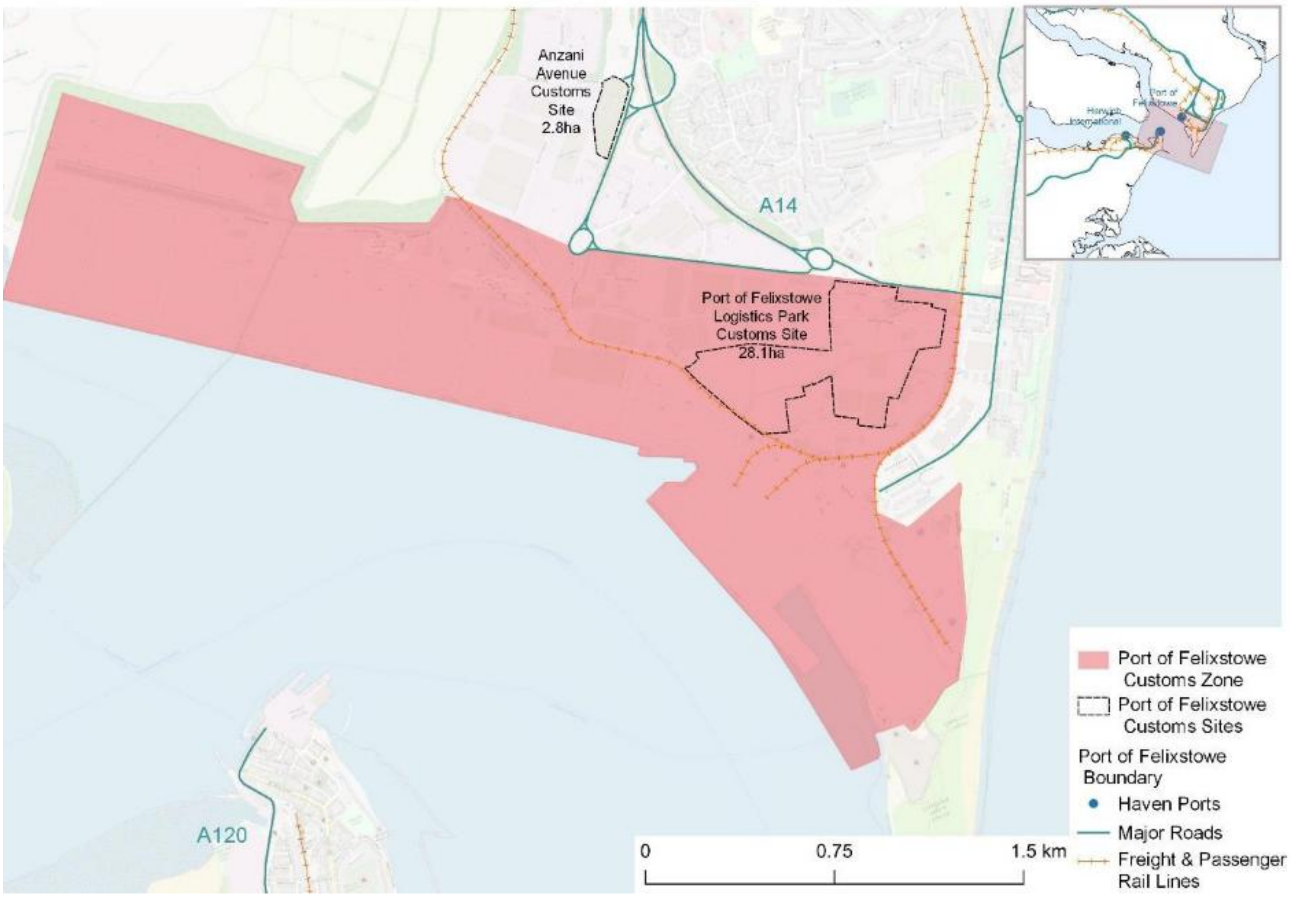
<u>Bathside Bay (tax and custom sites)</u>



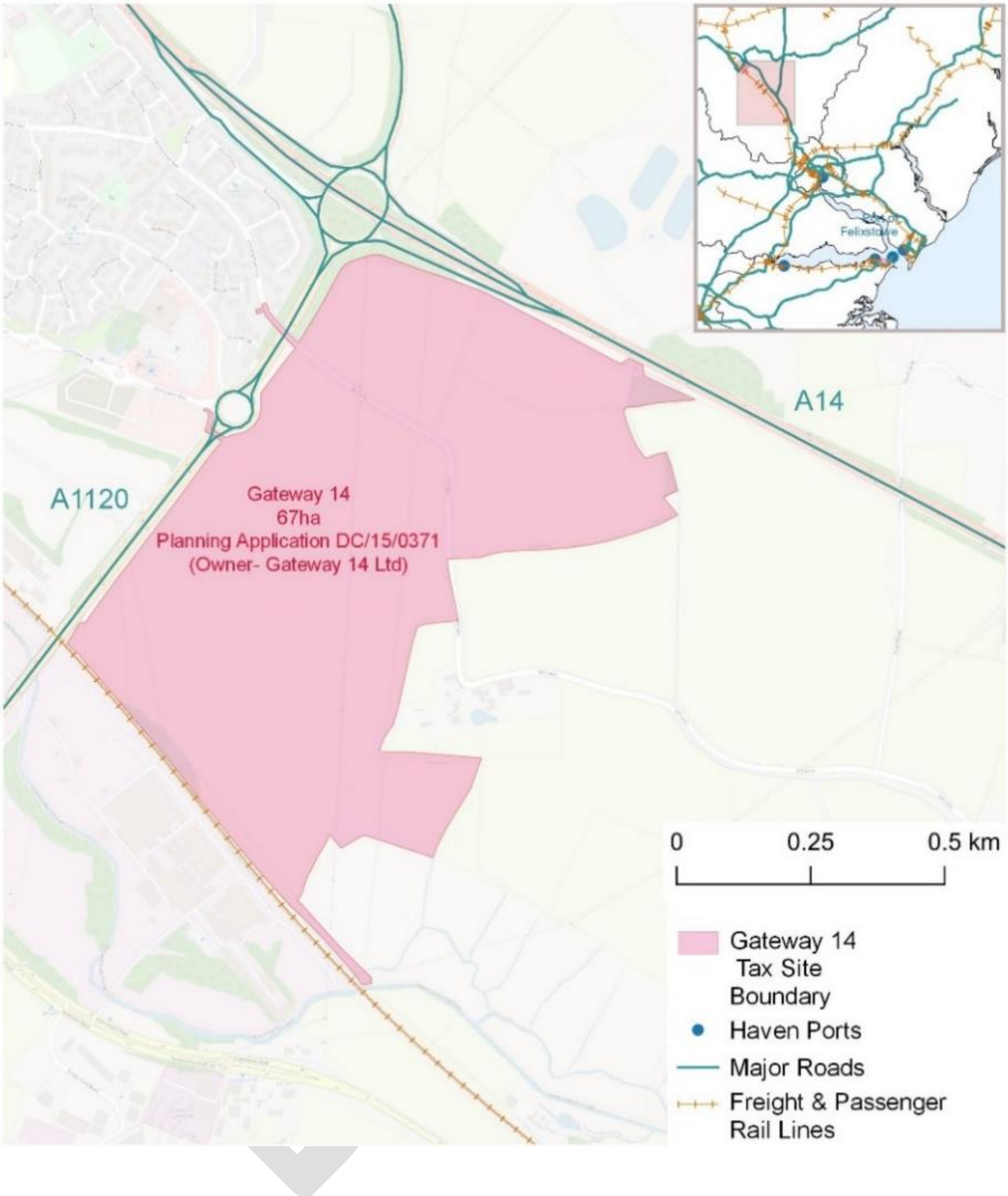
Port of Felixstowe Logistics Park (tax site)



Port of Felixstowe Customs Zone and Individual Customs Sites



Gateway 14 Tax Site Boundaries



1.4 Please also email an ESRI Shapefile or Vector Geopackage version of each map uploaded at 1.2 to Freeports-MHCLG@communities.gov.uk

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Email submission of ESRI Shapefile or Vector Geopackage

Presume this refers to 1.3, rather than 1.2

Response:

1.5 Please confirm you have communicated your plans to the landowners impacted by your proposed tax site

---

Y/N

Tax site landowners to provide a statement that they agree to use of their site as a tax site.

Response:

This is a yes/no tick box on the survey form only. No letters are required from landowners of tax sites (only customs sites).

1.6 For each customs site, please upload a signed letter from the site operator confirming that:

- **They are willing to be included in the bid**
- **They are aware that, should the bid be successful, as site operator, they will be required to obtain the relevant authorisations from HMG before the site can be designated as a customs site**
- **They are willing to undergo the authorisation process. If the operator already has HMG customs authorisations they should state this in the letter.**

File upload

Max 50MB

Written response required. Customs site must be approved by HMG subsequently.

Response:

1.7 Please upload written confirmation of support for your bid from your local authority or local authorities and (if you have their endorsement) Local Enterprise Partnership (LEP).

The letter must be signed by the **leader of each local authority** that is **responsible for planning and business rates collection** in whose area **any of the proposed Freeport sites will sit**. The letter should commit their **full support** and agreement to the proposed bid specifically those areas for which they have statutory responsibility including planning and business rates to ensure the delivery of the proposal.

- The letter should be also signed by the MCA and/or **LEP** to confirm their support for the bid and detail its **alignment with the delivery of the area's prevailing economic strategy**.
- Where relevant, the letter should be signed by the **leader** of each local authority that is responsible for **transport**. For example, the County Council or MCA. "

File upload

Response:

3 letters to be uploaded by NALEP, East Suffolk Council and Tendring District Council

1.8 Is your bid a cross-border bid? If so, is any of the land covered by your bid also subject to a Freeport bid in another nation

---

Y/N

Response:

N

1.9 Does your Freeport propose any secondary customs sites outside the Outer Boundary?

Y/N

Response:

N

(This is a yes or no answer. Whilst conversations have been had with the West Midlands, specific sites as detailed within the questions below have not been included and therefore we are selecting no on this occasion, however can allude to West Midlands connections elsewhere in the bid and via media)

1.10 Explain how your Freeport Outer Boundary represents a credible, coherent economic geography? Please provide clear rationale

---

Free text

500 word limit

Response

The Freeport East outer boundary is centred around the two major Haven ports **– Port of Felixstowe** and **Harwich International Port -** both of which are owned and operated by Hutchison Ports UK, a subsidiary of the CK Hutchison group, a significant foreign inward investor into the UK. This represents a dual-node or **dual port freeport** model.

In particular:

- The outer boundary was selected based on the need to capture the two ports, viable and sufficiently large potential tax sites in the hinterland and to align with existing regional connecting infrastructure and economic geographies. These factors also needed to be balanced with the requirement of a legible and easily understood boundary. Consequently, the boundary is a 45km diameter circle which contains the proposed tax and customs sites and the transport infrastructure linking them to the local ports and to one another.

- Given the **proximity** of the two ports to each other, common ownership and consistent operating models and environments, a dual node port proposition is logical and will enable advantage to be taken of **economies of scale** in operation, governance, connectivity, trade-related dynamics and local/regional industry value chains.

- As a result of the dual port freeport model, the freeport boundary encompasses parts of the counties of Essex and Suffolk. It therefore falls into both the South East LEP (SELEP) and New Anglia LEP (NALEP) areas. The majority of the tax sites and customs areas fall on the Suffolk side of the boundary.

- The zone naturally extends into the communities of **East Suffolk, Tendring, Babergh**, **Colchester**, **Ipswich** and **Mid Suffolk** and a section of Braintree. The districts of Mid Suffolk, Babergh, East Suffolk (formerly Suffolk Coastal and Waveney) and Ipswich are considered to be part of the Ipswich Economic Area. Equally, Tendring and East Suffolk are economically integrated to an extent as a result of Port of Felixstowe and Harwich International Port's shared owner.

- The Freeport East outer boundary also includes a number of areas which suffer from high unemployment, low GDP per head and employment and income deprivation. These are the areas where the large-scale investment facilitated by freeport designation can have the most transformative effect. Ipswich, Colchester and Tendring in particular, contain a number of communities with significant levels of overall **deprivation**, as assessed in the 2019 English Indices of Multiple Deprivation. The freeport boundary also intersects Tendring 018A-ranked the most deprived neighbourhood in England as of 2019.

- The Freeport East outer boundary represents a **natural economic catchment area** around the two ports, with Gateway 14 highly integrated with the Port of Felixstowe via its proximity to the A14 which links Stowmarket with the coast and Bathside Bay, linked to HIP via freight rail and the A120. The overall population of the area is 652,000 (2019 ONS population projections) with a labour market catchment of approximately 388,000 working age residents within the Freeport East boundaries.

- The geography is characterised by extensive **port operations**, associated **landside activity** and locally relevant **supply chains and value chain** activity related to logistics, and processing. Similarly, the geography is a national centre for **renewable energy activities.**

[512 words]

1.11 Please provide rationale for the primary customs site and any subzones, including:
- **What you expect each customs site to be used for?**
- **What outputs/benefits do you expect each site to generate?**
- **How do they relate to each other and the wider Freeport?**

Free text- 500 word limit

Must have at least one customs site
- What you expect each customs site to be used for? Goods?
- What outputs/benefits do you expect each site to generate? Increased throughput of goods etc?
- How do they relate to each other and the wider Freeport? Transport and connectivity?

Response:

Three customs sites are proposed, at:
- Port of Felixstowe Logistics Park (also a tax site);
- Bathside Bay (also a tax site); and
- Anzani Avenue, in close proximity to the Port of Felixstowe.

The first two customs sites fall, respectively, adjacent to and within the primary customs site which captures the entirety of the Port of Felixstowe south of the A154- this status will be reviewed at the point of further detail being released on the implications for non-freeport traffic. The specific customs operations of the Port of Felixstowe primary customs site will be conducted at the two dedicated customs sites.

The customs zones are located adjacent to the two ports captured in the freeport boundary, with Bathside Bay connected to Harwich International Port, the wider freeport and much of the country by the A120 motorway. As such, the customs zones will not only be interlinked with the goods associated with the ports but are likely to be highly attractive to new and emerging businesses as a result of their location.

In the case of the Logistics Park and Bathside Bay, the tariff inversion benefits will be paired with the benefits of tax site designation to provide an added incentive for the location of new and emerging industries at these locations. An added benefit of the sites will be the enabling the avoidance of double-duty for goods imported into the UK for finishing/processing before re-export to the EU that do not qualify for tariff-free entry to the EU under the FTA. The longer-term impact of double-duty in the wake of Brexit is yet to be seen and this exception to the new reality represents an added benefit.

In particular, it is expected that the customs sites will contribute to the facilitation of trade between Asia and the UK and between the UK and the EU, with emphasis on supporting the Government's Ten Point Plan for a Green Industrial Revolution by specialising in zero carbon energy. For these reasons, the customs zones are anticipated to attract business from around the world looking to serve both the UK and EU markets. Having those investments in a freeport with the unrivalled location of Freeport East will give the UK the opportunity to be a leading international centre for these technologies.
[376 words]

1.12 Please set out how you will meet the minimum standard of security and infrastructure required in customs and tax sites before being able to operate as a Freeport, as referred to in the prospectus.

Free text

500-word limit

What steps will be taken to ensure that the customs sites and tax sites will be secure against illicit activity, including organised criminal activity, money laundering, smuggling and illegal immigration.

Response:

The security mitigations and management to be applied to Freeport East will be based upon a robust threat, vulnerability and risk assessment. This will consider both physical and cyber-security in a holistic way to remove the opportunity for crime, terrorism and illicit trading. The risk assessment will include all the relevant security stakeholders, including local and national Policing, Border Force, MHCLG, Home Office, HMRC and other relevant agencies.

Principal to this will be the establishment of robustly controlled, and proactively monitored, perimeters for both physical and cyber intrusion to ensure the physical site and the systems utilised within are kept secure and up to date to mirror the threat level. A baseline for security will be set, with the flexibility and scalability to increase security based upon specific intelligence or incidents.

From the outcomes of the risk analysis, a Security Concept of Operations and a layered Protective and Criminal Activity Detection Plan will be developed, ensuring compliance with the OECD Code of Conduct for Clean Free Trade Zones. These plans will also ensure that all businesses operating within the Freeport East area will have mandatory minimum security and reporting requirements placed upon them.

This approach for Freeport East builds upon existing security arrangements already in operation within the freeport area, including at the Port of Felixstowe (PoF) which in 2014 became the first port in the UK to receive Authorised Economic Operator (AEO) status, a mark of security and efficiency. Additionally, the PoF has dedicated Emergency Services teams who comply with national and international regulations including the International Ship & Port Facility Security (ISPS) Code. This includes a statutory police force that provides direct security at that site plus advice and oversight of security at other sites. The Port Police Unit is a statutory independent police force committed to the prevention, detection and investigation of crime and any suspicious activity on the port. Port Police Officers have the same status and powers as regular officers on, and within one mile, of the port boundaries. They work with other agencies and statutory organisations to provide a safe and secure environment and will continue to extend this service in line with the freeport boundary.

Building upon this police presence, the PoF is a designated Operator or Essential Services and is therefore subject to the Networks and Information Systems (NIS) Directive. As a result, the port is required to be compliant to stringent cyber security controls and to evidence these in an audit return to the DfT. HPUK work closely with the National Cyber Security Centre (NCSC) and partake actively in the Maritime Information Exchange run by the NCSC. The Freeport, as an extension of the operations at the PoF, will be subject to the same controls and auditing rigour.

This coincides with the conducting of cyber drills which ensure protection from harm and recovery from unexpected incidents is practiced in order to ensure the lowest possible risk to data or the ongoing operation of the businesses. The existing operations at the PoF are protected from ransomware attack and use intelligent network tracing to identify nefarious behaviour that might otherwise be hidden. These best practice approaches will be extended to the Harwich International Port, along with the tax and customs sites proposed as part of Freeport East.

[544 words]

1.13 Please provide clear economic rationale for the tax site, including: an explanation for the proposed location and why it represents good value for money, how tax measures will generate additional economic activity, how your proposed sites meet the criteria for being underdeveloped.

500-word limit

These points should be covered:

- an explanation for the proposed location and why it represents good value for money
- how tax measures will generate additional economic activity
- how sites meet the criteria for being underdeveloped
- how the proposed sites are "underdeveloped" - underutilised land with investment and job creation potential
- if any proposed sites are not a qualifying area as set out above, why their proposed site(s) needs regenerating
- how the Freeport tax measures will generate additional economic activity in the site(s)
- why the proposed site(s) are the optimal choice for the local area, representing good value for money

Response:

The proposed tax site locations- at Bathside Bay, Port of Felixstowe Logistics Park and Gateway 14- are:

- Closely interlinked with the Port of Felixstowe and Harwich International Port. Both ports have enjoyed substantial investments from CK Hutchison over the years, as well as the Government, allowing Freeport East to leverage existing infrastructure. The multiplier effect will ensure Freeport East represents good value for money.
- Of sufficient size to have a large-scale economic impact on the surrounding area if developed (the three sites encompass a total of 222.8 hectares of land).
- Each of the three tax sites is either in the ownership of a local authority, Hutchison Ports or a landowner who has expressed support for tax site designation. Each could feasibly be fully or partially developed within a five-year timeframe so as to accommodate additional economic activity and fully realise the tax and business rate benefits associated with freeport status, demonstrating a good return on public investment.

The three tax sites are partially developed but encompass underdeveloped land in strategically important locations.

- Bathside Bay, in particular, is a major tract of undeveloped land next to Harwich Town Centre which has seen a number of development proposals in recent years but none of which have been fully realised in the absence of further economic incentives.
- Bathside Bay and POF Logistics Park also fall within the boundaries of neighbourhoods ranked in the top 20% most deprived in the country and areas with GDP per head significantly below the UK average.
- Freeport status would provide the catalyst for additional development, new economic activity and job creation in areas which have the land and the labour market for large-scale development but need central government stimulus to fully realise this opportunity.

Up to 12,000 direct, indirect and construction jobs will be generated across the region in the event of construction and full occupation of the three tax sites, of which a majority of new jobs will be located in the Haven Ports area.

- The tax measures applied to these sites are expected to generate further economic activity related to target sectors and their supporting services, such as renewable energy (offshore/hydrogen), technology/advanced engineering and port-related activities.

The sites represent good value for money in that:

- The sites have proven positive market characteristics and attractiveness due to a combination of location, proximity to the ports and connecting infrastructure
- Their risk profile is low given existing development and operations
- Further development can move at pace, enabling realisation of benefits – tariff-related and business rates – and therefore wider economic and regeneration benefits within the first five-year window.

[427 words]

1.14 How does the tax site's location mitigate displacement of local economic activity from deprived areas

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Free text

500 word limit

Need to explain how selection of the tax site reinforces and extends existing economic activity with potential benefits for deprived communities.

Response:

The Freeport East tax sites were selected via a rigorous testing of relevant sites and locations across the sub-region. Criteria ranging from adjacency to the ports, planning and development status, strategic connectivity, proximity and access to deprived communities, as well as commercial attractiveness and innovation eco-system linkage have all been taken into account.

As such, we consider our three selected sites are capable of generating new, net 'additional' economic activity to the freeport area, at pace, and with consequent positive economic spill-overs into the wider sub-region. This is the starting point for ensuring that the overall freeport economic structure is targeted on economic activity that is genuinely 'additional' and therefore avoids displacement.

In particular:

- The selected tax sites represent an extension or further deepening of existing economic activity and therefore an ability to use new freeport incentive mechanisms to quickly trigger additional economic growth that extends and diversifies target industry supply chains

- The three tax site locations are already perceived by the market as logical places for new economic activity, given their locational and physical characteristics, proximity to the ports and existing commercial demand (as evidenced from the various planning applications and proposals for the sites). As such,– they are not in competition with other emerging locations – activity will be extended and reinforced in clusters that are already nascent or evolving.

- In promoting these sites, the emphasis will be on economic and industrial activity that demonstrates 'additionality' i.e. is over and above what might have happened in any case. For example, facilities to finish goods and re-export to the EU will be new activities attracted in direct competition with European sites such as Rotterdam, Antwerp and Hamburg and making the most of post-Brexit opportunities. Investment propositions to be taken to market will be designed explicitly with additonality in mind and will be targetted carefully towards investor and uccupier markest in key industry sub-sectors (e.g. Clean Energy and Agri-Tech) that will not replicate or replace existing economic activity.

- Planning decision-making will be guided by a series of agreed investment and design strategies that will be developed jointly by the local authorities hosting the three tax sites (i.e. East Suffolk, Mid-Suffolk, and Tendring). Decision-making criteria for planning approval will be developed with clear displacement and additionality gudiance, metrics and tests. Our freeport governance arrangementss will include monitoring and screening processes to ensure that dispalcement is avoided and economic additionality guaranteed as far as possible.

- Complementary programming associated with skills development, local business development and local/sub-regional supply chain extension will ensure that displacement is avoided through enabling additional new business formation, new skills development, additional employment generation and an increase the in the economic activity rate particularly in those locations within the free zone area characterised by higher levels of deprivation, lower than UK average household income and lower than UK average GDP.

[470 words]

2.1 Please supply a diagram of a logic model which gives an overview of the links between the activities and inputs, outputs, outcomes and impact of your proposed Freeport model.

Guidance: Innovate UK5, DFID 20116, DfT 20107, ODPM 20048

File Upload

50 MB max

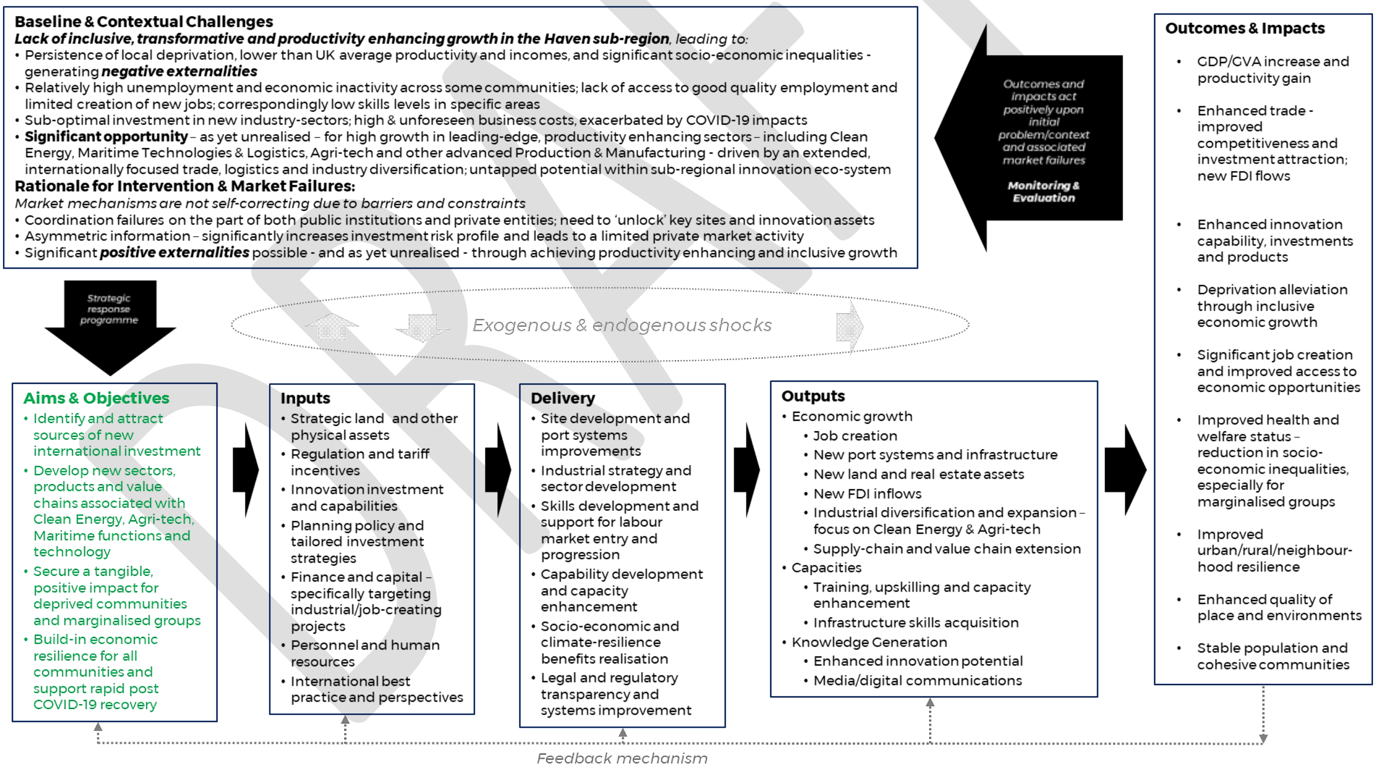
The logic model should provide an overview of the links between the activities and inputs, outputs, outcomes and impact of the proposed Freeport model to show how their proposed Freeport will achieve the programme's objectives.

Credibility of each link in the chain will be assessed.

Submitted as a diagram, no obvious word limit

Response:

FREEPORT EAST - THEORY OF CHANGE & LOGIC MODEL- Revised



2.2 Referring to the logic model, please explain how your Freeport proposal will meet the objectives of the policy and achieve the desired outcomes listed in this prospectus?
As part of your answer, please cover:

- **Why a Freeport is the right public intervention for your proposed location, including any local economic strengths or strategies that your proposal will build on and any identified economic needs or market failures you expect to remedy**
- **How the outputs you expect your Freeport proposal to generate will support or enable the key outcomes associated with this objective**

Note - your answers to 1.10, 1.11, 1.12, 1.13 and 1.14 above will all be considered as part of the assessment of this answer in addition to this answer. You do not need to repeat information from those questions in this answer.

Free text

3000 word limit

Key objectives:
a. establish Freeports as national hubs for global trade and investment across the UK
b. promote regeneration and job creation – our lead policy objective
c. create hotbeds for innovation

Response:

Executive Summary

The designation of Freeport East as a free zone for trade and economic development will have profound positive consequences for the UK's global economic position.

Our proposition rests on a unique opportunity: to strengthen and deepen existing global trade patterns that will accelerate and strengthen national competitiveness, taking direct advantage of a rapidly developing innovation eco-system and making this whole process 'just' and meaningful to local communities through sustainable jobs and adaptable skills.

Freeport East will deliver strongly and directly on the key objectives set by HM Government for UK freeports:

- **We will create, strengthen and extend the UK's primary hub for global trade and investment.** Freeport East is centred upon two key UK seaports – Felixstowe and Harwich. Felixstowe is Britain's largest and most important container port for long-distance deep-sea trade, while Harwich is a major gateway for local/short sea trade with Europe. Together these ports constitute one of the UK's most significant 'gateways to the world', providing the basis for significant current trade volumes and a future global trade pattern that can reach deeply into new markets and expand the UK's global trade prospects.

- **We will level-up the region.** Freeport East is designed to bring economic growth to some of the most deprived parts of the UK, including what is statistically the most deprived community in the country. The East of England is one of the hardest hit areas nationally by the global COVID-19 pandemic. Freeport East will bring new specialised production and manufacturing jobs, as well as logistics, R&D and support service activities to the region, providing immediate job opportunities in expanding and emerging industries and a dedicated programme to upgrade skills across diverse communities.

- **We will be driven by innovation.** Freeport East will focus on high added-value, leading-edge industrial development by making the free zone and its hinterland a sub-regional hub of innovation for the UK. The region already leads the UK in innovation activity, hosting two of Britain's most important centres of innovation, BT's research centre at Adastral Park and Cambridge University. We will leverage and deepen this existing innovation eco-system to underpin development and clustering of leading-edge, technology-led industries including maritime technology, offshore wind energy, renewables related technologies, agri-tech as well as the country's leading green hydrogen power innovation hub.

In delivering these objectives, we will follow core guiding principles:

- **We will attract new – net, additional - investment in nascent and emerging industries, focussed on successful delivery of a Net-Zero economy**. Our freeport's proximity to significant new offshore wind and nuclear generation infrastructure means Freeport East will become a centre of technical excellence and new production and processing capability. Our capacity to generate clean, renewable energy from multiple sources, and our ability to create commercial critical mass for scale-up and roll-out, sets us apart as a leading destination for green industry and green technology

- **We will work in partnership**. A Freeport is a cross-sector and cross-industry development. Freeport East will be catalysed by partnerships and enormous investment from the private and public sectors. Our existing trans-boundary and cross-industry arrangements, throughout the sub-region, will be developed further through appropriate governance that rests on our substantial history of effective partnership working and joint approaches to tackling important economic and social challenges.

UK's Trading Gateway to the World

The East of England is home to major and unique maritime assets that can be harnessed to drive long-term sustainable growth in the region. Felixstowe is the UK's largest, busiest and most important container port, handling 36% of all UK container trade. Along with Harwich International Port, Felixstowe offers regular RoRo unaccompanied and accompanied trailer short-sea ferry crossings that connect the UK with multiple destinations across mainland Europe. There are few ports other than Port of Felixstowe with approach channels of sufficient depth to accommodate the world's largest and most efficient ships with Harwich Haven Authority's £100m ongoing dredging project making the ports unique within the UK in their depth and access. Our global reach is unparalleled in a UK context, providing the basis for further deepening, extension and rapid acceleration under a freeport regime.

Geographically, the East of England sits at the heart of the world's largest market for offshore wind, and Harwich International Port is the home to the purpose-built £10m Operations and Maintenance Facility of Galloper Offshore 353MW Wind Farm currently . This is a globally significant industry with unprecedented growth potential. Highly efficient, state of the art import and export facilities and associated maritime functions are required to position UK industry and expertise at the heart of global energy and low carbon markets. Freeport East can effectively 'meld' together our global trading reach with our renewable energy leadership in a unique way to support this effort.

Existing and planned investment in the East of England means that Freeport East will be in an immediate position to transform into the leading centre for the UK's global trade and investment in a post-Brexit setting. In addition to maritime operations, housing growth and creation of sustainable, inclusive new communities is a key target for investment both regionally and nationally. The East Suffolk Economic Growth Plan identifies planned new housing as a key component of local growth, and there is a strong desire to bring new investment to East Suffolk and other local areas where economic development fundamentals have been weak. As such, housing ambitions will form part of wider regeneration plans, of which Freeport East would be a significant facilitator.

Our freeport proposition plays a vital role in an ambitious regeneration of the local economy and in creating sustainable new job opportunities in coastal and inland communities - communities that have been blighted by long-term inactivity and barriers to labour market entry, exacerbated even further by the sweeping negative economic impacts of COVID-19. These communities include what is actually the most deprived neighbourhood in the UK at Jaywick.

Early investment opportunities could see 45 acres of developable land made immediately available at Harwich International Port for offshore wind manufacturers. The economic slow-down has inhibited development in the area, and slower growth in containerised freight has meant that the development of a new terminal at Bathside Bay, Harwich has not previously been justified. Taking advantage of the vast amount of developable land at Bathside Bay offers a new opportunity to stimulate the local supply chain and create jobs, as well as delivering against the Government's focus on 'green recovery'. Further investment in offshore wind and new nuclear developments, given the East of England coast's significant potential, would directly support the UK's global offshore wind leadership, our national pathway to Net Zero and demonstrate investment in clean manufacturing systems ahead of COP26 in December 2021. Importantly, this covers multiple aspects of the Prime Minister's 10 Point Plan, along with alignment with the ambitious requirements set out within the recently published Energy White Paper.

Innovation Freeport

Innovations originating from Freeport East will have a truly global impact. The two ports constituting the Freeport already encompass a broad spectrum of maritime and logistics operations and handle trade from all corners of the world – their combined reach is greater than any other port cluster in the country and can be extended even further and at an accelerated pace with a freeport designation. For this reason, innovations emanating from the Port of Felixstowe and Harwich International Port will have a direct bearing on international and global trends. Furthermore, the domestic importance of the ports means that any innovations tested or implemented within Freeport East can help scale up and accelerate industry-wide change on a national scale.

Aligning with the four grand challenges identified within the UK's Industrial Strategy 2019 of Artificial Intelligence and data, ageing society, clean growth and future of mobility, the Freeport East area has a unique scale of innovation potential. This is particularly so in the fields of renewable energy and in applications of IoT and AI technology to energy, port operations, logistics and agri-tech, which Freeport East can capitalise and further expand upon.

