IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2014/15 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 highlights some strategic options where it is considered that exploratory and developmental work should be undertaken to ascertain whether these options might provide key parts of a strategy to meet the identified budget gap in 2017/18.

National Context

The UK economy has picked up more strongly in 2013 than expected in the OBR[1] March forecast. Private consumption and housing investment have surprised on the upside, while business investment and net trade have continued to disappoint. Short-term indicators suggest that this momentum has been maintained into the final quarter of the year, leading to an upwards revision of the forecast for GDP growth in 2013 as a whole from 0.6 per cent to 1.4 per cent. The positive growth surprise is judged to have been cyclical, reducing the amount of spare capacity in the economy, rather than indicating stronger underlying growth potential.

The OBR do not expect the quarterly growth rates seen during 2013 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 2014, 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 2018.

OBR December 2013 economy forecast	Forecast (percentage increase)					
	2013	2014	2015	2016	2017	2018
Gross Domestic Product (GDP)	1.4	2.4	2.2	2.6	2.7	2.7
Consumer Price Index (CPI)	2.6	2.3	2.1	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 is split into six further sections:

- Achievements in the last two years
- 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 is the MTFP that was agreed in February 2013. Formal financial updates are provided on a quarterly basis to the Council's Executive Committee and Council, in September 2013, agreed the year end Closure of Accounts.

The central point of this budget is that it is one that is investing in the future of the Council and the town – by providing time, a plan and funding for the Council to meet the significant budget challenges ahead and by providing major funding to support the town moving forward with more funding for council housing, land acquisitions, investments in the major towns buildings, funding for the Cornhill, funding for new provision at Ransomes Sports Club and funding for the town's three major lottery bids (High Street Campus, Holywells Park and Broomhill Pool).

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 two years

The Council continues to have a track record of solid financial management exemplified by year-end under-spends in each of the last two years that have exceeded £1.2m. This year-on-year position was part of the stimulus for undertaking a form of Zero Based Budgeting for the current year budget (2013/14) which resulted in around £1.2m of base savings being taken out the annual budget. As a result, future year-end accounts are not expected to identify such significant under-spends.

The Council has a solid record of identifying and delivering savings with the minimum of impact on frontline services.

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, over the last 12 months the Council has made significant achievements. These include:

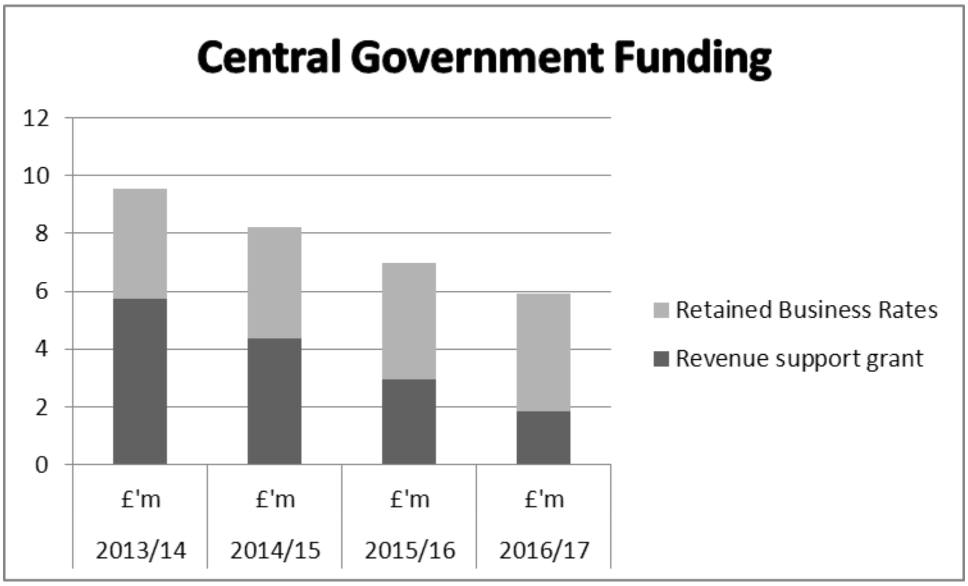
- Protecting frontline council services and maintaining funding to partner organisations;
- Completing the first new council housing for a generation;
- Starting work on the largest council housing scheme in Ipswich for fifty years and establishing a pipe-line of sites for the years ahead;
- Introducing the Living Wage for all directly employed staff;
- Successfully bidding for £2.8m for Holywells Park from the Heritage Lottery "Parks for People" Fund;
- Stimulating town centre footfall and trade by reducing car parking prices via 'Park for a Pound' and 'Quids In' promotions ;
- Stepping in to save threatened bus services;
- Improving skills in Ipswich by signing a City Deal – one of the first "Wave Two" areas to do so;
- Starting the Council's Apprenticeship Brokerage Scheme in partnership with the Papworth Trust;
- Completing the Draft Masterplan for the Ipswich Garden Suburb;
- Providing greater protection for Ipswich's architectural heritage by adopting a Local List;
- Making strategic land and property purchases;
- Bringing 44 long term empty properties back into use as a result of incentives and the use of Compulsory Purchase Orders;
- Taking possession of buildings at Newnham Court which will see 24 long-term empty properties brought back into use;

- Helping to reduce anti-social behaviour through the nationally acclaimed Reducing the Strength campaign;
- Getting agreement to implement Single Status Harmonisation on 1st April 2014;
- Improving customer service by co-locating the Customer Contact Centre with the Customer Service Centre in the Town Hall;
- Growing allotment usage up to 98%, from below 70% in 2005;
- Helping parents tackle the causes of Anti-Social Behaviour by running 17 Parenting courses and hosting a Parenting Conference;
- Fully funding a CCTV control centre which handled 3,394 incidents, leading to 585 arrests being made and 212 penalty notices issued;
- Launching an exciting project to re-build the Museum as a regional cultural and heritage centre.

The Financial Challenge Facing the Borough Council

The Local Government Finance settlement (announced on December 18th) has resulted in a reduction in our core grant of 24% for 2014/15 and a further reduction of 32% in 2015/16. This is worse than had been anticipated when the Council's financial position was reported to Executive in September 2013.

DCLG Funding	**2013/14**	**2014/15**	**2015/16**	**Change**			
				2013/14 to 2014/15		**2014/15 to 2015/16**	
	£'m	**£'m**	**£'m**	**£'m**		**£'m**	
Lower Tier Funding	2.759	3.697	3.799	0.938	34%	0.102	3%
2011-12 Council Tax Freeze Compensation	0.129	0.132	0.135	0.003	2%	0.003	2%
Council Tax Support Funding	0.868	0.000	0.000	-0.868	-100%	0.000	
Homelessness Prevention Funding	0.051	0.052	0.053	0.001	2%	0.001	2%
Retained NNDR	3.807	3.881	3.987	0.074	2%	0.106	3%
Lower Tier Funding	4.147	4.085	2.713	-0.062	-1%	-1.372	-34%
Council Tax Support Funding	1.305	0.000	0.000	-1.305	-100%	0.000	
2011-12 Council Tax Freeze Compensation	0.194	0.190	0.187	-0.004	-2%	-0.003	-2%
Homelessness Prevention Funding	0.076	0.073	0.072	-0.003	-4%	-0.001	-1%
Returned Funding	0.000	0.010	0.000	0.010	100%	-0.010	100%
Revenue Support Grant	5.722	4.358	2.972	-1.364	**-24%**	-1.386	**-32%**
Settlement Funding Assessment	9.529	8.239	6.959	-1.290	-14%	-1.280	-16%



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

	2014/15	2015/16	2016/17	Base Gap – On-going	3 year Cumulative Gap
Gap (£m)	1.5	2.1	3.5	3.5	7.1

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 £4.5m for 2017/18.

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. These are set out in the table below:

	Total	Minimum Level	Usable Reserves
Reserves (£m)	8.6	2.0	6.6

This table makes no allowance for any year end underspends, as the likely level of underspends is considered to have been substantially reduced by the "Zero Based" budgeting exercise carried out last year.

Senior Councillors have considered a number of strategic scenarios when considering how to use reserves to address the Council's budget deficit. 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 it is considered prudent to extend that period to four years.

