APPENDIX 1

IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM-TERM FINANCIAL PLAN 2024/25 ONWARDS

CONTENTS

Section 1

Medium Term Financial Plan - Overview

Introduction

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

1.2 This MTFP continues to adopt a four-year planning timescale. The Plan outlines the impact of the 2024/25 Local Government Finance Settlement on Ipswich Borough Council and provides an update on progress with the identification of planned savings by means of a Thematic Review Programme. This programme continues to form a key part of the Strategy to meet the identified budget gap up to March 2028.

1.3 It is important to note that the finance settlement announced by DLUHC only applies to 2024/25 and no further information has been provided regarding subsequent years, so assumptions have had to be made regarding funding levels in 2025/26, 2026/27 and 2027/28.

National Context

1.4 The Office for Budget Responsibility (OBR) is the UK's independent fiscal watchdog and produces an 'Economic and Fiscal Outlook' twice a year following each Budget and Annual Statement. The latest was published on 22 November 2023.

1.5 These contain detailed forecasts for a five-year period which are then used to assess the Government's performance against fiscal targets that it has set itself.

1.6 The following paragraphs are taken from the OBR's November 2023 Economic and Fiscal Outlook which covers the MTFP period to 2027/28. Each of these paragraphs are supplemented in the OBR report by more detailed analysis and data tables.

***i.* Outlook (para 1.1, pg. 5)**

" The economy has proved to be more resilient to the shocks of the pandemic and energy crises than anticipated. By the middle of this year, the level of real GDP stood nearly 2 per cent above its pre-pandemic level and around 3 per cent above our March forecast. But we now expect the economy to grow more slowly over the forecast period, leaving the level of real GDP only ½ a percent higher in the medium term than our march forecast. Inflation is expected to be more persistent and domestically fuelled than we previously thought, falling below 5 per cent by the end of the year but not returning to its 2 per cent target until the first half of 2025, more than a year later than in

March. Markets now expect interest rates will need to remain higher for longer to bring inflation under control. Despite the more challenging outlook for the real economy, higher inflation leaves nominal GDP nearly 5 ½ per cent higher by the start of 2028 than we forecast in March."

ii. Consumer Price Index (CPI) forecast (para 1.4, pg. 6)

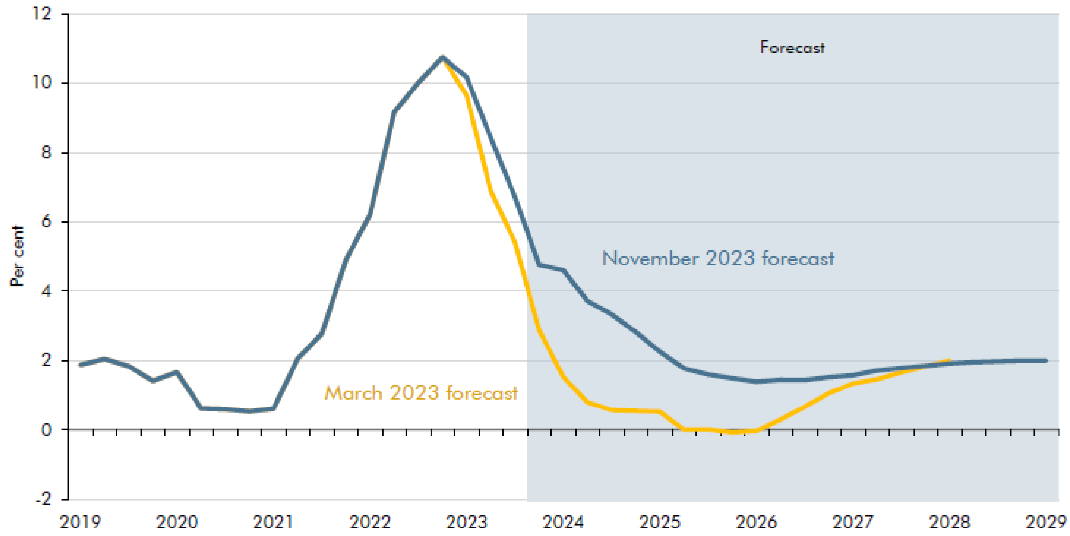
"We therefore expect inflation to remain higher for longer, taking until the second quarter of 2025 to return to the 2 per cent target, more than a year later than forecast in March. Inflation is also more domestically fuelled with a more positive starting output gap and stronger nominal wage growth more than offsetting the faster-than-expected decline in gas prices. From a peak of 10.7 per cent in the last quarter of last year, CPI inflation is now expected to fall to 4.8 per cent in the final quarter of 2023. As a moderate degree of spare capacity in the economy opens up and gas prices fall further, inflation dips slightly below the 2 per cent target between 2025 and 2027, before returning to it at the forecast horizon."

iii. Gross Domestic product (GDP) (para 1.7, pg. 7)

"Slower growth from a higher starting point means that, in or central; forecast, the level of real GDP in 2027 is only 0.6 per cent higher than in March. Business surveys and consumer confidence measures point to continued weak growth over the second half of 2023. The ONS estimates that real GDP growth was zero in the third quarter, and we expect growth of only 0.1 per cent in the fourth quarter of 2023. On an annual basis, real GDP growth slows from 4.3 per cent in 2022 to 0.6 per cent this year, and only 0.7 per cent next year. Squeezed real wages, higher interest rates, and unwinding government support all weigh on economic activity, opening up a moderate degree of spare capacity over the next three years. Growth then picks up to 1.4 per cent in 2025 and an average of 1.9 per cent between 2026 and 2028 as the squeeze on real wages wases and interest rates fall back, closing the output gap. Cumulative real growth from 2023 to 2027 is 2.4 per centage points lower than forecast in March due to a weaker forecast for potential growth output and less spare capacity in the economy at the start of the forecast period."

1.7 The Consumer Price Index is an indicator of inflation and the rate at which costs are expected to increase each year. The OBR forecast in November 2023 assumes the annual increase CPI will be higher in all years between 2023 and 2027 than was the case in the March 2023 Economic and Fiscal Outlook.

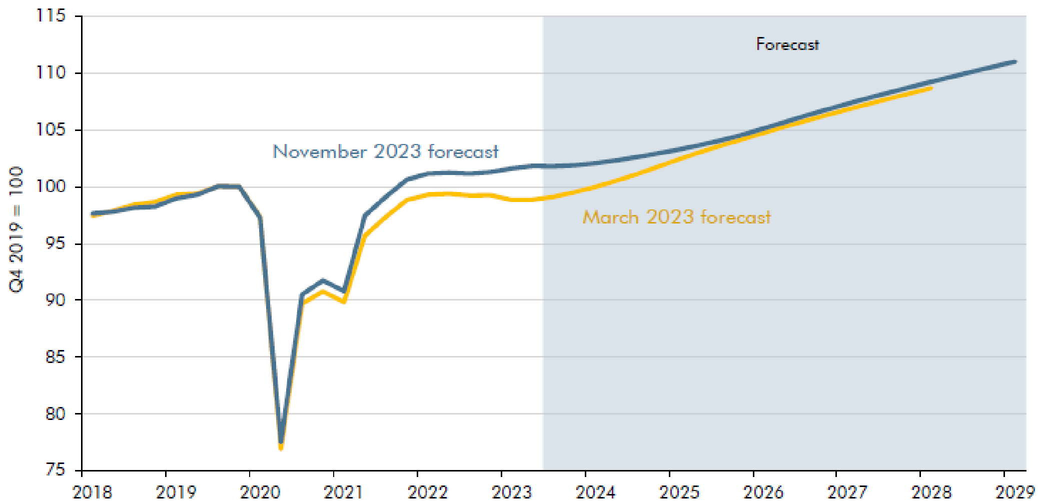
Chart One: OBR Consumer Price Index forecast to 2029



Source: ONS, OBR

1.8 The rate of growth in Gross Domestic Product is an indicator for the rate of growth in the economy. The forecast annual change in GDP is expected to improve at a higher rate than expected in March, over the next few years.

Chart Two: OBR Gross Domestic Product forecast to 2029



Source: ONS, OBR

Section 2

Corporate Finance Strategy

Introduction

2.1 The Council's Corporate Strategy "Proud of Ipswich" includes the priority to be a financially sustainable Council.

Vision

2.2 To maintain the provision of high-quality services by being a financially sustainable Council. To achieve this by a systematic and consistent 10-year approach to financial activity, resource levels and value for money.

Values

<u>Activity</u>

2.3 Develop a 10-year planning horizon to learn from past trends and proactively plan to address future trends.

2.4 Employ effective, systematic financial processes, management, and reporting arrangements.

2.5 Effective control of resources with a clear financial framework, rules and budgetary control with a robust financial system and processes.

2.6 Deal with financial challenges in a prompt and transparent manner.

2.7 Protect frontline services and prioritise services that residents most rely on.

<u>Resource Levels</u>

2.8 Have an effective approach to allocating financial resources in a prioritised and proportionate way to achieve the Council's Corporate Strategy.

2.9 Maintain fees and charges at levels that ensure services are high quality and financially sustainable.

2.10 Attract inward investment to Ipswich from government, public bodies, and partners.

2.11 The Council's participants in financial activity have the right skills, experience, and capacity to fulfil their roles.

<u>Value for money</u>

2.12 Deliver effective and efficient services that focus on services that residents need most.

2.13 Minimise council tax increases needed to support the service levels provided.

Key Metrics

2.14 To be effective future financial activity needs to be informed by key metrics. Past activity and metrics can provide insight to future trends. These include accuracy in financial planning and future changes in service demand, spend, economic volatility, resource levels.

2.15 The Financial Strategy informs the production of the MTFP.

Review

2.16 This strategy will be reviewed periodically.

Supporting Statement to the Corporate Finance Strategy

Context

2.17 The prevailing difficult economic conditions and outlook merit a longer term 10-year financial strategic plan to provide a consistent framework and direction for the MTFP and other financial activity. The key focus is to improve the Council's financial resilience and long-term sustainability.

Vision and Objectives

2.18 The financial strategy draws on Ipswich Borough Council's (IBC's) corporate objectives and the MTFP. The vision for the next 10 years, can be summarised as centring on delivering high-quality public services, promoting economic growth, and enhancing the well-being of residents.

2.19 To support and achieve the corporate objectives, the 10-year financial strategic plan includes the following objectives that align with IBC's vision: increasing reserves, reducing service budget deficits, maintaining, or improving service levels and managing debt levels.

Financial & Economic Climate

2.20 The current financial context is characterised by rising interest rates resulting in increased debt servicing costs, rising inflation levels making the cost of services more expensive, reduced government and third sector grant funding, increased service delivery costs as demand for housing and reliefs from residents increases, a slow recovery of local authority revenue streams following the COVID19 pandemic. Some or a combination of these factors have led to some local authorities issuing section 114 notices.

10-Year Financial Strategy

Strategic Focus

2.21 This 10-year strategy focuses on seven key strategic areas to ensure financial resilience including assessing internal and external risks:

1. Revenue Strategy
2. Expenditure Management
3. Debt Management
4. Reserves Policy
5. Investment Strategy
6. Risk Management
7. Performance Measurement and Reporting

Revenue Strategy

2.22 Ipswich will build upon diversifying revenue sources to reduce dependence on government grants. Over the years, Ipswich Borough Council (IBC) has significantly reduced its dependence on central government funding and less dependent on government grants compared to its CIPFA nearest neighbours.

2.23 The revenue strategy will focus on:

- Increasing local taxes within statutory limits.
- Leveraging assets and real estate for rental income or development.
- Identifying grant opportunities and securing additional funding.
- Exploring public-private partnerships (PPPs) for revenue-generating projects.

Expenditure Management

2.24 Prioritising services based on their impact on the community, considering both essential services and areas for potential cost savings.

2.25 Implementation of robust cost control measures, including regular budget reviews, efficiency audits and procurement optimisation.

2.26 Exploring collaborative initiatives with neighbouring councils to share services and reduce costs.

Debt Management

2.27 Ipswich will design and develop a clear debt management policy, focusing on prudent borrowing for capital projects and actively monitor debt levels and ensure that debt servicing costs are sustainable within the budget.

Reserves Policy

2.28 Increasing current reserve levels to ensure that Ipswich reserves policy builds and maintains adequate reserves to address unexpected financial challenges and emergencies.

Investment Strategy

2.29 Develop an investment strategy to maximise returns on surplus funds while managing risks responsibly.

2.30 Invest in low-risk, diversified portfolios consistent with the council's risk tolerance.

Risk Management

2.31 Identify and assess financial risks, including economic downturns, legal liabilities, and potential service disruptions.

2.32 This includes developing risk mitigation strategies and contingency plans.

2.33 Active stakeholder engagement encompassing building support for the financial plan and ensuring council members, staff and external partners align to the financial strategic plan.

2.34 A comprehensive communication plan to inform residents and stakeholders about the council's financial strategy and progress is essential to risk management.

2.35 The risk management strategy will ensure that all the financial activities and strategies comply with relevant laws, regulations, and local and international financial accounting standards.

Performance Measurement and Reporting

2.36 Up to date and SMART key performance indicators (KPIs) to track progress toward financial objectives and service delivery targets will be established.

2.37 This strategy includes cyclical reporting on financial performance and transparency to stakeholders, residents, council members and central government authorities.

2.38 A calendar of strategic and tactical reviews of the financial plan to adapt to changing circumstances and priorities will be set-up. This incorporates being flexible in adjusting strategies and tactics as needed to achieve long-term financial resilience and mitigating risk.

Conclusion

2.39 This 10-year financial strategic plan sets the strategy's that set Ipswich towards achieving financial resilience while delivering essential services and improving the overall well-being of its community.

Financial Risks Analysis

2.40 Following the recent economic shocks of the covid pandemic and high inflation, financial sustainability is a key strand in the Corporate Strategy and is monitored through the corporate risk register. The key financial are identified with the associated mitigations recognised and addressed in the following table:

Table One: Finance Strategy Identified Risks

Risk Description	Consequence of Risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1 – almost impossible 6 – very high)	Impact of risk if it occurred taking account of actions (scale 1 – negligible; 4 – catastrophic)	Actions to Mitigate Risk
1. Council Tax	Collection rate variance	Accurate collection of data	3	3	Robust monitoring of council tax income drivers. Implementation of the Ipswich support scheme
2. Income	Income level variance	Robust budgetary control framework	3	3	Regular monitoring. Establishing income
3. Revenue Expenditure	Adverse service demand and spend pressures	Robust budgetary control framework	2	4	Service planning & monitoring framework in place. Challenging adverse variances
4. Changes in National funding framework	Financing level variance	Review of government announcements / industry experts	3	3	Robust resource monitoring and associated spending controls
5. Capital Expenditure	In-accurate forecasting, inefficient use of resources	Robust budgetary control framework	3	4	Regular monitoring
6. Capital Financing	High investment levels stretch affordability levels	Accurate monitoring / forecasting	3	4	Robust resource monitoring and associated spending controls
7. Treasury Management	In-appropriate approach for economic situation.	Treasury Management Strategy	3	3	Use of external advisor. Monitoring within Treasury Management

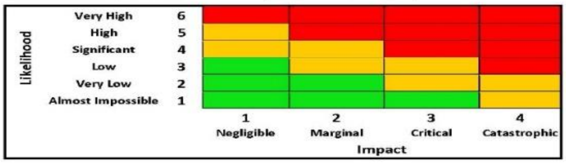
Risk Description	Consequence of Risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1 – almost impossible 6 – very high)	Impact of risk if it occurred taking account of actions (scale 1 – negligible; 4 – catastrophic)	Actions to Mitigate Risk
	Investment return variance				Strategy parameters
8. Partnership Funding	Adverse Engagement/ Financing level variance		3	3	Partnership governance and monitoring arrangements
9. Localisation Business Rates	Inaccurate estimation of NNDR1 over/understates income levels. Revaluation on 1 April 2023 but expected variance covered by finance settlement	Accurate collection of data. Forecasting.	3	3	Monitoring of movements in tax base, contact with VOA and internal e.g., Building Control, Planning. Establishment of income equalisation reserve.
10. Business Rates Pooling	Exit of single authority dissolves the pool.	Robust governance arrangements	2	3	Partnership governance and monitoring arrangements
11. Public Works Loan Board Rates	HM Treasury significantly increase rates with minimal notice given	Continued monitoring	2	3	Prudent budgeting, financing sourced from alternative providers, e.g., Municipal Bonds Agency, regular review of financing requirements, robust Treasury Management strategy.
12. Further economic shocks	High inflation and economic uncertainty results in spend pressure	Risk assessment	2	3	Prudent budgeting, ongoing risk assessment, monitoring arrangements

GRADING GUIDE / RISK MATRIX – The definitions below provide guidance as to what is meant by both likelihood and impact. Using this guide will aid consistency at a corporate level.