A fundamental capability of Freeport East will be its ability to harness local clean energy from offshore and other carbon-free sources. In doing so, it will serve as a national and global centre for the development and testing of innovative technologies and clean-fuel applications such as hydrogen and battery technology. Freeport East's access to sustainable energy sources is unrivalled in the UK, and there is continuing market appetite and political ambition both nationally and locally to further the development of offshore wind, nuclear capabilities and the establishment of an extensive and reliable hydrogen programme. Importantly, these initiatives provide tangible responses to the Government's Energy White Paper, thereby demonstrating implementable actions whilst exploiting the strategic importance of the East of England's geography in renewable energy generation - already the home to the largest concentration of offshore wind potential in the UK.

A key example of this is the acceleration of plans to promote the production and application of 'green hydrogen' energy in the region, utilising the UK's largest critical mass of freight movements existing at the Port of Felixstowe to deploy, scale up and roll out an effective and influential hydrogen programme, also available directly for other uses beyond port operations. Plans for the development of the Green Hydrogen Hub include two phases which coincide with numerous studies and trials with partner institutions. The first would develop a local electrolyser plant, with a capacity of 1-3MW, integrated into port operations. The second phase would include a large-scale 5-25MW electrolyser plant, which would utilise renewable energy for the production of hydrogen to allow its commercial distribution to HGVs, or to the local hydrogen network. Combining these phases, the Green Hydrogen Hub would provide vital capabilities towards the UK's aims of developing 5GW of low carbon Hydrogen production capacity by 2030, as part of the Government's 10-point plan for the Green Industrial Revolution.

This emphasis on the Green Hydrogen Hub development is already in motion through the leveraging of HPUK industry connections with UK Power Networks, Ryse Energy and Wrightbus. In parallel, HPUK has recently acquired Eversholt Rail (an innovator in hydrogen-fuelled trains). Through these connections and interest, the award of freeport status will deepen and extend plans for what will undoubtedly become the country's leading Hydrogen Hub, while developing alongside this, capabilities, technologies and managerial acumen that can be traded internationally.

The viability of this proposal is enhanced by the sustainable energy sources available as a result of the East Coast's unparalleled renewable energy sector, which offers multiple different paths towards facilitating the reliable production of green hydrogen. This places Freeport East in a unique position for not only deploying hydrogen and promoting its use, but also in ensuring it is involved in the production of the 'right' type - low-carbon green hydrogen.

This will build upon established links with a number of higher education institutions with direct expertise in this field, such as the University of Birmingham - one of the UK's foremost centres for hydrogen cell research. Such connections enable new knowledge and experience in this sector to be readily applied and will accelerate opportunities for further innovation.

Importantly, this will also assist in accelerating other plans for the application of hydrogen power which are already in development. Key examples of this include Network Rail's considerations of the most appropriate routes for hydrogen-powered trains, with Hydrogen East currently lobbying for the 15km Ipswich to Felixstowe rail route – which lies wholly within our free port boundary - to be used as a pilot for this broader scheme. If this were to succeed, the Green Hydrogen Hub developed through freeport designation, would be invaluable in the efficient supply of green hydrogen to fuel numerous initiatives up and down the country.

The Green Hydrogen Hub will be complemented by innovations and local specialisation in other renewable energy sectors, including through the expansion and reinforcement of the East of England as the biggest offshore wind cluster in the UK, recognising the current opportunities within the Southern North Sea and the geographic importance of Harwich International Port as a base for the manufacturing, construction and maintenance of both existing wind farms and their future expansion plans, such as the Five Estuaries Wind Farm extension expected to be operational in 2030. This builds upon the Operations and Maintenance activities for the Galloper Wind Farm already based out of Harwich. This existing expertise and locational benefits give Freeport East a strong advantage in the ability to positively contribute to further development of offshore energy, most importantly through connections with our other strategic partners, such as those located across the West Midlands.

Building upon the existing specialism of offshore wind, the region will also seek to reinforce its position as a major nuclear power hub with plans submitted for Sizewell C and Bradwell B. The proximity of multiple different energy sectors means that the area is clearly a central node for energy industry ideas exchange and innovation. Freeport East will play a key role in providing support for these proposals, along with assisting in reinforcing the East of England as the region with the greatest untapped potential to drive the UK into a low-carbon society. As such, we will utilise our freeport designation, and the incentivization levers this provides, to carefully target technologically advanced inward investor companies completely new to the UK market.

We will use these new investment flows to deepen and extend industry value chains, not only in energy, but in other key industries locally such as maritime logistics and agri-tech. The overall outcomes will include new high-quality jobs, training and upskilling opportunities, new SME formation routes through extended local supply chains, as well as gradual and shared increase in average household outcomes across our wider sub-region.

Port operations will also be enhanced through numerous innovation proposals to benefit not only Freeport East, but the wider industry. This will include the promotion of zero-emission berth standards at the ports through the active integration of cold ironing as a solution for reducing the energy requirements of high capacity, large vessels. Through an initial provision of six cold ironing connection points at the PoF, the wider benefits of the solution can be demonstrated to key stakeholders – further helping to promote this approach across the UK and to align with the need for more sustainable port operations.

Freeport East will also seek to maximise the utilization of renewable energy to power the port, including provision of photovoltaic panels on all warehouses. This will also coincide with the integration with programmes such as the Department for Transport and Work Boat Association initiative for low-carbon work boats, leveraging off existing work boat manufacturers within the Freeport East hinterlands.

In addition to the clear opportunities to broaden and deepen a globally important renewable energy sector, another proven and growing industry in the freeport area is Agri-tech, with its associated improvements to the profitability and sustainability of agriculture. Agri-TechE (formerly Agri-Tech East) is the UK's leading membership organisation for specialised Agri-Tech, aiming to improve the international competitiveness and sustainability of plant-based agriculture and horticulture. It does this by supporting the growth of a world-leading network of innovative farmers, producers, scientists, technologists and entrepreneurs, bringing them together to create a global innovation hub in Agri-Tech. This global eco-system of expertise, product specialisation and service design will be a substantial beneficiary of freeport status. This will allow a further clustering of expertise as a result of new inward investment flowing from key research and development centres around the world, with the aim of building in resilience to both national and international food production and distribution systems.

The overall commitment to innovation is underpinned by the 5G Create £1.6m award, bolstered by significant investment (£1.5m) directly from Hutchison Three UK and Hutchison Ports UK. Partnering with the University of Cambridge, the ambition to deliver an end to end efficient logistics solution, underpinned by an automated port operation and IoT capabilities will extend well beyond the Port boundaries. Hutchison Ports plan to further invest in 5G beyond the end of the trial creating a unique 5G enabled Port Operation that will enable further innovation from Freeport partners and local SME's. As Hutchison Ports continues to push technological boundaries globally, Freeport East will be able to benefit from the latest innovations, including driverless trucks, encouraging a new era of innovation and manufacture of the associated components here in the UK, and an established centre in which to further develop these for the UK market.

In addition to innovations surrounding clean energy and agri-tech, Freeport East has both existing and planned programmes to utilise Internet of Things (IoT) technology, big data analysis, simulation, predictive technology and machine learning to streamline the use of port processes. Additionally, other initiatives include:

- Use of IoT technology to identify the peaks and troughs of energy usage – providing insights into how much energy is consistently required and where savings can be made.
- Piloting of driver-less port handling equipment which can facilitate low-carbon transport opportunities.
- Building upon Harwich and the PoF to provide a test-bed for start-ups, such as the BT, Warwick University and Cambridge start-up Nu Quantum looking at encrypted 5G communications for driverless cars.
- Establishment of the Global Business Shipping Network (GSBN), a not-for-profit joint venture between Hutchison, several of the world's largest shipping lines and leading supply chain software suppliers to accelerate the digital transformation of the shipping industry through the use of blockchain technologies, enabling solutions across the entire supply chain to simplify global trade.

These initiatives, extended further through freeport-incentivized inward investment, will leverage the existing innovation ecosystem evident in the local area, most notably through the presence of BT at Adastral Park and Innovation Martlesham, the latter representing the largest Tech incubation cluster in the UK. The presence of these organisations and the infrastructure they support has been recognised as a High Potential Opportunity Location by DIT, which has meant that various embassies from across the globe have been hosted to discuss opportunities and investment. The inclusion of these organisations within the Freeport East boundary enables R&D activities to not only strengthen, but to play a key role in further promoting innovation clustering to actively drive growth within both the SELEP and NALEP areas.

Local Regeneration and 'Levelling Up'

Jobs growth and wider regeneration are central aims of our proposition. The freeport covers a very diverse section of coastal East of England, with pockets of significant income and employment deprivation that are the focus of large-scale regeneration efforts: 18% of LSOAs in Tendring and 14% of LSOAs in Ipswich were ranked among the top 10% most deprived in England in 2019 according to the English Indices of Multiple Deprivation, with four LSOAs in Tendring ranking among the top 1% most deprived areas in England and one area (Tendring 018A) ranking as actually the most deprived LSOA in the country.

Similarly, in terms of economic output, GDP per capita across the Suffolk and Essex Haven Gateway areas trailed that of both the broader East of England region and the whole of England in 2018, with GDP in Essex Haven Gateway at £25,800 (ranked 140th out of 179 local areas) per head compared to £31,980 across England.

Wage growth has been particularly weak in recent years, partly reflecting the rise of self-employment and less secure contracts, especially in lower skilled jobs. There are areas in the East of England with stark and significant disparities in income distribution. In Essex, for example, the gap between the wealthiest and most deprived places in the county remains very wide, with economic inactivity remaining particularly high in Tendring (26.5%) and Maldon (25.1%) compared to Essex as a whole (19.8%). In the UK, there have been increases in both the number of highly paid jobs requiring more skilled workers and less well-paid roles requiring low-level skills. This is only just starting to be mirrored in Essex, with a 5% drop in middle range occupations since 2004.

The prospect of economic inequalities deepening even further with consequent negative impacts on the wellbeing and health of communities is becoming ever more pressing with the very recent finding that the East if England region has experienced the largest rate of redundancy and furloughing as a result of COVID-19 in the country. Deprivation and income inequality must be tackled head on now and not left to future strategies and plans to pick up, with a risk that in the meantime it becomes even more deeply entrenched.

Freeport designation provides a once-in-a-lifetime opportunity to tackle deprivation and economic underperformance in new and innovative ways, for example by expanding and deepening a range of higher-value industry and sectoral activities, providing greater accessibility to higher income jobs and encompassing clear future-facing industry specialisations in energy, agri-tech and maritime logistics

Given the current circumstances, it is particularly important to consider the role that the Freeport would play in driving the recovery of the local economy following the COVID-19 pandemic. Favourable trading conditions at the Haven Freeport would help accelerate development and supply chain activity, providing a much-needed boost to the local economy which has been suppressed for the best part of a year. Since the start of the pandemic, employment levels across the country have fallen, particularly for those between the ages of 16-24 and 65+ where it has fallen by 7% (343,000 people). In addition to this, the number of people claiming unemployment related benefits increased by 1.4 million between March 2020 and November 2020[1].

The East of England has been one of the hardest hit areas of the country by the global pandemic. The rate of redundancy (the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter) has been steadily increasing in the East of England, from 3.3 per thousand in March – May 2020 to 15.3 per thousand in September – November. This is up from 4.3 per thousand the previous year (2019) and is higher than the UK rate of 14.2 per thousand[2]. The highest redundancy rates have been in the services sector, on which the regional economy is heavily reliant, as it has a strong financial services sector but is also active in manufacturing (e.g. automotive, pharmaceuticals) and ICT.

The East of England's economy is largely built on SMEs and micro businesses; unfortunately, many of these businesses are the ones that have been hardest hit by the pandemic and often do not have the ability to cope with the long-term upheaval that they have experienced over the past year. It is

[1] Coronavirus: Impact on the labour market. House of Commons Briefing Paper 18 December 2020
[2] Redundancies by age, industry and region: January 2021. Office for National Statistics

estimated that the pandemic could affect between 1-5% of the local labour force; local examples include Ipswich, where 3.4% of the total labour force have lost their jobs (2,518 jobs) and Colchester, where 3.7% of the total labour force have lost their jobs (2,473 jobs). These figures highlight that the furlough scheme is only capable of saving so many jobs, and the rate of redundancy will continue to rise in the East of England once it ends.

The economic damage of Covid-19 actually risks 'levelling *down'* many places in the East of England as its largest cities and towns have been disproportionately affected by the pandemic. Our initial estimates suggest that Freeport East, with fully developed and operational tax sites, could create up to 12,000 FTE jobs over a 30-year period – new jobs that would otherwise not come forward without the triggering incentives and innovative development associated with freeport status. The Freeport would therefore be a major tool in helping the sub-regional and regional economy recover well from the pandemic, building-in future resilience to the local economy and driving successful regeneration across the whole area.

Another important consideration is the dependency of other key economic centres across the UK on the production, maritime and logistics industries supported by the PoF. Felixstowe handles more container traffic for the Midlands and North than any other UK port, including ports located in those regions. A strong, innovative gateway demonstrably supported by Government through the Freeport policy will be vital in attracting investment in manufacturing and export-orientated industries in those regions, equally assisting them in their own levelling-up agendas. Consequently, the benefits of Freeport East in addressing deprivation extend, on a macroeconomic scale, far beyond the immediate 45km boundary.

Freeport East – Key Outcomes

The full development of tax sites associated with the freeport as well as increased trade at Port of Felixstowe and Harwich International Port could deliver more than 13,000 jobs over a 30-year period. The additional jobs generated are anticipated to disproportionately benefit the local population of the Haven Ports sub-region, with a significant portion of entry-level jobs creates which could provide employment opportunities for local communities and increase both levels of economic activity and household incomes.

Our freeport proposition overall therefore has potential to deliver the following outcomes:

- Up to an additional 1.3 million tonnes of international trade volumes as a result of incentivized increase in tradeable goods imports and exports
- Potential for £66.4 million of additional GVA as a result of enhanced international trade
- Up to around 13,500 additional jobs as a result of increased international trade and full activation of the freeport's designated tax sites, over a 30-year period.

Furthermore, these outputs and outcomes will support achievement of a series of broader impacts for the freeport area and surrounding sub-region

- Enhanced regional and UK-wide trade - improved competitiveness and investment attraction, as well as new FDI flows into the East of England, The East Midlands and the West Midlands
- GDP/GVA improvement and productivity enhancements across key industries such as Clean Energy, Agri-tech & food production
- Enhanced innovation capability, investments and products
- Deprivation alleviation through inclusive economic growth

- Significant job creation and improved access to economic opportunities
- Improved health and welfare status – reduction in socio-economic inequalities, especially for marginalised groups
- Improved urban/rural/neighbour-hood resilience
- Enhanced quality of place and environments
- Stable population and cohesive communities

[4149 words]

Considerable reduction required

3.1 Describe how the local authority will create an appropriate planning environment to ensure the quick and efficient delivery of the Freeport proposal, including delivery of key investment proposals within this bid?

Free text

750-word limit

Consider how certain planning freedoms – in particular, **Local Development Orders (LDOs)** – could be used to support appropriate development in Freeport areas. These measures would help accelerate and provide greater planning certainty for defined types of development in Freeport locations. Measures would also empower local authorities to take a strategic approach to Freeports development.

Bidders should provide evidence on how their development plans could be supported by an LDO.

Input from: Planning Working Group

Response:
In line with the National Planning Policy Framework, a strong emphasis will be placed on the accelerated delivery of proposals as part of this Freeport proposition to not only seek the benefits proposed as part of this bid, but to support the wider agenda for promoting sustainable development. The Local Planning Authorities of East Suffolk, Mid Suffolk and Tendring commit to the creation of a collaboration network, as overseen by the Supervisory Board of Freeport East. Through this collaboration network, the LPAs commit to ensuring a consistent approach across the sites and the provision of complementary advice to landowners as they progress development at the designated tax and customs sites, especially throughout the pre-application phase of the planning applications with agreements for timing of submission and determination. Early engagement and commitment from key statutory consultees will also take place to align resources.

Through this collaboration network, links will be provided to other stakeholders to align overall strategic visions. This may include organisations such as Transport East to further promote sustainable, joined-up development across the region whilst recognising the important role to be played by the presence of the freeport area. This strategic emphasis will continue in the development and review of Local Plans within which the Freeport East proposals will become embedded into the strategic priorities and strategy for economic growth across the area. Opportunities can be explored to further support the success of the Freeport through identifying specific sites and policies for complementary and supporting development types and uses, whilst capitalising on embedding the emerging higher development standards to achieve net zero carbon.

This will also seek to recognise the important role of freeport designation as a mechanism for promoting the delivery of housing sites as designated within the Local Plans. By providing a strong economic base and job opportunities with the region, Freeport East will assist in attracting new residents to the local area, with subsequent development interest and positive gains in the local housing market.

The local authorities will also work together to explore the potential to prepare LDOs for specific types of development on the tax and custom sites within the Freeport area, as a way of positively planning for development to support the freeport objectives, providing certainty and accelerating delivery. In an area of high environmental quality, the focus will by necessity be on the sites where LDOs can provide the greatest additionality and the development impacts can be mitigated and managed through appropriate conditions whilst at the same time promoting economic, social and environmental gains for the area. This will require an early focus on the issues relating to individual sites in discussion with statutory consultees and the potential to simplify the planning regime to achieve the desired ends, whilst delivering high quality sustainable development.

Other mechanisms will also be implemented alongside LDOs enabling an accelerated approach to the granting of permissions to further ensure investor and developer security and to progress the implementation of development across the Freeport East area. This will build upon existing, long-standing relationships between landowners including HPUK and the local planning authorities with the provision of advice prior to the pre-application stage of applications. As is the case currently, additional resources to facilitate development at these sites will be provided by the planning authorities, along with the implementation of Planning Performance Agreements (PPAs). Another consideration will be the proactive review of legislation including permitted developments and associated criteria under the Ports Act 1991 to understand other mechanisms for accelerating the granting of permissions for sites already within the boundaries of Harwich International Port and the Port of Felixstowe (PoF).

These provisions coincide with the pragmatic approach taken to the allocation of tax and customs sites within the Freeport East proposal. Through the multi-criteria analysis undertaken to determine these, deliverability was considered at the forefront with planning status a key component of this. Consequently, the status of the proposed sites is as follows:

- Gateway 14 – Currently an allocated employment site with Outline consent with a new outline application for the whole site to be submitted imminently
- PoF Logistics Yard –Planning consent granted for first phase of the site
- Bathside Bay – Currently has permission for use as a container terminal, thereby requiring a change of designated
- Anzani Avenue site – Current planning permission for use as a distribution and storage facility

Whilst additional planning consents will be required, the current status of the main sites shows the deliverability of the freeport proposals, along with the commitment from the planning authorities recognising the importance of Freeport East as a nationally significant infrastructure project with extensive beneficial links to the local, regional and national economy.

[771 words]

3.2 Please outline the <u>minimum viable version</u> of your investment proposal, including <u>costs</u>, the sources of <u>funding</u> that will meet those costs (for any borrowing please identify who will undertake the borrowing), and the expected outputs/benefits.

Please show how you will make use of <u>retained business rates</u>.

Table

Summarise the costs of delivering the proposal, as well as the source of funding (e.g. Freeport seed capital), and bidding partner responsible for that cost. As far as possible this should be broken down by financial year. Also outline proposals for how to spend the seed funding within the Outer Boundary.

Input from: Commercial Working Group

Response:

Note: the table must be input to the online form in the following format, with an extra 50 words afforded to note the benefits expected.

<u>3.2</u> Please outline the <u>minimum viable version</u> of your investment proposal, including costs, the sources of funding that will meet those costs (for any borrowing please identify who will undertake the borrowing), and the expected outputs/benefits. Please show how you will make use of retained business rates.

	Cost Description	Funding Source	Responsible Partner	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)	2025/30 (£000)
1								
2								
3								
4								
5								
6								
7								
8								
9								

3.3 Please outline your preferred investment proposal, including costs, the sources of funding that will meet those costs, (for any borrowing please identify who will undertake the borrowing) and the expected outputs/benefits.

Please show how you will make use of retained business rates.

Table

Summarise the costs of delivering the proposal, as well as the source of funding (e.g. Freeport seed capital), and bidding partner responsible for that cost. As far as possible this should be broken down by financial year. Also outline proposals for how to spend the seed funding within the Outer Boundary.

Input from: Commercial Working Group

Response:

Note: the table must be input to the online form in the following format, with an extra 50 words afforded to note the benefits expected.

3.3 Please outline your preferred investment proposal, including costs, the sources of funding that will meet those costs (for any borrowing please identify who will undertake the borrowing), and the expected outputs/benefits. Please show how you will make use of retained business rates.

	Cost Description	Funding Source	Responsible Partner	2021/22 (£000)	2022/23 (£000)	2023/24 (£000)	2024/25 (£000)	2025-30 (£000)
1								
2								
3								
4								
5								
6								
7								
8								
9								

3.4 Please provide evidence of the commercial demand for the relevant outputs under your proposal

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Free text

250 word limit

Provide evidence related to demand for port services, as well as land-side and other real estate. Which sectors is this demand coming from and how will freeport status accelerate and embed this activity and investment?

Input from: Commercial Working Group

Response:

The Port of Felixstowe is the UK's largest container port and is the entry and exit point for a significant share of the UK's trade with Asia. Inbound and outbound trade with Asian markets (including China) has experienced expansive growth in recent years. Between 2018 and 2019, inward tonnage via Felixstowe from China grew from 4.7 million tonnes to 5.1 million tonnes (or 69% of the UK's total inward tonnage from China), indicating growing demand for port services. Felixstowe is also a vital entry-point for the resources underpinning the UK's automotive manufacturing and logistics/distribution industries, with 70% of inbound containers coming through the port delivered to locations in the 'Golden Triangle'.

The broader region's extensive freight rail and motorway infrastructure also contributes to not only the port's continued importance, but the large-scale demand for land from other sectors, such as higher education and renewable energy (set out in greater detail in response to question 2.2).

The percentage of TEU capacity at Felixstowe which is currently utilised is among the highest of any major UK container port, with expansion vital to meeting rapidly growing demand and competition with rival EU container ports such as Rotterdam, Antwerp and Hamburg.

Freeport status will safeguard the longer-term growth of both Felixstowe and Harwich by providing a financial incentive for enhancing infrastructure. This will secure continued global relevance and competitive advantage over other major European container ports, such as attracting trade to the Logistics Park and further incentivising the development of renewable energy industries in the area.

At the more immediate level, more than 20 letters in support of freeport designation have been received by the Haven Gateway Partnership from stakeholders as diverse as Siemens, Maersk, Northern Gas Networks and Ryse Hydrogen. This suggests very real commercial demand for freeport status.

[296 words]

3.5 Please tell us how you are modelling future income from locally retained business rate growth and how you will apportion it (of particular importance if your tax site crosses multiple local authorities).

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250 word limit

Input from: Commercial Working Group

Response:

None of the proposed tax and customs sites cross local authority boundaries, although not all sites fall within the same local authority area. As such, an approach to apportionment of income across local authority boundaries is set out here.

Business Rate revenue will be apportioned based on a bespoke hybrid model. Under this model a portion of the total income generated will be earmarked for:

- reinvestment within the tax/ custom site area;
- a portion will be retained by the local authority within which the tax/ custom site falls, as a compensation for otherwise lost income share, and;
- a portion will go into a pot to be reinvested across the wider freeport area.

The hybrid model aims to provide a means for improving and enhancing tax/customs sites, while ensuring that the benefits of freeport status are distributed evenly across the area. The percentage breakdown of income apportionment between the different parties is yet to be agreed.

Business rate growth from new and existing businesses located in the tax sites will be modelled on existing income forecasting systems set out by local Councils. In the case of tax sites in East Suffolk, a pre-existing and established model currently applies to businesses located in Enterprise Zones. This approach would be modified to factor for regional variation in property values and would be applied to forecasting business rate income from new and forthcoming businesses located in potential local tax sites. It will be informed by:

- The size of the premises
- General use class
- Local property values

[252 words]

3.6 Please set out how you would make use of the innovation levers, including:

- **ambition and initial ideas for how innovation funding could be delivered as part of your Freeports proposals, including any industry commitment to invest in innovative activity or the testing of new technologies in Freeports**
- **plans to work with academic institutions and link into existing innovation structures where appropriate to establish Freeports as collaboration hubs**
- **how you would look to take advantage of the Freeports Regulatory Engagement Network**

Free text

750-word limit

Plus:

- industry commitments to invest in innovative activity
- clear understanding and awareness of the local innovation ecosystem and its priorities, as well as how to engage with it
- Plans to establish new facilities, or link with existing facilities that apply new technologies and research
- Submissions are particularly encouraged that relate to port operations, customs procedures or the testing of green technologies

Input from: Innovation Working Group

Response:

The initiatives listed elsewhere in this bid reflect the culture of innovation already present within the freeport area and associated business activities contributing to the strength of the local innovation ecosystem. Freeport status will further build upon the strong foundation of innovation already at work, thereby leveraging the status to further enhance these. This recognises the four grand challenges stated within the UK Industrial Strategy and the potential for Freeport East to align with these, namely Artificial Intelligence and data, clean growth and future of mobility. As outlined in Question 2.2, innovation proposals for Freeport East will focus on:

- Development of a Green Hydrogen Hub for the creation and deployment of hydrogen;
- Establishment of additional renewable and low-carbon energy sources, including offshore wind capabilities; and
- Creation of a digital port, leveraging technologies including 5G, blockchain and artificial intelligence.

The commitment to innovation is underpinned by the 5G Create £1.6m award, bolstered by significant investment (£1.5m) directly from Hutchison Three UK and Hutchison Ports UK. Partnering with the University of Cambridge, the ambition to deliver an end to end efficient logistics solution, underpinned by an automated port operation and IoT capabilities will extend well beyond the Port boundaries. Hutchison Ports plan to further invest in 5G beyond the end of the trial creating a unique 5G enabled Port Operation that will enable further innovation from Freeport partners and local SME’s. As Hutchison Ports continues to push technological boundaries globally, Freeport East will be able to benefit from the latest innovations, including driverless trucks, encouraging a new era of innovation and manufacture of the associated components here in the UK, and an established centre in which to further develop these for the UK market.

To further pursue activities to align with these, the Freeports Regulatory Engagement Network (FREN) will be utilised. Collaboration with the FREN will enable execution of ideas not only within a port setting and for delivery within the freeport but will facilitate the refinement of technologies for export to other sectors such as residential or commercial. Importantly, this will also seek to work collaboratively with other freeports across the country to share key findings and to enhance innovation potential. Immediate considerations to accelerate with the FREN include:

- Review of issues surrounding hydrogen, including perception barriers to its wider adoption. This will also consider issues associated with storage and transmission to align with proposals to become apparent within the Government's forthcoming Hydrogen Strategy, along with providing an environment for testing the implementation of the proposed 'Hydrogen Neighbourhood' noted within the Energy White Paper 10 Point Plan.
- Considerations of data security via 5G networks and ways to enhance reliability, leveraging off previous work undertaken between HPUK and the University of Cambridge.
- Resolution of issues associated with connected autonomous vehicles (CAVs) through technology trials to be used within a port setting to then be applied to other types of vehicles, leveraging research by Teledyne e2v in the Freeport East hinterlands and their existing relationships with BT at Adastral Park.
- Consideration of the further development of driverless ships, linking with current developments in Essex with companies such as Servo Watch.
- Delivery of low-carbon technologies to facilitate the decarbonisation of the shipping industry, including through cold ironing solutions to be implemented for large vessels at the PoF.
- Review of measures to modify the existing sophisticated Port Community system for application to Freeport East, utilising learnings from the PoF Destin8 platform which enables the exchange of information between terminal operators, shipping lines, shipping and forwarding agents and hauliers, as well as being directly connected to HMRC (CHIEF – Customs Handling of Import and Export Freight), the Port Health Live Interactive Information System and DEFRA.

This will be bolstered by the existing relationships with key academic institutions and members of the local innovation ecosystem to cement Freeport East as a collaboration hub, as highlighted through the letters of support received by relevant organisations including:

- University of Cambridge;
- Anglia Ruskin University, in collaboration with the University of Liverpool;
- BT at Adastral Park;
- Innovation Martlesham; and
- University of Essex nationally recognised Institute for Analytics and Data Science.

This coincides with opportunities identified through the potential provision of Freeport status which has enabled new partnerships and opportunities for collaboration to be identified with the following organisations including:

- University of Birmingham;
- Cranfield University;
- Brunel University;
- University of Suffolk;
- Aston University;
- Colchester Institute;

- West Suffolk College;
- Suffolk New College;
- Bacton ? College?

Using the freeport status as a magnet for attracting specialised activity, Freeport East will be able to facilitate initiatives to ensure they are ‘market ready’, linking great ideas, start-ups and academic institutions with the industry expertise to make them a reality. This will also leverage the vast array of businesses associated with HPUK, as the largest foreign investor in the UK.

Additional funding for innovation will also be sought through streams such as:

- Sunrise Coast (under Future Clean Energy Tech);
- Commercialising Quantum Technologies, to be applied to work aligning with the driverless car pilot programme;
- Smart Grants;
- Angel funds, as available within Suffolk, Essex and Cambridge; and
- Additional funding streams to be identified through the upcoming release of information stemming from the Energy White Paper.

The streams listed above are in addition to numerous others already applied for and awarded, including the £1.6 million via 5G Create, recently awarded for the roll-out of the Government’s 5G Trials and Testbed Programme at the PoF in collaboration with Three UK, Cambridge University and Blue Mesh Solution.

In addition to these funding streams, numerous discussions have been had with an energy-based venture capital fund. Whilst the details of this are to be finalised once designation is received, the keen interest in Freeport East demonstrates the potential of the proposals. This will build upon existing relationships with these departments and will reinforce the Freeport East vision of both promoting and supporting innovation in the local area.

Most importantly, this focus upon innovation and the opportunities this will create through subsequent collaboration will align with the objectives of both NALEP and SELEP in providing tangible examples of the enhancement of local R&D capabilities.

[860 words]

3.7 What considerations and mitigating actions will be taken into account for potential negative externalities (including the displacement of local economic activity from nearby deprived areas) affecting your site and/or the surrounding area resulting from the introduction of the Freeport? Reference your answer to 1.17 if appropriate.

Free text

250 word limit

Explain how displacement will be minimised and/or avoided. Important here to talk about the 'value addition' of the freeport and the potential to enable new forms of economic activity by extending and deepening industry value chains etc

Response:

Potential negative externalities arising from the designation of Freeport East include impacts to the local environment, traffic effects and economic displacement. These are elaborated on as follows:

- Economic displacement and crowding out of local business – mitigation will include: careful selection of target industry sectors that will enable new business development locally via extending local supply chains and deepening of industry value chains (e.g. in Renewable energy); skills development programmes specifically targeting relatively deprived communities and providing pathways into new opportunities generated by freeport status (focus on renewable energy, technology, logistics etc). Overall focus on additionality

- Additional traffic/congestion – mitigation will include traffic management planning, as well as gradual movement to electric and hydrogen powered vehicles; also advocacy and business case for additional/relieving transport infrastructure where necessary

- We are working with Network Rail, the Freight Operators and cargo owners to increase the intermodal capacity by having longer trains as well as increasing available train paths on the network. We welcome the Government's funding for the Ely junction upgrade as well as the newly announced East West Rail.

- Stemming from the issue of increased vehicle movements is the potential for additional environmental impacts, namely air quality decline. This will be mitigated through the application of the HPUK Air Quality Management Plan which highlights numerous processes to monitor and proactively improve performance. This builds upon a legacy of ensuring positive outcomes, such as the revoking of an Air Quality Management Area by East Suffolk Council at the Port of Felixstowe following collaboration with HPUK to reduce emissions.

3.8 Please describe how your Freeport proposal will support the delivery of the UK's Net Zero ambitions

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Free text

500 word limit

Reference to the following:
a. Making sure that carbon impacts of on-land freight distribution are minimised
b. Making sure that vessels using the port operate in a low-carbon manner (e.g. reducing use of fossil fuels)
c. Ensuring any construction work is sustainable or low-carbon
d. Increasing use of low-carbon power within the Freeport
e. If applicable, promoting the use of technologies like carbon capture and storage, and low-carbon hydrogen

Input from: Innovation Working Group

Response:

A combination of existing and proposed initiatives will ensure that the freeport can play a critical role in meeting the national government's Net Zero by 2050 ambitions at the local, operational level, along with leading the way in accelerating the uptake of sustainable technology and practices. Through the innovation levers to be gained from freeport status, Freeport East will aim to:

- Create the PoF Hydrogen Hub, producing green hydrogen for use both within the freeport and externally;
- Emphasise sustainable transport for both freight movements and internal port handling, such as identifying the potential for connected autonomous vehicles (CAV) , low-carbon fuels and modal shifts and aiming to transition from road to rail freight transportation;
- Leverage the presence of forthcoming active nuclear power stations at both Sizewell and Bradwell sites to induce further global investment; and
- Implement a cold ironing solution for container ships, reducing energy consumption and making the Port of Felixstowe the first port in the UK and the second in Europe to implement this.

Importantly, these initiatives provide tangible responses to the Government's Energy White Paper thereby demonstrating implementable actions whilst exploiting the strategic importance of the East of England geography in renewable energy generation, already the home to the largest concentration of offshore wind potential in the UK, as elaborated on within Question 2.2, along with extensive nuclear capabilities.

Whilst bespoke initiatives will support the clean energy agenda, construction phases pertaining to these will also seek to be BREEAM certified, thereby further supporting the industry in their ability to promote low-carbon construction. This will be linked to the NALEP and SELEP agendas to be 'Green Pathfinders' along with the climate emergencies declared by Tendring, East Suffolk, Colchester and Babergh and Mid Suffolk. Furthermore, this will leverage the existing i-Construct programme by the Haven Gateway Partnership which will seek to to not only incorporate SMEs into this process, but to further enhance local skills in sustainable construction processes.

