APPENDIX 1

IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2018/19 ONWARDS

CONTENTS

Section 1

Medium Term Financial Plan - Overview

Introduction

1.1 The Medium Term Financial Plan (MTFP) is refreshed annually. This comprehensive document includes the Council's financial strategies and the MTFP for the General Fund, the Housing Revenue Account, the Capital Programme and the Prudential Code, Treasury Management and Annual Investment Strategy.

1.2 This MTFP continues to adopt a four year planning timescale, as a result of accepting the Government's offer of a four year funding settlement. The plan outlines the impact of the 2018/19 Provisional Finance Settlement on Ipswich Borough Council, and provides an update on progress with the identification of planned savings by means of a Transformation Programme involving individual service reviews and also "big ticket" items. This programme continues to form a key part of the strategy to meet the identified budget gap in 2021/22.

1.3 There are new elements in the 2018/19 MTFP following publication of the provisional settlement by the Department for Communities and Local Government (DCLG) which will be covered in detail below.

1.4 Note that the settlement continues to run to 2019/20 and no further information has been provided regarding subsequent years so assumptions have had to be made regarding government funding in 2020/21 and 2021/22. A consultation on funding formula from 2021/22 onwards is due from DCLG and this could have a material impact on the MTFP in later years.

National Context

1.5 The Office for Budget Responsibility (OBR)[1] produces detailed forecasts for a five year period, twice a year following each Budget and Annual Statement. These forecasts are then used to assess the Government's performance against fiscal targets that it has set itself.

1.6 The Office for Budget Responsibility (OBR) noted in its November 2017 Economic and Fiscal Outlook[2]. that while UK public finances have performed better than expected in 16/17, the UK economy has slowed due to inflation and weak productivity with future growth forecasts lowered as a result. This has led the OBR to revise the budget deficit by increasing amounts over the next five years before accounting for any measures announced in the November budget.

1.7 The following paragraphs are taken from the OBRs November 2017 forecast which covers the period up until 2022/23. Each of these paragraphs are supplemented in the report by more detailed analysis and data tables.

i. *The fiscal outlook (p.12)*

"Public sector net borrowing has fallen from its post-crisis peak of 9.9 per cent of GDP (£152.5 billion) in 2009-10 to 2.3 per cent of GDP (£45.7 billion) in 2016-17, a smaller deficit than we forecast in March. With little spare capacity in the economy, we judge that the 2016-17 structural deficit (which excludes the effects of the economic cycle) was close to the headline deficit at 2.2 per cent of GDP. On both measures, the deficit is expected to rise fractionally in 2017-18 before falling steadily thereafter."

ii. *Changes in public sector net borrowing (p.13)*

"Public sector net borrowing is expected to rise by £4.2 billion year-on-year in 2017-18 to £49.9 billion (2.4 per cent of GDP). It then falls both in cash terms and as a share of GDP in each subsequent year. The rise this year is largely due to timing effects that boosted receipts at the end of 2016-17 and should depress them at the end of 2017-18."

iii. *Government decisions (p.16, p.141)*

"Budget measures and other Government decisions increase borrowing in all but the final year of our forecast. In the near term, net tax giveaways and a significant easing in the pace of spending cuts add £2.7 billion to borrowing in 2018-19 and a larger £9.2 billion in 2019-20 (0.4 per cent of GDP). In 2020-21 and 2021-22 the extent of the fiscal easing diminishes, while in 2022-23 the Government has pencilled in a cut in departmental resource spending as a share of GDP. The profile of these policy decisions means that while our pre-measures borrowing forecast troughs in 2019-20 and is uneven thereafter, our

[1] The Office for Budget Responsibility is the UK's independent fiscal watchdog.
[2] Available at: http://budgetresponsibility.org.uk/efo/economic-fiscal-outlook-november-2017

post-measures forecast shows borrowing falling relatively smoothly over the forecast period."

"The Government's Budget measures raise spending in all years. The largest changes are in 2019-20 and 2020-21, where spending is up by £8.6 billion and £4.8 billion respectively. This largely reflects higher departmental spending, focused on health and on preparations for Brexit. As some of this higher spending will take the form of public sector pay, we assume that it will also increase contributions to public service pensions, reducing net expenditure there."

iv. Medium term outlook for GDP (p.12)

"Beyond 2018, we expect GDP growth initially to remain a little below potential. The continued weakness reflects the forthcoming fiscal tightening (notwithstanding the Budget measures) and uncertainty surrounding Brexit continuing to weigh on business investment. The small boost to GDP growth from net trade should also be waning by then, while we expect only a modest increase in consumption growth as productivity and real wage growth remain subdued. GDP growth is expected to pick up a little from 2021, as the effects of the fiscal consolidation subside and the uncertainty surrounding Brexit is assumed to dissipate. Faster productivity growth also begets a modest acceleration in real wages and consumption. GDP growth is expected to average 1.4 per cent a year in the three years to 2022, enough to bring the remaining spare capacity back into productive use."

v. Britain's exit from the European Union (Brexit) (p. 38)

"Given the uncertainty regarding how the Government will respond to the choices and tradeoffs it faces during the negotiations, we still have no meaningful basis on which to form a judgement as to their final outcome and upon which we can then condition our forecast. Moreover, even if the outcome of the negotiations were predictable, considerable uncertainty would remain regarding their associated economic and fiscal consequences and whether a particular outcome would prompt any changes to monetary policy. We have therefore maintained the same broad-brush assumptions regarding Brexit that underpinned our November 2016 and March 2017 forecasts."

vi. Gross Domestic Product (GDP) forecast (p.10)

"Looking at the year-by-year profile, we expect real GDP growth to slow from 1.5 per cent this year to 1.4 per cent in 2018 and 1.3 per cent in 2019, as public spending cuts intensify and Brexit-related uncertainty continues to bear down on activity. The gentle improvement in underlying productivity growth and a small cyclical boost as spare capacity is brought back into use are expected to deliver slightly higher GDP growth in 2021 and 2022. The shortterm fiscal loosening announced in this Budget boosts growth by 0.1 percentage points in 2018 and 2019, but its withdrawal then reduces it by the same amounts in the following two years."

vii. Consumer Price Index (CPI) forecast (p.10)

“We expect CPI inflation to peak in the current quarter and then fall back to – and for a while slightly below – the Government’s 2 per cent target over the subsequent year and a half, easing the squeeze on households’ finances. Interest rates are expected to rise slowly, with markets expecting Bank Rate to reach 1¼ per cent in five years’ time, implying only three further quarter-point rises following the one announced earlier this month by the Monetary Policy Committee. House price inflation is expected to average just over 3 per cent a year.”

viii. Employment (p.10)

“The unemployment rate has fallen by 0.5 percentage points over the past year, despite real GDP growth slowing. We expect the rate to trough at 4.3 per cent of the labour force – its current rate – in the second half of this year, and then to edge up as GDP growth slows a little further and the National Living Wage prices some workers out of employment. Relative to our March forecast, we have revised unemployment down in every year. But we have also revised earnings growth down in line with the weaker outlook for productivity. We now expect it to pick up slowly from 2.3 per cent this year to 3.1 per cent by 2022. Real earnings growth is forecast to average just 0.6 per cent a year in the six years to 2022.”

1.8 The rate of growth in Gross Domestic Product is an indicator for the rate of growth in the economy – by extension this can be taken as an indicator for the growth in sources of income for the Council. The forecast growth in GDP has slowed since the November 2016 OBR forecast.

Table One: OBR Gross Domestic Product forecast 2017 – 2022

	2017	2018	2019	2020	2021	2022
GDP Forecast as at November 2017	1.5	1.4	1.3	1.3	1.5	1.6
GDP Forecast as at November 2016	1.4	1.7	2.1	2.1	2.0	N/A

1.9 Consumer Price Index is an indicator of inflation and the rate at which costs are expected to increase each year. It is also routinely used as a means by which prices are increased by suppliers – for example in a utilities contract.

Table Two: OBR Consumer Price Index forecast 2017 – 2022

	2017	2018	2019	2020	2021	2022
CPI Forecast as at November 2017	2.7	2.4	1.9	2.0	2.0	2.0
CPI Forecast as at November 2016	2.3	2.5	2.1	2.0	2.0	n/a

Section 2

Finance Strategy

Current Financial Position

2.1 The Council has a strong record of financial management and continued delivery of front-line services despite reductions in funding from central government, increased demands on service and reduced revenues resulting from the external economic conditions.

2.2 The Council has a policy of reviewing and updating a four year rolling Medium Term Financial Plan (MTFP) on an annual basis.

2.3 The 2017/18 budget was set against a background of continuing funding reductions and the increased risk of sudden changes in funding inherent in the retained business rates scheme. Future central government funding consists primarily of Revenue Support Grant and Retained Business Rates, which taken together are termed "Settlement Funding Assessment". Against this background Ipswich was still able to set a balanced budget for 2017/18. The achievement of this budget has been monitored during the year against expenditure profiles and no significant year end variations are anticipated.

2.4 This history of strong financial management gives a strong foundation to base the revised MTFP for 2018/19 onwards upon.

Future aims of the organisation

2.5 The Finance Strategy supports the achievement of the Council's objectives, through identifying the resource requirements connected with those aims and putting into place arrangements to fund those aspirations, over the period covered by the MTFP.

2.6 The Corporate Plan includes the core aims of:

- **A stronger Ipswich Economy**
- **A High Quality and Sustainable Environment**
- **An enjoyable place to live, work and study**
- **A Healthy Community**
- **Quality Homes for All**
- **Safe Communities**
- **An Efficient and Effective Council**

2.7 The source of the funding and the methodology used to allocate resources to achieving these themes are covered in the next section of this strategy.

How to provide the funding to meet these aims

2.8 The Council has retained its own housing stock so General Fund and Housing Revenue Account statutory accounts are maintained.

General Fund

2.9 The General Fund includes all the services provided by the Council with the exception of the provision of social housing.

2.10 The Council's General Fund Budget Strategy is to:-

i) Maintain and enhance where necessary the current level of front-line services provided to the residents of Ipswich;

ii) Maintain the Council's part of the council tax at the lowest level possible consistent with maintaining the level of service desired by Ipswich residents;

iii) Seek to ensure that the financial impact of the introduction of Council Tax localisation is minimised through a local tax scheme;

iv) Maximise income from retained business rates, by membership of the "Suffolk Pool", supporting the work of the Valuation Agency and promoting economic development in the Ipswich area;

v) **Maximise other income sources, including fees and charges, without impacting upon vulnerable service users.**

2.11 The General Fund is mainly financed by Government Grant, Retained Business Rates, Council Tax, Rents and Fees and Charges.

Housing Revenue Account

2.12 The Housing Revenue Account consists of all the income and expenditure relating to the provision of social housing. The Council must produce a 30 year business plan for the account on a 3 year cycle with the financial forecast updated annually.

2.13 The Council's Housing Revenue Account budget strategy is to:-

i) Deliver a sustainable 30 year business plan which includes equitable rent increases and supports a programme of investment in social housing;

ii) Maximise the opportunities presented by the Housing Reforms.

Capital Programme

2.14 The Capital Strategy establishes the framework for investment in service infrastructure to facilitate the achievement of the Council's priorities mentioned earlier. Optimising funding available e.g. capital receipts, external funding, prudential borrowing, revenue contributions to capital outlay or borrowing as appropriate.

Financial risks inherent in the strategy

2.15 The finance strategy has inherent risks relating to finance and monitoring of expenditure, which are recognised and addressed in the following table:

Table Three: Finance Strategy Identified Risks

Financial Theme	Risk	Risk Category	Mitigation
Council Tax	Collection rate variance	3-3	Robust monitoring of council tax income drivers
Income	Income level variance	3-3	Robust budgetary control framework
Revenue Expenditure	Over/underspends	2-3	Robust budgetary control framework
Changes in National funding framework	Financing level variance	2-3	Robust resource monitoring and associated spending controls
Capital Expenditure	Over/underspends	2-3	Robust budgetary control framework
Capital Financing	Financing level variance	2-3	Robust resource monitoring and associated spending controls
Treasury Management	Investment return variance	1-1	Monitoring within Treasury Management Strategy parameters
Partnership Funding	Engagement/Financing level variance	2-3	Partnership governance and monitoring arrangements
Council Tax Support Localisation	Levels of Council Tax collected fall	3-3	Implementation of the Ipswich Scheme
Localisation Business Rates	Inaccurate estimation of NNDR1 over/understates income levels	3-3	Monitoring of movements in tax base, contact with VOA and internal e.g. Building Control, Planning. Establishment of income equalisation reserve.
Business Rates Pooling	Exit of single authority dissolves the pool.	1-1	Partnership governance and monitoring arrangements

Budget monitoring and control management

2.16 The Finance Strategy complements the Council's Performance Management Framework. The Council will continually improve and develop a robust budgetary control framework and will maintain a comprehensive suite of performance indicators covering all key financial activity.

2.17 Key elements of Financial Performance Management are:-

General Fund & Housing Revenue Account revenue budgets

- Financial performance reviewed monthly by the Corporate Management Team
- High level dashboard of financial indicators produced monthly;
- Comprehensive national and local Performance Indicators, covering key corporate and service level activity;
- Robust monthly budgetary control process including sign off by Heads of Service;
- Robust Medium Term Financial Planning process;
- Robust financial reporting and scrutiny of financial performance, including production of the Statement of Accounts.

Treasury Management

- Annual review and setting of borrowing limits, policy and investment strategy;
- Comprehensive Performance Indicators;
- Quarterly financial reporting and scrutiny.

Collection of taxes and other debts

- Comprehensive Performance Indicators;
- Customer Surveys.

Internal Audit

- Audit Plan and Internal Audit reviews;
- Comprehensive Performance Indicators;
- Audit & Governance Committee;
- External Audit and inspection.

The Prudential Indicators

- Annual setting of Prudential Indicators;
- Robust monitoring and reporting arrangements.

Equality and Diversity Issues

2.18 Equality impact assessments are part of the legal duties set out in the Race, Disability and Gender under the Race Relations (Amendment) Act 2000, the Disability Discrimination Act 2005 and under the Equality Act 2006. An impact assessment is a positive step to ensure wherever possible preventative measures are taken to avoid discrimination and unfairness before it occurs.

2.19 This overall finance strategy has been the subject of an initial screening which concluded that a full assessment was not required to be undertaken. This conclusion was reached on the understanding that any actions arising from the strategy would be subject to individual screenings.

Section 3

General Fund Medium Term Financial Plan

Introduction

3.1 The Council is required to set a balanced budget by the end of February each year and accompanies this with a Medium Term Financial Plan (MTFP). Executive receives quarterly updates against the budget and in July each year Council agrees the final accounts for the previous financial year.

3.2 The Council's financial strategy is to invest in the town and the services the Council provides to local people and businesses at the same time as meeting its significant budget challenges through a range of savings programmes – especially via "big ticket" items.

3.3 Last year's MTFP (agreed at Council in February 2017) set out how the forecast budget gap would be met over the following four years. It included using all of the available reserves (£7.038m), delivering some (£0.700m) 'unidentified savings' and leaving a base budget gap (£1.371m) at the end of the four year period.

3.4 The new plan attached to this report sets out the budget gap, as it currently stands, and how the Council will look to meet the financial challenges it faces for the next four year period – i.e. considering the year 2021/22 for the first time.

3.5 The MTFP does not sit in isolation but forms a significant part of the Council's strategic framework. At the 'top' of this framework is the Corporate Plan: Building a Better Ipswich. The Corporate Plan was produced alongside last years' MTFP and was adopted in March 2017. It has the core aims of:

i) A stronger Ipswich Economy
ii) A High Quality and Sustainable Environment
iii) An enjoyable place to live, work and study
iv) A Healthy Community
v) Quality Homes for All
vi) Safe Communities
vii) An Efficient and Effective Council

3.6 The Corporate Plan also identifies the following 'top ten projects':

- To provide new council housing and affordable homes;
- To kick-start the next development phase of the Waterfront;
- To improve the quality of the town centre;
- Ensure Ipswich is a Dementia Friendly Town;
- To improve Chantry Park and Ipswich Museum;
- To provide high quality multi-storey and surface car parks;
- To support the health sector to meet community needs;
- To ensure Ipswich is a great place to experience a wide range of arts and entertainment;

- To reduce our dependency on government funding;
- To be a good employer.

3.7 In addition, two motions considered (and agreed) by Council during the course of this municipal year are also of relevance to this year's MTFP:

a) Motion 1: Proposed by Councillor Bryony Rudkin and Seconded by Councillor Sandra Gage on 26th July 2017:

"That this Council recognises and values the work of its employees and those across the public sector. It acknowledges that the Government's imposition over many years of a pay freeze and public sector pay cap of 1% has resulted in wages in the public sector falling behind both price inflation and the earnings in the private sector. This has caused difficulties in recruitment and made public sector employees feel undervalued.

The Council urges the Government to scrap the public sector pay cap. We also urge the Government to adequately fund councils to pay their staff a decent pay rise in line with the cost of living."

b) Motion 2: Proposed by Councillor Ian Fisher and Seconded by Councillor David Ellesmere on 22nd November 2017:

"This Council agrees that working together with other agencies and local authorities to find a solution to the gang-related problems, and the exploitation of vulnerable people, currently taking place on the streets of our Town will be a high priority for Ipswich Borough Council."