Examples	IMPACT (grade 1 to 4)			
	1 - Negligible	2 - Marginal	3 - Critical	4 - Catastrophic
Financial impact	£0k - £25k	£25k - £250K	£250K - £2M	£2M+
Service Provision	No effect	Slightly reduced	Service suspended short term/reduced	Service suspended long term Statutory duties not delivered
Health & Safety	Sticking plaster / first aider	Broken bones/Illness	Loss of life/major illness	Major loss of life/large-scale major illness
Objectives		Objectives of one key service area not met	Directorate objectives not met	Corporate objectives not met
Morale		Some hostile relationship / minor non co-operation	Industrial action	Mass staff turnover / unable to attract staff
Reputation	No media attention / minor letters	Adverse local media Leader	Adverse national publicity	Will be remembered for years!!
Government relations		Poor assessment(s)	Service taken over temporarily	Service taken over permanently

LIKELIHOOD (grade 1 to 6)		
	Probability	Timing
6 - Very High	> 90%	This week
5 - High	55% to 90%	Next week / this month
4 - Significant	15% to 55%	This year
3 - Low	5% to 15%	Next year
2 - Very Low	1% to 5%	Next year to five years
1 - Almost Impossible	0% to 1%	Next 10 years

Risk Matrix (Corporate)



Note: **Multiply** Likelihood by Impact to get total Risk grading

2.41 The Council has a robust approach to managing financial risk. This is set out in full in the Financial Standing Orders and the accompanying Financial Rules.

2.42 The Audit and Governance Committee is responsible for reviewing the Council's Risk Management strategy and for reviewing the effectiveness of risk management. The Chief Finance Officer is responsible for ensuring that proper insurance exists where appropriate.

2.43 The Head of Internal Audit is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

Equality and Diversity Issues

2.44 Equality impact assessments are part of the legal duties towards 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. Any actions arising from the MTFP would be subject to individual screenings.

Section 3

General Fund Medium Term Financial Plan

Introduction

3.1 The Council is required to set a balanced budget by the end of February each year and accompanies this with a Medium-Term Financial Plan (MTFP). The Council's MTFP is reviewed annually to achieve this. Executive receives quarterly budget monitoring updates and Council agrees the final accounts for the previous financial year once they have been audited.

3.2 The MTFP provides the financial resourcing plan for the Council's Corporate Strategy – Proud of Ipswich. The priorities are:

I. A Thriving Town Centre
II. Meeting the Housing Needs of our Community
III. A 'carbon neutral' Council
IV. Promoting Community Wellbeing and Fairness in Ipswich
V. A Financially Sustainable Council Providing Good Quality Services

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

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

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

iii) Seek to ensure that the financial impact of the introduction of Council Tax localisation continues to be minimised by a local Council Tax Reduction Scheme.

iv) Maximise income from retained business rates, by membership of the Suffolk Business Rates Pool, and promoting economic development in the Ipswich area.

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

Corporate Asset Management Strategy

3.4 This Property Asset Management Strategy defines how the Council manages, maintains, acquires, and disposes of the property it owns. Effective asset management is pivotal in providing high-quality and cost-effective services and a key component in in ensuring best value is always achieved. The Property Portfolio plays a leading role in the Council's aspirations for regeneration and investment. It is a key element of the MTFP. An updated Strategy is attached at Appendix 2.

3.5 Good progress continues to be made on tackling and re-letting vacant properties, together with continued low rental debt and arrears ratios. In the context of the pandemic this is a positive outcome. Strategic projects are progressing with evidence of strong interest in the Waterfront Regeneration Project, Key Town Centre Buildings and at IP City Centre.

3.6 A new property database has been implemented. This will be a significant step forward and enable much clearer implementation of the Strategy. Focus is being given to remedy outstanding lease renewals and rent reviews and the team is now resourced to proactively manage these. Priority is being given to improving energy efficiency.

The General Fund Revenue Budget

3.7 The 2023/24 Medium Term Financial Plan (MTFP) was approved by Council on 22 February 2023 (C/22/17), setting a revenue and capital budget for each of the General Fund and Housing Revenue Account covering the four years from 2023/24 to 2026/27. This has been extrapolated forward to 2027/28 to provide a starting point for this MTFP.

Table Two: Summary Financial Position per February 23 MTFP (C/22/17) extrapolated

£m	2023/24	2024/25	2025/26	2026/27	2027/28	Total
MTFP Use of Balances (Table 14 23/24 MTFP)	1.824	0.044	0.207	0.361	0.231	2.667
Corporate Savings Target	1.500	3.000	3.000	3.000	3.000	13.500
Transitional Vacancy Provision	1.093	1.120	1.120	1.120	1.120	5.573
Total Budget Gap Position	**4.417**	**4.164**	**4.327**	**4.481**	**4.351**	**21.740**

3.8 There are, as always, a significant series of assumptions that under-pin the calculations. Assumptions made in the Budget regarding inflation and emerging pressures have been reviewed and updated. Key assumptions include:

- Council Tax at 2.98% per annum
- Salary costs are uplifted by inflation
- The Suffolk Business Rates pool continues for 2024/25
- Income yield continues to increase.

3.9 Since the budget was agreed by Council in February 2023, there have been a number of significant additional financial pressures, which are summarised in the table below:

Table Three: General Fund Revenue Pressures

£m	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Budget Monitoring pressures	1.055	2.025	2.288	2.724	2.724	**10.816**
National employers pay award 23/24	0.529	0.529	0.529	0.529	0.529	**2.645**
Inflation - pay	0.000	0.255	0.260	0.265	0.270	**1.050**
Non-pay inflation	0.000	0.146	0.477	0.793	1.162	**2.578**
23/24 Council Tax forecast deficit	0.000	0.020	0.000	0.000	0.000	**0.020**
Council Tax Base	0.000	0.255	0.073	0.051	0.016	**0.395**
SRP contribution	0.000	0.170	0.170	0.170	0.170	**0.680**
reduced Housing Benefit Admin Subsidy Grant	0.000	0.033	0.033	0.033	0.033	**0.132**
Towns Fund/New Depot	0.000	0.300	0.300	0.300	0.300	**1.200**
Capital Financing/Investment Income	0.000	-1.106	-0.181	0.775	0.809	**0.297**
Subtotal	**1.584**	**2.627**	**3.949**	**5.640**	**6.013**	**19.813**

3.10 The 2023/24 variances reported in the quarterly budget monitoring reports to Executive have included significant base budget pressures. These have been reviewed by officers and have been mitigated/reduced were practicable.

3.11 The high levels of inflation have dominated the current economic period. As a result, the national 2023 pay award (6.32%) was over 50% higher than the predicted level (4.00%). And with inflation assuming to continue at a higher level into 2024/25 than was envisaged a year ago, the expected 2024/25 pay inflation contingency has been increased by 1%. This is summarised in the table below.

Table Four: Pay inflation

	2023/24	2024/25	2025/26	2026/27	2027/28
MTFP 23 assumption	4.00%	2.00%	2.00%	2.00%	2.00%
24/25 MTFP assumption	**6.30%**	**3.00%**	**2.00%**	**2.00%**	**2.00%**

3.12 As referred to at paragraph 1.7, the OBR forecast in November 2023 assumes the annual increase CPI will be higher in all years between 2023 and 2027 than was the case in the March 2023 Economic and Fiscal Outlook. As a result, it has been necessary to increase the non-pay inflation contingency. In addition, the Council has re-assessed its exposure to inflation based on a comparison of its basket of spend compared the standard basket used by the Office of National Statistics and has identified that the Council's exposure the headline inflation levels is currently 85%, an increase from 70% when the exercise was conducted last year and can be attributed to slowing food, hotel and air travel, which has increased the proportion of spend inflation the Council is exposed to.

Table Five: Non-Pay Inflation

	2024/25	**2025/26**	**2026/27**	**2027/28**
OBR Nov 22 CPI Projection	-0.01%	-1.01%	0.80%	n/a
OBR Nov 22 CPI Projection - IBC update (based on 70%) used in 23/24 MTFP	**0.00%**	**0.00%**	**0.00%**	**n/a**
OBR Nov 23 CPI Projection	3.00%	1.60%	1.50%	1.80%
OBR Nov 23 CPI Projection (IBC element - 85%) used in 24/25 MTFP	**2.60%**	**1.40%**	**1.30%**	**1.50%**

3.13 The 2023/24 contribution to the Shared Revenues Partnership has been agreed and is an increase on the previously expected level.

3.14 An estimate has been made for the potential on-going revenue costs associated with the Towns Fund and the New Depot.

3.15 The Council has undertaken a review of the capital programme to identify revenue savings, given the current increasing costs of projects and borrowing interest. The Council's approach to capital financing has also been reviewed with the same aim. This has resulted in savings in the early years of the MTFP, but increased costs in the latter. This is partly due to the continued expected high borrowing rates but does also factor in the impact of the approved General Fund capital bids.

2024/25 Local Government Finance Settlement

3.16 The Government has announced that for 2024/25 there will be a one-year financial settlement for Local Government (as has been the case for the last four years). Limited information has been provided about future years. However, the Council has sought advice from external advisors about the likely impact of future settlements and these estimates are used in developing the new MTFP.

3.17 The final finance settlement was published on 6 February 2024[1] and, in aggregate, is slightly higher than the provisional settlement published in December 2023. Key elements include: -

[1] https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2024-to-2025

(a) The Baseline Funding Level (i.e., the amount of Business Rates that Ipswich Borough Council gets to keep) has been increased by capped inflation of 4.6% in 2024/25 (3.7% increase in 23/24).

(b) Revenue Support Grant has increased by 6.9%.

(c) Compensation for the under-indexation of the business rate multiplier, is 17.1% higher than for 23/24, but that does include additional funding for the freezing of the small business rate multiplier 2024/25, which remains fixed at 49.9p. This means that, in 2024/25, it is expected that the Borough Council will get to keep 9% of the business rates it is due to collect on behalf of HM Government. It should be noted that the under-indexation compensation is re-imbursement for the lost business rates income (by not increasing the multiplier, the Council's business rates income will be lower), it does not represent additional funding.

(d) The Council Tax cap threshold relevant to Ipswich Borough Council has been maintained at 2.99% for 2024/25. This means that the Council can opt to increase Council Tax by the maximum of either 2.99% or £5 without needing a local referendum. All the Government's calculations assume that the Council will increase Council tax by the threshold amount.

(e) New Homes Bonus continues for another year, but at a much lower amount than for 2023/24 (£0.007m compared to £0.081m). There is no guarantee of this continuing into the future.

(f) The 4% Funding Guarantee is worth £1.005m in 2024/25 compared to £0.359m, 3%, in 2023/24, an increase of 179.9% and represents a 1% increase from the provisional settlement (£0.213m). It should be noted though that although its purpose is to maintain Core Spending Power, it is not at all certain that this funding will be maintained in future Settlements.

(g) The level of Services Grant has reduced to £0.030m (£0.176m in 2023/24).

3.18 Following these changes, the Council's funding position for 2024/25 is summarised in the table below (the current year is shown for comparative purposes). Overall, IBC's funding position has increased by 6.2% for next year, which is slightly more than the current CPI inflation per the Office of National Statistics at 3.9% (as at November 2023).

3.19 The Government allocation system is based on an assessment of local core spending power. This takes account of the government's predictions on Council Tax. Across England the average increase in Core Spending Power is 7.5%, Ipswich increased by 6.2%.

Table Six: Core Spending Power from Local Government Settlement

Key Information	2023/24 £m	2024/25 £m	Change %
Baseline Funding Level	4.520	4.727	4.6%
Revenue Support Grant	0.188	0.201	6.9%
Settlement Funding Assessment	4.708	4.928	4.7%
Compensation for under-indexing the business rates multiplier	0.770	0.902	17.1%
Council Tax	15.495	16.046	3.6%
Services Grant	0.176	0.030	-83.0%
Funding Guarantee	0.359	1.005	179.9%
New Homes Bonus	0.081	0.007	-91.4%
Total	**21.589**	**22.918**	**6.2%**

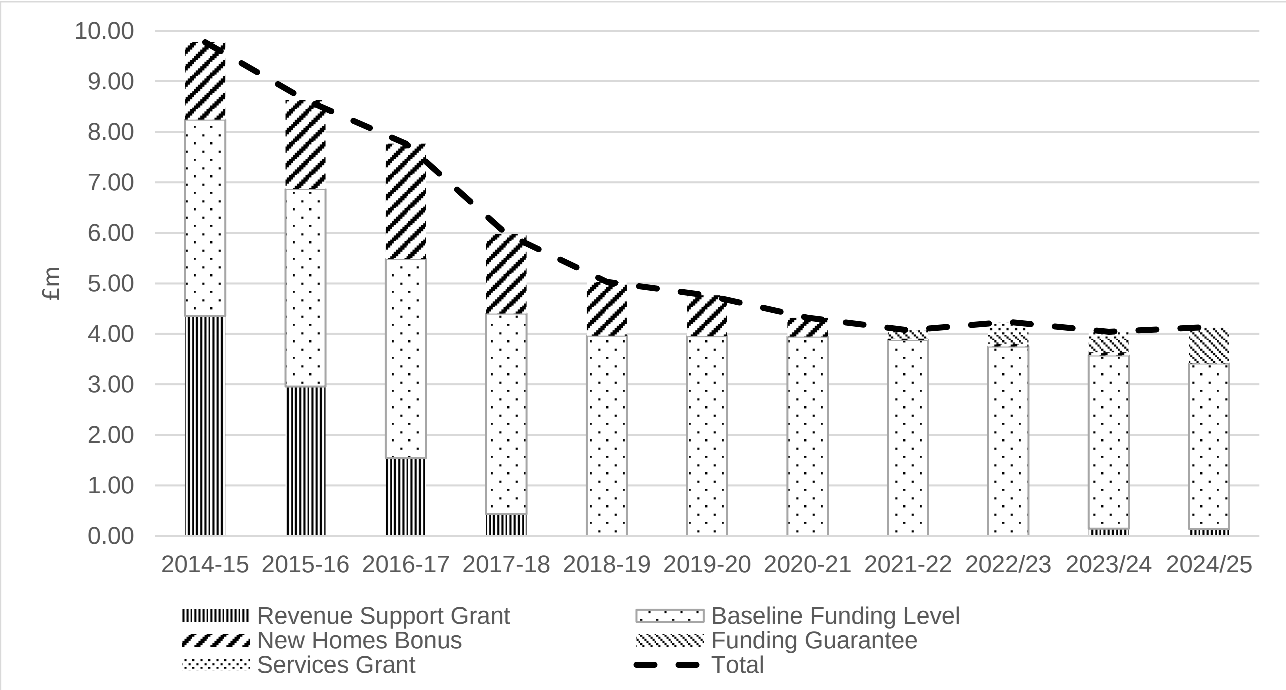
3.20 The Finance settlement for 2024/25 represents a £2.242m increase over the MTFP period. This assumes that the funding levels for 2024/25 are maintained across the period of the MTFP, but that is far from certain. The following table summarises the impact of those components of the Finance Settlement that can be classified as government funding.

Table Seven: Impact of Local Government Finance Settlement on MTFP

£m	2024/25	2025/26	2026/27	2027/28	Total
Business Rates Baseline	-0.207	-0.207	-0.207	-0.207	**-0.828**
Revenue Support Grant	-0.013	-0.013	-0.013	-0.013	**-0.052**
Services Grant	0.146	0.148	0.148	0.148	**0.590**
Funding Guarantee	-0.646	-0.433	-0.433	-0.433	**-1.945**
New Homes Bonus	-0.007	0.000	0.000	0.000	**-0.007**
Total Impact of Finance Settlement	**-0.727**	**-0.505**	**-0.505**	**-0.505**	**-2.242**

3.21 In 2010/11, IBC received £11.91m of Formula Grant in the Local Government Finance Settlement. Had this been uprated in line with the increase in CPI during the period from November 2009 to November 2023, the 2024/25 settlement would have totalled £18.14m before Council Tax rather than £5.76m before Council Tax (i.e., the sum of Retained Business Rates (he Baseline Funding Level) and Government Grants) i.e., a real terms reduction of £12.17m, which represents a total funding cut since 2010/11 of £108m at today's prices.