Freeport East also has a broader role to play in enabling the wider UK to achieve its plans for a net-zero society, as many of the products and technologies needed to facilitate this are manufactured abroad and imported. Using existing international connections, Freeport East has an opportunity to facilitate post-Brexit trade in these goods with both Asia and the European continent, along with enabling more opportunities for these companies to move manufacturing jobs to the Freeport East site in the UK. Key examples include:

- 69% of air source heat pumps and 59% of ground source heat pumps are imported with the majority of these from the EU, China, South Korea and Japan. The UK ambition is to grow this market over the next decade, from 10,000 annual installs to 600,000 annual installs by 2030, therefore are dependent on the ability to import these.
- UK solar capacity is expected to increase from 13GW now to 85GW by 2050. This will be dependent on a significant increase in photovoltaic panels, which are imported from Asia and North America.
- Importation of specialist building materials, namely from the EU, as required to allow for extensive retrofit programmes. This is particularly relevant to materials required for insulation (ie. woodfibre) and other products required to achieve building standards such as PassivHaus.
- Growth of hydrogen supply chain through increased regional interest and need for supporting infrastructure such as fuel cells, boilers and vehicles.

In combining the sustainable ambitions within the port, along with recognising the importance of the products it processes to the achievement of wider national ambitions, the Freeport East proposition will be integral to the UK government's net-zero ambitions.

[594 words]

3.9 Please explain how your proposals will ensure compliance with all applicable environmental regulations and standards

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Free text

250 word limit

Input from: Planning Working Group (plus HPUK contacts)

Response:
The existing operations at the Ports of Felixstowe and Harwich are delivered within an accredited ISO 14001 Environmental Management System to ensure compliance and to promote best practice in accordance with applicable industry standards. Through this accreditation, regulations relevant to air and water quality, waste management and the protection of specific sites and species are managed and complied with, along with being regularly monitored and externally audited. This coincides with extensive Health and Safety management for risks involving the handling and use of chemicals.

The ISO14001 accreditation also includes commitments to proactive and positive relationships with key organisations including:

- International Maritime Organisation;
- DEFRA, including the Animal and Plant Health Agency (APHA);
- The Environment Agency;
- Natural England;
- Local Authorities; and
- Safety and Marine Departments for the enforcement of:
    - Dangerous Goods in Harbour Areas Regulations [2016];
    - The Pollution Prevention and Control (England and Wales) Regulations [2000];
    - The Environmental Protection Act 1990; and
    - The Merchant Shipping (Oil Pollution Preparedness and Cooperation Convention) Regulations 1998.

The development of Freeport East will continue to promote environmental compliance and best-practice with key measures to be identified through the undertaking of an extensive Environmental Impact Assessment following designation. This will place an emphasis on ensuring the area is bio-secure and that the Governance Board and delegates will proactively work with APHA to ensure SPS regulations are adhered to. This will seek to build upon the existing expertise of East Suffolk's Port Health department which currently oversees compliance at both Harwich and PoF and is one of the largest and most experienced Port Health teams in the UK.

[264 words]

3.10 Please outline the expected impact of your proposal on people with protected characteristics, using statistics where possible.

Free text

250 word limit

Explain how freeport status will advance the equality of opportunity and fostering of good relations for people of protected characteristics (age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation).

Input from: Planning Working Group

Response:
Freeport status will seek to capitalise on future facing industries. Fundamental to this transition is the emphasis on attracting people into these ‘industries of the future’, with a key opportunity being the development of unique programmes and initiatives to encourage people into these employment opportunities, particularly those who may not have previously been included, or indeed ‘left behind’ by traditional workplaces.

Stemming from the positive nature of the Freeport East proposal and the employment and economic opportunities it seeks to afford, the diversity and inclusion policies upheld by organisations including Hutchison Ports and the local authorities included as part of this submission will form a critical foundation to the harnessing of opportunities related to the freeport. Drawing upon the ‘Improving Diversity and Inclusion at HPUK’ corporate paper, the HPUK ambition is to ‘become a diverse and attractive employer, representative of the local population, with a strong employer brand’.

The activities of Freeport East will uphold this statement, thereby reflecting the unique makeup of the local area, whilst ensuring impacts to any particular groups are avoided.

Furthermore, local authorities have processes in place to undertake Equalities Impact Assessments with recent examples undertaken at both East Suffolk and Tendring District Councils. Through the use of these assessments, if any additional negative impacts might be identified as part of the Freeport East proposal, these can be addressed accordingly.

[225 words]

3.11 Describe the <u>governance</u> arrangements for the delivery of the Freeport proposal.

Free text

750 word limit

Take into consideration:

- accountability structures and processes
- effective structure
- effective personnel
- effective functions
- capacity building and funding/support

Input from: George Keiffer (Haven Gateway) & Clemence Cheng (HP)

Response:

Freeport East will have a two-tier governance arrangement, comprising a Supervisory Board and a Management Board.

The **Supervisory Board** will be responsible for the strategic direction of Freeport East development and for monitoring and holding to account the Management Board for the effective delivery of the interventions and strategy and for receiving assurance about the effective management of the physical and fiscal security aspects of Freeport East. It will ensure that appropriate mechanisms are in place for the application and management of public funding through an accountable body, such as a County Council, which will hold all public money.

The **Management Board** will be responsible for the day to day operation of Freeport East and the discharge of its obligations regarding security, crime prevention and for executing the strategy agreed by the Supervisory Board under delegated powers. It will be responsible for submitting regular reports to Government.

The **Supervisory Board** would be composed of a Chair, recruited through an open and transparent process and subject to the Nolan Principles of Public Life, the Chief Executive of Freeport East and seven non-executive directors. The non-executive members of Supervisory Board are nominated by the stakeholders on the basis of their knowledge and experience and in the case of local authorities to provide democratic accountability:

- Chair – an independent appointment as an ambassador for Freeport East with particular emphasis on attracting inward investment
- Chief Executive Officer
- 2 non-executive directors appointed by Hutchison Ports UK Ltd representing the Port of Felixstowe and Harwich International Port
- 1 County Council elected member (Essex or Suffolk County Councils), with the other County Council member as an alternate board member and switching biennially
- 1 District Council elected member (East Suffolk or Tendring District Council) with the other member as an alternate board member and switching biennially
- 1 representative of commercial organisations operating within the Freeport
- 1 HE representative with responsibility for the Board's Innovation Strategy (Cambridge University/University of Essex)

1 representative of the LEPs (New Anglia or South East LEP) with the other LEP as an alternate board member, (subject to any conflicts of interest arising as a result of successful bids)

The Supervisory Board will have the power to constitute committees and task and finish groups under the chairmanship of one of its members to cover specific areas (inward investment, innovation, skills, etc)

All Supervisory Board members will be actively engaged in attracting investment and ensuring that the strategy for doing so is linked into the work of their own organisations.

Decisions of the Supervisory Board shall be by consensus and unanimity and a scheme of delegation shall be devised for the Chair and Chief Executive and approved by the accountable body.

Local Members of Parliament (for Suffolk Coastal and Harwich & North Essex) shall have the right to attend meetings of the Supervisory Board and shall be bound by rules covering commercial confidentiality. Departmental representatives (HMT, MHCLH, DIT) shall have similar rights.

The **Management Board** will be made up of a small team of executives reporting to the Chief Executive Officer responsible for the delivery and subsequent operation of the Freeport but also to support some of the functions of the Supervisory Board, and will include the following executive functions:

- An executive responsible for tax oversight and liaison with HMRC, customs issues and security and reporting to the accountable body in respect of any public funding received
- An executive responsible for land use planning
- in close liaison with the landowners, including HPUK, liaison with Highways England, local Highways Authorities and Network Rail
- An executive responsible for inward international investment and economic development

The members of the Management Board may not be sole function executives but may be senior managers whose day-to-day activities already cover some of the responsibilities outlined above.

Corporate structure

It is proposed that Freeport East adopt a formal corporate structure as a company limited by guarantee (FPE) with a membership of businesses, institutions and organisations with a demonstrable and evidenced interest in the activities of Freeport East. This will widen both the reach of Freeport East into local business communities and will ensure that the project receives the widest support for its success. Membership of FPE will also extend to local authorities which may have an interest in the success of Freeport East on behalf of their working residents or local businesses but may be outside the immediate curtilage of Freeport East.

The members of FPE will be responsible for the appointment or renewal of Board Membership of the Chair and of the Chief Executive, It will meet at least once annually to receive the performance report of the delivery of the Freeport East strategy at an Annual General Meeting which shall be open to the public.

[783 words]

3.12 Please describe the <u>management arrangements</u> for the delivery of the Freeport proposal, this should include any key <u>staffing</u> appointments.

Free text

250 word limit

Input from: George Keiffer (Haven Gateway) & Clemence Cheng (HP)

Response:

The **Management Board** will be responsible for the day to day operation of Freeport East and the discharge of its obligations regarding security, crime prevention and for executing the strategy agreed by the Supervisory Board under delegated powers. It will be responsible for submitting regular reports to Government.

The **Management Board** will be made up of a small team of executives reporting to the Chief Executive Officer responsible for the delivery and subsequent operation of the Freeport but also to support some of the functions of the Supervisory Board, and will include the following executive functions:

- An executive responsible for tax oversight and liaison with HMRC, customs issues and security and reporting to the accountable body in respect of any public funding received
- An executive responsible for land use planning in close liaison with the landowners, including HPUK, liaison with Highways England, local Highways Authorities and Network Rail to ensure delivery of sites at speed
- An executive responsible for inward international investment and economic development, supported by the partners existing connections.

The members of the Management Board may not be sole function executives but may be senior managers whose day-to-day activities already cover some of the responsibilities outlined above.

Hutchison Ports UK is a signatory to the ‘Commitment to Sustainable Freeports’ published by the UK Major Ports Group, covering environmental, social and economic sustainability as well as being a guarantor of security and integrity for the operation of the Freeport.

[240 words]

3.13 Please provide a risk assessment of the barriers to implementation of your proposal.

Free text

250 word limit

Outline potential risks related to the implementation plan and how these will be mitigated.

Response:

Key risks include:

- Delays in development of customs site(s)
  - Mitigation - Customs sites have been selected specifically for their existing operability and deliverability within tight timescales
- Delays in development of tax site(s)
  - Mitigation - Tax sites have been selected specifically for their existing operability and deliverability within tight timescales
- Cross boundary nature of the freezone – increasing complexity of governance and decision-making
  - Mitigation - Cross-boundary partnerships have been in place for some time and work well, facilitated in part by the relevant LEPs and the Haven Gateway Partnership
- Local support and buy-in
  - Mitigation - Strategy/programme for local communication. Freezone website available with comments/dialogue facility
- Distribution of retained business rates
  - Mitigation - Simple mechanism based on tax site location
- Economic displacement
  - Mitigation - Careful targeting of industry-sector activity that represents economic 'additionality' (see previous questions)
- Diversification of trade routes/partnerships/imports/exports
  - Mitigation - Targeted marketing of freeport benefits and associated investment propositions towards industrial sectors/investors in East Asia focussing on renewable energy and advanced/digital technologies

[168 words]

3.14 Please describe your Monitoring and Evaluation plans

Free text

250 word limit

Explain how data will be collected on reliefs and their realised outcomes, including monitoring the effectiveness of tax. Provide details on the plan for collecting this data.
This should include a point of contact, resourcing and funding to collect data in Freeports.
Relates to governance section.

Response:

Overall responsibility – Freeport East Management and Supervisory Boards

Key metrics:

- Import volumes (in target sectors/goods/locations)
- Export volumes (in target sectors/goods/locations)
- New investment volumes
- New infrastructure development
- FDI inflows
- New business formation – international origin + local/sub-regional origin
- New jobs created – total/additional
- Jobs accessed by residents of deprived communities
- Business rates retained locally

Quarterly & annual reporting

End of year 3 – interim evaluation – tendered externally and conducted independently

[66 words]

To be finalised alongside implementation plan

3.15 Please upload an Implementation Plan covering milestones, timelines, critical interdependencies, and sequencing. This could take the form of a pictorial diagram, Gantt chart, timeline, flowchart or other graphical representation.

Upload 1 side legible at A3

50MB

Response:

To be presented at Project Board meeting on 29/1/21

4.1 Please describe the main investments you will make to deliver the Freeport, including requests for Freeports seed capital, council borrowing, private investment and any other strategically aligned public investment made by the LEP, council or national government.

Free text

250 word limit

Freeport East will result in a total of £874m of investment in new infrastructure, of which only [x]% is proposed to be seed funding. Specific details on the size and source of each proposed investment can be found in our Implementation Plan. This includes:

- **£670m of private investment** in the Bathside Bay development, which will deliver a state-of-the-art deep sea container port to increase the UK's competitive advantage against the continental North Sea ports and provide logistics and manufacturing space in a new tax and customs zone
- **£110m of private investment** in the Felixstowe Logistics Park, providing 130,000 square metres of modern logistics and industrial space in a tax and customs zone
- **£36m of council investment (tbc – phase 2??)** in Gateway 14, providing a 215,000 square meter commercial and logistics park in a tax zone
- **£xm of private investment** in innovative solutions to delivering net zero ambitions, including a hydrogen production hub, trialling hydrogen fuelled vehicles and providing cold ironing access for vessels at Felixstowe
- £xm **of private investment** in new digital infrastructure and management capability to operate Freeport East.

To support this, we are proposing the following seed funding activities:

- **£7.4m** in site preparation works and internal road upgrades to facilitate the development of the Felixstowe Logistics Park
- **£3.5m** in compensatory land works necessary to allow the **£670m** Bathside Bay investment to go ahead
- **£xm** in site preparation works for an upgrade to the substation serving Felixstowe, required to facilitate the logistics park, hydrogen demonstrator and cold ironing project
- £xm in site preparation works for the hydrogen demonstrator project, which will facilitate up to 25 MW of hydrogen electrolysing capacity to fulfil green energy demand

[276 words]

Figures to be finalised and updated with latest version of implementation plan

4.2 Please detail any complimentary investments that have been secured over the past 5 years or are currently under consideration from external funders, that support the delivery of your proposal.

Free text

1000-word limit

Investment in Freeport infrastructure and the surrounding area is vital for the efficient operation of the various activities required to maintain onshore enterprise and manufacturing. The success of a Freeport hinges on port design, access to transport infrastructure, skilled labour and capital within the zone in question.

The area within Freeport East has seen a raft of investment since 2016, with more investment planned. This includes direct investment in the development and expansion of the two ports as well as capital investment in land development, enterprise and transport infrastructure in the wider sub-region. The level of recent investment demonstrates the existing appetite in the area. The implementation of Freeport East would add the necessary impetus to create a truly global gateway and a catalyst for wider economic growth. Freeport designation would allow the two ports to build on a strong investment base and intensify port operations, increase import/export volumes and improve supply chain visibility and resilience.

Port infrastructure

The Port of Felixstowe and Harwich International Port are owned and operated by Hutchison Ports, a subsidiary of CK Hutchison Holdings Ltd (CK Hutchison Group) with an unparalleled track record of foreign investment in the British ports and distribution industry. Freeport East builds on the investment that CK Hutchison Group, the UK's largest inward investor, has made since 1991 in Felixstowe. In addition to CK Hutchison Group, the proposal brings together a team of major companies and international investors, working closely with local authorities to create a new investment and innovation opportunity for the UK.

Since 2016, CK Hutchison Group has invested £118 million into various maintenance and improvement programmes at the Port of Felixstowe, and £1.8 million into Harwich International Port. These investments have included but are not limited to:

- Maintaining quays
- Increasing handling capacity for mega vessels
- Adding berth storage capacity
- Replacing vehicle fleet
- Replacing and improving technology

Separately, a harbour and channel improvement project of £100 million at Harwich is currently out to tender. This will be a channel deepening project carried out by Harwich Haven Authority, principally benefitting the large container vessels that call at the Port of Felixstowe. The channel deepening will also widen the tidal window during which the vessels gain access to the berths and so reduce congestion and improve the passage of vessels to Harwich International Port and the Port of Ipswich. Reducing congestion will in turn lead to the reduction of emissions, thereby contributing to the carbon reduction agenda.

The project is fully financed by Harwich Haven Authority and has been consented by the Marine Management Organisation, and while this significant investment is not contingent on Freeport status, the designation would accelerate its delivery. With regards to central government funding, both ports recently received a sum of money from the recent Port Infrastructure Fund to aid preparations for a post-Brexit trading landscape. Felixstowe was awarded £13 million while Harwich was awarded £22.9 million, with the funding planned for the construction of inspection facilities ahead of new Brexit border checks on EU food, plant and animal imports from July.

It is evident that there is a significant amount of investment being delivered at the two ports, and a real intent to enhance port capabilities so that it can be a truly global trading hub. It is critical that port throughput is not the only consideration but also port infrastructure quality and logistics resilience, and these recent programmes of investment will allow the ports to manage the necessary expansion of activity that would accompany Freeport status, particularly as it looks to develop new and existing trade links outside Europe.

Land development and business development/enterprise

The aspiration for the redevelopment of Gateway 14 is to create a Business and Enterprise park with a mix of uses including business, logistics and commercial accommodation, generating thousands of job opportunities. This will include an 'Innovation Centre' focused on research and development uses, estimated to generate circa 1,403 – 4,826 net direct full-time jobs and encourage further significant investment in the area. In terms of investment, Mid Suffolk District Council paid £19.25 million to purchase the site and have allocated £17 million to pay for the infrastructure required to unlock the site and bring forward Phase 1 of the development. This £37 million has all been financed from Local Authority borrowing.

All of the funding has been identified for the delivery of the main scheme, so any additional funding from the Freeport Seed Capital pot could be spent on helping to deliver the zero-carbon ambition for the site. Mid Suffolk DC would also use some of the Seed Capital to progress plans for a business-led, skills and innovation centre on site to ensure this is delivered as early in the programme as possible. This would help them to develop a strong cluster of businesses in the Agri-Tech, food manufacturing and ICT sectors, which are key targeted sectors within this Freeport proposal.

In a game-changing development for UK supply chains, Uniserve is set to add a giant £90 million, 750,000 sq ft ambient and freezer distribution centre less than a quarter of a mile from the Port of Felixstowe. The significance of 'Felixstowe Mega DC' is that it will make port-centric logistics at scale a reality for businesses moving cargo through the Port of Felixstowe. The fulfilment centre is due to open its doors in the second quarter of 2021 and will house state-of-the-art facilities enabling maximum flexibility to accommodate customer requirements across a broad range of sectors and commodity types.

Outside of the ports and accompanying tax sites, a £250 million investment in the form of a North Felixstowe Garden Neighbourhood is currently being proposed by East Suffolk Council, which is a leisure-led development anchored by the construction of a new Leisure Centre. This will include the development of 2,000 new homes across multiple sites and a commercial hub with an estimated footprint of 2.59ha. This, alongside the creation of a new business unit facility complementing existing private sector business development on the South Seafront are important complementary investments as integrated and sustainable development is critical if the scale of port operations continue to rise.

In addition to this, Tendring District Council is actively working to grow the District's economy and its associated business base by investing in a range of business support products in order to encourage and foster economic growth through enhanced and focussed business activity. As part of its approach, the Council has ambitions to establish a £2m Covered Market and Workspace facility in Jaywick Sands for which it has secured funding via SELEP under the Government GBF scheme.

Transport infrastructure

The benefits of investing in inland transport infrastructure are not limited to time-saving benefits, as improved freight services serve to contribute to growing trade, improved labour supply and technical diffusion. The competitiveness of the port will be at least partially determined by the quality and efficiency of the services that support it and complete the chain of freight transport i.e. shipping, logistics, and haulage activities. The ports provide a key international gateway to a national hinterland; however, connectivity issues exist and there is a need for greater resilience and capacity on key strategic road and rail corridors in East Anglia, including the A12 and A14.

The £1.5bn A14 Cambridge to Huntingdon improvement scheme includes a major new bypass to the south of Huntingdon and upgrades to 21 miles of the A14, opening to traffic in May 2020. The A14 is a vital road transport corridor between the West Midlands and East Anglia, and is of local, regional and national significance. In particular, the section between Huntingdon and Cambridge carries approximately 85,000 vehicles per day, 26% of this being HGV traffic (against a national average of 10%). The significant enhancement of this strategic route will enable the road to handle freight movement to and from the ports with much less disruption.

Suffolk County Council are about to start consultation on a Major Road Network project on the A12 to the east of Ipswich. This would see improvements between the A14 Seven Hills junction with the A12 and the Woods Lane junction at Woodbridge. This complements the HIF funding (£19.7m) allocated for transport infrastructure to support housing delivery at Brightwell Lakes adjacent to BT's Adastral Park. The package of MRN improvements is approximately £50m, providing increased capacity and improvements for sustainable modes of transport.

Highways England are funding the £1.04 - £1.27bn A12 Chelmsford to A120 widening scheme, beginning construction in 2023-24 and due for completion in 2027-28. The road is part of the strategic road network and supports the national and regional economy by connecting Felixstowe and Harwich ports to London. Projected growth in population and local development in the area will add pressure to the existing peak traffic levels and further disruption over the wider area. The ports cite the North and the Midlands as important markets; however, this significant project will bolster the ports' unparalleled connection to London and facilitate the more reliable movement of goods and labour.

Further recent examples of road infrastructure investment in the surrounding areas include:

- £3.25m A133 Colchester to Clacton Route Improvements
- £9m Hare Green Roundabout Upgrade
- £4m A12 Concrete Surface Repairs and Maintenance
- £5m Highways Drainage and Surfacing Works in Jaywick

In addition to road infrastructure, there has been significant investment in the national rail network serving the area within our Freeport proposal. Network Rail's Ely area capacity enhancement (EACE) programme is a portfolio of extensive infrastructure enhancements with the fundamental aim of upgrading the railway in Ely such that it can meet the future demand for more rail freight between the Port of Felixstowe and the West Midlands and the north to support sustainable, long-term economic growth. The connections between the Freeport, and Felixstowe in particular, will be critical to facilitating supply chain activities and the movement of goods. Connectivity and reliability improvement schemes such as this will help to ensure that economic benefits are not only felt at a local level but also transmitted into the wider economy and UK plc.

As part of the latest Greater Anglia franchise agreement, £1.4 billion is being invested into an entirely new train fleet that will improve the quality of services into London Liverpool Street from Essex, Hertfordshire, Cambridgeshire and Ipswich, as well as bring journey time reductions from the 2021 timetable revision. Greater Anglia has also been granted planning permission to build a workshop to maintain its new suburban trains on the outskirts of Harwich. If delivered, this would be a significant investment in the Harwich and Parkeston area, securing jobs for residents and opening up new skills pathways for the young population. The plans demonstrate that the district is open for business and ready to support further development proposals at Bathside Bay as part of Freeport East.

Regeneration

Essex County Council and Tendring District Council have jointly committed to investing £20m to secure the regeneration of Clacton Town Centre in the next five years. The investment will deliver a range of projects including Highways and Sustainable Transport improvements to enhance access to the Town Centre from across the District as well as open up access to employment, skills and social opportunities for Clacton residents. Investments will also support the redevelopment of several anchor developments in the town centre with new high-quality commercial, retail, skills and residential spaces creating a vibrant, mixed-use place for residents and visitors to enjoy. Projects are currently in the final planning stages with construction commencing in 2023.

Ipswich Borough Council are also seeking to regenerate their town centre to boost economic productivity and support sustainable growth. The Council has submitted a bid to the Towns Fund for almost £29 million across 12 projects targeting short and long-term development, with a focus on generating jobs and improving skills levels and wages in the area. Despite being further inland from the ports, Ipswich's location on the A14 corridor has led to the presence of numerous port-related companies occupying employment land along this strategic corridor. The town is in the top 20% most deprived areas nationally, and so the expansion of port-related industry along these strategic corridors would align with the Freeport's ambitions to extend its impact beyond the immediate districts and address pockets of deprivation in the wider region such as in Ipswich.

[2036 words]

[Answer is currently over the word limit – prioritising including all examples provided and then will streamline after feedback]

4.3 Describe the primary types (including size and sector) of business:

- **That are part of your bid**
- **That you will aim to attract**

Free text

500 word limit

What are the target/priority sectors for the freezone area and why? Why are they likely to invest in the area and expand as a result of freeport status?

Response:

The core benefit of a Freeport is to develop an industrial ecosystem. Building on best practice from free ports and logistics zones globally, it is crucial to focus on key sectors to create economies of scale and synergy across the value chain. This allows maximisation of the value-adding benefits of customs sites. To deliver this, we are targeting sectors that meet the following characteristics:

- Opportunities to add significant value at several stages across the value-chain within the Freeport boundary
- Alignment with UK net-zero ambitions
- Synergies with existing innovation activities and skills within the Freeport boundary
- Opportunities to develop export potential

Below we provide two examples of industrial ecosystems aligning with the above criteria that we intend to develop as part of our Freeport proposition.

Hydrogen

The BEIS Energy Innovation Needs Assessment for hydrogen and fuel cells states that business opportunities associated with export of hydrogen generation equipment and stationary fuel cells may add £0.5 billion to GVA and 3,600 jobs per annum. Freeport East will be at the centre of this growth. We intend to develop a hydrogen ecosystem through our Green Hydrogen Hub that covers the full hydrogen value chain and provides the necessary demand that underpins investment.

Offshore

The UK is the world's largest market for the development and deployment of offshore wind. Before 2030, £16bn of capital expenditure is anticipated in East Anglia ONE North, TWO and THREE, Norfolk Vanguard and Norfolk Boreas). This is 35% of total investment in offshore wind in the UK – the East of England is at the heart of this industry. We intend to develop a renewable energy supply chain that maximises the proportion of this £16bn that is invested in the UK.

Nuclear

[Forthcoming]

Our Value Chain Proposition

Innovation

The starting point for all new technologies is innovation. With the exceptional innovation set up within the Freeport (see question 3.6) and tie-ins to the high value advanced manufacturing opportunities highlighted below, we will dedicate space to leading research, testing and demonstration facilities.

Manufacturing

Our tax and customs sites will provide the beneficial business environment to attract leading hydrogen production equipment manufacturers and offshore wind generation and cabling OEMs. This is backed up by letters of support from ITM Power, a UK based manufacturer of autonomous modular electrolyser systems and Siemens, a leading global offshore wind OEM.

Deployment

These electrolysers will be deployed in the Freeport boundary, powered by clean energy from local existing and future nuclear at Sizewell and offshore generation from the likes of Galloper, providing a sustainable source of blue hydrogen. Meanwhile, at Bathside Bay we have planned laydown and construction areas to support assembly and pre-installation opportunities for blades, turbine towers, nacelles and jacket substructures.

Exports

The electrolyser and offshore wind manufacturing hubs can leverage economies of scale, the beneficial business environment and excellent export logistics to be a major, competitive exporter to the growing market in Europe

End customers

A major obstacle to large scale investment in hydrogen is secure, long term demand and industry engagement suggests multi-modal demand would provide additional investment security. As the busiest container port in the UK and major roll-on-roll-off route, Felixstowe and Harwich have the most reliable truck volumes in the UK and is the best place for the implementation of a hydrogen led logistics hub. In addition, as leading vessel operators begin to implement demonstrator and commercial hydrogen powered vessels. Meanwhile, as explained above, East Anglia is the heart of the UK's offshore wind development. 50% of all offshore servicing spend is on suppliers within 30 miles of the offshore wind farm's port base – Freeport East will be an Energy Superport at the heart of offshore wind supply

Synergies

These two sectors intertwine. Offshore wind will be the primary source of electricity for hydrogen production, which will utilise excess offshore energy even at times of low demand. As the offshore sector develops, the hydrogen will fuel the offshore service fleets of the future.

Other activities

These are two key areas of focus. However, we will not forget the other key sector that drives freeport success – logistics activity and space for non-manufacturing businesses. We will create dedicated space for warehousing, parking and container handling to minimise the logistics costs to our major tenants. We have also identified space for commercial offices for smaller companies and start-ups to benefit from the beneficial business environment.

[721 words]

4.4 Please choose from the following Sector list (SIC Codes) those business types:

- **That are part of your bid**
- **That you will aim to attract.**

Select from the ONS SIC
https://onsdigital.github.io/dp-classification-tools/standard-industrial-classification/ONS_SIC_hierarchy_view.html

Maximum 10 to be selected from drop down list.

Response:

The following business types are part of our bid:

1. Division 27: Manufacture of electrical equipment
2. Division 28: Manufacture of machinery and equipment n.e.c.
3. Division 30: Manufacture of other transport equipment
4. Division 33: Repair and installation of machinery and equipment
5. Division 35: Electricity, gas, steam and air conditioning supply
6. Division 49: Land transport and transport via pipelines
7. Division 50: Water transport
8. Division 61: Telecommunications
9. Division 72: Scientific research and development
10. Division 78: Employment activities

The following businesses are the types we will aim to attract

1. Division 32: Other manufacturing
2. Division 35: Electricity, gas, steam and air conditioning supply
3. Division 38: Waste collection, treatment and disposal activities; materials recovery
4. Division 41: Construction of buildings
5. Division 43: Specialised construction activities
6. Division 49: Land transport and transport via pipelines
7. Division 50: Water transport
8. Division 61: Telecommunications
9. Division 72: Scientific research and development
10. Division 78: Employment activities

4.5 Please outline what specific trade and investment support measures you feel would benefit a Freeport in your area, and any support needed from existing DIT services to deliver this.

Free text

250 word limit

Bidders should outline what specific trade and investment support measures they feel would benefit a Freeport in their area, including the support needed from existing DIT services to deliver this.

Response:

- Freeport East would seek an access agreement MOU with DIT on the same level as those granted to LEPs. Given the scale of inward investment incentives on offer, it is important that DIT and more importantly its overseas posts in embassies and consulates are able to understand what differentiates our offer. For certain posts with particular relevance to our sectoral offer in clean energy such as (but not restricted to) California, Munich, the Hague, and Hong Kong we would intend to offer monthly briefings and work together bilaterally on inward investor targeting. The last is particularly significant given the scale and diversity of CKH's investments in the UK as well as its profile in China.

- A number overseas logistics accelerators and incubators have emerged over the last 2 years, encouraging early-stage IP-heavy companies developing Net-Zero solutions and/or Internet of Things applications. We would want to support DIT in developing these relationships.

- The COVID-19 crisis has resulted in the urgent need for greater visibility and agility in supply chains, which can only be delivered by digital tools and processes. In some cases, evidenced by long-established logistics companies buying or partnering with start-ups, in others the market growth evidenced by companies with a pure digital model such as Flexport as well as the ongoing push for global industry digital standards for simplifying the logistics process. It is reasonable to assume that more start-ups will also emerge in the coming months as a response to supply chain challenges experienced during the pandemic. Freeport East is well placed to pilot such solutions.

- We would also seek to partner with DIT at relevant industry exhibitions (or digital equivalents), such as the Hannover Messe, or Re-Source in Amsterdam in October, potentially supplying a pod or speakers for seminars.

- We have been clear in our bid that Freeport East will benefit companies, universities and other organisations far beyond the hinterland of Felixstowe and Harwich as our testimonial letters evidence. We will continue to work with such partners across the UK.

[333 words]

Appendix C – Draft Freeport East Governance Structure

Proposal for the Freeport East Governance Body

Freeport East will have a two-tier governance arrangement, comprising a Supervisory Board and a Management Board.

The **Supervisory Board** will be responsible for the strategic direction of Freeport East development and for monitoring and holding to account the Management Board for the effective delivery of the interventions and strategy and for receiving assurance about the effective management of the physical and fiscal security aspects of Freeport East. It will ensure that appropriate mechanisms are in place for the application and management of public funding through an accountable body, such as a County Council, which will hold all public money.

The **Management Board** will be responsible for the day to day operation of Freeport East and the discharge of its obligations regarding security, crime prevention and for executing the strategy agreed by the Supervisory Board under delegated powers. It will be responsible for submitting regular reports to Government.

The **Supervisory Board** would be composed of a Chair, recruited through an open and transparent process and subject to the Nolan Principles of Public Life, the Chief Executive of Freeport East and seven non-executive directors. The non-executive members of Supervisory Board are nominated by the stakeholders on the basis of their knowledge and experience and in the case of local authorities to provide democratic accountability:

- Chair – an independent appointment as an ambassador for Freeport East with particular emphasis on attracting inward investment
- Chief Executive Officer
- 2 non-executive directors appointed by Hutchison Ports UK Ltd representing the Port of Felixstowe and Harwich International Port
- 1 County Council elected member (Essex or Suffolk County Councils), with the other County Council member as an alternate board member and switching bi-annually
- 1 District Council elected member (East Suffolk or Tendring District Council) with the other member as an alternate board member and switching bi-annually
- 1 representative of commercial organisations operating within the Freeport
- 1 HE representative with responsibility for the Board's Innovation Strategy (Cambridge University/University of Essex)
- 1 representative of the LEPs (New Anglia or South East LEP) with the other LEP as an alternate board member

The Supervisory Board will have the power to constitute committees and task and finish groups under the chairmanship of one of its members to cover specific areas (inward investment, innovation, skills, etc)

All Supervisory Board members will be actively engaged in attracting investment and ensuring that the strategy for doing so is linked into the work of their own organisations.

Decisions of the Supervisory Board shall be by consensus and unanimity and a scheme of delegation shall be devised for the Chair and Chief Executive and approved by the accountable body.

FOR DISCUSSION

Local Members of Parliament (for Suffolk Coastal and Harwich & North Essex) shall have the right to attend meetings of the Supervisory Board and shall be bound by rules covering commercial confidentiality. Departmental representatives (HMT, MHCLH, DIT) shall have similar rights.

The **Management Board** will be made up of a small team of executives reporting to the Chief Executive Officer responsible for the operation of the Freeport but also to support some of the functions of the Supervisory Board, and will include the following executive functions:

- An executive responsible for tax oversight and liaison with HMRC, customs issues and security and reporting to the accountable body in respect of any public funding received
- An executive responsible for land use planning in close liaison with the land owners, including HPUK, liaison with Highways England, local Highways Authorities and Network Rail
- An executive responsible for inward international investment and economic development

The members of the Management Board may not be sole function executives but may be senior managers whose day-to-day activities already cover some of the responsibilities outlined above.

Corporate structure

It is proposed that Freeport East adopt a formal corporate structure as a company limited by guarantee (FPE) with a membership of businesses, institutions and organisations with a demonstrable and evidenced interest in the activities of Freeport East. This will widen both the reach of Freeport East into local business communities and will ensure that the project receives the widest support for its success. Membership of FPE will also extend to local authorities which may have an interest in the success of Freeport East on behalf of their working residents or local businesses, but may be outside the immediate curtilage of Freeport East.