3.8 This section of the report is split into seven further sections:

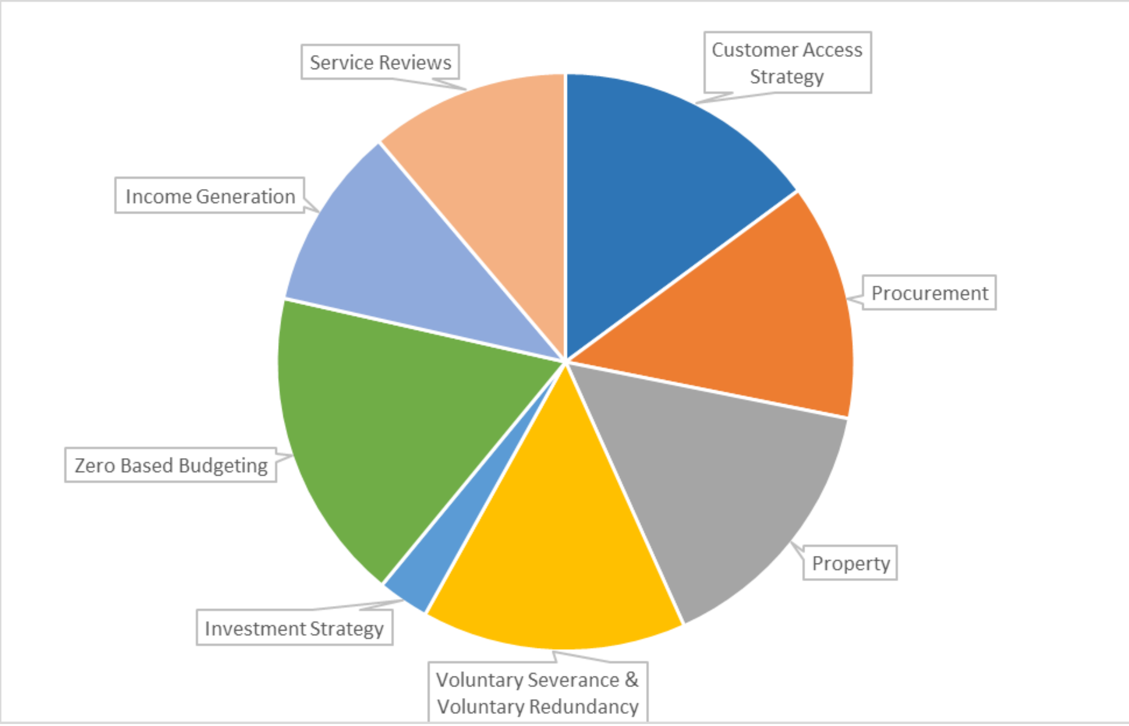
i) Achievements in the last year
ii) The Local Government Finance Settlement
iii) The General Fund revenue budget
iv) Growth Items
v) The Capital Programme
vi) The Housing Revenue Account
vii) Longer term budget strategy

Achievements in the last year

3.9 The Council's net budget for 2017/18 was approximately £22.5m in contrast to the net budget for 2011/12 of approximately £24m.

3.10 The 'big ticket' transformation programme, discussed more fully at paragraphs 3.37 and 3.38 has delivered £3.471m of savings in 2017/18 broken down by scheme per Chart One.

Chart One: Big Ticket Delivery by Scheme to date 2017/18



3.11 Alongside these savings, the Council has delivered a range of achievements during 2017/18 including (in Building a Better Ipswich aims):

<u>Aim 1: A stronger Ipswich Economy</u>

- Successful implementation of Business Rates relief scheme;
- Winning £750,000 Coastal Communities funding to repave St Peters Wharf;
- Significant progress made on Sproughton Enterprise Park including completion of masterplan, submission of planning applications and demolition of silos;
- Secured pilot for 100% business rate retention in 2018/19;
- Providing £300,000 grant funding for a 3D productivity suite at University of Suffolk Ipswich Waterfront Innovation Centre;
- Construction nearing completion on new Crown Street Multi-storey car park;
- Granted planning permission for key projects e.g. new Crown Car park, the former BHS Unit, Broomhill Pool and new council homes at Cauldwell Hall Road;
- Ipswich Local Plan chosen by the Planning Advisory Service as an example of ‘What good looks like’ in planning;
- 100% of Major development schemes approved (as at Quarter 3);
- 99.2% of applications determined within time (as at Quarter 3);
- Government award to IBC £200K to support the Ipswich Garden Suburb planning process;
- 96 Planning Enforcement cases resolved.

Aim 2: A High Quality and Sustainable Environment

- Stepped in to save de-registered bus services;
- Replacement boilers at Fore Street Pool as part of energy efficiency programme;
- Emptied more than 4 million bins on their scheduled collection day (99.97% service success);
- Cleared in excess of 235 tonnes of leaves during the autumn leaf campaign;
- Maintained free brown bin collections – (now) the last council in Suffolk to do so;
- Upgraded internal combustion powered town centre sweeper to electric version;
- £9 million investment over five years in A-rated boilers and solid wall improvements – 1002 fitted in last 12 months;
- Supporting the national recycling scheme at crematorium and redistributing the money to charities;
- Funding allocated, design complete and works tendered for the replacement New Wolsey Theatre roof.
- Commissioned a new Public Realm Strategy.

Aim 3: An Enjoyable Place to Live, Work and Study

- Appointed a contractor for the Cornhill Project;
- Broomhill pool secured HLF funding in partnership with Fusion;
- Sports facilities continue to offer value for money to around three quarters of a million customers a year;
- New clubhouse and changing rooms opened at Ransomes - saved and redeveloped for community use by the Council;
- Continued success of IBC events attracting tens of thousands of people to Ipswich - Music Day, Mela, Global Rhythms, Maritime Ipswich;
- A record year at the Regent Theatre with over 200 shows with more West End Shows and A-list comedy acts;
- Continued support for 6 Arts Council National Portfolio Organisations;
- Over 100,000 people visited Ipswich Museums in 2017;
- Clangers, Bagpuss & Co exhibition attracted 7,000 visitors;
- Thomas Wolsey: Ipswich's Greatest Son exhibition opened including the spectacular angels made for his tomb. The first time 'Wolsey's Angels' have been shown outside London;
- Museums service awarded a share in £570K Skills for the Future funding.
- Retained Green Flag Status at Christchurch and Holywells Parks

Aim 4: A Healthy Community

- Significant progress towards becoming a dementia friendly Council including dementia awareness training provided for staff, dementia audits of all key public council buildings and dementia Champions established;
- Loan to Ipswich Buses for new, cleaner buses which will improve air quality in the town centre;
- Wide range of fitness programmes provided from BuggyFit for new parents to working with AcitvLives and the over 50's;

- Area Committees have funded many projects including the Play bus; Inspire Suffolk; Let's Talk Reading; a workshop to help Emmaus provide life skills for homeless people; a self-defence course in South West Ipswich and a new pop up library in Ransomes Sports Pavilion;
- Promoting the 'Eat out, eat well' award – Working with IBC, AXA and Vertas have gained the award for their Staff restaurants located in Ipswich this year;
- Sports Community Work - "Breathe Well", Work with Cerebral palsy and Muscular diseases, Headway, Team Swim, Parent/Child sessions;
- 105 Health & Safety inspections completed on Local Businesses;
- Improving food hygiene standards by introducing a requirement that all food business operating council managed facilities are food hygiene rated as 4 or 5.

<u>Aim 5: Quality Homes for All</u>

- £1.8 million scheme commenced to add bay window cladding and roof upgrades to 1,097 houses by Spring 2019;
- £20 million investment in planned maintenance on the council housing stock over the next seven years;
- £331,000 rough sleeper project helping to reduce the numbers of rough sleepers;
- New Housing Strategy published providing a clear strategic direction for the next 5 years
- Built seven new council houses in Widgeon Close and Ainslie Road;
- £1.3 million investment into refurbishing Cumberland Towers including new sprinkler system;
- Completed 401 disabled adaptations on council homes and agreed a simplified scheme for granting Disabled Facilities Grants;
- Community Caretakers carried out 7,845 individual jobs maintain the Ipswich council estates (including dealing with door entry issues, fly-tipping, gardening, dog fouling, minor repairs);
- Prevented 5 council homes worth £726,000 being sold through fraudulent activity
- Completed 549 bathroom and 397 kitchen refurbishments along with 125 new roofs and 205 rewires in council homes in 2017;
- Prevented 599 households from becoming homeless in 2017
- Brought 45 more empty homes back into use in 2017.

<u>Aim 6: Safe Communities</u>

- Providing Community Cash Grants to key voluntary organisations;
- Increased the out-of-hours noise nuisance service has been responsible for a number of high profile prosecutions of persistent offenders;
- Ipswich Borough Council is working with agencies, including SCC and Suffolk Police, to tackle drug and gang crime. The Council leads the Community Safety Partnership, providing vital resources to fight crime and promote community resilience;
- Improved security patrols in our parks in order to reduce anti-social behaviour.

- Ipswich was re-awarded the Purple Flag in recognition of a safe night time economy
- The Council has reduced the number of street drinkers from 75 in 2012 to 10 in Jan 2018, through effective working with partners;
- This year 1,437 children attended Crucial Crew the highest number to date. The Children learn about personal safety, how to react correctly to dangerous and threatening situations, understand the role the emergency support services play and how and when to contact them, and to be aware of their own actions and the safety of others;
- The 5 Area Committees and the Safer Neighbourhood Groups continue to work effectively to monitor and address criminal and anti-social behaviour

Aim 7: An Efficient and Effective Council

- Agreed new Council Tax Reduction Scheme which will lower bills for residents on low incomes;
- Loaned money to Ipswich Borough Assets to enable the purchase of additional commercial properties (bringing in substantial income to the Council);
- Provided Grounds Maintenance & Landscape services to new customers looking for a more reliable professional service
- Confirmed payment of new Living Wage rate of £8.75 from April;
- Launched new brand of IpswichFit in our Sports & Leisure service in order to promote greater participation;
- Over 10,000 residents signed up to ‘My Ipswich’ the online customer service portal (target reached in December 2017 – 4 months ahead of schedule);
- Formed IPSERV and Handford Homes.

Local Government Finance Settlement

3.12 2018/19 is the third year of the current four year Local Government Finance settlement. The provisional settlement (announced on 19th December 2017) was – basically – in line with the four year settlement. In addition the settlement also provided:

(a) Confirmation that Suffolk will be a pilot area for business rate retention – see paragraph 3.14;

(b) The Government will consult on the appropriateness or otherwise of continuing with their proposals to penalise some areas (including Ipswich) via 'Negative Revenue Support Grant';

(c) The Council Tax cap threshold is being amended from 2% to 3%.

3.13 The provisional settlement assumes negative Revenue Support Grant (RSG) in 2019/20. In the absence of other information, the MTFP assumes that the 2019/20 settlement continues for the subsequent years. The Government have announced that they will be consulting on negative RSG and its potential removal from the settlement – this would represent a benefit to the council.

3.14 The Business Rate pilot is good news in that it is estimated that it will result in an extra £2.04m extra funding for the Ipswich Borough area being retained in rates during 2018/19. The detailed agreement with our partners across Suffolk means that the Borough will first need to endeavour to reach agreement on the activities to be funded from that pot with Suffolk County Council, but if agreement cannot be achieved then the Borough will retain 75% of the pot and the County Council 25% of the pot.

3.15 This is a one off one year pilot (at this stage) and therefore it is only really appropriate to use the money for capital schemes. Consequently, no revenue impact has been assumed from the pilot. For budgetary purposes it is assumed that £1.5m of the capital programme can be funded from this source (e.g. some Waterfront Regeneration matters and public realm proposals) rather than from borrowing.

3.16 Table Four sets out the Core Spending Power headline figures for Ipswich Borough Council from the settlement for 2016/17 through the four years, as estimated by central government and included in the Local Government Settlement.

Table Four: Core Spending Power from 2016/17 Local Government Settlement

Key Information	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m
Revenue Support Grant/Tariff adj (-)	2.99	1.57	0.44		-1.01
Council Tax*	11.98	12.59	13.23	13.91	14.62
Retained Business Rates^	3.95	3.99	4.07	4.19	4.32
New Homes Bonus	1.80	2.33	2.34	1.47	1.41
Transition Grant		0.12	0.12		
Total	20.72	20.60	20.20	19.57	19.34
gain/reduction(-)		**-0.12**	**-0.40**	**-0.63**	**-0.23**
% year on year		-0.6%	-1.9%	-3.12%	-1.17%
% cumulative		-0.6%	-2.5%	-5.56%	-6.66%

*Council Tax increased 2% annually.
^Retained business rates increased annually by C.P.I.

3.17 In 2017/18 there were significant changes to the New Homes Bonus element of central government financing which had a major detrimental impact on the Council's financial position.

3.18 As a consequence of those changes and having regard to the exact figures used in the Provisional Settlement published on 19th December 2017 the Council's position for the last two years of the four year settlement is now as shown in Table Five below.

Table Five: Core Spending Power from Provisional 2018/19 Local Government Settlement

Key Information	2018/19 £'m	2019/20 £'m
Revenue Support Grant/Tariff adj (-)		-1.01
Council Tax*	13.64	14.40
Retained Business Rates^	4.28	4.42
New Homes Bonus	1.12	1.13
Transition Grant		
Total	19.04	18.94
gain/reduction(-)	**-0.23**	**-0.15**
% year on year	-1.19%	-0.79%
% cumulative	-8.52%	-9.25%

*Council Tax increased 3% annually.
^Retained business rates increased annually by C.P.I. from 2018/19

3.19 The Government calculations also work on the assumption that every Council will increase their Council Tax by the maximum amount allowable under the Council Tax Cap Threshold – for 2018/19 this is 3%.

3.20 The final Local Government settlement is expected to be announced during February 2018. It is possible that the final settlement will change from the figures set out above and Councillors will be updated as soon as further information is available.

The General Fund revenue budget

3.21 The structure for this section is new for this year's report and follows the format presented to Overview and Scrutiny Committee at its meeting on 4th January 2018.

3.22 Every year, the Council's budget work starts with last year's MTFP and the underlying items that it contained. These are then extrapolated forward for the new fourth year. This is set out in Table Six.

Table Six: General Fund Revenue Budget Gap 2018/19 to 2021/22

£m	2018/19	2019/20	2020/21	2021/22	Total
Gap (after savings and before use of reserves)	1.964	1.238	1.370	0.654	**5.226**

3.23 It is then important to recognise that the gap identified in the above table also presumed that savings were going to be made throughout the four year period – i.e. savings that have not been made by the end of quarter 2 of the current financial year (30 September 2017). These are 'added back in' within Table Seven below to give the 'Starting Gap Position' for the MTFP in this report.

Table Seven: General Fund Starting Budget Gap Position 2018/19 to 2021/22

£m	2018/19	2019/20	2020/21	2021/22	Total
Gap (after savings and before use of reserves)	1.964	1.238	1.370	0.654	**5.226**
Outstanding Savings	0.424	0.540	0.762	0.820	**2.546**
Starting Gap Position	**2.388**	**1.778**	**2.132**	**1.474**	**7.772**

3.24 However, during the course of 2017/18 a whole series of matters have arisen / occurred that add budget pressures to this position. The most significant items are summarised in Table Eight.

Table Eight: Cost Pressures arising 2018/19 to 2021/22

£m	Note	2018/19	2019/20	2020/21	2021/22	Total
Non-Pay Inflation (1.25%)	1	0.165	0.332	0.502	0.677	**1.676**
National Pay Offer (2% Years 1 & 2)	2	0.237	0.474	0.474	0.474	**1.659**
Homelessness Reduction Act	3	0.291	0.335	0.400	0.400	**1.426**
Housing Benefit/Universal Credit Costs	4	0.299	0.299	0.299	0.299	**1.196**
Pay Contingency	5	0.200	0.202	0.204	0.206	**0.812**
Continued Pay Offer (2% Years 3 & 4)	6	0.000	0.000	0.193	0.391	**0.584**
Additional Homeless Families Provision	7	0.147	0.150	0.153	0.156	**0.606**
Items agreed at Executive (eg. Cornhill & via Budget Monitoring)	8	0.081	0.097	0.099	0.078	**0.355**
Council Tax Reduction Scheme	9	0.052	0.053	0.054	0.055	**0.214**
Total of items listed above		**1.472**	**1.942**	**2.378**	**2.736**	**8.528**

3.25 In addition, during the course of 2017/18 a series of matters have arisen / occurred that improve the budget position - these are summarised in Table Nine. In particular the benefit from the loans to Ipswich Borough Assets has improved the underlying financial position.

Table Nine: Improvements to Budget Position arising 2018/19 to 2021/22

£m	Note	2018/19	2019/20	2020/21	2021/22	Total
Profit from Loans to Ipswich Borough Assets	10	1.705	1.700	1.698	1.693	**6.796**
Transitional Vacancy Savings	11	0.500	0.510	0.520	0.530	**2.060**
CCTV Savings	12	0.000	0.050	0.050	0.050	**0.150**
Total of items listed above		**2.205**	**2.260**	**2.268**	**2.273**	**9.006**

3.26 Bearing in mind the materiality of the amounts in the Table Eight and Table Nine above, it is appropriate to provide a brief commentary for each – utilising the Note numbers in the tables:

1. Non-Pay Inflation: Funding all non-pay inflation at an assumed 1.25% will provide a further contingency against inflationary pressure arising due to economic uncertainty and will add an additional pressure of £0.165m per annum. It is proposed that this be held centrally in a reserve and used to fund specific inflationary cost pressures as they arise.

2. National Pay Offer: The MTFP last year assumed a pay increase of 1% in each year of the Plan. The recent national pay offer for local government is for a 2% rise for each of the next two years. This increases the pay budget by a further percent in 2018/19 and 2019/20. The impact of this continues into 2020/21 and 2021/22 though no further increase is assumed within this note line (see note 6 below). Whilst the pay position isn't yet finalised, it is unlikely that the eventual outcome will be less than that offered by the employers on a national basis.

3. Homelessness Reduction Act: This is the net estimated cost of the implementation of the Act for Ipswich Borough Council – i.e. it takes account of additional funding being provided by the Government. Further information can be found in Executive report titled Homelessness Reduction Act, dated 28th November 2017 and referenced E/17/49.

4. Housing Benefit / Universal Credit Costs: The Housing Benefit Subsidy was assumed in the 2017/18 MTFP was to deliver a £0.250m surplus per annum on the assumption that IBC receives full subsidy grant and is also able to reclaim any overpayments. This off-set costs that it is estimated will still need to be incurred although receipt of the grant subsidy is thought to be unlikely now that Universal Credit is being implemented in Ipswich from April 2018. A further £0.049m income from the Admin Subsidy Grants (Housing Benefit and Council Tax) has been lost, making the total impact £0.299m.

5. Pay Contingency: The Council has particular challenges with recruiting and retaining senior staff at Grade 11 and above (i.e. over about £35,000 per

annum pay). This situation has been mitigated by the use of Market Supplements but is made worse by some issues associated with the extent of Grade 11 (i.e. some people reporting to others on the same grade) and by the recent relocation of Babergh and Mid Suffolk (who generally pay more at higher levels) to Russell Road. A Human Resources Panel is being set up to consider relevant issues and make appropriate proposals (see Council report of 24th January 2018, reference C/17/15). This funding is likely to be sufficient to address whatever recommendations they produce / agree.