Using the Council's reserves over the next four years will provide time to develop the 'big ticket' items set out later in this section that will deliver the substantial long-term savings required. If now isn't the 'rainy day' for which many councils, as well as many households, save for, then, in public sector spending terms, what is?

Leaving some reserves for possible use in 2017/18 enables some contingency in the likely event of deeper government cuts than have, to date, been announced.

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

- The Local Government Financial Settlement 2014/15 and provisional 2015/16 confirmed the level of reduction in Settlement Funding Assessment for 2014/15 at 14%, however the level of reduction in SFA included in the provisional settlement for 2015/16 exceeded that included in the existing MTFP by 12% (16% in total). This direction of travel has been reflected in the assumption of a further 15% reduction in 2017/18;

- The year-end under-spend of £1.2m achieved during 2012/13;

- Increase in pension and employer national insurance costs of about £2.5m over the next three years and about £1.4m per annum thereafter;

- A net 3% increase in the Council's income from 'fees and charges';

- Council tax will be increased by no more than 2% (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;

- Using existing budgetary provision extend the "Living Wage" to Council contractors and increase apprentice pay rates. As a result, this will enable the Council to seek accreditation as a Living Wage employer with the Living Wage Foundation;

- Provision for an annual pay award (i.e. staff salary increase) of 1% per annum;

- Loss of over £350k per annum from Suffolk County Council for 'supporting people' funding – primarily associated with the Borough Council's sheltered housing schemes.

- The Council Tax base has been increased by 150 band D equivalents in 2015/16 and 200 in 2016/17.

The general fund revenue budget

The process that the Council undertook to produce its budget for this year was detailed in "Forecast Update and Timetable for Production of the Medium Term Financial Plan 2014/15 Onwards" (E/13/38). The key element being that Heads of Service were tasked with identifying far more savings than were likely to be required.

In total they identified around £3.9m worth 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 £1.1m. The full list of the savings is contained in Section 3.

Key items include:

- Improved waste contracts (approximately £235k);
- Changes to financing of Sheltered Housing Services (saving of £200k);
- Reviewing our property assets to reduce costs and increase income (approximately £170k);
- Reducing budget for Area Committees (£96k);
- Disestablishing vacant posts (approximately £95k);
- Reducing or recovering written off debt (approximately £65k);
- Increased rent / income and changed security arrangements at Town Hall complex (approximately £30k).

Other savings identified include;

- The decision to move towards a four day week refuse round will save in the region of £160k next year and £180k thereafter;
- Capital receipts from the sale of land have exceeded expectations - in large part because of transfers due to the Council's house building programme - meaning that substantially less borrowing will be required – saving around £500k per annum from the revenue fund annual budget;
- Maintaining many budgets at last year's levels rather than increasing them by the Consumer Prices Index (i.e. inflation) saves the Council about £500k per annum – or £3m over the next three years;
- Around £600k can be released from a strategic reserve associated with the Council's investments in Icelandic banks.

In addition, whilst examining the budget in detail for this report, it has been concluded that two further substantial one-off savings can be made amounting to £250k from the unused public transport and local development framework budgets during 2012/13.

Care has been taken to ensure that there isn't an overlap leading to duplication between savings attributed to the budget process and savings attributed to the first two tranches of the Service Review Programme. These are predicted to accrue further savings of £155k to the Council.

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

- Increased funding for the Council's Events programme;
- Help for Ipswich and Suffolk Credit Union to open a shop in the town centre;
- Increasing support to Community and Arts organisations;
- A one-off contribution to the Suffolk Foundation's proposed Sports Fund.

The Capital Programme

The 2013/14 to 2016/17 capital programme is set out in Section 6.

In terms of financing the capital programme, land sales have exceeded expectations during 2013/14 with £7.5m received in capital receipts from sites such as Gipping House, IP8 and Ravenswood. It should be recognised though that balancing the capital programme has remained challenging this year. The programme 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 2014/15 programme is for over £26m of investments in the next year and £20m and £18m in the subsequent two years.

Capital Programme Summary	**2013/14**	**2014/15**	**2015/16**	**2016/17**
	£'000	£'000	£'000	£'000
Housing Revenue Account	17,119	14,811	13,926	15,094
General Fund	7,195	12,067	6,318	3,072
Total	**24,314**	**26,878**	**20,244**	**18,166**

In relation to the 2013/14 (and onwards) capital programme, key highlights (other than those mentioned above) include:

- Retaining the Jobs and Skills Fund commitments;
- Funding to improve facilities at Ransomes Sports Centre;
- Commitment to fund 25% of the costs of the Cornhill Project to match funding from partners;
- A substantial new investment in photo-voltaic cells;
- Introduction of a new fund to convert long-term empty shops into housing;
- Expanding the strategic asset purchase fund;
- The Council's contribution to the High Street Campus project;
- Expanding Profiles gym provision in the town centre;
- Undertaking renovation work at Christchurch Mansion, the Regent and the Town Hall;
- Improving the resilience of council services in the event of floods, storms and other emergencies; and
- Retaining the historic £1m commitment to funding Broomhill Pool in the event that a viable proposal comes forward.

The Housing Revenue Account

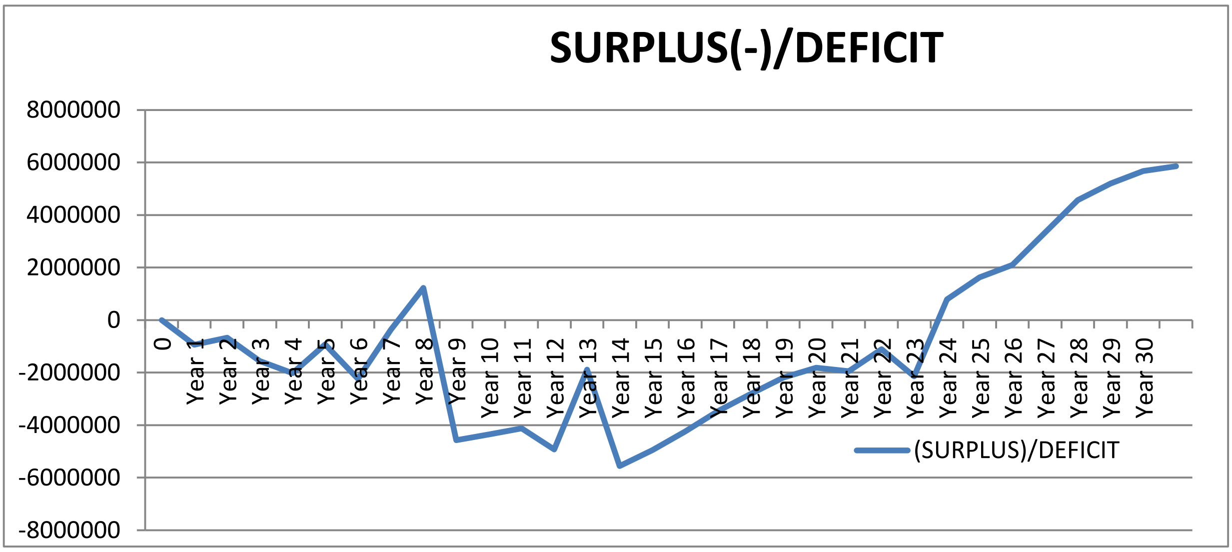
The Council owns 8,164 Council Houses. To date in 2013/14, 46 properties have been sold under the 'right-to-buy' scheme and the first 7 new council houses have been completed and handed over to their new tenants in Coltsfoot Road and Whitton Church Lane.

Development of the first major site in the Council's house-building programme will start in the next couple of months – 108 homes at Bader Close. The next major sites have been identified – at Ravenswood and Bramford Road. The Council is also redeveloping the Newnham Court site and is committed to bringing it back into full use for the first time for many years. Work is underway and will be completed this spring.

Significant work is going on to ensure that the Council has a stable and long-term pipe-line of sites to utilise the £6m per annum set aside for this purpose.

The Business Plan assumes service levels are maintained throughout 30 years. The long term trend is for the short term annual surpluses to become annual deficits. This is caused by the fluctuating Ipswich Standard capital programme spending profile over this period, which is funded entirely from HRA revenue contributions. The Ipswich Standard capital programme is the spending needed to replace house components like kitchens and roofs to meet the replacement cycles in the Council's Asset Management Strategy.