Chart Three: Government Funding by Year 2014/15 to 2024/25 (in real terms)



General Fund Budget - Changes

3.22 The Council has responded to these pressures and identified additional savings, as listed in the table.

Table Eight: General Fund Revenue Savings

	£m	2023/24	2024/25	2025/26	2026/27	2027/28	Total
1	Budget Monitoring Savings	-0.279	-0.236	-0.236	-0.236	-0.236	**-1.223**
2	Fees & Charges Yield Increase	0.000	-0.320	-0.483	-0.646	-0.809	**-2.258**
3	Hackathon	-0.060	-0.623	-0.736	-0.779	-0.779	**-2.977**
4	Business Rates Surplus 23/24	0.000	-0.550	0.000	0.000	0.000	**-0.550**
5	Business Rates Pool redistribution	0.000	-1.200	0.000	0.000	0.000	**-1.200**
6	Retained Business Rates	0.000	-1.059	-0.376	-0.611	-0.611	**-2.657**
7	Unified Comms	0.000	-0.100	-0.100	-0.100	-0.100	**-0.400**
8	Contingencies/Reserves review	-1.312	-0.100	-0.100	-0.100	-0.100	**-1.712**
9	Sport VAT	0.000	-0.200	-0.200	-0.200	-0.200	**-0.800**
	Subtotal	**-1.651**	**-4.388**	**-2.231**	**-2.672**	**-2.835**	**-13.777**

3.23 The following paragraphs explain the notable items in the above table. The references e.g. (1) refer to the above table.

3.24 Potential income yields have been reviewed for 2024/25 on a service-by-service basis. In addition, a 1% fees & charges yield has been assumed in each year from 2024/25 onwards (2).

3.25 The on-going Hackathon exercise has generated significant savings with a number of savings ideas already implemented (3).

3.26 As part of the Suffolk Business Rate Pool agreement an element of the retained business rates has historically been allocated to the Suffolk Public Sector Leaders who have agreed for their retained funds to be redistributed amongst the pool members (5).

3.27 The details contained within the Finance Settlement, including the compensation for the under-indexing of the business rates multiplier, as referred to at paragraph 3.27 (a), has provided the opportunity to review the levels of retained business rates (6).

3.28 Following an unsuccessful appeal by the HMRC to a ruling by the First Tier Tax (FTT) Tribunal that local authority leisure centres can be treated as 'non-business' for vat purposes, the Council will be able to retain the vat portion of the income generated. Work is on-going to determine the full impact (9).

General Fund Summary Position

3.29 The summary position, taking account of the changes explained above, is summarised in the following table:

Table Nine: General Fund Summary Position

£m	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**	**Total**
Opening budget gap (Table Two)	4.417	4.164	4.327	4.481	4.351	**21.740**
Transitional Vacancy Provision (Table Two)	-1.093	-1.120	-1.120	-1.120	-1.120	**-5.573**
Budget Pressures (Table Three)	1.584	2.627	3.949	5.640	6.013	**19.813**
Finance Settlement (Table Seven)	0.000	-0.727	-0.505	-0.505	-0.505	**-2.242**
Savings Identified (Table Eight)	-1.651	-4.388	-2.231	-2.672	-2.835	**-13.777**
Corporate Savings Target	0.000	-1.500	-4.000	-5.500	-6.500	**-17.500**
Reserves to achieve balance	**3.257**	**-0.944**	**0.420**	**0.324**	**-0.596**	**2.461**
Opening Working Balance	**7.288**	**4.031**	**4.975**	**4.555**	**4.231**	
Closing Working Balance	**4.031**	**4.975**	**4.555**	**4.231**	**4.827**	

3.30 A summary of the key messages from the table:

- **The Council has been hit by significant cost increases outside of our control**

- **The additional money the Council received from the Government hasn't been anywhere enough to cover those pressures**

- **The additional money from council tax won't cover the gap either**

- **The Council has made large savings but still has a significant savings programme to deliver in future**

- **Because of the early action the Council has taken, it has been able to put the Council's finances on a more sustainable footing, reducing the size of the future savings programme and increasing the level of the working balance**

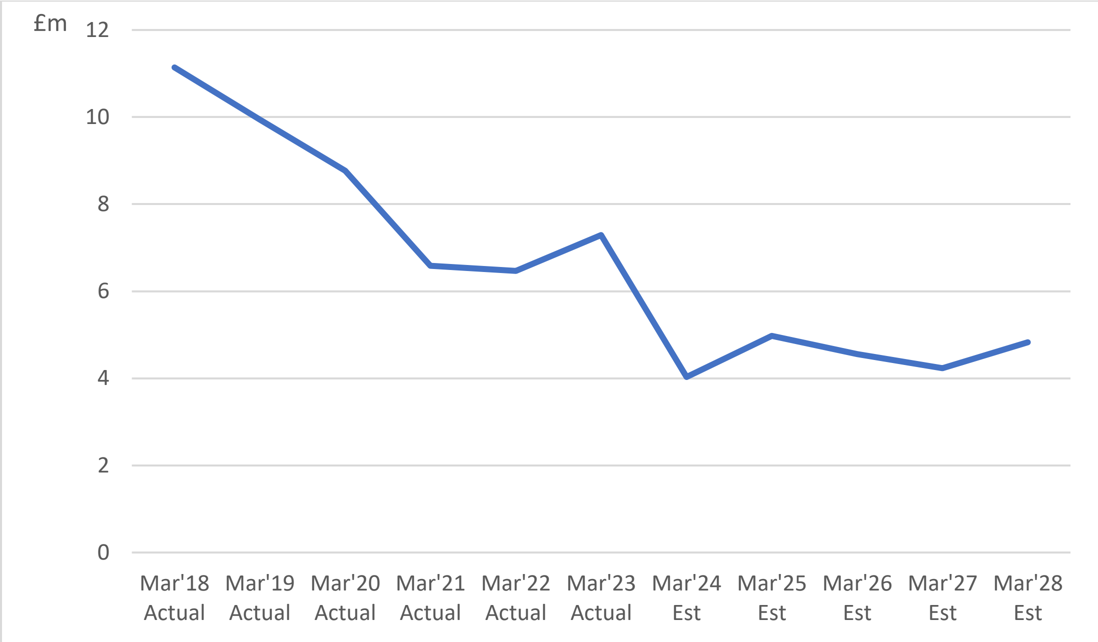
3.31 The Transitional Vacancy Provision remains at the levels identified in the previous MTFP. The Council budgets for all posts to be filled. However, some turnover, where post holders leave, is inevitable. These can generate non-recurrent revenue savings while recruitment or restructures take place. The Transitional Vacancy Provision is based on empirical evidence of past turnover rates.

3.32 The earmarked reserve use remains at the levels identified in the previous MTFP.

3.33 The Council's working balance has been reviewed using the CIPFA best practice guide. This Working Balance is used for a number of purposes including cushioning the impact of unexpected in-year financial shocks and the impact of uneven cashflows, to avoid unnecessary temporary borrowing. As the general level of spend or the economic volatility increases so should the minimum working balance. The results from the CIPFA best practice guide are that the minimum working balance should be increased to £4.5m and it was agreed to implement this increase over the MTFP period.

3.34 The actual and estimated General Fund Working Balance is shown below:

Chart Four: General Fund Working Balance



Chief Finance Officer's Statement

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

3.36 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. There are savings in future years that are as yet to be identified but this has been typical in recent years, due to economic circumstances, and the Council has a track record of delivering them. This report fulfils that obligation.

3.37 External Auditors have regard to these legal requirements and the Council's code of corporate governance when reviewing the arrangements in place to ensure that financial standing is soundly based.

3.38 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 the MTFP. This updated financial position represents sound financial management by the Council and underpins sustainable financial progress.

3.39 Assessments of financial risks associated with the budgets in this MTFP are shown below. These risks are taken account of in setting the level of reserves.

Table Ten: Financial Risk Assessment for MTFP period

Risk Description	Consequence of Risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate Risk
1. Accuracy of estimates	Unable to deliver services within financial provision	Consider current economic predictions. Service Group based budget process. Revenue & capital programme set together. All known future changes included in budget.	2	4	Sign-off of detailed budgets by Heads of Service.
2. Adequacy of reserves/ balances/bad debt provision	Possible impact on service provision	Risk Management assessment, insurance policy	3	3	Regular monitoring
3. Significant variances due to poor budgetary control	Unable to deliver services within financial provision	Monthly Budgetary Control process	2	2	Quarterly reporting to Executive based on monthly exception reporting
4. Long term unsustainable/ imprudent financial planning	Intervention by Secretary of State	Medium term financial planning, Prudential Indicator framework	2	2	Regular monitoring
5. Partnership/ Joint Working – poor control/ definition resulting in financial liability	Non delivery of agreed outcomes	Clear & concise contractual arrangements	2	3	Monitoring by Joint Committees
6. Corporate projects – predicting financial implications	Overspends or non-delivery	Corporate projects managed using Prince 2 based methodology	3	3	Regular monitoring
7. Changing goals/ expectations	Uncertainty over service delivery	Corporate Plan, Strategic framework	2	3	Clear communication

Risk Description	Consequence of Risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate Risk
8. Failure of "Approved Organisation for Investment"	Potential loss of investment	Reviewed Treasury Management Strategy	2	4	Daily monitoring of investment counterparties
9. Poor Corporate Governance/ financial control	Lack of control	New Corporate Governance, Audit review, Standing Orders	1	3	Regular reporting & monitoring
10. Changes in proper accounting practice	Statement of accounts not approved by external audit	The Council adheres to the latest Statement of Recommended Practice	1	2	Training and liaison with External audit
11.Unexpected changes in demographic/ service expectations due to the current economic situation	Services under or over provided	Officers actively monitor potential future changes	2	2	Monitoring information used to predict future requirements

Specific Risks

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

Table Eleven: Specific Risks Identified

Risk Description	Consequence of Risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate Risk
1. Capital Ability to fund/finance	Capital programme not delivered	Capital receipts forecast. Prudential borrowing code of practice adopted. All known future changes included in budget	4	3	Funding forecast
2. PWLB Further increases in interest rate	Increased cost of delivering capital programme.	Continued monitoring, prudent budgeting.	2	3	Alternative sources of finance, e.g.,

Risk Description	Consequence of Risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate Risk
announced by HM Treasury with minimal notice	Reduced margin on financing companies which will reduce the contribution made to the General Fund revenue budget.	Treasury Management Strategy and Capital Strategy as set out in this document.			Municipal Bonds Agency. Regular review of capital programme.
<u>3. Housing Revenue Account</u> Ability to deliver house building programme	Lack of available social housing	Capital receipts forecast. Prudential borrowing code of practice adopted. All known future changes included in budget	3	3	Funding forecast. Updated business plan. Use of capital financing requirement.

Adequacy of Working Balance and Reserves

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

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

3.43 At the time of writing this report the Council has £15.8m of earmarked reserves available and set aside for specific eventualities.

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

3.45 The Reserves and Provisions Policy is included as Section Five.

GENERAL FUND AND COUNCIL TAX REQUIREMENT

3.46 In determining the Council Tax Requirement for 2024/25, councillors and officers have refocused resources on investing in the Council's priorities.

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

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

3.49 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 provided for. Any estimated surplus or deficit must be considered in calculating basic amounts of tax.

3.50 The financial settlement for Ipswich Borough Council for next year is due to be announced shortly and the draft settlement figures are summarised below.

Table Twelve: Council Tax Requirement 2024/25

£	**2023/24**	**2024/25**
Budget Requirement	20,179,143	20,984,770
Settlement Funding Adjustment	-4,708,673	-4,928,400
Collection Fund Adjustment	24,000	20,000
To be financed through Council Tax	**15,494,470**	**16,076,370**

3.51 Ipswich's Collection Fund shows a net deficit of £20,000. Any money recovered is credited to the Collection Fund, but the actual cost of recovery must be charged to the General Fund and therefore falls within the Budget.

3.52 As the Council has a Council Tax Requirement for 2024/25 of £16,076,370, which equates to the gap between government funding and the net cost of services, the Council's element of the Ipswich charge for a Band B property (the modal average in Ipswich) in comparison with 2023/24 will be:

Table Thirteen: Proposed Change in Band B Council Tax 2024/25

Proposed Change in Band B Council Tax	**2023/24 £ : p**	**2024/25 £ : p**	**Change %**
IBC Charge	307.72	316.89	2.98

3.53 The Council Tax requirement for Ipswich over the four-year forecast is shown by year in the Table below:

Table Fourteen: Forecast Council Tax Requirement 2024/25 to 2027/28

	2024/25	2025/26	2026/27	2027/28
Council Tax Requirement	£16,076,370	£16,820,150	£17,445,810	£18,094,730

3.54 The Council Tax charge for Ipswich Borough Council at each of the property bands, compared with 2023/24 is shown in the Table below.

Table Fifteen: Proposed Council Tax Levels by Band 2024/25

Band	2023/24	2024/25	Change	Weekly increase	Dwellings	
	Tax (£ : p)	Tax (£ : p)	%		Ipswich	
					Number	%
A	263.76	271.62	2.98%	£0.15	19,348	31.2
B	307.72	316.89	2.98%	£0.18	23,130	37.2
C	351.68	362.16	2.98%	£0.20	11,453	18.5
D	395.64	407.43	2.98%	£0.23	4,482	7.2
E	483.56	497.97	2.98%	£0.28	2,349	3.8
F	571.48	588.51	2.98%	£0.33	948	2.1
G	659.40	679.05	2.98%	£0.38	377	
H	791.28	814.86	2.98%	£0.45	21	

3.55 Central Government has set an annual ‘referendum’ level of 2.99% to reflect higher inflation levels which, if proposed to be exceeded, would mean that a referendum would be needed to obtain support for any rise above that level. The increase proposed is within the level which would not require a referendum.

3.56 The Council also collects Council Tax on behalf of Suffolk County Council and the Suffolk Police and Crime Commissioner.

3.57 On 15 February, Suffolk County Council confirmed a 2.99% increase in council tax and a 2% increase in the Adult Social Care precept.

3.58 On 26 January 2024, the Suffolk Police and Crime Commissioner confirmed a £12.96 increase in precept for a Band D property (this is the maximum allowable increase and equates to a 4.93% increase in the precept).

3.59 Factoring the changes confirmed by the Police and Crime Commissioner and Suffolk County Council, the overall Council Tax position for Ipswich residents will be as shown in the table below.