6. Continued Pay Offer: Bearing in mind the recent pay offer made (see note 2), the Council Motion and the Bank of England's 2% inflation target, it would seem appropriate to budget for a 2% increase in pay in the 3rd and 4th year of this Plan rather than revert to the 1% level previously predicted. This would mean a total compounded increase of 8.24% over the four years (cumulative value of note 2 and note 6).

7. Additional Homeless Families Unit: Executive has decided (report reference E/17/57 on 12th December 2017) to respond to pressures on the Council's Homelessness Service by enhancing its provision. This will have a net financial cost – whilst providing a significantly improved service.

8. Items Agreed at Executive: As reported in the Quarter Two Budget Monitoring Report to Executive (reference E/17/51 – 28th November 2017), the base impact of additional cost pressures to the budget totals £0.037m per annum. This comprises of £0.031m legal income which is considered to be non-deliverable and £0.006m rates rises for Grafton House and affects the underling budgetary position. In addition recent estimates of maintenance costs relating to the regeneration of the Cornhill has a £0.037m per annum impact (as agreed at Executive on 12th December 2017, report named Cornhill Redevelopment Project – Main Contractor, reference E/17/56).

9. Council Tax Reduction Scheme: A new Scheme was agreed at Council on 24th January 2018 (C/17/13 – Adoption of Revised Council Tax Reduction (CTR) Scheme – Effective 01 April 2018). The new scheme has a cost – as set out in this note line. Paragraphs 3.47 and 3.48 and Table 16 set out the further details.

10. Profits from Loans to Ipswich Borough Assets Ltd (IBA): IBA has completed five property deals and in each case has borrowed at a commercial rate from the Council to finance the deals. This amount reflects the net benefit to the Council of providing the finance to IBA for these deals. Clearly at nearly £2m per annum this elements is now playing a major part in the Council's budget planning – being the largest per annum amount in either of the two tables above. The total benefit is £7.156m over the four year period. Of this, £6.796m is an additional benefit, with £0.360 having already been assumed in the MTFP in 2017/18.

11. Transitional Vacancy Savings: With a workforce of just under 1,000 full time equivalent employees it is inevitable that there will be some people choosing

to leave the Council each year and the Council continues to recruit to replace the vast majority of these roles. Each change often results in a gap and each gap is effectively a financial saving. Detailed work has been undertaken to make an assessment of past savings levels and a prudent saving target is proposed that it is estimated should be achievable without enacting any form of recruitment freeze or enforced pause in filling any posts.

12. CCTV Savings: The capital programme allocates £500,000 towards a more modern digital / Wi-Fi CCTV system for the town that will provide a much enhanced technological capability and ensure the system is fit for purpose moving forward. It will also have significant revenue savings – and effectively pay back the investment over a ten year period.

3.27 In total this gives a 'Total Gap Position' as set out in Table Ten below:

Table Ten: Total Budgetary Gap Position 2018/19 to 2021/22

£m	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
Starting Gap Position	2.388	1.778	2.132	1.474	**7.772**
Net items arising (-ve is cost reduction)	-1.552	-0.056	0.502	0.983	**-0.123**
Total Gap Position (before growth & capital)	**0.836**	**1.722**	**2.634**	**2.457**	**7.649**

3.28 There are – as always – a significant series of assumptions that under-pin all these calculations. Some of these are:

- Negative Revenue Support Grant imposed 2019 / 2020 onwards (at a net cost of £1.6m over the MTFP)
- Council Tax = 2% per annum (as per last years' MTFP assumption)
- County Business Rates pool continues
- £75,000 per annum growth allocation
- An average of 2% increased income from 'Fees and Charges' income for paid-for Council services in 2018/19 and 3% thereafter.

3.29 Proposals for growth are set out in Table Eighteen. These result in a proposal to increase the growth allocation to £150,000 per annum – i.e. to double it - which has a total additional cost of £750,000 over the four year programme as shown in Table Eleven below.

Table Eleven: Total Additional Costs from Growth Items 2018/19 to 2021/22

£m	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
Additional Revenue Costs	0.075	0.150	0.225	0.300	**0.750**

3.30 Proposals for the capital programme are set out in paragraphs 3.59 to 3.62. Approximately £8m of the proposed capital programme are new items / additional costs – and about 20% of that can be expected to be funded from the new business rates pilot (see paragraphs 3.14 & 3.15). Assuming – as is the case within the attached MTFP – the other 80% is funded by borrowing and as a consequence the costs to the general fund revenue budget are as shown in Table Twelve.

Table Twelve: Total Additional Costs from Capital Items 2018/19 to 2021/22

£m	2018/19	2019/20	2020/21	2021/22	Total
Additional Revenue Costs	0.000	0.073	0.267	0.333	**0.673**

3.31 Adding these last two tables to Table Ten provides a final cumulative gap position of £9.384m between 2018/19 and 2021/22 as shown in Table Thirteen.

Table Thirteen: Final Budget Gap Position 2018/19 to 2021/22

£m	2018/19	2019/20	2020/21	2021/22	Total
Total Gap Position (before growth & capital)	**0.836**	**1.722**	**2.634**	**2.457**	**7.649**
Additional costs from growth items	0.075	0.150	0.225	0.300	**0.750**
Additional costs from capital additions	0.000	0.073	0.267	0.333	**0.673**
Total Gap Position	**0.911**	**1.945**	**3.126**	**3.090**	**9.072**

3.32 Clearly this sets a financial challenge. In meeting this challenge – and having regard to the amount of growth set out within this MTFP, the administration has set three targets:

i) Reserves should be available to cover a fifth year – (i.e. to be more than £2m plus the value from point (ii) below) - a far better position than this time last year;

ii) Gap to be, ideally, less than £1m but, definitely, no more than last year (£1.371m); <u>and</u>

iii) The amount of unidentified savings to be less than set out within last years' MTFP (£0.700m).

3.33 As with any MTFP there are risks associated with it and this year the two 'new' and significant items are:

i) The introduction of Universal Credit in Ipswich – the majority of which will come into place in April 2018; and

ii) The implications of Brexit.

3.34 Neither of these issues is solely specific to Ipswich and it isn't possible to quantify the impact (beyond the £1m+ loss in relation to the housing benefit position set out above at paragraph 3.26(4). However this does reinforce the logic in ensuring there are some additional reserves available (i.e. point (i) in paragraph 3.32).

3.35 It is intended to address the Final Gap Position in four ways:

i) The continuation of the Big Ticket Item savings programme (see paragraph 3.39 below);

ii) A small element of – as yet – unidentified savings (see paragraph 3.42 below;

iii) Use of reserves (currently the Council has £5.259m of useable reserves); and

iv) A one off-increase of Council Tax in 2018/19 of 2.98% (i.e. 1% more than previously assumed) (see paragraphs 3.44 to 3.46 below).

3.36 The impact of these four elements in securing a balanced budget over the four years is set out in Table Seventeen and paragraph 3.50 sets out how they meet the financial aspirations set out at paragraph 3.32 above.

3.37 The 'Big Ticket' approach to savings was first introduced in the 2015/16 financial year, having been 'flagged' as the planned strategy in the previous MTFP. It should be noted that the three year target set in 2015/16 had assumed a base level of financial benefit per annum of £2.7m a year by the end of 2017/18 against the Big Ticket areas.

3.38 Prior to 2015/16 the Council savings programme had been a mix of 'salami' slicing (i.e. the same % reduction for every service) and / or detailed individual savings ideas. Since 2015/16 the 'Big Ticket' approach has resulted in extensive savings that – by the end of 'Quarter 2' (30th September 2017) - had resulted in base savings within the Council's budget as shown in Table Fourteen. In other words, the original three-year target has been exceeded.

Table Fourteen: Big Ticket savings delivered to date as at Quarter Two 2017/18

£m	**2018/19**
Customer Access	0.517
Procurement Savings	0.460
Property Investments & Rentals	0.525
Voluntary Severance/Redundancy	0.514
Investment Strategy	0.100
Zero Based Budgeting	0.610
Income Generation	0.357
Service Reviews	0.388
Total delivery	**3.471**

3.39 A careful review has been undertaken and it is recommended that the Strategy should be continued with new targets set per Table Fifteen.

Table Fifteen: Recommended Big Ticket targets 2018/19 to 2021/22

£m	2018/19	2019/20	2020/21	2021/22	Total
Customer Access	0.100	0.100	0.100	0.100	**0.400**
Procurement Savings	0.250	0.300	0.300	0.300	**1.150**
Property Investments & Rentals	0.050	0.100	0.100	0.100	**0.350**
Voluntary Severance/Redundancy	0.050	0.100	0.100	0.100	**0.350**
Investment Strategy (e.g. IBA)	0.000	0.200	0.400	0.600	**1.200**
Zero Based Budgeting	0.150	0.250	0.250	0.250	**0.900**
Income Generation	0.150	0.150	0.150	0.150	**0.600**
Total Savings	**0.750**	**1.200**	**1.400**	**1.600**	**4.950**

3.40 This strategy – and the numbers associated with it – are considered to be realistic. They are a development of the approach taken last year where different targets were set for the different elements having regard to a detailed assessment as to the potential of each for beneficial financial change.

3.41 It should be noted that – in broad terms, this would add – at base annual level – nearly 50% to the current level of achievement (i.e. another £1.6m to the £3.47m achieved to date. This is not a savings programme in the conventional meaning of the word savings, since in three of the instances, it is about bringing in more money and only four relate to 'saving' money – hence the use of the word 'Ticket'.

3.42 In last year's MTFP, an allocation was made of £0.700m for 'unidentified savings' to be delivered across the last three financial years of that MTFP (i.e. 2018/19 to 2020/21). It is considered appropriate to continue with this approach and to allocate targets to 'unidentified savings' of a (cumulative) £500,000 but this time only across the last two financial years of this plan (2020/21 and 2021/22). It is anticipated that next year's plan will not include any 'unidentified savings' in 2020/21.

3.43 Prior to the announcements on both the National Pay Award proposal (see paragraph 3.26(2)) and the draft Local Government Finance Settlement (see paragraph 3.12 to 3.15) it was assumed that the Council could balance it's MTFP within the bounds of a (no more than) 2% Council Tax rise.

3.44 However, having regard to the proposals within the plan and – in particular the fact that Pay Award proposal – made in November 2017 – hasn't been funded by the Government in anyway, it has been concluded that – for one year only – the Council Tax increase should be 3% (or 2.98% to be exact).

3.45 This proposal would result in an additional income of around £130,000 per annum (or £520,000 over the four year period of the MTFP).

3.46 Other factors that support this proposal are:

i) 2.98% is less than the current inflation level of 3.0% (CPI at December 2017)

ii) The actual tax increase is less than the Government assumption that Local Authorities will increase council tax by 3% throughout the period to 2019/20.

iii) It is less than the % increases proposed by the other precepting organisations in Ipswich – Suffolk County Council at 4.99% and the Police and Crime Commissioner at 6.77%.

iv) It is understood that four of the other six districts in Suffolk will have a higher percentage increase than 2.98%.

v) It amounts to an increase of 15.2p per week for the average (Band B) Council Tax payer in Ipswich, compared to 88.3p for Suffolk County Council and 17.9p for the Police and Crime Commissioner.

3.47 In addition, it is worth noting that a Council Tax Reduction Scheme recipient living in a Band B property during 2017/18 was expected to pay at least £112.51 towards their Council Tax. Following the proposed Council Tax increase for 2018/19, this minimum payment would have risen to £117.88 (i.e. using 'last years' scheme) had it not been for the revision to the Council Tax Reduction Scheme for this coming year.

3.48 The revised scheme, which comes into effect on 1 April 2018, provides for a higher rate of reduction and the same customer will now be required to pay only £69.34 towards their Council Tax i.e. so Ipswich residents, on the lowest incomes, will see an average reduction in their council tax bills of £43.17.

Table Sixteen Impact of Council Tax Reduction Scheme (Band B)

	2017/18	**2018/19**	**Assumptions**
SCC	£920.50	£966.42	4.99% Increase assumed
PCC	£137.55	£146.86	6.8% Increase assumed
IBC	£265.48	£273.49	
Council Tax	**£ 1,323.53**	**£ 1,386.77**	
Council Tax Reduction %	91.50%	95.00%	
Amount Payable	£112.51	£69.34	

3.49 Bringing this all together results in £3.079m of reserves being required to deliver financial balance as shown in Table Seventeen. This is a significant improvement on the 2017/18 MTFP where £7.038m of reserves were required to deliver a balanced budget.

Table Seventeen: Reserves required to achieve financial balance

£m	2018/19	2019/20	2020/21	2021/22	Total
Final Gap Position	**0.911**	**1.945**	**3.126**	**3.090**	**9.072**
New Big Ticket Targets	-0.750	-1.200	-1.400	-1.600	**-4.950**
Unidentified Savings	0.000	0.000	-0.150	-0.350	**-0.500**
Increased Council Tax Income	-0.130	-0.130	-0.139	-0.143	**-0.543**
Reserves to Achieve Balance	**0.031**	**0.615**	**1.437**	**0.997**	**3.079**
Balance	0.000	0.000	0.000	0.000	

3.50 This means that – in relation to the aspirations set out in paragraph 3.32 – the relevant targets are being achieved as follows:

i) At the end of the 4th year there are predicted to be £2.178m of useable reserves – i.e. more than the Gap at point 2 below;

ii) The base gap at the end of the 4th year is predicted to be £0.997m – i.e. less than the comparable figure of £1.371m; and

iii) The amount of unidentified savings proposed at £0.500m is less than the £0.700m set out within last years' MTFP.

3.51 In recent years the Council has ensured that there are adequate resources to ensure that our savings / investment plans can be delivered via a Corporate Service Reserve and the Transformation / Invest to Save fund. These "pots" require topping up using one off savings generated in 2017/18.

Growth Items

3.52 As discussed at point 3.29, it is proposed to increase the annual growth allocation from £75,000 to £150,000 per annum. In addition, there is currently £49,000 worth of the 2017/18 growth monies that remains unallocated and a forecast underspend within the 'public transport' budget.

3.53 The following growth items are proposed:

13. Anti-Social Behaviour / Drugs and Gangs Response (£100,000 in 2018/19 and £75,000 per annum thereafter): To ensure the Borough Council plays its part in full in the multi-agency response to the current drug related challenges facing Ipswich. This is supplemented by additional money proposed within the Capital Programme. £49,000 of each years budget will be funded from this current years unallocated growth money and an additional £26,000, from the same source, will be used in 2018/19 and when added to £25,000 allocate from 2018/19 growth (and £26,000 per annum thereafter) gives totals of £100,000 for 2018/19 and £75,000 per annum thereafter. A detailed action plan is currently being produced on a multi-agency basis.

14. Enhanced street cleansing (£75,000 per annum): Through the introduction of electrically powered sweepers that will efficiently remove litter and increase the area being swept by over 300%, we will significantly improve Town Centre cleanliness for the benefits of shoppers, residents and businesses. We will also be investing in new equipment that will allow us to increase mechanical sweeping on footpaths across the whole Borough, resulting in every footpath being mechanically swept at least twice per year, resulting in cleaner footpaths for all residents and thereby reduce the build-up of detritus that will, in turn, assist in reducing weed growth;

15. Service 14: Support a new Service to replace Service 14 (£20,000) per annum: To subsidise public transport provision to the 'Birds' area of Chantry to support local communities who would be left with no viable public transport service following Ipswich Buses announcement that they are withdrawing the service for commercial reasons. In the first year this will be funded from under-spends in the existing public transport budget that will be carried forward for this purpose;

16. Evening bus services (£77,000 per annum): To subsidise evening services that Ipswich Buses have announced that they are withdrawing for commercial reasons to support local communities and the town centre evening economy. In the first year this will be funded from under-spends in the existing public transport budget that will be carried forward for this purpose;

17. Community Grants (£15,000 per annum rising to £45,000 per annum): To reverse the cut to the Community Grants programme in the 2017/18 MTFP;

18. Emergency Response Training (£10,000 in 2018/19): To ensure more employees are trained to participate in the Council's response to any major emergency scenario;

19. Centenary Events (£25,000 in 2018/19): To provide a one-off addition to the Events budget to enable the Council to appropriately help commemorate / mark the two major centenary events in 2018 (the First World War and the 100th anniversary of the Representation of the People Act 1918 (enabling some women (Over 30) to vote));

3.54 The items detailed in paragraph 3.54 are summarised in Table Eighteen below:

Table Eighteen: Use of growth allocation 2018/19 to 2021/22

£m	**Note**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**Total**
Total Growth Allocation available		0.150	0.300	0.450	0.600	**1.500**
Antisocial behaviour/drugs	13	0.025	0.026	0.026	0.026	**0.103**
Street Cleansing	14	0.075	0.075	0.075	0.075	**0.300**
Service 14	15	0.000	0.020	0.020	0.020	**0.060**
Evening Buses (Mon – Sat)	16	0.000	0.045	0.045	0.045	**0.135**
Evening Buses (Sun)	16	0.000	0.032	0.032	0.032	**0.096**
Community Grants	17	0.015	0.030	0.045	0.045	**0.135**
Emergency Response Training	18	0.010	0.000	0.000	0.000	**0.010**
Centenary Events	19	0.025	0.000	0.000	0.000	**0.025**
Total Growth Allocation committed		**0.150**	**0.228**	**0.243**	**0.243**	**0.864**

3.55 This means that the full 2018/19 growth allowance would be allocated and that approximately half of the 2019/20 allowance of £150,000 is already committed within this MTFP.

The Capital Programme

3.56 The 2018/19 to 2021/22 Capital Programme is set out in Section 6 below.

3.57 The Capital Programme was last reported to Executive within the Quarter Two Budget Monitoring report (on 28th November 2017, reference E/17/51).

3.58 This year the Programme has been restructured into five sections:

i) The Housing Revenue
ii) Annual Core Investments
iii) Major Capital Projects
iv) Contingency and Other Items
v) Loans to Council Companies.