The graph (below) shows the surplus (-) and deficit (+) predicted for each future year. Year 1 is 2013/14.



The surplus in working balances up to year 23 is required to maintain the level of planned maintenance and new build programmes over the 30 year period. Even with these planned rent levels the HRA will still require borrowing from 2020 to fund building the 50 new properties per annum.

The rent increase for 2014/15 will average 5.5%, in line with Government guidance. 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 it 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, for example 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.

The Long Term Budget Strategy

It is 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.

Via a mix of use of reserves and planned and likely annual budget savings it is estimated that the gap that will need to be met for the 2017/18 budget will be in the region of £3m. 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.

Alongside the preparation of this MTFP, work has been done to include within this year's document, a strategy that identifies a number of strategic 'big ticket' areas that, with long-term planning, could 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).

Discussions have led to the identification of possible savings areas. Portfolio Holders will be involved in the development work on the list providing leadership alongside senior officers.

Possible Savings Area (detailed below)	Portfolio Holder
i	Community & Customer Services
ii	Resources
iii	Leader of the Council
iv	Resources
v	Resources
vi	Culture
vii	Resources
viii	Leader of the Council
ix	Resources

Possible savings areas:

i. *Savings as a result of our new Customer Service Strategy*

e.g. channel migration, no wrong door, work for other, right first time

ii. *Procurement Savings*

e.g. in-sourcing, category spend, current spend is around £46m per annum

iii. *Property Investments and Rental Income Increases* *e.g. buy or develop land as long term investments, re-locations after Gipping House,*

iv. *Voluntary Severance and Voluntary Redundancy*

e.g. the Council has introduced a new policy which could result in significant savings over the medium term after up-front costs have been recovered

v. *Investment Strategy*

e.g. higher rates of return on the Council's financial investments than are currently being obtained, for instance via higher interest rates but also alternative investment such as solar

vi. *Increased income levels*

e.g. via Sponsorship, corporate marketing, new facilities, new customers

vii. *A trading company, winning work and making a return for the Council, and / or Trusts / or other delivery vehicles*

e.g. trading associated with maintenance and contracts, vehicle maintenance and repair, property management. Possible tax advantages of various alternative forms of 'ownership' or 'delivery'

viii. *A shared service / strategic partner arrangement with another authority or organisation*

e.g. joint provision of back office functions, opportunities for shared management etc, increased resilience

ix. *Zero Based Budgeting*

e.g. Repeat in 2017/18 the process that led to £1.2m savings being identified within the 2013/14 budget

It is recognised that this is currently a long-list and that many of these items would require substantial investigation, planning and investment before they are committed to. Within the MTFP £1m has been earmarked from the Working Balance over the next three years as a strategic reserve for this work.

The Service Review component of the Transformation Programme will continue to ensure that every service the Council provides is examined in detail over the next 18 months. Each Portfolio Holder will 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 will be provided by the Deputy Leader and the Chief Operating Officer.

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 over the next three to four years.

In particular this budget focuses on setting out the medium term financial challenges facing the Council as well as identifying the strategic ‘big ticket’ ideas to meet that challenge. Central to this approach is the identification of the resources required to plan and introduce the changes that will ensure that this challenge is met.

This approach clearly addresses the core challenge set down in the recent Peer Review undertaken of the Borough Council by the Local Government Association (published separately).

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 £11,359,210 for 2014/15 have been based on principles set out above. This Plan delivers a financially balanced budget for 2014/15.

The calculations of estimates making up the Housing Revenue Account for 2014/15 have been based on principles set out above. This Plan delivers a financially balanced budget for 2014/15.

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 2014 to 2017 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 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

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?**
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
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	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 2014/15, 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 2014/15 is £32,223.

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 £181,600. 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 2014/15 was announced on 18th December 2013 at £8,238,907. These figures are reflected in the summary below:

	2013/14 £	2014/15 £
Budget Requirement	**20,516,015**	**19,779,717**
Formula Grant Allocation	**-9,527,985**	**-8,238,907**
Collection Fund Adjustment	**-141,170**	**-181,600**
To be financed from Council Tax	**-10,846,860**	**-11,359,210**

Assuming the Council has a Council Tax Requirement for 2014/15 of £11,359,210 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	**2013/14 £ p**	**2014/15 £ p**	**% Change**
IBC Charge before Collection Fund Adjustment	248.83	254.54	2.29
Plus/Minus(-) Collection Fund Adjustment	-3.20	-4.01	-
IBC Charge after Collection Fund Adjustment	**245.63**	**250.53**	**1.99**

It follows from the above that the tax (for Ipswich Borough Council) at each of the property bands, compared with 2013/14, would be as follows:

Band	**2013/14**	**2014/15**	**Change**
	Tax (£ p)	**Tax (£ p)**	**%**
A	210.54	214.74	1.99
B	245.63	250.53	1.99
C	280.72	286.32	1.99
D	315.81	322.11	1.99
E	385.99	393.69	1.99
F	456.17	465.27	1.99
G	526.35	536.85	1.99
H	631.62	644.22	1.99

Precepts

Suffolk County Council and the Police and Crime Commissioner have publicised their intention to retain their precept at previous levels. 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	**46,649,607**	**1,126.53**
Suffolk Police Authority	**6,905,946**	**166.77**

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

Precepting Authority	Valuation Band	2013/14 £ p	2014/15 £ p	Change £ p	Change %
	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 Authority	Valuation Band	2013/14 £ p	2014/15 £ p	Change £ p	Change %
	A	111.18	111.18	0	0
	B	129.71	129.71	0	0
Police	**C**	148.24	148.24	0	0
and	**D**	166.77	166.77	0	0
Crime	**E**	203.83	203.83	0	0
Commissioner	**F**	240.89	240.89	0	0
	G	277.95	277.95	0	0
	H	333.54	333.54	0	0

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

Valuation Band	2013/14 £ p	2014/15 £ p	Change £ p	Change %
A	1,072.74	1,076.94	4.20	0.39%
B	1,251.53	1,256.43	4.90	0.39%
C	1,430.32	1,435.92	5.60	0.39%
D	1,609.11	1,615.41	6.30	0.39%
E	1,966.69	1,974.39	7.70	0.39%
F	2,324.27	2,333.37	9.10	0.39%
G	2,681.85	2,692.35	10.50	0.39%
H	3,218.22	3,230.82	12.60	0.39%

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	**2013/14**	**2014/15**	**2015/16**
	£000's	**£000's**	**£000's**
Expenditure	**7,195**	**12,067**	**6,318**
Financed By:-			
Capital Receipts	3,856	5,643	3,285
External Funding	1,056	2,774	617
Prudential Borrowing	1,423	0	0
Borrowing	724	3,644	2,410
RCCO's	136	6	6
Total Funding	**7,195**	**12,067**	**6,318**

Housing Revenue Account	**2013/14**	**2014/15**	**2015/16**
	£000's	**£000's**	**£000's**
Expenditure	**17,119**	**14,811**	**13,926**
Financed By:-			
Capital Receipts	13	8	0
External Funding	895	0	0
Borrowing	31	0	0
Major Repairs Allowance	8,068	7,898	7,926
RCCO's	8,112	6,905	6,000
Total Funding	**17,119**	**14,811**	**13,926**

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 2013/14 budget was set against a background of further funding reductions, exacerbated by a change in the overall method for central government financing of local government. 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 2013/14. The achievement of this budget has been monitored during the year against expenditure profiles and no significant variations are anticipated.

This history of strong financial management gives a strong foundation to base the revised MTFP for 2014/15 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 2014/15 and has refocused 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.
Business Rates Pooling	Exit of single authority dissolves the pool.	2-C	Partnership governance and monitoring arrangements

Note: for risk category definitions see page 14

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:-

<u>General Fund & Housing Revenue Account revenue budgets</u>

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.

<u>Treasury Management</u>
Annual review and setting of borrowing limits, policy and investment strategy;
Comprehensive Performance Indicators;
Quarterly financial reporting and scrutiny.

<u>Collection of taxes and other debts</u>
Comprehensive Performance Indicators;
Customer Surveys.

<u>Internal Audit</u>
Audit Plan and Internal Audit reviews;
Comprehensive Performance Indicators;
Audit & Governance Committee;
External Audit and inspection.

