IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2015/16 ONWARDS

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CONTENTS

Section 1

Medium Term Financial Plan - Overview

Introduction

This section introduces the Council's Medium Term Financial Plan (MTFP) and identifies the national and local financial issues that have shaped it.

The MTFP is refreshed annually.

This comprehensive document includes the Council's financial strategies and the MTFP for the General Fund, the Housing Revenue Account and the Capital Programme.

In addition, this MTFP also provides an update on progress with bridging the "budget gap" resulting from Government Funding reductions, by means of a Transformation Programme involving individual service reviews and "big ticket" items. These programmes form a key part of the strategy to meet the identified budget gap in 2018/19.

National Context

The UK economy has picked up more strongly in 2015 than expected in the OBR[1] March forecast, with GDP expected to grow by 3.0 per cent this year and unemployment already down to 6.0 per cent. The OBR do however expect GDP growth to slow in the short term as consumer spending moves more into line with income growth. The slow rate of increase in earnings has contributed to forecasts for tax income being missed, contributing to the second smallest annual fall in the budget deficit since 2009/10.

The OBR do not expect the quarterly growth rates seen during 2014 to be sustained in 2014. Whilst consumer confidence, credit conditions and the housing market have improved, productivity and real earnings growth have remained weak. Ultimately, productivity-driven growth in real earnings is necessary to sustain the recovery. As a result, quarterly GDP growth is expected to slow into 2015, and then to strengthen gradually as productivity picks up. The outlook for productivity growth is the key uncertainty confronting all UK forecasters.

The following table summarises the OBR forecast for Gross Domestic Product (Growth in the economy) and inflation for the period up to 2019.

OBR December 2014 economy forecast	Forecast (percentage increase)					
	2014	2015	2016	2017	2018	2019
Gross Domestic Product (GDP)	3.0	2.4	2.2	2.4	2.3	2.3
Consumer Price Index (CPI)	1.5	1.2	1.7	2.0	2.0	2.0

[1] Office for Budget Responsibility is the UK's independent fiscal watchdog

The 2014 / 15 Budget Planning Process

Introduction

This section of the report is split into six further sections:

- Achievements in the last year
- The financial challenge facing the Borough Council
- The general fund revenue budget
- The capital programme
- The housing revenue account
- Longer term budget strategy

The starting point for this report is the MTFP that was agreed in February 2014. Formal financial updates are provided on a quarterly basis to the Council's Executive Committee and Council, in September 2014, agreed the year end Closure of Accounts.

The central point of this budget is that it is one that continues to invest in the future of the Council and the town. Last year's MTFP ensured that the Council had time, a plan and funding in place to meet the significant budget challenges ahead.

This year's budget builds on the work started last year and shows significant progress in the Council's Transformation Programme.

The budget proposals reflect the aims and ambitions of Building a Better Ipswich – and in particular the three core Council aims of:

(i) protecting front line services;

(ii) supporting jobs and skills; and

(iii) council house building.

Achievements in last year

The Council has a solid record of identifying and delivering savings with the minimum of impact on frontline services. This is demonstrated in the table below:

Financial Year	Savings in First Year	On-going
	£'million	£'million
2011/12	2.0	3.0
2012/13	1.5	1.5

2013/14	1.6	2.1
2014/15	1.1	1.4
Total 2011/15	6.2	8.0

In addition to remaining in a financially healthy position, with significant levels of reserves (see paragraph 3.10), over the last 12 months the Council has made significant achievements. These include:

- Protecting frontline council services;
- Maintaining funding to community and voluntary sector partner organisations;
- Occupation of the first new council houses on Bader Close – the largest council house scheme in Ipswich for 50 years;
- Identification of further council house sites to provide a pipeline of over 300 new homes over the next few years;
- Provision of a modern new homeless families unit;
- Gaining Living Wage accreditation by paying all council employees at least the Living Wage and insisting that contractors pay their staff at least the Living Wage;
- Improving pay for apprentices;
- Continuing our successful ‘Quids In’ car parking promotions that support the town centre economy throughout 2014 and into 2015;
- Enabling the opening of the new town centre credit union shop;
- Kick-starting development of quality office buildings on Princes Street with property deals on Rileys and Fison House and obtaining planning permission on the Landspeed garage site;
- Taking action to kick-start development on the Waterfront at Stoke Bridge;
- Purchase of the old Crown Court and Police Station;
- Major purchase of the old Sugar Beet site at Sproughton which will see hundreds of new jobs created;
- Adoption of the Ipswich Garden Suburb masterplan;
- Support to the Eastern Enterprise Hub to deliver the “Ipswich 18 Programme” of support for individuals who want to set up a new business;

- Good progress on the Ipswich City Deal with the opening of the MyGo youth employment centre;
- Increased investment in cultural organisations including the six Arts Council National Portfolio Organisations now based in Ipswich;
- Attracting major events to Ipswich such as East Coast Live and delivering a wide ranging events programme;
- Opening of the new Profiles Waterfront Gym;
- Opening of the new car park at Athena Hall;
- Refurbishment of the Regent Theatre with a new front of house and upgraded heating and cooling equipment;
- With partners, acquiring a rare early painting by John Constable – A Lime Kiln - to hang in Ipswich's Christchurch Mansion;
- Securing a nationwide tour visit of Constable's major painting 'Salisbury Cathedral from the Meadows' which is now on display in Christchurch Mansion (from 6th February 2015);
- The Council led refurbishment of Holywells Park is nearing completion;
- Seed funding of £10,000 to Suffolk Foundation has enabled the creation of a £400,000 fund to support grass roots sports;
- Successfully helping to bring over 100 empty homes back into use – including via the use of compulsory purchase orders;
- Agreeing the surrender of the lease on the former Tooks bakery site to enable this site to be brought forward for housing;
- Undertaking a major refurbishment programme on the Tarran pre-fab bungalows;
- Unlike some other councils, allocating all of our Discretionary Housing Payment grant to support both private sector and council tenants in need;
- Installation of Solar PV on 12 council properties generating 372,003 Kwh of electricity;
- National recognition for the ground breaking Reducing The Strength campaign;
- Agreeing a deal to allow a new doctors' surgery to be built on the old West Villa site;

- Area Committees have helped to bring about projects such as landscaping work at Upper Orwell Street, new play equipment at Cherry Tree recreation ground and proposals for a new skate park at Whitehouse Park;

- Finally resolving the situation with the Icelandic bank “investments”;

- Purchase of a new Customer Relationship Management system which will allow significant savings to be made in future years;

- Successful implementation of the four day week bin collection system;

- Making further substantial senior management savings by reducing the number of Heads of Service;

- Successful implementation of Single Status Harmonisation.

The Financial Challenge Facing the Borough Council

The provisional Local Government Finance settlement (announced on December 18th) has resulted in a reduction in our core grant of 31% for 2015/16, which is slightly worse than anticipated in the forecast update. The full detail of the settlement is set out in the table below;

DCLG Funding	**2014/15**	**2015/16**	**Change 2014/15 to 2015/16**	
	£'m	**£'m**	**£'m**	**%**
Lower tier funding	3.697	3.768	0.071	2%
2011/12 Council Tax Freeze Compensation	0.132	0.134	0.002	2%
Homelessness Prevention Funding	0.052	0.053	0.001	2%
Retained NNDR	**3.881**	**3.955**	**0.074**	**2%**
Lower tier funding	4.085	2.735	-1.35	-33%
2011/12 Council Tax Freeze Compensation	0.19	0.187	-0.003	-2%
Homelessness Prevention Funding	0.073	0.072	-0.001	-1%
Returned Funding	0.01	0	-0.01	-100%
Revenue Support Grant	**4.358**	**2.994**	**-1.364**	**-31%**
Settlement Funding Assessment	**8.239**	**6.949**	**-1.29**	**-16%**

Whilst the details of our financial position are set out in Section 3 of the MTFP, the headline gap for the Borough Council’s Budget – i.e. the amount of, as yet unplanned, savings required is set out in the table below:

	2015/16	2016/17	2017/18	Base Gap – On-going	3 year Cumulative Gap
Gap (£m)	2.02	1.64	1.15	1.15	4.81

The "Base Gap – On-going" does not include any allowance for continuing reductions in central funding, realistically, a continued direction of travel would increase the gap to around £2m for 2018/19.

The Council also has significant financial reserves that exceed the amount that the Council's Chief Financial Officer (Section 151 Officer) stipulates as the minimum allowed. The forecast level as at 31st March 2015, is set out in the table below:

	Total	Minimum Level	Usable Reserves
Reserves £'m	9.43	2.0	7.43

This table makes no allowance for any further year end underspends, as the "Zero Based" budgeting exercise carried out in 2013/14 and the ongoing service review programme, should preclude significant underspends.

Senior Councillors have considered a number of strategic scenarios when considering how to use reserves to address the Council's budget deficit. Most of the recent MTFPs have assumed that all of the council's useable reserves will be utilised over the three year period. Given the continuing uncertainty around the duration of the Government's austerity programme (whoever forms the government after the general election) it is considered prudent to continue – like last year – to extend that period to four years.

Using the Council's reserves over the next four years will provide time to develop and deliver on the 'big ticket' items introduced within last year's MTFP – and detailed later in this section - that will deliver the substantial long-term savings required.

Leaving some reserves for possible use in 2018/19 enables some contingency in the likely event of deeper government cuts than have, to date, been announced. The reserves left for 2018/19 exceed the comparable level of anticipated reserves for 2017/18 set out within last year's MTFP.

Many factors and assumptions are used in producing the MTFP. These include:

- The Local Government Financial Settlement 2015/16 confirmed the level of reduction in Settlement Funding Assessment at 16%. This direction of travel has been reflected in the assumptions for 2016/17 and 2017/18 of a further 15% reduction in each year (which equates to an annual reduction of 40% in Revenue Support Grant);

- A net 3% increase in the Council's income from 'fees and charges' from the level achieved in 2014/15 ;
- Council tax will be increased by 1.93% (which will ensure that the current administration continues to achieve the previous administration's core target which focussed on Council Tax levels). This equates to 9p or less per week for most households in Ipswich;
- Provision for the already nationally agreed pay award for 2015/16 (i.e. staff salary increase) of 2.2% covering January 2015 to March 2016;
- The Council Tax base has been increased by 1210 band D equivalents in 2015/16, 200 in 2016/17 and 250 in 2017/18;
- Maintaining many budgets at last year's levels rather than increasing them by inflation saves the Council about £500k per annum – or £3m over the next three years;
- The funding of local government through retained business rates (NNDR) has transferred almost all the risk to local government e.g. successful appeals against rating valuations. To address this risk a NNDR Equalisation Reserve of £500k has been established;
- That the savings predicted within the Transformation Programme and Big Ticket items are achieved.