The members of FPE will be responsible for the appointment or renewal of Board Membership of the Chair and of the Chief Executive, It will meet at least once annually to receive the performance report of the delivery of the Freeport East strategy at an Annual General Meeting which shall be open to the public.

(759 words)

Agenda Item 9

ES/0661

CABINET

Tuesday 2 February 2021

FELIXSTOWE FORWARD TRANSITION

EXECUTIVE SUMMARY

1. Felixstowe Forward (FF) was established by ESC and Felixstowe Town Council in April 2015 as an enabling and time limited initiative to deliver joined-up local economic and community development. It is now coming to the end of its second 3 year funding agreement. Both sponsoring partners agree that the closure of FF by the end of March 2021 would be detrimental in achieving the enabling objectives in economic and community development that the initiative was established to complete.

2. As a result, this paper proposes that the current funding agreement is extended until December 2021 resulting in budget growth of £83.5k (plus potential additional costs to cover redundancy and pension costs) for ESC. By this point Felixstowe Forward will have fully transitioned its current responsibilities in relation to business engagement/ development, tourism promotion/ brand management, community enabling, the Landguard Partnership and events management to existing and new bodies.

3. The extension will also bring FF's tenure in line with the Leiston Together place-based initiative and allow time for ESC to undertake a comprehensive review of its approach to place-based initiatives that will be implemented from the beginning of 2022.

Is the report Open or Exempt?	Open

Wards Affected:	Eastern Felixstowe and Western Felixstowe

Cabinet Member:	Councillor Craig Rivett Deputy Leader and Cabinet Member with responsibility for Economic Development

Supporting Officer:	Paul Wood Head of Economic Development & Regeneration 07798 797275 Paul.wood@eastsuffolk.gov.uk

1 INTRODUCTION

1.1 This report sets out the proposed transitional arrangements for the Council's funding of Felixstowe Forward. The current funding agreement between ESC and Felixstowe Town Council is due to expire in March 2021, however both parties have agreed that in order to fully achieve its enabling role the place-based initiative should be extended until the end of December 2021. This is on the basis that the April to December period will be a transitional period where current responsibilities will be fully passed over to new and existing bodies and that ESC will be undertaking a comprehensive review of the Council's approach to place-based working that will report in the summer and be implemented from the beginning of 2022.

1.2 Felixstowe Forward was established in 2015 as a time-limited body to enable economic and community development within the town. This enabling function is the key feature that set it apart from its predecessor body, Felixstowe Futures.

1.3 The initiative was established as a partnership between ESC and FTC, the sponsoring bodies, with support and engagement from Suffolk County Council, the Port of Felixstowe, Community Action Suffolk and Felixstowe Chamber of Trade and Commerce. These bodies formed the Felixstowe Forward Sponsor Group – the partnership's governing board. An initial funding agreement between ESC and FTC for the partnership covered the period April 2015 – March 2018, followed by a subsequent agreement covering the April 2018 – March 2021 period.

1.4 To guide the work of Felixstowe Forward a Felixstowe Town Improvement plan was produced which focused on enabling activity in the following areas:

- Business / town centre engagement
- Community enablement/ engagement
- Resort promotion
- Strategic support for wider, predominantly physical developments e.g. South Seafront public realm enhancements
- Management and development of the Landguard Peninsula

1.5 In order to progress this work a small team was established, led by Helen Greengrass, Felixstowe Forward Change Director. The team comprises:

- Helen Greengrass – Change Director
- Clare Baker – Change Co-ordinator
- Stephen Rampley – Marketing & Events Officer*
- Paul Grant – Landguard Project Officer*
- Leonie Washington – Landguard Ranger*

*These officers are funded via a separate Landguard Partnership budget (Stephen Rampley 50:50 Landguard and FF funded)

1.6 Felixstowe Forward is one of three place-based initiatives, alongside Lowestoft Rising and Leiston Together, which are directly funded by ESC and sit within a wider Community Partnership area. The table below provides a summary of these:

	Duration of current funding agreement	Funding partners and annual contribution
Felixstowe Forward	April 2018 – March 2021	ESC: £106K FTC: £20K
Leiston Together	Dec 2019 – Dec 2021	ESC: £36K LTC: £4K
Lowestoft Rising	April 2018 – March 2021	ESC: £15,000 Police, CCG and Suffolk CC: £15k each

2 ACHIEVEMENTS

2.1 During its six-year existence Felixstowe Forward has consistently delivered against its original enabling objectives. The following highlights the key achievements of the partnership since its inception in 2015.

2.2 **Deliver a place-based initiative for Felixstowe, actively involving the public, commercial and voluntary sectors**

- Established the Felixstowe Forward Sponsor Group and achieved Coastal Community Team status following the production/ submission of an Economic Plan to MHCLG
- Hosting annual engagement events to identify priorities, undertake community consultation and showcase achievements
- Secured £168k in external funding to support a range of capital and revenue projects supporting visitor economy and community development

2.3 **Better integrate local economic development, regeneration and community enabling in a more sustainable way**

- Developed and established strong links with businesses, community organisations and visitor attractions
- Supported the establishment of the Felixstowe Peninsula Community Partnership
- Achieved 'Rising Star' award in 2016 British High Street Awards
- Felixstowe Integrated Neighbourhood Team is evolving into an effective partnership
- Established Felixstowe as a dementia friendly town

2.4 **Achieved Business Improvement District (BID) status**

Following the undertaking of a feasibility study, town and seafront business engagement, production of detailed business plan, Felixstowe Forward and business partners secured a successful BID ballot in November 2020, despite a challenging business environment. This will result in a £600k+ investment by businesses over 5 years to deliver projects against 3 priorities – Local and Visitor Marketing and Promotion, Car Parking/Public Transport and Signage and Business Support. The BID will be operational from April 2021.

2.5 **Ongoing support to physical development schemes**

- Town Centre, South Seafront and North Felixstowe Garden Neighbourhood scheme
- Completion of Felixstowe Seafront Gardens project including delivery of an activity plan and final evaluation report (cited as exemplary by the HLF).
- Secured Green Flag and Green Heritage Awards and further established 'Friends of the Seafront Gardens'

3 INTERIM OPTIONS

3.1 ESC will be undertaking an extensive review of its approach to supporting and funding place-based initiatives during the first half of 2021. The review will take account of the other place-focused initiatives that have evolved during the current Felixstowe Forward funding agreement, such as the East Suffolk Strategic Plan, community partnerships, the East Suffolk Towns Revitalisation Initiative and Smart Towns programme, as well as engaging closely with town/ parish councils and other local bodies to ensure a collaborative approach to the review.

3.2 It will report back in the summer of 2021 with a set of recommendations for a new approach that will be in place from the beginning of 2022. In light of this and a consensus amongst partners that closing Felixstowe Forward in March 2021 would be detrimental to supporting and completing its key enabling objectives, three interim options are set out below:

Option 1

Extend the current funding arrangement for Felixstowe Forward until the end of December 2021

- Maintains a Felixstowe place-based initiative whilst ESC reviews its approach to such bodies
- Brings ESC's funding commitment timescale for Felixstowe Forward in line with Leiston Together
- Provides support for the BID during its establishment phase
- Provides adequate time to evolve Visit Felixstowe and transition to another host body

Option 2

Extend funding for the partnership until December 2021 and focus on transitioning the functions of Felixstowe Forward during this period

- As option 1 but with greater focus on transitioning the current responsibilities of Felixstowe Forward e.g. Visit Felixstowe, events management role and Landguard Partnership
- Provides support to the BID during its initial operational phase
- Maintains support for physical development projects whilst new bodies 'bed in' and ESC implements new place-based enabling support
- Provides additional time for the Community Partnership to become established
- Provides a clear signal that Felixstowe Forward will not continue beyond Dec 2021 as per its original remit

Option 3

Cease funding Felixstowe Forward at the end of March 2021 as per the current agreement

- Lack of support for establishment phase of the BID
- Lack of support for evolving Visit Felixstowe
- Doesn't provide adequate time for ESC to undertake for a full district-wide review of its approach to PBIs and implement the new model consistently across the district
- Will remove a wider support structure during the critical period of transition of the Landguard Partnership into a Trust, expected summer 2021.

3.3 **Preferred Option: Option 2 – Transition of Felixstowe Forward during April – December 2021**

Discussions between the partner bodies have concluded that bringing Felixstowe Forward to a close at the end of March 2021, as originally agreed, would not be beneficial in supporting and completing the key strands of its enabling work and would not allow sufficient time to implement a timely exit strategy. Instead, it is proposed that there is a transition period between April and December 2021 which will allow FF to fully complete its enabling objectives as originally set out. This will focus on the following of key areas and ensure that all current areas of activity are effectively transitioned to another organisation, partnership or structure:

3.4 **Felixstowe BID**

In November, businesses within the proposed BID boundary voted in favour of establishing a BID from April 2021. FF was instrumental in co-ordinating and enabling the businesses within this area to develop the BID proposal and organising the BID ballot process. Between now and April there is a need to formally establish the BID company, appoint directors, establish the executive board, agree governance and management arrangements, scope out the initial projects and appoint a BID Manager. Since the BID will be a brand new organisation, as of the beginning of April, it is felt that ongoing support from the Change Director during the April – Dec period, whilst the organisation is 'finding its feet' will give the BID the best possible start during its first 8 months.

3.5 Due to the economic impact of the Covid pandemic and similar to other towns, 2021 promises to be a challenging year economically for Felixstowe. The establishment of the BID and the support of the FF Change Director during 2021 will provide businesses in the town with every opportunity to develop and implement a recovery strategy. It will also provide capacity to embed other town-based initiatives such as the Towns Revitalisation Programme and Smart Towns.

3.6 **Visit Felixstowe**

There has been a long-held ambition that should there be a positive BID ballot result this would result in the Visit Felixstowe brand being hosted and managed by the BID. Since one of the BID's key priorities will be visitor marketing and promotion it is natural that the brand would be hosted by this new body. To ensure a smooth transition, it is proposed that the Change Director and the Marketing & Events Officer continue to support the evolvement of Visit Felixstowe during the April – December period.

3.7 **Community Enabling activity**

The FF Change Director has worked closely with the Communities Officer responsible for the Felixstowe Peninsular Community Partnership area to enable community-led activity to tackle local priorities. The Community Partnership launched with a workshop in November 2019 and, although it was paused at the height of the pandemic, is now meeting regularly virtually, and allocating funding to tackle the three priorities agreed at the workshop. This Community Enabling role has been focussed on the Covid-19 response over recent months and supporting the main organisations in the town as they in turn support the most vulnerable in the community to access food, prescriptions and support with isolation/loneliness, mental ill health and financial hardship. Continuing FF to December 2021 would enable this work to be further strengthened as the Community Partnership evolves.

3.8 **Landguard Partnership**

The Landguard Partnership has recently undergone a major governance review which has resulted in the recommendation and agreement that the Landguard Community Trust be established to manage, develop, and enhance the Landguard Peninsula. It is anticipated that the trust will be operational during the summer of 2021 and as a result it is proposed that the Change Director continues to provide support to the Landguard Project Officer during this critical time to ensure a smooth and successful transition to the new Trust body.

3.9 **Events Management**
ESC is considering the adoption of a new online events management application system which would significantly reduce officer time required to manage these applications and make the process more efficient for the applicants. The intention is to have the new system in place for the beginning of the new tourism season in April 2021. If adopted this will result in a review of current ESC staffing associated with events management. Felixstowe hosts a large proportion of the events which take place on ESC owned land and this proposal represents a significant change, it is therefore proposed that the Change Director oversees the implementation and initial operation of this new system and provides support to the events management officers.

4 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

4.1 Felixstowe Forward's remit has been to enable economic and community development within the town and as such directly contributes to two of the five strategic priorities of the Strategic Plan – Growing our Economy and Enabling Our Communities. The activities of Felixstowe Forward over the last 6 years have also directly contribute to the specific priorities within these two themes including:

- Attract and stimulate inward investment
- Maximise and grow the USPs of east Suffolk
- Business partnerships
- Support and deliver infrastructure
- Community partnerships
- Maximise health, well-being and safety
- Community pride

5 FINANCIAL AND GOVERNANCE IMPLICATIONS

5.1 The extension of the current funding agreement until the end of December 2021 will mean that ESC will have to provide additional funding of £83,500. This represents growth to the current budget and it has been agreed that should the extension be approved by Cabinet this funding will come from the New Homes Bonus budget which has been the source of funding for the Felixstowe Forward partnership since its inception. This will be matched by Felixstowe Town Council on a pro-rata basis in line with the current funding agreement i.e. 75% of their annual allocation which is £15,000.

5.2 In addition, there will potentially be redundancy costs totalling £35.6k should the current staff not be redeployed and capitalised pension costs of £15,726 for one individual. Again, it is proposed that these costs are met by the New Homes Bonus budget.

5.3 The governance of Felixstowe Forward will continue through the Sponsor Group which comprises both funding partners as well as other bodies supporting the delivery of the partnership's objectives such as Felixstowe Chamber, Community Action Suffolk, Suffolk County Council and the Port of Felixstowe.

6 OTHER KEY ISSUES

6.1 This report has been prepared having taken into account the results of an Equality Impact Assessment. The assessment identified that Felixstowe Forward's activities are positive in terms age and disability and neutral for the protected characteristic groups.

7 CONSULTATION

7.1 This proposal was developed in consultation with all partners in the Felixstowe Forward initiative.

8 OTHER OPTIONS CONSIDERED

8.1 See above for other options considered.

9 REASON FOR RECOMMENDATION

9.1 It is recommended that the ESC's funding of Felixstowe Forward is extended until the end of December 2021 to facilitate the transition of its current responsibilities in the areas of business engagement, events management, tourism promotion, community development and health and wellbeing. This additional nine months will allow the partnership to have achieve all of its objectives and transition ongoing responsibilities to new and existing bodies. As set out above FF has been highly successful in achieving its enabling functions across wide areas of economic and community development.

RECOMMENDATIONS

That the extension of the current funding agreement for Felixstowe Forward until the end of December 2021 at a cost of £134.8k be approved.

APPENDICES	
Appendix A	Transition of responsibilities flow chart

BACKGROUND PAPERS – None

Felixstowe Forward – Transition of responsibilities

Current Responsibilities	Business/Town Centre Engagement	Community Enablement / Engagement	Resort Promotion	Strategic Support for Physical Development	Management and Development of Landguard Partnership
Future Lead	Felixstowe BID ESC ED Team	Felixstowe Community Officer	Felixstowe BID ESC ED Team	Ongoing Support	Landguard Community Trust
Engagement	From 1 April 21 Felixstowe BID Governing Body	Ongoing Felixstowe Community Partnership Integrated Neighbourhood Team	From 1 April 21 Felixstowe BID Governing Body	Ongoing Ward Councillors Joint FTC/ ESC Liaison Group	Ongoing Landguard Partnership Board/ Community Trust

Agenda Item 10

ES/0662

EASTSUFFOLK COUNCIL

CABINET

Tuesday 2 February 2021

HOUSING REVENUE ACCOUNT BUDGET REPORT 2021/22

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 2021/22 to 2024/25 and notes the forecast position for 2020/21. 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 has applied since 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 <u>all</u> 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 Cabinet to submit any comments to Full Council on the proposed 2021/22 budget for the HRA. Cabinet are asked to consider and make recommendations to Full Council regarding the:

   - HRA budget for 2021/22, and the indicative figures for 2022/23 to 2024/25;
   - Revised outturn position for 2020/21 for noting;
   - Movements in HRA Reserves and Balances;
   - Average weekly rent for 2021/22 of £89.30 over a 50-week collection year (£88.65 2020/21), an average weekly increase of £0.65 or 0.74%;
   - Service charges and associated fees for 2021/22;
   - Changes affecting public and private sector housing and welfare to be noted;
   - Effects of COVID-19 to the HRA to be noted.

Is the report Open or Exempt?	Open

Wards Affected:	All Wards within the District

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources Councillor Richard Kerry Cabinet Member with responsibility for Housing

Supporting Officer:	Brian Mew Chief Finance Officer and Section 151 Officer (01394) 444571 brian.mew@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 1 April 2020. This was 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 permits 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 have been in effect since 1 April 2020 and was 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 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 Following the 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.

Right to Buy Scheme

2.4 As of 6 April 2020, the maximum discount available to Right to Buys (RTB's) is 70% or £84,200 (£112,300 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 Secretary of state 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.

2.5 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 28 in 2019/20. Future year estimates are thirty per annum and is built into the HRA financial business plan.

2.6 The implications of RTB sales is a reduction in dwelling rents received. The annual income lost through RTB is on average £100,000 per annum (year on year), adding to the importance of increasing the HRA housing stock. RTB sales are considered when setting the dwelling income budgets.

2.7 2020/21 RTB sales have been reduced due to COVID-19. As of the 31 December 2020 only nine properties have been sold.

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 Act 2012 introduced Universal Credit (UC). It replaces most existing working-age benefits with a single payment made directly to the claimant. Under UC there is a limit to 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 UC 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 covered by UC Full Service.

3.5 UC 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 UC.

3.6 From April 2018, claimants wait time was 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 has helped reduce pressure on tenants and had a positive impact on rent arrears.

Under-Occupation Charge

3.7 The criteria under the Welfare Reform Act mean that any working-age household deemed to be under-occupying their home receives a cut in their housing benefit or UC. The cut is a fixed percentage of the housing benefit-eligible rent. This is known colloquially as the 'Bedroom Tax'.

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.

3.9 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. During 2020/21 three 'cash for moving' have been processed to 31 December 2020, however, this could be low due to COVID-19. The scheme will be pushed more after the pandemic in 2021/22.

Rent Arrears

3.10 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 (such as COVID-19), has increased the risk of rent not being collected.

3.11 2019/20 saw the first year since 2015/16 where the rent arrears position improved. The arrears reduced from £1,100,036.84 in 2018/19 to £972,662.22 in 2019/20, and prepayments increased from £574,331.71 in 2018/19 to £834,972.48 in 2019/20. Giving an overall net improvement of £388,015.39. This is a direct result of the measures implemented in section 3.12 and 3.13.

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 regularly they pay their rent e.g. if a tenant pays weekly, they will be required to pay one week in advance. As of 3 January 2021, the HRA holds £949,074.36 in rent 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. 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 a reduction is an extremely positive step. Due to its positive impact, the former tenant arrears module was introduced at the end of 2019/20.

3.14 The tenant's portal and text messaging service will go live on the 1 February 2021. This 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. It will also offer paperless direct debits.

3.15 The arrears position as of the 3 January 2021 is currently higher than the closing position for 2019/20, however, it is an improvement on the same period from the previous year. The arrears are currently at £1,107,681.33, compared to £1,238,591.09 for the same rent week in 2019/20.

3.16 The 2019/20 arrears position had the advantage of being a 53-week year. The last week of 2019/20 was an additional rent-free week (as advised by Government), which would have improved the position, as tenants had an additional week where no rent was required, yet arrears could have been reduced.

3.17 Taking all the above facts into account, it is very difficult to predict where the arrears will be at the end of 2020/21. A prudent approach on budget has been taken, however, the statistics are pointing to an improved position, or very little movement at worst. The situation will continue to be monitored closely to achieve the best results possible.

3.18 Landlords are restricted by the 'Coronavirus Act 2020' from serving eviction notices on tenants. Tenants continue to be protected until 21 February 2021 under the act, which could potentially be extended again depending on future Government announcements. From 29 August 2020 the minimum period of notice that can be given is six months unless one of the exceptions below applies.

- Rent being in arrears by at least six months
- Anti-social behaviour
- Domestic abuse
- Obtaining the tenancy by fraud
- Death of the tenant (housing association landlords only)
- No right to rent due to immigration status (housing association landlords only). (MHCLG, 2020)

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 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 required 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 gives 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. The Councils HRA limit or 'borrowing cap' was placed at £87.26 million.

4.5 On 3 October 2018, it was announced by central Government that the HRA borrowing cap was to be 'scrapped'. It was officially removed on 30 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, for example, the Council's HRA housing stock has a market value of £567 million as of 31 March 2020, compared to a borrowing cap of £87.26 million.

4.6 As of the 1 April 2020 the total debt for the Council's HRA was £71.17 million (£68 million from the self-financing settlement and £3.17 million pre-self-financing). In 2021/22, a further £10.77 million will be repaid, reducing the debt to £60.4 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 2021/22 TO 2024/25 BUDGETS

5.1 The following table summarises the 2021/22 budget through to 2024/25. With a revised position for 2020/21. A brief description to each heading can be found in **Appendix A**.

	2020/21 Original £000	**2020/21 Revised £000**	**2020/21 Movement £000**	**2021/22 Budget £000**	**2022/23 Budget £000**	**2023/24 Budget £000**	**2024/25 Budget £000**
Income							
Dwelling Rent	(19,157)	(19,237)	(80)	(19,496)	(19,961)	(20,474)	(21,043)
Non-Dwelling Rent	(175)	(178)	(3)	(185)	(190)	(194)	(199)
Service & Other Charges	(1,239)	(1,265)	(26)	(1,227)	(1,126)	(1,114)	(1,103)
Leaseholders Charges for Services	(10)	(14)	(4)	(10)	(10)	(10)	(10)
Contribution towards Expenditure	(34)	(48)	(14)	(33)	(33)	(33)	(33)
Reimbursement of Costs	(285)	(341)	(56)	(306)	(308)	(310)	(313)
Interest Income	(106)	(133)	(27)	(109)	(112)	(115)	(115)
Total Income	**(21,006)**	**(21,216)**	**(210)**	**(21,366)**	**(21,740)**	**(22,250)**	**(22,816)**
10% of total income	**(2,101)**	**(2,122)**	**(21)**	**(2,137)**	**(2,174)**	**(2,225)**	**(2,282)**
Expenditure							
Repairs & Maintenance	4,318	4,889	571	4,292	4,420	4,576	4,689
Supervision & Management	3,456	3,123	(333)	3,397	3,448	3,525	3,599
Special Services	2,109	2,034	(75)	2,191	2,207	2,245	2,271
Rents, Rates and other Charges	102	141	39	102	102	102	102
Movement in Bad Debt Provision	37	254	217	12	22	24	27
Contribution to CDC	87	95	8	95	95	95	95
Capital Charges	3,539	3,495	(44)	3,768	4,128	4,384	4,628
Interest Charges	2,265	2,194	(71)	2,194	2,156	2,156	2,115
Revenue Contribution to Capital	5,410	1,743	(3,667)	5,368	5,559	4,173	5,225
Transfer to Earmaked Reserves	-	2,500	2,500	500	-	1,000	500
Total Expenditure	**21,323**	**20,468**	**(855)**	**21,919**	**22,137**	**22,280**	**23,251**
Movement in the HRA balance	**317**	**(748)**	**(1,065)**	**553**	**397**	**30**	**435**
HRA Balance carried forward	**(4,916)**	**(5,981)**	**(1,065)**	**(5,428)**	**(5,031)**	**(5,001)**	**(4,566)**

Highlights Regarding 2020/21 Revised in table 5.1.

Income

5.2 2020/21 forecasted income (Dwelling Rents and Service Charges) has increased by 1% of total original income budget. Much of this relates to the reduced numbers of RTB sales in 2020/21.

5.3 Increase in contribution towards expenditure relates to reimbursement of RTB discount for a property sold within five years of purchasing. This is a rare occurrence and is not budgeted for year on year.

5.4 Increase in reimbursement of costs directly links to increases in repairs and maintenance expenditure.

5.5 Although interest rates reduced during 2020/21, the HRA balances are higher than anticipated, due to savings in 2019/20 and delays in the capital programme in 2020/21, resulting in an increase on interest income.

Expenditure

5.6 There are some large movements on the expenditure. The increased revenue expenditure on repairs and maintenance net off against the increased income on reimbursement of costs and savings on revenue contribution to capital. These costs relate to unrecoverable salary costs of the operatives during the COVID-19 lockdown. During the initial lockdown, only void works and emergency repairs were carried out. Measures put in place to protect operatives such as reduced numbers of staff on site, no mixing of teams (small 'bubbles' created) all contributed to delays in progress of work during July to December 2020. With the current COVID-19 position (as January 2021), the team has reduced repairs services back to only carrying out void works and emergency repairs. Some operatives have been redeployed to the communities' team to help with deliveries to the District's most vulnerable people. Details of repairs and maintenance budgets can be seen in Section 7 and **Appendix C**.

5.7 There is currently no funding support for the HRA from central Government in relation to COVID-19 related expenditure or loss of income.

5.8 The savings on supervision and management are made up of a combination of things:

- Staff savings relating to leavers and vacancies;
- COVID-19 related savings, such as travel expenses, mileage, conference fees, postage, and printing;
- Legal fees due to no evictions during 2020/21; and
- Most significantly, savings realised from bringing the management of Coppice Court back in house, removing the management fee for this building.

5.9 Savings on Special Services are related to delays in the new build programme due to COVID-19. These costs have been delayed to 2021/22.

5.10 The increase on rents, rates and other charges relate to void properties. This is due to holding a small number of properties empty in early 2020/21 to be used for people such as rough sleepers or key workers to self-isolate during the COVID-19 lockdown. Also, the void turn-around time has increased due to the limited number of operatives that can be on site at any one time.

5.11 The bad debt provision has been increased for 2020/21. This is a prudent approach being taken with the uncertainty of the full impact of COVID-19 on rent arrears. However, it is hoped this will not be required.

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

5.13 Interest rates have fallen due to COVID-19, resulting in a saving on loan interest.

5.14 Revenue contributions to capital have reduced significantly. This relates to the housing development and redevelopment programme and the repairs and maintenance programme (mentioned in section 5.6). This is all a direct link to COVID-19. Construction stopped during the first lockdown, which has had a knock-on effect on the programme. Many developments have been pushed back to 2021/22, due to material supplies and social distancing restrictions.

5.15 The savings from the reduced capital spend have been transferred into HRA reserves (see Section 9).

2021/22 to 2024/25 Budgets

5.16 The table demonstrates a healthy HRA working balance. The carry forward balance from 2019/20 was £5.233 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 between 2021/22 and 2024/25, 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) which took effect from 1 April 2020. This replaced the legislative rent reduction of 1% until 31 March 2020 for the Council.

6.2 The Policy Statement was 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 1 April 2020 annual rent increases were 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’.

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 are 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 build 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 consideration.

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 2021/22 Onwards

6.10 In accordance with the Rent Standard for 2020, rent increases for 2021/22 can be increased by up to 1.5%. This is the CPI for September 2020 of 0.5% plus 1%. This is less than originally anticipated, due to a drop in CPI because of COVID-19. 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 2021/22 is £89.30 (£88.65 for 2020/21) and is based on a 50-week collection year. This is an average weekly increase of £0.65 or 0.74% from 2020/21 to 2021/22. This increase is less than what was originally anticipated, and a direct result of COVID-19.

6.11 Although rents can be increased by up to 1.5%, this has been capped at the formula rent value for social rents, and the Local Housing Allowance (LHA) rate for affordable rents. Although the formula rent increased for 2021/22, the LHA rate was frozen. This has contributed to the average increase being 0.74% and not 1.5%. As stated in section 6.6, flexibility could have been applied to increase rents further, but the budget could be balanced without this, avoiding any unnecessary hardship on tenants during these difficult times.

6.12 The HRA financial business plan has used the Bank of England (BoE) CPI forecasts for the period 2022/23 to 2024/25 plus 1%. See below;

- 2022/23 (BoE) CPI 1.8% +1% = 2.8%
- 2023/24 (BoE) CPI 2% +1% = 3%

- 2024/25 (BoE) CPI 2.5% +1% = 3.5%

6.13 A 2% increase has been applied from 2025/26 onwards. This prudent approach has been taken, as this will be the end of the fiveyear CPI +1% agreement and at this point there is no indication as to how Government will allow rents to be increased.

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

Service Charges

6.15 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).

6.16 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.

6.17 The proposed service charges for 2021/22 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.

6.18 Many of the service charges, outlined in **Appendix B** will not increase in 2021/22. 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.

6.19 Grouped Home service charges relate to services provided to sheltered schemes and communal utility costs. The proposed general service charge for grouped homes for 2021/22 is set at an average weekly charge of £13.26 based on a 50-week collection year. This is an increase of £0.41 compared to 2020/21. This is following a £1.02 saving the year before.

6.20 The average heating charge is set to decrease in 2021/22. The 2021/22 average Grouped Homes heating charge is £13.59 based on a 50-week collection year. This is an average weekly decrease of £1.26 compared to 2020/21.

Other Charges

6.21 Garage rents are also set out in **Appendix B**. Garage rents are also collected on a 50-week collection period. For 2021/22 tenant's weekly garage rent is proposed to increase from £8.00 to £8.50, an increase of £0.50 on the 2020/21 charge. The proposed increased for non-tenant weekly garage rent is £11.90 from £11.50 (inclusive of VAT), an increase of £0.50 on the 2020/21 charge.

6.22 The increases are a reflection from extensive market research in the District.

6.23 Garage rents have been considered for approval by Cabinet as part of the 2021/22 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 2021/22 has been set at £4.292 million, compared to a revised forecast of £4.889 million in the 2020/21 budget. An analysis of the R & M revenue budget is set out in **Appendix C**. The revised forecast for 2020/21 has a large increase that nets off against savings on the capital programme. It relates to operatives down time during the initial COVID-19 lockdown, and the current lockdown (January 2021).

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 was presented to Cabinet on the 5 January 2021 and Full Council on the 27 January 2021. 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 section 9.3. Funding of the repairs and maintenance aspect of the capital programme is through the MRR. The 2021/22 HRA capital programme is partly funded by Direct Revenue Financing, which totals £5.368 million. This represents £1.421 million towards housing projects and redevelopment and £3.947 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 revenue 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 section 5.16 for details on the revenue working balance). **Appendix D** shows the movement and balances of these reserves for the budget period 2020/21 to 2024/25.

9.2 Taking the Welfare Reform Act 2012 into account, the Council established an HRA Discretionary Housing Payments (DHP) 'top up' 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. To date, this has not been required. With increased Department for Work and Pensions (DWP) grant in recent years, it is unlikely to be required in 2021/22. 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 31 March 2025 is projected to be a healthy £11.433 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 31 March 2025 is forecasted to be £14 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 On 31 March 2020, the Council's housing stock totalled 4,453 units. Between 31 March 2020 and 31 December 2020 there have been nine RTB sales. There have also been nine new properties added to the housing stock (three rented units in Melton, and six shared ownership in Brampton). Giving a nil net movement up to 2020/21 Q3.

10 HOW DOES THIS RELATE TO EAST SUFFOLK STRATEGIC PLAN?

10.1 The HRA budget directly supports the Council's aim of maintaining financial sustainability. 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 maintaining financial stainability, the budget provides the finances to contribute to other themes within the East Suffolk Strategic Plan priorities, including Growing our Economy – ensuring we have the right mix of housing, and Enabling our Communities – enabling housing needs in the District.

11 FINANCIAL AND GOVERNANCE IMPLICATIONS

11.1 The HRA self-financing regime transferred 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.

11.2 The HRA budgets 2020/21 to 2024/25 have been updated in the 30-year financial business plan, it shows the current requirements are financial sustainable, and no further borrowing is required at this point.

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 £0.65 or 0.74% would normally be presented at the January Housing Benefit and Tenants Services Consultation Group. However, due to COVID-19 these meetings have been suspended. As an alternative method of communication, an article has been included in the February 2021 'Tenants Magazine'. If tenants have any issues, they will have the opportunity to contact their rent officer before any changes are implemented. Tenants will also be informed in writing of any changes to their rent and service charges one month before they take effect as normal.

14 OTHER OPTIONS CONSIDERED

14.1 Following four years of compulsory rent reduction, setting rents from 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 24 February 2021.

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

RECOMMENDATIONS
That it be recommended to Full Council that it: 1. Approve the Housing Revenue Account Budget for 2021/22, and the indicative figures for 2022/23 to 2024/25; 2. Note the revised outturn position for 2020/21; 3. Approve the movements in Reserves and Balances as presented in **Appendix D**; 4. Approve the average weekly rent for 2021/22 of £89.30 over a 50-week collection year, an average weekly increase of £0.65 or 0.74%; 5. Note the effects of COVID-19 on the service in 2020/21; 6. Approve the Service Charges and associated fees for 2021/22, **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**
January 2021	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

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. Current Bad Debt provision is at £661k.
- **Contribution to CDC;** CDC is Corporate & Democratic Core costs. This is the HRA's contribution towards these.
- **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 2021/22.