Table Sixteen: Proposed Council Tax Levels by Authority 2024/25

£	IBC 23/24	SCC 23/24	PCC 23/24	Total 23/24	IBC 24/25	SCC 24/25	PCC 24/25	Total 24/25	*Total Increase*
Band A	263.76	997.62	175.08	**1,436.46**	271.62	1,047.36	183.72	**1,502.70**	*66.24*
Band B	307.72	1,163.89	204.26	**1,675.87**	316.89	1,221.92	214.34	**1,753.15**	*77.28*
Band C	351.68	1,330.16	233.44	**1,915.28**	362.16	1,396.48	244.96	**2,003.60**	*88.32*
Band D	395.64	1,496.43	262.62	**2,154.69**	407.43	1,571.04	275.58	**2,254.05**	*99.36*
Band E	483.56	1,828.97	320.98	**2,633.51**	497.97	1,920.16	336.82	**2,754.95**	*121.44*
Band F	571.48	2,161.51	379.34	**3,112.33**	588.51	2,269.28	398.06	**3,255.85**	*143.52*
Band G	659.40	2,494.05	437.70	**3,591.15**	679.05	2,618.40	459.30	**3,756.75**	*165.60*
Band H	791.28	2,992.86	525.24	**4,309.38**	814.86	3,142.08	551.16	**4,508.10**	*198.72*

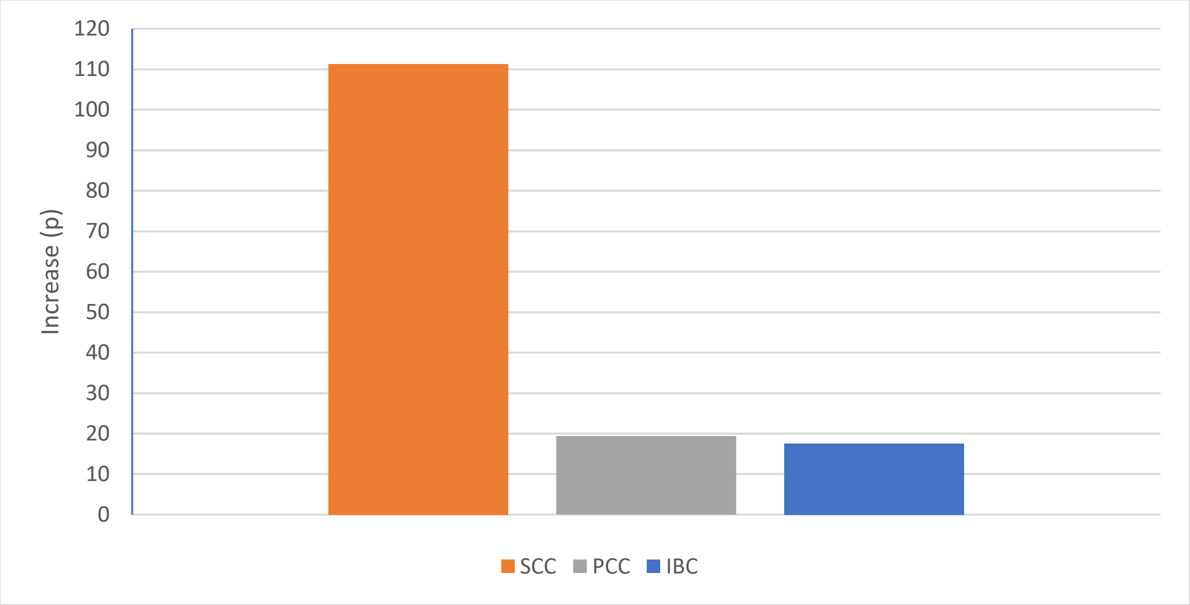
3.60 The highest number of properties in Ipswich are in band B and the table summarises the effect of the proposed increases.

Table Seventeen: Proposed Council Tax increase by authority – Band B property

£ per annum	**2023/24**	**2024/25**	**Proposed Increase (£)**	**Per Week (p)**	**%**
Ipswich Borough Council	307.72	316.89	9.17	18	**2.98**
Suffolk County Council	1,163.89	1,221.92	58.03	112	**4.99**
Police & Crime Commissioner	204.26	214.34	10.08	19	**4.93**
Total	**1,675.87**	**1,753.15**	**77.28**	**149**	**4.61**

3.61 The chart below shows the weekly increase in Council Tax for a Band B property in 2024/25 by authority.

Chart Five: Weekly Band B Council Tax increase in Ipswich Borough (p)



Local Council Tax Reduction Scheme

3.62 The Council introduced a Local Council Tax Reduction (Working Age) Scheme (LCTRS) in 2023/24 and continues to offer will offer a maximum reduction in Council Tax liability of 100% aligning the Working Age Scheme with the Pension Age Scheme. The new scheme will also introduce an Income Band Element for Universal Credit customers with earnings which will reduce administration costs from the cessation of monthly recalculations.

3.63 The Income Bands sets out what customers can expect to pay towards their Council Tax if they are in receipt of Universal Credit and earned income. All other incomes are disregarded as these are considered when calculating entitlement to Universal Credit.

3.64 It is necessary to make changes to both Contribution Rates and Income Bands to acknowledge inflation and changes in earning levels for 2024/25. It is proposed to update the contribution rates by pay inflation (8.5%) to ensure the scheme continues to support the most vulnerable households and increase the contribution by the council tax increase (3%) to broadly keep the cost of the LCTR Scheme as for 2023/24 and ensure the scheme remains affordable and sustainable.

3.65 The Income Bands used for the calculation of weekly Council Tax contribution are shown below:

Table: Eighteen: Income Bands

Income Bands (Monthly)	monthly contribution	Income Bands (Weekly up to)	Weekly contribution
Not in work or less than £309	£0	Not in work or less than £71.30	£0
£309 - £649.99	£41	£150.00	£9.46
£650 - £1236.99	£87	£285.46	£20.08
£1237 to £1967.99	£128	£454.15	£29.54
£1968 - £2527.99	£195	£583.38	£45.00
£2528 - £2999.99	£254	£692.30	£58.62
Over £3000	No entitlement to LCTR	over £692.31	No entitlement to LCTR

3.66 The Table, above, shows that customers earning less than £309 per month will have no requirement to pay Council Tax. The estimated cost of the LCTR Scheme for 2024/25 is £5,175,250.11. This is an overall increase of £253,593.36. There were 7,154 customers receiving LCTRS who benefitted in 2023/24.

3.67 The government made funding available to offer further support to customers in receipt of Council Tax Reduction. Ipswich Borough Council was allocated £276,356 in 2023/24 to make an award of ‘up to £25’ to both Working Age or Pension Age customers who have balances of Council Tax to pay after Council Tax Reduction has been applied. Any residual balance was used to establish local approaches to helping economically vulnerable households with Council Tax bills.

3.68 It is anticipated that there will be a similar Council Tax Support Scheme announced for 2024/25. An announcement is awaited.

3.69 Council Tax Support is awarded after Council Tax Reduction is applied. This scheme supports the LCTR Scheme and directs the greatest levels of assistance to those with residual liabilities – increasing the number of households who will have no Council Tax to pay. The Council Tax Support Award will also help meet any increase in Council Tax.

Empty and Second Homes Council Tax changes

3.70 The Levelling Up and Regeneration Act received Royal Assent in October 2023. Billing authorities are encouraged to adopt Council Tax premiums on empty properties with a view to incentivising property owners to bring those properties back into use. 100% premiums are currently charged where properties are left unoccupied and unfurnished for periods exceeding 2 years and second homes are charged at the appropriate standard council tax rate.

3.71 The Act reduces the minimum period for the implementation of a Council Tax premium for empty premises from two years to one year. It also enables Councils to introduce a Council Tax premium of up to 100% in respect of second homes.

3.72 Full Council approved the introduction of these premiums at its meeting on 22nd February 2023. The empty homes premium will apply from 1 April 2024 and 12 months' notice will be given to households owning second homes that the second homes premium will be introduced from 1 April 2025.

Section 3
General Fund MTFP

GENERAL FUND REVENUE FORECAST 2023/24 TO 2027/28

DESCRIPTION	2023/24 ORIGINAL BUDGET £	2023/24 DRAFT APPROX O/T £	2024/25 FORECAST £	2025/26 FORECAST £	2026/27 FORECAST £	2027/28 FORECAST £
SERVICE EXPENDITURE						
Employees	30,663,500	32,576,580	33,430,840	33,452,750	34,085,010	34,752,050
Premises	6,670,020	6,801,110	6,684,970	6,666,120	7,015,740	7,015,740
Transport	2,154,570	2,186,250	2,236,020	2,230,700	2,230,700	2,230,700
Supplies & Services	13,289,230	17,535,430	13,821,880	13,545,640	13,384,490	13,384,490
Agency & Contracted Services	1,053,880	1,152,880	1,181,040	1,181,040	1,181,040	1,181,040
Transfer Payments	33,342,720	33,342,720	33,342,720	33,342,720	33,342,720	33,342,720
Central & Departmental Support	970,190	979,360	982,940	1,002,600	1,022,650	1,043,100
TOTAL SERVICE EXPENDITURE	88,144,110	94,574,330	91,680,410	91,421,570	92,262,350	92,949,840
SERVICE INCOME						
Government Grants	33,963,830Cr	35,938,230Cr	33,981,830Cr	33,981,830Cr	33,996,830Cr	33,996,830Cr
Other Grants,Contributions Etc	6,806,060Cr	7,636,390Cr	6,878,960Cr	6,837,080Cr	6,961,660Cr	7,088,730Cr
Sales	748,750Cr	1,047,670Cr	1,022,190Cr	1,032,410Cr	1,042,730Cr	1,053,160Cr
Fees & Charges	17,980,120Cr	18,596,090Cr	18,582,950Cr	18,835,870Cr	19,429,370Cr	19,596,490Cr
Rents	4,469,420Cr	5,093,140Cr	4,517,930Cr	4,612,980Cr	4,612,980Cr	4,612,980Cr
TOTAL SERVICE INCOME	63,968,180Cr	68,311,520Cr	64,983,860Cr	65,300,170Cr	66,043,570Cr	66,348,190Cr
NET SERVICE EXPENDITURE	24,175,930	26,262,810	26,696,550	26,121,400	26,218,780	26,601,650

GENERAL FUND REVENUE FORECAST 2023/24 TO 2027/28

DESCRIPTION	2023/24 ORIGINAL BUDGET £	2023/24 DRAFT APPROX O/T £	2024/25 FORECAST £	2025/26 FORECAST £	2026/27 FORECAST £	2027/28 FORECAST £
NET SERVICE EXPENDITURE	24,175,930	26,262,810	26,696,550	26,121,400	26,218,780	26,601,650
Contingencies etc:						
Additional Commitments	716,490	867,190	608,230	724,530	799,960	729,140
Transformation Invest to Save Fund	60,110Cr	684,180	78,000Cr	0	0	0
General Service Contingency	0	867,240	0	0	0	0
Covid-19 Income Contingency	500,000	0	0	0	0	0
Budget Trend Analysis	300,000Cr	0	0	0	0	0
Income Review	435,000Cr	0	0	0	0	0
Non-pay Inflation Provision	1,310,000	447,000	537,100	868,100	1,184,100	1,553,100
Corporate Savings Target	1,500,000Cr	0	1,500,000Cr	4,000,000Cr	5,500,000Cr	6,500,000Cr
Transitional Vacancy Savings	1,093,000Cr	469,140Cr	1,120,000Cr	1,120,000Cr	1,120,000Cr	1,120,000Cr
Unidentified Savings	0	0	0	0	0	0
Interest on balances etc	1,563,300	2,613,300	905,650	395,080	242,230	51,460
External interest etc	405,000Cr	925,000Cr	490,820Cr	328,180Cr	275,000Cr	275,000Cr
Loan repayments/Investment income from IBC companies	5,418,990Cr	5,418,990Cr	5,817,470Cr	5,428,590Cr	5,213,170Cr	5,169,790Cr
Capital financing costs	6,607,390	5,210,390	6,375,010	8,022,450	9,263,880	9,444,690
Net Expenditure	25,661,010	30,138,980	26,116,250	25,254,790	25,600,780	25,315,250
Revenue Support Grant	188,000Cr	188,000Cr	201,000Cr	201,000Cr	201,000Cr	201,000Cr
Funding Guarantee	359,000Cr	359,000Cr	1,005,000Cr	792,000Cr	792,000Cr	792,000Cr
Services Grant	176,000Cr	176,000Cr	30,000Cr	28,000Cr	28,000Cr	28,000Cr
Business Rates Baseline	4,520,000Cr	4,520,000Cr	4,727,000Cr	4,727,000Cr	4,727,000Cr	4,727,000Cr
Retained Business Rates	2,266,000Cr	1,441,000Cr	4,116,000Cr	1,683,000Cr	1,918,000Cr	1,918,000Cr
Collection Fund surplus(cr)/deficit 31st March (net)	24,000	24,000	20,000	0	0	0
New Homes Bonus Scheme	81,000Cr	81,000Cr	7,000Cr	0	0	0
Transfer to/from (cr) reserves	769,460Cr	4,646,500Cr	917,700Cr	583,700Cr	164,700Cr	150,700Cr
Use of (cr) / contribution to GF revenue balance	1,831,080Cr	3,257,010Cr	943,820	419,940Cr	324,270Cr	596,180
Unfunded Balance	0	0Cr	0	0	0	0
COUNCIL TAX REQUIREMENT	15,494,470	15,494,470	16,076,370	16,820,150	17,445,810	18,094,730

GF REVENUE BALANCE						
Balance b/fwd 1st April	7,281,970Cr	7,288,670Cr	4,031,660Cr	4,975,480Cr	4,555,540Cr	4,231,270Cr
Surplus(Cr)/deficit for year	1,831,080	3,257,010	943,820Cr	419,940	324,270	596,180Cr
Balance c/fwd 31st March	5,450,890Cr	4,031,660Cr	4,975,480Cr	4,555,540Cr	4,231,270Cr	4,827,450Cr

General Fund Budgets 2024/25 - Service Group Analysis

The Controllable Budget figures below identify the expenditure and income coded directly to the service groupings. For reference the budget is shown below at Service Group and Portfolio Holder level. Note - they exclude any recharges between General Fund Services and represent the “bottom-line.”

Service Grouping	**2024/25 Controllable Budget £**
Director Resources and Housing	7,494,810
Director Operations and Place	15,130,640
Director Strategy, Transformation and Change	4,071,100
NET SERVICE EXPENDITURE	26,696,550

Porftfolio Holder Grouping	**2024/25 Controllable Budget £**
Leader - Place	1,677,620
Deputy Leader - Strategy and Transformation	2,153,830
Culture and Customers	202,970
Communities and Sport	6,064,630
Resources	5,274,680
Planning and Museums	2,701,360
Housing	2,220,130
Environment and Climate Change	6,401,330
NET SERVICE EXPENDITURE	26,696,550

Leader - Place	
Service Area	**2024/25 Controllable Budget £**
Corporate Management Team	
Communications and Marketing	539,340
Corporate Management Team	1,377,930
Economic Development	560,410
Major Capital Schemes	981,190
Property Services	
Corporate Properties	-2,452,680
Grafton House	410,400
IP-City Centre	-232,780
Property Services Management	493,810
Total	1,677,620

Deputy Leader - Strategy and Transformation	
Service Area	**2024/25 Controllable Budget £**
Transformation	448,750
Human Resources	544,270
ICT	1,160,810
Total	2,153,830

Culture and Customers	
Service Area	**2024/25 Controllable Budget £**
Vibrant Town Services	
Corn Exchange	189,740
Cultural Development	193,270
Enterprise Projects (inc market)	47,720
Entertainments Box Office	-246,580
Entertainments Management	521,400
Events and Festivals	292,540
Health and Safety	166,750
Regent Theatre	-48,490
Shopmobility	10,810
Footway Lighting	74,280
IBC Car Parks	-1,699,670
Residents Parking Schemes	-190,680
Street Names and Seats	20,000
Town Centre Pedestrian Areas	44,370
Customer Services	
Customer Services Centre	827,510
Total	202,970

Communities and Sport

Service Area	2024/25 Controllable Budget £
<u>Community Support</u>	
Area Committees and Priority Funds	231,850
Community Grants	353,280
Community Engagement	274,880
Community Safety	282,240
Emergency Planning	70,020
Emergency Services Centre - CCTV	673,970
Emergency Services Centre - HEARS	-118,110
<u>Public Protection</u>	
Animal Welfare	13,680
Environmental Protection	576,670
Food Safety	338,520
Hackney Carriage and Private Hire Vehicles	-50,220
Housing Business Support Unit	159,430
Improvement Grants	-6,230
Licensing and Enforcement	-45,420
M3 System Costs	5,100
Occupational Health	249,170
Port Health	19,560
Private Sector Housing Services	346,830
Waste Enforcement	151,430
<u>Sports and Leisure</u>	
Sports and Leisure Development	389,160
Sports Centres	956,160
Swimming Pools	1,192,660
Total	6,064,630

Resources	
Service Area	**2024/25 Controllable Budget £**
Audit Partnership	148,500
Financial Services	
Contributions to Central Overheads	-377,750
Corporate Management Direct Costs	670,740
Financial Services	1,171,240
Housing/Council Tax Benefit Administration	1,862,360
Legal & Democratic	
Borough Council Elections	159,440
Councillor Services	259,860
Councillors´ Costs	398,080
Democratic and Business Support	72,920
Legal Services	373,480
Local Land Charges	7,080
Mayoral Services	112,180
Registration of Electors	213,970
Procurement	202,580
Total	5,274,680

Planning and Museums

Service Area	2024/25 Controllable Budget £
Building Control	213,850
Museums	1,487,120
Planning and Development	
Caps System Costs	50,260
Community/Environmental Improvements	36,740
Conservation of Historic Buildings	13,600
Development Services Support	192,660
Drainage	45,240
Historic Churches	65,340
Planning and Development	429,590
Planning Policy	166,960
Total	2,701,360

Housing

Service Area	2024/25 Controllable Budget £
Housing Advice	
Bed and Breakfast Costs	134,640
Contributions to Housing Revenue Account	218,810
Homelessness	745,780
Hostels	25,200
Housing Options	868,210
Other Private Sector Accommodation Costs	8,850
Supervision and Management	218,640
Total	2,220,130

Environment and Climate Change	
Service Area	**2024/25 Controllable Budget £**
Parks and Cemeteries	
Allotments	31,450
Cemeteries and Crematorium	-935,650
Parks and Open Spaces	1,692,600
Public Conveniences	100,370
Rangers	650,690
Waste and Fleet	
Cleansing Services	1,677,870
Climate Change	34,420
Recycling	568,490
Refuse Collection	1,635,640
Waste and Fleet Management	656,760
Waste Education and Promotion	76,930
Transport	
Bus Route Subsidies - General	103,450
Transportation	108,310
Total	6,401,330

Section 4

The Housing Revenue Account

Context

4.1 The case for change within housing has never been greater. Whether it's the need to increase the supply of new affordable homes to meet the growing demand, investing in existing homes to ensure decency, quality, and safety, responding to the most significant changes in a generation with respect to regulating the social housing sector, making homes energy efficient or responding to increased demand for services.