The general fund revenue budget

There are three main components used within this MTFP to meet the identified budget gap. These are:

1. Savings being delivered by the Service Review component of the Council's Transformation Programme;
2. The development of the Council's Big Ticket component of the Council's Transformation Programme;
3. The delivery of a savings programme associated with all services that have not yet started the Service Review of the Transformation Programme.

The Service Review component of the Council's Transformation Programme will continue to ensure that every service the Council provides is examined in detail over the next 12-18 months. Each Portfolio Holder will continue to take a clear lead on the reviews in their areas, supporting and guiding the Heads of Service and Operational Managers. Over-arching corporate leadership to the programme is provided by the Deputy Leader and the Chief Operating Officer.

In total the Service Reviews reported to Executive Committee so far are scheduled to save £141,000 per annum for the Council.

A further 6 Service Reviews have started and of those senior officers have set notional targets for 3 of them. In total these targets would – if met – deliver further savings of £225,000 per annum.

In last year's MTFP it was estimated that by 2017/18 Ipswich Borough Council will need to be making about £4.5m per annum savings from its current (2013/14) base budget position. It was thought that, via a mix of use of reserves and planned and likely annual budget savings, the gap that would need to be met for the 2017/18 budget will be in the region of £3m. It was clear that this was considered to be a 'best estimate' figure at the time last February and that and it could be subject to significant changes relating to a variety or local or national decisions across the next three to four years.

Twelve months on the corresponding estimated gap for 2018/19 is estimated at £2m, assuming a continued reduction in central funding.

Last year's MTFP identified nine strategic 'big ticket' areas that it was thought could, with long-term planning, make net savings to the Council in the region of £500k each and as a result, reduce the pressure on the three core aims identified previously (and in particular the aim to protect front-line services).

Since last year discussions have been held on all these areas and the following savings targets and profiles set for 6 of the nine areas as follows:

Big Ticket profiling

		2015/16	2016/17	2017/18
		£'000	£'000	£'000
Customer Service Strategy				
	Agreed	70	500	500
	Target	70	500	500
Procurement Savings				
	Agreed	100	100	100
	Target	100	200	500
Property Investments and rental income increases				
	Agreed	280	280	280
	Target	220	325	500
Early Retirement/Voluntary Severance/Voluntary Redundancy				
	Agreed	311	309	303

	Target	0	210	500
Investment Strategy				
	Agreed	60	109	100
	Target	50	100	200
Zero based budgeting				
	Agreed	0	0	0
	Target	30	200	500
Totals				
	Agreed	**821**	**1,298**	**1,283**
	Target	**470**	**1,535**	**2,700**

"Agreed" denotes the extent to which the target has been achieved or identified e.g. the Procurement Savings includes agreed savings of £100k which relates to the recently let Vehicle Maintenance Contract.

After further review it has been concluded that three of the identified areas – whilst worth progressing – are unlikely to result in significant savings to merit them being included within a financial forecast. These areas are:

(a) Increased income levels: - performance against income targets during 2014/15 has demonstrated that the Council needs to review its approach to generating income. A review is underway which will be completed in the first part of 2015/16 and will establish if and how the Council could generate more income to support service provision.

(b) A trading company, winning work and making a return for the Council, and / or Trusts / or other delivery vehicles- It has been agreed that alternative delivery models will be considered as part of the service review methodology. To date no review has included a recommendation to move to an alternative delivery vehicle though the Maintenance and Contracts review (E/13/88) did include agreement for this option to be explored in the medium term.

(c) A shared service / strategic partner arrangement with another authority or organisation: Whilst progress has been made and reported to Council in relation to a memorandum of understanding with Suffolk New College, joint working has not yet started on anything other than the existing I-Print arrangement which is being re-negotiated.

In addition to the two core components of this year's budget work mentioned above it was considered that other service areas that had not yet started on the transformation programme should be asked to identify savings options equivalent to 5% of their net controllable budget (budgets controlled by operational managers). This amounted to £340,000 for the services involved.

In total they identified around £400,000 of savings. With input from the all-party Portfolio Holder working groups and the all-party Overview and Scrutiny Committee this list of savings has been reduced to a final list of £161,000. The full list of the savings is contained Section 3 of the MTFP.

Key items include:

- Rationalising staffing within Profiles;
- Reducing costs in I-Print;
- Reduce expenditure on verge cutting – whilst still finding 9 additional verge cuts to the three Suffolk County Council fund as the highway authority;
- Establish in-house ecology function to reduce costs spent on external consultants.

Care has been taken to ensure that there isn't an overlap leading to duplication between savings attributed to these various elements of the overall savings programme and other budget work.

In addition to the savings outlined above, the budget makes financial provision for a small number of growth items including:

- Increasing the Council's inward investment function to bring new jobs to Ipswich;
- Improving support for tenants renting in the private housing sector;
- Improving the Council's noise nuisance service to allow greater out of hours support;
- Enhancing the Council's events budget;
- Introducing a pilot programme to help bring empty town centre shops back into use;
- Increasing the Community and Voluntary Sector grants budget;
- Supporting a project to improve programming skills in Ipswich;
- Increasing arts funding to the town's Arts Council National Portfolio Organisations

In addition there will be a one-off investment in tackling the back-log of tree and vegetation work that has built up following the major storms of winter 2013/14. This will be funded from un-allocated growth funding brought forward from 2013/14.

Furthermore £10,000 has been allocated from existing budgets to work with the National Literacy Trust on a project to improve literacy levels in Ipswich.

Some of the Council's unallocated transport budgets have been committed to two further projects. These are:

- A £25,000 contribution towards work that Suffolk County Council are committed to lead on aimed at identifying the right long-term solution for the town's east-west transport challenges and to get the final scheme 'shovel ready' to maximise the changes of receiving Government funding;

- A £120,000 contribution towards works to improve the station forecourt (with the County Council contributing £480,000 and Abellio Greater Anglia contributing £500,000) as a gateway to the town. These works are being co-ordinated along-side DfT/Network Rail NSIP funded proposals to improve the inside of the station.

Over the period of this Medium Term Financial Plan, a sum of £1m has been earmarked from the Working Balance to fund the cost of changes in service delivery as part of the Transformation Programme on an "invest to save" basis. It is anticipated that a significant proportion of this reserve will be utilised in the first two years of this MTFP.

The Capital Programme

The 2014/15 to 2017/18 capital programme is set out in Section 6.

It should be recognised though that balancing the capital programme has remained challenging this year. The programme in Section 6 demonstrates that the Council is able to maintain investment in its key priorities, but a large part of the funding for the programme will be sourced from borrowing which does have a knock-on impact on the revenue budget due to the need for repayments. It should be noted that not all items included within the programme have been financed, specifically contingency items and projects which require further detailed consideration and/or are anticipated to be self-financing. Any such expenditure that does come forward will be reported to Executive as part of the Quarterly Budget Monitoring Regime and financing sought accordingly. These impacts have been allowed for within the General Fund revenue components of the MTFP.

The 2015/16 programme is for over £37m of investments in the next year and £34m and £21m in the subsequent two years.

Capital Programme Summary	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	£'000	£'000	£'000	£'000
Housing Revenue Account	20,857	23,962	21,421	15,266
General Fund	22,172	14,169	13,413	6,365
Total	**43,029**	**38,131**	**34,834**	**21,631**

In relation to the 2014/15 (and onwards) capital programme, key highlights (other than those mentioned above) include:

- Retaining the Jobs and Skills Fund commitments including contributions towards an Innovation Centre at the Waterfront;
- A major project to expand the number of parking spaces at Crown Street;
- Improved facilities at Ransomes Sports Centre;
- Introduction of a new fund to bring empty town centre shops back into use;
- Commitment to fund 25% of the costs of the Cornhill Project to match funding from partners;
- The Council's contribution to the Ipswich Arts and Museums Project
- A substantial investment in photo-voltaic cells on corporate properties;
- A feasibility study into installation of photo-voltaic cells, on suitable houses in the existing Council Housing stock;
- Purchase of the former sugar beet factory site at Sproughton for future development;
- Purchase of the freehold of Grafton House, reducing the cost of occupancy subject to the approval of a separate report on this agenda;
- Expanding the strategic asset purchase fund;
- Retaining the £1m commitment to funding Broomhill Pool in the event that a viable proposal comes forward;
- Improving the resilience of council services in the event of floods, storms and other emergencies.