3.59 The additions to the Capital Programme for the 2018/19 MTFP are shown in Table Nineteen.

Table Nineteen: Capital additions 2018/19 to 2021/22

£m	Note	Expenditure 2018/19	Expenditure 19/20 to 21/22	Total Capital Expenditure
Homeless Family Unit	21	0.800	0.200	**1.000**
Regent Theatre	22	0.520	0.015	**0.535**
Public Realm	23	0.750	3.000	**3.750**
Community Improvements	24	0.200	0.000	**0.200**
FIND	25	0.200	0.000	**0.200**
Chantry Park	26	0.250	1.250	**1.500**
CCTV Replacement	27	0.500	0.000	**0.500**
Museum Security Enhancements	28	0.105	0.000	**0.105**
HEARS	29	0.035	0.000	**0.035**
Customer Telephony	30	0.050	0.000	**0.050**
Total Capital Additions		**3.410**	**4.465**	**7.875**

3.60 In brief summary the items listed in Table Nineteen are:

21. Provision of a Homeless Family Unit: This amount relates to additional expenditure to bring ensure that the new unit that the Council is purchasing is redeveloped to an appropriate standard. The finances for the purchase have already been included in the capital programme (Executive report reference E/17/57 on 12th December 2017).

22. Enhancements to the Regent Theatre: This increases the amount already in the capital programme to improve the facilities for customers at the Regent Theatre. The increased cost is due to detailed work resulting in the proposal changing from renovating the existing toilets already at the Regent to increasing the overall toilet provision and improving décor and increasing bar provision.

23. Public Realm: £750,000 has been secured from the Coastal Communities Fund to transform St Peters Dock. This coupled with the Cornhill scheme will be the focus of public realm improvements during 2018/19. Thereafter £1m per annum has been included in the programme to support the delivery of the Ipswich Vision's new Public Realm Strategy which is nearing completion. Half of the first years funding has been attributed to the retained business rate pilot referred to at paragraphs 3.14 and 3.15. This retained business rate element will also act as a contingency for the 2018/19 public realm programme (i.e. the Cornhill and Saint Peter's Dock).

24. Community Improvements: The revenue growth section has a significant annual allocation to support the multi-agency response to the current challenges of drug related gang violence. This allocation will support any needed physical enhancements and will be focussed on improvements within the hardest affected areas (parts of Westgate and Priory Heath wards).

25. FIND at Gainsborough: Families in Need are looking to move from their Hines Road unit to the old changing block at Gainsborough Sports Centre. A planning application has been submitted and a fund raising campaign started. The Council supports this initiative and this allocation will act as a grant that would be repayable (interest free) over approximately 10 years to – with other fund raising that FIND are undertaking – enable the refurbishment of the building into a long-term home for FIND.

26. Chantry Park: This bid is to support a proposed the Heritage Lottery Fund (HLF) bid for Chantry Park, with a total spend of £4-5m over two years. The spend would be match funded and the bid assumes that the Council would contribute over 25% of the funding – with at least 70% from external funding. The council would also be required to invest £250,000 in preparing the bid. The cost and timescales of the bid were based on the experience of the bids at Christchurch and Holywells Parks and on initial discussions with the HLF. The revenue implications of the bid will need to be considered as part of the work going forward – and, if required and considered appropriate, factored into future Plans – e.g. from 2019/20 onwards.

27. CCTV Replacement: This will fund a complete refresh of the town centre CCTV infrastructure, including moving from using broadband to wireless internet connection. A contribution will be sought from the Police and Crime Commissioner since it seems only reasonable that the Police contributes to the cost. The capital spend includes replacement of cameras, and upgrading of systems and back office software. The scheme will generate £50,000 per annum revenue savings - meaning the investment will be paid back in full after ten years.

28. Museum Security Enhancements: This will fund improved security at Ipswich Museum and Art Gallery, including the installation of external cameras, movement sensors and live monitoring.

29. HEARS: This will enable the Council to upgrade the existing 'Verklizan' system to a digital base and enhance system integrations, online customer accessibility, and aid a move to more streamlined processes. The investment is also expected to make the service more attractive to users and thereby increase revenue streams.

30. Customer Telephony: This will result in the Council using more modern and better equipment enabling better access to social media and will enable staff to increase channel shift within our Customer Service team. It will also support more home-working.

3.61 The capital programme also – like previous years – contains a 'Capitalised Repairs' amount (£500,000 per annum). In 2018/19, up to £20,000 will be allocated to support improved data cabling at the Council's premises on Tower Street and a similar amount will be allocated to provide improved lighting between Christchurch Mansion and the car park to its rear (accessed via the gates by the Reg Driver Centre).

3.62 In addition to these items, the other main changes to the Capital Programme within the last 12 months are the 'Loans to Council companies' (i.e. mainly Ipswich Borough Assets). Any further requests for loans will be considered in light of the Council's Constitution and reported to Executive at the appropriate time, e.g. within the usual 'Quarterly Monitoring' reports to Executive.

3.63 In total the additional costs added to the capital programme via this report amount to approximately £8m. Having regard to the sources of funding for these, the revenue implications are set out in paragraph 3.30.

3.64 The Capital Strategy is set out in Section 6.

3.65 The Capital Programme is also set out, in detail, at Section 6. The programme has been updated based on latest information on resources available. In summary the Capital programmes for the General Fund and Housing Revenue Account are set out below:

Table Twenty: General Fund Capital Programme Funding Sources 2018/19 to 2021/22

General Fund	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**25,333**	**14,039**	**6,104**	**5,360**
Financed By:-				
Capital Receipts	5,865			
External Funding	3,986	2,250	750	750
Borrowing	15,411	11,771	5,336	4,600
RCCO's	71	18	18	10
Total Funding	**25,333**	**14,039**	**6,104**	**5,360**

Table Twenty One: HRA Capital Programme Funding Sources 2018/19 to 2021/22

Housing Revenue Account	**2018/19**	**2019/20**	**2020/21**	**2021/22**
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**31,950**	**39,127**	**15,839**	**10,100**
Financed By:-				
Capital Receipts	19,525	6,213	4,340	2,102
External Funding	54			
Major Repairs Allowance	8,737	7,499	7,932	7,998
RCCO's	3,634	25,415	3,567	0
Total Funding	**31,950**	**39,127**	**15,839**	**10,100**

3.66 Careful monitoring of the associated capital financing requirements will be necessary as any slippage will impact on the overall borrowing requirements and thus the prudential indicators.

The Long Term Budget Strategy

3.67 Ipswich Borough Council has taken a robust long term budget strategy for a number of years – a strategy that, whilst evolving over time, aims to minimise the impact of changes in Central Government funding on the future level of IBC service provision.

3.68 However, the recent financial settlements and announcements from government mean that the challenge is significantly greater than has historically been the case.

3.69 Over the next year's work, as well as normal 'budget planning work' there will be a particular focus on five elements:

(i) Advocacy to support the view that the plans to impose 'Negative Revenue Support Grant' on places such as Ipswich is unfair and should be dropped within next year's settlement and not pursued by Government thereafter;

(ii) Advocacy to support the principle of local retention of business rates (e.g. support for the continuation of the one year pilot);

(iii) Additional work on planning, delivery and financing of the capital programme;

(iv) Not having 'last minute' surprises in the process – as there were last year with changes to New Homes Bonus and this year by the Pay Award offer; and

(v) Reducing the Council's reliance on, for revenue purposes, the New Homes Bonus.

Chief Finance Officer's Statement

3.70 Section 25 of the 2003 Act requires the Chief Finance Officer to report on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council must have regard to this report when making decisions about the calculations resulting from the report.

3.71 The Local Government Finance Act 1988 also requires the Chief Finance Officer to report to all the Authority's Councillors if there is likely to be unforeseen expenditure or an unbalanced budget. External Auditors have regard to these legal requirements and the Council's code of corporate governance when reviewing the arrangements in place to ensure that financial standing is soundly based.

3.72 The Chief Finance Officer is satisfied with the robustness of the estimates and the adequacy of working balance and reserves, which are reported fully in Section 5.

3.73 Assessments of financial risks associated with the 2018/19 to 2021/22 budgets are shown below. These risks are taken account of in setting the level of reserves.

Table Twenty Three: Financial Risk Assessment 2018/19 – 2021/12

Risk Description	Consequence of risk	Risk controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk, if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate
Accuracy of estimates	Unable to deliver services within financial provision	Incorporate current economic predictions. Service Group based budget process. Revenue & capital programme set together. All known future changes included in budget.	2	2	Sign-off of detailed budgets by Heads of Service.
Adequacy of reserves/balances/bad debt provision	Possible impact on service provision	Risk Management assessment, insurance policy	1	2	Regular monitoring
Significant variances due to poor budgetary control	Unable to deliver services within financial provision	Monthly Budgetary Control process	2	2	Quarterly reporting to Executive based on monthly

Risk Description	Consequence of risk	Risk controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk, if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate
					exception reporting
Long term unsustainable/imprudent financial planning	Intervention by Secretary of State	Medium term financial planning, Prudential Indicator framework	1	1	Regular monitoring
Partnership/Joint Working – poor control/definition resulting in financial liability	Non delivery of agreed outcomes	Clear & concise contractual arrangements	2	3	Monitoring by Joint Committees
Corporate projects – predicting financial implications	Overspends or non delivery	Corporate projects managed using Prince 2 based methodology	2	2	Regular monitoring
Changing goals/expectations	Uncertainty over service delivery	Corporate Plan, Strategic framework	1	2	Clear communication
Failure of "Approved Organisation for Investment"	Potential loss of investment	Reviewed Treasury Management Strategy	3	2	Daily monitoring of investment counterparties
Poor Corporate Governance/financial control	Lack of control	New Corporate Governance, Audit review, Standing Orders	1	1	Regular reporting & monitoring
Changes in proper accounting practice	Statement of accounts not approved by external audit	The Council adheres to the latest Statement of Recommended Practice	1	2	Training and liaison with External audit
Unexpected changes in demographic/service expectations due to the current economic situation	Services under or over provided	Officers actively monitor potential future changes	2	2	Monitoring information used to predict future requirements

Specific Risks

3.74 There are also some known key specific risks and these are identified below:

Table Twenty Four: Specific Risks Identified

Risk Description	Consequence of risk	Risk controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk, if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate
Capital Ability to fund/finance	Capital programme not delivered	Capital receipts forecast. Prudential borrowing code of practice adopted. All known future changes included in budget	4	2	Funding forecast
Housing Revenue Account Ability to deliver house building programme	Lack of available social housing	Capital receipts forecast. Prudential borrowing code of practice adopted. All known future changes included in budget	3	3	Funding forecast. Updated business plan. Use of capital financing requirement.

Adequacy of Working Balance and Reserves

3.75 The Council complies with the requirements of Local Authority Accounting Bulletin 77 (November 2008) on the establishment and maintenance of local authority reserves and balances. The guidance represents good financial management and should be followed as a matter of course.

3.76 The requirement for financial reserves is acknowledged in statute. Sections 31 and 43 of the Local Government Finance Act 1992, as amended, require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the council tax requirement. There is no statutory minimum level of reserves that must be held.

3.77 It is the responsibility of the Chief Finance Officer to recommend the level of reserves and put in place protocols for their establishment and use.

3.78 The Reserves and Provisions Policy is included as Section 5.

GENERAL FUND AND COUNCIL TAX REQUIREMENT

3.79 In determining the Council Tax Requirement for 2018/19, councillors and officers have refocused resources on investing in the Council's priorities.

3.80 There is a special levy for the East Suffolk Internal Drainage Board issued on Ipswich Borough Council under the Internal Drainage Boards (Finance) Regulations 1990.

3.81 From 1st April 1990, in addition to raising revenue by means of drainage rents, the boards raised revenue by means of special levies issued to charging authorities and is included within the Council's budget requirement for areas wholly or partly included in the Board's respective districts.

3.82 The Government requires billing authorities to review their Council Tax Collection Funds and to estimate the likely surplus or deficit after allowing for all likely receivable income and additional needs for write offs beyond those actually provided for. Any estimated surplus or deficit must be taken into account in calculating basic amounts of tax.

3.83 Ipswich's Collection Fund shows a net surplus of £153,000. Any money recovered is credited to the Collection Fund, but the actual cost of recovery has to be charged to the General Fund and therefore falls within the Budget.

3.84 The Provisional Settlement for 2018/19 was announced on 19th December 2017 at £4,191,325. These figures are reflected in Table Twenty Four:

Table Twenty Four: Council Tax Requirement 2018/19

£m	**2017/18**	**2018/19**
Budget Requirement	17,818,248	17,752,680
Settlement Funding Adjustment	-4,509,354	-4,191,325
Collection Fund Adjustment	-381,560	-153,000
To be financed through Council Tax	**12,927,334**	**13,408,355**

3.85 Assuming the Council has a Council Tax Requirement for 2018/19 of £13,408,355 the Borough Council's element of the Ipswich charge for a Band B property in comparison with 2017/18 would be:

Table Twenty Five: Potential Change Band B Council Tax 2017/17 to 2018/19

Potential Change in Band B Council Tax	**2017/18**	**2018/19**	**% Change**
IBC Charge	265.58	273.49	2.98

3.86 It follows from the above that the tax (for Ipswich Borough Council) at each of the property bands for 2018/19, compared with 2017/18, would be as follows:

Table Twenty Six: Proposed Council Tax Levels by Band 2018/19

Band	2017/18	2018/19	Change	Weekly increase	Chargeable Dwellings	
	Tax (£ : p)	Tax (£ : p)	%			
					Number	%
A	227.64	234.42	2.98%	£0.13	19,030	31.3
B	265.58	273.49	2.98%	£0.15	22,809	37.5
C	303.52	312.56	2.98%	£0.17	11,115	18.3
D	341.46	351.63	2.98%	£0.20	4,279	7.1
E	417.34	429.77	2.98%	£0.24	2,272	3.7
F	493.22	507.91	2.98%	£0.28	904	2.1
G	569.10	586.05	2.98%	£0.33	357	
H	682.92	703.26	2.98%	£0.39	18	

Precepts

3.87 Suffolk County Council has publicised their intention to raise general council tax by 2.99% and implement the 2% social care increase resulting in a total 4.99% increase.

3.88 The Police and Crime Commissioner has proposed a 6.77% increase. Any changes from this position will be formally reported to the Council meeting and draft calculations for the total council tax figure will be recommended by the Chief Finance Officer.

3.89 The effect of these precepts on the individual elements of the Council Tax is a 4.77% increase in Council Tax:

Table Twenty Seven: Indicative Suffolk County Council Tax by band 2018/19

Precepting Authority	Valuation Band	2017/18 £ p	2018/19 £ p	Change £ p	Change %
	A	789.00	828.36	39.36	4.99%
	B	920.50	966.42	45.92	4.99%
Suffolk	C	1,052.00	1,104.48	52.48	4.99%
County	D	1,183.50	1,242.54	59.04	4.99%
Council	E	1,446.50	1,518.66	72.16	4.99%
	F	1,709.50	1,794.78	85.28	4.99%
	G	1,972.50	2,070.90	98.40	4.99%
	H	2,367.00	2,485.08	118.08	4.99%

Table Twenty Eight: Indicative Suffolk Police Authority Council Tax by band 2018/19

Precepting Authority	Valuation Band	2016/17 £ p	2017/18 £ p	Change £ p	Change %
	A	117.90	125.88	7.98	6.77%
	B	137.55	146.86	9.31	6.77%
Suffolk	C	157.20	167.84	10.64	6.77%
Police	D	176.85	188.82	11.97	6.77%
Authority	E	216.15	230.78	14.63	6.77%
	F	255.45	272.74	17.29	6.77%
	G	294.75	314.70	19.95	6.77%
	H	353.70	377.64	23.94	6.77%

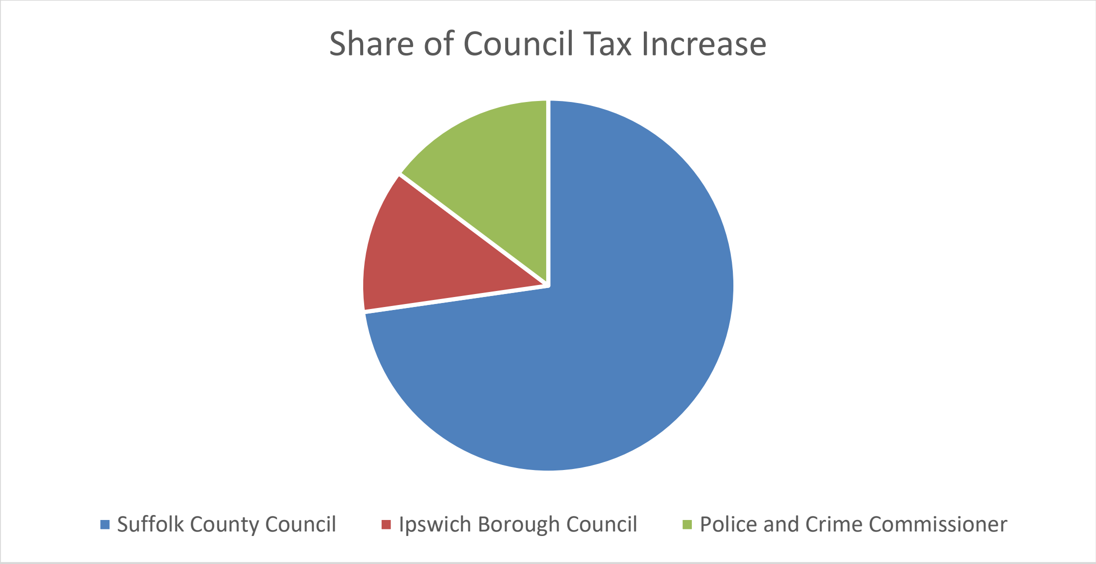
3.90 The proposed total charge for Ipswich Borough Council Tax payers is summarised below:

Table Twenty Nine: Total Proposed Council Tax for IBC taxpayers by band 2018/19

Valuation Band	2016/17 (£ : p)	2017/18 (£ : p)	Change (£ : p)	Change %
A	1,134.54	1,188.66	54.12	4.77%
B	1,323.63	1,386.77	63.14	4.77%
C	1,512.72	1,584.88	72.16	4.77%
D	1,701.81	1,782.99	81.20	4.77%
E	2,079.99	2,179.21	99.22	4.77%
F	2,458.17	2,575.43	117.26	4.77%
G	2,836.35	2,971.65	135.30	4.77%
H	3,403.62	3,565.98	162.36	4.77%

3.91 The proposition of the increase for each precepting organisation is shown in Chart Two below.

Chart Two: Share of Council Tax by charging authority in Ipswich Borough



Housing Revenue Account (HRA)

3.92 The Council manages its landlord service through the HRA Business Plan and Asset Management Strategy. The finances for which are managed through the Housing Revenue Account.