4.2 Recent years have been challenging for the HRA. It is forecast that £2.4m of reserves will be used in 2023/24 and the business plan has been reviewed to bring future HRA financial activity into a balanced position. some of the key causes of the adverse current variance have included rent collection pressures, new fire safety requirements, a need to invest in the Council's older person offer, introducing a decarbonised heating programme and higher repairs and void levels.

4.3 Tenancy services have increased support and advice to tenants to help them pay their rent and retain their tenancies. Rent income has been impacted by the increasing number of households on universal credit, and the impact on household disposable income.

4.4 The Social Housing Regulation Act, which received Royal Assent in July 2023, places a strong focus on the quality of social housing and the services landlords provide to tenants. RSH will have new powers to hold landlords to account from next April, including a new programme of inspections, and it recently consulted on a new set of consumer standards that all providers will need to meet. As a provider of social housing, we must prioritise the safety of our tenants and ensure we hold accurate, up-to-date, and robust stock data that assesses the presence of serious hazards in tenants' homes, including damp and mould.

4.5 The Council owns 7,811 general needs and sheltered properties. 33 properties have been sold during the current year under the 'right-to-buy' scheme as at 31/12/23. For the budget it has been assumed a base 70 sales per annum

New Affordable Homes Programme

4.6 The New Build Programme was established to ensure that the Council has a stable and long-term supply of affordable housing. Resources have been earmarked in the Business Plan, mainly from revenue contributions and Right to Buy receipts, with some Homes England funding. New homes are offered at affordable rents allowing the HRA will offer a mix of social and affordable tenure homes. The Council is able to apply for Homes England funding on future schemes.

4.7 In addition to market acquisitions and repurchasing Right to Buy homes, schemes already in the New Build Programme will deliver 402 homes at locations across the Town.

Table Nineteen - New Homes Programme delivery since 2018

Completed	**Homes**	**Social Rent**	**Affordable Rent**	**Market Rent / Starter Homes**
Coltsfoot Road	3	3	0	0
Whitton Church Lane	4	4	0	0
Bader Close	108	108	0	0
Ulster Avenue	22	22	0	0
Ainslie Road	2	2	0	0
Widgeon Close	5	5	0	0
Cauldwell Hall Road	17	17	0	0
Tooks	60	41	0	19
Small Sites	24	0	24	0
Grimwade Street	16	0	16	0
Sub Total	**261**	**202**	**40**	**19**
In Development	**Homes**	**Social Rent**	**Affordable Rent**	**Market Rent / Starter Homes**
Ravenswood	96	0	67	29
Hawke Road	26	0	26	0
Fore Hamlet	30	0	30	0
Bibb Way	150	0	150	0
Sub Total	**302**	**0**	**273**	**29**
TOTAL	**563**	**202**	**313**	**48**

4.8 A programme of future schemes at affordable rent has been developed to ensure a steady supply of new homes. As a result, in future, the HRA will offer a mix of social and affordable tenure homes. It is currently proposed to apply for Homes England funding on future schemes at Hawke Road, Fore Hamlet, and Bibb Way, which has received Brownfield Land Release 2 funding. The proposed HRA properties at Ravenswood are to be funded from Right to Buy receipts.

HRA Business Plan

4.9 The HRA Business plan has been updated for current financial circumstances and planned investment. It assumes current service levels are maintained unless there is a known change.

4.10 The business plan is based on some key assumptions, which are summarised below.

- Pay inflation – 3% for 2024/25 and then 2% for future years
- Non-pay inflation
- Interest rates
- Repairs demand
- Void property levels
- 70 Right to Buy sales p.a.

4.11 The Business Plan makes the following key assumptions.

Revenue

- Rents – Rental income is the primary funding for the services and investment in council homes. The Council's average rent has fallen to around 40% of market rent. Once initially set, the maximum annual rent increases are nationally determined. Rents will be increased in line with the 7.7% cap confirmed in the Autumn budget statement. There is also additional rent anticipated from the New Build properties that are coming on stream in future years. Supporting the increasing number of households on universal credit is a key focus, with the rollout speeding up in 2024/25. Tenancy Services continue to prioritise supporting tenants to pay their rent and on early help.

- Voids & Repairs – The higher levels of demand seen since the Covid pandemic have now been included within the business plan.

- New Build – the pipeline programme in the capital programme and the associated additional income and costs from the pipeline programme are included.

- The following additional revenue pressures have been included:
  - Introduction of a fee to the Regulator of Social Housing £65k per year.
  - Increased costs of subsidising the Housing Ombudsman service (above inflation)
  - Joining a Benchmarking club namely Housemark
  - Maintaining carbon monoxide detectors in every home
  - The changing requirement to complete an EICR every five years rather than every ten.

Capital

- There is significant new investment required to deliver the Council's climate response, new fire safety standards and planned investment in council homes.

- Non-fossil heating replacement – The HRA business plan allows sufficient budget for two pilot projects of 25 homes each between 2025/26 and 2026/27. £170m has been allowed over 28 years from 2025/26

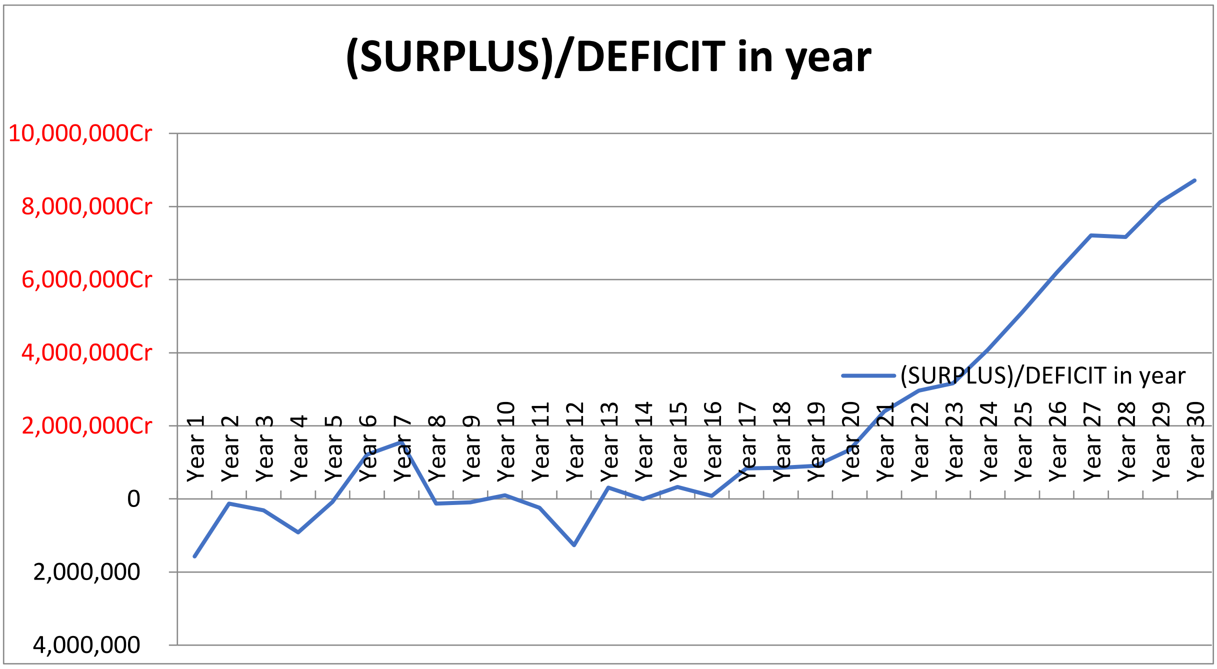
- Fire Safety – The budget for Fire Safety improvements has been increased from £5m to £10m. A fully costed proposal which will produced by March 2024, and this will be jointly funded from the Major Repairs Reserve and borrowing.

- Sheltered Housing Review - £15m capital and £0.5m p.a. revenue has been earmarked for investment in modernising the offer to older households (Part funded, £5m from Sheltered reserve and £10m borrowing).

4.12 The Capital Programme to 2027/28 is set out in Section Six of the MTFP document and the business plan includes the associated revenue financial implications.

4.13 The HRA Business Plan maintains a minimum £2m working balance. The following charts show the annual forecast surplus or deficit and the resulting HRA working balance. Surplus (-) and deficit (+) predicted for each future year. Year 1 is 2023/24 (forecast outturn).

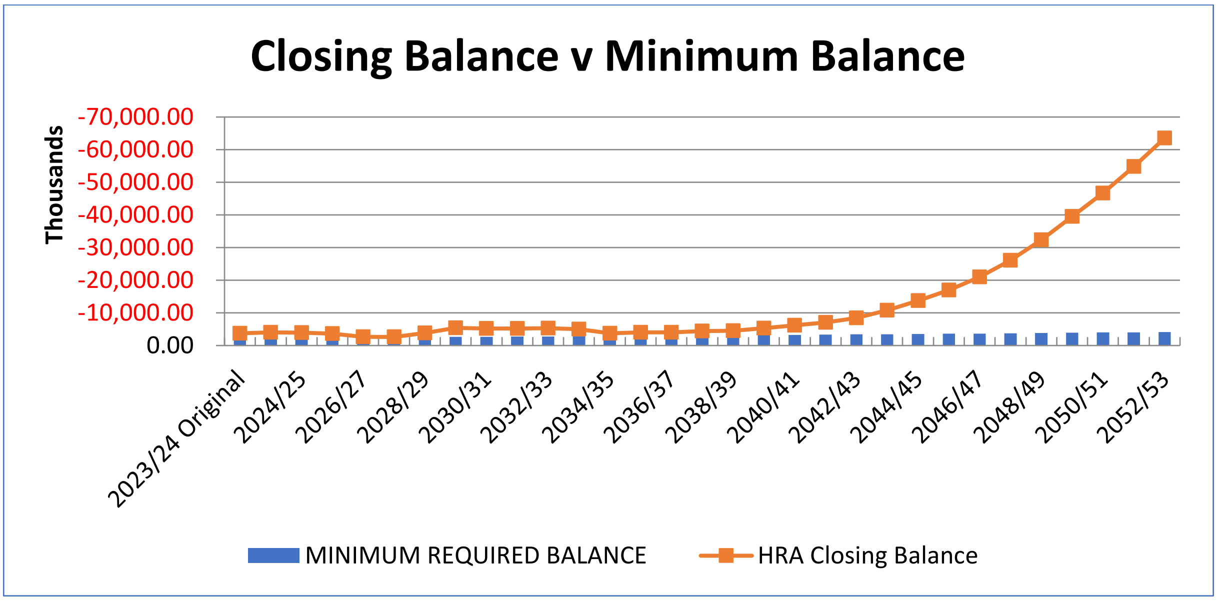
Chart Six: 30 Year HRA Forecast Surplus/Deficit by year (cr = surplus)



4.14 The fluctuating annual levels of surplus/deficit arise mainly from two reasons. Firstly, the spending profile of the Ipswich Standard capital programme, which is funded entirely from Housing Revenue Account revenue contributions. The Ipswich Standard Programme is the spending needed to replace house components like kitchens and roofs to meet the replacement cycles identified in the Council's Asset Management Strategy. Secondly, the timing of housebuilding schemes causes fluctuations in spend profile.

4.15 The HRA has a minimum recommended working balance of £2m (plus annual inflation). The HRA working balance is expected to reduce by £3.004m over the 4-year MTFP period. The graph below shows the forecast position of the closing HRA balance v the Minimum balance that demonstrates the viability of the 30-year Plan.

Chart Seven: 30-year plan of HRA balances and minimum reserve levels



4.16 The first six years of the 30 year business plan are shown in the table below.

HOUSING REVENUE ACCOUNT FORECAST 2023/24 TO 2052/53						
	Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*	*Year 6*
	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	£	£	£	£	£	£
EXPENDITURE						
MANAGEMENT & MAINTENANCE						
Supervision & Management General	7,028,040	6,717,279	6,811,922	6,948,083	7,086,837	7,228,570
Supervision & Management Special	3,655,450	3,437,295	3,497,237	3,567,142	3,638,378	3,711,150
Superannuation Backfunding	0	0	0	0	0	0
Responsive Repairs	7,844,390	6,107,560	6,191,186	6,314,939	6,441,049	6,569,870
Special/Contract Repairs	2,100,730	2,163,752	2,207,027	2,251,142	2,296,098	2,342,020
Planned Maintenance	1,444,990	1,488,340	1,519,367	1,549,737	1,580,686	1,612,300
MANAGEMENT & MAINTENANCE TOTAL	**22,073,600**	**19,914,226**	**20,226,740**	**20,631,043**	**21,043,048**	**21,463,910**
CAPITAL FINANCING COSTS						
Debt Management Expenses	30,569	37,284	37,284	37,284	37,284	37,284
Debt Principal - repayment	2,993,508	3,035,167	3,078,013	3,114,534	3,136,086	3,182,701
Debt Interest payable and similar charges	3,267,750	3,183,189	3,097,432	3,010,444	2,922,188	2,832,629
Depreciation	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490
Impairment of Assets	0	0	0	0	0	0
TOTAL CAPITAL FINANCING COSTS	**10,517,317**	**10,481,131**	**10,438,219**	**10,387,752**	**10,321,048**	**10,278,105**
Provision for Bad Debts	202,540	207,600	212,790	218,110	223,560	229,150
HRA share of Corporate Democratic Core and Non Distributed Costs	141,630	145,879	148,796	151,771	154,802	157,900
HRA Share Climate change	15,000	15,450	15,759	16,074	16,395	16,720
HRA Share of Apprentice Levy	21,260	30,510	32,050	34,340	37,530	38,280
TOTAL EXPENDITURE	**32,971,347**	**30,794,796**	**31,074,354**	**31,439,090**	**31,796,383**	**32,184,065**
INCOME						
RENTAL & CHARGES FOR SERVICES/FACILITIES						
Rents	37,814,950Cr	40,732,820Cr	41,750,240Cr	42,795,900Cr	43,865,810Cr	44,963,970Cr
Commercial	613,930Cr	626,209Cr	638,733Cr	651,507Cr	664,538Cr	677,828Cr
Ground Rent	3,970Cr	3,970Cr	3,970Cr	4,049Cr	4,130Cr	4,213Cr
Garages	146,310Cr	148,790Cr	152,510Cr	156,320Cr	159,446Cr	162,635Cr
Shops	417,800Cr	417,800Cr	426,156Cr	434,679Cr	443,373Cr	452,240Cr
Service Charges	1,061,630Cr	1,082,860Cr	1,109,920Cr	1,137,670Cr	1,166,110Cr	1,195,260Cr
Electricity FIT income	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr
RENTS/CHARGES FOR SERVICES TOTAL	**40,073,810Cr**	**43,027,669Cr**	**44,096,749Cr**	**45,195,346Cr**	**46,318,627Cr**	**47,471,367Cr**
G.F. RECHARGE	225,390Cr	232,150Cr	243,900Cr	261,360Cr	285,670Cr	291,380Cr
TOTAL INCOME	**40,299,200Cr**	**43,259,819Cr**	**44,340,649Cr**	**45,456,706Cr**	**46,604,297Cr**	**47,762,747Cr**
NET COST OF SERVICES	**7,327,853Cr**	**12,465,023Cr**	**13,266,295Cr**	**14,017,616Cr**	**14,807,914Cr**	**15,578,682Cr**