The Housing Revenue Account

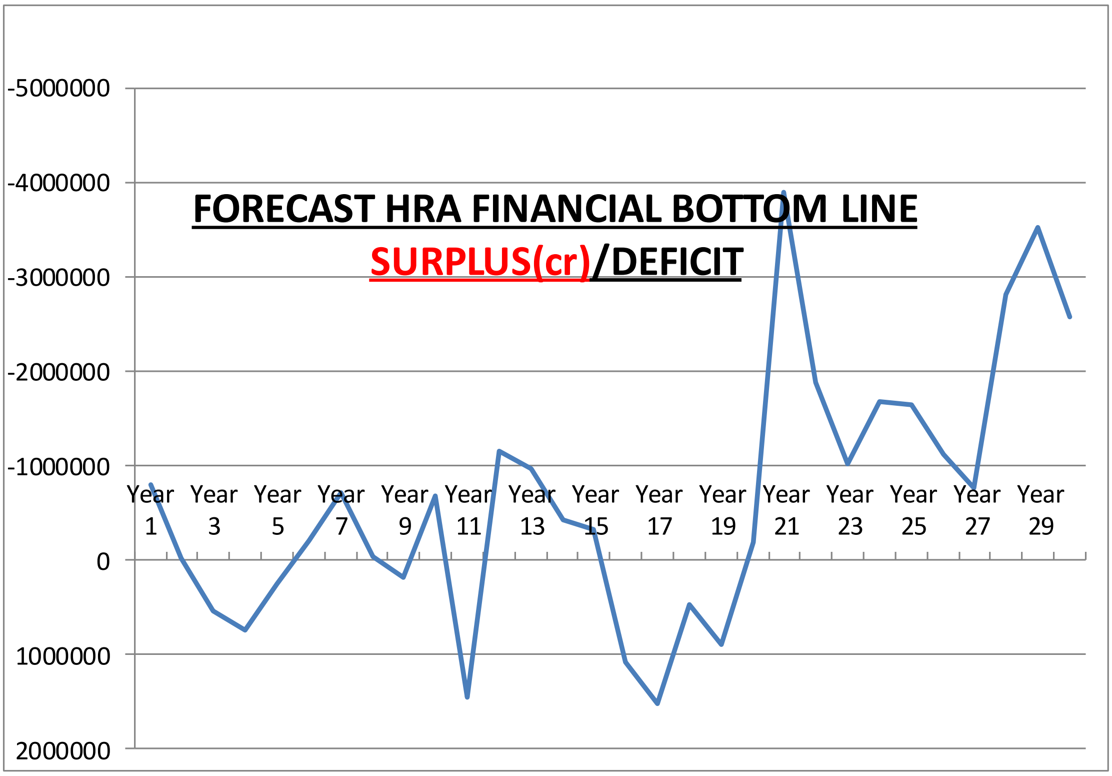
The Council owns, 7,994 general needs and sheltered properties. To the end of the 3rd quarter in 2014/15, 43 properties have been sold under the 'right-to-buy' scheme.

The Bader Close development, which will deliver 108 homes, is currently under construction with the first five properties now being handed over. Further developments including schemes at Ulster Avenue and Bramford Road are scheduled.

A Housing New Build Programme has been established to ensure that the Council has a stable and long-term supply of schemes to utilise the £6m per annum earmarked for this purpose.

The business plan assumes service levels are maintained throughout the 30 years. The fluctuating annual levels of surplus/deficit arise mainly from 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.

The graph (below) shows the surplus (-) and deficit (+) predicted for each future year. Year 1 is 2014/15.



The proposed rent increase for 2015/16 will average 2.2%, in line with Government guidance. This annual increase was recommended to Council by Executive (E/14/69) on 13th January 2015. The rent increase in one year affects the base for all future years, so to avoid large fluctuations in future annual rent rises the business plan aims to achieve a relatively consistent annual rent rise over the 30 year period. A lower rent increase for one year would require the next year's increase to be much greater to compensate, otherwise there would be a base rent reduction for every future year. There may also continue to be practical limits to the rent increase for any one year like the annual increase in the maximum housing benefit subsidy received by the Council. The Business Plan figures are very sensitive to the actual rent increase levels.

There will be a limited amount of future borrowing required to fund the planned maintenance and new build programmes. This is built in to the Housing Revenue Account Business Plan.

The Long Term Budget Strategy

Ipswich Borough Council has a robust long term budget strategy, which aims to minimise the impact of changes in Central Government funding on the future level of IBC service provision. The Transformation Programme and strategic "big ticket" items are projected to deliver around £3m in annual savings by 2018/19.

It is anticipated that there will be an additional budget gap of £2m for 2018/19 above and beyond the level of savings already anticipated. Prudent budget planning has made provision for £1.6m of reserves to be available to support the revenue budget in that year. This continues the strategy of using reserves to facilitate a fully considered approach to meeting savings targets. Clearly this is a 'best estimate' figure at this time and it could be subject to significant changes relating to a variety or local or national decisions across the next three to four years.

Conclusion

This budget builds on the work started within the budgets of the last two years but crucially also ensures the Council is in a solid position to address the various challenges – and in particular the financial ones – facing local government following the 2015 elections.

This budget focuses on setting out the medium term financial challenges facing the Council as well as delivering the strategic 'big ticket' ideas to meet that challenge. Central to this approach is identification of resources and ensuring that a sufficient timescale is available to plan and introduce the changes that will ensure that this challenge is met.

Whilst arguably this budget focusses on looking to the future, it does so ensuring savings are made over the next twelve months in a manner that will not detrimentally affect front-line services. Significant progress also continues to be made on council house building and supporting jobs, skills and growth in the town.

Finally, the capital programme contains a series of investments that will enhance and protect many of the town's historic assets whilst enabling investments in new initiatives which will benefit local communities (e.g. Ransomes Sports Centre and Holywells Park), the economy of the town (e.g. the High Street Campus HLF bid and the Cornhill regeneration project) and the future financial viability of the Council (e.g. investment in photo-voltaic cells).

Chief Finance Officer's Statement

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.

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.

The calculations of estimates making up the General Fund Council Tax Requirement of £11,975,472 for 2015/16 have been based on principles set out above. This Plan delivers a financially balanced budget for 2015/16.

The calculations of estimates making up the Housing Revenue Account for 2015/16 have been based on principles set out above. This Plan delivers a financially balanced budget for 2015/16.

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.

Sections 28 and 29 of the 1988 Act require Councillors to review the budget from time to time during the year and consider the impact of any overspends on the forecast reserves position. Reports on budget variances are presented quarterly to Executive during the year, and any action needed to maintain the General Fund and Housing Revenue Account Budgets is taken by Executive.

Assessments of financial risks associated with the 2015 to 2018 budgets are shown below. These risks are taken account of in setting the level of reserves.

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
	1- Catastrophic 4 – Negligible	A – Very likely F – Almost impossible	
Accuracy of estimates	2	D	Incorporate current economic predictions. Service Group based budget process. Revenue & capital programme set together. All known future

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
			changes included in budget. Sign-off of detailed budgets by Heads of Service.
Adequacy of reserves/balances/bad debt provision	1	E	Risk Management assessment, insurance policy
Significant variances due to poor budgetary control	2	E	Monthly Budgetary Control process Quarterly reporting to Executive based on monthly exception reporting
Long term unsustainable/imprudent financial planning	1	E	Medium term financial planning, Prudential Indicator framework and regular monitoring
Partnership/Joint Working – poor control/definition resulting in financial liability	3	E	IBC retains control of resources unless partnership contract exists
Corporate projects – predicting financial implications	2	E	Corporate projects managed using Prince 2 based methodology
Changing goals/expectations	2	E	Corporate Plan, Strategic framework
Failure of “Approved Organisation for Investment”	2	C	Reviewed Treasury Management Strategy Daily monitoring of investment counterparties
Poor Corporate Governance/financial control	2	E	New Corporate Governance, Audit review, Standing Orders
Changes in proper accounting practice	3	C	The Council adheres to the latest Statement of Recommended Practice

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
Unexpected changes in demographic/service expectations due to the current economic situation	2	E	Officers actively monitor potential future changes
Future changes in legislation and financial environment including those following General Election May 2015	2	E	Officers actively monitor potential future changes

Specific Risks

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

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
Capital Predicted capital receipts may not materialise, capital programme could be curtailed or funding revised	2	B	Continual review of market conditions.
HRA Failure to pursue the most efficient method of financing the new Housing Regime	2	C	Professional advice taken, Housing Business plan revised.

Adequacy of Working Balance and Reserves

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.

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.

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.

The Reserves and Provisions Policy is included as Section 5.

GENERAL FUND AND COUNCIL TAX REQUIREMENT

In determining the Council Tax Requirement for 2015/16, councillors and officers have refocused resources on investing in the Council's priorities.

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. 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. The levy for 2015/16 is £32,641.

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.

Ipswich’s Collection Fund shows a net surplus of £369,394. 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.

The Final Settlement for 2015/16 was announced on 18th December 2014 at £6,947,854. These figures are reflected in the summary below:

	2014/15 **£**	**2015/16** **£**
Budget Requirement	**19,779,717**	**19,292,720**
Settlement Funding Assessment	**-8,238,907**	**-6,947,854**
Collection Fund Adjustment	**-181,600**	**-369,394**
To be financed from Council Tax	**-11,359,210**	**-11,975,472**

Assuming the Council has a Council Tax Requirement for 2015/16 of £11,975,472 the Borough Council’s element of the Ipswich charge for a Band B property in comparison with 2013/14 would be:

Potential Change in Band B Council Tax	**2014/15** **£ p**	**2015/16** **£ p**	**%** **Change**
IBC Charge before Collection Fund Adjustment	254.54	263.24	3.42
Plus/Minus(-) Collection Fund Adjustment	-4.01	-7.88	-
IBC Charge after Collection Fund Adjustment	**250.53**	**255.36**	**1.93**

It follows from the above that the tax (for Ipswich Borough Council) at each of the property bands, compared with 2014/15, would be as follows:

Band	**2014/15**	**2015/16**	**Change**
	Tax (£ p)	**Tax (£ p)**	**%**
A	214.74	218.88	1.93%
B	**250.53**	255.36	1.93%
C	286.32	291.84	1.93%
D	322.11	328.32	1.93%
E	393.69	401.28	1.93%
F	465.27	474.24	1.93%
G	536.85	547.20	1.93%
H	644.22	656.64	1.93%

Precepts

Suffolk County Council has publicised their intention to retain their precept at previous levels and the Police and Crime Commissioner has proposed a 1.997% 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.

Precepting Authority	Precept £	Band D £ p
Suffolk County Council	**41,090,181**	**1126.53**
Suffolk Police Authority	**6,204,398**	**170.10**

The effect of these precepts on the individual elements of the Council Tax is shown below:

Precepting	Valuation	2014/15	2015/16	Change	Change
Authority	**Band**	**£ p**	**£ p**	**£ p**	**%**
	A	751.02	751.02	0	0
	B	876.19	876.19	0	0
Suffolk	**C**	1,001.36	1,001.36	0	0
County	**D**	1,126.53	1,126.53	0	0
Council	**E**	1,376.87	1,376.87	0	0
	F	1,627.21	1,627.21	0	0
	G	1,877.55	1,877.55	0	0
	H	2,253.06	2,253.06	0	0

Precepting	Valuation	2014/15	2015/16	Change	Change
Authority	**Band**	**£ p**	**£ p**	**£ p**	**%**
	A	111.18	113.4	2.22	1.997
	B	129.71	132.3	2.59	1.997
Police	**C**	148.24	151.2	2.96	1.997
and	**D**	166.77	170.1	3.33	1.997
Crime	**E**	203.83	207.9	4.07	1.997
Commissioner	**F**	240.89	245.7	4.81	1.997
	G	277.95	283.5	5.55	1.997
	H	333.54	340.2	6.66	1.997

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

Valuation Band	2014/15 £ p	2015/16 (£ : p)	Change £ p	Change %
A	1,076.94	1083.30	6.36	0.59%
B	1,256.43	1263.85	7.42	0.59%
C	1,435.92	1444.40	8.48	0.59%
D	1,615.41	1624.95	9.54	0.59%
E	1,974.39	1986.05	11.66	0.59%
F	2,333.37	2347.15	13.78	0.59%
G	2,692.35	2708.25	15.90	0.59%
H	3,230.82	3249.90	19.08	0.59%

Housing Revenue Account (HRA)

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.