	Average Weekly Charge 2020/21 £	Average Proposed Weekly Charge 2021/22 £	Average Weekly Increase/ (Decrease) £
Grouped Homes Service Charges:			
General Service Charge	12.85	13.26	0.41
Heating Charge	14.85	13.59	-1.26
Communal Water Charge	2.93	2.95	0.02
Support Charge	3.33	3.33	0.00
Laundry	3.90	3.90	0.00

	Weekly Charge 2020/21 £	Proposed Weekly Charge 21/22 £	Weekly Increase/ (Decrease) £
Caretaker:			
St Peter's Court	6.15	6.65	0.50
Dukes Head Street	4.55	4.90	0.35
Chapel Court	3.35	3.60	0.25
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	5.34	5.45	0.11
Flue Maintenance	2.36	2.36	0.00
Grounds Maintenance	1.38	1.38	0.00
Other:			
Communal Area Cleaning Service	0.54	0.54	0.00

	Weekly Charge 2020/21 £	Proposed Weekly Charge 2021/22 £	Weekly Increase/ (Decrease) £	
Garage Rents:				
Tenants	8.00	8.50	0.50	
Non Tenants (net of VAT)	9.50	9.92	0.42	**(11.90 inclusive of VAT)**

APPENDIX C

HRA REPAIRS & MAINTENANCE REVENUE BUDGETS

	2020/21 Approved Budget	2020/21 Forecast Outturn	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Responsive Maintenance	**£**	**£**	**£**	**£**	**£**	**£**
Jobbing Repairs (See note 1 below)	1,552,100	3,035,500	1,621,600	1,698,500	1,841,900	1,922,300
Mutual Exchange	10,000	8,000	10,000	10,000	10,000	10,000
Tenant Allowances	50,000	30,000	40,000	40,000	40,000	40,000
Disabled Adaptations (See note 2 below)	190,000	285,800	257,500	259,300	261,800	264,300
Environmental Works	5,000	0	5,000	5,000	5,000	5,000
Fire Fighting Equipment and Detection	18,000	3,000	5,000	5,000	5,000	5,000
Door Porter and Security Systems (See Note 3 below)	0	4,000	0	0	0	0
Solid Fuel and Heating Repairs	13,000	13,000	13,000	13,000	13,000	13,000
Emergency Lighting	7,000	2,000	7,000	7,000	7,000	7,000
Drainage and Pumping Stations	8,900	8,900	8,900	8,900	8,900	8,900
Rechargeable Works - Incl's Leaseholder Properties	40,000	40,000	40,000	40,000	40,000	40,000
Relet Repairs (Voids) (See Note 4 below)	904,000	472,000	913,000	923,000	923,000	923,000
Lifts	8,000	5,000	8,000	8,000	8,000	8,000
Roof and PVC Panelling Cleaning	37,000	20,000	25,000	25,000	25,000	25,000
External Decoration (See Note 4 below)	120,000	50,000	100,000	130,000	130,000	130,000
Servicing Contracts & Repairs	486,500	471,000	477,000	486,000	496,000	526,000
Asbestos - Removal (See Note 4 below)	80,000	20,000	80,000	80,000	80,000	80,000
Asbestos - Testing (See Note 4 below)	95,000	40,000	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 4 below)	200,000	80,000	100,000	100,000	100,000	100,000
Communal Areas	58,000	20,000	30,000	30,000	30,000	30,000
Total Responsive Maintenance	**3,888,500**	**4,614,200**	**3,842,000**	**3,969,700**	**4,125,600**	**4,238,500**

Planned Maintenance	**£**		**£**	**£**	**£**	**£**
Chimneys (See Note 4 below)	30,000	10,000	20,000	20,000	20,000	20,000
External Walls (See Note 4 below)	25,000	5,000	30,000	30,000	30,000	30,000
Paths / Hardstanding (See note 4 below)	235,000	100,000	250,000	250,000	250,000	250,000
Boundary / Retaining Walls (See note 4 below)	25,000	10,000	30,000	30,000	30,000	30,000
Outbuildings (See note 4 below)	35,000	20,000	40,000	40,000	40,000	40,000
Structural / Damp / Drainage / etc (See note 5 below)	80,000	130,000	80,000	80,000	80,000	80,000
Total Planned Maintenance	**430,000**	**275,000**	**450,000**	**450,000**	**450,000**	**450,000**

Total HRA Housing Repairs	**4,318,500**	**4,889,200**	**4,292,000**	**4,419,700**	**4,575,600**	**4,688,500**

Notes:

Note 1 - The increase to 2020/21 forcast for jobbing repairs relates to the down time of operatives during the lockdown, that can not be recharged to specific capital or revenue works.

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 - From 2021/22 Door Porter security system charges are now accounted for directly under the schemes they relate to, giving a true cost of each asset.

Note 4 - The drop in expenditure in 2020/21 is directly linked to restrictions relating to COVID-19.

Note 5 - 2 large jobs identified in 2020/21.

HRA BALANCE AND RESERVE SUMMARY

HRA WORKING BALANCE

	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	*2024/25 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/25 £'000
HRA Working Balance	**-5,232**	-795	0	**-6,027**	0	553	**-5,474**	0	397	**-5,077**	0	30	**-5,047**	0	435	**-4,612**
10% Requirement	**-2,065**			**-2,122**			**-2,137**			**-2,174**			**-2,225**			**-2,282**

HRA EARMARKED RESERVES

	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	*2024/25 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/25 £'000
Debt Repayment Reserve	**-11,000**	-1,000	0	**-12,000**	-500	0	**-12,500**	0	0	**-12,500**	-1,000	0	**-13,500**	-500	0	**-14,000**
HRA DHP topup Reserve	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**	0	0	**-500**
MMI Reserve	**-60**	0	0	**-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	**-4,500**	(1,500)	-	**-6,000**	0	4995	**-1,005**	0	0	**-1,005**	0	0	**-1,005**	0	0	**-1,005**
Total HRA Earmarked Reserves	**-16,316**	-2,500	0	**-18,816**	-500	4,995	**-14,321**	0	0	**-14,321**	-1,000	0	**-15,321**	-500	0	**-15,821**

HRA CAPITAL RESERVE

	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	*2024/25 Movements* *Transfers In* £'000	*Transfers Out* £'000	Closing Balance 31/03/25 £'000
HRA Major Repairs Reserve	**-20,803**	-3,446	1,594	**-22,655**	-3,719	16,732	**-9,642**	-4,079	3,800	**-9,921**	-4,334	3,700	**-10,555**	-4,578	3,700	**-11,433**

APPENDIX E

HRA BUDGET KEY ASSUMPTIONS

The following key assumptions have been made in the budgets.

Income	**2021/22**	**2022/23**	**2023/24**	**2024/25**
Dwelling rents annual increase (see paragraph 6.12)	0.7%	2.8%	3.0%	3.5%
Allowance for voids - % of total rent roll	1.3%	1.3%	1.3%	1.3%
Garage rents annual increase *	5.3%	5.0%	5.0%	5.0%
Charges for services & facilities annual increase **	0.00%	0.00%	0.00%	0.00%
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	0.61%	0.61%	0.61%	0.61%
Expenditure				
Bad Debt Provision	4.76%	4.76%	4.76%	4.76%

* Garage rent increases may seem high, but following extensive market research, it was determined ESC garage rents are particularly low. 5% increase is a gradual increase, year on year, based on the low rents currently charged.

** As service charges are to recover costs, no increases have been assumed. New build properties are less likely to have service charges, compared to properties sold through RTB. Therefore there is a slight decrease in service charge budgets.

Agenda Item 11

ES/0663

EAST SUFFOLK COUNCIL

CABINET

Tuesday 2 February 2021

DRAFT GENERAL FUND BUDGET AND COUNCIL TAX REPORT 2021/22

EXECUTIVE SUMMARY

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:

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 Strategic Plan, over the medium term.

3. Sections 2 to 4 of the MTFS provide an update on the financial challenge facing the Council, taking into account the ongoing pandemic, 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 challenges, as expressed in terms of its Budget and strategies towards reserves and capital.

4. The draft MTFS has been continually revised with updates including those resulting from budget monitoring forecasts and the Provisional Local Government Finance Settlement that was announced on 17 December 2020.

5. At the end of the 2021/22 budget process, 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. Covid-19 has presented significant additional financial challenges to the Council and the outlook is very uncertain at this stage for both next year and the medium term. However, the Council's robust reserves position enables it to meet these challenges; develop its response to the pandemic and the objective of financial sustainability; and freeze its element of the council tax for 2021/22.

6. Cabinet is asked to consider and make recommendations to Council regarding the: • proposed Budget for 2021/22, and to note the position with regard to future years; • assessment of reserve and balance movements; • proposed Band D Council Tax for East Suffolk Council of £171.27 for 2021/22, which is no increase on 2020/21.

Is the report Open or Exempt?	Open

Wards Affected:	All wards in East Suffolk

Cabinet Member:	Councillor Maurice Cook Cabinet Member with responsibility for Resources
Supporting Officer:	Brian Mew Chief Finance Officer and Section 151 Officer 01394 444571 Brian.Mew@eastsuffolk.gov.uk Lorraine Rogers Finance Manager and Deputy Section 151 Officer 01502 523667 lorraine.rogers@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 can deliver the aspirations of the Council as set out in the Strategic 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. This incorporates the Draft General Fund Budget and Council Tax proposals for 2021/22, reflecting the detailed budget process. In the MTFS, the key uncertainties over this period relate to the continuing impacts of the Covid-19 pandemic and the proposed reforms to the Local Government finance system – Business Rates Retention and the Fair Funding Review. Both of these have now been deferred by a further year until 2022/23.

2.2 The MTFS includes a number of Appendices that form part of the Council's Budget, including the Council Tax Base, budget summary by Head of Service and a summary of Reserves and Balances.

2.3 The Business Rates NNDR1 return for 2021/22 has now been prepared, and Business Rates income has been updated in the Budget and MTFS. These estimates are still subject to final confirmation, and one estimate that may be revised is the estimated Pooling Benefit from the Suffolk Business Rates Pool. This is dependent on the NNDR1 returns being prepared by the Suffolk Councils and then collated by Suffolk County Council.

2.4 The table below outlines the updated MTFS Forecasts for 2020/21 to 2024/25. These indicate a balanced position for 2021/22 but underlying budget gaps from 2022/23 onwards. However, there is a high degree of uncertainty over this period.

MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
February 2020	0	5,350	6,163	6,676	6,676
November 2020	2,028	3,362	4,840	5,424	5,203
January 2021	0	0	6,548	6,617	6,457

2.5 The proposed Capital Programme for 2020/21 to 2024/25 was considered by the Cabinet on 5 January 2021 and Council on 27 January 2021.

2.6 Attached as **Appendix B** is the Council's draft Efficiency Strategy for 2021/22. The Efficiency Strategy is produced annually for the period 2016/17 to 2021/22, and is approved by Full Council as part of approval of the Council's Budget. The Efficiency Strategy is produced to enable the Council to potentially take advantage of the flexibility to local authorities to use capital receipts to fund the revenue set up and implementation costs of projects designed to generate ongoing revenue savings. To date there has been no use of capital receipts to fund one-off revenue costs, and no use of this flexibility is currently proposed in respect of projects in 2021/22.

3 LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS); COUNCIL TAX DISCOUNTS AND PREMIUMS; COUNCIL TAX BASE AND LOCAL COUNCIL TAX SUPPORT GRANTS

3.1 The consideration of an annual review and potential proposed changes to the LCTRS scheme is a statutory requirement under the Local Government Finance Act 2012 which brought in the provisions for localisation of council tax support in April 2013. Full Council on 25 November 2020 approved retention of the current Local Council Tax Reduction Scheme for 2021/22 as the 8.5% benefit scheme, i.e. the maximum benefit to working age claimants is 91.5%.

3.2 In addition to LCTRS, the Council has the discretion to set its own policy on Council Tax Discounts and Premiums. It is a statutory requirement for the Council to set and review annually its Discretionary Council Tax Discounts. It is recommended that no changes be made to the Council Tax discounts to be applied from 1 April 2021, which were approved by the Shadow Council at its meeting on 3 December 2018 (REP 9(SH)).

3.3 At its meeting on 28 February 2019, the East Suffolk Shadow Council approved Council Tax Long Term Empty Property Premiums as follows:

- 100% premium on Long Term Empty properties, empty for more than two years, raising the Council Tax to 200% from 1 April 2019,
- 200% premium on Long Term Empty properties, empty for longer than five years, raising the Council Tax to 300% from 1 April 2020, and
- 300% premium on Long Term Empty properties, empty for longer than 10 years, raising the Council Tax to 400% from 1 April 2021.

3.4 At its meeting on 5 January 2021 Cabinet approved the Council Tax Base for council tax base for 2021/22 for the East Suffolk district as 87,339.43 Band D equivalent properties. Cabinet also approved Local Council Tax Support Grant allocations to town and parish councils, passing on £110,000 of the £370,000 funding in respect of this provided by the Government.

4 COUNCIL TAX HARDSHIP FUND

4.1 Appendix C presents a proposal for utilising the forecast residual Council Tax Hardship Fund allocation to provide further support to working age Local Council Tax Reduction Scheme claimants with their council tax bills.

5 RISK ASSESSMENT AND REPORT OF THE CHIEF FINANCIAL OFFICER

5.1 Part of the process of delivering a robust medium term strategy 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** of the MTFS.

5.2 Section 25 of the Local Government Act 2003 places a personal duty on an authority's Chief Financial Officer to make a report to Council about the robustness of the estimates made for the purposes of the council tax calculations and the adequacy of financial reserves and balances. The Act also requires the Council to have regard to the report before it makes its budget and council tax decisions.

5.3 In relation to the statutory duty under the Act, the Chief Financial Officer considers that the estimates are robust; the General Fund Balance is within the guideline levels established as part of the MTFS; and the contributions to and use of earmarked reserves will assist the Council in meeting its financial challenges and developing its response to the pandemic and the objective of financial sustainability.

5.4 The Chief Finance Officer's report will be reported to Full Council when it considers the budget for 2021/22 on 24 February 2021. The report statement will clearly set out the budget assumptions used to arrive at the final recommendations.

6 HOW DOES THIS RELATE TO THE EAST SUFFOLK STRATEGIC PLAN?

6.1 The vision of the East Suffolk Strategic Plan is to "deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk". The MTFS underpins the new plan and vision for East Suffolk. The key focus of the Financial Sustainability theme is the development, monitoring and achievement of the savings and income increases required to ultimately close the Council's budget gap.

7 FINANCIAL AND GOVERNANCE IMPLICATIONS

7.1 All Financial and Governance implications are contained within the MTFS documents.

8 OTHER KEY ISSUES

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

9 CONSULTATION

9.1 The Council has consulted extensively on the East Suffolk Strategic Plan including the Financial Sustainability theme. A short Budget Consultation survey focussing on future financial sustainability has been undertaken through the Council's website from 5 January to 22 January 2021, and links to this survey were also sent directly to town and parish councils and representative business organisations. **Appendix A8** presents the findings of this survey. Scrutiny Committee considered the Draft General Fund Budget and Council Tax report at its meeting on 28 January 2021.

10 OTHER OPTIONS CONSIDERED

10.1 The MTFS is an essential element in achieving a balanced budget and a sustainable medium term position, whilst setting a balanced budget for the coming year is a statutory requirement. Consequently, no other options are appropriate in respect of this.

11 REASON FOR RECOMMENDATION

11.1 To bring together all the relevant information to enable Members to review, consider and comment upon the Council's General Fund revenue budgets before making recommendations to Council on 24 February 2021.

RECOMMENDATIONS

That it be recommended to Full Council that it:

1. Approves the General Fund Revenue Budget as set out in this report and summarised in **Appendix A5** and notes the budget forecast for 2022/23 and beyond;
2. Approves the Reserves and Balances movements as presented in **Appendix A6;**
3. Approves that no further changes are made to Council Tax Discounts and Premiums for 2021/22;
4. Approves the Efficiency Strategy attached as **Appendix B;** and
5. Approve a Band D Council Tax for 2021/22 of £171.27, which is no increase on 2020/21.
6. Approves that discretionary Section13a (1)(c) Covid-19 Hardship Reliefs be applied at a flat rate of £30 to the 2021/22 council tax bills of:
   a) customers in receipt of working age Local Council Tax Reduction Scheme reliefs as at 1 March 2021; and
   b) customers in receipt of working age Local Council Tax Reduction Scheme reliefs between 1 March 2021 and 31 March 2021.

APPENDICES	
Appendix A	Medium Term Financial Strategy
Appendix A1	MTFS Key Principles and Risk Analysis
Appendix A2	East Suffolk Council Tax Base 2021/22
Appendix A3	NHB Reserve 2020/21 – 2024/25
Appendix A4	MTFS Key Movements
Appendix A5	General Fund Revenue Budget Summary 2020/21 to 2024/25
Appendix A6	General Fund Reserves Summary 2020/21 to 2024/25
Appendix A7	Financial Implications of Covid-19 for 2020/21
Appendix A8	Budget Consultation Survey Feedback
Appendix B	Efficiency Strategy
Appendix C	Council Tax Hardship Fund

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
December 2020	Equality Impact Assessment	Financial Services
December 2020	Provisional Local Government Finance Settlement 2021/22	Financial Services

APPENDIX A

Agenda Item 11

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EAST SUFFOLK COUNCIL

MEDIUM TERM FINANCIAL STRATEGY 2021/22 – 2024/25

JANUARY 2021

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:

- November/December – 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.
- 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 Strategic Plan, over the medium term.

1.3 The vision of the East Suffolk Strategic Plan is to "deliver the highest quality of life possible for everyone who lives in, works in and visits East Suffolk". The MTFS underpins the new plan and vision for East Suffolk, focussing on five key themes. The key focus of the Financial Sustainability theme will be the development, monitoring and achievement of the savings and income increases required to ultimately close the Council's budget gap.

- Growing Our Economy
- Enabling Our Communities
- Remaining Financially Sustainable
- Delivering Digital Transformation
- Caring For Our Environment

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. As part of the implementation of the CIPFA Financial Management Code, the MTFS will also be developed to form the key component of the Long Term Financial Strategy (LTFS).

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 the ongoing pandemic, 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 challenges, as expressed in terms of its Budget and strategies towards reserves and capital.

2 PUBLIC FINANCES

2.1 On 11 March 2020 the Chancellor set out a £12 billion action plan in response to the economic impact of the coronavirus (Covid-19) outbreak. This included a set of measures to support public services, businesses and individuals. Since March 2020, the Government has introduced further economic support measures. It is estimated that this may cost the Government over £200 billion by the end of the financial year. Government borrowing is at historically high levels and the longer the current crisis continues, the cost to Government will rise. The budget deficit for 2020/21 is likely to reach levels last seen during World War II.

2.2 Amid the economic uncertainty caused by the Covid-19 pandemic, the Government cancelled the Autumn Budget and the Comprehensive Spending Review and concentrated on a one-year Spending Review announced on 25 November 2020.

2.3 Economic uncertainty in respect of the current crisis is having a significant effect on public sector finances in the short term, and the medium and longer term outlook is extremely difficult to predict. The outlook will depend on the strength of the economy to recover and how much permanent damage may have been done. The behavioural responses by consumers and businesses will play a major part in how quickly the economy can recover.

3 ECONOMIC INDICATORS

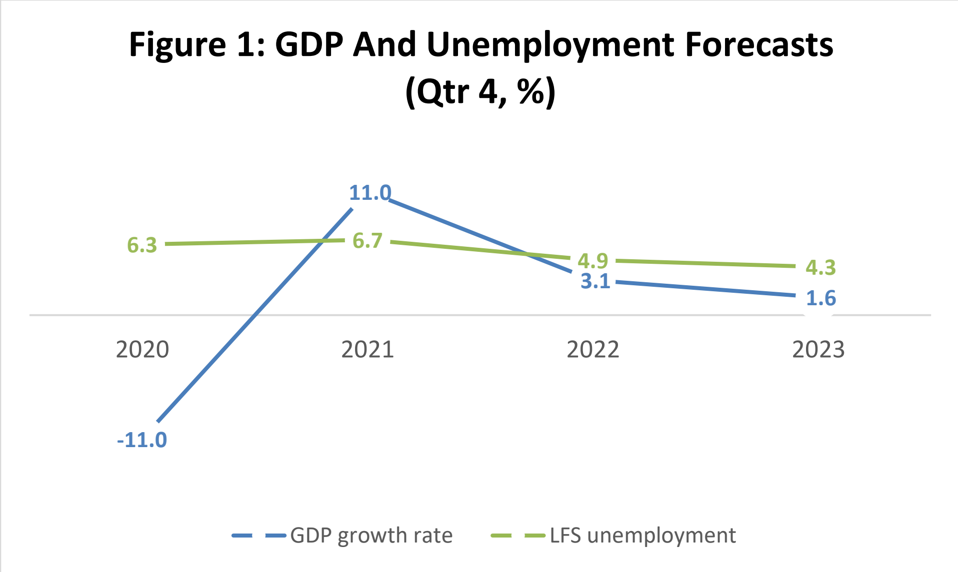
3.1 The national economic background affects the costs the Council incurs, the funding it receives, and contributes to the demand for services as residents are affected by economic circumstances. The inflation rate impacts on the cost of services the Council purchases, as the Council delivers much of its service provision through contractual arrangements where inflationary pressures must 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 2020 Monetary Policy Report, is shown in **Figure 1** below.

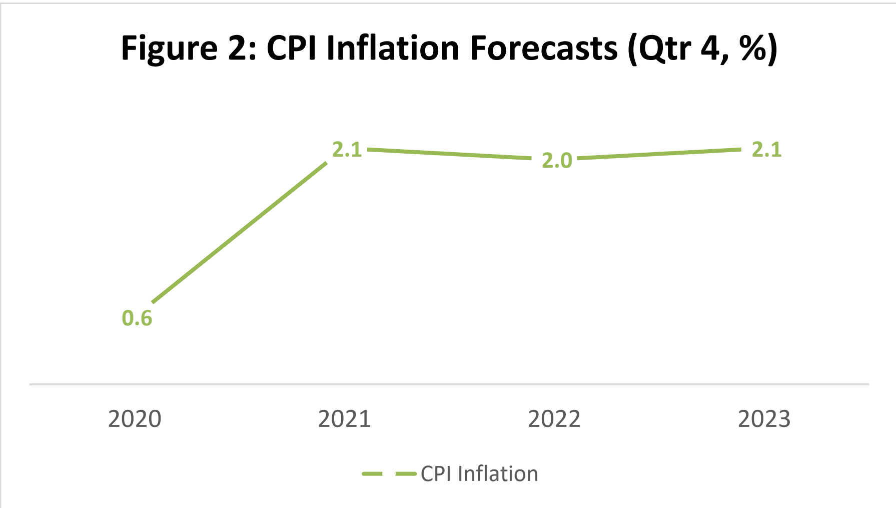
Unemployment

3.3 The most recent unemployment figures from the Office for National Statistics (ONS), for the three months August to October 2020 was 4.9%, up from 4.8% on the three months to September. For the period January to March 2020, unemployment was at 4%. The latest forecasts by the Bank of England expects unemployment to peak at 7.75% in quarter two of 2021, **Figure 1** below show the Quarter 4 forecasts from the Bank of England.



Consumer Pricing Index (CPI)

3.4 Inflation as measured by CPI, was 0.3% in November 2020, down from 0.7% in October 2020. September 2020 CPI (0.5%) is of importance as it is used as the basis for indexed increases in several areas in the local government finance system, including Business Rates. CPI remains well below the Bank of England's target rate of 2% and is expected to do so over the coming months before starting to rise sharply. Inflation is forecast to reach 2% in two years' time. The Bank of England's latest inflation forecast (Quarter 4) as at November 2020 is set out in **Figure 2** below.



Bank Interest Rate

3.5 At its 16 December 2020 meeting, the Bank of England Monetary Policy Committee (MPC) unanimously voted to maintain the bank rate at 0.1%. The MPC is projecting a reduction in bank rate to -0.1% during 2021.

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 29 January 2019 was the last year of the four-year settlement period that started in 2016/17. The Government issued a single year spending review for 2020/21 due to the uncertainties posed by the December 2019 General Election.

4.3 On 21 October 2020 the Government announced that it will be issuing a One-Year Local Government Financial Settlement for 2021/22, due to the combined uncertainties of Covid-19 and Brexit. The Provisional Local Government Finance Settlement was announced on 17 December 2020 and subsequent paragraphs in this section provide details of the funding measures affecting the Council. The focus of Government is on three areas:

- Providing departments with the certainty they need to tackle Covid-19 and deliver the Government's plan for jobs to support.
- Giving public services enhanced support to fight Covid-19 alongside delivering frontline services.
- Investing in infrastructure to deliver the Government's "ambitious plans to unite and level up the country, drive our economic recovery and build back better."

Revenue Support Grant (RSG) and Rural Services Delivery Grant

4.4 RSG has been substantially reduced in recent years. The MTFS previously assumed no RSG from 2021/22, but in the Provisional Local Government Finance Settlement for 2021/22, a roll forward of 2020/21 RSG was announced and the Council will receive £330,000 in 2021/22. It is not currently assumed that this funding will be replicated in 2022/23.

4.5 The Rural Services Delivery Grant (RSDG) is a Government grant recognising cost pressures associated with service delivery in rural sparse areas. As with RSG, RSDG has also been rolled forward and £260,000 will be received in 2021/22. It is also not currently assumed that this funding will be replicated in 2022/23.

Lower Tier Services Grant

4.6 A new Lower Tier Services Grant (LTSG) was announced in the Settlement, with the purpose of helping to minimise the range of increases in Core Spending Power (CSP) and ensuring that no authority receives a reduction in CSP. This grant is being funded by way of re-directing New Homes Bonus (NHB) returned surplus funding. Although it will be received by all councils that deliver lower-tier services, i.e. not county councils, it is very heavily weighted towards district councils. This is probably a short-term grant that will disappear when wider reforms of local government funding are introduced, presumably in 2022/23. The Council will receive £381k in LTSG in 2021/22. It is worth noting that as far as the Council is concerned, this grant amounts to considerably more than NHB returned surplus funding might have.

Business Rates – Business Rates Retention and Fair Funding Review

4.7 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.

4.8 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 been delayed until

2022/23. The Government is continuing to work with the Local Government Association (LGA) and local authority representatives to develop the new system.

4.9 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 a move to 100% local retention. This has now also been delayed to 2022/23.

4.10 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. As a result of the delay in implementing the Business Rate reforms, in 2021/22 the Council will benefit from another year under the current regime, which has a significant impact on the MTFS position for 2021/22 compared with previous forecasts. Based on 2020/21 estimates, this adjustment to the MTFS would have amounted to around £4.884 million, which was referenced in the report to Cabinet in July 2020 regarding the financial impact of Covid-19. However, since that report, there has been increasing concern about the impact of Covid-19 on the Business Rates base on the area. In the latest forecast for Business Rates income for 2021/22, referred to in more detail below, the estimated net benefit to the Council of this deferral compared to the previous MTFS is now around £3.767 million.

4.11 The position regarding rates income on Renewable energy projects when the system is reset is also currently unclear. The Council currently benefits from retaining 100% of the rates from all new renewable energy projects that have been developed since 2013/14. In the MTFS, it has been assumed that when the system is reset in 2022/23, the council will receive its normal 40% share of income from these existing properties and a new cycle of 100% retention will start for new projects from that point onwards. Consequently, the MTFS and the table in paragraph 4.17 shows only 40% of the current income from renewables, with no assumption of additional income from 2022/23 onwards as yet.

Business Rates

4.12 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.

4.13 **Business Rates Collection Fund** - As a result of Covid-19, there is likely to be a larger than normal deficit on the 2020/21 Collection Fund for both Council Tax and Business Rates. On 5 November 2020 the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 were laid before Parliament and came into force on 1 December 2020. The regulations implement the announcement made by the Secretary of State on 2 July 2020 that "the repayment of collection fund deficits arising in 2020/21, will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year."

4.14 The position on Business Rates has been greatly improved by the announcement in the Settlement of a **Tax Income Guarantee Scheme** to fund 75% of irrecoverable losses in Council Tax and Business Rates in 2020/21. This scheme will run in parallel to the requirement for billing authorities to spread the 2020/21 collection fund deficit over 3 years. Business rate losses will be measured by comparing the NNDR1 with the NNDR3 outturn. Compensation will be paid based on the reduction in non-domestic rating income, including the accounting adjustments for bad debts and refunds, which defines losses using a very broad definition**.** The precise details of this scheme will determine the amount of the collection fund deficit for 2020/21 and are not yet available. These figures will consequently need to be revised for the final Budget report to Full Council.

4.15 The Business Rates Collection Fund position is further complicated by the fact that in 2020/21, in response to the Covid-19 pandemic, around £32.5m of rate relief is being granted to retail, hospitality, and leisure businesses. For information, it is worth noting that where major retailers have offered to repay these reliefs, they are repaying HM Treasury directly, rather than via billing authorities. These reliefs are the primary reason for the currently estimated total Business Rate Collection Fund Deficit for 2020/21 of £36.726 million, with East Suffolk's 40% share equating to £14.690 million. The remaining balance of the deficit is shared by Suffolk County Council and Central Government. The Government is funding these reliefs by Section 31 Grant, which is accounted for by the Council in 2020/21, but the Collection Fund deficit impacts on the Council's own budget in 2021/22. The Council's share of additional Section 31 Grant in total is just under £12.4m which will be contributed to the Business Rates Equalisation Reserve in 2020/21, partly enabling the Council to meet its share of the deficit in 2021/22. This position is illustrated in the table below, including the implementation of the Regulations detailed in paragraph 4.13. Total Section 31 Grant in 2020/21 is now estimated to be £17.256m, compared with an original estimate of £4.861m. The effect of the Tax Income Guarantee Scheme referred to in paragraph 4.14 above will also need to be reflected in this table. These deficits will be entirely funded from the Business Rate Equalisation Reserve.

East Suffolk Council – Business Rates Collection Fund Deficit	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Deficit for 2021/22	0	13,587	552	552	0
Tax Income Guarantee Scheme	?	0	0	0	0
Section 31 Grant contributed to Business Rates Equalisation Reserve	12,396	0	0	0	0

4.16 **Suffolk Pool** – In October, all Suffolk councils agreed to continue a pooling arrangement for 2021/22, which would allow them to retain a larger proportion of their share of growth by reducing the overall levy rate for Suffolk to nil. The estimated Pooling benefit for 2021/22 is dependent on all the NNDR1 returns being prepared by the Suffolk councils and then collated by Suffolk County Council (SCC) in January 2021. The continuation of Suffolk Business Rates Pool was notified by the Government in the Provisional Local Government Finance Settlement, with confirmation in the Final Local Government Finance Settlement likely in late January 2021. The current MTFS does not include any Pooling Benefit for the next financial year. An estimate for this element will be included in the final Budget for 2021/22, but given the uncertainty surrounding Business Rates income, a high degree of caution will need to be exercised regarding this income source for next year.

4.17 Business Rates income for 2021/22 is based on the NNDR1 return, and all Business Rates estimates included in the MTFS have been updated based on the first draft of this return. As detailed earlier in the report, the Business Rates system is now to be reformed from

2022/23, 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 2022/23 and beyond, are based on the current Business Rates system and only include estimates of Baseline income, which is approximately £7m, Section 31 Grant, and a proportion of the amount currently retained in respect of Renewables. The updated MTFS now includes the following estimates for Business Rates income and related Section 31 Grant. As referred to previously, the position on Business Rates for 2021/22 is extremely uncertain due to Covid-19 impacts. In the light of this, significant increases have been made in these figures to the provisions for both appeals and bad debts.

Business Rates - Update Jan 2021	**MTFS 2021/22 £'000**	**FORECAST 2021/22 £'000**	**FORECAST 2022/23 £'000**	**FORECAST 2023/24 £'000**	**FORECAST 2024/25 £'000**
Business Rates Income					
Business Rates Baseline	7,228	6,925	7,063	7,205	7,349
Business Rates Above Baseline	0	1,476	0	0	0
Business Rates Renewables	0	1,129	461	470	479
Total Business Rates Income	**7,228**	**9,530**	**7,524**	**7,675**	**7,828**
Share of Pooling Benefit with Suffolk Councils	0	0	0	0	0
Section 31 Grant	2,865	4,331	4,418	4,506	4,596
	10,093	**13,861**	**11,942**	**12,181**	**12,424**

Council Tax

4.18 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. However, for 2021/22, Council Tax is also subject to more uncertainty than in previous years as a result of the economic impact of the Covid-19 pandemic. 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. For Shire District Councils in two-tier areas, the referendum limit for 2021/22 is the higher of 2% or £5, the same as in the current year. Referendum limits will not apply to Town and Parish Councils in 2021/22.

4.19 **Council Tax Base** – The Council Tax Base for 2021/22 was approved by Cabinet on 5 January 2021. The economic impacts of the Covid-19 pandemic have affected the Council Tax Base estimate, which includes a higher forecast level of Local Council Tax Reduction Scheme (LCTRS) reliefs and a slightly reduced collection rate.

4.20 The tax base for the current year amounts to 87,888.87 Band D equivalents. In normal circumstances, the tax base would be expected to increase by around 1% per year. The tax base for 2021/22 amounts to 87,339.43 Band D equivalents, a reduction of 549.44, or around 0.63%. This equates to a reduction of around £94k in Council Tax income to the Council based on the current District Band D Council Tax of £171.27.

4.21 In the one-year Spending Review announced on 25 November 2020, £670m additional grant funding was announced to provide support to authorities in respect of the impact on Council Tax bases arising from increased LCTRS reliefs. This funding has subsequently been confirmed in the Provisional Local Government Finance Settlement. Major precepting authorities will receive a Local Council Tax Support Grant allocation proportionate to their share of the Council Tax bill in the district, based on the increase in the value of LCTRS reliefs in the year between the October 2019 CTB1 and October 2020 CTB1 returns, together with an allowance for forecast increases at a national level.

4.22 The major precepting authorities will receive a total of £2.748m in grant relating to the East Suffolk area in 2021/22 as follows: Suffolk County Council £2.040m; Suffolk Police and Crime Commissioner £0.338m; and East Suffolk Council £0.370m. As a billing authority, the East Suffolk Council grant includes an element relating to the reduction in tax bases experienced at town and parish level. Based on the share of the overall average Council Tax bill, this element is estimated to amount to around £110k. The Cabinet meeting of 5 January 2021 approved a scheme for passing this element of funding on to town and parish councils for them to take into account when considering their own precept and Council Tax requirements.

4.23 **Council Tax Collection Fund Deficit** – In a similar situation to Business Rates, there is also likely to be a larger than normal deficit on the 2020/21 Council Tax Collection Fund primarily due to an increase in the level of Local Council Tax Reduction Scheme (LCTRS) reliefs and a higher provision for non-collection and the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 also apply enabling the spread of collection fund deficits arising in 2020/21 over the next three years.

4.24 As with Business Rates, the **Tax Income Guarantee Scheme** announced in the Settlement will fund 75% of irrecoverable losses in Council Tax and Business Rates in 2020/21. This scheme will run in parallel to the requirement for billing authorities to spread the 2020/21 collection fund deficit over 3 years. Council Tax losses will be calculated by comparing an authority's Council Tax requirement in 2020-21 with its share of the relevant billing authority's Net Collectable Debit. The guidance indicates a wider scope than had been expected and appears to avoid the difficulty of defining "irrecoverable" losses.

4.25 The current estimate for the Council Tax Collection Fund Deficit for 2021/22 is £1.262m, with East Suffolk's share equating to £170,000. The remaining balance of the deficit is shared by Suffolk County Council and the Police and Crime Commissioner for Suffolk. Following the implementation of the Regulations detailed in paragraph 4.22 above, the estimated deficit relating to the current year has been partly spread into 2022/23 and 2023/24. The overall updated estimate for the Council's share of the Council Tax Deficit for 2021/22 is profiled over the MTFS as follows:

East Suffolk Council – Council Tax Collection Fund Deficit	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Deficit for 2021/22	0	106	32	32	0

4.26 **District Band D Council Tax 2021/22** – Mindful of the financial impact of the pandemic on residents, Cabinet on 1 December 2020 approved that Members and officers develop proposals to set a balanced budget for 2021/22 and beyond, including a recommended freeze on the district element of Council Tax in 2021/22 subject to further evaluation and analysis. An increase at the maximum level of £4.95 for 2021/22 would equate to a District Band D Council Tax for East Suffolk of £176.22 and generate approximately £432k of additional income. Whilst in normal circumstances it would probably be advisable for the Council to increase Council Tax up to the maximum level allowed without a referendum, the funding measures in the Settlement referred to above, specifically the Tax Income Guarantee Scheme and Local Council Tax Support Grant, provide financial support significantly mitigating the impact of not increasing the district tax element.