HOUSING REVENUE ACCOUNT FORECAST 2023/24 TO 2052/53

	Year 1 2023/24 FORECAST	*Year 2* 2024/25 FORECAST	*Year 3* 2025/26 FORECAST	*Year 4* 2026/27 FORECAST	*Year 5* 2027/28 FORECAST	*Year 6* 2028/29 FORECAST
	£	£	£	£	£	£
NET COST OF SERVICES	**7,327,853Cr**	**12,465,023Cr**	**13,266,295Cr**	**14,017,616Cr**	**14,807,914Cr**	**15,578,682Cr**
Summary/Contingency items						
RTB Sales estimated effect	0	360,379	613,840	863,860	1,099,583	1,383,553
New Build estimated effect	0	572,867Cr	1,134,076Cr	1,549,814Cr	2,031,429Cr	2,421,581Cr
Inflation Contingency	61,410	199,142	202,267	206,310	210,430	214,639
Tenancy growth pressures	0	794,940	410,570	387,290	395,020	402,920
Additional voids, repairs, electrical standards and resourcing	0	3,494,590	3,680,770	3,021,170	2,830,140	2,814,520
M&C pressures	0	143,690	146,560	149,490	152,470	155,520
Contingency for Sheltered Review	1,000,000	1,000,000	0	0	0	0
Recharges/rescheduling	64,000	100,000	120,000	231,840	236,477	241,206
Misc Contribns to Reserves	486,160Cr	0	0	0	0	0
Customer Access Strategy - savings target	0	25,280Cr	25,280Cr	25,280Cr	25,280Cr	25,280Cr
Staffing contingency (Agency cover)	0	250,000	250,000	250,000	250,000	250,000
Transitional Vacancy savings to find	266,610Cr	351,980Cr	359,020Cr	366,200Cr	373,524Cr	380,994Cr
New Depot interest / mrp	253,200	259,200	253,201	607,059	600,769	594,328
Return reserves to working balance		1,591,642Cr	0	0	0	0
Gipping House Lease savings	0	0	0	80,000Cr	80,000Cr	80,000Cr
Reverse All Depreciation & Deferred charges	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr
Transfer to Major Repairs Reserve	13,901,930	12,612,430	11,800,000	12,200,000	11,711,080	10,511,080
Interest/investments (net)	2,284,860Cr	920,974Cr	19,898Cr	51,989	51,989	51,989
Utility increase (Gas)	0	82,500	84,150	85,833	87,550	89,301
Borrowing costs	0	948,700	1,584,118	2,349,236	3,146,374	3,862,041
Interest Rate contingency	0	0	158,412	234,924	314,637	386,204
HRA Housing review / Older Persons review - ongoing costs	0	0	0	500,000	500,000	500,000
Salary increase 23/24 from budget monitoring plus inflation	0	148,691	151,665	154,698	157,792	160,948
NET OPERATING EXPENDITURE	**573,227**	**124,666**	**309,155**	**912,959**	**84,334**	**1,210,119Cr**
New Build RCCO	**1,000,000**	**0**	**0**	**0**	**0**	**0**
(SURPLUS)/DEFICIT in year	**1,573,227**	**124,666**	**309,155**	**912,959**	**84,334**	**1,210,119Cr**
NET (SURPLUS)/DEFICIT in year	**1,573,227**	**124,666**	**309,155**	**912,959**	**84,334**	**1,210,119Cr**
HRA Balance b/f 1st April	5,626,784Cr	4,053,557Cr	3,928,890Cr	3,619,735Cr	2,706,776Cr	2,622,442Cr
HRA Balance c/f 31st March	**4,053,557Cr**	**3,928,890Cr**	**3,619,735Cr**	**2,706,776Cr**	**2,622,442Cr**	**3,832,562Cr**
MINIMUM REQUIRED BALANCE	**2,000,000Cr**	**2,040,000Cr**	**2,080,800Cr**	**2,143,224Cr**	**2,251,671Cr**	**2,412,891Cr**

Section 5

RESERVES AND PROVISIONS POLICY

5.1 The Council complies with the requirements of the Local Authority Accounting Bulletin 99 (2014) on the establishment and maintenance of local authority provisions, reserves, and balances. Compliance with current bulletins is recommended in the CIPFA Statement of the Role of the Chief Finance Officer in Local Government.

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

5.3 Reserves can be held for three main purposes.

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

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

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

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

Reserves held by Ipswich Borough Council

<u>General Fund</u>

Working Balance

5.6 The level of the General Working Balance to be held by the Council is determined by consideration of strategic, operational, and financial risks.

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

5.8 The Council's minimum working balance has been reviewed using the CIPFA best practice guide. This Working Balance is used for a number of purposes including cushioning the impact of unexpected in-year financial shocks and the impact of uneven cashflows, to avoid unnecessary temporary borrowing. As the general level of spend or the economic volatility increases so should the minimum working balance. The results from the CIPFA best practice guide are that the minimum working balance should be increased to £4.5m in phased annual increases over the MTFP period.

Ipswich Buses Ltd – Debenture Loan

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

Insurance Reserve

5.10 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.

Service Based Reserves

5.11 Service Based Reserves are sums earmarked for anticipated service delivery costs. In the majority of cases this is due to expenditure being deferred from one year to the next.

Repair and Renewal

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

Business Rates Reserve/NNDR Equalisation Fund

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

Revenue Grants/Contributions

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

Housing Revenue Account

Working Balance

5.15 The HRA Working Balance is maintained to provide a contingency for dealing with potentially significant variances that could arise due to changes associated with the HRA business plan. As a result, the minimum working balance is kept at £2.000m, plus inflation, to ensure the sustainability of the plan.

Repair and Renewal

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

Sheltered Scheme Reserve

5.17 This reserve is held to help determine the future requirements for sheltered accommodation.

Insurance Reserve

5.18 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.

Service Based Reserves

5.19 Service Based Reserves are sums set aside for anticipated service delivery costs. In the majority of cases this is due to expenditure being deferred from one year to the next

Miscellaneous

5.20 Miscellaneous Housing Reserves include sums set aside to cover costs associated with potential new build schemes that ultimately don’t come to fruition.

Provisions held by Ipswich Borough Council

General Fund

Insurance Provision

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

Bad Debts

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

Housing Revenue Account

Bad Debts

5.23 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-23 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-24 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-25 £'000	Balance 31-Mar-26 £'000	Balance 31-Mar-76 £'000	Balance 31-Mar-28 £'000
General Fund:										
Working Balance	7,288Cr	0	3,257	4,031Cr	944Cr	0	4,975Cr	3,555Cr	3,231Cr	4,827Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr	252Cr
Insurance Reserve	454Cr	100Cr	0	554Cr	0	0	554Cr	554Cr	554Cr	554Cr
Service Based Reserves	7,079Cr	0	3,536	3,543Cr	0	158	3,385Cr	3,261Cr	3,181Cr	3,115Cr
Repair and Renewal	632Cr	83Cr	0	715Cr	11Cr	0	726Cr	736Cr	747Cr	757Cr
Business Rates Reserve	2,404Cr	0	530	1,874Cr	0	675	1,199Cr	824Cr	824Cr	824Cr
Business Rates S31 Reliefs	825Cr	0	825	0	0	0	0	0	0	0
Legacies	164Cr	0	0	164Cr	0	0	164Cr	164Cr	164Cr	164Cr
Revenue Grants Reserve	3,870Cr	882Cr	809	3,943Cr	0	95	3,848Cr	3,753Cr	3,658Cr	3,563Cr
Section 106 Capital Grants	701Cr	0	11	690Cr	0	0	690Cr	690Cr	690Cr	690Cr
Total	**23,669Cr**	**1,065Cr**	**8,968**	**15,766Cr**	**955Cr**	**928**	**15,793Cr**	**13,789Cr**	**13,301Cr**	**14,746Cr**
Housing Revenue Account:										
Working Balance	5,627Cr	0	1,241	4,386Cr	0	2,397	1,989Cr	1,570Cr	2,731Cr	1,640Cr
Repair and Renewal	1,500Cr	0	0	1,500Cr	0	0	1,500Cr	1,500Cr	1,500Cr	1,500Cr
Sheltered Scheme Reserve	2,943Cr	0	0	2,943Cr	0	0	2,943Cr	2,943Cr	2,943Cr	2,943Cr
HRA Insurance Reserve	184Cr	0	0	184Cr	0	0	184Cr	184Cr	184Cr	184Cr
Service Reserves	1,269Cr	0	486	783Cr	0	0	783Cr	783Cr	783Cr	783Cr
Abortive New Build	300Cr	0	0	300Cr	0	0	300Cr	300Cr	300Cr	300Cr
Revenue Grants Reserve	23Cr	0	0	23Cr	0	0	23Cr	23Cr	23Cr	23Cr
Total	**11,846Cr**	**0**	**1,727**	**10,119Cr**	**0**	**2,397**	**7,722Cr**	**7,303Cr**	**8,464Cr**	**7,373Cr**
Capital:										
General Fund										
Usable Capital Receipts	0	4,171Cr	4,171	0	450Cr	450	0	0	0	0
Capital Financing	223Cr	0	43	180Cr	0	0	180Cr	180Cr	180Cr	180Cr
Housing Revenue Account										
Usable Capital Receipts	15,562Cr	6,609Cr	10,652	11,519Cr	6,609Cr	7,484	10,644Cr	11,279Cr	9,866Cr	2,753Cr
Capital Financing	30,542Cr	2,000Cr	17,488	15,054Cr	1,000Cr	13,610	2,444Cr	1,799Cr	9Cr	9Cr
Major Repairs Reserve	7,677Cr	13,902Cr	11,344	10,235Cr	12,612Cr	12,612	10,235Cr	5,133Cr	1,226Cr	163Cr
Total	**54,004Cr**	**26,682Cr**	**43,698**	**36,988Cr**	**20,671Cr**	**34,156**	**23,503Cr**	**18,391Cr**	**11,281Cr**	**3,105Cr**

Schedule of Working Balances, Reserves and Provisions continued

Provisions	Balance 31-Mar-23 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-24 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-25 £'000	Balance 31-Mar-26 £'000	Balance 31-Mar-76 £'000	Balance 31-Mar-28 £'000
General Fund:										
Insurance Provision	757Cr	200Cr	200	757Cr	200Cr	200	757Cr	757Cr	757Cr	757Cr
Provision for Bad Debts	2,389Cr	100Cr	100	2,389Cr	100Cr	100	2,389Cr	2,389Cr	2,389Cr	2,389Cr
Total	**3,146Cr**	**300Cr**	**300**	**3,146Cr**	**300Cr**	**300**	**3,146Cr**	**3,146Cr**	**3,146Cr**	**3,146Cr**
Housing Revenue Account:										
Provision for Bad Debts	948Cr	100Cr	100	948Cr	100Cr	100	948Cr	948Cr	948Cr	948Cr
Total	**948Cr**	**100Cr**	**100**	**948Cr**	**100Cr**	**100**	**948Cr**	**948Cr**	**948Cr**	**948Cr**
Grand Total	**93,614Cr**	**28,147Cr**	**54,793**	**66,968Cr**	**21,811Cr**	**37,881**	**50,898Cr**	**43,363Cr**	**36,926Cr**	**29,104Cr**

Section 6

CAPITAL STRATEGY / PROGRAMME

Introduction

6.1 The CIPFA Prudential Code for Capital Finance in Local Authorities introduced a requirement for Local Authorities to develop, determine and publish a Capital Strategy.

6.2 The Capital Strategy is reviewed and refreshed annually, linking to the Council's revenue budget, treasury management strategy and asset management plans.

6.3 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 Strategy.
- 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 service specific plans and strategies.

6.4 The CIPFA Prudential Code is clear that Councils must not borrow to invest in schemes primarily for yield. The capital programme included in this MTFP is fully compliant with this requirement.

6.5 The Council as 'accountable body' for the Town Fund, working with partners, has secured a £25m capital investment towards 10 projects.

Governance Arrangements

6.6 The capital programme is reviewed and updated with new bids and priorities and presented to Council for consideration, together with the corporate objectives and asset management plan (appendix 2). Assessment of the revenue impact and overall risk is considered in developing the capital programme.

6.7 Once approved, the capital programme is monitored as part of the monthly budget monitoring arrangements and is reported quarterly to Executive. The Audit and Governance Committee also see these reports and consider them from a governance perspective.

Key Areas of Capital Expenditure

6.8 The capital programme provides the primary investment for the Council's Corporate Strategy. The Medium Term Financial Plan sets out the capital programme and funding requirements. The Council is investing in schemes to deliver new affordable homes across the town, reduce carbon emissions, regenerate the Town Centre, and support the local economy.

6.9 Key highlights for 2024/25 include:

- Increasing and maintaining housing stock, including four new build schemes
- Delivery of projects to address the climate emergency and reduce carbon emissions, including fleet replacement and a new BREEAM 'Outstanding' rated Depot
- Delivery of the Town Fund Programme
- Investing in the Waterfront
- Investing in the Ipswich Museum
- Further developing the Eastern Gateway site
- Continuing to invest in the Play Strategy, and improving facilities in open spaces
- Investing in Sports facilities, including the Broomhill redevelopment
- Improvements to Public Realm including Arras Square

6.10 Capital bids have been reviewed against key criteria, namely:

- Contribution to the Corporate Strategy
- Health & Safety/ service benefit
- Best timing is now
- Value for money and
- Delivery confidence level

6.11 The new schemes added to the capital programme are:

£m	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Bishops Hill access road	0	54,000	0	0	0
Chantry Entrance Pier	0	75,000	0	0	0
Composting Toilets	0	55,000	29,000	29,500	0
Creative Hub	0	875,000	0	0	0
Crown Pools Chemical Delivery	0	20,000	30,000	0	0
Domestic Waste Containers	76,000	80,500	84,000	86,000	88,000
IGS Country Park	417,570	0	0	0	0
Legal Case Management System	12,000	30,300	0	0	0
Regent Lighting Rig	0	14,000	0	0	0
Simpler Recycling	0	1,630,450	0	0	0
Street Lighting transfer	0	50,000	200,000	85,000	0
Street Name Plates	0	50,000	25,000	0	0

£m	2023/24	2024/25	2025/26	2026/27	2027/28
Temple of Remembrance	0	50,000	0	0	0
Town Barrow Store	0	30,000	0	0	0
Town Hall Refurbishment	0	40,000	206,000	0	0
Wastesaver Waste Stations	0	30,400	0	0	0
West End Rd - Gecko	0	1,404,370	611,720	50,780	0
Total General Fund Capital Additions	**505,570**	**4,489,020**	**1,185,720**	**251,280**	**88,000**

6.12 The nature of most of the new schemes is self-explanatory. Others include:

- Establishing a creative hub in the town centre (externally funded)
- Country Park work for the Ipswich Garden Suburb (externally funded)
- Creation of a food waste recycling service
- Improving access to crown pools for chemical deliveries
- Renewal of stock of domestic waste containers
- Upgrading street lighting columns to enable transfer to Suffolk County Council to consolidate ownership.
- Reprovision of wastesaver waste stations for IBC events
- Provision of a dedicated space for the Gecko theatre

Funding Capital Expenditure

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

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

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

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

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

- **Borrowing -** This is unsupported borrowing. Any schemes funded through this method will incur revenue expenditure in respect of principal and interest charges. Provision is made in the General Fund and HRA budgets for the revenue cost of unsupported borrowing. Gilt prices have increased, driving up the cost of borrowing during the past year, as a consequence of economic uncertainty.

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

Performance Framework Overview

6.14 The Council has adopted Best Practice for:

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

6.15 Options for capital projects are considered on a 'value-for-money' basis and must be able to demonstrate that they meet the Council's objectives. Before a capital bid is submitted, all options need to be considered including "do nothing" and the best option is progressed, both in terms of value for money and meeting the Council's objectives.

6.16 As part of the annual budget setting process, capital bids are considered by a senior officer group and Councillors, with successful bids being added to the draft capital programme, which is then considered by Executive and Council as part of this MTFP.

6.17 Changes requested to the capital programme in-year are submitted for consideration by Executive. Only once Executive have given approval are any additions or other changes made to the Capital Programme.