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.

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.

Capital Programme

The Capital Strategy is set out at Section 6.

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:

General Fund	**2015/16**	**2016/17**	**2017/18**
	£000's	**£000's**	**£000's**
Expenditure	**14,169**	**13,413**	**6,365**
Financed By:-			
Capital Receipts	5,802	2,959	2,029
External Funding	3,349	3,058	789
Borrowing	4,970	7,348	3,518
RCCO's	48	48	29
Total Funding	**14,169**	**13,413**	**6,365**

Housing Revenue Account	**2015/16**	**2016/17**	**2017/18**
	£000's	**£000's**	**£000's**
Expenditure	**23,962**	**21,421**	**15,266**
Financed By:-			
Capital Receipts	4,791	6,250	1,238
Major Repairs Allowance	7,767	8,798	8,507
RCCO's	11,404	6,373	5,521
Total Funding	**23,962**	**21,421**	**15,266**

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.

Section 2

Finance Strategy

The corporate finance strategy should address five main areas;

Current financial position
Future aims of the organisation
How to provide the funding to meet these aims
Financial risks inherent in the strategy
Budget monitoring and control management

The following strategy has been constructed to address these five areas in a transparent manner.

Current Financial Position

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.

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

The 2014/15 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 2014/15. The achievement of this budget has been monitored during the year against expenditure profiles and no significant year end variations are anticipated.

This history of strong financial management gives a strong foundation to base the revised MTFP for 2015/16 onwards upon.

Future aims of the organisation

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.

The Council has three main priorities for 2015/16 and has continued to focus resources accordingly:

- **Protecting front line services;**
- **Supporting jobs and skills; and**
- **Building new council housing.**

In the MTFP, a significant level of funding is identified to help support jobs and skills and thereby "kick-start" the Ipswich economy including:

- A £6m per annum programme for new affordable houses (primarily new Council Houses);
- A £1.5m fund to support initiatives associated with the creation and retention of jobs;
- A £1m fund to bring empty homes back into use;
- A £250k fund to help convert empty shops into homes;
- A £3m fund to support investment in land and property.

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

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

<u>General Fund</u>

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

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

- **Maintain and enhance where necessary the current level of front-line services provided to the residents of Ipswich;**
- **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;**
- **Seek to ensure that the financial impact of the introduction of Council Tax localisation is minimised through a local tax scheme;**
- **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;**
- **Maximise other income sources, including fees and charges, without impacting upon vulnerable service users.**

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

Housing Revenue Account

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.

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

- **Deliver a sustainable 30 year business plan which includes equitable rent increases and supports a programme of investment in social housing;**
- **Maximise the opportunities presented by the Housing Reforms.**

Capital Programme

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

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

Financial Theme	Risk	Risk Category	Mitigation
Council Tax	Collection rate variance	3-C	Robust monitoring of council tax income drivers
Income	Income level variance	3-C	Robust budgetary control framework
Revenue Expenditure	Over/underspends	2-D	Robust budgetary control framework
Changes in National funding framework	Financing level variance	2-B	Robust resource monitoring and associated spending controls
Capital Expenditure	Over/underspends	2-D	Robust budgetary control framework
Capital Financing	Financing level variance	2-C	Robust resource monitoring and associated spending controls
Treasury Management	Investment return variance	2-C	Monitoring within Treasury Management Strategy parameters
Partnership Funding	Engagement/Financing level variance	2-D	Partnership governance and monitoring arrangements
Council Tax Support Localisation	Levels of Council Tax collected fall	3-C	Implementation of the Ipswich Scheme

Financial Theme	Risk	Risk Category	Mitigation
Localisation Business Rates	Inaccurate estimation of NNDR1 over/understates income levels	2-D	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.	2-C	Partnership governance and monitoring arrangements

Note: for risk category definitions see page 15

Budget monitoring and control management

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.

Key elements of Financial Performance Management are:-

General Fund & Housing Revenue Account revenue budgets

Dedicated monthly meeting of Corporate Management Team to review financial performance;
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

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.

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 MTFP

GENERAL FUND REVENUE FORECAST 2014/15 TO 2017/18

2013/14 OUT-TURN £	DESCRIPTION	2014/15 ORIGINAL BUDGET £	2014/15 DRAFT APPROX O/T £	2015/16 FORECAST £	2016/17 FORECAST £	2017/18 FORECAST £
	SERVICE EXPENDITURE					
24,487,221	Employees	24,405,499	24,770,330	25,721,298	26,557,235	27,125,200
6,024,678	Premises	5,948,610	6,605,480	5,993,630	6,015,230	5,955,780
1,380,004	Transport	1,851,770	1,917,370	1,870,910	1,870,910	1,870,910
17,068,729	Supplies & Services	13,708,827	17,508,331	13,926,424	13,811,333	13,846,913
951,477	Agency & Contracted Services	872,490	816,980	799,380	815,380	831,380
52,858,082	Transfer Payments	53,934,150	55,270,570	53,684,150	53,684,150	53,684,150
615,886	Central & Departmental Support	876,810	834,850	564,730	574,260	583,450
250	Capital Financing	1,870	1,870	1,870	1,870	1,870
103,386,327	TOTAL SERVICE EXPENDITURE	101,600,026	107,725,781	102,562,392	103,330,368	103,899,653
	SERVICE INCOME					
55,158,595Cr	Government Grants	55,044,110Cr	57,528,100Cr	55,677,750Cr	55,644,750Cr	55,614,750Cr
6,703,555Cr	Other Grants,Contributions Etc	6,482,046Cr	6,582,911Cr	6,200,082Cr	6,301,808Cr	6,403,283Cr
537,721Cr	Sales	595,100Cr	573,780Cr	588,920Cr	605,100Cr	623,250Cr
18,462,706Cr	Fees & Charges	16,525,410Cr	18,702,920Cr	16,136,770Cr	16,800,040Cr	17,182,610Cr
3,200,013Cr	Rents	3,387,680Cr	3,544,840Cr	3,435,040Cr	3,412,040Cr	3,404,040Cr
235Cr	Interest	1,750Cr	1,750Cr	850Cr	770Cr	770Cr
84,062,825Cr	TOTAL SERVICE INCOME	82,036,096Cr	86,934,301Cr	82,039,412Cr	82,764,508Cr	83,228,703Cr
19,323,502	NET SERVICE EXPENDITURE	19,563,930	20,791,480	20,522,980	20,565,860	20,670,950

General Fund MTFP contd

GENERAL FUND REVENUE FORECAST 2014/15 TO 2017/18

2013/14 OUT-TURN £	DESCRIPTION	2014/15 ORIGINAL BUDGET £	2014/15 DRAFT APPROX O/T £	2015/16 FORECAST £	2016/17 FORECAST £	2017/18 FORECAST £
19,323,502	NET SERVICE EXPENDITURE	19,563,930	20,791,480	20,522,980	20,565,860	20,670,950
	Contingencies etc:					
0	Additional commitments	1,070,790	312,170	1,044,000	1,192,000	1,326,000
0	Invest to Save	395,300	485,960	132,420	92,810	23,770
0	Big Ticket Savings	0	0	470,000Cr	1,535,000Cr	2,700,000Cr
0	Transformation Savings Targets Set	0	0	225,000Cr	225,000Cr	225,000Cr
0	Service Reserves	0	538,030	0	0	0
0	General Service Reserve	0	576,670	0	0	0
14,155	Interest on balances etc	1,880Cr	51,910	3,470	15,440	15,440
249,632Cr	External interest etc	73,140Cr	216,090Cr	82,720Cr	71,950Cr	72,400Cr
1,421,727	Capital financing costs	1,864,430	1,458,930	1,671,270	1,847,570	1,990,550
20,509,752	Net Expenditure	22,819,430	23,999,060	22,596,420	21,881,730	21,029,310
5,751,739Cr	Revenue support grant	4,358,350Cr	4,358,350Cr	2,993,140Cr	1,796,000Cr	1,078,000Cr
3,624,211Cr	Retained Business Rates	3,880,560Cr	3,880,560Cr	3,954,710Cr	4,034,000Cr	4,115,000Cr
141,170Cr	Collection Fund surplus(cr)/deficit 31st March (net)	181,600Cr	181,600Cr	369,390Cr	0	0
1,286,371Cr	New Homes Bonus Scheme	1,535,250Cr	1,548,210Cr	1,761,000Cr	2,111,000Cr	2,095,000Cr
117,214	Transfer to/from (cr) reserves	20,500	91,430Cr	478,500	21,500Cr	20,500
1,023,385	Use of (cr) / contribution to GF revenue balance	1,524,960Cr	2,579,700Cr	2,021,210Cr	1,637,270Cr	1,148,810Cr
0	Unfunded Balance	0	0	0	0	0
10,846,860	COUNCIL TAX REQUIREMENT	11,359,210	11,359,210	11,975,470	12,281,960	12,613,000

	GF REVENUE BALANCE					
10,988,656Cr	Balance b/fwd 1st April	8,605,790Cr	12,012,040Cr	9,432,340Cr	7,411,130Cr	5,773,860Cr
1,023,385Cr	Surplus(Cr)/deficit for year	1,524,960	2,579,700	2,021,210	1,637,270	1,148,810
12,012,041Cr	Balance c/fwd 31st March	7,080,830Cr	9,432,340Cr	7,411,130Cr	5,773,860Cr	4,625,050Cr

General Fund Budgets 2015/16 - 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". The service group analysis incorporates all of the investments and the majority of the savings detailed later in the section.