4.27 The table below sets out the estimated Council Tax income and current assumptions on Council Tax included in the MTFS, incorporating a freeze in 2021/22.

Council Tax Income - MTFS	2020/21 £'000	Estimate 2021/22 £'000	Estimate 2022/23 £'000	Estimate 2023/24 £'000	Estimate 2024/25 £'000
Council Tax Income - Base	(14,429)	(15,053)	(14,959)	(15,545)	(16,141)
Growth / Reduction in Tax Base	(189)	94	(150)	(155)	(161)
Council Tax Increase	(435)	0	(437)	(441)	(445)
Total Council Tax Income	**(15,053)**	**(14,959)**	**(15,545)**	**(16,141)**	**(16,748)**
Council Tax Band D	£171.27	£171.27	£176.22	£181.17	£186.12
Council Tax Base	87,888.87	87,339.43	88,212.82	89,094.95	89,985.90
Growth in Tax Base	1.31%	-0.63%	1.00%	1.00%	1.00%
Council Tax Increase £	4.95	0.00	4.95	4.95	4.95
Council Tax Increase %	2.98%	0.00%	2.89%	2.81%	2.73%

Assumptions from 2021/22: Council Tax increases of 2% or £5, whichever is the higher.

New Homes Bonus (NHB)

4.28 The Government established the New Homes Bonus (NHB) in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. 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.

4.29 The funding settlement for 2020/21 was for one year only and included payment of NHB for one year instead of four years, i.e. no legacy payments. This has had a significant impact on NHB funding availability, as annual allocations generally tended to amount to over £500k per year. There has been considerable uncertainty regarding NHB as the consultation on the future of NHB and potential alternative incentives for the provision of new housing has been postponed. Another one-year only round of NHB funding (year 11), has been announced in the Settlement, so the total payments of NHB to be received in 2021/22 will be two legacy payments in respect of years 8 and 9, and one payment in respect of year 11. Under the current system, NHB allocations are based on growth in the number of properties between this year and last year as shown on the Council Tax CTB1 forms, and an allocation is payable over a growth threshold of 0.4%. However, the Covid-19 pandemic has clearly affected house completions this year, and the council's year 11 allocation is only £24k, as these forms indicate growth of only 0.42% over the past year. However, the premium of £350 per property given for new affordable homes increases the overall allocation for the year to just under £104k. The table below shows the position regarding new and legacy payments. Given the potential changes to this regime, no assumption has been made for any new NHB allocations from 2022/23 onwards.

NHB	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Year 7	(565)	0	0	0	0
Year 8	(548)	(548)	0	0	0
Year 9	(525)	(525)	(525)	0	0
Year 10	(665)	0	0	0	0
Year 11	0	(104)	0	0	0
Forecast January 2021	**(2,303)**	**(1,177)**	**(525)**	**0**	**0**

4.30 The Council uses NHB funding to support specific community related projects and initiatives across East Suffolk. This is balanced against the overriding need to retain financial sustainability.

4.31 **Appendix A3** outlines the current position on the NHB Reserve and proposed use of NHB funding for East Suffolk over the MTFS period. This is summarised in the table below.

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Opening Balance	(5,442)	(5,693)	(4,783)	(3,678)	(3,606)
Add: Allocation Received	(2,303)	(1,177)	(525)	0	0
Less: Proposed Use	2,052	2,087	1,630	72	73
Closing balance	(5,693)	(4,783)	(3,678)	(3,606)	(3,533)

5 MEDIUM TERM FINANCIAL POSITION

MTFS Forecasts 2020/21 to 2024/25

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. Key areas of the budget review include;

- Establishment (staffing) costs.
- Partnerships.
- Revenue implications of investment projects and the capital programme.
- Business Rates and Council Tax income.
- Covid-19.
- Local Government Settlement for 2021/22.
- Use of reserves.

5.2 The MTFS was last updated in February 2020. A summary analysis of the key movements as at January 2021 is shown in the following table. This table is supported by **Appendix A4 and A5.**

MTFS Updates - January 2021	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Key Budget Movements:					
Operational Requirements	242	490	1,238	1,120	1,915
Reduced Income	0	150	150	150	150
Additional Income	0	(57)	(107)	(107)	(107)
Partnership Review	(25)	(186)	(345)	(758)	(830)
COVID Impact	1,784	1,428	264	264	264
Replenish Reserve	0	200	0	0	0
Funding:					
Business Rates	0	(3,767)	(1,545)	(1,472)	(1,716)
Council Tax	0	790	730	744	105
Local Government Settlement Funding	0	(1,231)	0	0	0
Use of Reserves to Balance the Budget	(2,001)	(3,167)			
Net Total of Updates	**0**	**(5,350)**	**385**	**(59)**	**(219)**

5.3 The summary MTFS position resulting from these movements as at January 2021 is shown in the table below.

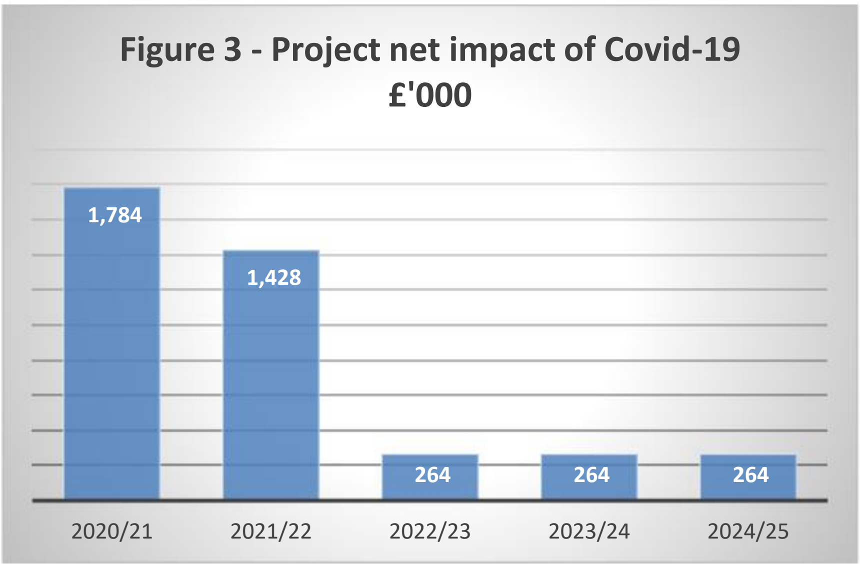
MTFS Forecast - East Suffolk	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
February 2020	0	5,350	6,163	6,676	6,676
November 2020	2,028	3,362	4,840	5,424	5,203
January 2021	0	0	6,548	6,617	6,457

5.4 There are several key features in the latest MTFS position as at November 2020 notably the impact of Covid-19, further Government responses to this, and the delay in the Business Rate Retention and Fair Funding reforms until 2022/23. 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. This is estimated to constitute a financial benefit of over £3 million to the Council in 2021/22.

5.5 The period from 2021/22 onwards is extremely uncertain due to Covid-19 pressures. The Council finds itself with 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 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 **Covid-19 impact estimate** – In July 2020 a report was taken to Cabinet to provide an update on the financial implications of Covid-19 and this report contains an update. The impact of Covid-19 is continually monitored and re-assessed as the situation changes. **Figure 3** below outlines the net impact of Covid-19 over the MTFS period.



5.7 The table below provides a financial impact summary of Covid-19 over the MTFS as at this time. There is much uncertainty as to the ongoing impact of Covid-19 into next financial year and beyond, for example the impact on income - fees and charges, Council Tax and Business Rates. The current external environment is subject to continual change, which adds greater complexity to developing medium term budget planning and assumptions.

Financial Impact of Covid-19 (as at January 2021)	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
Additional Cost Pressures	4,940	1,346	100	100	0
Savings	(310)	(100)	(100)	(100)	(100)
Income Losses:					
Sales, Fees & Charges	3,584	1,356	300	300	300
Other Income	1,306	812	64	64	64
Funding:	(7,736)	(1,986)	(100)	(100)	0
Net Impact of Covid-19	**1,784**	**1,428**	**264**	**264**	**264**

5.8 The Government introduced a local government income compensation scheme, whereby Councils can claim for eligible losses on fees and charges income due to Covid-19 for 2020/21. As part of the Local Government Settlement for 2021/22 this scheme has been extended to the end of the first quarter of 2021/22. Of the estimated loss on fees and charges income - £3.584 million, in the current year, it is estimated that the Council could be compensated in the region of £2.7 million.

5.9 Detailed information on the impact of Covid-19 for the current financial year is provided in **Appendix A7**. This covers the areas of cost and income pressures and the sources of funding received by the Council.

5.10 **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.

5.11 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.

5.12 **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 for 2021/22 were considered by Cabinet on 5 January 2021.

5.13 **Public Sector Pay** - The opening MTFS position for East Suffolk had assumed a 2% pay award increase per annum for 2020/21 onwards. In August 2020, the local Government Services' Pay Agreement for 2020/21 was announced, 2.75%. This was effective from 1 April 2020. The updated MTFS, reflects the additional 0.75%, approximately £180,000 per annum from the current financial year. The updated MTFS continues to assume pay awards of 2% for 2022/23 onwards due to the pressures on public finances and the economic uncertainty over the medium term.

5.14 **Actuarial Valuation** - The latest triennial actuarial valuation of the assets and liabilities of the Suffolk County Pension Fund was completed on 31st March 2019. The employers pension contribution rate for 2020/21, 2021/22 and 2022/23 is 34%, 33% and 32% respectively. For 2020/21 onwards there will not be a deficit payment, and instead it is incorporated into the primary rate.

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

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

Budget Area	**Assumption**
Inflation	
Goods & Services	Met within existing budgets (exception is contract)
Utilities	2% 2021/22, 3% 2022/23, 4% 2023/24 onwards
Fees & Charges	Inflation is applied where appropriate - 1.1% to 2.9%
Staffing Costs	2% per annum plus incremental progression from 2021/22
In-Year Vacancy Allowance	£300k per annum
Investment Income	0.10% Term Investments (average) 0.05% Call Account 4.37% Property Fund (as at October 2020) 4.32% Diversified Income Fund (as at October 2020)

5.17 **Other Pressures** – Ranging from increased demand for services or changes in national policy, the Council's MTFS is adjusted to reflect the financial implications of these changes.

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 £130 million for East Suffolk). This would equate to maintaining a General Fund balance for East Suffolk, in the region of between £4 million and £6 million. As at 1 April 2020, the opening General Fund balance of East Suffolk stood at £6 million.

6.5 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. 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. However, with the unprecedented impact of Covid-19 and the financial uncertainty that it creates, Earmarked reserves have been used as a one-off resource to address the budget gaps for the current year and for 2021/22. For 2020/21 £2.001 million has been used from the In-Year Savings Reserves. For 2021/22 the In-Year savings Reserve and the Business Rate Equalisation Reserve have both been used to balance the budget - £2.269 million and £0.898 million respectively.

6.6 The current projected position on General Fund Reserves and Balances for East Suffolk is summarised in the following table. This summary includes use of reserves to address the updated budget gaps as detailed above. This summary is supported by **Appendix A6.**

Reserves	Actual April 2020 £'000	MTFS April 2021 £'000	MTFS April 2022 £'000	MTFS April 2023 £'000	MTFS April 2024 £'000	MTFS April 2025 £'000
General Fund	6,000	6,000	6,000	6,000	6,000	6,000
Earmarked Reserves:						
Business Rate Equalisation	5,881	24,175	9,416	8,824	8,117	8,082
Capital	8,701	5,703	2,171	438	105	172
Community Projects & Initiatives	6,783	6,983	5,721	4,406	4,134	3,973
Corporate - Contingency, Service Requirements	8,484	8,813	2,325	2,335	2,025	2,035
Housing & Homelessness	4,246	3,936	2,274	2,047	1,918	1,786
Port Health	5,181	4,987	4,819	4,740	4,721	4,628
Regeneration & Economic Development	5,853	3,720	2,151	2,005	2,210	2,486
Service Transformation	1,387	2,067	1,897	2,117	2,117	2,117
Total Earmarked Reserves	**46,516**	**60,384**	**30,774**	**26,912**	**25,347**	**25,279**

6.7 The opening balances above for 2020/21 are subject to conclusion of the external audit review for 2019/20.

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 2021/22 to 2024/25 was considered by both the Scrutiny Committee and the Cabinet before approval by Full Council on 27 January 2021. 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 aims to achieve the optimum balance between the future needs of East Suffolk, including the need to drive growth, whilst ensuring affordability in the short and long term. 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.
- 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. The current 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 2021/22 and medium-term financial planning, the current rolling Capital Programme is being updated to reflect existing projects and the latest capital investment plans for the period 2020/21 to 2024/25 are included.

Capital Programme

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. The decision to accept individual projects onto the Programme is driven by the overriding requirement to support the priorities communicated in the East Suffolk Strategic Plan, providing they are affordable.

7.5 As well as adequately maintaining the asset base, a range of other important factors are considered when deciding upon the allocation of General Fund resources. Consideration is given to:

- Legislation – the need for capital investment due to changes in legislation, including those with health and safety implications.
- 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 within the Council, with leadership and oversight provided by the Senior Management Team.

7.8 The 2020/21 Capital Programme for the Council was considered by the Scrutiny Committee on 17 December 2020 and Cabinet on 5 January 2021 before approval by Full Council on 27 January 2021.

EAST SUFFOLK MEDIUM TERM FINANCIAL STRATEGY - KEY PRINCIPLES

1 PRIORITIES, AIMS AND OBJECTIVES

1.1 The **East Suffolk Strategic 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 Long Term and **Medium Term Financial Strategies** sit under the **Strategic 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 Strategic 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 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 these 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:

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

ii) 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 £4 million to £6 million.

- 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) the impact of the current pandemic;

f) consultation outcomes;

g) 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.
- 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.	**M**	**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.	**H**	**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, economic, social 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.	**H**	**H**	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.	**H**	**M**	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 strategic partnerships and contracts and is therefore susceptible to economic, social and demographic changes.	**H**	**H**	Effective negotiation, sound governance arrangements and reviews of partnerships performance.
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.	**M**	**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.

Band D Equivalent Taxbase by Parish			
PARISH	20/21	21/22	Difference
Aldeburgh	1,883.62	1,870.40	-13.22
Alderton	174.22	176.58	2.36
Aldringham-Cum-Thorpe	575.43	575.22	-0.21
All Saints & St. Nicholas, St. Michael and St. Peter S E	102.49	102.45	-0.04
Badingham	224.14	230.16	6.02
Barnby	217.09	215.66	-1.43
Barsham and Shipmeadow	129.08	131.00	1.92
Bawdsey	188.02	193.25	5.23
Beccles	3,206.36	3,160.88	-45.48
Benacre	33.97	32.68	-1.29
Benhall & Sternfield	290.55	299.47	8.92
Blaxhall	112.44	109.38	-3.06
Blundeston and Flixton	456.35	454.71	-1.64
Blyford and Sotherton	71.01	70.50	-0.51
Blythburgh	191.21	192.52	1.31
Boulge	14.85	14.10	-0.75
Boyton	59.66	58.47	-1.19
Bramfield & Thorington	191.03	192.37	1.34
Brampton with Stoven	148.52	150.86	2.34
Brandeston	146.11	142.59	-3.52
Bredfield	147.28	146.41	-0.87
Brightwell, Foxhall & Purdis Farm	985.21	989.89	4.68
Bromeswell	154.82	155.32	0.50
Bruisyard	66.12	69.28	3.16
Bucklesham	200.74	198.39	-2.35
Bungay	1,631.58	1,613.60	-17.98
Burgh	79.37	79.56	0.19
Butley, Capel St Andrew & Wantisden	113.32	113.18	-0.14
Campsea Ashe	155.05	154.71	-0.34
Carlton Colville	2,657.67	2,609.02	-48.65
Charsfield	145.84	143.75	-2.09
Chediston, Linstead Magna & Linstead Parva	158.06	158.74	0.68
Chillesford	63.35	69.08	5.73
Clopton	145.80	144.55	-1.25
Cookley & Walpole	153.33	153.27	-0.06
Corton	567.16	567.40	0.24
Covehithe	10.84	12.87	2.03
Cransford	67.42	67.21	-0.21
Cratfield	148.76	144.37	-4.39
Cretingham, Hoo & Monewden	207.77	207.40	-0.37
Dallinghoo	84.77	83.38	-1.39

Darsham	181.67	191.85	10.18
Debach	32.01	32.14	0.13
Dennington	232.70	233.86	1.16
Dunwich	86.20	86.46	0.26
Earl Soham	202.46	201.29	-1.17
Easton	163.04	167.03	3.99
Eyke	154.63	152.13	-2.50
Felixstowe	8,474.25	8,488.90	14.65
Flixton, St. Cross S E & St. Margaret South Elmham	165.31	161.32	-3.99
Framlingham	1,492.68	1,566.80	74.12
Friston	211.74	213.88	2.14
Frostenden, Uggeshall and South Cove	164.76	168.42	3.66
Gisleham	248.05	245.02	-3.03
Great Bealings	132.25	132.40	0.15
Great Glemham	103.37	103.07	-0.30
Grundisburgh & Culpho	634.94	645.89	10.95
Hacheston	159.69	162.58	2.89
Halesworth	1,719.61	1,720.23	0.62
Hasketon	175.12	175.15	0.03
Hemley	25.33	25.71	0.38
Henstead with Hulver Street	139.22	137.33	-1.89
Heveningham	65.50	64.29	-1.21
Hollesley	475.97	483.35	7.38
Holton	308.32	304.80	-3.52
Homersfield	59.30	60.13	0.83
Huntingfield	78.65	76.53	-2.12
Iken	63.31	64.36	1.05
Kelsale-cum-Carlton	406.67	401.44	-5.23
Kesgrave	4,788.23	4,753.56	-34.67
Kessingland	1,427.93	1,392.31	-35.62
Kettleburgh	109.66	108.12	-1.54
Kirton & Falkenham	554.01	552.33	-1.68
Knodishall	315.05	313.61	-1.44
Leiston	1,777.07	1,724.87	-52.20
Letheringham	42.82	38.62	-4.20
Levington & Stratton Hall	125.62	121.51	-4.11
Little Bealings	213.74	209.67	-4.07
Little Glemham	67.14	67.32	0.18
Lound	117.41	115.83	-1.58
Lowestoft	12,682.12	12,371.87	-310.25
Marlesford	87.42	86.40	-1.02
Martlesham	2,296.38	2,296.33	-0.05
Melton	1,822.60	1,860.33	37.73
Mettingham	82.10	80.44	-1.66
Middleton	198.64	202.75	4.11
Mutford	185.31	185.20	-0.11
Nacton	344.26	352.54	8.28

Newbourne	107.22	108.55	1.33
North Cove	149.89	151.89	2.00
Orford & Gedgrave	394.25	398.71	4.46
Otley	288.92	290.45	1.53
Oulton	1,463.43	1,467.88	4.45
Oulton Broad	3,250.37	3,209.24	-41.13
Parham	120.08	119.31	-0.77
Peasenhall	232.77	236.66	3.89
Pettistree	87.15	88.10	0.95
Playford	112.89	111.18	-1.71
Ramsholt	12.77	12.53	-0.24
Redisham	52.13	51.74	-0.39
Rendham	129.57	128.77	-0.80
Rendlesham	939.42	931.93	-7.49
Reydon	1,192.36	1,178.84	-13.52
Ringsfield and Weston	221.44	219.60	-1.84
Rumburgh	119.50	120.46	0.96
Rushmere	33.07	33.17	0.10
Rushmere St Andrew	2,573.67	2,560.78	-12.89
Saxmundham	1,566.89	1,556.39	-10.50
Saxtead	126.06	127.44	1.38
Shadingfield, Sotterley, Willingham and Ellough	180.14	180.25	0.11
Shottisham	84.33	83.77	-0.56
Sibton	94.89	98.18	3.29
Snape	329.04	326.69	-2.35
Somerleyton, Ashby & Herringfleet	164.18	162.49	-1.69
Southwold	1,094.99	1,076.40	-18.59
Spexhall	85.38	84.16	-1.22
St. Andrew Ilketshall	110.89	113.28	2.39
St. James South Elmham	87.83	88.31	0.48
St. John Ilketshall	20.38	20.09	-0.29
St. Lawrence Ilketshall	61.77	59.18	-2.59
St. Margaret Ilketshall	69.38	71.45	2.07
Stratford St Andrew and Farnham	138.50	138.88	0.38
Sudbourne	184.58	182.46	-2.12
Sutton	142.39	143.97	1.58
Sutton Heath	327.25	358.26	31.01
Sweffling	96.45	97.32	0.87
Swilland & Witnesham	398.60	409.31	10.71
Theberton	152.35	148.92	-3.43
Trimley St Martin	731.42	736.40	4.98
Trimley St Mary	1,267.47	1,255.32	-12.15
Tuddenham St Martin	164.05	165.41	1.36
Tunstall	264.01	264.02	0.01
Ubbeston	42.45	42.97	0.52
Ufford	382.86	392.54	9.68
Walberswick	388.72	375.57	-13.15

Waldringfield	249.75	250.35	0.60
Wangford with Henham	249.08	252.05	2.97
Wenhaston with Mells Hamlet	417.09	402.76	-14.33
Westerfield	234.74	236.17	1.43
Westhall	130.45	132.27	1.82
Westleton	308.52	310.14	1.62
Wickham Market	818.13	806.71	-11.42
Wissett	123.66	121.03	-2.63
Woodbridge	3,149.75	3,100.12	-49.63
Worlingham	1,289.04	1,273.64	-15.40
Wrentham	382.53	375.17	-7.36
Yoxford	343.31	345.20	1.89
	87,888.87	87,339.43	-549.44

NHB RESERVE SUMMARY 2020/21 TO 2024/25

NHB Reserve	2020/21 Revised Budget £'000	2021/22 Revised Budget £'000	2022/23 Revised Budget £'000	2023/24 Revised Budget £'000	2024/25 Revised Budget £'000
NHB Reserve Balance Brought Forward	(5,441.67)	(5,692.87)	(4,781.97)	(3,677.47)	(3,605.47)
NHB In-Year Funding	(2,302.70)	(1,176.50)	(525.00)	0.00	0.00
Total NHB Funding in Reserve	**(7,744.37)**	**(6,869.37)**	**(5,306.97)**	**(3,677.47)**	**(3,605.47)**
Application of NHB					
Enabling Communities Budget					
55 Councillors * £7.5k	433.60	412.50	412.50	0.00	0.00
	433.60	**412.50**	**412.50**	**0.00**	**0.00**
COVID-19 - Foodbank Grants	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Community Partnerships					
8 Partnership * £25k each	269.20	200.00	200.00	0.00	0.00
Resourcing & Engagement					
CP Manager	66.40	69.50	70.40	72.00	73.30
Communities Officer	40.70	20.00	20.00	0.00	0.00
Funding Officer	20.00	20.00	20.00	0.00	0.00
Venues for meetings	2.50	2.50	2.50	0.00	0.00
Contribution to Suffolk Association Local Councils	10.00	10.00	10.00	0.00	0.00
Contribution to Community Action Suffolk	10.00	10.00	10.00	0.00	0.00
	418.80	**332.00**	**332.90**	**72.00**	**73.30**
Strategic Community Partnerships - Allocated	210.80	0.00	0.00	0.00	0.00
Strategic Community Partnerships - Unallocated	209.20	300.00	300.00	0.00	0.00
	420.00	**300.00**	**300.00**	**0.00**	**0.00**
COVID-19 - Hardship Fund/Social Isolation Grants	**99.60**	**0.00**	**0.00**	**0.00**	**0.00**
Exemplar Grants	**22.80**	**0.00**	**0.00**	**0.00**	**0.00**
WIFI Implementation on Market Towns	**59.70**	**139.30**	**0.00**	**0.00**	**0.00**
ESP	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Economic Development Towns Fund	**29.50**	**0.00**	**0.00**	**0.00**	**0.00**
Lowestoft Full Fibre project	**48.00**	**576.00**	**576.00**	**0.00**	**0.00**
UCI World Masters Cycle Cross Championships	**0.00**	**8.20**	**8.10**	**0.00**	**0.00**
Commitments Pre 2019/20					
Tour of Britain - Womens Tour 2019 & 2020	75.00	54.00	0.00	0.00	0.00
Housing Enabling Support	16.20	0.00	0.00	0.00	0.00
Better Broadband Suffolk	0.00	0.00	0.00	0.00	0.00
Community Enabling (locality budget)	0.00	0.00	0.00	0.00	0.00
Economic Development Major Projects	0.00	0.00	0.00	0.00	0.00
Landguard	18.30	18.10	0.00	0.00	0.00
	109.50	**72.10**	**0.00**	**0.00**	**0.00**
Place Based initiatives					
Felixstowe Forwards	106.10	83.50	0.00	0.00	0.00
Leiston Together	39.90	31.80	0.00	0.00	0.00
Lowestoft Rising	20.00	0.00	0.00	0.00	0.00
	166.00	**115.30**	**0.00**	**0.00**	**0.00**
Total NHB Earmarked for Community Initiatives	**1,807.50**	**1,955.40**	**1,629.50**	**72.00**	**73.30**
Set Aside to Support the Budget					
To Support Transition of NHB use to East Suffolk	244.00	132.00	0.00	0.00	0.00
Total NHB use for the Year	**2,051.50**	**2,087.40**	**1,629.50**	**72.00**	**73.30**
NHB Reserve Balance Carried Forward	**(5,692.87)**	**(4,781.97)**	**(3,677.47)**	**(3,605.47)**	**(3,532.17)**

MTFS KEY MOVEMENTS FROM FEBRUARY 2020 TO 2021

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	
Budget Gap - February 2020	**0**	**5,350**	**6,163**	**6,676**	**6,676**	
Operational Requirements						**Additional Commentary**
Roll forward of staffing budget	0	0	0	0	360	Annual increments and pay award assumption
2020/21 pay award	180	180	180	180	180	2.75% pay award. 0.75% above original budget assumption
Melton Hill site	0	244	0	0	0	Business rates and site security costs
Minimum Revenue Provision	(280)	(164)	217	502	575	To reflect changes to the capital programme
Coastal management repairs & maintenance	0	55	55	55	55	Coastal frontages - rapid changes as the result of winter storms, surges and coastal change
Other net changes	342	175	786	383	745	
Total of key movements for operational requirements	**242**	**490**	**1,238**	**1,120**	**1,915**	
Reduced Income						
Investment income	0	150	150	150	150	Impact of a fall in interest rates
Total of key movements for reduced income	**0**	**150**	**150**	**150**	**150**	
Additional Income						
Commercial Investment (net position)	0	(57)	(107)	(107)	(107)	Recent business park acquisition
Total of key movements for additional Income	**0**	**(57)**	**(107)**	**(107)**	**(107)**	
Review of Leisure Partnership	**(25)**	**(186)**	**(345)**	**(758)**	**(830)**	Net position
Impact of Covid-19						
Cost pressures	4,940	1,346	100	100	0	
Savings	(310)	(100)	(100)	(100)	(100)	
Income losses - sales, fees & charges	3,584	1,356	300	300	300	Includes car parking and development control income
Income losses - other income	1,306	812	64	64	64	Includes waste recycling credits, property rental income
Covid-19 funding received	(7,736)	(251)	(100)	(100)	0	
Covid-19 Government funding for 2021/22	0	(1,735)	0	0	0	2021/22 includes £400k of funding for SFC losses and £1.3m for emergency funding
Total net impact of Covid-19	**1,784**	**1,428**	**264**	**264**	**264**	
Business Rates Income						
Business rates income	0	(3,767)	(1,545)	(1,472)	(1,716)	2021/22 - Changes to the Business Rates system deferred to 2022/23
Business rates deficit for 2020/21	0	13,587	552	552	0	Deficit is spread over three years
Use of the Business Rate Equalisation reserve	0	(13,587)	(552)	(552)	0	To fund the deficit over three years
Total business rate income movements	**0**	**(3,767)**	**(1,545)**	**(1,472)**	**(1,716)**	
Council Tax						
Council tax income	0	0	0	0	(620)	Roll forward of budget
Council tax deficit	0	106	32	32	0	Deficit is spread over three years
Council tax income - tax base change	0	252	262	271	280	Reduction to tax base due to Covid-19
Council tax freeze	0	432	436	441	445	Council tax freeze in 2021/22
Total council tax income movements	**0**	**790**	**730**	**744**	**105**	
Settlement Grant Funding - One Year Funding						
Revenue Support Grant	0	(330)	0	0	0	One Year roll forward of the Local Government Funding Settlement into 2021/22
Rural Services Delivery Grant	0	(260)	0	0	0	One Year roll forward of the Local Government Funding Settlement into 2021/22
Lower Tier Services Grant	0	(381)	0	0	0	One off grant for 2021/22
Local Council Tax Support Grant	0	(370)	0	0	0	One off grant for 2021/22
Local Council Tax Support Grant-allocated to Town & Parish Councils	0	110	0	0	0	As per Council Tax Base 2021/22 Report to Cabinet (5 January 2021)
Total of one-year settlement grant funding	**0**	**(1,231)**	**0**	**0**	**0**	
Reserve Use						
Transfer to Actuarial reserve	0	200	0	0	0	To replenish reserve
Use of In-Year Savings reserve to balance the budget	(2,001)	(2,269)	0	0	0	
Use of Business Rate Equalisation reserve to balance the budget	0	(898)	0	0	0	
Total of key movements on reserves	**(2,001)**	**(2,967)**	**0**	**0**	**0**	
Budget Gap as at January 2021	**0**	**0**	**6,548**	**6,617**	**6,457**	

GENERAL FUND REVENUE BUDGET SUMMARY

	Original 2020/21	Revised 2020/21	MTFS 2021/22	MTFS 2022/23	MTFS 2023/24	MTFS 2024/25
Service Area	**£**	**£**	**£**	**£**	**£**	**£**
Senior and Corporate Management	2,582,000	2,697,900	2,671,400	2,599,400	2,648,100	2,690,300
Economic Development and Regeneration	1,777,100	3,238,100	2,931,100	2,287,000	1,622,500	1,451,700
Financial Services, Corporate Performance and Risk	636,500	2,190,900	422,500	440,700	468,000	495,200
Revenue and Benefits	2,322,000	2,460,400	2,435,200	2,587,500	2,694,800	2,776,700
ICT	2,595,700	2,893,600	3,109,500	2,740,300	2,737,700	2,778,900
Internal Audit & Corporate Investigations	501,200	484,000	559,400	534,200	549,400	563,800
Human Resources	654,800	797,100	755,700	771,500	768,600	783,300
Legal and Democratic Services	2,312,400	2,259,300	2,390,500	2,438,100	2,844,100	2,536,100
Planning and Coastal Management	2,659,500	2,584,700	3,350,000	3,393,400	3,558,300	3,694,400
Operational Management	115,800	114,800	118,900	121,600	124,000	126,500
Customer Services, Communications & Marketing	2,015,900	1,890,500	2,041,300	2,074,400	2,116,600	2,158,700
Operations	10,339,200	18,403,200	12,528,100	10,336,300	10,702,500	10,728,400
Community Development & Regeneration	1,963,500	2,145,400	2,112,900	1,986,600	1,046,300	933,000
Environmental Services and Port Health	682,600	801,100	1,188,100	1,088,300	1,139,800	1,248,600
Housing Services	2,892,800	1,661,600	2,946,300	1,547,300	1,491,300	1,533,000
Net Cost of Service	**34,051,000**	**44,622,600**	**39,560,900**	**34,946,600**	**34,512,000**	**34,498,600**
Non-Cost of Service Expenditure Adjustments						
Direct Revenue Financing (DRF)	1,928,000	5,726,900	5,114,200	2,880,000	1,380,000	980,000
Revenue provision for the repayment of debt (MRP)	1,100,000	820,500	1,196,500	1,627,300	1,942,000	2,014,500
Recharges to the Housing Revenue Account (HRA)	(1,376,700)	(1,336,700)	(1,414,400)	(1,438,900)	(1,476,700)	(1,506,600)
Bad Debt Provision	0	5,000	5,000	5,000	5,000	5,000
Other Accounting Adjustments	34,500	25,000	25,000	25,000	25,000	25,000
Other Operating Expenditure						
Town & Parish Precepts	6,380,900	6,380,900	6,380,900	6,380,900	6,380,900	6,380,900
Council Tax Support Grant to Town & Parish Councils	0	0	110,000	0	0	0
Additional Local Restrictions Grant	0	400,000	4,589,200	0	0	0
Levies	239,500	245,500	246,000	247,900	250,500	250,500
Financing and Investment Income and Expenditure						
Interest Payable	363,000	415,000	415,000	415,000	415,000	415,000
Interest Receivable	(800,000)	(800,000)	(650,000)	(650,000)	(650,000)	(650,000)
HRA Share of Interest Payable & Receivable	(104,100)	(61,200)	(84,800)	(43,900)	(40,600)	(300)
Investment Property Income & Expenditure	(139,000)	(171,400)	(120,400)	(120,400)	(120,300)	(120,300)
Other Financing Charges	450,200	450,200	430,300	409,100	386,300	386,300
Non-Specific Grant Income						
New Homes Bonus	(2,302,700)	(2,302,700)	(1,176,500)	(525,000)	0	0
S31 Grant	(4,860,600)	(17,256,300)	(4,331,000)	(4,418,000)	(4,506,000)	(4,596,000)
Capital Grants	(58,200)	(31,700)	(16,400)	(36,200)	(21,400)	(23,000)
Other Non-Specific Grants	0	(11,966,500)	(1,734,900)	0	0	0
Net Budget Expenditure before Reserve Movements	**34,905,800**	**25,165,100**	**48,544,600**	**39,704,400**	**38,481,700**	**38,059,600**
Net Movements on Reserves						
Revenue Earmarked Reserves	4,895,300	16,865,000	(26,077,600)	(2,127,700)	(1,233,600)	(133,400)
Capital Reserves	(769,000)	(2,998,000)	(3,532,000)	(1,733,000)	(333,000)	67,000
Net Budget Expenditure After Reserve Movements	**39,032,100**	**39,032,100**	**18,935,000**	**35,843,700**	**36,915,100**	**37,993,200**
Financed By:						
Council Tax Income (District Council)	(15,590,400)	(15,053,000)	(14,959,000)	(15,545,000)	(16,141,000)	(16,748,000)
Council Tax Income (Town & Parish Precepts)	(6,380,900)	(6,380,900)	(6,380,900)	(6,380,900)	(6,380,900)	(6,380,900)
Share of (Surplus)/Deficit on Collection Fund - Council Tax	0	(537,400)	106,000	32,000	32,000	0
Business Rates Income	(11,308,400)	(11,308,400)	(9,946,400)	(7,954,200)	(8,359,900)	(8,407,500)
Share of (Surplus)/Deficit on Collection Fund - Business Rates	(5,176,600)	(5,176,600)	13,587,000	552,000	552,000	0
Local Council Tax Support Grant	0	0	(370,000)	0	0	0
Lower Tier Services Grant	0	0	(381,400)	0	0	0
Revenue Support Grant	(327,700)	(327,700)	(330,000)	0	0	0
Rural Services Delivery Grant	(248,100)	(248,100)	(260,300)	0	0	0
Total Financing	**(39,032,100)**	**(39,032,100)**	**(18,935,000)**	**(29,296,100)**	**(30,297,800)**	**(31,536,400)**
Budget Shortfall / (Surplus)	**0**	**0**	**0**	**6,547,600**	**6,617,300**	**6,456,800**