3.93 The HRA estimates have been prepared in accordance with the requirements of Part VI and Schedule 4 of the Local Government and Housing Act 1989.

3.94 The HRA is ring-fenced and is required to balance each year i.e. the working balance can never be negative and for the sake of prudence it has been decided that a minimum balance of £1m is maintained.

Section 3
General Fund MTFP

GENERAL FUND REVENUE FORECAST 2017/18 TO 2021/22

DESCRIPTION	2017/18 ORIGINAL BUDGET £	2017/18 DRAFT APPROX O/T £	2018/19 FORECAST £	2019/20 FORECAST £	2020/21 FORECAST £	2021/22 FORECAST £
NET SERVICE EXPENDITURE	21,062,940	22,212,166	19,963,800	19,792,270	19,772,170	19,974,510
Contingencies etc:						
Additional commitments	693,170	868,750	802,120	1,088,040	1,423,990	1,764,620
Transformation Fund (including former Invest to Save Fund)	66,680Cr	93,950	0	0	0	0
Big Ticket Savings	1,478,170Cr	745,360Cr	750,000Cr	1,200,000Cr	1,400,000Cr	1,600,000Cr
Transformation Savings Targets Set	28,360Cr	0	0	0	0	0
Unidentified Savings	0	0	0	0	150,000Cr	350,000Cr
General Service Reserve	0	140,110	0	0	0	0
Interest on balances etc	38,540	38,540	140,190	141,620	223,970	269,130
External interest etc	94,080Cr	94,080Cr	144,500Cr	145,500Cr	172,000Cr	206,000Cr
Loan repayments/Investment income from IBC companies	0	0	3,130,420Cr	3,100,330Cr	3,068,830Cr	3,035,860Cr
Capital financing costs	2,405,880	2,417,494	3,444,940	3,981,310	4,791,970	4,952,800
Net Expenditure	22,533,240	24,931,570	20,326,130	20,557,410	21,421,270	21,769,200
Revenue support grant	440,000Cr	440,000Cr	0	550,000	550,000	550,000
Transitional Grant	119,000Cr	119,000Cr	0	0	0	0
Business Rates Baseline	4,067,000Cr	4,067,000Cr	4,191,000Cr	4,284,000Cr	4,413,000Cr	4,545,000Cr
Retained Business Rates	134,000Cr	134,000Cr	1,024,000Cr	1,084,000Cr	1,091,000Cr	1,099,000Cr
Collection Fund surplus(cr)/deficit 31st March (net)	381,560Cr	381,560Cr	153,000Cr	0	0	0
New Homes Bonus Scheme	1,491,000Cr	1,491,000Cr	963,000Cr	776,000Cr	658,000Cr	702,000Cr
Transfer to/from (cr) reserves	507,770Cr	587,650Cr	555,340Cr	512,340Cr	95,950Cr	247,620Cr
Use of (cr) / contribution to GF revenue balance	2,465,480Cr	4,783,930Cr	31,440Cr	614,510Cr	1,436,820Cr	997,110Cr
Unfunded Balance	0	0	0	0	0	0
COUNCIL TAX REQUIREMENT	12,927,430	12,927,430	13,408,350	13,836,560	14,276,500	14,728,470

General Fund Budgets 2018/19 - Service Group Analysis

The Controllable Budget figures below identify the expenditure and income coded directly to the service groupings. They exclude any recharges between General Fund Services and represent the Service Groups' "bottom-line".

Service Grouping	**2018/19 Controllable Budget £**
Chief Executive/Chief Operating Officer	1,250,960
Culture and Environment	8,394,230
Development	-49,670
Finance and Revenues	4,267,520
Housing and Community	2,668,560
Law and Governance	3,432,200
NET SERVICE EXPENDITURE	19,963,800

General Fund Budget 2018/19 - Service Group Analysis continued

Chief Executive/Chief Operating Officer

Service Area	2018/19 Controllable Budget £
Corporate Management Team	881,180
Chief Executive	
Economic Development	369,780
Total	1,250,960

General Fund Budget 2018/19 - Service Group Analysis continued

Culture and Environment

Service Area	**2018/19 Controllable Budget £**
Colchester and Ipswich Museums	
Museums	1,235,840
Commercial Development	
Visitor Experience	153,280
Tourism	5,000
Cultural Development	189,620
Corn Exchange	51,990
Entertainments Box Office	-118,590
Entertainments Management	556,900
Events and Festivals	259,800
Regent Theatre	-95,950
Shopmobility	10,490
Enterprise Projects (incl Market)	24,400
Parks and Cemeteries	
Public Conveniences	67,150
Cemeteries and Crematorium	-373,660
Parks	1,115,800
Rangers	499,880
Allotments	25,190
Verges Maintenance	200,850
Amenity Areas (Open Spaces)	13,780
Sports and Leisure	
Sports Centres	887,330
Profiles Gyms	10,280
Swimming Pools	552,640
Waste and Fleet	
Refuse	1,003,510
Waste Education and Promotion	102,790
Recycling	326,890
Refuse Collection	503,940
Cleansing Services	1,185,080
-	
Total	8,394,230

Development

Service Area	2018/19 Controllable Budget £
Major Capital Schemes	
Green Travel Plan	-7,220
Major Capital Schemes	826,050
Planning and Development	
Bus Route Subsidies/Network Support	12,980
Footway Lighting	72,200
Street Names and Seats	17,000
Town Centre Pedestrian Areas	38,240
Transportation	91,850
Planning and Development	280,190
Planning Policy	190,710
Development Services Support	235,920
Building Control	45,470
Caps System Costs	47,170
Historic Churches	55,340
Community/Environmental Improvements	33,360
Conservation of Historic Buildings	31,600
Drainage	35,000
Property Services	
Corporate Properties	-2,108,890
IP-City Centre	-273,120
Property Services Management	331,790
Grafton House	-6,540
Broomhill Pool	1,230
Total	-49,670

General Fund Budget 2018/19 - Service Group Analysis continued

Finance and Revenues

Service Area	**2018/19 Controllable Budget £**
Financial Services	
Housing and Council Tax Benefit Administration	1,127,750
Financial Services	862,370
Corporate Management Direct Costs	260,760
Unapportionable Central Overheads	1,096,530
Information Technology	920,110
Total	4,267,520

General Fund Budget 2018/19 - Service Group Analysis continued

Housing and Community

Service Area	**2018/19 Controllable Budget £**
Customer Services	
Residents Parking Schemes	11,020
IBC Car Parks	-1,888,030
Customer Services Centre	820,960
Emergency Services Centre - HEARS	-176,870
Emergency Services Centre - CCTV	683,420
Public Protection	
Improvement Grants	510
M3 System Costs	4,790
Occupational Health	54,510
Food Safety	237,620
Private Sector Housing Services	278,900
Environmental Protection	444,950
Port Health	19,560
Animal Welfare	79,090
Waste Enforcement	167,450
Hackney Carriage and Private Hire Vehicles	-39,030
Licensing and Enforcement	-49,330
Community Safety	200,190
Housing Advice	
Supervision and Management	260,770
Housing Business Support Unit	-54,560
Housing Policy and Resources	66,920
Housing Options	883,290
Contributions to Housing Revenue Account	207,220
Bed and Breakfast Costs	129,640
Other Private Sector Accommodation Costs	18,850
Assistance to Voluntary Bodies	5,120
Hostels	-86,620
Sheltered Schemes	1,690
Homelessness	386,530
Total	2,668,560

Law and Governance

Service Area	2018/19 Controllable Budget £
Audit Partnership	144,040
Corporate Support	
Emergency Planning	59,420
Health and Safety	77,180
Performance and Projects	372,380
Printing Section	-49,540
Design Services	27,450
Marketing	396,300
Registration of Electors	181,740
Borough Council Elections	163,580
Community Development Team	135,210
Area Committees	97,850
Community Grants	363,390
Human Resources	424,340
Legal and Democratic Services	
Councillors' Services	213,270
Legal Services	319,730
Democratic and Business Support	80,680
Local Land Charges	-48,210
Mayoral Services	118,010
Councillors´ Costs	355,380
Total	3,432,200

Section 4

The Housing Revenue Account

4.1 The Council owns around 7,914 general needs and sheltered properties. To the end of the 3rd quarter in 2017/18, 40 properties have been sold during the year under the ‘right-to-buy’ scheme. For the budget it has been assumed 80 sales per annum.

4.2 A New Build Programme for 1,000 Homes in a Decade was established in 2014, to ensure that the Council has a stable and long-term supply of housing. Resources have been earmarked in the Business Plan, mainly from revenue contributions and borrowing, to deliver the Programme.

4.3 To date the Programme has delivered 144 homes at Bader Close and schemes at Ainslie Rd, Widgeon Close, Whitton Church Lane, Coltsfoot Avenue and Ulster Avenue. A programme of future schemes has been developed to ensure a steady supply of new homes. The next major proposed schemes will be at Old Norwich Road (former Tooks Bakery site) and the Ravenswood site, adjacent the school.

4.4 A new fully owned Council company called Handford Homes has recently been established to augment the Council’s in-house new build capacity. This company will focus on building new residential property including the Tooks and Ravenswood sites. It has the potential to provide new housing of all tenures and will be the main way to deliver the large social rented schemes, which will be sold back to the HRA. In addition the company could generate additional resources from other completed housing schemes.

4.5 The HRA Business Plan and assumptions have been fully updated. The rollout of universal credit to householders from April 2018 will have a cumulative effect as numbers affected grow. It should be noted that the full impact of universal credit once its fully implemented is not yet known but could be significant in the longer term (around 2022).

4.6 There have been significant recent announcements that could still have a fundamental impact on the future housing service. These changes were announced in the National Budget and the Housing & Planning Act.

4.7 The July 2015 Budget introduced a significant change in the way annual rent increases are determined. Prior to then, the Government had published guidance that social rents should increase by the Consumer Price Index (CPI) plus one percent. However, the Welfare Reform and Work Bill introduced a 1% reduction to all social housing basic rents from April 2016 for each of the next four years. It has recently been announced that rent rises will revert back to the original CPI plus one percent formula, from April 2020.

4.9 The Housing and Planning Act 2016 introduced a number of significant changes which impact on the forecast. The key items are:

- To give councils a duty to consider selling high-value homes and require them to make payments to central government calculated on the assumption that such homes will be sold as they become vacant (under Section 76 of the act). Implementation has been delayed until 2019;

- To require councils to issue 2 to 5 year fixed term tenancies to nearly all new tenants (statutory guidance will set out changes to all categories and factors to be taken into account – expected shortly);

- The pay to stay scheme was withdrawn.

4.10 A contingency of £100k pa has been assumed to cover potential loss of rent following sale of high-value homes. It could be as high as £560k pa (worst case scenario) which would impact on the ability to achieve the 1000 homes target.

4.11 The financial impacts of further changes, like fixed term tenancies, or implementation of Universal Credit & Welfare Reform changes would need to be funded from the surplus working balance.

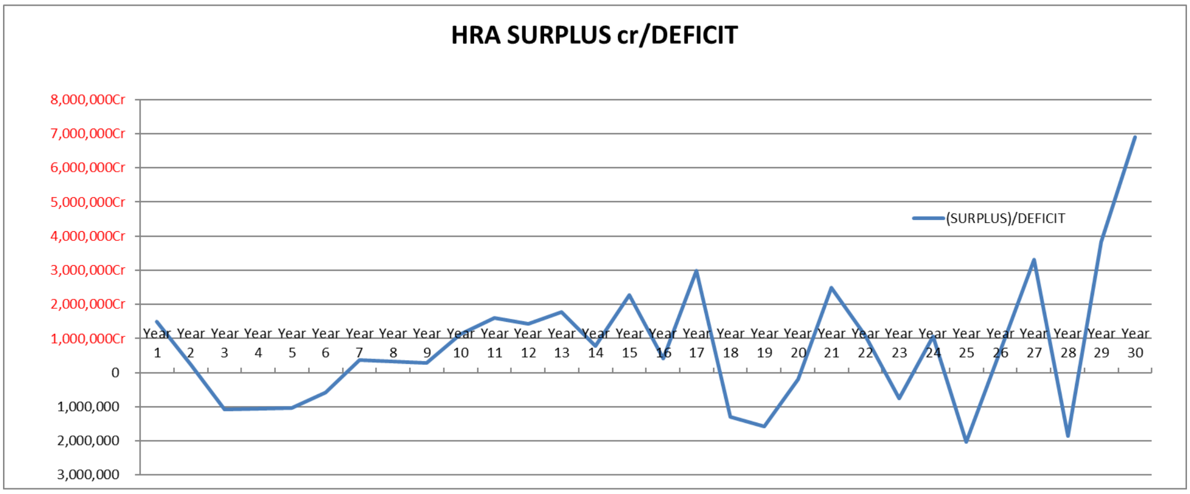
4.12 A £100k pa contingency has been set up to cover any potential effects of Brexit and fluctuations in the exchange rate. This is likely to affect fuel prices and the cost of certain stores items.

4.13 A savings target of £225k pa has been established for the likely effect of the zero based budgeting & business process reviews currently under way.

4.14 The HRA Business Plan assumes current service levels are maintained throughout the 30 years. A number of assumptions have been made as indicated in the paragraphs above which will be monitored and updated as and when any more relevant information is available. These will be reported quarterly via the budget monitoring report.

4.15 The HRA Business Plan has been amended for the estimated impact of the “-1%” rent reduction and other known changes. The graph (below) shows the surplus (-) and deficit (+) predicted for each future year. Year 1 is 2017/18. (A larger version of this graph is included as Appendix Two).

Chart Three: 30 Year HRA Forecast Surplus/Deficit by year



4.16 The fluctuating annual levels of surplus/deficit arise mainly from two things. Firstly the spending profile of the Ipswich Standard capital programme, which is funded entirely from Housing Revenue Account revenue contributions. The Ipswich Standard Programme is the spending needed to replace house components like kitchens and roofs to meet the replacement cycles identified in the Council's Asset Management Strategy. Secondly the timing of housebuilding schemes moving to build stage as part of the 1,000 Homes in a Decade programme can also cause fluctuations in spend profile.

4.17 Due to the financial changes explained in this section, it is anticipated that the Council will need to borrow up to the maximum prescribed limit of £144m, to fund the 1,000 Homes in a Decade Programme. This limit is also known as the HRA Borrowing Cap.

HOUSING REVENUE ACCOUNT FORECAST 2018/19 TO 2021/22

2016/17 OUT-TURN £		2017/18 ORIGINAL BUDGET £	*Year 1* 2017/18 FORECAST £	*Year 2* 2018/19 FORECAST £	*Year 3* 2019/20 FORECAST £	*Year 4* 2020/21 FORECAST £	*Year 5* 2021/22 FORECAST £
	EXPENDITURE						
	MANAGEMENT & MAINTENANCE						
4,365,628	Supervision & Management General	4,456,040	4,511,660	4,626,360	4,672,620	4,719,350	4,766,530
2,388,065	Supervision & Management Special	2,264,660	2,272,740	2,297,550	2,320,520	2,343,730	2,367,160
0	Superannuation Backfunding	491,020	272,420	274,440	277,000	279,770	282,560
4,110,360	Responsive Repairs	4,372,280	4,455,460	4,534,950	4,629,030	4,721,580	4,815,900
1,468,201	Special/Contract Repairs	1,426,100	1,426,100	1,454,620	1,483,710	1,513,380	1,543,610
1,161,958	Planned Maintenance	966,140	966,140	986,120	1,005,840	1,025,950	1,046,440
13,494,213	**MANAGEMENT & MAINTENANCE TOTAL**	**13,976,240**	**13,904,520**	**14,174,040**	**14,388,720**	**14,603,760**	**14,822,200**
	CAPITAL FINANCING COSTS						
41,535	**Debt Management Expenses**	41,220	43,930	39,260	37,330	36,570	36,580
2,860,500	**Debt Principal - repayment**	2,866,950	2,865,590	2,879,710	2,906,910	2,939,530	2,967,940
3,806,574	**Debt Interest payable and similar charges**	3,845,140	3,729,170	3,653,890	3,593,340	3,514,580	3,433,420
4,615,814	**Depreciation**	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490
2,730,963Cr	**Impairment of Assets**	0	0	0	0	0	0
0	**Deferred Charges (REFCUS)**	0	0	0	0	0	0
8,593,461	**TOTAL CAPITAL FINANCING COSTS**	**10,978,800**	**10,864,180**	**10,798,350**	**10,763,070**	**10,716,170**	**10,663,430**
0	**RENT REBATES SUBSIDY LIMITATION**	**0**	**0**	**0**	**0**	**0**	**0**
137,213	**PROVISION FOR BAD DEBTS**	241,100	291,100	548,690	543,200	559,500	576,290
131,470	**HRA share of Corporate Democratic Core and Non Distributed Costs**	132,790	132,790	134,120	135,460	136,810	138,180
22,356,357	**TOTAL EXPENDITURE**	**25,328,930**	**25,192,590**	**25,655,200**	**25,830,450**	**26,016,240**	**26,200,100**
	INCOME						
	RENTAL & CHARGES FOR SERVICES/FACILITIES						
34,983,217Cr	**Rents**	33,968,380Cr	33,710,290Cr	33,309,100Cr	32,976,260Cr	33,966,570Cr	34,985,650Cr
826,462Cr	**Commercial**	590,020Cr	660,120Cr	660,120Cr	660,120Cr	660,120Cr	660,120Cr
410,102Cr	**Shops**	399,620Cr	399,620Cr	399,620Cr	399,620Cr	399,620Cr	399,620Cr
1,006,992Cr	**Service Charges**	1,004,410Cr	1,004,410Cr	1,014,450Cr	1,024,590Cr	1,045,080Cr	1,065,980Cr
12,956Cr	**Electricity FIT income**	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr
37,239,730Cr	**RENTS/CHARGES FOR SERVICES TOTAL**	**35,977,650Cr**	**35,789,660Cr**	**35,398,510Cr**	**35,075,810Cr**	**36,086,610Cr**	**37,126,590Cr**
201,150Cr	**G.F. RECHARGE**	**203,160Cr**	**203,160Cr**	205,190Cr	207,240Cr	209,320Cr	211,410Cr
37,440,880Cr	**TOTAL INCOME**	**36,180,810Cr**	**35,992,820Cr**	**35,603,700Cr**	**35,283,050Cr**	**36,295,930Cr**	**37,338,000Cr**
15,084,523Cr	**NET COST OF SERVICES**	**10,851,880Cr**	**10,800,230Cr**	**9,948,500Cr**	**9,452,600Cr**	**10,279,690Cr**	**11,137,900Cr**