Service Grouping	**2015/16 Controllable Budget £**
Chief Executive/Chief Operating Officer	-231,810
Resource Management	6,590,120
Housing Services	4,555,520
Community and Cultural Services	8,572,800
Development and Public Protection	1,524,660
Bereavement Services	-488,310
NET SERVICE EXPENDITURE	20,522,980

General Fund Budget 2015/16 - Service Group Analysis contd

Chief Executive/Chief Operating Officer	
Service Area	**2015/16 Controllable Budget £**
Chief Executive/Chief Operating Officer	304,640
Corporate Properties	-2,101,070
IP-City Centre	-193,140
Property Services Management	208,870
Performance and Projects	337,120
Printing and Design	-81,770
Registration of Electors	70,830
Borough Council Elections	121,760
Customer Services Centre	774,220
Press and Publicity Services	326,730
Total	-231,810

General Fund Budget 2015/16 - Service Group Analysis contd

Resource Management	
Service Area	**2015/16 Controllable Budget £**
Councillors' Services	191,940
Democratic and Business Support	180,980
Mayoral Services	144,150
Councillors´ Costs	336,650
Community Development Team	191,720
Area Committees	145,000
Community Grants	390,880
Legal Services	408,300
Local Land Charges	-48,840
Head of Resource Management	92,770
Corporate Management Direct Costs	165,110
Unapportionable Central Overheads	2,069,220
Democratic Representation and Management (DRM)	-119,950
Housing and Council Tax Benefit Administration	191,680
Finance and Procurement	856,070
Human Resources	361,120
Information Technology	873,350
Audit Partnership	159,970
Total	6,590,120

General Fund Budget 2015/16 - Service Group Analysis contd

Housing Services

Service Area	2015/16 Controllable Budget £
Environmental Strategy	14,590
Health and Safety	86,900
Building and Design	694,570
Grafton House	1,053,610
Head of Housing Services	44,740
Supervision and Management	213,000
Housing Business Support Unit	13,550
Housing Policy & Resources	125,730
Housing Options	552,330
Contributions to Housing Revenue Account	197,980
Bed and Breakfast Costs	46,820
Other Private Sector Accommodation Costs	26,940
Assistance to Voluntary Bodies (Gen)	14,580
Hostels (GF)	33,640
Homelessness	152,470
M3 System Costs	9,660
Private Sector Housing Services	328,480
Building Overheads	343,690
Commercial Contracts	-453,070
Occupational Health	203,170
Food Safety	241,040
Pollution	446,860
Port Health	20,820
Animal Welfare	58,340
Waste Enforcement	85,080
Total	4,555,520

General Fund Budget 2015/16 - Service Group Analysis contd

Community and Cultural Services

Service Area	2015/16 Controllable Budget £
Head of Community and Cultural Services	127,250
Business Development	21,030
Classical Music Development	14,050
Cultural Development	231,510
Corn Exchange	305,640
Entertainments Box Office	-93,280
Events and Festivals	291,530
Regent Theatre	161,960
Leisure Development	68,120
Ransomes Sports Centre	35,880
Sports Development Unit	49,400
Ipswich Skatepark	2,300
Icard Costs	83,250
Sports Centres	916,140
Profiles Gyms	-520,680
Swimming Pools	618,720
Public Conveniences	67,270
Parks	1,579,260
Rangers	476,840
Allotments	27,920
Waste Education and Promotion	180,270
Recycling	-464,750
Refuse Collection	1,822,520
Cleansing Services	1,025,070
Gipping House	392,670
Museum Service	1,152,910
Total	8,572,800

General Fund Budget 2015/16 - Service Group Analysis contd

Development and Public Protection

Service Area	2015/16 Controllable Budget £
DPP Group Support Services	117,910
Head of Development and Public Protection	55,840
Building Control	156,260
Hackney Carriage and Private Hire Vehicles	-94,330
Emergency Planning	45,390
Licensing and Enforcement Unit	10,520
Community Safety	366,250
Emergency Services Centre	359,830
Tourist Information Centre	129,610
Tourism	10,250
Bus Route Subsidies/Network Support	16,930
Footway Lighting	62,350
Street Names and Seats	20,000
Town Centre Pedestrian Areas	1,270
Shopmobility	9,080
IBC Car Parks	-1,336,950
Special Parking Areas	-107,580
Transportation	153,500
Economic Development	553,160
Drainage	77,130
Planning and Development	605,240
Planning Policy	26,000
Local Development Framework	176,500
Caps System Costs	46,000
Historic Churches	32,900
Conservation of Historic Buildings	31,600
Total	1,524,660

Bereavement Services

Service Area	2015/16 Controllable Budget £
Cemeteries and Crematorium	-488,310
Total	-488,310

General Fund Revenue Investments

Proposed Investment	2015/16 £'000	2016/17 £'000	2017/18 onwards £'000
Resource Management			
Increased Community Grant funding	10	10	10
Community and Culture			
Tackle back-log of tree and vegetation work	50	0	0
Events Programme Delivery Budget	20	20	20
Increased funding for Arts Council NPO's	20	20	20
Development and Public Protection			
Increase resourcing of Inward Investment function	55	55	55
Improving computer programming skills	10	10	10
Empty Shops Pilot Programme	25	25	25
Housing			
Improving support to private sector tenants	50	50	50
Dealing better with ASB (esp. noise nuisance)	80	80	80
Totals	320	270	270

GENERAL FUND SAVINGS

Proposed Change of Activity/Saving	2015/16 £'000	2016/17 £'000	2017/18 onwards £'000
Chief Executive/Chief Operating Officer			
Survey and Market Research	2	2	2
I - Print Misc. Stock Purchases	5	5	5
I - Print Computer Equipment Maintenance	5	5	5
Review Customer Services Centre opening hours from 5.30pm close to 5.00pm close to align to Customer Contact Centre	4	4	4
Remove half page advert from BT directory	1	1	1
Community and Culture			
Rationalise Profiles staffing	23	30	30
Reduction of pool temperature by 1 degree (competition pool)	2	2	2
Rationalisation of weekend Profile induction	5	5	5
Reduce frequency of grass cutting to highways verge from 14 to 12 cuts	40	40	40
Establish in-house Ecology function	20	20	20
Housing			
Publications purchase & subscriptions	2	2	2
Sanctuary scheme	6	6	6
Supported Lodgings	4	4	4
Mortgage Rescue Reserve	42	42	0
Totals	161	168	126

Housing Revenue Account MTFP

HOUSING REVENUE ACCOUNT FORECAST 2014/15 TO 2017/18

2013/14 OUT-TURN £	EXPENDITURE	2014/15 ORIGINAL BUDGET £	2014/15 FORECAST £	2015/16 FORECAST £	2016/17 FORECAST £	2017/18 FORECAST £
	MANAGEMENT & MAINTENANCE					
3,876,764	Supervision & Management General	4,057,420	4,276,670	4,438,600	4,593,910	4,689,260
2,061,929	Supervision & Management Special	2,176,580	2,107,890	2,322,160	2,379,550	2,429,520
291,290	Superannuation Back funding	335,130	328,560	368,500	425,350	434,280
3,834,396	Responsive Repairs	3,795,320	3,843,780	3,998,750	4,102,240	4,160,540
1,123,270	Special/Contract Repairs	1,153,350	1,573,350	1,143,050	1,167,060	1,191,570
942,707	Planned Maintenance	1,087,750	910,100	928,300	947,800	967,700
12,130,356	**MANAGEMENT & MAINTENANCE TOTAL**	**12,605,550**	**13,040,350**	**13,199,360**	**13,615,910**	**13,872,870**
	CAPITAL FINANCING COSTS					
55,983	**Debt Management Expenses**	79,380	50,570	49,080	48,330	48,500
2,691,234	**Debt Principal - repayment**	2,696,000	2,745,600	2,734,130	2,765,600	2,771,050
4,335,498	**Debt Interest payable and similar charges**	4,159,930	4,055,990	3,935,790	3,867,070	3,796,280
6,203,519	**Depreciation**	8,392,000	8,229,310	8,672,000	8,960,000	9,529,460
1,558,805	**Impairment of Assets**	0	0	0	1,632,000	1,666,270
325,903	**Deferred Charges**	0	124,460	0	0	0
15,170,943	**TOTAL CAPITAL FINANCING COSTS**	**15,327,310**	**15,205,930**	**15,391,000**	**17,273,000**	**17,811,560**
178,434	**PROVISION FOR BAD DEBTS**	**231,280**	**231,280**	**236,370**	**243,460**	**250,760**
131,890	**HRA share of Corporate Democratic Core and Non Distributed Costs**	**141,210**	**141,210**	**144,030**	**147,060**	**150,150**
27,611,623	**TOTAL EXPENDITURE**	**28,305,350**	**28,618,770**	**28,970,760**	**31,279,430**	**32,085,340**
	INCOME					
32,334,660Cr	**Rents**	34,028,770Cr	34,028,770Cr	34,775,340Cr	35,818,010Cr	36,894,050Cr
911,623Cr	**Service Charges**	966,580Cr	966,580Cr	987,840Cr	1,009,570Cr	1,039,860Cr
760,492Cr	**Commercial**	495,930Cr	495,930Cr	495,930Cr	495,930Cr	495,930Cr
264,374Cr	**Hostels**	167,070Cr	167,070Cr	167,070Cr	170,750Cr	175,870Cr
363,271Cr	**Shops**	359,620Cr	359,620Cr	359,620Cr	359,620Cr	359,620Cr
34,634,420Cr	**RENTS TOTAL**	**36,017,970Cr**	**36,017,970Cr**	**36,785,800Cr**	**37,853,880Cr**	**38,965,330Cr**
190,290Cr	**G.F. RECHARGE**	**194,100Cr**	**194,100Cr**	197,980Cr	202,140Cr	206,380Cr
34,824,710Cr	**TOTAL INCOME**	**36,212,070Cr**	**36,212,070Cr**	**36,983,780Cr**	**38,056,020Cr**	**39,171,710Cr**
7,213,087Cr	**NET COST OF SERVICES**	**7,906,720Cr**	**7,593,300Cr**	**8,013,020Cr**	**6,776,590Cr**	**7,086,370Cr**