GENERAL FUND EARMARKED RESERVES

East Suffolk Council
East Suffolk General Fund and Earmarked Reserves

			2020/21			2021/22			2022/23			2023/24			2024/25		
Revenue Balances:	**Reserve Group**	**Opening Balance 01/04/20 £'000**	Revised Transfers In £'000	Revised Transfers Out £'000	**Revised Closing Balance 31/3/21 £'000**	Revised Transfers In £'000	Revised Transfers Out £'000	**Revised Closing Balance 31/3/22 £'000**	Revised Transfers In £'000	Revised Transfers Out £'000	**Revised Closing Balance 31/3/23 £'000**	Revised Transfers In £'000	Revised Transfers Out £'000	**Revised Closing Balance 31/3/24 £'000**	Revised Transfers In £'000	Revised Transfers Out £'000	**Revised Closing Balance 31/3/25 £'000**
General Fund	General Fund	6,000	0	0	6,000	0	0	6,000	0	0	6,000	0	0	6,000	0	0	6,000
General Fund Balance		**6,000**	**0**	**0**	**6,000**	**0**	**0**	**6,000**	**0**	**0**	**6,000**	**0**	**0**	**6,000**	**0**	**0**	**6,000**
Earmarked Reserves - Revenue:																	
Actuarial Contributions	Corporate - Contingency, Service Requirements	**1,500**	0	(1,500)	**0**	200	0	**200**	0	0	**200**	0	0	**200**	0	0	**200**
Air Quality	Corporate - Contingency, Service Requirements	**86**	0	(2)	**84**	0	0	**84**	0	0	**84**	0	0	**84**	0	0	**84**
Homes and Communities Agency (HCA) - Area Action Plan (AAP) land contamination grant	Housing & Homelessness	**162**	0	0	**162**	0	0	**162**	0	0	**162**	0	0	**162**	0	0	**162**
Additional Disabled Facilities Grant(DFG) funding (Non-Ringfenced)	Housing & Homelessness	**29**	0	(21)	**8**	0	(8)	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Additional Restrictions Grant COVID-19	Corporate - Contingency, Service Requirements	**0**	4,589	0	**4,589**	0	(4,589)	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Better Broadband	Community Projects & Initiatives	**12**	0	0	**12**	0	0	**12**	0	0	**12**	0	0	**12**	0	0	**12**
Budget Carry Forward Requests	Corporate - Contingency, Service Requirements	**203**	0	(203)	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Building Control	Regeneration & Economic Development	**516**	0	(12)	**503**	0	(71)	**432**	0	(71)	**361**	0	(19)	**343**	0	(19)	**324**
Business Incentive	Regeneration & Economic Development	**2**	0	0	**2**	0	0	**2**	0	0	**2**	0	0	**2**	0	0	**2**
Business Plan Delivery	Service Transformation	**250**	0	0	**250**	0	0	**250**	0	0	**250**	0	0	**250**	0	0	**250**
Business Rate Equalisation	Business Rate Equalisation	**5,881**	18,309	(16)	**24,175**	0	(14,759)	**9,416**	0	(591)	**8,824**	0	(708)	**8,117**	0	(35)	**8,082**
Business Rates Pilot	Regeneration & Economic Development	**2,673**	0	(1,096)	**1,577**	0	(1,313)	**264**	0	(90)	**174**	0	0	**174**	0	0	**174**
Brexit	Corporate - Contingency, Service Requirements	**55**	150	(48)	**157**	0	0	**157**	0	0	**157**	0	0	**157**	0	0	**157**
Climate Change	Community Projects & Initiatives	**73**	0	0	**73**	0	0	**73**	0	0	**73**	0	0	**73**	0	0	**73**
Coastal Management	Regeneration & Economic Development	**166**	0	0	**166**	0	(51)	**115**	0	(53)	**62**	0	0	**62**	0	0	**62**
Communities	Community Projects & Initiatives	**181**	104	(30)	**255**	0	(64)	**192**	0	(24)	**168**	0	0	**168**	0	0	**168**
Community Health	Community Projects & Initiatives	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Community Housing Fund	Housing & Homelessness	**2,133**	0	(51)	**2,082**	0	(1,290)	**792**	0	0	**792**	0	0	**792**	0	0	**792**
County Sports	Community Projects & Initiatives	**865**	60	(82)	**844**	128	(348)	**623**	131	(317)	**437**	129	(329)	**237**	249	(336)	**150**
Customer Services	Corporate - Contingency, Service Requirements	**156**	0	0	**156**	0	0	**156**	0	0	**156**	0	0	**156**	0	0	**156**
COVID-19 Response	Corporate - Contingency, Service Requirements	**99**	3,946	(3,894)	**151**	240	0	**391**	0	0	**391**	0	0	**391**	0	0	**391**
District Elections	Corporate - Contingency, Service Requirements	**80**	60	0	**140**	60	0	**200**	60	0	**260**	60	(320)	**0**	60	0	**60**
Domestic Violence Support Funding	Housing & Homelessness	**146**	0	(83)	**63**	0	(63)	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Deployment of Flood Barrier	Corporate - Contingency, Service Requirements	**88**	0	0	**88**	0	0	**88**	0	0	**88**	0	0	**88**	0	0	**88**
East Suffolk Partnership	Community Projects & Initiatives	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Economic Development	Regeneration & Economic Development	**656**	0	(582)	**73**	0	(60)	**13**	0	0	**13**	0	0	**13**	0	0	**13**
Economic Regeneration	Regeneration & Economic Development	**269**	0	(257)	**12**	0	(10)	**2**	0	0	**2**	0	0	**2**	0	0	**2**
Empty Properties and Houses in disrepair	Housing & Homelessness	**133**	0	0	**133**	85	0	**218**	0	0	**218**	0	0	**218**	0	0	**218**
Enterprise Zone	Regeneration & Economic Development	**640**	386	(467)	**559**	417	(446)	**530**	430	(397)	**564**	579	(391)	**752**	580	(320)	**1,012**
Flood Prevention	Regeneration & Economic Development	**6**	0	(6)	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Fuel Payments	Housing & Homelessness	**1**	0	0	**1**	0	0	**1**	0	0	**1**	0	0	**1**	0	0	**1**
Felixstowe Forwards	Community Projects & Initiatives	**33**	0	(32)	**1**	0	0	**1**	0	0	**1**	0	0	**1**	0	0	**1**
Great Places	Community Projects & Initiatives	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**

GENERAL FUND EARMARKED RESERVES

East Suffolk Council
East Suffolk General Fund and Earmarked Reserves

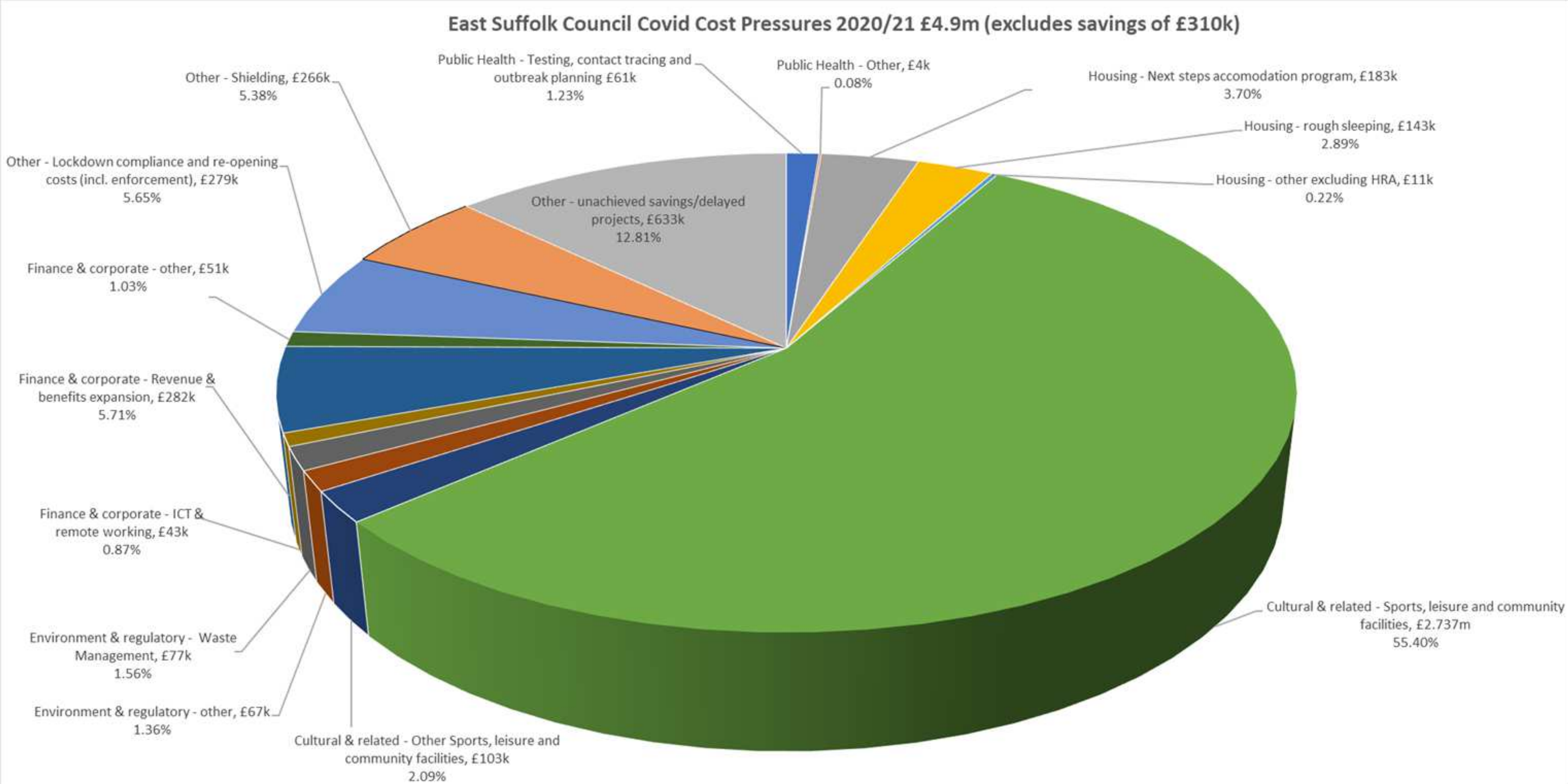
			2020/21			2021/22			2022/23			2023/24			2024/25		
		Opening Balance 01/04/20	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/21**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/22**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/23**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/24**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/25**
Growth Programme	Regeneration & Economic Development	**140**	0	(70)	**70**	0	(70)	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Gypsy and Traveller Macerator	Housing & Homelessness	**21**	14	0	**35**	15	0	**50**	15	0	**65**	15	0	**79**	15	0	**94**
Gypsy and Traveller funding	Housing & Homelessness	**4**	18	0	**22**	0	(22)	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Heritage Action Zone North	Regeneration & Economic Development	**30**	0	(24)	**6**	0	0	**6**	0	0	**6**	0	0	**6**	0	0	**6**
Housing Benefit (HB) Subsidy	Corporate - Contingency, Service Requirements	**300**	0	0	**300**	0	0	**300**	0	0	**300**	0	0	**300**	0	0	**300**
HCA Development Grant	Housing & Homelessness	**75**	0	0	**75**	0	0	**75**	0	0	**75**	0	0	**75**	0	0	**75**
Homelessness Prevention (Inc. Mortgage Rescue)	Housing & Homelessness	**4**	0	(2)	**2**	33	0	**35**	32	0	**67**	31	0	**98**	29	0	**126**
Housing Condition Survey and Improvements	Housing & Homelessness	**91**	0	(45)	**46**	0	(39)	**7**	0	0	**7**	0	0	**7**	0	0	**7**
Homelessness New Burdens	Housing & Homelessness	**0**	76	0	**76**	0	0	**76**	0	0	**76**	0	0	**76**	0	0	**76**
Homelessness- Rough Sleeper	Housing & Homelessness	**25**	116	(91)	**50**	0	(50)	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Homelessness - Flexible Homelessness Grant	Housing & Homelessness	**270**	96	0	**366**	0	(66)	**300**	0	(67)	**234**	0	(68)	**165**	0	(70)	**96**
Homelessness Mortgage Rescue	Housing & Homelessness	**24**	0	(23)	**1**	0	0	**1**	0	0	**1**	0	0	**1**	0	0	**1**
Hoarding Support PSH	Housing & Homelessness	**43**	0	(25)	**18**	0	(16)	**2**	0	0	**2**	0	0	**2**	0	0	**2**
Individual Electoral Registration (IER)	Corporate - Contingency, Service Requirements	**377**	0	(50)	**327**	0	(50)	**277**	0	(50)	**227**	0	(50)	**177**	0	(50)	**127**
Indoor Leisure	Community Projects & Initiatives	**50**	0	0	**50**	0	0	**50**	0	0	**50**	0	0	**50**	0	0	**50**
Insurance	Corporate - Contingency, Service Requirements	**166**	0	0	**166**	0	0	**166**	0	0	**166**	0	0	**166**	0	0	**166**
In-Year Contingency	Corporate - Contingency, Service Requirements	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
In-Year Savings	Corporate - Contingency, Service Requirements	**4,919**	0	(2,651)	**2,269**	0	(2,269)	**(0)**	0	0	**(0)**	0	0	**(0)**	0	0	**(0)**
Key Capital Programme	Corporate - Contingency, Service Requirements	**182**	0	0	**182**	0	0	**182**	0	0	**182**	0	0	**182**	0	0	**182**
Land Charges	Regeneration & Economic Development	**150**	0	0	**150**	0	0	**150**	0	0	**150**	0	0	**150**	0	0	**150**
Local Development Framework	Regeneration & Economic Development	**5**	0	0	**5**	0	0	**5**	0	0	**5**	0	0	**5**	0	0	**5**
Lowestoft Rising	Community Projects & Initiatives	**100**	0	(37)	**64**	0	(59)	**5**	0	0	**5**	0	0	**5**	0	0	**5**
Landguard	Community Projects & Initiatives	**16**	0	(7)	**9**	0	(9)	**(0)**	0	0	**(0)**	0	0	**(0)**	0	0	**(0)**
New Homes Bonus (NHB)	Community Projects & Initiatives	**5,442**	2,303	(2,079)	**5,666**	1,177	(2,087)	**4,755**	525	(1,630)	**3,650**	0	(72)	**3,578**	0	(73)	**3,505**
Planning Delivery	Regeneration & Economic Development	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Planning Policy	Regeneration & Economic Development	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Planning Training	Regeneration & Economic Development	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**
Private Sector Housing	Housing & Homelessness	**54**	11	0	**65**	0	0	**65**	0	0	**65**	0	0	**65**	0	0	**65**
RES - Planning	Regeneration & Economic Development	**400**	100	(106)	**395**	100	(65)	**430**	100	(65)	**465**	100	(65)	**500**	100	(65)	**535**
RES - Planning Legal	Regeneration & Economic Development	**200**	0	0	**200**	0	0	**200**	0	0	**200**	0	0	**200**	0	0	**200**
Renovation Grants	Housing & Homelessness	**810**	0	(200)	**610**	0	(200)	**410**	0	(200)	**210**	0	(105)	**105**	0	(105)	**(0)**
Rent Guarantee Scheme	Housing & Homelessness	**15**	0	0	**15**	0	0	**15**	0	0	**15**	0	0	**15**	0	0	**15**
Revenues & Benefits Administration	Corporate - Contingency, Service Requirements	**243**	0	(70)	**173**	0	(80)	**93**	0	0	**93**	0	0	**93**	0	0	**93**
Rural Coffee Caravan	Housing & Homelessness	**2**	0	0	**2**	0	0	**2**	0	0	**2**	0	0	**2**	0	0	**2**
Stepping Homes - West	Housing & Homelessness	**47**	0	0	**47**	0	0	**47**	0	0	**47**	0	0	**47**	0	0	**47**
SEAL	Housing & Homelessness	**6**	0	(1)	**5**	0	(1)	**4**	0	(1)	**3**	0	(1)	**2**	0	(1)	**1**
Stepping Home	Housing & Homelessness	**14**	20	0	**34**	0	(34)	**(0)**	0	0	**(0)**	0	0	**(0)**	0	0	**(0)**
RES - Somewhere safe to stay (RRP)	Housing & Homelessness	**116**	0	(116)	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**

GENERAL FUND EARMARKED RESERVES

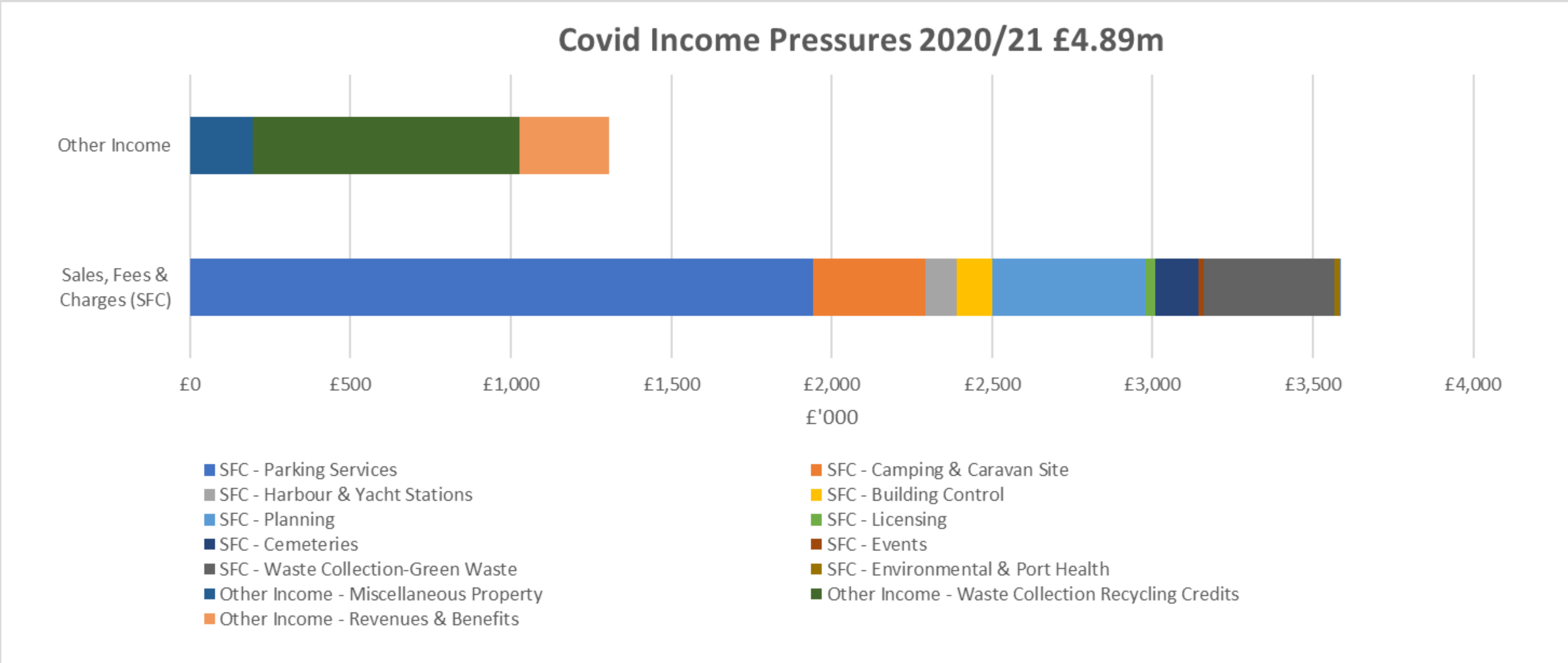
East Suffolk Council
East Suffolk General Fund and Earmarked Reserves

			2020/21			2021/22			2022/23			2023/24			2024/25				
		Opening Balance 01/04/20	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/21**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/22**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/23**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/24**	Revised Transfers In	Revised Transfers Out	**Revised Closing Balance 31/3/25**		
RES - Supported Lettings (RRP)	Housing & Homelessness	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**	0	0	**0**		
S106 Interest	Corporate - Contingency, Service Requirements	**30**	0	0	**30**	0	0	**30**	0	0	**30**	0	0	**30**	0	0	**30**		
Transformation - Digital	Service Transformation	**0**	700	(150)	**550**	0	(350)	**200**	0	0	**200**	0	0	**200**	0	0	**200**		
Transformation - Environmental	Service Transformation	**0**	500	0	**500**	0	0	**500**	0	0	**500**	0	0	**500**	0	0	**500**		
Transformation - Financial Sustainability	Service Transformation	**0**	1,477	(710)	**767**	220	(40)	**947**	220	0	**1,167**	0	0	**1,167**	0	0	**1,167**		
Warmer Homes Healthy People	Housing & Homelessness	**20**	0	(7)	**13**	0	(7)	**6**	0	(6)	**0**	0	0	**0**	0	0	**0**		
Warmer Homes Healthy People (WHHP) - RAD	Housing & Homelessness	**1**	3	0	**4**	0	0	**4**	0	0	**4**	0	0	**4**	0	0	**4**		
Youth Leisure	Community Projects & Initiatives	**10**	0	0	**10**	0	0	**10**	0	0	**10**	0	0	**10**	0	0	**10**		
Earmarked Reserves - Revenue sub-total		**32,633**	**33,038**	**(15,979)**	**49,692**	**2,675**	**(28,585)**	**23,782**	**1,513**	**(3,562)**	**21,734**	**913**	**(2,128)**	**20,520**	**1,032**	**(1,073)**	**20,479**		
Earmarked Reserves - Port Health:																			
Port Health	Port Health	**5,181**	209	(403)	**4,987**	42	(210)	**4,819**	131	(210)	**4,740**	90	(110)	**4,721**	17	(110)	**4,628**		
					0														
Earmarked Reserves - Capital:					**0**														
Southwold Beach Front	Capital	**175**	0	(50)	**125**	0	(125)	**(0)**	0	0	**(0)**	0	0	**(0)**	0	0	**(0)**		
Capital	Capital	**7,950**	605	(3,395)	**5,160**	39	(3,370)	**1,829**	379	(2,155)	**53**	379	(555)	**(123)**	379	(155)	**101**		
Coastal Protection - Capital Works	Capital	**176**	0	(176)	**(0)**	0	0	**(0)**	0	0	**(0)**	0	0	**(0)**	0	0	**(0)**		
Short Life Assets	Capital	**400**	618	(600)	**418**	618	(694)	**342**	618	(575)	**385**	618	(775)	**228**	618	(775)	**71**		
Earmarked Reserves - Capital sub-total		**8,701**	1,223	(4,221)	**5,703**	657	(4,189)	**2,171**	997	(2,730)	**438**	997	(1,330)	**105**	997	(930)	**172**		
Total Earmarked Reserves		**46,515**	**34,470**	**(20,603)**	**60,382**	**3,374**	**(32,984)**	**30,773**	**2,641**	**(6,502)**	**26,912**	**2,001**	**(3,567)**	**25,345**	**2,046**	**(2,113)**	**25,279**		

FINANCIAL IMPLICATIONS OF COVID-19 FOR 2020/21

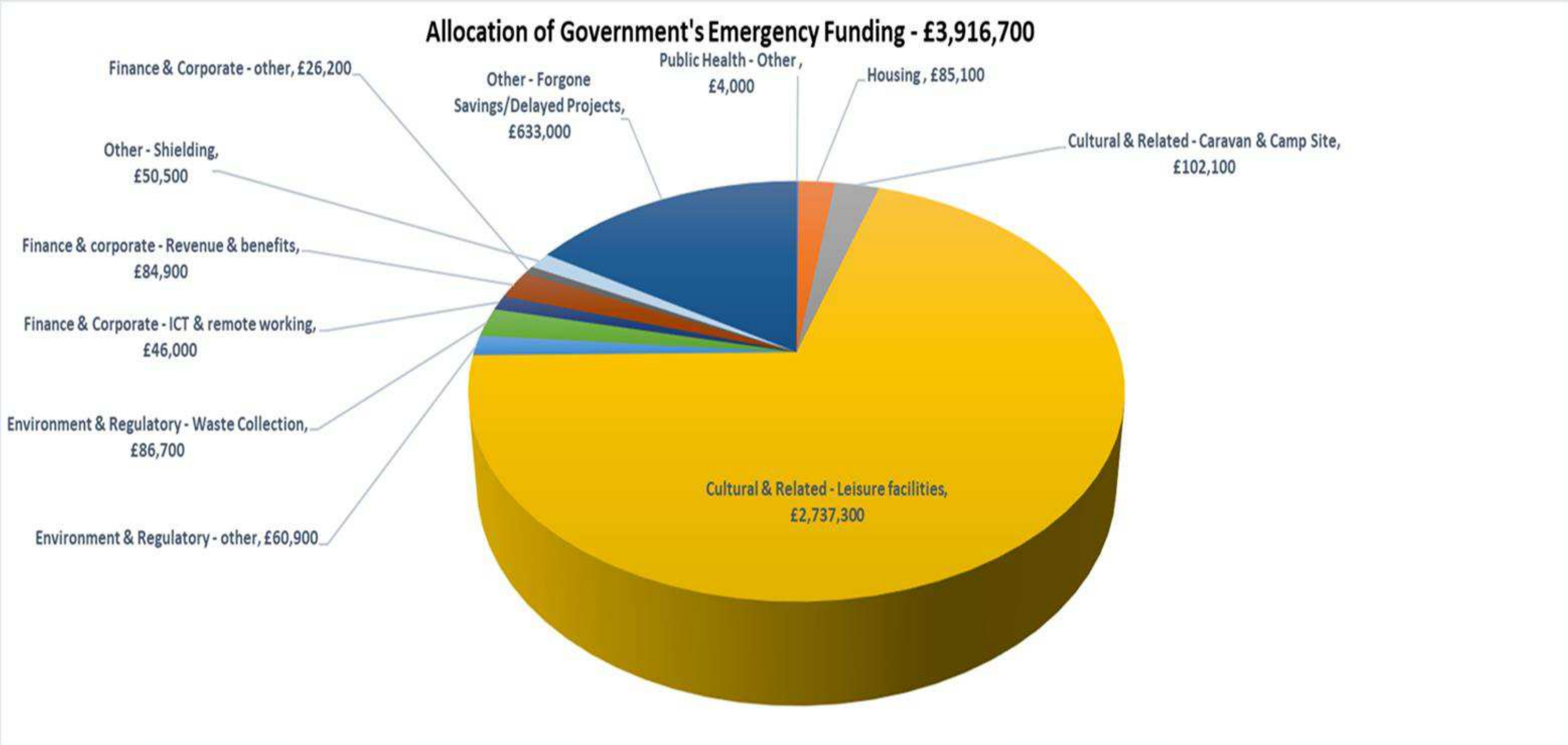


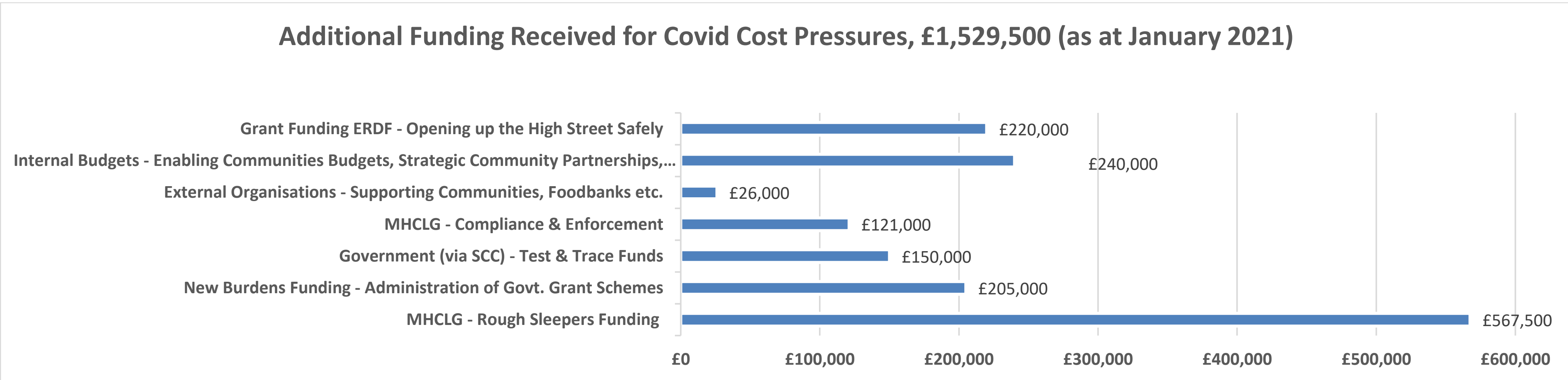
FINANCIAL IMPLICATIONS OF COVID-19 FOR 2020/21



Government compensation scheme for loss of income from Sales, Fees & Charges – This is a scheme whereby the Council can claim compensate for eligible losses on income from Sales, Fees & Charges in 2021/22. The Council is estimating this to be in the region of £2.7 million.

FINANCIAL IMPLICATIONS OF COVID-19 FOR 2020/21





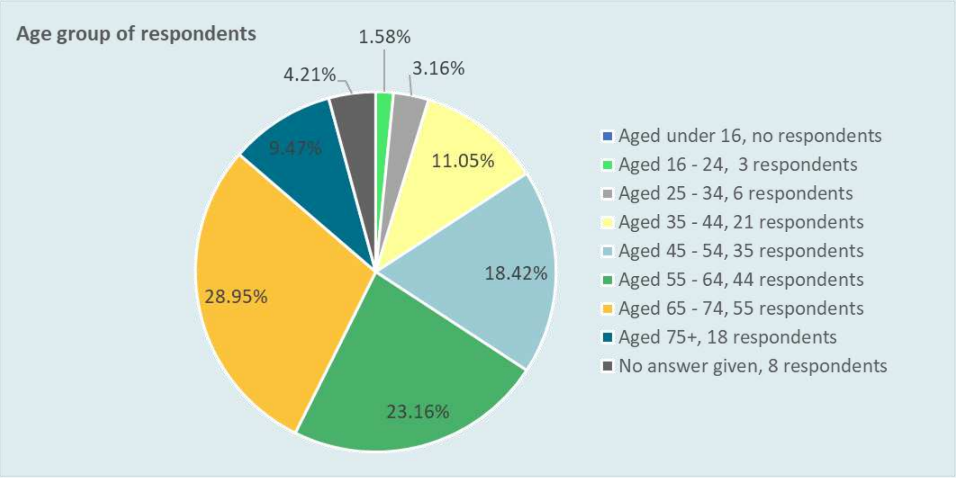
BUDGET CONSULTATION 2021/22

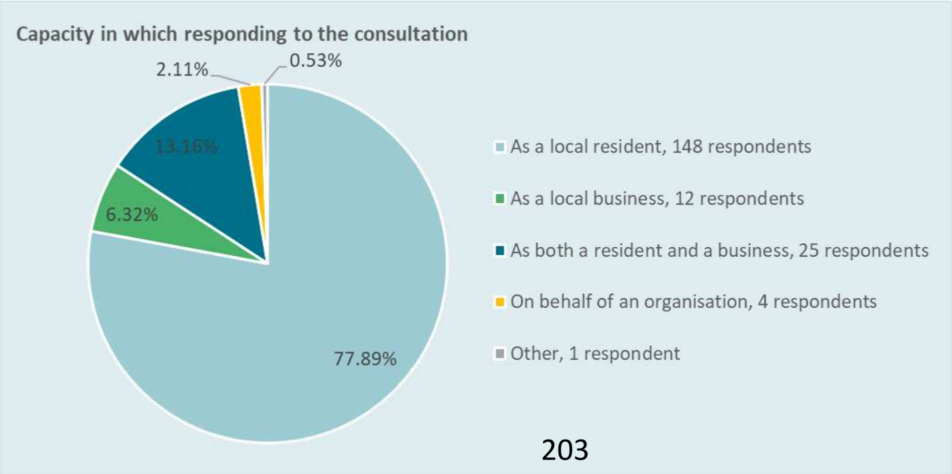
1 INTRODUCTION

1.1 A short Budget Consultation survey was run on the Council's website from 4 January to 22 January 2021. The launch of the survey was accompanied by a press release and links to the survey were e-mailed directly to representatives of the business community and town and parish councils. The survey focussed on the future financial sustainability as a key theme of the East Suffolk Strategic Plan rather than on specific budget measures for next year. The survey sought feedback on some possible approaches to achieving and maintaining financial sustainability and featured two open ended questions asking for comments on this theme and on the specific subject of support to the business community in the light of the Covid-19 pandemic. This Appendix provides a summary of responses and feedback.