HOUSING REVENUE ACCOUNT FORECAST 2018/19 TO 2021/22

2016/17 OUT-TURN £		2017/18 ORIGINAL BUDGET £	*Year 1* 2017/18 FORECAST £	*Year 2* 2018/19 FORECAST £	*Year 3* 2019/20 FORECAST £	*Year 4* 2020/21 FORECAST £	*Year 5* 2021/22 FORECAST £
15,084,523Cr	**NET COST OF SERVICES**	10,851,880Cr	10,800,230Cr	9,948,500Cr	9,452,600Cr	10,279,690Cr	11,137,900Cr
	Summary/Contingency items						
0	Items t/f from previous to current year	0	0	0	0	0	0
0	RTB Sales estimated effect	117,220	71,610	313,800	536,250	793,650	1,068,460
0	New Build estimated effect	0	0	21,550Cr	90,500Cr	172,200Cr	233,700Cr
171,540	Pensions interest costs , expected returns & reversal of pension benefits & Employers pension contribution	0	0	0	0	0	0
0	Inflation/£/Brexit contingency	100,000	100,000	100,000	100,000	100,000	100,000
0	High Value Stock contingency	100,000	100,000	100,000	100,000	100,000	100,000
0	Welfare Reforms Contingency	100,000	860,000Cr	0	0	0	0
0	Incentive Schemes Contingency	0	40,000	40,000	40,000	40,000	40,000
0	Recharges/rescheduling	49,810	49,810	87,660	87,660	49,800	49,800
121,350Cr	New Homes Bonus	121,350Cr	133,300Cr	133,300Cr	110,470Cr	14,850Cr	28,520Cr
0	Rent Reviews	172,500Cr	0	0	0	0	0
0	Zero based Budgeting savings target	100,000Cr	86,355Cr	75,955Cr	75,955Cr	75,955Cr	75,955Cr
0	Customer Access Strategy - savings target	50,000Cr	50,000Cr	100,000Cr	100,000Cr	100,000Cr	100,000Cr
0	Transitional Vacancy savings to find	50,000Cr	12,905	50,000Cr	50,000Cr	50,000Cr	50,000Cr
2,010,127Cr	Reverse All Depreciation & Deferred charges	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr
8,960,000	Transfer to Major Repairs Reserve	7,948,140	7,948,140	7,364,890	7,499,290	7,932,210	7,997,650
62,486Cr	Interest/investments (net)	24,890	24,890	68,160	182,720	182,720	182,720
8,146,945Cr	**NET OPERATING EXPENDITURE**	7,247,500Cr	7,924,360Cr	6,596,625Cr	5,675,435Cr	5,836,145Cr	6,429,275Cr
387,902	Contributions to/from Provisions/Reserves	0	0	0	0	0	0
8,504,340	RCCO's	6,242,400	6,426,020	6,367,270	6,762,640	6,897,800	7,466,210
745,297	**(SURPLUS)/DEFICIT**	1,005,100Cr	1,498,340Cr	229,355Cr	1,087,205	1,061,655	1,036,935
8,067,530Cr	HRA Balance b/f 1st April	6,707,510Cr	7,322,233Cr	8,820,573Cr	9,049,928Cr	7,962,723Cr	6,901,068Cr
7,322,233Cr	HRA Balance c/f 31st March	7,712,610Cr	8,820,573Cr	9,049,928Cr	7,962,723Cr	6,901,068Cr	5,864,133Cr
	MINIMUM REQUIRED BALANCE	2,000,000Cr	2,000,000Cr	2,040,000Cr	2,080,800Cr	2,122,416Cr	2,164,864Cr

Section 5

RESERVES AND PROVISIONS POLICY

5.1 The Council complies with the requirements of the Local Authority Accounting Bulletin 77 (November 2008) on the establishment and maintenance of local authority provisions, reserves and balances. Compliance with current bulletins is recommended in the CIPFA 2003 Statement of the Role of the Finance Director in Local Government.

5.2 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992, require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There is no statutory minimum level of reserves that must be held.

5.3 Reserves can be held for three main purposes:

i) a working balance to cope with uneven cash flows and reduce temporary borrowing;
ii) a contingency to deal with unexpected events or emergencies;
iii) earmarked reserves to build up funds to meet known future requirements.

5.4 It is the responsibility of the Section 151 Officer to recommend the level of reserves and put in place protocols for their establishment and use.

5.5 The Statement of Recommended Accounting Practice (SORP) 2009 requires Provisions when:

i) there is a present obligation as a result of a past event;
ii) it is probable that the obligation will arise;
iii) the amount of the obligation can be estimated.

Reserves held by Ipswich Borough Council

General Fund

Working Balance

5.6 The level of the General Working Balance to be held by the Council is determined by consideration of strategic, operational and financial risks. The determination of the level of reserves to be held is influenced by cash flow requirements, budget assumptions e.g. inflation, interest rates, planned efficiency savings and the availability of other funds together with an assessment of the financial standing and management of the authority e.g. track record in budget management and strength of financial reporting procedures.

5.7 The opportunity cost of maintaining a minimum General Fund working balance of £2m, is contrasted with the cost of running services such as Domestic Refuse Collection, Parks and Open Spaces or the Emergency Services Centre which are all comparable in cost. The level of reserves held is also influenced by the "opportunity cost" of holding these funds, which could otherwise be used for other purposes. The funds could also be used to reduce the level of Council Tax or increase the overall level of services provided.

5.8 The benefits of investment income accrued on reserves held, to the overall budget, is also a consideration in arriving at the level of reserves to be held.

5.9 Consideration of the current economic climate, in particular reduced income levels and the possible impact on cash flow has led to a decision to retain a General Fund Working Balance of £2m.

Ipswich Buses Ltd – Debenture Loan

5.10 The Transport Realisation Account represents the initial investment in Ipswich Buses, less the write down of accumulated losses (no further losses are anticipated).

Insurance Reserve

5.11 The Insurance Reserve is required to cover the potential liability for excess payments arising from claims below the insurance threshold and uninsured risks – that have not yet been made.

Repair and Renewal

5.12 The Repairs and Renewals Reserve are sums set aside for the repair and replacement of various assets, funded from external sources e.g. Gower Street Factory Units – the level of these reserves is based upon an assessment of future need.

NNDR Equalisation Fund

5.13 The NNDR Equalisation Fund has been established to help mitigate the impact of unforeseen/controllable variations in the amount of income received by way of retained Business Rates from year to year. This is deemed necessary because whereas the risk of business collapses or revaluations was formerly pooled nationally before being reallocated as Rate Support Grant, this risk has now been transferred to each individual local authority.

Revenue Grants/Contributions

5.14 These are earmarked funds received for a specific purpose and are only available for those purposes. Examples include commuted sums and Community Safety grants.

Housing Revenue Account

Working Balance

5.15 The HRA Working Balance is maintained to provide a contingency for dealing with potentially significant variances that could arise due to changes associated with the HRA business plan. As a result, the minimum working balance is kept at £1m to ensure the sustainability of the plan.

Repair and Renewal

5.16 This is held to cover future year’s programmes or unforeseen emergency repairs to the Council’s housing stock.

Miscellaneous

5.17 Miscellaneous Housing Reserves include sums set aside for replacement of Housing computer systems, implementation of the “Ipswich Standard” and Supporting People. The sums put aside are based upon known future requirements.

Provisions held by Ipswich Borough Council

General Fund

Insurance Provision

5.18 The Insurance Provision represents funds set aside to meet the value of outstanding unsettled claims that are not covered by the Council's insurance premiums, as advised by our external insurers.

Bad Debts

5.19 The provision for bad debts comprises of individual provisions for Corporate Rents, Sundry Debtors, Council Tax and Non-Domestic Rates – the level of Provision is based upon past experience of default e.g. Sundry debtor provision 10%.

Housing Revenue Account

Bad Debts

5.20 The provision for bad debts comprises of individual provisions for Housing Rents, Service Charges and Sundry Debtors – the level of provision is based upon past experience of default.

Schedule of Working Balances, Reserves and Provisions

Reserves	Balance 31-Mar-17 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-18 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-19 £'000	Balance 31-Mar-20 £'000	Balance 31-Mar-21 £'000	Balance 31-Mar-22 £'000
General Fund:										
Working Balance	12,043Cr	0	4,784	7,259Cr	0	31	7,228Cr	6,613Cr	5,176Cr	4,179Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr	252Cr
Insurance Reserve	988Cr	0	0	988Cr	0	0	988Cr	988Cr	988Cr	988Cr
Service Based Reserves	1,878Cr	0	0	1,878Cr	0	90	1,788Cr	1,698Cr	1,678Cr	1,739Cr
Repair and Renewal	523Cr	25Cr	48	500Cr	25Cr	4	521Cr	542Cr	563Cr	584Cr
Business Rates Reserve	1,971Cr	0	331	1,640Cr	0	331	1,309Cr	980Cr	980Cr	740Cr
Legacies	90Cr	0	0	90Cr	0	0	90Cr	90Cr	90Cr	90Cr
Revenue Grants Reserve	1,677Cr	0	298	1,379Cr	0	155	1,224Cr	1,110Cr	1,014Cr	925Cr
Section 106 Grants	1,001Cr	0	0	1,001Cr	0	0	1,001Cr	1,001Cr	1,001Cr	1,001Cr
Total	**20,423Cr**	**25Cr**	**5,461**	**14,987Cr**	**25Cr**	**611**	**14,401Cr**	**13,274Cr**	**11,742Cr**	**10,498Cr**
Housing Revenue Account:										
Working Balance	7,322Cr	1,498Cr	0	8,820Cr	229Cr	0	9,049Cr	7,962Cr	6,901Cr	5,864Cr
Repair and Renewal	500Cr	0	0	500Cr	0	0	500Cr	500Cr	500Cr	500Cr
Sheltered Scheme Reserve	100Cr	0	0	100Cr	0	0	100Cr	100Cr	100Cr	100Cr
IT Reserves	60Cr	0	0	60Cr	0	0	60Cr	60Cr	60Cr	60Cr
Community Caretakers Provision	32Cr	0	0	32Cr	0	0	32Cr	32Cr	32Cr	32Cr
Welfare Reforms Reserve (HRA)	860Cr	0	860	0	0	0	0	0	0	0
HRA Insurance Reserve	137Cr	0	0	137Cr	0	0	137Cr	137Cr	137Cr	137Cr
Cluttered Homes	30Cr	0	0	30Cr	0	0	30Cr	30Cr	30Cr	30Cr
Incentive Schemes	40Cr	0	0	40Cr	0	0	40Cr	40Cr	40Cr	40Cr
Insecure Tenancies	150Cr	0	0	150Cr	0	0	150Cr	150Cr	150Cr	150Cr
Total	**9,231Cr**	**1,498Cr**	**860**	**9,869Cr**	**229Cr**	**0**	**10,098Cr**	**9,011Cr**	**7,950Cr**	**6,913Cr**
Capital:										
General Fund										
Usable Capital Receipts	3,991Cr	1,207Cr	5,198	0	600Cr	600	0	0	0	0
Capital Financing	89Cr	26Cr	63	52Cr	19Cr	71	0	0	0	0
Housing Revenue Account										
Usable Capital Receipts	14,967Cr	4,534Cr	2,444	17,057Cr	4,534Cr	19,185	2,406Cr	589Cr	773Cr	3,195Cr
Capital Financing	17,303Cr	6,628Cr	1,304	22,627Cr	6,367Cr	5,297	23,697Cr	5,183Cr	8,514Cr	15,981Cr
Total	**36,350Cr**	**12,395Cr**	**9,009**	**39,736Cr**	**11,520Cr**	**25,153**	**26,103Cr**	**5,772Cr**	**9,287Cr**	**19,176Cr**

Schedule of Working Balances, Reserves and Provisions contd

Provisions	Balance 31-Mar-17 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-18 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-19 £'000	Balance 31-Mar-20 £'000	Balance 31-Mar-21 £'000	Balance 31-Mar-22 £'000
General Fund:										
Insurance Provision	645Cr	200Cr	200	645Cr	200Cr	200	645Cr	645Cr	645Cr	645Cr
Provision for Bad Debts	1,968Cr	100Cr	100	1,968Cr	100Cr	100	1,968Cr	1,968Cr	1,968Cr	1,968Cr
Total	**2,613Cr**	**300Cr**	**300**	**2,613Cr**	**300Cr**	**300**	**2,613Cr**	**2,613Cr**	**2,613Cr**	**2,613Cr**
Housing Revenue Account:										
Provision for Bad Debts	507Cr	100Cr	100	507Cr	100Cr	100	507Cr	507Cr	507Cr	507Cr
Total	**507Cr**	**100Cr**	**100**	**507Cr**	**100Cr**	**100**	**507Cr**	**507Cr**	**507Cr**	**507Cr**
Grand Total	**69,124Cr**	**14,318Cr**	**15,730**	**67,712Cr**	**12,174Cr**	**26,164**	**53,722Cr**	**31,177Cr**	**32,099Cr**	**39,707Cr**

Section 6

CAPITAL STRATEGY / PROGRAMME

Introduction

6.1 It is essential that the agreed capital programme is one that:

- Ensures the Council's resources are used to support the delivery of priorities within the Corporate Plan and the long term vision of Ipswich.
- Links with the Council's Asset Management Plan.
- Is affordable, financially prudent and sustainable.
- Ensures the most cost effective use is made of existing assets and new capital investment.
- Supports other service specific plans and strategies.

Key Areas of Capital Expenditure

6.2 In relation to the 2017/18 (and onwards) capital programme, key highlights include:

- Further developing Arms-Length companies
- Increasing housing stock
- The provision of a new Homeless Family Unit
- Enhancing the Regent Theatre
- Public Realm Improvements
- Community Improvements
- Supporting FIND
- Chantry Park HLF Bid
- Replacing CCTV infrastructure
- New Museum CCTV
- Upgrading HEARS equipment

Funding Capital Expenditure

6.3 To fund its capital investment requirements, the Council will have access to limited sources of funding, and will have to make decisions about how, when and how much of the different funding sources will be used.

Government Grants – These are contributions received from Government bodies. They are normally attributable to specific schemes or programmes.

External Funding - These are contributions received from any other bodies e.g. developers, Heritage Lottery Fund (HLF) for specific schemes. Where schemes attract external funding, which does not require Ipswich Borough Council to use additional capital resources, the value of the scheme and funding is automatically added to the capital programme.

Revenue Contributions to Capital Outlay (RCCO's) - This is where the Council pays for Capital Expenditure from the revenue accounts. The HRA is making contributions from revenue towards HRA Capital Expenditure to meet the Ipswich Standard and to invest in the provision of new affordable housing. The General Fund does not normally make contributions towards capital expenditure.

Capital Receipts - These are contributions received from the sale of the Council's assets.

Borrowing - This is unsupported borrowing. Any schemes funded through this method will incur revenue expenditure in respect of principal and interest charges. Provision is made in the GF and HRA budgets for the revenue cost of unsupported borrowing.

Leasing - The Council has moved away from this funding source in previous years, but with the changes to Public Works Loan Board rates, this funding source will be looked at again.

Current Situation

6.4 The current depressed economic situation has a significant impact on the mix of capital projects required and the funding available. It is expected that the current economic pressures will remain to a significant degree for the foreseeable future.

6.5 The Council needs to re-focus the capital programme and funding to provide an appropriate response. Key issues particularly affecting the funding of the General Fund capital programme are as follows:-

- Capital receipt levels have reduced in recent years. However the new council housing programme has produced receipts for the General Fund from the sale/transfer of land to the Housing Revenue Account. Traditionally, capital receipts have been the main funding source for the General Fund capital programme and have historically been used as funding in the year following their receipt. This is to acknowledge their volatility. It is anticipated that investment demand over the next 5 years will continue to significantly outstrip the capital receipts available.

- The Council has previously benefited from several significant external funding streams. The market has matured and applications often require significant resource, now effectively reducing the accessibility to these resources.

- It has been past practice to "fully fund" the Capital Programme, however this practice when combined with the need for extensive borrowing and significant slippage has resulted in large year-end underspends relating to financing charges. In response to this an amended protocol has been adopted which does not finance contingency or "self-financing" projects until funds are actually required.

Performance Framework Overview

6.6 The Council has adopted Best Practice to coordinate:-

- Service Investment Prioritisation and Planning;
- Project Appraisal and Resourcing Options;
- Capital Programme Performance Monitoring;
- Asset Management.

6.7 All new capital project bids have to demonstrate that they represent value for money and meet the Council's objectives. Before a capital bid is submitted, all options are considered including "do nothing" and the best option both in terms of value for money and meeting the Council's objectives is submitted as a Capital Bid.

6.8 The Council has a Capital Performance framework with a comprehensive structured process to help deliver the Council's objectives. This framework is coordinated by the Performance and Projects Team. Managers are required to submit a Project Feasibility which will include:-

- Aim of the Project
- Meeting Corporate Plan objectives
- Priority
- Financial Information (both capital and ongoing revenue costs)
- Business Case
- Risk Management
- Timescales
- Milestones
- Asset Management
- Responsible Officer

6.9 The project is appraised and once it demonstrates that all the required criteria shown above have been met, the project will proceed to the prioritisation stage. If a scheme does not meet all the criteria, the project manager is notified of the reasons why the scheme has not progressed to the prioritisation stage.

6.10 All schemes, which progress from the project feasibility stage, are subject to evaluation. The Council has developed a Capital Prioritisation Methodology which scores all the factors in the project feasibility. A guide to the evaluation process is available to officers and councillors to ensure a transparent and understandable method of evaluation. The revenue implications are reviewed as part of the capital bidding scoring process.

6.11 Only once schemes are given the go-ahead is the actual funding made available.

Performance Measures and Monitoring

6.12 The Capital Programme is monitored and reviewed in the following ways:-

- Heads of Service are responsible for monitoring individual schemes;
- Online financial information is available to all Heads of Service and Project Managers, including details of any commitments, via the Council's financial reporting system;
- Monthly budget monitoring reports are produced for Heads of Service and Project Managers;
- Capital Programme monitoring is done on a quarterly basis through Heads of Service Monitoring Returns so any additional resources required/surplus resources that are not needed are identified at an early stage;
- Quarterly reports to Executive showing the latest Capital Programme and estimated resources;
- An annual report to Executive detailing the reasons for budget carry forwards, together with explanations for any variances >10% (+/-) of budgeted scheme cost; and
- The capital receipts forecast is updated on a quarterly basis.