Housing Revenue Account MTFP contd

HOUSING REVENUE ACCOUNT FORECAST 2014/15 TO 2017/18

2013/14 OUT-TURN £		2014/15 ORIGINAL BUDGET £	*Year 1* 2014/15 FORECAST £	*Year 2* 2015/16 FORECAST £	*Year 3* 2016/17 FORECAST £	*Year 4* 2017/18 FORECAST £
7,213,087Cr	NET COST OF SERVICES	7,906,720Cr	7,593,300Cr	8,013,020Cr	6,776,590Cr	7,086,370Cr
	Summary/Contingency items					
0	Contingency items	709,900	647,540	884,390	957,580	1,100,830
15,242Cr	Interest/investments (net)	1,140	52,650Cr	18,730Cr	17,220Cr	46,460Cr
7,228,329Cr	NET OPERATING EXPENDITURE	7,195,680Cr	6,998,410Cr	7,147,360Cr	5,836,230Cr	6,032,000Cr
389,570Cr	Contributions to Provisions/Reserves	0	0	0	0	0
6,041,920	RCCO's	5,663,960	6,203,960	7,140,000	6,373,490	6,776,870
1,575,980Cr	(SURPLUS)/DEFICIT	1,531,720Cr	794,450Cr	7,360Cr	537,260	744,870
3,120,506Cr	HRA Balance b/f 1st April	3,787,156Cr	4,696,486Cr	5,490,936Cr	5,498,296Cr	4,961,036Cr
4,696,486Cr	HRA Balance c/f 31st March	5,318,876Cr	5,490,936Cr	5,498,296Cr	4,961,036Cr	4,216,166Cr
	MINIMUM REQUIRED BALANCE	1,000,000Cr	1,000,000Cr	1,000,000Cr	1,000,000Cr	1,000,000Cr

Recommended Sheltered Scheme Charges 2015/16
(per week over 50 weeks)

Charge	2014/15	2015/16	Comment
Service Charge	£22.70	£23.20	Increase 2.2% in line with basic rent increase (This charge is eligible for Housing Benefit)
Housing Related Support Charge	£6.00	£0.00	Housing Related Support (HRS) activity is likely to be withdrawn as part of the Suffolk County Council commissioning review.
Water Rate Charge	£3.95	£4.15	Charge needs to cover anticipated suppliers water charge increases – assumed 5% increase
Heating Communal Areas Charge 1 Charge 2*	 £2.37 £0.88	 £2.49 £0.92	This charge is eligible for Housing Benefit. Price rises reflect anticipated Energy Supplier price increases – assumed 5% increase
Heating – Individual home Charge			
1 –2 rooms with htg	£4.25	£4.46	Price rises reflect anticipated Energy Supplier price increases – assumed 5% increase
3 – 4 rooms with htg	£6.85	£7.19	
5/6 rooms with htg	£9.31	£9.78	
7+ rooms with htg	£11.76	£12.35	

*Neighbourhood Sheltered Schemes only (All Hallows Court, Goldcrest Court, Stratford Court)

Notes

(i) Charges are made to cover anticipated budget costs
(ii) Charges are pooled and apply to all schemes (although some schemes have individual heating and therefore pay their gas/electric charges direct)

Garage Rents 2015/16

All charges per week. Increased by 2.2% in line with the recommended Council house increase.

Scheme	2014/15	2015/16	Change
Council Tenants Garages			
Vary From	£7.27	£7.43	+ £0.16
To	£9.87	£10.09	+ £0.22
Non Council Tenants*			
Vary from	£7.27 + vat = £8.72	£7.43 + vat = £8.92	+ £0.20
To	£9.87 + vat = £11.84	£10.09 + vat = £12.11	+ £0.27
Other Charges			
Water charge (where applicable)	£1.19	£1.22	+ £0.03
Hardstands			
Vary from	£1.56	£1.59	+ £0.03
To	£1.95	£1.99	+ £0.04

** Different charges between council/non council relate to **VAT***
VAT Rate currently at 20%

District Heating Charges 2015/16 (per week) –Increase based on estimated 5% supplier price increase

	2014/15	2015/16	Change
Lower rate	£9.05	£9.50	£0.45
Higher rate	£10.87	£11.41	£0.54

Charges vary according to number of rooms with heating.

Section 5

RESERVES AND PROVISIONS POLICY

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.

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.

Reserves can be held for three main purposes:

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

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.

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

1. there is a present obligation as a result of a past event;
2. it is probable that the obligation will arise;
3. the amount of the obligation can be estimated.

Reserves held by Ipswich Borough Council

General Fund

Working Balance

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.

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.

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.

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 for 2015/16 onwards.

Ipswich Buses Ltd – Debenture Loan

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

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

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

The NNDR Equalisation Fund has been established this year 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

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

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

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

Miscellaneous

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

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

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

Housing Revenue Account

Bad Debts

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-14 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-15 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-16 £'000	Balance 31-Mar-17 £'000	Balance 31-Mar-18 £'000
General Fund:									
Working Balance	12,012Cr	0	2,580	9,432Cr	0	2,021	7,411Cr	5,774Cr	4,625Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr
Insurance Reserve	1,458Cr	0	390	1,068Cr	0	0	1,068Cr	1,068Cr	1,068Cr
Repair and Renewal	1,796Cr	375Cr	4	2,167Cr	25Cr	46	2,146Cr	2,124Cr	2,145Cr
NNDR Equalisation	0	0	0	0	500Cr	0	500Cr	500Cr	500Cr
Legacies	115Cr	0	0	115Cr	0	0	115Cr	115Cr	115Cr
Revenue Grants/Contributions	1,680Cr	0	72	1,608Cr	0	0	1,608Cr	1,608Cr	1,608Cr
Total	**17,313Cr**	**375Cr**	**3,046**	**14,642Cr**	**525Cr**	**2,067**	**13,100Cr**	**11,441Cr**	**10,313Cr**
Housing Revenue Account:									
Working Balance	4,696Cr	795Cr	0	5,491Cr	7Cr	0	5,498Cr	4,961Cr	4,216Cr
Repair and Renewal	500Cr	0	0	500Cr	0	0	500Cr	500Cr	500Cr
Miscellaneous	397Cr	0	0	397Cr	0	0	397Cr	397Cr	397Cr
Total	**5,593Cr**	**795Cr**	**0**	**6,388Cr**	**7Cr**	**0**	**6,395Cr**	**5,858Cr**	**5,113Cr**
Capital									
General Fund Usable Capital Receipts	7,986Cr	0	3,110	4,876Cr	1,706Cr	5,802	780Cr	0	0
Housing Revenue Account Usable Capital Receipts	8,047Cr	1,041Cr	3,745	5,343Cr	3,333Cr	4,791	3,885Cr	1,552Cr	1,819Cr
Total	**16,033Cr**	**1,041Cr**	**6,855**	**10,219Cr**	**5,039Cr**	**10,593**	**4,665Cr**	**1,552Cr**	**1,819Cr**

Schedule of Working Balances, Reserves and Provisions contd

<u>Provisions</u>	Balance 31-Mar-14 £'000	Transfers In £'000	Transfers Out £'000 n	Balance 31-Mar-15 Transfers (	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-16 £'000	Balance 31-Mar-17 £'000	Balance 31-Mar-18 £'000
General Fund:									
Insurance Provision	819Cr	250Cr	250	819Cr	250Cr	250	819Cr	819Cr	819Cr
Provision for Bad Debts	1,043Cr	100Cr	100	1,043Cr	100Cr	100	1,043Cr	1,043Cr	1,043Cr
Total	**1,862Cr**	**350Cr**	**350**	**1,862Cr**	**350Cr**	**350**	**1,862Cr**	**1,862Cr**	**1,862Cr**
Housing Revenue Account:									
Provision for Bad Debts	414Cr	200Cr	200	414Cr	200Cr	200	414Cr	414Cr	414Cr
Total	**414Cr**	**200Cr**	**200**	**414Cr**	**200Cr**	**200**	**414Cr**	**414Cr**	**414Cr**
Grand Total	**41,215Cr**	**2,761Cr**	**10,451**	**33,525Cr**	**6,121Cr**	**13,210**	**26,436Cr**	**21,127Cr**	**19,521Cr**

Section 6

CAPITAL STRATEGY / PROGRAMME

Introduction

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

In relation to the 2014/15 (and onwards) capital programme, key highlights include:

- Retaining the Jobs and Skills Fund commitments including contributions towards an Innovation Centre at the Waterfront;
- A major project to expand the number of parking spaces at Crown Street;
- Improved facilities at Ransomes Sports Centre;
- Introduction of a new fund to bring empty town centre shops back into use;
- Commitment to fund 25% of the costs of the Cornhill Project to match funding from partners;
- The Council's contribution to the Ipswich Arts and Museums Project
- A substantial investment in photo-voltaic cells on corporate properties;
- A feasibility study into installation of photo-voltaic cells, on suitable houses in the existing Council Housing stock;
- Purchase of the former sugar beet factory site at Sproughton for future development;
- Purchase of the freehold of Grafton House, reducing the cost of occupancy subject to the approval of a separate report on this agenda;
- Expanding the strategic asset purchase fund;
- Retaining the £1m commitment to funding Broomhill Pool in the event that a viable proposal comes forward;
- Improving the resilience of council services in the event of floods, storms and other emergencies.

Funding Capital Expenditure

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 e.g. Major Repairs Allowance.

Supported Capital Expenditure (SCE) - This is Government Approved borrowing to undertake Capital Expenditure. The Government pays for the principal repayments and interest through the Revenue Support Grant. SCE can only be used in the year in which the borrowing approval is received.

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 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. The revenue cost of the borrowing is currently set at 5% for the current capital programme and the rate is reviewed on a yearly basis.

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

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.

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

The Council has adopted Best Practice to coordinate:-

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

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.

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

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.

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.

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

Performance Measures and Monitoring

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 monthly basis through Heads of Service Monthly 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 monthly basis.