6.18 All projects are subject to evaluation and only once schemes are approved by Executive is the actual funding made available.

Performance Measures and Monitoring

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

- Budget Managers are responsible for monitoring individual schemes.
- Online financial information is available to all Directors/Assistant Directors and Project Managers, including details of any commitments, via the Council's financial reporting system.
- Monthly budget monitoring reports are produced for Directors/Assistant Directors and Project Managers.

- Delivery against each capital scheme is reviewed monthly at Capital Working Group, chaired by the Section 151 Officer.
- The Capital Programme is monitored monthly through Monthly Monitoring Returns, which are consolidated into a report for review by the Corporate Management Team. Any additional resources required/surplus resources that are not needed are therefore identified at an early stage.
- Quarterly Budget Monitoring reports are presented to Executive and Audit & Governance Committee showing the latest Capital Programme and estimated resources.
- An annual report to Executive and Audit & Governance Committee detailing the reasons for budget carry forwards, together with explanations for any variances >10% (+/-) of budgeted scheme cost; and
- The capital receipts forecast is updated on a quarterly basis.

6.20 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.

Risk & Governance

6.21 The Chief Finance Officer is responsible for ensuring that a Capital Programme is prepared on an annual basis for consideration by the Executive before submission to the Council.

6.22 Each capital scheme has a clearly identified project manager responsible for delivery of the scheme within the delegated budget.

6.23 For a scheme to be added to the capital programme, approval must be given by Executive. Directors are responsible for ensuring that a detailed business case is prepared for each project within their respective service area.

6.24 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The Chief Financial Officer must monitor and control expenditure and income against budget allocations and report to the Executive on the overall position on a regular basis.

6.25 Expenditure and delivery of each Capital Project is monitored monthly through Capital Working Group, chaired by the Chief Finance Officer, and reported to Executive as part of the Quarterly Budget Monitoring Report. This report is also presented to Audit & Governance Committee.

Capital Procurement

6.26 Procurement rules are set out by the Contract Standing Orders. These form part of the constitution and are routinely monitored to ensure they are kept relevant.

6.27 All tenders with an aggregate spend in excess of £300,000 require approval from Executive before contracts can be awarded – this will affect most capital projects.

6.28 The Procurement Board is chaired by a senior CMT Officer and comprises members of Corporate Management Team along with the Heads of Service for Finance, Legal & Democratic Services and Procurement.

6.29 Following the UK's departure from the European Union, the Official Journal of the European Union (OJEU) was replaced by the Find a Tender service (FTS). This was set out in Procurement Policy Note 08/20.

6.30 All procurements meeting FTS thresholds, as set out in the Public Procurement (Agreement on Government Procurement) (Thresholds) (Amendment) Regulations 2023 (which from 1st January 2024 are £214,904 inclusive of VAT for Goods & Services and £5,372,609 inclusive of VAT for works), are managed through Procurement Board following a gateway process. This ensures that the procurement exercise is of a high process, following due process throughout and delivering best value.

6.31 All major contracts are detailed in the Council's contract register, and contracts due for renewal and forthcoming tenders are listed within the Procurement Pipeline document which is monitored by the Procurement Board.

6.32 Procurement frameworks are used where possible to expedite the procurement process. This still requires a detailed specification and evaluation process to be in place during the procurement.

Other long Term Liabilities

6.33 Any long term liabilities and guarantees for a capital investment are identified and considered at the approval stage, in accordance with the Council's Standing Orders. These are monitored within the corporate budget monitoring process and any changes reported to Executive, as necessary.

Developing Knowledge and Skills

6.34 The Council has professionally qualified staff across a range of disciplines including finance, legal and property that follow continuous professional development (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills.

6.35 The Council establishes project teams from all the professional disciplines from across the council as required. External professional advice is taken if necessary and will always be sought in consideration of any major investment decision.

6.36 Internal and external training is offered to councillors to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Section 151 Officer.

Detailed Capital Programme and Funding Sources

6.37 The detailed capital programme and the sources of funding are presented below for consideration.

Capital Project - Description	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £
HOUSING REVENUE ACCOUNT					
New Fire Safety Bill	400,000	700,000	6,000,000	2,900,000	0
Decarbonisation Pilots	0	0	312,500	312,500	0
Social Housing Decarbonisation	0	0	3,000,000	3,000,000	3,000,000
Asbestos Removal	265,000	265,000	265,000	265,000	265,000
Balcony Works	0	0	1,805,490	1,805,490	0
Buybacks / Acquisitions capitalised repairs	598,100	426,660	533,320	533,320	533,320
Capital Projects Costs M&C	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Central Heating	2,001,350	2,003,670	2,015,000	1,338,030	1,038,340
Communal Area Rewires	0	0	1,317,130	1,317,130	1,317,130
Communal Areas refurbishments	59,810	74,760	104,670	104,670	169,460
Disabled Adaptations	868,870	588,050	588,050	588,050	588,050
Electrical sub-mains replacements	100,000	400,000	763,000	763,000	0
Electrics inc Voids	340,000	704,290	704,290	704,290	704,290
Improving Ipswich Homes Kitchens & Bathrooms	1,692,260	2,000,000	2,788,740	2,788,740	2,788,740
Neighbourhood and Community Improvements	200,000	100,000	150,000	150,000	150,000
Planned Maintenance	3,194,220	3,000,000	3,000,000	2,815,590	2,814,300
PV Panels	450,000	350,000	1,311,200	1,311,200	1,311,200
Sheltered Housing Review	0	2,500,000	5,000,000	5,000,000	2,500,000
Sheltered Imps/Lifts/Boilers	145,000	1,000,000	244,000	310,000	95,000
Civica Upgrade	29,000	0	0	0	0
SUB-TOTAL	**11,343,610**	**15,112,430**	**30,902,390**	**27,007,010**	**18,274,830**
Housing Delivery Program - General	0	0	0	10,000,000	20,000,000
Ravenswood UVW	8,248,990	9,651,430	2,090,240	0	0
Hawkes Road Development	1,678,590	6,715,050	918,690	0	0
Buy Backs	1,100,000	1,800,000	1,800,000	1,800,000	1,800,000
Housing Acquisitions	4,300,000	1,300,000	3,600,000	3,600,000	3,600,000
I.H.P. Grimwade Street	-308,890	0	0	0	0
Bibb Way	14,063,480	20,685,730	982,030	0	0
Hope Church	1,616,360	5,886,700	220,070	0	0
IHP Small Sites Coltsfoot Road	-107,530	0	0	0	0
IHP Small Sites Sheldrake Drive	-286,780	0	0	0	0
IHP Small Sites Mallard Way	-215,070	0	0	0	0
IHP Small Sites Emmanuel Close	-215,070	0	0	0	0
IHP Small Sites Halton Crescent	-35,850	0	0	0	0
SUB-TOTAL	**29,838,230**	**46,038,910**	**9,611,030**	**15,400,000**	**25,400,000**
HRA TOTAL	**41,181,840**	**61,151,340**	**40,513,420**	**42,407,010**	**43,674,830**

Capital Project - Description	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £
GENERAL FUND					
Town Fund					
Spirit Yacht Academy Project	50,000	150,000	700,000	182,630	0
Digital Town Centre	100,000	1,300,000	940,000	0	0
Former Silo - Pauls	118,590	2,613,590	322,040	91,500	0
Integrated Care Academy	2,580,000	0	0	0	0
Ipswich Oasis	60,000	400,000	19,940	0	0
Shopping Parades	50,000	2,000,000	760,000	0	0
Pedestrian/Cycle Bridge	1,310,000	0	0	0	0
Public Realm Improvements	22,000	397,000	947,000	34,000	0
Regeneration Fund	48,150	3,000,000	4,910,000	0	0
SUB-TOTAL	**4,338,740**	**9,860,590**	**8,598,980**	**308,130**	**0**
Handford Homes / Developments Schemes					
Ravenswood GF - Market Rent Properties x19	2,339,270	2,736,970	592,750	0	0
Ravenswood GF - Starter Homes x10	1,231,190	1,440,510	311,980	0	0
Princes St Area Multi Storey car park	57,250	6,500,000	8,180,000	262,750	0
Depot Construction	10,199,070	13,616,970	0	0	0
SUB-TOTAL	**13,826,780**	**24,294,450**	**9,084,730**	**262,750**	**0**
Annual Core Investments					
Capitalised Repairs	568,670	506,000	500,000	500,000	500,000
Disabled Facilities Grants	800,000	1,000,000	1,000,000	1,000,000	1,000,000
Improvement Grants	50,000	50,000	50,000	50,000	50,000
Play Area Equipment	208,000	419,000	400,000	400,000	400,000
Climate Change	100,000	219,640	100,000	100,000	100,000
Cap. IT Dev. - Equipment	185,000	185,000	185,000	185,000	185,000
SUB-TOTAL	**1,911,670**	**2,379,640**	**2,235,000**	**2,235,000**	**2,235,000**
Major Capital Projects					
1 Cornhill	90,000	0	0	0	0
Creative Hub	0	875,000	0	0	0
Economic Development	200,000	0	0	0	0
Lloyds Building	2,750,000	0	0	0	0
Public Realm Arras Square	156,000	805,960	12,040	0	0
Town Centre Water Feature_Fountain	22,000	0	0	0	0
Waterfront Warehouse	375,000	1,125,000	0	0	0
WS_4 College Street	21,500	0	0	0	0
WS_Burtons Building	228,170	2,518,000	1,802,000	117,500	0
West End Rd (Gecko2)	97,000	1,404,370	611,720	50,780	0
Former Little Waitrose	96,410	0	0	0	0
Grimwades Building	0	2,600,000	0	0	0
St Peters Dock Public Realm	40,000	460,000	0	1,000,000	0
St Stephens Church	361,000	4,500	0	0	0
Ips. Historic Churches Trust	139,500	164,000	78,550	2,370	0
Eastern Gateway phases 2b, 2c and 2d	2,577,310	3,934,710	356,320	176,140	0
Europa Way archaeology	103,000	200,000	0	0	0
Alderman Rd Culvert Contamination	75,000	0	0	0	0
Back Hamlet Allotments	15,000	0	0	0	0
Cemeteries Software	78,000	0	0	0	0
Cremator Replacement - Feasibility study	16,570	0	0	0	0
Temple of Remembrance redec	0	50,000	0	0	0
Chantry Entrance Pier	0	75,000	0	0	0
Chantry Park Entrance (road) improvements	53,000	0	0	0	0
Chantry Park HLF	0	300,000	0	0	1,250,000

Capital Project - Description	23/24 £	24/25 £	25/26 £	26/27 £	27/28 £
Major Capital Projects contd					
Composting Toilets P&C	0	55,000	29,000	29,500	0
Bishops Hill access road	0	54,000	0	0	0
IGS Country Park	417,570	0	0	0	0
Open Spaces Repairs - Alderman Rd Rec Canal	44,430	56,000	15,000	0	0
Open Spaces Repairs - Fencing Programme	50,000	161,500	0	0	0
Parks Improvement	85,420	0	0	0	0
Pond Hall Farm	125,000	130,560	0	0	0
Broomhill Pool	100,000	1,357,070	1,809,430	0	0
Crown Pools Chemical Delivery	0	20,000	30,000	0	0
Crown Pools Roof	125,830	93,290	0	0	0
Sports Facilities Strategy	414,660	500,000	0	0	0
Sports Review	286,270	0	0	0	0
Sports Schemes	79,740	0	0	0	0
Town Hall Refurbishment	0	40,000	206,000	0	0
Regent Lighting Rig	0	14,000	0	0	0
Regent Modular Build Project	442,500	7,500	0	0	0
Regent Theatre Customer Improvements - FoH	41,000	44,000	3,147,000	68,000	0
Ipswich Arts School Roof Replacement	9,300	0	0	0	0
Museum Project	250,000	4,878,660	2,228,020	0	0
CCTV Replacement System	51,430	0	0	0	0
Community Improvements in Gipping, Priory Heath and Westgate Wards	10,000	0	0	0	0
ESC Digital Transformation	55,000	220,000	0	0	0
Safer Streets 4	172,340	0	0	0	0
EV Chargepoints	208,750	300,000	0	0	0
Ip-City Facility Improvements (incl M&E)	25,000	525,960	8,390	0	0
Legal Case Management System	12,000	30,300	0	0	0
Non-Op Asset Mngt - EPC Surveys and Tenant Works	95,000	250,000	300,000	471,380	0
NW (Tooks) GP Surgery	207,500	1,750,000	6,800,000	112,500	0
Raeburn Road Infrastructure Works	20,550	0	0	0	0
Resurfacing Car Parks	80,000	70,000	0	0	0
Street Lighting transfer	0	50,000	200,000	85,000	0
Street Name Plates	0	50,000	25,000	0	0
SUB-TOTAL	**10,903,750**	**25,174,380**	**17,658,470**	**2,113,170**	**1,250,000**
Contingency & Other Items					
Carbon Management Prog Invest to Save - unallocated	70,000	56,250	0	0	0
DEFRA Air Quality grant funded project Capital	8,200	0	0	0	0
Empty Homes Strategy	0	250,000	300,000	300,000	300,000
Fleet Replacement	1,361,000	585,000	585,000	585,000	585,000
Machinery Replacement Programme	111,770	75,000	75,000	75,000	75,000
Transit site for Travellers	0	100,000	0	0	0
Simpler Recycling	0	1,630,450	0	0	0
Town Barrow Store	0	30,000	0	0	0
Domestic Waste Containers	0	80,500	84,000	86,000	88,000
Trade Waste Containers	0	128,500	135,000	139,000	141,000
Waste Container Purchases (inc Wheeled Bins)	98,770	0	0	0	0
Wastesaver Waste Stations	0	30,400	0	0	0
Contingency - Additional Commitments	307,200	394,000	400,000	400,000	400,000
SUB-TOTAL	**1,956,940**	**3,360,100**	**1,579,000**	**1,585,000**	**1,589,000**
HRA TOTAL	**41,181,840**	**61,151,340**	**40,513,420**	**42,407,010**	**43,674,830**
GF TOTAL	**32,937,880**	**65,069,160**	**39,156,180**	**6,504,050**	**5,074,000**
Loans to Council Companies	**4,450,000**	**0**	**0**	**0**	**0**
TOTAL CAPITAL PROGRAMME	**78,569,720**	**126,220,500**	**79,669,600**	**48,911,060**	**48,748,830**