6.13 For all HRA schemes where improvements are made to tenant's dwellings, the tenant is invited to complete a satisfaction survey, with an end of year review carried out to enable continuous improvement.

Detailed Capital Programme and Funding Sources

6.14 The detailed capital programme and the sources of funding are presented on the following pages.

CAPITAL PROGRAMME FOR 2018/19 AND FUTURE YEARS

	Councillor	Scheme	2018/19	2019/20	2020/21	2021/22
Maintaining Properties	Cllr Macdonald	Affordable Warmth	1,869,840	1,907,230	1,945,370	1,659,670
Maintaining Properties	Cllr Macdonald	Asbestos	106,120	108,240	110,410	119,500
Maintaining Properties	Cllr Macdonald	Better Use of Stock	116,730	0		
Maintaining Properties	Cllr Macdonald	Communal Area refurbishments	244,080	248,960	253,930	274,860
Maintaining Properties	Cllr Macdonald	Disabled Adaptations	700,400	714,400	728,680	800,680
Maintaining Properties	Cllr Macdonald	ECO External Wall Insulation	400,000			
Maintaining Properties	Cllr Macdonald	Electrics including Voids	378,940	695,130	846,830	584,140
Maintaining Properties	Cllr Macdonald	Improving Ipswich Homes	1,306,420	1,348,480	1,602,900	1,811,300
Maintaining Properties	Cllr Macdonald	Insulation/Ventilation	50,000	108,240	110,410	119,500
Maintaining Properties	Cllr Macdonald	Neighbourhood & Community Improvements	159,180	162,360	165,610	179,200
Maintaining Properties	Cllr Macdonald	Planned Maintenance	2,382,691	2,060,120	2,019,020	2,269,540
Maintaining Properties	Cllr Macdonald	Sheltered Imps/Lifts/Boilers	143,260	146,130	149,050	179,260
Maintaining Properties	Cllr Macdonald	Upgrade bay window wall & roof insulation	1,010,000			
House Building - Small Sites	Cllr Macdonald	I.H.P.Ainslie Road	37,950	0		
House Building - Small Sites	Cllr Macdonald	I.H.P.Bader Close	50,000			
House Building - Handford Homes	Cllr Macdonald	I.H.P. Ravenswood UVW	8,000,000	8,200,000	2,000,000	
House Building - Handford Homes	Cllr Macdonald	I.H.P. Tooks	7,937,652	1,700,000		
House Building - Small Sites	Cllr Macdonald	I.H.P.Widgeon Close	207,369	11,550		
House Building - Small Sites	Cllr Macdonald	I.H.P. 79 Cauldwell Hall Road demolition & new build	2,500,000	700,000	159,300	
House Building - Small Sites	Cllr Macdonald	Increased Housing Provision (indicative - subject to HRA resources)	4,350,000	21,016,000	5,747,000	2,102,000
		A. Housing Revenue Account	**31,950,632**	**39,126,840**	**15,838,510**	**10,099,650**
IT	Cllr M Cook	Cap. IT Dev. - Development of website/integration of back office to CRM	15,809			
IT	Cllr M Cook	Cap. IT Dev. - Equipment	100,000	100,000	100,000	100,000
IT	Cllr M Cook	Finance System	309,813			
Property Purchases	Cllr Ellesmere	Opportunity Purchases/Infrastructure	1,645,112	1,000,000	1,000,000	1,000,000
Property Purchases	Cllr Ellesmere	Waterfront Development Site	650,000			
Capitalised Repairs	Cllr Jones	Museum Roof	270,000			
Capitalised Repairs	Cllr Jones	Ipswich Court Boiler	23,109			
Capitalised Repairs	Cllr Jones	Christchurch Mansion External Doors	104,500			
Capitalised Repairs	Cllr Jones	Cap Reps - Unallocated	102,391	500,000	500,000	500,000
Play Areas	Cllr P Smart	Play Areas	200,000	200,000	200,000	200,000
Disabled Facilities Grants	Cllr Macdonald	Disabled Facilities Grant	1,314,804	750,000	750,000	750,000
Improvement Grants	Cllr Macdonald	Improvement Grants	200,000	200,000	200,000	200,000
Resurfacing Car Parks	Cllr Ross	Resurfacing Car Parks	100,000	100,000	100,000	100,000
Town Centre Public Realm Improvements	Cllr Ellesmere	Town Centre Public Realm Improvements		1,000,000	1,000,000	1,000,000
		General Fund - Annual Core Investments	**5,035,538**	**3,850,000**	**3,850,000**	**3,850,000**
Major Capital Projects	Cllr Ellesmere	100 Princes Street (Drum & Monkey)	250,000	0	0	0
Major Capital Projects	Cllr Macdonald	Homeless Families Unit	850,000	150,000		
Major Capital Projects	Cllr Ellesmere	Broomhill Pool	500,000	500,000		
Major Capital Projects	Cllr P Smart	Car Park Ticket Machines	300,000			
Major Capital Projects	VARIOUS	Carbon Management Programme Invest to Save	133,530	18,530	18,500	9,650
Major Capital Projects	Cllr Macdonald	CCTV Replacement System	500,000			
Major Capital Projects	Cllr Meudec	Cemetery - Phase 2a and West Chapel refurb.	390,147			
Major Capital Projects	Cllr Rudkin	Chantry HLF Bid	250,000	1,250,000		
Major Capital Projects	Cllr Ellesmere	Community Improvements in Priory Heath and Westgate	200,000			
Major Capital Projects	Cllr Ellesmere	Cornhill Regeneration	2,851,219			
Major Capital Projects	Cllr Ellesmere	Customer Contact Telephony System	50,000			
Major Capital Projects	Cllr Ellesmere	Crown Street Multi Storey Car Park	350,000			
Major Capital Projects	Cllr Ellesmere	Economic Development	723,500			
Major Capital Projects	Cllr Ellesmere	FIND Gainsborough Sports Centre	200,000			
Major Capital Projects	Cllr Ellesmere	NE Ipswich GP Surgery	350,000			
Major Capital Projects	Cllr Ross	HEARS system upgrade	35,000			
Major Capital Projects	Cllr Cook	Ipswich Flood Defence Scheme	1,000,000	1,000,000	1,000,000	1,000,000
Major Capital Projects	Cllr Ellesmere	Princes St Area Multi Storey car park	440,000	5,500,000		
Major Capital Projects	Cllr Jones	Museum CCTV	105,000			
Major Capital Projects	Cllr Jones	Museum Project	1,471,500	735,750	735,750	
Major Capital Projects	Cllr Rudkin	New Wolsey Theatre Roof	378,805			
Major Capital Projects	Cllr Ellesmere	Regent Theatre	398,000	535,000	0	0
Major Capital Projects	Cllr Ellesmere	Sproughton Road Site	5,669,671	0		
Major Capital Projects	Cllr Ellemere	St Peters Dock Public Realm	750,000			
Major Capital Projects	Cllr Ellesmere	Transit site for Travellers	100,000			
Major Capital Projects	Cllr Ellesmere	Upper Barclay Street Car Park	43,000			
		General Fund - Major Capital Projects	**18,289,372**	**9,689,280**	**1,754,250**	**1,009,650**
Any Other items	Cllr Macdonald	CPO Empty Homes	714,500			
Any Other Items	Cllr Ellesmere	Mechanical Sweeping	170,000			
Any Other items	Cllr Ellesmere	Pond Hall Farm	30,800			
Any Other items	Cllr Ellesmere	Variable Message Signing	92,354			
Contingency	Cllr Ellesmere	Contingency - additional commitments	1,000,000	500,000	500,000	500,000
		General Fund - Contingency and Other Items	**2,007,654**	**500,000**	**500,000**	**500,000**
		General Fund Total (excluding Council Companies)	**25,332,564**	**14,039,280**	**6,104,250**	**5,359,650**
		TOTAL CAPITAL PROGRAMME	**57,283,196**	**53,166,120**	**21,942,760**	**15,459,300**

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FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2018/19 AND FUTURE YEARS

	CAPITAL RECEIPTS	EXTERNAL FUNDING	BORROWING	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2018/19					
Resources at 31.03.2018	0	0	0	52,000	52,000
Capital Receipts forecast to be received during 2018/19	600,000	0	0	0	600,000
Resources in the year	0	3,985,992	20,676,042	18,530	24,680,564
Use of Resources	600,000	3,985,992	20,676,042	70,530	25,332,564
Balance at year end	0	0	0	0	0
2019/20					
Resources at 31.03.2019	0	0	0	0	0
Capital Receipts forecast to be received during 2019/20	0	0	0	0	0
Resources in the year	0	2,250,000	11,771,685	18,530	14,040,215
Use of Resources	0	2,250,000	11,771,685	18,530	14,040,215
Balance at year end	0	0	0	0	0
2020/21					
Resources at 31.03.2020	0	0	0	0	0
Capital Receipts forecast to be received during 2020/21	0	0	0	0	0
Resources in the year	0	750,000	5,335,750	18,500	6,104,250
Use of Resources	0	750,000	5,335,750	18,500	6,104,250
Balance at year end	0	0	0	0	0
2021/22					
Resources at 31.03.2021	0	0	0	0	0
Capital Receipts forecast to be received during 2021/22	0	0	0	0	0
Resources in the year	0	750,000	4,600,000	9,650	5,359,650
Use of Resources	0	750,000	4,600,000	9,650	5,359,650
Balance at year end	0	0	0	0	0

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2018/19 AND FUTURE YEARS

	USABLE CAPITAL RECEIPTS	RESTRICTED CAPITAL RECEIPTS NEW BUILD ONLY	RESTRICTED CAPITAL RECEIPTS ALLOWABLE DEBT	TOTAL CAPITAL RECEIPTS	EXTERNAL FUNDING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2018/19									
Resources at 31.03.2018	4,933,091	5,599,566	6,514,736	17,047,394	0	0	1,122,771	21,302,172	39,472,337
Capital Receipts forecast to be received during 2018/19	228,498	2,556,625	1,739,098	4,524,221	0	0	0	0	4,524,221
Resources in the year	0	0	0	0	54,670	0	7,364,890	6,367,270	13,786,830
Use of Resources	4,103,288	7,167,381	8,253,835	19,524,505	54,670	0	8,737,661	3,633,796	31,950,632
Balance at year end	1,058,300	988,810	-0	2,047,110	0	0	-250,000	24,035,645	25,832,756
2019/20									
Resources at 31.03.2019	1,058,300	988,810	-0	2,047,110	0	0	-250,000	24,035,645	25,832,756
Capital Receipts forecast to be received during 2019/20	228,498	2,556,625	1,739,098	4,524,221	0	0	0	0	4,524,221
Resources in the year	0	0	0	0	0	0	7,499,290	6,762,640	14,261,930
Use of Resources	686,008	3,787,924	1,739,098	6,213,031	0	0	7,499,290	25,414,519	39,126,840
Balance at year end	600,790	-242,490	-0	358,300	0	0	-250,000	5,383,766	5,492,067
2020/21									
Resources at 31.03.2020	600,790	-242,490	-0	358,300	0	0	-250,000	5,633,766	5,742,067
Capital Receipts forecast to be received during 2020/21	228,498	2,556,625	1,739,098	4,524,221	0	0	0	0	4,524,221
Resources in the year	0	0	0	0	0	0	7,932,210	6,897,800	14,830,010
Use of Resources	228,498	2,371,890	1,739,098	4,339,486	0	0	7,932,210	3,566,814	15,838,510
Balance at year end	600,790	-57,755	-0	543,035	0	0	-250,000	8,964,752	9,257,788
2021/22									
Resources at 31.03.2020	600,790	-57,755	-0	543,035	0	0	-250,000	8,964,752	9,257,788
Capital Receipts forecast to be received during 2021/22	228,498	2,556,625	1,739,098	4,524,221	0	0	0	0	4,524,221
Resources in the year	0	0	0	0	0	0	7,997,650	7,466,210	15,463,860
Use of Resources	0	630,600	1,471,400	2,102,000	0	0	7,997,650	0	10,099,650
Balance at year end	829,288	1,868,269	267,698	2,965,256	0	0	-250,000	16,430,962	19,146,218

Section 7

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2018/19

INTRODUCTION

7.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

7.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.

7.3 The Council's treasury activities are strictly regulated by statutory requirements in The CIPFA Code of Practice on Treasury Management and The CIPFA Prudential Code, and both of these Codes have been adopted by the Council.

7.4 This report is the first of three reports that is statutorily required to report on the Council's treasury management activities, with the others being a mid-year report and an annual report which detail the activities within the year. Under the Council's constitution, all of these reports have to go to Council.

7.5 Following the abolition of the Housing subsidy system on 31 March 2012, the Council adopted a two debt pool approach, one for the HRA and one for GF. One of the major benefits of the new system is that the Council is able to make more business like decisions and actual borrowing is allocated to the correct fund, rather than the arbitrary system that was in place under the Housing subsidy system.

7.6 In recent years the Council has sought to generate a steady financial return from investing in Arms-Length companies. As well as delivering a financing benefit to the council these investments also benefit residents of the town in delivering economic growth, additional jobs and investment in infrastructure.

7.7 These investments are considered to be secure and of low liquidity risk, and are attractive as strategic long-term investments.

7.8 Loans are made to the Arms-Length companies which deliver a financial benefit to the council in the form of profit margin on the financing arrangements. These loans are shown in the Capital Programme.

TREASURY MANAGEMENT STRATEGY

7.9 The table below shows the Council's treasury portfolio position as at 31 December 2017.

	General Fund	HRA	Overall
Long Term Borrowing			
PWLB Maturity	£36.900m	£34.151m	£71.051m
PWLB Annuity	£37.549m	£33.090m	£70.639m
PWLB EIP	£0m	£31.361m	£31.361m
Market loans	£5.600m	£9.000m	£14.600m
Total Long Term Borrowing	**£80.049m**	**£107.602m**	**£187.651m**
Investments			
Fixed Term Investments			£28.020m
Instant Access Accounts			£3.360m
Money Market Funds			£8.230m
Notice Accounts			£6.000m
Inter Group Loans			£60.917m
Total Investments			**£106.527m**

Borrowing Strategy

7.10 The capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and helps to minimise counterparty risk. This means the Council is currently maintaining an under-borrowed position.

7.11 Against this background and the risks within the economic forecast, caution will be adopted with the 2018/19 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- if it was felt that there was a significant risk of a sharp fall in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.

- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.

7.12 If interest rates are expected to increase sharply and a borrowing need has been identified, the Council will look to borrow in advance. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year or annual reporting mechanism.

7.13 Interest rates across the board are at historic low levels and over the coming year are not expected to increase too much, with the base rate not expected to increase until late 2018 or early 2019 at the earliest. If the Council were to borrow any long term debt during 2018/19, the current expectation is that the interest rate will be probably vary between 2.3% - 3.1%, depending on the periods borrowed for and the type of loans taken out. We would expect most borrowing would be via the Public Works Loan Board (PWLB) Certainty Rate, which is lower than the normal rate as the Council submitted its capital plans. If there were opportunities to borrow at better rates in the money markets or with the Municipal Bonds Agency then these options will be explored. The table below gives the estimated interest rates for future periods.

	Bank Rate (%)	PWLB Borrowing Rates (%)		
		10 year	25 year	50 year
March 2018	0.50	2.20	2.90	2.60
March 2019	0.75	2.50	3.10	2.90
March 2020	1.00	2.70	3.40	3.20
March 2021	1.25	3.00	3.60	3.40

7.14 The Local Government Association has established a Municipal Bonds Agency, which will look to raise funds from capital markets and then on-lend to participating authorities at rates that are expected to be at or below PWLB rates. One of the advantages this will offer local authorities, is that borrowing undertaken through this method will be free from PWLB adjustments of interest rates and early redemption penalties, which in the past have been introduced immediately, without any consultation with lenders and have cost local authorities a lot of money. The Council have signed up as one of the founding members of this scheme. To date the Municipa Bonds Agency have not made any loans.

7.15 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment. The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

7.16 If the Council needs to borrow for any short term cash flow situations, there are a number of providers in the market who can supply the Council with funds as required for the periods required. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely, as short term rates on investments are likely to be lower than rates paid on current debt.

7.17 The Council changed its accounting policy in 2014/15 with respect to borrowing costs, and where appropriate, will capitalise borrowing costs on capital schemes.

INVESTMENT STRATEGY

7.18 The Council’s investment policy has regard to the CLG’s Guidance on Local Government Investments and the CIPFA Treasury Management Code. The Council’s primary principle governing investment priorities will be security first, liquidity second, then return, so as to minimise risk. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and

- It has sufficient liquidity in its investments to meet its current liabilities. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.

7.19 In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The credit-worthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agengy. Using the ratings system of the Council’s treasury management advisors, Link Asset Services, banks’ ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

7.20 Furthermore, the Council’s officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “Credit Default Swaps” and overlay that information on top of the credit ratings. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. All counterparties on the Council’s list will be subject to meeting the minimum criteria where applicable before any investments are made.

7.21 The aim of the strategy is to generate a list of highly credit-worthy counterparties which will also enable diversification and thus avoidance of concentration risk. Since 2009, all new investments have only been with UK financial institutions. Foreign based financial institutions have been included on the list for the past few years and if deemed appropriate investments will be made with them.

7.22 There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2018/19 and these are detailed below.

7.23 Since the introduction of the “Funding for Lending” scheme by the government in August 2012 and regulatory requirements aimed at reducing banks reliance on short term cash (under 30 days) to fund their operations interest rates on some short term investments and instant access accounts have been falling. Banks and financial institutions generally have good liquidity which has meant that they have less need to borrow money from organisations such as local authorities.

7.24 The Council currently have two instant access accounts and the policy of investing in these accounts has meant the Council’s investments are very secure and liquidity is very good. However, the interest rates on these accounts have been falling and there is also the threat of some banks closing them altogether. The Council have started to use Money Market Funds (MMF’s) to provide an alternative for managing liquid funds and the Council has four different MMF’s.

7.25 The security and return of investments is the biggest priority, especially given the current economic circumstances. As a general rule, the more security an investment has, the lower the interest rate is. The table below shows the rates available from five different investment categories. It also shows there are different levels of security with the five investments, all of which are very good. The rates shown below are currently the best on offer based on a one-year investment with base rates at 0.50%.