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

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

CAPITAL PROGRAMME FOR 2014/15 AND FUTURE YEARS

Scheme	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget not currently approved
HOUSING REVENUE ACCOUNT				
HRA shops	8,437			
Increased Housing Provision (indicative - subject to HRA resources)	11,739,589	16,195,000	12,623,546	6,759,625
Ipswich Standard	8,812,303	7,767,410	8,797,950	8,506,830
Leases Funded by Loan	97,153			
West Villa Site Clearance	200,000			
HRA TOTAL	**20,857,482**	**23,962,410**	**21,421,496**	**15,266,455**
GENERAL FUND				
COMMUNITY				
Cross Borough CCTV provision & upgrade		49,015		
Shopmobility replacement wheelchairs	10,000			
Waterfront & Walkways CCTV (PRG)				
Whitton S C Emergency Planning	50,000	10,000		
ECONOMIC				
Crown Street Multi Storey Car Park		400,000	2,000,000	
Economic Development Fund		1,100,000		
Kick Start - Princes Street	54,000			
Variable Message Signing	100,000			
HOUSING				
Disabled Facilities Grant	620,000	716,403	428,496	428,496
Improvement Grants	200,000	200,000	200,000	200,000
Solar PV on Council houses		50,000		
ICT				
Cap. IT Dev. - Development of website/integration of back office to CRM	82,624			
Cap. IT Dev. - GIS project Grant Funded	7,131			
Cap. IT Dev. - Increased use of Electronic Document Storage	8,033	26,000		
Cap. IT Dev. - PC replacement - Equipment from 2015/16 onwards	60,323	100,000	100,000	100,000
Cap. IT Dev. - Uniform IT System	18,100			
Cap. IT Dev. - Virtual Server replacement	54,963			
Cemetery - IT system	4,120			
Integrated HR and Finance System		500,000		
SRP New IT Platform	79,994	80,499		

CAPITAL PROGRAMME FOR 2014/15 AND FUTURE YEARS

Scheme	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget not currently approved
LEGAL				
Area Forums	40,528	4,440		
IER Scanners funded by Cabinet Office	7,498			
LSP Performance Reward Grant	17,736	2,000		
The Triangle Project (PRG)	21,681			
MISC				
Athena Hall Car Park P & D machines	10,000			
Leases funded by loan	346,898			
Municipal Bonds Agency	50,000			
Queen St electrical works for market extension		30,000		
Resurfacing Car Parks and Park Paths	90,000	110,000	100,000	100,000
PROPERTY				
11- 27 Woodbridge Road	13,398			
Bury Road preparation	50,000			
Capitalised Repairs	597,728	543,676	500,000	500,000
Cemetery - Phase 2a and West Chapel refurb.	35,000	250,000	120,000	
Cremator Replacement	17,954			
Empty Shops Strategy		250,000		
Gipping House Relocation/alternative location		700,000		
IP City works to subdivide	15,000			
IP8 Scrivener Drive Access Road	17,000	285,000		
Ipswich Court	30,750	30,000		
M & E installations IP City Centre LED	51,840			
Norwich Rd	230,000	70,000		
Old Mortuary Depot refurb. And remove portacabin	140,000			
Opportunity Purchases/Infrastructure Imps		1,000,000	1,000,000	1,000,000
Police Station	650,073	250,000		
Pond Hall Farm	20,000	12,800		
Sugar Beet Factory	10,504,170	765,430	973,711	2,396,836
Tooks Bakery surrender of Leasehold	1,179,000			
Town Centre Empty Shops pilot		75,000		
Waterfront and St Peters Dock acquisitions		300,000		

CAPITAL PROGRAMME FOR 2014/15 AND FUTURE YEARS

Scheme	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget not currently approved
SPORT& CULTURE				
Christchurch Mansion M & E installations heating & humidity	28,797	25,000	257,824	
Christchurch Mansion security and CCTV	10,000	25,000	145,000	
Christchurch Park Tennis Courts Refurbishment	2,819			
High Street Campus Project	200,000			
Holywells Park Development Grant	2,338,862	117,718		
IAFDP	28,264			
Lime Kiln Purchase	180,000			
M&E Installations Regent Theatre heating and cooling	728,921			
M&E Installations Wolsey Art Gallery	16,982			
Museum joint funding bid IBC contribution		350,000	350,000	
Operational Bases for GM Staff	39,088			
Profiles on the Water Front Gym	200,000			
Ransomes Sports Centre (IBC contribution)		500,000		
Regent front of house, ticket office etc		60,000	380,000	10,000
Replacement of computerised booking service (Leisure Flex System)	105,033			
SUSTAINABILITY				
Bus Shelters/Bus Stops	38,340	8,708		
Carbon Reduction Programme Invest to Save	10,244	183,881	47,610	29,320
Ipswich Flood Defence	1,500,000	2,500,000	2,600,000	
Ipswich Flood Defence Payback			1,000,000	1,000,000
Photo Voltaic programme	750,000	100,000	1,700,000	
Street Lighting Upgrades	48,949	40,000		
GF TOTAL	**21,711,841**	**11,820,570**	**11,902,641**	**5,764,652**

CAPITAL PROGRAMME FOR 2014/15 AND FUTURE YEARS

Scheme	2014/15 Budget	2015/16 Budget	2016/17 Budget	2017/18 Budget not currently approved
CONTINGENCY				
Broomhill Pool		500,000	500,000	
Contingency - additional commitments	100,000	600,000	500,000	500,000
Cornhill Regeneration (IBC Contribution)		410,000	410,000	
Empty Homes	360,000	838,299	100,000	100,000
CONTINGENCY TOTAL	**460,000**	**2,348,299**	**1,510,000**	**600,000**
TOTAL SCHEMES APPROVED	**43,029,323**	**38,131,279**	**34,834,137**	**21,631,107**
Annual Budgets				
We have annual budgets for the following items which are set at a fixed sum each year				
Cap. IT Dev. - PC replacement	100,000			
Improvement Grants	200,000			
Resurfacing Car Parks and Park Paths	100,000			
Capitalised Repairs	500,000			
Opportunity Purchases/Infrastructure Imps	1,000,000			
The additions to the Capital Programme which are included above are:				
Crown Street Multi Storey Car Park	2,400,000			
Solar PV on Council houses	50,000			
Queen St electrical works for market extension	30,000			
Town Centre Empty Shops pilot	75,000			

The figures in the above table reflect changes to these budgets where it has already been advised that amounts are due to slip forward to future years and in the case of the Opportunity Purchases/Infrastructure Imps some of the budget for 2015/16 has already been allocated to a scheme.

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2014/15 AND FUTURE YEARS

	CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2014/15						
Resources at 31.03.2014	7,985,860	658,579	0	-0	66,000	8,710,439
Capital Receipts forecast to be received during 2013/14	0	0	0	0	0	0
Capital Receipts forecast to be received during 2014/15 *	0	0	0	0	0	0
Resources in the year	0	4,104,305	346,898	13,801,403	92,948	18,345,553
Use of Resources	3,101,709	4,762,883	346,898	13,801,403	158,948	22,171,841
Balance at year end	4,884,151	0	0	0	0	4,884,151
2015/16						
Resources at 31.03.2015	4,884,151	0	0	0	0	4,884,151
Capital Receipts forecast to be received during 2014/15	1,705,720	0	0	0	0	1,705,720
Capital Receipts forecast to be received during 2015/16 *	0	0	0	0	0	0
Resources in the year	0	3,349,005	0	4,559,798	47,650	7,956,453
Use of Resources	6,212,416	3,349,005	0	4,559,798	47,650	14,168,869
Balance at year end	377,455	0	0	0	0	377,455
2016/17						
Resources at 31.03.2016	377,455	0	0	0	0	377,455
Capital Receipts forecast to be received during 2015/16	1,075,064	0	0	0	0	1,075,064
Capital Receipts forecast to be received during 2016/17 *	1,075,064	0	0	0	0	1,075,064
Resources in the year	0	3,058,496	0	7,347,500	47,610	10,453,606
Use of Resources	2,959,035	3,058,496	0	7,347,500	47,610	13,412,641
Balance at year end	-431,451	0	0	0	0	-431,451
2017/18						
Resources at 31.03.2017	-431,451	0	0	0	0	-431,451
Capital Receipts forecast to be received during 2016/17	0	0	0	0	0	0
Capital Receipts forecast to be received during 2017/18 *	0	0	0	0	0	0
Resources in the year	0	788,496	0	3,517,500	29,320	4,335,316
Use of Resources	2,029,336	788,496	0	3,517,500	29,320	6,364,652
Balance at year end	-2,460,787	0	0	0	0	-2,460,787
Actual Resources	11,841,709	11,958,880	346,898	29,226,201	283,528	53,657,215
Use of Resources	14,302,496	11,958,880	346,898	29,226,201	283,528	56,118,003
Deficit(-)/ Surplus of Resources	-2,460,787	0	0	0	0	-2,460,787

*** In order to balance the programme receipts to be used in the year they are received.**

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2014/15 AND FUTURE YEARS

	TOTAL CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2014/15							
Resources at 31.03.2014	8,047,470	744,148	0	0	230,950	5,543,498	14,566,066
Capital Receipts forecast to be received during 2013/14	0	0	0	0	0	0	0
Capital Receipts forecast to be received during 2014/15 *	1,041,202	0	0	0	0	0	1,041,202
Resources in the year	0	164,440	97,153	0	8,392,000	6,203,960	14,857,553
Use of Resources	3,745,353	908,588	97,153	0	8,622,950	7,483,438	20,857,482
Balance at year end	5,343,318	0	0	0	0	4,264,020	9,607,338
2015/16							
Resources at 31.03.2015	5,343,318	0	0	0	0	4,264,020	9,607,338
Capital Receipts forecast to be received during 2014/15	2,094,899	0	0	0	0	0	2,094,899
Capital Receipts forecast to be received during 2015/16 *	1,238,007	0	0	0	0	0	1,238,007
Resources in the year	0	0	0	0	8,672,000	7,140,000	15,812,000
Use of Resources	4,790,980	0	0	0	7,767,410	11,404,020	23,962,410
Balance at year end	3,885,244	0	0	0	904,590	0	4,789,834
2016/17							
Resources at 31.03.2016	3,885,244	0	0	0	904,590	0	4,789,834
Capital Receipts forecast to be received during 2015/16	1,473,093	0	0	0	0	0	1,473,093
Capital Receipts forecast to be received during 2016/17 *	2,444,005	0	0	0	0	0	2,444,005
Resources in the year	0	0	0	0	8,960,000	6,373,490	15,333,490
Use of Resources	6,250,056	0	0	0	8,797,950	6,373,490	21,421,496
Balance at year end	1,552,287	0	0	0	1,066,640	0	2,618,927
2017/18							
Resources at 31.03.2017	1,552,287	0	0	0	1,066,640	0	2,618,927
Capital Receipts forecast to be received during 2016/17	267,096	0	0	0	0	0	267,096
Capital Receipts forecast to be received during 2017/18 *	1,238,007	0	0	0	0	0	1,238,007
Resources in the year	0	0	0	0	9,529,460	6,776,870	16,306,330
Use of Resources	1,238,007	0	0	0	8,506,830	5,521,618	15,266,455
Balance at year end	1,819,382	0	0	0	2,089,270	1,255,252	5,163,904
Actual Resources	17,843,779	908,588	97,153	0	35,784,410	32,037,818	86,671,747
Use of Resources	16,024,397	908,588	97,153	0	33,695,140	30,782,566	81,507,843
Deficit(-)/ Surplus of Resources	1,819,382	0	0	0	2,089,270	1,255,252	5,163,904

*** In order to balance the programme receipts to be used in the year they are received.**

Section 7

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2015/16

INTRODUCTION

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.