<u>The Prudential Indicators</u>
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 2013/14 TO 2016/17

2012/13 OUT-TURN £	DESCRIPTION	2013/14 ORIGINAL BUDGET £	2013/14 DRAFT APPROX O/T £	2014/15 FORECAST £	2015/16 FORECAST £	2016/17 FORECAST £
20,011,467	NET SERVICE EXPENDITURE	19,571,800	21,420,922	19,563,930	19,600,370	19,809,870
	Contingencies etc:					
0	Additional commitments	1,004,000	409,770	1,070,790	1,084,790	1,733,790
0	Invest to Save	118,100	235,490	395,300	33,210	23,000
0	Management Restructuring (not yet allocated to services)	172,260	36,880	0	0	0
0	Savings Programme 2013/14 (not yet allocated to services)	50,000Cr	0	0	0	0
0	Future savings programmes	0	0	0	600,000Cr	1,500,000Cr
0	Service Reserves	0	1,027,260	0	0	0
0	General Service Reserve	0	473,990	0	0	0
21,166Cr	Interest on balances etc	17,420	14,160	1,880Cr	3,470	15,440
441,621Cr	External interest etc	174,860Cr	149,500Cr	73,140Cr	82,710Cr	72,290Cr
1,702,949	Capital financing costs	1,718,600	1,525,400	1,864,430	1,832,480	1,819,800
21,251,629	Net Expenditure	22,377,320	24,994,372	22,819,430	21,871,610	21,829,610
143,030Cr	Revenue support grant	5,721,580Cr	5,721,580Cr	4,358,350Cr	2,971,000Cr	1,783,000Cr
7,378,720Cr	Retained Business Rates (previously Non-domestic rates reallocated)	3,806,410Cr	3,806,410Cr	3,880,560Cr	3,988,000Cr	4,112,000Cr
48,028	Collection Fund surplus(cr)/deficit 31st March (net)	141,170Cr	141,170Cr	181,600Cr	0	0
320,584Cr	Council Tax Freeze Grant	0	0	0	0	0
1,012,836Cr	New Homes Bonus Scheme	1,286,360Cr	1,286,360Cr	1,535,250Cr	1,785,000Cr	2,035,000Cr
1,702,640Cr	Transfer to/from (cr) reserves	28,430	809,122Cr	20,500	20,500	20,500
2,083,303	Use of (cr) / contribution to GF revenue balance	603,370Cr	2,382,870Cr	1,524,960Cr	1,512,430Cr	1,984,690Cr
0	Unfunded Balance	0	0	0	0	0
12,825,150	COUNCIL TAX REQUIREMENT	10,846,860	10,846,860	11,359,210	11,635,680	11,935,420

	GF REVENUE BALANCE					
8,905,353Cr	Balance b/fwd 1st April	6,849,580Cr	10,988,660Cr	8,605,790Cr	7,080,830Cr	5,568,400Cr
2,083,303Cr	Surplus(Cr)/deficit for year	603,370	2,382,870	1,524,960	1,512,430	1,984,690
10,988,656Cr	Balance c/fwd 31st March	6,246,210Cr	8,605,790Cr	7,080,830Cr	5,568,400Cr	3,583,710Cr

General Fund MTFP contd

GENERAL FUND REVENUE FORECAST 2013/14 TO 2016/17

2012/13 OUT-TURN £	DESCRIPTION	2013/14 ORIGINAL BUDGET £	2013/14 DRAFT APPROX O/T £	2014/15 FORECAST £	2015/16 FORECAST £	2016/17 FORECAST £
	SERVICE EXPENDITURE					
26,606,628	Employees	23,836,520	24,325,369	24,405,499	24,991,997	25,620,244
5,543,463	Premises	5,871,440	6,343,960	5,948,610	5,910,110	5,937,480
1,857,311	Transport	1,869,480	1,919,450	1,851,770	1,850,540	1,850,540
23,240,671	Supplies & Services	13,806,270	17,232,649	13,708,827	13,396,675	13,362,334
854,996	Agency & Contracted Services	849,990	957,140	872,490	882,490	892,490
66,011,654	Transfer Payments	54,615,590	54,124,150	53,934,150	53,934,150	53,934,150
356,035	Central & Departmental Support	879,550	805,550	876,810	724,620	736,210
0	Capital Financing	1,870	1,870	1,870	1,870	1,870
124,470,758	TOTAL SERVICE EXPENDITURE	101,730,710	105,710,138	101,600,026	101,692,452	102,335,318
	SERVICE INCOME					
68,166,247Cr	Government Grants	55,805,730Cr	55,516,180Cr	55,044,110Cr	54,970,130Cr	54,924,130Cr
7,139,331Cr	Other Grants,Contributions Etc	6,210,020Cr	6,602,922Cr	6,482,046Cr	6,254,132Cr	6,375,408Cr
491,247Cr	Sales	562,110Cr	575,610Cr	595,100Cr	612,950Cr	632,390Cr
25,174,882Cr	Fees & Charges	16,392,220Cr	18,350,134Cr	16,525,410Cr	16,879,580Cr	17,218,230Cr
3,487,467Cr	Rents	3,187,080Cr	3,242,620Cr	3,387,680Cr	3,373,540Cr	3,373,540Cr
117Cr	Interest	1,750Cr	1,750Cr	1,750Cr	1,750Cr	1,750Cr
104,459,291Cr	TOTAL SERVICE INCOME	82,158,910Cr	84,289,216Cr	82,036,096Cr	82,092,082Cr	82,525,448Cr
20,011,467	NET SERVICE EXPENDITURE	19,571,800	21,420,922	19,563,930	19,600,370	19,809,870

General Fund Budgets 2014/15 - 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	**2014/15 Controllable Budget £**
Corporate Management Team	303,830
Corporate Services	1,188,360
Resource Management	5,620,480
Housing and Customer Services	2,093,760
Community and Cultural Services	7,929,230
Development and Public Protection	2,243,520
Communications and Marketing	184,750
NET SERVICE EXPENDITURE	19,563,930

General Fund Budget 2014/15 - Service Group Analysis contd

Corporate Management Team

Service Area	2014/15 Controllable Budget £
Corporate Management Team	303,830
Total	303,830

Corporate Services

Service Area	2014/15 Controllable Budget £
Head of Corporate Services	93,790
Cemeteries and Crematorium	-586,730
Councillors' Services	186,270
Democratic and Business Support	196,910
Registration of Electors	67,970
Borough Council Elections	96,760
Mayoral Services	122,870
Councillors´ Costs	337,650
Community Development Team	183,480
Area Committees	144,000
Equalities	30,930
Community Grants	362,080
Legal Services	284,590
Local Land Charges	-55,340
Health and Safety	86,150
Building and Design	715,400
Grafton House	1,056,480
Corporate Properties	-2,154,260
IP-City Centre	-196,370
Property Services Management	215,730
Total	1,188,360

General Fund Budget 2014/15 - Service Group Analysis contd

Resource Management

Service Area	2014/15 Controllable Budget £
Head of Resource Management	84,610
Corporate Management Direct Costs	165,360
Unapportionable Central Overheads	1,814,510
Central Overheads	-9,060
Democratic Representation and Management (DRM)	-117,600
Housing and Council Tax Benefit Administration	1,081,780
Finance and Procurement	840,120
Discretionary Rate Relief	86,960
Performance and Projects	263,330
Human Resources	421,470
Information Technology	822,480
Audit Partnership	166,520
Total	5,620,480

Housing and Customer Services

Service Area	2014/15 Controllable Budget £
Head of Housing and Customer Services	12,270
Customer Services Centre	685,900
Supervision and Management	208,820
Housing Business Support Unit	15,620
Housing Options	551,520
Contributions to Housing Revenue Account	194,100
Bed and Breakfast Costs	46,820
Other Private Sector Accommodation Costs	42,760
Assistance to Voluntary Bodies (Gen)	14,580
Housing Policy and Resources (GF)	159,560
M3 System Costs	9,270
Private Sector Housing Services	260,830
Building Overheads	440,550
Commercial Contracts	-548,840
Total	2,093,760