Investment Counterparty	**Interest Rate**	**Security**
Government Debt Management Account	0.25%	The government guarantees this money is returned.
Gilts	0.35%	Money Invested with Government, so it will be returned. These can be traded, but if traded you might have to settle at a loss.
Local Authorities	0.50%	Even though most local authorities are not credit rated, they have regular cash flows and we would expect any investments to be returned on time. Any default would increase their future borrowing costs.
Major UK Clearing Bank	0.90%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.
UK Building Society (Best available rate from top 5 Building Society)	0.70%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.

7.26 In terms of investment returns, the expected returns over the next few years are expected to be

Year	Expected Returns
2017/18	0.50%
2018/19	0.60%
2019/20	0.75%
2020/21	0.90%

7.27 The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £30m could range from £75,000 to £270,000. The difference equates to a Band D Equivalent of £5.15. Investment returns are an important income source and help keep Council Tax levels down and are a key part of the Finance Strategy. From an operational point of view, the Council would spread investments over a number of different counterparties and categories.

7.28 The maximum period for an investment in the government's debt management account is six months and most investments with local authorities are borrower led and are normally for less than one month. The longer an investment can be made for, the more certainty there is on the Council's budget in terms of investment income.

7.29 There is a clear operational difficulty even with the introduction of the banking stress tests. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty credit-worthiness suggests shorter dated investments would provide better security. In addition, if interest rates rise, which they are expected to do at some stage in the future, the Council would not wish to invest for too long in case the investment return actually became a drag on performance.

7.30 The Council sets group limits for counterparties on its lending list, so it does not get over-exposed to any one group. However, if banks and building societies merge with one another, this reduces the number of counterparties the Council can deal with. Another factor is, when the Council wants to undertake long-term investments, not all counterparties are available to deal with.

7.31 Accounting Standard IFRS9 is introduced with effect from 1 April 2018 and whilst we do not have any exposure to this at the moment, the Council will consider the effects, when new investments that fall within the scope of IFRS9 are undertaken.

7.32 The management of the Council's counterparty list is delegated to the Section 151 Officer and it is their duty to act within the confines of this list and the limits set, except that the Section 151 Officer with the agreement of the Finance Portfolio Holder is authorised to amend the terms of any existing investments, if in their view, it is beneficial to the Council. The counterparty limits reflect the minimum size of deposit required, time limits within which institutions will take funds and the flexibility of the market when the Council is looking to place funds.

7.33 The Council's full counterparty list for investments and the limits has to be agreed by Council. If any institution needs to be added to the list or limits changed upwards, this needs to be agreed by Council, so in preparing the counterparty list for 2018/19, the Council needs to reflect the current economic climate, but also needs to have scope within the list to help officers act in the Council's best interests.

7.34 The full counterparty list agreed by Council identifies the maximum range and extent of counterparties that can be used. The Section 151 Officer uses this list to draw up an appropriate operational list for use by officers. This operational counterparty list will be subject to change depending on the economic climate, credit rating changes and other market intelligence. Changes that are automatically triggered such as credit rating changes will be acted upon immediately. Any other changes would be approved by the Section 151 Officer in consultation with the Finance Portfolio holder in accordance with the Council's Financial Standing Orders.

7.35 The Section 151 Officer will maintain the full counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria selects which counterparties the Council will choose rather than defining what its investments are.

7.36 Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change in the short term), rating outlooks (indication of any bias to ratings over the medium term) are provided to officers almost immediately after they occur and this information is considered before dealing. Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps or equity prices) will be applied to compare the relative security of differing investment counterparties.

7.37 MIFID II requirements came into effect from 3 January and the Council has opted up to professional status with all relevant counterparties and bodies.

7.38 The Council has drawn up a list of seven different categories in which investments can be made, which all have different levels of security, monetary limits and time limits. The Council would look to spread investments over different institutions so as not to be left overexposed to any one institution. The limits drawn up for each of the institutions has been based on security. The categories are also listed in order of security available (highest security first). The investment limits below are based on the Council borrowing up to its available capital financing requirement and therefore having a higher level of investments.

Category 1 (Government Debt Management Account) - The Government has a debt management account and guarantees all deposits. However investments can only be for a maximum of 6 months and the interest rates payable are very low. The maximum amount to be invested is £50m with an overall maximum exposure for this category of £50m. The reason for the high limit is that if other counterparties are removed from our counterparty list and there are other uncertainties in the market this should be the safest place for the Council to place its investments. Also, if market conditions deteriorated sharply the Council would want the ability to potentially place all investments here.

Category 2 (Local Authorities) - Even though the majority of Local Authorities are not rated, investments made in them have a high security rating, as local authorities have to set legal budgets and have guaranteed borrowing help available to them through government sources. However, most investments in local authorities are normally borrower led and do not normally exceed one month and so makes long term planning and fixing of investment returns very difficult. Investment rates offered by local authorities are very low. The time limit for investments in local authorities is 2 years and the maximum amount to be invested in any one local authority is £3m. The overall maximum exposure for this category would be £15m.

Category 3 (Major UK Financial Institutions) - This category is for major UK financial institutions and also includes the one part-nationalised UK bank, Royal Bank of Scotland, who will be used so long as they meet the rating criteria or remain part nationalised. Before undertaking investments, the Council will use generally available market information, and UK banks and Building Societies, which have the following ratings from at least one of the three rating agencies (Fitch, Moody's, and Standard and Poors).

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A1
Long Term	A-	A3	A-

The maximum time limit for investments in institutions falling in category 3 is 2 years and the maximum amount to be invested in any one group is £15m. For certain financial institutions the maximum amount to be invested in any one group will be a lower figure. In addition, consideration will be given to the length of time investments are made for and for some financial institutions, the length of time investments are made for, will be short term. The overall maximum exposure for this category would be £80m. If any of the institutions in category 3 fail to meet the criteria, they will be placed in category 5 if applicable.

Category 4 (Money Market Funds (MMF's) - MMF's are for managing short-term cash balances only and offer instant access to funds. They are AAA rated products and interest rates are less volatile than base rates. There are two types of MMF's, one that invests in money market instruments that have been in existence for a number of years with the other being money market funds that invest in Government backed securities. Several of these have been launched over the last couple of years and funds are invested in gilts and treasury bills. To date the returns on investments in the first type have performed better than the second (due to respective security levels). One of the characteristics to note is that investments can be made in Government securities and financial institutions outside the UK as long as they are sterling denominated. The use of MMF's eases the pressure on the Council's instant access accounts and gives us more flexibility. The overall maximum exposure for this category would be £25m, with a maximum of £5m in any one fund.

Category 5 (Other UK Financial Institutions) - The Council will use UK banks and Building Societies who do not meet the credit ratings criteria of the financial institutions in category 3, if they have assets of at least £4bn as at 31 December 2017.

The time limit for investments in institutions falling in category 5 is 365 days and the maximum amount to be invested in any one group is £6m. As a minimum, financial institutions in this category would need to have credit ratings from at least one credit ratings agency. Other available market information would also be taken into account. For most financial institutions the maximum amount to be invested in any one group will be a lower figure, and some financial institutions will have shorter investment periods. The overall maximum exposure for this category would be £25m.

Category 6 (Foreign Financial Institutions) - The Council will use foreign banks where the sovereign rating of the country is a minimum of AA-. In addition, before undertaking investments, the Council will use generally available market information and at least the following Fitch, Moody's and Standard and Poors ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A1
Long Term	A	A2	A

The time limit for investments in institutions falling in category 6 is 365 days and the maximum amount to be invested in any one banking group is £5m. The overall maximum exposure for this category would be £25m.

Category 7 (Property Funds) – These are long term investments and are designed to generate an enhanced return over a number of years. The use of these instruments may be deemed to be capital expenditure and as such will be an application of capital resources. The Council will seek guidance on the status of any fund it may consider using. There are two aspects to any return, rental yields and capital value. Whist rental yields do not fluctuate greatly the capital value can be volatile. A number of local authorities have invested in Property funds over the past few years and the average return over the past 10 years has been 4.9%. Before any investments are placed, due diligence would be undertaken.

There would be no time limit for investments in institutions in category 7 and the overall maximum exposure for this category would be £10m, with a maximum of £5m in any one fund.

As part of the investment strategy the Council has to differentiate between specified and non-specified investments. These are detailed below:-

Specified Investments – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include investments in categories 1 to 4.

Non-Specified Investments – Non-specified investments are any other type of investment. These would include investments in categories 2, 3, 5, 6, and 7.

The time limits for institutions and the maximum exposure to any one group on the Council's Counterparty List are as follows (these will cover both Specified and Non-Specified Investments). This table takes account of the level of security and the number of institutions within the category. The potential exposure is the maximum amount we could invest, if we invested the maximum amount with each counterparty in a category. The maximum exposure is the highest level of exposure we would have within any category of investments. The reason that category 5 has a higher maximum exposure than potential exposure, is that financial institutions that are in category 3 could be downgraded and therefore not meet the criteria in category 3. If this were the case, they would be downgraded to category 5. By having a higher maximum exposure than potential exposure in category 5, this gives the Council scope if this ever happens.

	Number of Institutions in category	Maximum exposure per Institution (£m)	Potential Exposure (£m)	Maximum Exposure (£)	Time Limit
Category 1	1	50	50	50	Max 6 Months
Category 2	15	3	15	15	Max 2 years
Category 3	8	15	120	80	Max 2 years
Category 4	5	5	25	25	Instant Access
Category 5	5	6	15	25	Max 365 Days
Category 6	9	5	36	25	Max 365 Days
Category 7	2	5	10	10	Unlimited

7.39 In the normal course of the council's cash flow operations it is expected that both Specified and Non-Specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

7.40 The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded.

7.41 After taking into account the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2018/19.

7.42 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.50% Bank Rate continuing until the end of 2018 or even into the early part of 2019. There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty credit-worthiness suggests shorter dated investments would provide better security.

7.43 The criteria for choosing counterparties set out above, provides a sound approach to investment in "normal" market circumstances. Councillors are asked to approve these base criteria above. Under the exceptional current market conditions the Section 151 Officer will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. This restricted operational counterparty list will remain in place until the banking system returns to normal conditions. Similarly the time periods for investments will be restricted.

7.44 Examples of these restrictions would be the greater use of the Government Debt Management Account, Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

7.45 The Council is also using its cash balances to provide investment into Ipswich Borough Council's wholly owned companies.

7.46 The Council uses Link Asset Services (Formerly Capita) as its external treasury management advisors. The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers. It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills, resources and information. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

PRUDENTIAL INDICATORS

7.47 In addition, the CIPFA Prudential Code also requires Council's to consider, and set indicators for the next three years as part of their Medium Term Financial Planning. These indicators should be monitored during the year and must be reviewed annually.

7.48 The aim of the code is to allow Councillors to be informed of the impact of capital investment decisions on the overall Council budget. The Council must set ten indicators. These are set out below and need to be considered as a whole: the sequence of presentation is not an indication of relative significance.

7.49 The Council has to make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and the following two financial years. These have been based on the Capital Programme for that period.

Year	General Fund	HRA	Overall
2017/18 Estimate	£37,441,557	£12,286,806	£49,728,363
2018/19 Estimate	£16,311,234	£32,958,932	£49,270,166
2019/20 Estimate	£17,901,215	£39,126,840	£57,028,055
2020/21Estimate	£6,104,250	£15,838,510	£21,942,760

7.50 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

Year	General Fund	HRA	Overall
2017/18 Estimate	£116,031,053	£118,855,268	£234,886,321
2018/19 Estimate	£127,056,297	£116,060,165	£243,116,462
2019/20 Estimate	£136,079,809	£113,530,422	£249,610,231
2020/21Estimate	£140,453,359	£110,658,308	£251,111,667

7.51 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2018/19 in accordance with the main recommendations contained within the guidance issue by the Secretary of State under section 21(1A) of the Local Government Act 2003. CLG Regulations have been issued which require Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is prudent provision.

7.52 It is recommended that Council approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 or which in the future will Supported capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outline in former CLG Regulations;

7.53 However, with effect from 1 April 2016 the Council charged pre 2007/08 borrowing at 2% of the balance as at 31 March 2016, fixed at the same cash value so that the whole of the debt is repaid after 50 years.

7.54 From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset Life Method** – MRP will be based on the estimated life of the assets, in accordance with the regulations.

7.55 MRP will commence in the year following the year in which capital financing from borrowing is incurred,

7.56 All finance leases from the date of inception of the lease will be treated under the ``asset life method.

7.57 In respect of loans made to third parties, MRP will be provided for upon repayment of the loan or any part of the loan.

7.58 The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure. The net financing costs are the cost of interest and principal repayments less investment income generated. The GF percentage increases due to the borrowing costs to finance the capital programme.

Year	General Fund	HRA
2017/18 Estimate	12.72%	18.62%
2018/19 Estimate	1.69%	18.76%
2019/20 Estimate	4.67%	19.16%
2020/21Estimate	9.14%	18.49%

7.59 The Council adopted the Treasury Management Code in 2002 and it has had a few revisions. The Code represents best practice in the regulation and management of borrowing and investments and related activities. Treasury Management Practices (TMP's) have been established with advice from Link and applied to the Council's treasury management.

7.60 The Council must set prudential limits for its total gross debt which should not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

7.61 The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

7.62 Councillors wish to maintain the minimum level of debt for the Council to keep the Council Tax level low, subject to optimum use of the Prudential Code when opportunities arise that are beneficial to the Council.

7.63 A further two prudential indicators control or anticipate the overall level of borrowing and take into account the above. The Council is asked to approve the following Authorised Limit and Operational Boundary:

The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limit for 2018/19 and future year's takes account of the future plans of the Council.

The Operational Boundary for External Debt –This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

Year	Authorised Limit	Operational Boundary
2017/18 Estimate	£350m	£340m
2018/19 Estimate	£350m	£340m
2019/20 Estimate	£350m	£340m
2020/21 Estimate	£350m	£340m

7.64 As part of the HRA self-financing regime, the HRA is also limited to a maximum indebtedness limit. The limits are shown below:-

	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
HRA Debt Cap (This cannot be exceeded)	£144,885,000	£144,885,000	£144,885,000	£144,885,000
HRA CFR	£118,855,268	£116,060,165	£113,530,422	£110,658,308
HRA Headroom (Amount under-borrowed)	£26,029,732	£28,824,835	£31,354,578	£34,226,692

7.65 The Council must place an upper limit on the total amount of net borrowing (borrowing less investment) which is at fixed rates secured against future interest rate movements. These limits represent 100% of the Operational Boundary in each year and aims to ensure a balanced approach. The Council must place an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. These limits represent 50% of the Operational Boundary in each year. For the purposes of practicality and clear meaningful reporting it is proposed to have a limit for borrowing and a limit for investments as follows:

Borrowing and Investments – Maximum Limits

Year	Fixed Rate	Variable Rate
2017/18	100%	50%
2018/19	100%	50%
2019/20	100%	50%
2020/21	100%	50%

7.66 The Council must set upper and lower limits with respect to the maturity (debt profile) structure of its borrowing. The proposed prudential limits below, have been set with regard to the maturity structure of the Council's borrowing, and reflect the relatively beneficial long term rates that are expected to be available over the next few years:

Period	Lower Limit	Upper Limit
Up to 1 Year	0%	50%
1 Year to 2 Years	0%	50%
2 Years to 5 Years	0%	50%
5 Years to 10 Years	0%	75%
10 Years to 20 Years	0%	100%
Over 20 Years	0%	100%

7.67 Authorities are able to invest for longer than 365 days and can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period, therefore it is proposed to limit the investments that are deposited as follows:

Year	2017/18	2018/19	2019/20	2020/21
Limit	£20m	£20m	£20m	£20m

Approved Organisations for Investment 2018/19

	Lending Limit £Million
CATEGORY 1 - Government Debt Management Account	**50**
CATEGORY 2 - Local Authorities (£3m per authority)	**15**
CATEGORY 3 - UK Financial Institutions covered by Government Guarantee	
BANCO SANTANDER GROUP	**15**
BARCLAYS BANK	**15**
GOLDMAN SACHS	**15**
HSBC	**15**
NATIONWIDE BUILDING SOCIETY	**15**
LLOYDS BANKING GROUP - Bank of Scotland - Lloyds/TSB	**15**
ROYAL BANK OF SCOTLAND GROUP - National Westminster Bank - Royal Bank of Scotland	**15**
STANDARD CHARTERED	**15**
CATEGORY 3 - Maximum Exposure	**80**
CATEGORY 4 - Money Market Funds (£5m per Fund)	**25**
CATEGORY 5 - UK Financial Institutions that do not meet the criteria of Category 3	
Co-operative Bank	**3**
Yorkshire Building Society	**3**
Coventry Building Society	**3**
Skipton Building Society	**3**
Leeds Building Society	**3**
Principality Building Society	**3**
West Bromwich Building Society	**3**
CATEGORY 5 - Maximum Exposure	**25**

Approved Organisations for Investment 2018/19 Continued

	Lending Limit £Million
CATEGORY 6 - Foreign Financial Institutions	
Australia	
Australia and New Zealand Banking Group Ltd	**5**
Commonwealth Bank of Australia	**5**
National Australia Bank Ltd	**5**
Westpac Banking Corporation	**5**
Canada	
Bank of Montreal	**5**
Bank of Novia Scotia	**5**
Canadian Imperial Bank of Commerce	**5**
Royal Bank of Canada	**5**
Toronto-Dominion Bank	**5**
Finland	
Nordea Bank Finland	**5**
Germany	
Deutsche Zentral-Genossenschaftsbank	**5**
Landwirtschaftliche Rentenbank	**5**
NRW Bank	**5**
Netherlands	
Bank Nederlandse Gemeenten	**5**
Nederlandse Waterschapsbank N.V.	**5**
Rabobank Nederland	**5**
Singapore	
DBS Bank Ltd	**5**
Overseas Chinese Banking Corporation Ltd	**5**
United Overseas Bank Ltd	**5**

Approved Organisations for Investment 2018/19 Continued

	Lending Limit £Million
Sweden	
Nordea Bank	5
Svenska Handelsbanken	5
USA	
The Bank of New York Mellon	5
JP Morgan Chase Bank	5
Wells Fargo Bank	5
CATEGORY 6 - Maximum Exposure	25
CATEGORY 7 – Property Funds (£5m per Fund)	10