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.

The Council's treasury activities are strictly regulated by statutory requirements and the November 2011 update of the CIPFA Code of Practice on Treasury Management has been adopted by the Council. The CIPFA Prudential Code was revised in May 2013 and the prudential indicators shown reflect the revised requirements and show all prudential indicators.

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.

Following the abolition of the Housing subsidy system, the Council have adopted a two debt pool approach, one for the HRA and one for GF. All of the actual external borrowing as at 1 April 2012, including the borrowing needed to come out of the housing subsidy system, was allocated to the HRA.

One of the major benefits of the new system is that the Council is able to make more business like decisions and actual borrowing will be allocated to the correct fund, rather than the arbitrary system that was in place under housing subsidy.

TREASURY MANAGEMENT STRATEGY

Borrowing Strategy

Since the beginning of 2009, the Council has undertaken a risk reduction strategy by repaying borrowing and reducing investments. The table below shows the Council's treasury portfolio position as at 31 December 2014.

Long Term Borrowing	
PWLB Maturity	£44.827m
PWLB Annuity	£37.308m
PWLB EIP	£35.785m
LOBO's	£9.000m
Total Long Term Borrowing	**£126.902m**
Investments	
Fixed Term Investments	£17.060m
Instant Access Accounts	£7.600m
Total Investments	**£24.660m**

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 counterparty risk is high. This means the Council is currently maintaining an under-borrowed position.

Against this background and the risks within the economic forecast, caution will be adopted with the 2015/16 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.

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.

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 2015. If the Council were to borrow any long term debt during 2015/16, the current expectation is that the interest rate will be probably vary between 2.6% - 4%, depending on the periods borrowed for. 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 (%)		
		5 year	25 year	50 year
March 2015	0.50	2.20	3.40	3.40
March 2016	0.75	2.60	4.00	4.00
March 2017	1.25	3.20	4.50	4.50
March 2018	2.00	3.60	4.80	4.80

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.

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).

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.

The Council has changed it accounting policy with respect to borrowing costs and with effect from 2014/15, where appropriate, will capitalise borrowing costs on capital schemes.

INVESTMENT STRATEGY

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments and the 2011 revised 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.

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, Capita, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

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.

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 couple of years and if deemed appropriate investments will be made with them.

There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2015/16 and these are detailed below.

Since the introduction of the "Funding for Lending" scheme by the government in August 2012, interest rates on fixed rate investments and instant access accounts has been falling, as financial institutions take advantage of borrowing from the government at 0.25%. This has meant that they have less need to borrow money from organisations such as local authorities.

The Council currently have four 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 has been falling and there is also the threat of some banks closing them altogether.

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 four 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	0.40%	Money Invested with Government, so it will be returned. These can be traded, but if traded you might have to settle at a lower rate.
Local Authorities	0.65%	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	1.00%	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)	0.95%	Same as major UK clearing banks

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

Year	Expected Returns
2015/16	0.60%
2016/17	1.00%
2017/18	1.50%
2018/19	2.00%

The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £15m could range from £37,500 to £150,000. The difference equates to a Band D Equivalent of £3.19. 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.

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.

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. 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.

The Council sets group limits for counterparties on its lending list, so it does not get over-exposed to any one group. However, with banks and building societies merging, 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.

Credit ratings are still one of the major guides to the financial stability of counterparties on the Council's list and these are managed on a daily basis through updates from the Council's treasury management consultants. All counterparties on the Council's list will be subject to meeting the minimum criteria where applicable before any investments are made.

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.

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 2015/16, 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.

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, Government guarantees, mergers and credit rating changes. 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.

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. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

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.

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 two part-nationalised UK banks, Lloyds Banking Group and 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 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-	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 £10m. 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 will be short term. The overall maximum exposure for this category would be £50m. 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)) - 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 would ease the pressure on the Council's instant access accounts and give us more flexibility. The overall maximum exposure for this category would be £20m, 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, and have assets of at least £4bn as at 31 December 2013.

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 AAA. 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+	Aa3	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 UK Financial Institutions that do not meet the criteria of Categories 3 and 5 - The Council will use Ipswich Building Society. The society does not meet the criteria in category 5 as it chooses not to be credit rated. The last few years have been difficult for Building Societies with a lot of local authorities not placing investments with them. However, the Council wishes to support local businesses and Ipswich Building Society with an asset base over £500m provides very valuable support to the local community. Before any investments are placed, due diligence would be undertaken.

The time limit for investments in institutions falling in category 7 is 365 days and the maximum amount to be invested is £2m. The overall maximum exposure for this category would be £2m.

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 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	10	80	60	Max 2 years
Category 4	4	5	20	20	Instant Access
Category 5	5	6	15	25	Max 365 Days
Category 6	9	5	36	25	Max 365 Days
Category 7	1	2	2	2	Max 365 Days

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.

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.

After taking into account the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2015/16.

Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.5% Bank Rate staying the same during most of 2015/16. 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.

The criteria for choosing counterparties set out above, provides a sound approach to investment in "normal" market circumstances. Councillors are asked to approve this 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.

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), 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.

The Council uses Capita as its external treasury management advisors in a three year contract that is due to expire on 31 March 2016 and the contract will be put out to tender during 2015/16. 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

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.

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.

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
2013/14 Actual	£4.713m	£12.362m	£17.075m
2014/15 Estimate	£22.180m	£20.857m	£43.037m
2015/16 Estimate	£14.169m	£23.962m	£38.131m
2016/17 Estimate	£13.413m	£21.421m	£34.834m
2017/18 Estimate	£6.365m	£15.266m	£21.631m

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
2013/14 Actual	£16.516m	£129.514m	£146.030m
2014/15 Approved	£28.776m	£126.858m	£155.634m
2015/16 Estimate	£29.642m	£124.123m	£153.765m
2016/17 Estimate	£34.261m	£121.358m	£145.799m
2017/18 Estimate	£35.753m	£118.587m	£154.340m

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2015/16 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.

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;

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 proposed regulations.

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

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	Overall
2013/14 Actual	5.23%	20.24%	14.46%
2014/15 Approved	5.88%	18.82%	14.03%
2015/16 Estimate	7.51%	18.02%	14.18%
2016/17 Estimate	8.58%	17.29%	14.21%
2017/18 Estimate	9.49%	16.48%	14.09%

The Council has to show the revenue costs of any additional borrowing it anticipates making to fund the capital programme. The current proposals do not anticipate any additional borrowing:

Year	Council Tax Band D Equivalent	Weekly Housing Rent Levels
2014/15 Estimate	£0.00	£0.00
2015/16 Estimate	£0.00	£0.00
2016/17 Estimate	£0.00	£0.00
2017/18 Estimate	£0.00	£0.00

The Council adopted the Treasury Management Code in 2002. 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 Capita and applied to the Council's treasury management. The code was updated in November 2011 and this strategy reflects the updated code.

The Council must set prudential limits for its total gross debt does not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for 2015/16 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.

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.

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.

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 2014/15 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**
2014/15 Estimate	£160m	£157m
2015/16 Estimate	£190m	£185m
2016/17 Estimate	£195m	£190m
2017/18 Estimate	£195m	£190m

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

	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
HRA Debt Cap (This cannot be exceeded)	£144m	£144m	£144m	£144m
HRA CFR	£126m	£124m	£121m	£119m
HRA Headroom (Amount under-borrowed)	£18m	£20m	£23m	£25m

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
2014/15	100%	50%
2015/16	100%	50%
2016/17	100%	50%
2017/18	100%	50%

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%
20 Years to 30 Years	0%	100%
Over 30 Years	0%	100%

Authorities are able to invest for longer than 364 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	Limit
2014/15	£10m
2015/16	£10m

2016/17	£10m
2017/18	£10m

Approved Organisations for Investment 2015/16

	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	**10**
BARCLAYS BANK	**10**
GOLDMAN SACHS	**10**
HSBC	**10**
NATIONWIDE BUILDING SOCIETY	**10**
LLOYDS BANKING GROUP - Bank of Scotland - Lloyds/TSB	**10**
ROYAL BANK OF SCOTLAND GROUP - National Westminster Bank - Royal Bank of Scotland	**10**
STANDARD CHARTERED	**10**
CATEGORY 3 - Maximum Exposure	**60**
CATEGORY 4 - Money Market Funds	**20**
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**
CATEGORY 5 - Maximum Exposure	**25**

Approved Organisations for Investment 2015/16 Continued

	Lending Limit £Million
CATEGORY 6 - Foreign Financial Institutions	
Canada	
Bank of Montreal	**5**
Canadian Imperial Bank of Commerce	**5**
Royal Bank of Canada	**5**
Toronto-Dominion Bank	**5**
Singapore	
DBS Bank Ltd	**5**
Overseas Chinese Banking Corporation Ltd	**5**
United Overseas Bank Ltd	**5**
Sweden	
Nordea Bank	**5**
Svenska Handelsbanken	**5**
CATEGORY 6 - Maximum Exposure	**25**
CATEGORY 7 - UK Financial Institutions that do not meet the criteria of Categories 3 and 5	
Ipswich Building Society	**2**