General Fund Budget 2014/15 - Service Group Analysis contd

Community and Cultural Services

Service Area	2014/15 Controllable Budget £
Head of Community and Cultural Services	136,760
Business Development	19,960
Classical Music Development	14,050
Cultural Development	203,080
Museum Service	1,112,350
Events	150,520
Corn Exchange	280,550
Entertainments Box Office	-70,260
Regent Theatre	145,160
Leisure Development	68,710
Ransomes Sports Centre	36,000
Sports Development Unit	35,020
Icard Costs	82,520
Sports Centres	830,140
Profiles (All Centres)	-598,430
Swimming Pools	492,840
Public Conveniences	59,900
Parks Summary	1,771,350
Rangers	416,390
Allotments	-8,850
Grounds Maintenance	-96,670
Waste Education and Promotion	174,170
Recycling	-441,610
Refuse Collection	1,660,710
Cleansing Services	986,510
Gipping House	468,360
Total	7,929,230

General Fund Budget 2014/15 - Service Group Analysis contd

Development and Public Protection

Service Area	2014/15 Controllable Budget £
Head of Development and Public Protection	-34,270
Building Control	86,890
Hackney Carriage and Private Hire Vehicles	-90,410
Emergency Planning	42,950
Licensing and Enforcement Unit	-2,760
Community Safety	378,790
Emergency Services Centre	413,530
Occupational Health	193,700
Food Safety	229,720
Pollution	356,120
EHO Group Support Services	120,390
Port Health	20,820
Animal Welfare	54,560
Waste Enforcement	73,440
Drainage Engineering	45,920
Planning and Development	586,240
Planning Policy	26,090
Local Development Framework	176,500
Caps System Costs	51,000
Historic Churches	37,850
Conservation of Historic Buildings	31,600
Miscellaneous Drainage	32,000
Transportation	140,000
Tourist Information Centre	133,300
Tourism	11,450
Economic Development	461,560
Economic Grants	53,000
Bus Route Subsidies/Network Support	21,450
Footway Lighting	61,330
Street Names and Seats	20,460
Verges – Maintenance	-102,930
Town Centre Pedestrian Areas	1,280
Shopmobility	9,430
Residents Parking Schemes	-89,610
IBC Car Parks	-1,307,870
Total	2,243,520

General Fund Budget 2014/15 - Service Group Analysis contd

Communications and Marketing

Service Area	2014/15 Controllable Budget £
Printing Section	-225,690
Design Services	80,710
Press and Publicity Services	127,370
Advertising/Publicity	202,360
Total	184,750

General Fund Revenue Investments

Proposed Investment	2014/15 £'000	2015/16 £'000	2016/17 onwards £'000
Corporate Services			
Increase Community Grants	25	25	25
Resource Management			
Information Governance - Public Service Network Compliance	15	15	15
Community and Cultural Services			
Events Funding	25	25	25
Increase Arts Grants	25	25	25
Development and Public Protection			
Supporting town centre presence for Ipswich and Suffolk Credit Union	30	30	30
Contribution to Suffolk Foundation Sports Fund	10	0	0
Totals	130	120	120

GENERAL FUND SAVINGS

Proposed Change of Activity/Saving	2014/15 £'000	2015/16 £'000	2016/17 onwards £'000
Corporate Services			
Review Building Design staffing	0	0	25
Transfer from Green travel plan surplus	20	0	0
Transfer unspent election monies	25	0	0
Abolish Human Resource Committee	3	3	3
Hold Executive Committee meetings every four weeks	1	1	1
Reduce area committees budgets to £9k per ward	96	96	96
Review of operational budgets (Bereavement Services)	6	6	6
Increased income (Bereavement Services)	30	30	30
Review operational asset use	20	20	20
Carry out right to buy valuations in-house	5	5	5
Increase in work for HRA (Property Services)	20	20	20
Let space at IP City Centre	30	30	30
Dispose of surplus property leases	120	120	120
Resource Management			
Review of printing budget (Performance and Projects)	3	3	3
Review of subsistence expenses budget (Performance and Projects)	1	1	1
Joint procurement of Banking Contract	5	5	5
Joint procurement of Insurance Contract/risk re-evaluation	25	50	50
Recovery of written off Housing Benefit payments	30	30	30
Support additional recovery of Housing Benefit Overpayments	35	35	35
Disestablish vacant Technical Analyst post	21	21	21

GENERAL FUND SAVINGS continued

Proposed Change of Activity/Saving	2014/15 £'000	2015/16 £'000	2016/17 onwards £'000
Housing and Customer Services			
Review contribution to Home Improvement Agency service	4	4	4
Review contribution to the Greater Haven Gateway	5	5	5
Review Sheltered Services funding	200	200	200
Review removals and storage costs (Housing Advice)	2	2	2
Reduce printing budget (Housing Options)	3	3	3
Review on site security at Customer Services Centre	8	8	8
Community and Cultural Services			
Promotion of Cleansing Hit Squad service to generate income	10	10	10
Review of MRF gate fee	74	177	177
Renegotiation of Anglian Water gate fee	58	58	58
Increased income from Town Hall Café	12	12	12
Cash Management and new Till provision (Arts & Entertainments)	0	0	15
Increased event revenue (Town Hall/Corn Exchange)	10	10	10
Review of management posts (Sport)	27	27	27
Review sports centre staffing provision	5	5	5
Reduction in vehicle / machinery costs (Parks)	10	10	10
Conduct wildlife audits / reptile surveys	10	10	10
Sponsorship for seasonal bedding displays	2	2	2
Secure additional external grounds maintenance work	25	25	25

GENERAL FUND SAVINGS continued

Proposed Change of Activity/Saving	2014/15 £'000	2015/16 £'000	2016/17 onwards £'000
Development and Public Protection			
Deliver Hate Crime provision in-house	10	10	10
Deliver Domestic Violence provision in-house	20	20	20
Deliver Health and Wellbeing provision in-house	25	25	25
Increased fee income (Community Protection)	2	2	2
Minor restructure (CCTV)	0	46	46
Review emergency planning provision	12	12	12
Minor restructure (Environmental Protection)	20	20	20
Minor restructure (Environment Business Support)	23	23	23
Review of staffing (Waste Enforcement)	22	22	22
Delete vacant Technical Officer Post (Food Safety)	16	16	16
Review air quality monitoring	3	3	3
Generate income through car parking promotions	25	40	60
Totals	1,139	1,283	1,343