2 RESPONSE

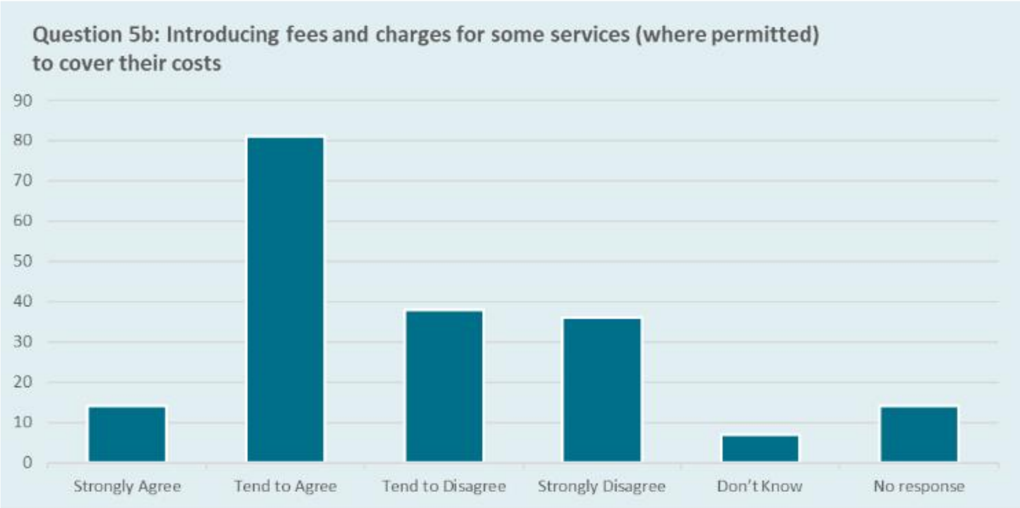
2.1 190 responses were received to the survey in total. The charts below show the composition of respondents by age and type.

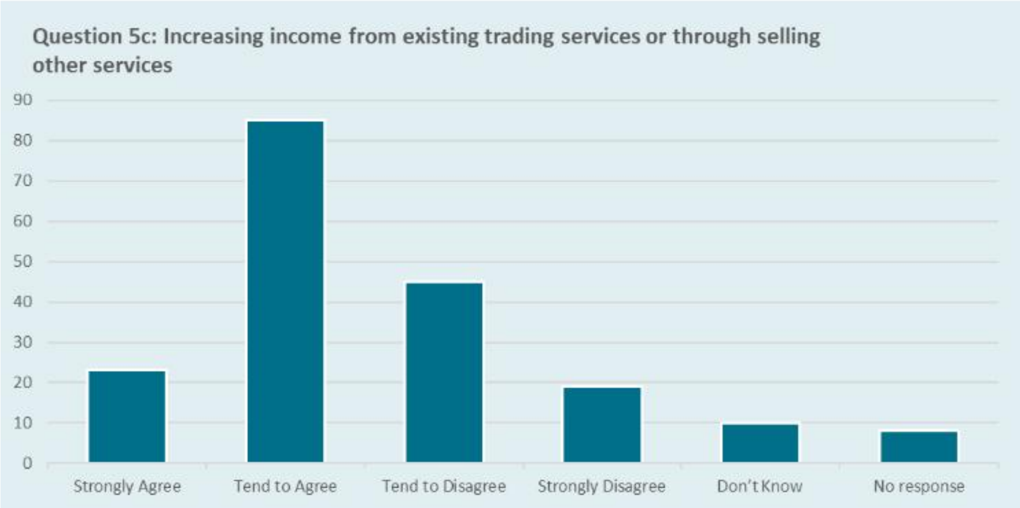


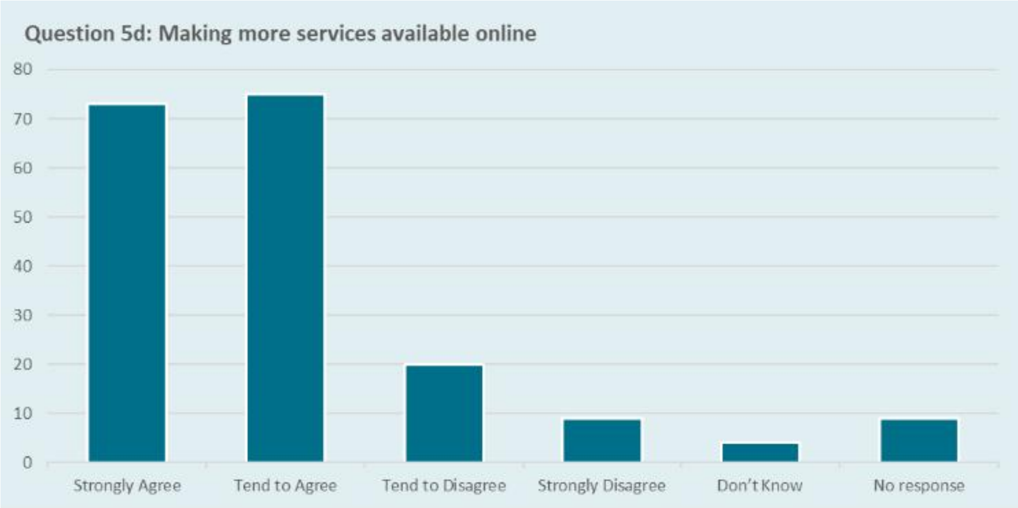


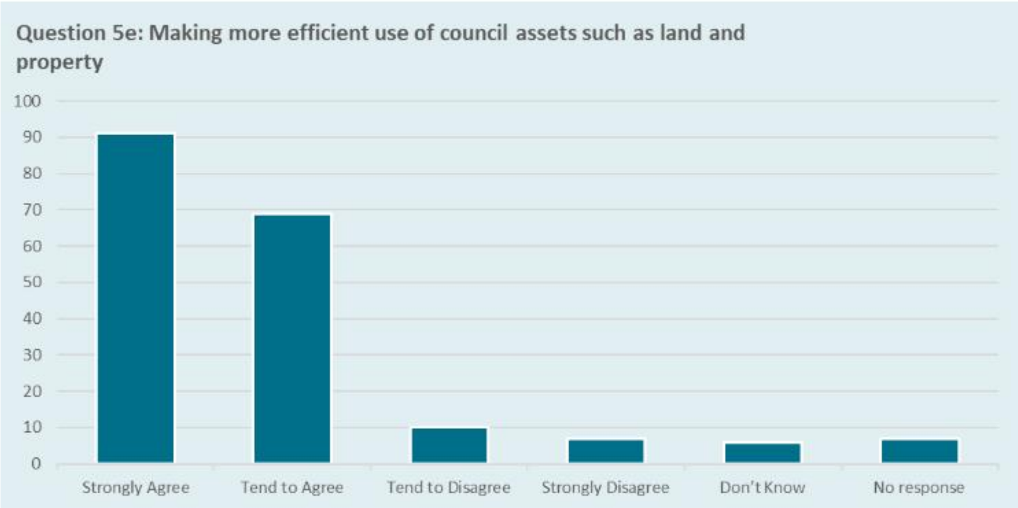
3 FEEDBACK

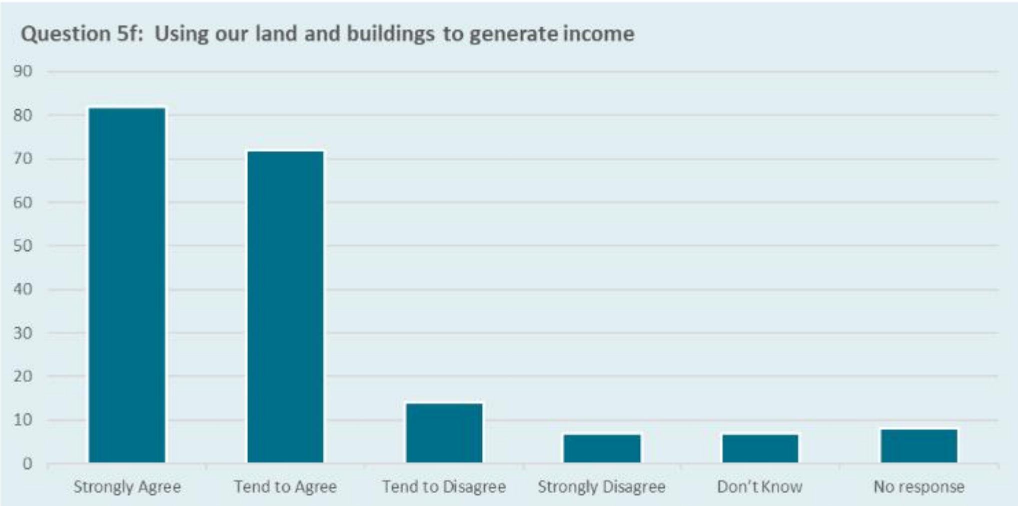
3.1 Question 5 in the survey focussed on a range of possible approaches that the Council could adopt to financial sustainability. The charts below summarise the response to this question.

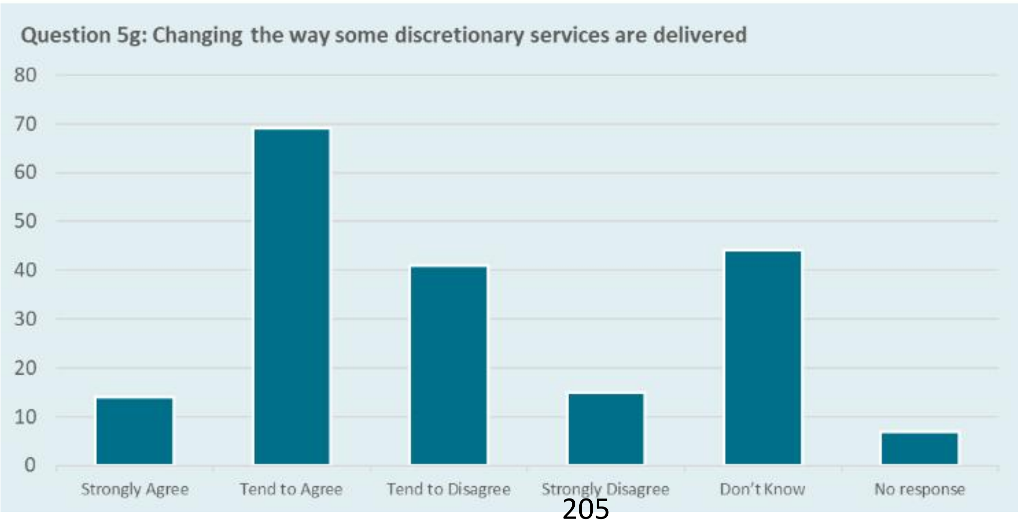




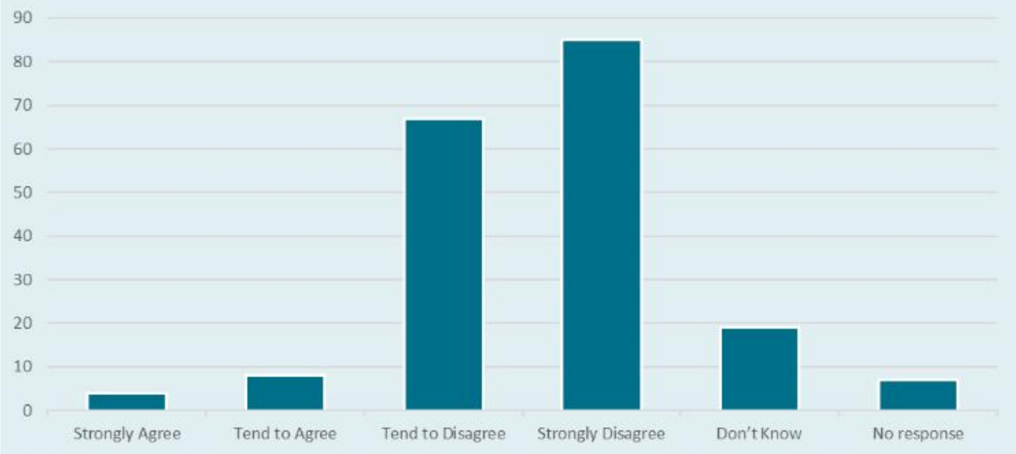

Question 5d: Making more services available online
80
70
60
50
40
30
20
10
0
Strongly Agree
Tend to Agree
Tend to Disagree
Strongly Disagree
Don't Know
No response


Question 5e: Making more efficient use of council assets such as land and property
100
90
80
70
60
50
40
30
20
10
0
Strongly Agree
Tend to Agree
Tend to Disagree
Strongly Disagree
Don't Know
No response

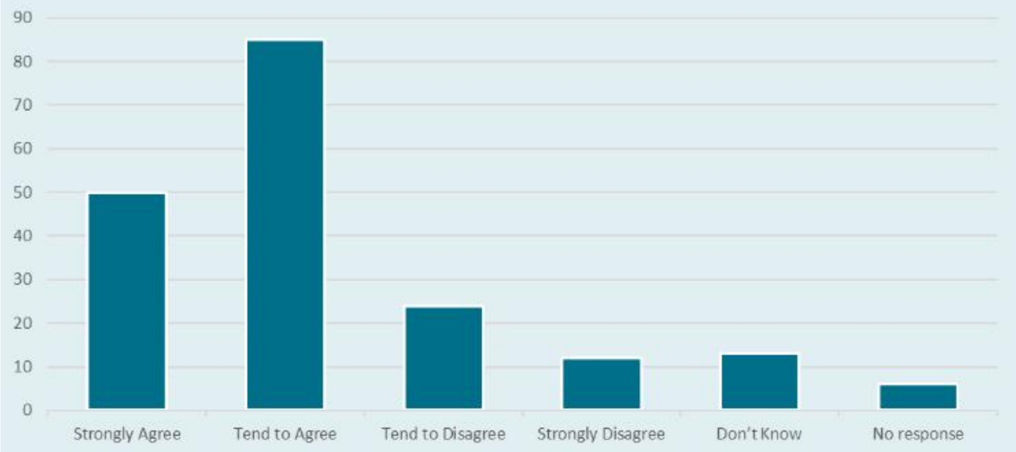

Question 5f: Using our land and buildings to generate income
90
80
70
60
50
40
30
20
10
0
Strongly Agree
Tend to Agree
Tend to Disagree
Strongly Disagree
Don't Know
No response


Question 5g: Changing the way some discretionary services are delivered
80
70
60
50
40
30
20
10
0
Strongly Agree
Tend to Agree
Tend to Disagree
Strongly Disagree
Don't Know
No response

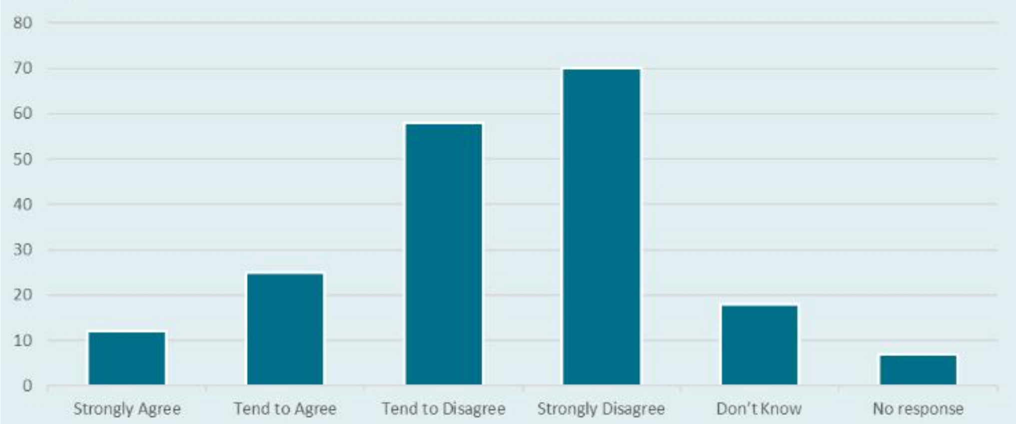
Question 5h: Reducing the quality of some services



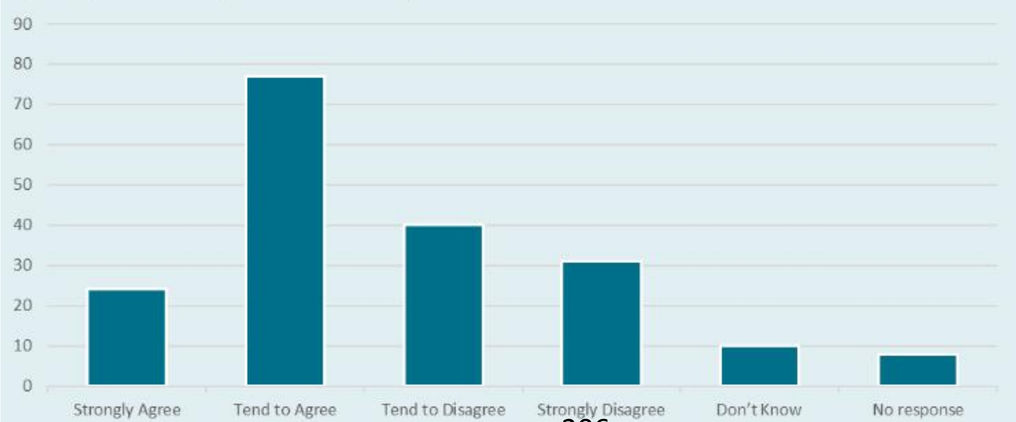
Question 5i: Sharing services with other councils and public agencies

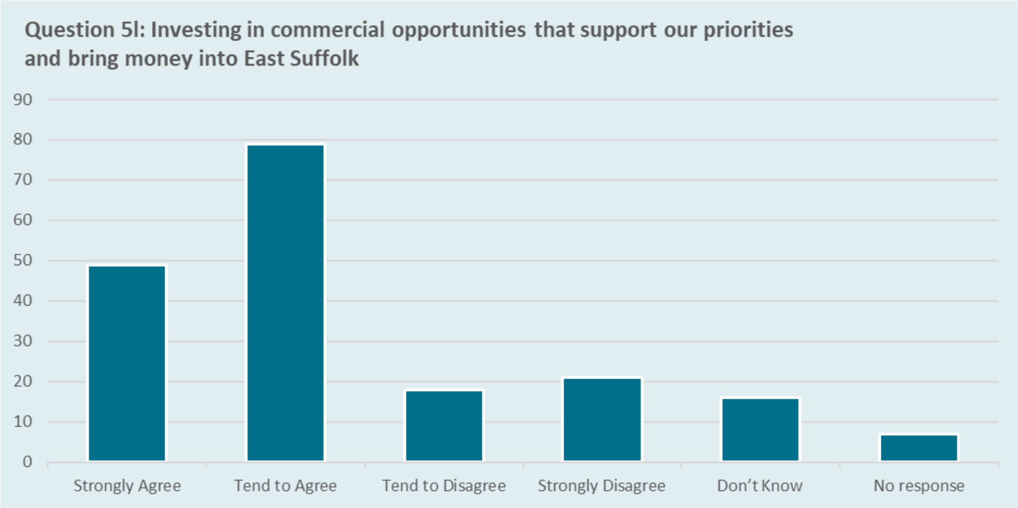


Question 5j: Transferring services to other organisations such as commercial companies



Question 5k: Transferring services to other organisations such as community groups, social enterprises or town and parish councils





3.2 Question 6 was an open-ended question seeking comments and suggestions on this theme. 100 respondents replied to this question and analysis of these responses indicates that the following were the most common areas referred to:

- Importance of Environmentally-friendly service provision and communications
- More joint working and closer liaison between tiers of local government, especially an enhanced, but funded, role for town and parish councils
- Greater support for community groups and charities
- Improved efficiency in the provision of council services
- Increased support to tourism and hospitality
- Greater service provision for young people and young families
- More consultation and listening to local concerns
- Concerns about parking charges
- Concerns about ensuring that residents are not excluded from the provision of online services

3.3 Question 7 was a specific question regarding how the Council might most efficiently use additional Government funding available to support businesses in response to the Covid-19 pandemic.

3.4 Respondents to this question overwhelmingly emphasised the importance of supporting small, independent, local businesses through the continued provision of grant funding, particularly in the tourism and hospitality sectors. Other areas of support referred to included:

- Increased rate reliefs
- Provision of free parking in towns
- Match funding for small businesses undertaking new projects, training, job creation, etc.
- Grants to ensure that local businesses are Covid secure.

EFFICIENCY STRATEGY 2016/17 TO 2021/22

1 BACKGROUND

1.1 The predecessor Councils' first Efficiency Strategies were produced in response to the Statutory Guidance on the Flexible Use of Capital Receipts issued by the Ministry of Housing, Communities and Local Government (MHCLG), formerly the Department for Communities and Local Government (DCLG).

1.2 The Guidance provides the flexibility to local authorities to use capital receipts to fund the revenue set up and implementation costs of projects designed to generate ongoing revenue savings.

1.3 This Strategy forms part of the delivery of the East Suffolk Strategic Plan and particularly supports the theme of Financial Sustainability.

1.4 The East Suffolk Strategic Plan focusses on the five key themes of:

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

1.5 As the plan is developed, new projects will be identified to deliver on these key themes and included in an updated Efficiency Strategy if eligible.

2 OBJECTIVES

2.1 The Guidance enables authorities to use capital receipts to fund one-off revenue costs associated with projects intended to produce ongoing revenue savings. The Guidance does not enable ongoing revenue costs to be funded by this method. The Guidance originally applied to capital receipts and projects over the period 2016/17 to 2018/19, but in the 2018/19 Provisional Local Government Finance Settlement it was announced that:

'"Local government operates in a society that is constantly changing. To meet the challenges of the future, the Communities Secretary confirmed that the flexibility to use capital receipts to help meet the revenue costs of transformation will be extended for a further 3 years to April 2022".

2.2 The objectives of this Strategy are to:

- Outline the methodology and criteria for projects that might be eligible for capital receipts funding.
- Identify projects that are considered to be eligible and which may be funded by this method.
- Report on the progress of projects approved in previous years.

3 METHODOLOGY

3.1 The Efficiency Strategy is produced annually for the period 2016/17 to 2021/22, and is approved by Full Council as part of approval of the Council's Budget. If required, a revised Strategy is prepared during the course of the year to reflect significant changes to both the range and potential funding value of eligible projects. This is the sixth annual Efficiency Strategy prepared since the guidance was issued.

3.2 Key Financial Sustainablity projects will be monitored by the Finance Theme Delivery Group.

3.3 To make use of this flexibility, capital receipts must arise in the period 2016/17 to 2021/22, and qualifying expenditure must take place in the same period. For example, a capital receipt realised in 2016/17 could finance a project in 2021/22, but not in 2022/23. Capital receipts realised before 2016/17 cannot be used.

3.4 If projects are identified in the Strategy, they can still be financed in whole or in part from other sources, e.g. revenue budgets. The Council is not obliged to fund these projects from capital receipts, and new capital receipts might not necessarily be available during the period of the Strategy. It is essential that eligible projects should identify alternative sources of funding to enable them to proceed, as capital receipts cannot necessarily be relied upon. In addition, the decision to use capital receipts to fund these projects needs to be taken in the context of the Council's overall capital financing requirements.

3.5 If appropriate, the Council will approve the budgeted funding of the projects in the strategy when approving the Capital Programme for the year, and will determine the actual financing when approving the Council's Capital Programme outturn and financing for the year.

3.6 There is no formal check by MHCLG on the eligibility of projects to be classified as qualifying expenditure, nor is the Strategy specifically reviewed by external audit.

4 ELIGIBLE PROJECTS AND USE OF CAPITAL RECEIPTS 2021/22

4.1 The decision to use capital receipts to fund transformation projects needs to be taken in the context of the Council's overall capital financing requirements, and in the event all of these capital receipts will be required to fund the Council's Capital Programme. Consequently, no use of this flexibility is currently proposed in respect of projects in 2021/22. Funding of the one-off revenue costs of the identified projects will be made from other sources, e.g. existing revenue resources.

4.2 To date there has been no use of capital receipts to fund one-off revenue costs.

5 ELIGIBLE EFFICIENCY STRATEGY PROJECTS

5.1 A brief summary of some projects identified from the East Suffolk Strategic Plan included in this Strategy as being eligible for capital receipts funding are summarised below, with a description of the project and project objectives. This list is not definitive and further potentially eligible projects could be identified during the course of the year

Strategic Plan Theme	Project/programme	Overview	Project detail/update
Digital Transformation	**Civil Parking Enforcement System (CPE)**	Implementation of a new Parking system to cover CPIE and all parking related processes such as parking permits, PCNs, appeals.	80% complete
Digital Transformation: Lean and efficient streamlined services	**Channel Shift Overall Programme**	Over-arching programme to oversee channel shift – the movement of traditional forms of contact and processes to digital means, free-up vital resources to assist those who cannot use digital channels or have more complex enquiries. This includes online services such as self-service portals, e-forms, payments and also other means of communication such as income/outgoing post – linking to the data workstream with the ambition to create a channel shift dashboard.	Self-service/web continuous improvement project enhances the self-service ability of ESC's website and other ongoing improvements for usability and function. Customer services telephony review project – reviews how we structure the main incoming call menu, wording used, routing calls to specialists and generally the way in which the customer service call centre is using the telephony system. Investigation underway on merits of introducing other customer service communication tools such as webchat. Bin Collection lookup project looking at improvements to the bin collection/day finder look up on ESC's website. Mystery shopping project being reviewed.
Digital Transformation: Lean and efficient streamlined services	**Orchard Tenants Self Service portal**	Implement Orchard Digital Tenancy to move tenant rent accounts online and create a new digital channel for tenants to access their rent information. It also includes rolling out Orchard text messaging for rents creating a new digital channel for communications with Tenants. Phase 2 – Implement Orchard Digital Self Appointment Repairs. This will provide a new digital channel for tenants to report responsive repairs and move traffic away from telephone-based reporting.	Phase 1 – 75% complete Phase 2 – not yet started

Digital Transformation: District wide digital infrastructure	**District wide digital infrastructure**	Digital infrastructure for the benefits of residents, businesses and visitors and actively support the deployment of fibre broadband infrastructure across the district	Smart Towns Initiatives: Establishing smart towns across the district, beginning with a pilot in Framlingham and the rollout across other towns to attract economic and community benefit. Enabling Broadband Project and Suffolk Better Broadband. Just over 96% of all Suffolk properties can now access high speed broadband, work has started on Phase 3 which will increase this to 98% by September 2022. Suffolk Cloud Project – new network infrastructure project to provide fast, highly flexible network connections to over 300 public sector sites in Suffolk. This will enable the private sector and partners to consider adding connections that over time, will over a full-fibre service to business and provide a platform for Fibre to the Home (FTTH) initiatives, such as the Lowestoft full fibre rollout.
ENVIRONMENT			
Environment: Lead by example/protection, education and influence	**East Suffolk Council Climate Emergency Plan**	Development and delivery of East Suffolk Council corporate climate emergency plan to enable the Council to work towards its aspiration of making its estates and operations carbon neutral by 2030	Supporting development and delivery of Solar Together Suffolk Phase 3 through the Suffolk Climate Change Partnership, enabling householders to access affordable solar PV installations for their homes through a collective purchase scheme. Facilitating the Greenprint Forum enabling development and delivery of community environmental projects inspired by its members. Active and Sustainable Travel project. Plastic Action project.
Environment: Lead by Example	**Housing**	The core projects that housing will be focussing on which will help to deliver our environmental goals (plans for new build,	a) Commitment to deliver the ESC Housing Development objective "Directly provide, facilitate and enable good quality affordable housing which

		improvements to existing housing stock in terms of insulation and renewables, the Warm Homes project, enforcement of energy efficiency standards in the private rented sector.)	sustainably meets the current and future needs of local communities throughout East Suffolk.” b) Develop a Minimum Energy Efficiency Standard (MEES) for both new build and existing housing stock is being developed for consideration and adoption by Members. c) Roll out a longer-term upgrade and stock rationalisation programme for existing HRA stock following adoption of the Councils MEES. d) Procurement Project and Market Engagement to secure new delivery partners who specialise in Greener Housing Delivery. e) Pilot new build housing schemes to demonstrate how affordable housing can be delivered through a fabric first approach (Deben High School Site) seeking to lead by example f) Working with developers to encourage sustainable design both within their affordable and private housing delivery. g) Amendment to Renovation Grant policy to encourage greater installation of energy efficiency measures – subject to adoption by Cabinet in October. h) Joint Suffolk bid to be part of the Green Homes Fund - local Authority Delivery programme (outcome pending). i) Promotion of insulation, first time central heating, and other energy efficiency grants via Warm Homes. j) Enforcement of The Energy Efficiency (Private Rented Property) (England and Wales) Regulations 2015 or MEES against Landlords.

			k) Ongoing improvement programme to enhance external amenity space for residents within existing developments. Project will result in creation of accessible and valuable outside space for promotion of health, wellbeing and biodiversity.
Environment	**Operations**	The core projects contributing to the Environment Theme are: a) Fleet sustainability b) Grounds Maintenance Review c) Review Waste Strategy in line with RAWS d) Improvements to Sustainability of Assets	Work with the Suffolk Waste Partnership to develop and deliver collaborative projects including: • Food Savvy scheme to tackle food waste in the home. • Home Composting Subsidy scheme to provide affordable home composting systems to householders enabling them to deal with their compostable waste in the most environmentally sustainable way. f) Nature conservation area project implementing a sympathetic management strategy to selected verges and open spaces to create benefits for wildlife with a target to create a network of 100 conservation areas by 2021. This also includes sustainable management of cemeteries and our own buildings, particularly East Suffolk House where landscaping and installation of swift/bat boxes has taken place.

EASTSUFFOLK COUNCIL

COUNCIL TAX HARDSHIP FUND

1 INTRODUCTION

1.1 In 2020/21 the Government has allocated £500m to authorities to administer a Council Tax Hardship Fund. ESC's allocation of this is £1.917m, and this was received on 3rd April 2020. This funding is being used to reduce the council tax liability of working age Local Council Tax Reduction Scheme (LCTRS) claimants. The Hardship Fund covers the amount of the council tax that LCTRS claimants are required to pay, typically 8.5% under the Council's scheme, up to a maximum of £150. Although linked to LCTRS, these reductions to council tax do not form part of the LCTRS and the cost of this scheme will be transferred from the Collection Fund to General Fund at the end of the financial year. These reliefs are being granted by the Council using its discretionary powers under Section 13a (1) (c) of the Local Government Finance Act 1992.

1.2 In the Guidance issued when the Government introduced these measures, it was recognised that authorities could have surplus funds from their allocations enabling them to provide additional discretionary support. However, the allocations for 2020/21 were also intended to cover the whole financial year, and no new allocations to authorities would be made. Consequently, authorities have had to closely monitor caseloads during the year as the impact of the Covd-19 pandemic on LCTRS caseloads emerge. This monitoring and forecasting has effectively determined when either proposals for additional discretionary support can be brought forward, or, on the other hand, whether support could be maintained at the same level for the remainder of the year.

1.3 The Ministry of Housing, Communities, and Local Government (MHCLG) has now confirmed the following:

- Local authorities will spend in 2021/22 for claims received to 31/3/21 (2021/22 QRC quarterly returns will capture expenditure)

- Local authorities can carry forward any balance into 2021/22 as a Section13a (1)(c) exceptional hardship pot providing that it delivers the policy aims of helping those economically impacted by Covid-19 i.e., working age LCTRS claimants. Local authorities will not have to repay any underspends in 2020/21

- Local authorities can make a second distribution now either as a credit for this year or as a credit for 2021/22 bills, again providing that it delivers the above policy aims.

This clarification, combined with the modelling and forecasting referred to below in section 2, means that a proposal can now be brought forward to provide additional support to working age LCTRS claimants, by way of using any surplus funding in 2021/22 to provide a degree of relief by applying Section 13 (a) discretionary reliefs to customers' 2021/22 council tax bills.

2 COUNCIL TAX HARDSHIP FUND – 2020/21 POSITION

2.1 As at 31 December 2020, ESC had applied £1.413m of its £1.917m allocation in reliefs to working age LCTRS claimants, providing support to over 10,000 customers. Under the scheme, reliefs have to be provided to all new LCTRS claimants for the remaining months of 2020/21. Combined with the cost of reliefs to date, Anglia Revenues Partnership (ARP) have forecasted that the residual surplus of funding available as at 31 March 2021 could be in a range between £305k and £381k. For the purpose of this proposal, £325k has been assumed to be a prudent figure to be available for distribution.

2.2 Any remaining allocation after this proposed second distribution could be carried into 2021/22 as a Section13a (1)(c) exceptional hardship pot as referred to above, enabling further relief measures to be considered, such as allocating reliefs to new LCTRS claimants.

3 PROPOSED COUNCIL TAX HARDSHIP FUND RELIEFS 2021/22

3.1 In conjunction with ARP, options have been considered for allocating this surplus to LCTRS working age claimants. It has been concluded that the most efficient and effective option for this is to apply these reliefs as part of the annual billing process for 2021/22 as outlined below:

- Identify all working age LCTRS claimants as at 1 March 2021 prior to the council tax billing run.
- Assuming £325,000 available for reliefs, and c.10,000 working age LCTRS claimants, apply flat rate “Covid-19 Hardship Relief” to every eligible account. It is proposed that this be £30, as this funding will need to cover new LCTRS claimants as referred to in 3.3 below.
- Issue 2021/22 council tax bills as normal.

3.2 The option of applying a relief pro rata to council tax band has been considered as an alternative to a flat rate relief. However, this would add a layer of system complexity to implementing this proposal which could well prevent it from being implemented as part of the annual billing process. In addition, the difference in relief values from reflecting council tax bands is minimal and the vast majority of LCTRS claimants are in council tax bands A and B in any event.

3.3 New LCTRS claimants between the date of 2021/22 billing and 31 March 2021 will receive a Council Tax Hardship Fund relief in respect of their 2020/21 council tax liability in the normal way. They will then subsequently receive the £30 Covid-19 Hardship Relief in respect of their 2021/22 bill. The awarding of reliefs to these customers will entail a small degree of costs and more administration than for existing claimants who will receive this relief through the annual billing process. There is no provision in this proposal for customers eligible for LCTRS after 31 March 2021 to be eligible for this relief, but it is to be hoped that the Section13a (1)(c) exceptional hardship pot referred to in paragraph may enable some support to be provided.