Section 4

Housing Revenue Account MTFP

2012/13 OUT-TURN £	HOUSING REVENUE ACCOUNT FORECAST 2013/14 TO 2016/17	2013/14 ORIGINAL BUDGET £	2013/14 FORECAST £	2014/15 FORECAST £	2015/16 FORECAST £	2016/17 FORECAST £
	EXPENDITURE					
	MANAGEMENT & MAINTENANCE					
4,011,926	Supervision & Management General	4,342,390	3,909,010	4,057,420	4,142,100	4,228,560
1,955,806	Supervision & Management Special	1,916,460	2,079,480	2,176,580	2,265,420	2,358,490
285,580	Superannuation Backfunding	285,580	291,290	335,130	383,760	434,280
3,401,484	Responsive Repairs	3,468,110	3,605,300	3,795,320	3,875,020	3,956,400
1,097,382	Special/Contract Repairs	1,071,550	1,124,970	1,153,350	1,185,020	1,209,910
1,084,483	Planned Maintenance	1,066,420	1,036,910	1,087,750	1,110,590	1,133,910
11,836,661	**MANAGEMENT & MAINTENANCE TOTAL**	**12,150,510**	**12,046,960**	**12,605,550**	**12,961,910**	**13,321,550**
	CAPITAL FINANCING COSTS					
55,031	**Debt Management Expenses**	79,610	81,380	79,380	77,350	77,820
2,794,647	**Debt Principal & rescheduling**	2,758,040	2,761,580	2,696,000	2,699,770	2,735,220
4,427,045	**Debt Interest**	4,331,570	4,293,850	4,159,930	4,005,010	3,928,870
3,891,054	**Depreciation**	8,082,501	8,120,000	8,392,000	8,672,000	8,960,000
6,422,196	**Impairment of Assets**	0	0	0	0	0
124,457	**Deferred Charges (REFCUS)**	0	0	0	0	0
17,714,429	**TOTAL CAPITAL FINANCING COSTS**	**15,251,721**	**15,256,810**	**15,327,310**	**15,454,130**	**15,701,910**
4,496Cr	**GOVERNMENT SUBSIDY PAYMENT**	**0**	**0**	**0**	**0**	**0**
116,814	**PROVISION FOR BAD DEBTS**	**223,030**	**223,030**	**231,280**	**238,450**	**245,840**
129,300	**HRA share of Corporate Democratic Core and Non Distributed Costs**	**135,720**	**138,440**	**141,210**	**144,170**	**147,200**
29,792,707	**TOTAL EXPENDITURE**	**27,760,981**	**27,665,240**	**28,305,350**	**28,798,660**	**29,416,500**
	INCOME					
	RENT INCOME					
31,184,355Cr	**Rents**	32,394,980Cr	32,453,510Cr	34,028,770Cr	35,083,970Cr	36,172,520Cr
866,957Cr	**Service Charges**	909,790Cr	932,090Cr	966,580Cr	996,540Cr	1,027,430Cr
535,467Cr	**Commercial**	544,310Cr	735,460Cr	495,930Cr	495,930Cr	495,930Cr
220,091Cr	**Hostels**	227,130Cr	158,360Cr	167,070Cr	172,250Cr	177,590Cr
359,619Cr	**Shops**	362,830Cr	359,620Cr	359,620Cr	359,620Cr	359,620Cr
33,166,488Cr	**RENTS TOTAL**	**34,439,040Cr**	**34,639,040Cr**	**36,017,970Cr**	**37,108,310Cr**	**38,233,090Cr**
186,560Cr	**G.F. RECHARGE**	**191,220Cr**	**190,290Cr**	**194,100Cr**	**198,170Cr**	**202,330Cr**
33,353,048Cr	**TOTAL INCOME**	**34,630,260Cr**	**34,829,330Cr**	**36,212,070Cr**	**37,306,480Cr**	**38,435,420Cr**
3,560,341Cr	**NET COST OF SERVICES**	**6,869,279Cr**	**7,164,090Cr**	**7,906,720Cr**	**8,507,820Cr**	**9,018,920Cr**

Housing Revenue Account MTFP contd

2012/13 OUT-TURN £	HOUSING REVENUE ACCOUNT FORECAST 2013/14 TO 2016/17	2013/14 ORIGINAL BUDGET £	2013/14 FORECAST £	2014/15 FORECAST £	2015/16 FORECAST £	2016/17 FORECAST £
3,560,341Cr	NET COST OF SERVICES	6,869,279Cr	7,164,090Cr	7,906,720Cr	8,507,820Cr	9,018,920Cr
	Summary/Contingency items					
0	Items t/f from previous to current year	0	1,220Cr	0	0	0
0	storm costs	0	150,000	0	0	0
0	RTB Sales estimated effect	0	8,010	193,950	479,690	785,690
0	New Build estimated effect	0	0	64,939Cr	211,831Cr	369,289Cr
0	Single Status & Harmonisation Contingency	150,000	0	150,000	150,000	230,000
0	Removal of 'contracted out' element of Employers NI contribns (re single state pension regs)	0	0	0	0	80,000
0	Housing Related Support Contingency (formerly SP)	200,000	0	82,500	70,130	27,340
0	Welfare Reforms Contingency	566,530	300,000	353,390	564,340	564,340
0	Empty Homes - Ctax contingency	29,030	13,620	25,000	25,000	25,000
0	Transitional Vacancy savings to find	30,000Cr	0	30,000Cr	30,000Cr	30,000Cr
2,611,818Cr	Capital Summary Adjustments	0	0	0	0	0
20,424	Interest/investments (net)	10,090Cr	14,890Cr	1,140	4,210Cr	16,180Cr
6,151,734Cr	NET OPERATING EXPENDITURE	5,963,809Cr	6,708,570Cr	7,195,679Cr	7,464,701Cr	7,722,019Cr
448,009Cr	Contributions to Provisions/Reserves	0	0	0	0	0
5,251,063	RCCO's	5,028,710	6,041,920	5,663,960	5,474,990	6,816,760
1,348,680Cr	(SURPLUS)/DEFICIT	935,099Cr	666,650Cr	1,531,719Cr	1,989,711Cr	905,259Cr
1,771,826Cr	HRA Balance b/f 1st April	2,017,326Cr	3,120,506Cr	3,787,156Cr	5,318,876Cr	7,308,586Cr
3,120,506Cr	HRA Balance c/f 31st March	2,952,425Cr	3,787,156Cr	5,318,876Cr	7,308,586Cr	8,213,845Cr
	MINIMUM REQUIRED BALANCE	1,000,000Cr	1,000,000Cr	1,000,000Cr	1,000,000Cr	1,000,000Cr

<u>Agreed Sheltered Scheme Charges 2014/15</u> (per week over 50 weeks)

Charge	2013/14	2014/15	Comment
Service Charge	£21.89	£22.70	Increase in line with basic rent increase (This charge is eligible for Housing Benefit)
Supporting People Charge	£6.00	£6.00	Supporting People (SP) element as per SCC (SP cover this cost for all tenants in receipt of Housing Benefit)
Water Rate Charge	£3.76	£3.95	Charge needs to cover anticipated costs
Heating Communal Areas Charge 1 Charge 2*	 £2.26 £0.84	 £2.37 £0.88	Price rises reflect anticipated cost increases (This charge is eligible for Housing Benefit)
Heating – Individual home Charge			
1 –2 rooms with htg	£4.05	£4.25	Price rises reflect anticipated cost increases.
3 – 4 rooms with htg	£6.52	£6.85	
5/6 rooms with htg	£8.87	£9.31	
7+ rooms with htg	£11.20	£11.76	

*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 2014/15 (per week) all charges to increase in line with the Council house inflationary increase (but not the rent restructuring element)

Scheme	**2013/14**	**2014/15**	**Change**
Council Tenants Garages			
Vary From	£7.01	£7.27	+£0.26
To	£9.52	£9.87	+£0.35
Non Council Tenants*			
Vary from	£7.01 + vat = £8.41	£7.27 + vat = £8.72	+£0.31
To	£9.52 + vat = £11.42	£9.87 + vat = £11.84	+£0.42
Other Charges			
Water charge (where applicable)	£1.15	£1.19	+£0.04
Hardstands			
Vary from	£1.50	£1.56	+£0.06
To	£1.88	£1.95	+£0.07

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

District Heating Charges 2014/15 (per week)

	2013/14	**2014/15**	**Change**
Lower rate	£8.62	£9.05	+£0.43
Higher rate	£10.35	£10.87	+£0.52

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 2014/15 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.

Investment Impairment

The Investment Impairment reserve was set up to cover possible losses on the Council's investments in Icelandic Banks. The decision by the Icelandic courts to confirm the preferred creditor status of UK local authorities has meant that a large proportion of the reserve is no longer required. However, if recoveries do not come up to the Administrators expectations, there will be a need to use the reserve.

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-13 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-14 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-15 £'000	Balance 31-Mar-16 £'000	Balance 31-Mar-17 £'000
General Fund:									
Working Balance	10,989Cr	0	2,383	8,606Cr	0	1,525	7,081Cr	5,568Cr	3,584Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr
Insurance Reserve	1,082Cr	0	0	1,082Cr	0	0	1,082Cr	1,082Cr	1,082Cr
Repair and Renewal	1,155Cr	225Cr	187	1,193Cr	25Cr	4	1,214Cr	1,235Cr	1,256Cr
Investment Impairment	773Cr	0	600	173Cr	0	0	173Cr	173Cr	173Cr
Legacies	115Cr	0	0	115Cr	0	0	115Cr	115Cr	115Cr
Revenue Grants/Contributions	1,648Cr	0	247	1,401Cr	0	0	1,401Cr	1,401Cr	1,401Cr
Total	**16,014Cr**	**225Cr**	**3,417**	**12,822Cr**	**25Cr**	**1,529**	**11,318Cr**	**9,826Cr**	**7,863Cr**
Housing Revenue Account:									
Working Balance	3,120Cr	667Cr	0	3,787Cr	1,532Cr	0	5,319Cr	7,309Cr	8,214Cr
Repair and Renewal	500Cr	0	0	500Cr	0	0	500Cr	500Cr	500Cr
Miscellaneous	493Cr	0	0	493Cr	0	0	493Cr	493Cr	493Cr
Total	**4,113Cr**	**667Cr**	**0**	**4,780Cr**	**1,532Cr**	**0**	**6,312Cr**	**8,302Cr**	**9,207Cr**
Capital									
General Fund Usable Capital Receipts	2,870Cr	2,370Cr	3,855	1,385Cr	7,507Cr	5,603	3,289Cr	24Cr	24Cr
Housing Revenue Account Usable Capital Receipts	21Cr	1,880Cr	13	1,888Cr	2,287Cr	8	4,167Cr	6,454Cr	6,454Cr
Total	**2,891Cr**	**4,250Cr**	**3,868**	**3,273Cr**	**9,794Cr**	**5,611**	**7,456Cr**	**6,478Cr**	**6,478Cr**

Schedule of Working Balances, Reserves and Provisions contd

Provisions	Balance 31-Mar-13 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-14 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-15 £'000	Balance 31-Mar-16 £'000	Balance 31-Mar-17 £'000
General Fund:									
Insurance Provision	855Cr	250Cr	250	855Cr	250Cr	250	855Cr	855Cr	855Cr
Provision for Bad Debts	1,043Cr	100Cr	100	1,043Cr	100Cr	100	1,043Cr	1,043Cr	1,043Cr
Total	**1,898Cr**	**350Cr**	**350**	**1,898Cr**	**350Cr**	**350**	**1,898Cr**	**1,898Cr**	**1,898Cr**
Housing Revenue Account:									
Provision for Bad Debts	321Cr	200Cr	200	321Cr	200Cr	200	321Cr	321Cr	321Cr
Total	**321Cr**	**200Cr**	**200**	**321Cr**	**200Cr**	**200**	**321Cr**	**321Cr**	**321Cr**
Grand Total	**25,237Cr**	**5,692Cr**	**7,835**	**23,094Cr**	**11,901Cr**	**7,690**	**27,305Cr**	**26,825Cr**	**25,767Cr**

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 2013/14 (and onwards) capital programme, key highlights include:

- Retaining the Jobs and Skills Fund commitments;
- Funding to improve facilities at Ransomes Sports Centre;
- Commitment to fund 25% of the costs of the Cornhill Project to match funding from partners;
- A substantial new investment in photo-voltaic cells;
- Introduction of a new fund to convert long-term empty shops into housing;
- Expanding the strategic asset purchase fund;
- The Council's contribution to the High Street Campus project;
- Expanding Profiles gym provision in the town centre;
- Undertaking renovation work at Christchurch Mansion, the Regent and the Town Hall;
- Improving the resilience of council services in the event of floods, storms and other emergencies; and
- Retaining the historic £1m commitment to funding Broomhill Pool in the event that a viable proposal comes forward.

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.

- The Comprehensive Spending Review has reduced the number and level of grants from central government and this will continue into the future.

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 2013/14 AND FUTURE YEARS

Scheme	2013/14	2014/15	2015/16	2016/17
HOUSING REVENUE ACCOUNT				
HEAD OF HOUSING AND CUSTOMER SERVICES				
HRA shops	437	8,000		.
Increased Housing Provision (indicative - subject to HRA resources)	8,976,485	6,905,000	6,000,000	6,000,000
Integrated Housing Management System	12,697			
Ipswich Standard	8,098,914	7,898,000	7,926,330	9,094,210
Leases Funded by Loan	30,710			
HRA TOTAL	**17,119,243**	**14,811,000**	**13,926,330**	**15,094,210**
GENERAL FUND				
HEAD OF COMMUNITY AND CULTURAL SERVICES				
CCM Heating-elec-upgrade	118,905	479,095		
CCM security and CCTV		30,000	150,000	
Christchurch Park Tennis Courts Refurbishment	5,399			
Crown Pools Improvements	50,244			
Crown Pools/Town Centre Gym		500,000		
Holywells Park Development Grant	116,318	2,316,239	96,879	
IAFDP	16,000	36,100		
M&E Installations Wolsey Art Gallery	19,000			
Museum joint funding bid IBC contribution		350,000		350,000
New Wolsey Theatre Grant	50,000			
New Wolsey Theatre/High Street Exhibition Gallery	11,096			
Operational Bases for GM Staff	25,142	15,501		
Parks Lodges	3,108			
Play Facilities	21,415			
Ransomes Sports Centre (IBC contribution)	53,785	500,000		
Regent front of house, ticket office etc		10,000	50,000	380,000
Red Rose Chain	7,500			
Replacement of computerised booking service (Leisure Flex System)	100,000	20,000		

CAPITAL PROGRAMME FOR 2013/14 AND FUTURE YEARS

Scheme	2013/14	2014/15	2015/16	2016/17
HEAD OF CORPORATE SERVICES				
Area Forums	21,440			
Carbon Reduction Programme Invest to Save	230,324	6,280	6,280	6,250
Capitalised repairs	956,706	500,000	500,000	500,000
Cemetery - IT system	5,200			
Cemetery - Phase 2a and West Chapel refurb.	10,000	40,000	240,000	120,000
Chantry Nurseries Project (PRG)	21,681			
Corn Hill Regeneration (IBC Contribution)		410,000	410,000	
Cremator Replacement	89,619			
Drum & Monkey	152,715			
Emergency Centre Provision		40,000		
Empty Shops Strategy		250,000		
Gipping House Relocation/alternative location		200,000	500,000	
LSP Performance Reward Grant	23,685			
M & E installations phase 2	95,100	549,860		
New Wolsey Theatre (PRG)	1,010			
Old Mortuary Depot refurb / remove portacabin			140,000	
Photo Voltaic programme		850,000	850,000	850,000
Pond Hall Farm	32,800			
Resurfacing Car Parks and Park Paths		100,000	100,000	100,000
HEAD OF DEVELOPMENT AND PUBLIC PROTECTION				
11- 27 Woodbridge Road	25,808			
Athena Hall Car Park P & D machines		10,000		
Bury Road preparation		50,000		
Bus Shelters/Bus Stops	53,630			
Camera Upgrades at busy operational sites	25,000	14,000		
Cap. IT Dev. - Uniform IT System	20,000			
Economic Development Fund	650,000	650,000		
Europa Way/Bramford Rd purchase	33,542			
Housing and Planning Delivery Grant	530			

CAPITAL PROGRAMME FOR 2013/14 AND FUTURE YEARS

Scheme	2013/14	2014/15	2015/16	2016/17
HEAD OF DEVELOPMENT AND PUBLIC PROTECTION contd				
Ipswich Street Prostitution Strategy	1,000	24,000		
IP City works to subdivide		15,000		
Kick Starting Development		150,000		
Opportunity Purchases/Infrastructure Imps	813,743	1,000,000	1,000,000	
Shopmobility replacement wheelchairs		10,000		
Solar PV installation	745			
Waterfront & Walkways CCTV (PRG)	10,359	10,000		
Waterfront Sustainable Transport	180,000			
Variable Message Signing	10,091	100,000		
HEAD OF HOUSING AND CUSTOMER SERVICES				
Disabled Facilities Grant	743,769	563,000	505,000	505,000
Improvement Grants	380,794	200,000	200,000	200,000
CCC/CSC Co-Location	111,674			
HEAD OF RESOURCE MANAGEMENT				
Cap. IT Dev. - Development of website/integration of back office to CRM	96,010			
Cap. IT Dev. - Increased use of Electronic Document Storage	92,000			
Cap. IT Dev. - PC replacement	66,211	60,000	60,000	60,000
Cap. IT Dev. - Virtual Server replacement	11,846	50,000	50,000	50,000
HR Replacement software			300,000	
Integrated Financial System upgrade or replacement			200,000	
Leases funded by loan	1,422,734			
SRP New IT Platform	207,421			
GF TOTAL	**7,195,099**	**10,109,075**	**5,358,159**	**3,121,250**
CONTINGENCY				
Broomhill Pool	0	500,000	500,000	
Contingency - additional commitments	0	360,000	360,000	360,000
Empty Homes	0	1,098,299	100,000	100,000
CONTINGENCY TOTAL	**0**	**1,958,299**	**960,000**	**460,000**
CAPITAL PROGRAMME TOTALS	**24,314,342**	**26,878,374**	**20,244,489**	**18,675,460**

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2013/14 AND FUTURE YEARS

	CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2013/14						
Resources at 31.03.2013	2,870,027	0	0	0	0	2,870,027
Capital Receipts forecast to be received during 2012/13	2,370,450	0	0	0	0	2,370,450
Capital Receipts forecast to be received during 2013/14	0	0	0	0	0	0
Resources in the year	0	1,055,583	1,422,734	723,968	136,900	3,339,185
Use of Resources	3,855,914	1,055,583	1,422,734	723,968	136,900	7,195,099
Balance at year end	1,384,563	0	0	0	0	1,384,563
2014/15						
Resources at 31.03.2014	1,384,563	0	0	0	0	1,384,563
Capital Receipts forecast to be received during 2013/14	7,506,935	0	0	0	0	7,506,935
Capital Receipts forecast to be received during 2014/15	0	0	0	0	0	0
Resources in the year	0	2,773,740	0	3,644,399	6,280	6,424,419
Use of Resources	5,642,955	2,773,740	0	3,644,399	6,280	12,067,374
Balance at year end	3,248,543	0	0	0	0	3,248,543
2015/16						
Resources at 31.03.2015	3,248,543	0	0	0	0	3,248,543
Capital Receipts forecast to be received during 2014/15	60,755	0	0	0	0	60,755
Capital Receipts forecast to be received during 2015/16	0	0	0	0	0	0
Resources in the year	0	616,879	0	2,410,000	6,280	3,033,159
Use of Resources	3,285,000	616,879	0	2,410,000	6,280	6,318,159
Balance at year end	24,298	0	0	0	0	24,298
Actual Resources	12,808,167	4,446,202	1,422,734	6,778,367	149,460	25,604,930
Use of Resources	12,783,869	4,446,202	1,422,734	6,778,367	149,460	25,580,632
Deficit(-)/ Surplus of Resources	24,298	0	0	0	0	24,298

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2013/14 AND FUTURE YEARS

	CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2013/14							
Resources at 31.03.2013	21,133	0	0	0	341,233	3,985,882	4,348,248
Capital Receipts received during 2012/13	1,879,907	0	0	0	0	0	1,879,907
Capital Receipts forecast to be received during 2013/14	0	0	0	0	0	0	0
Resources in the year	0	895,602	0	30,710	8,880,137	5,031,415	14,837,864
Use of Resources	13,133	895,602	0	30,710	8,067,500	8,112,298	17,119,243
Balance at year end	1,887,907	0	0	0	1,153,870	904,999	3,946,776
2014/15							
Resources at 31.03.2014	1,887,907	0	0	0	1,153,870	904,999	3,946,776
Capital Receipts forecast to be received during 2013/14	2,287,514	0	0	0	0	0	2,287,514
Capital Receipts forecast to be received during 2014/15	0	0	0	0	0	0	0
Resources in the year	0	0	0	0	8,143,580	6,000,000	14,143,580
Use of Resources	8,000	0	0	0	7,898,000	6,905,000	14,811,000
Balance at year end	4,167,421	0	0	0	1,399,450	0	5,566,871
2015/16							
Resources at 31.03.2015	4,167,421	0	0	0	1,399,450	0	5,566,871
Capital Receipts forecast to be received during 2014/15	2,287,050	0	0	0	0	0	2,287,050
Capital Receipts forecast to be received during 2015/16	0	0	0	0	0	0	0
Resources in the year	0	0	0	0	7,974,700	6,000,000	13,974,700
Use of Resources	0	0	0	0	7,926,330	6,000,000	13,926,330
Balance at year end	6,454,471	0	0	0	1,447,820	0	7,902,291
Actual Resources	6,475,604	895,602	0	30,710	25,339,650	21,017,297	53,758,862
Use of Resources	21,133	895,602	0	30,710	23,891,830	21,017,298	45,856,573
Deficit(-)/ Surplus of Resources	6,454,471	0	0	0	1,447,820	0	7,902,291

Section 7

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2014/15

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 November 2012 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 current actual 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 2013.

Long Term Borrowing	
PWLB Maturity	£34.150m
PWLB Annuity	£39.499m
PWLB EIP	£37.259m
LOBO's	£9.000m
Total Long Term Borrowing	£119.908m
Investments	
Fixed Term Investments	£5.878m
Notice Accounts	£4.000m
Instant Access Accounts	£18.470m
Total Investments	**£29.348m**

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 2014/15 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 2016. If the Council were to borrow any long term debt during 2014/15, the current expectation is that the interest rate will be probably vary between 2.5% - 4.6%, depending on the periods borrowed for. We would expect most borrowing would be from the Public Works Loan Board (PWLB). The PWLB introduced a certainty rate during 2012/13, where if Council's supplied their borrowing plans, they received a lower interest rate and Ipswich was one of the Council's that took advantage of this scheme. If there were opportunities to borrow at better rates in the money markets 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 2014	0.50	2.50	4.40	4.40
March 2015	0.50	2.80	4.60	4.70
March 2016	0.75	3.10	5.00	5.10
March 2017	1.25	3.40	5.10	5.20

The Local Government Association is looking to establish 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. Ipswich 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 (premiums incurred). 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.

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, service 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. This is encapsulated within the credit methodology provided by Capita. 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, but going forward a few foreign based financial institutions will be included on the list.

There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2014/15 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 four 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.
Local Authorities	0.50%	Even though most local authorities are not credit rated, they have regular cash flows and we would expect any investments to be returned on time. Any default would increase their future borrowing costs.
Major UK Clearing Bank	0.95%	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)	1.00%	If UK Building Societies do get into trouble, past experience shows they are taken over by other Building Societies. However, there is no guarantee this will happen in the future.

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

Year	Expected Returns
2014/15	0.50%
2015/16	0.50%
2016/17	1.00%
2017/18	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 £3.28. 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. Also some of the rates on offer for a one year investment are lower than we receive for our instant access accounts.

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 2014/15, 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-
Viability/ Financial Strength	BB-	C-	N/A
Support	3	N/A	N/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 £15m, 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 2011.

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	AA-	Aa2	AA-
Viability/ Financial Strength	BB+	C	N/A
Support	1	N/A	N/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	3	5	15	15	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 2014/15.

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 2014/15. 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. 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
2012/13 Actual	£5.525m	£11.166m	£16.691m
2013/14 Approved	£7.195m	£17.119m	£24.314m
2014/15 Estimate	£12.067m	£14.811m	£26.878m
2015/16 Estimate	£6.318m	£13.926m	£20.244m
2016/17 Estimate	£3.581m	£15.094m	£18.675m

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
2012/13 Actual	£15.988m	£132.153m	£148.141m
2013/14 Approved	£16.925m	£129.493m	£146.418m
2014/15 Estimate	£16.496m	£126.775m	£143.271m
2015/16 Estimate	£16.014m	£124.048m	£140.062m
2016/17 Estimate	£14.842m	£121.290m	£136.132m

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2014/15 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
2012/13 Actual	4.06%	21.77%	14.84%
2013/14 Approved	5.27%	20.26%	14.49%
2014/15 Estimate	7.24%	18.95%	14.66%
2015/16 Estimate	7.91%	18.06%	14.51%
2016/17 Estimate	8.21%	17.42%	14.31%

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
2013/14 Estimate	£0.00	£0.00
2014/15 Estimate	£0.00	£0.00
2015/16 Estimate	£0.00	£0.00
2016/17 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 2014/15 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 2013/14 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
2013/14 Estimate	£160m	£157m
2014/15 Estimate	£160m	£157m
2015/16 Estimate	£160m	£157m
2016/17 Estimate	£160m	£157m

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

	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
HRA Debt Cap (This cannot be exceeded)	£144m	£144m	£144m	£144m
HRA CFR	£129m	£126m	£124m	£121m
HRA Headroom (Amount under-borrowed)	£15m	£18m	£20m	£23m

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
2013/14	100%	50%
2014/15	100%	50%
2015/16	100%	50%
2016/17	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
2013/14	£5M
2014/15	£5M
2015/16	£5M
2016/17	£5M

Approved Organisations for Investment 2014/15

	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	**15**
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 2014/15 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**