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2023/24 AND FUTURE YEARS

	USABLE CAPITAL RECEIPTS	RESTRICTED CAPITAL RECEIPTS NEW BUILD ONLY	RESTRICTED CAPITAL RECEIPTS ALLOWABLE DEBT	TOTAL CAPITAL RECEIPTS in Agresso	EXTERNAL FUNDING	BORROWING	MAJOR REPAIRS RESERVE	REVENUE CONTRIBS TO CAPITAL OUTLAY (via SHELTERED RESERVE)	REVENUE CONTRIBS TO CAPITAL OUTLAY (NEW BUILD)	TOTAL
2023/24 (current yr)										
Resources at start of the year	**4,406,310**	**8,839,425**	**2,315,906**	**15,561,641**	**1,697,757**	**0**	**7,677,454**	**2,943,020**	**27,599,494**	**55,479,366**
Resources forecast to be received during the year	527,865	4,069,059	2,012,310	6,609,233	0	0	13,901,930	1,000,000	1,000,000	22,511,163
Resources available in year	**4,934,175**	**12,908,484**	**4,328,216**	**22,170,874**	**1,697,757**	**0**	**21,579,384**	**3,943,020**	**28,599,494**	**77,990,529**
Use of Resources	1,304,055	5,019,596	4,328,215	10,651,866	1,697,757	0	11,343,610	0	17,488,607	41,181,840
Balance at year end	**3,630,120**	**7,888,888**	**1**	**11,519,008**	**0**	**0**	**10,235,774**	**3,943,020**	**11,110,887**	**36,808,689**
2024/25										
Resources at start of the year	**3,630,120**	**7,888,888**	**1**	**11,519,008**	**0**	**0**	**10,235,774**	**3,943,020**	**11,110,887**	**36,808,689**
Resources forecast to be received during the year	530,345	4,069,492	2,009,397	6,609,233	7,000,000	20,443,710	12,612,430	1,000,000	0	47,665,373
Resources available in year	**4,160,464**	**11,958,380**	**2,009,398**	**18,128,242**	**7,000,000**	**20,443,710**	**22,848,204**	**4,943,020**	**11,110,887**	**84,474,063**
Use of Resources	1,094,889	4,380,572	2,009,397	7,484,858	7,000,000	20,443,710	12,612,430	2,500,000	11,110,342	61,151,340
Balance at year end	**3,065,575**	**7,577,808**	**1**	**10,643,384**	**0**	**0**	**10,235,774**	**2,443,020**	**545**	**23,322,723**
2025/26										
Resources at start of the year	**3,065,575**	**7,577,808**	**1**	**10,643,384**	**0**	**0**	**10,235,774**	**2,443,020**	**545**	**23,322,723**
Resources forecast to be received during the year	532,849	4,069,929	2,006,455	6,609,233	3,300,000	13,692,734	11,800,000	0	0	35,401,967
Resources available in year	**3,598,425**	**11,647,737**	**2,006,456**	**17,252,617**	**3,300,000**	**13,692,734**	**22,035,774**	**2,443,020**	**545**	**58,724,690**
Use of Resources	1,970,110	2,276,096	1,726,970	5,973,176	3,300,000	13,692,734	16,902,390	2,443,020	-1,797,900	40,513,420
Balance at year end	**1,628,315**	**9,371,641**	**279,486**	**11,279,441**	**0**	**0**	**5,133,384**	**0**	**1,798,445**	**18,211,270**
2026/27										
Resources at start of the year	**1,628,315**	**9,371,641**	**279,486**	**11,279,441**	**0**	**0**	**5,133,384**	**0**	**1,798,445**	**18,211,270**
Resources forecast to be received during the year	535,379	4,070,371	2,003,484	6,609,233	0	16,487,660	12,200,000	0	0	35,296,893
Resources available in year	**2,163,694**	**13,442,011**	**2,282,969**	**17,888,674**	**0**	**16,487,660**	**17,333,384**	**0**	**1,798,445**	**53,508,163**
Use of Resources	1,162,340	5,440,000	1,420,000	8,022,340	0	16,487,660	16,107,010	0	1,790,000	42,407,010
Balance at year end	**1,001,354**	**8,002,011**	**862,969**	**9,866,334**	**0**	**0**	**1,226,374**	**0**	**8,445**	**11,101,153**
2027/28										
Resources at start of the year	**1,001,354**	**8,002,011**	**862,969**	**9,866,334**	**0**	**0**	**1,226,374**	**0**	**8,445**	**11,101,153**
Resources forecast to be received during the year	537,934	4,070,817	2,000,482	6,609,233	0	17,177,660	11,711,080	0	0	35,497,973
Resources available in year	**1,539,288**	**12,072,828**	**2,863,452**	**16,475,568**	**0**	**17,177,660**	**12,937,454**	**0**	**8,445**	**46,599,127**
Use of Resources	1,462,340	9,440,000	2,820,000	13,722,340	0	17,177,660	12,774,830	0	0	43,674,830
Balance at year end	**76,948**	**2,632,828**	**43,452**	**2,753,228**	**0**	**0**	**162,624**	**0**	**8,445**	**2,924,297**

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2023/24 AND FUTURE YEARS

	EXTERNAL FUNDING	USABLE CAPITAL RECEIPTS	REVENUE CONTRIBS TO CAPITAL OUTLAY	UNSUPPORTED BORROWING	TOTAL
2023/24					
Resources at start of the year	**7,958,987**	**0**	**222,800**	**0**	**8,181,787**
Resources forecast to be received during the year	13,205,502	4,171,505	0	26,952,245	44,329,252
Resources available in year	**21,164,489**	**4,171,505**	**222,800**	**26,952,245**	**52,511,039**
Use of Resources	6,221,330	4,171,505	42,800	26,952,245	37,387,880
Balance at year end	**14,943,159**	**0**	**180,000**	**0**	**15,123,159**
2024/25					
Resources at start of the year	**14,943,159**	**0**	**180,000**	**0**	**15,123,159**
Resources forecast to be received during the year	6,153,853	450,000	0	47,075,330	53,679,183
Resources available in year	**21,097,012**	**450,000**	**180,000**	**47,075,330**	**68,802,342**
Use of Resources	17,543,830	450,000	0	47,075,330	65,069,160
Balance at year end	**3,553,182**	**0**	**180,000**	0	**3,733,182**
2025/26					
Resources at start of the year	**3,553,182**	**0**	**180,000**	**0**	**3,733,182**
Resources forecast to be received during the year	10,858,300	300,000	0	27,186,160	38,344,460
Resources available in year	**14,411,482**	**300,000**	**180,000**	**27,186,160**	**42,077,642**
Use of Resources	11,670,020	300,000	0	27,186,160	39,156,180
Balance at year end	**2,741,462**	**0**	**180,000**	**0**	**2,921,462**
2026/27					
Resources at start of the year	***2,741,462***	***0***	***180,000***	***0***	**2,921,462**
Resources forecast to be received during the year	1,108,130	300,000	0	4,643,560	6,051,690
Resources available in year	**3,849,592**	**300,000**	**180,000**	**4,643,560**	**8,973,152**
Use of Resources	1,560,490	300,000	0	4,643,560	6,504,050
Balance at year end	**2,289,102**	**0**	**180,000**	**0**	**2,469,102**
2027/28					
Resources at start of the year	***2,289,102***	***0***	***180,000***	***0***	**2,469,102**
Resources forecast to be received during the year	800,000	300,000	0	3,743,200	4,843,200
Resources available in year	**3,089,102**	**300,000**	**180,000**	**3,743,200**	**7,312,302**
Use of Resources	1,030,800	300,000	0	3,743,200	5,074,000
Balance at year end	**2,058,302**	**0**	**180,000**	**0**	**2,238,302**

Section 7

TREASURY MANAGEMENT STRATEGY AND POLICIES FOR 2024/25

Introduction

7.1 Ipswich Borough Council has adopted the following to define the policies and objectives of its treasury management activities as recommended in the CIPFA Code of Practice on Treasury Management 2021 (TM Code):

a) The Council defines its treasury management activities as “the management of the organisation’s borrowing, investments, and cash flows, including its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.”

b) The Council regards the successful identification, monitoring, and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

c) The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable, comprehensive performance measurement techniques within the context of effective risk management.

7.2 The Council’s Treasury Management Strategy (including borrowing and investment strategies) and its treasury activities are strictly regulated by statutory requirements in the TM Code and the CIPFA Prudential Code 2021. Section 5 of the TM Code recommends that all public service organisations adopt the following 4 clauses.

7.2.1 This organisation will create and maintain, as the cornerstones for effective treasury and investment management:

- a treasury management policy statement stating the policies, objectives, and approach to risk management of its treasury management activities.
- suitable treasury management practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

- investment management practices (IMPs) for investments that are not for treasury management purposes.

The content of the policy statement, TMPs and IMPs will follow the recommendations contained in Sections 6, 7 and 8 of the TM Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the TM Code's key principles.

7.2.2 This organisation will receive reports on its treasury and investment management policies, practices, and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close in the form prescribed in its TMPs and IMPs.

7.2.3 This organisation delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to its Executive, and for the execution and administration of treasury management decisions and functions to the Section 151 Officer, who will act in accordance with the organisation's policy statement, TMPs and IMPs, and if they are a CIPFA member, CIPFA's Standard of Professional Practice on treasury management.

7.2.4 This organisation nominates Audit & Governance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Current Position

7.3 The Bank of England has left the base rates at 5.25% for the second time in a row which implies that these rates have now peaked. Most forecasters, including the Council's treasury management advisors, anticipate it to drop from September 2024 plateauing in December 2025 at 3%. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

7.4 The table below shows the Council's treasury portfolio position as at 31 December 2023.

Table Twenty: Treasury Portfolio Position as at 31 December 2023

	General Fund	HRA	Overall
	£m	£m	£m
Borrowing			
PWLB Maturity	55.950	34.151	90.101
PWLB Annuity	54.121	24.806	78.927
PWLB EIP	0.000	22.514	22.514

	General Fund	HRA	Overall
	£m	£m	£m
Market loans	0.000	9.000	9.000
Total Borrowing	**110.071**	**90.471**	**200.542**
Total Investments	**135.705**		**135.705**

7.5 If the Council were to borrow any long-term debt during 2024/25, the current expectation for interest rates, depending on borrowing period and loan type, is shown below.

Table Twenty-one: Estimated Interest Rates for Future Periods

	Bank Rate (%)	PWLB Borrowing Rates (%)		
		10 year	25 year	50 year
Mar-24	5.25%	4.90%	5.20%	5.00%
Mar-25	4.00%	4.20%	4.40%	4.20%
Mar-26	3.00%	3.60%	3.90%	3.70%
Mar-27	3.00%	3.50%	3.80%	3.60%

Borrowing Strategy

7.6 The Council has adopted a two debt-pool approach, one for the HRA and one for GF so any loans taken out are specific to one or the other.

7.7 Since 2014/15, the council's accounting policy is, where appropriate, to capitalise borrowing costs on capital schemes.

7.8 The capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt, as the Council's reserves have been supported by balances and cash flow, as a temporary measure. This strategy of mixed borrowing and use of temporary cash balances is prudent as it helps to minimise counterparty risk. This means the Council is currently maintaining an under-borrowed position and takes advice from its treasury advisor regarding any changes to this.

7.9 However, the Council's use of internal borrowing is now limited, as the key source (HRA), will be reduced by £50m to minimal levels between now and 2025 due to paying for new build schemes (e.g., Bibb Way and Ravenswood). There is an option to borrow in advance of need, although our initial calculations indicate the cost of carrying the debt early (interest) outweighs the benefit because we expect rates to come down again during 2025. This means, instead, we may borrow short term 1, 2 and 3 year debt and borrow long term when the rates are cheaper for the remaining life (25 to 50 years).

7.10 Historically the Council has borrowed most of its financing from the Public Works Loan Board (PWLB). Local Authorities are now required to submit high level capital plans for three years when accessing PWLB lending and the Section 151 Officer is required to confirm that there is no intention to buy investment assets primarily for yield at any point during that three-year period. This does however allow us to borrow at the Certainty rate which is 0.2% below the quoted standard interest rate.

7.11 If the Council needs to borrow for any short-term cash flow situations, there are several providers in the market who can supply the Council with funds for the periods required. Consideration will also be given to identify if there is any residual potential for making savings by reducing investment balances to repay debt prematurely, as short-term rates on investments are likely to be lower than rates paid on current debt. However, PWLB debt has a premium for early repayment, which may reduce the opportunities available unless offset by favourable interest rate movements.

7.12 The current strategy is only to borrow when we are certain it is required rather than in advance of actual need in case the proposed investment (capital project) is delayed or cancelled so as to reduce the risk of incurring additional costs unnecessarily.

Sources of Borrowing

7.13 Finance will only be raised in accordance with the Local Government Act 2003, and within this limit the Council has a number of approved methods and sources of raising capital finance. No changes are proposed. These currently are:

On Balance Sheet	Fixed	Variable
PWLB	●	●
Municipal bond agency	●	●
UK Infrastructure Bank	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Leasing (not operating leases)	●	●

Deferred Purchase

Other Methods of Financing

- Government & other bodies Capital Grants
- Lottery monies

INVESTMENT STRATEGY

7.14 As at 31 December 2023 the Council held significant invested funds of £135.705m, representing income received in advance of expenditure plus balances and reserves held. The majority of this is invested in Council owned companies through loans provided. Levels are expected to drop during the forthcoming year due to the need to fund the proposed capital programme.

7.15 The Council's underlying strategy is to hold investments to maturity, to collect contractual cash flows, rather than trade in the underlying instruments.

7.16 The Council will not borrow to invest primarily for financial return. The Council will not borrow more than, or in advance of, its needs in order to profit from investment of the extra sums being borrowed. Exceptionally, circumstances may change after borrowing has been arranged which could result in the Council having more cash than anticipated for a short period.

7.17 The Council regularly takes advice from its external financial advisors and the Council will take appropriate advice from specialists before any decision is taken to invest in new types of investment.

7.18 The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return and its primary principle governing investment priorities will be security, liquidity and then yield when choosing where and how to invest any surplus cash, though non-financial considerations will also be taken into account.

7.19 After this main principle, the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and
- It has sufficient liquidity in its investments to meet its current liabilities. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.

7.20 In accordance with the above, and to minimise the risk to investments, the Council has clearly stipulated, below, the minimum acceptable credit quality of counterparties for inclusion on the lending list.

7.21 The credit-worthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies. Using the ratings system of the Council's treasury management advisors, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

7.22 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.

7.23 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" to augment the credit ratings data.

7.24 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector to establish the most robust scrutiny process on the suitability of potential investment counterparties.

7.25 All counterparties on the Council's list (detailed at the end of this Section) will be subject to meeting the minimum criteria where applicable before any investments are made.

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

7.27 There are several operational issues considered in developing the future Counterparty list and these are detailed below.

7.28 The Council currently has an Instant Access Account with its current bankers and four Money Market Funds (MMF's), which are used to manage the Council's working capital and ensure the Council always has funds to meet its liabilities. These types of investments are very secure and gives the Council instant access to funds when required.

7.29 The security and return of investments are the biggest priority, especially given the current economic circumstances. As a rule, the more security an investment has, the lower the interest rate is.

7.30 In terms of these investments, the expected returns over the next few years are shown in the table below:

Table Twenty-two: Expected investment returns:

Year	*Expected Returns*
2023/24	*3.32%*
2024/25	*4.91%*
2025/26	*3.28%*
2026/27	*2.75%*
2027/28	*2.75%*

7.31 The maximum period for an investment in the government's debt management account is six months. The longer an investment can be made for, the more certainty there is on the Council's budget in terms of investment income.

7.32 Although the introduction of the banking stress tests helps., any uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security even though, ideally, investments would be invested longer to secure better returns. The current rising interest rates means the Council may not wish to invest for too long in case the investment return becomes a drag on performance.

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

7.34 The temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1 April 2018, has been extended to 31 March 2025. The Council does not have any pooled investments at present. The Council's investments in its arms-length companies may come under the scope of IFRS9 and this is being monitored.

7.35 The Council may consider Property Funds as an opportunity for investment. These will come under the scope of IFRS9 and will be covered by the override until 31 March 2025.

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

7.37 The Council's full counterparty list for investments and the limits must 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 future counterparty list, the Council needs to consider the economic climate, but also needs to include enough flexibility within the list to help officers act in the Council's best interests.

7.38 The full counterparty list agreed by Council identifies the maximum range and extent of counterparties that can be used. The Section 151 Officer uses this list to draw up an appropriate operational list for use by officers. This operational counterparty list will be subject to change depending on the economic climate, credit rating changes and other market intelligence. Changes that are automatically triggered such as credit rating changes will be acted upon immediately.

7.39 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 criterion selects which counterparties the Council will choose rather than defining what its investments are.

7.40 The Council's treasury consultants advise on all active counterparties that comply with the criteria below and supply credit rating information on a real time basis. Any counterparty failing to meet the criteria would be omitted from the counterparty list.

7.41 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 considered before dealing.

7.42 Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps or equity prices) will be applied to compare the relative security of differing investment counterparties.

7.43 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as "ring-fencing." Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

7.44 Ring-fencing is a regulatory initiative created in response to the 2008 global financial crisis. It mandates the separation of retail and SME deposits from investment banking, to improve the resilience and resolvability of banks by changing their structure. In general, simpler activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and "riskier" activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity's core activities are not adversely affected by the acts or omissions of other members of its group.

7.45 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered) will be considered for investment purposes. The Council will look to place investments with the ring-fenced part of the bank.

7.46 MIFID II requirements came into effect from 3 January 2018 and the Council has opted up to professional status with all relevant counterparties and bodies.

7.47 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. The maximum amount to be invested is £60m with an overall maximum exposure for this category of *£60m.* 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 most Local Authorities are not rated, investments made in them have a high security rating, as local authorities must set legal budgets and have guaranteed borrowing help available to them through government sources. However, most investments in local authorities are normally borrower led. This market is increasing and the time span for investments and interest rates have been increasing. The time limit for investments in local authorities is 2 years and the maximum amount to be invested in any one local authority is £5m. The overall maximum exposure for this category would be *£50m*. Before investing in local authorities, other information will be sought, such as short-term borrowing exposure and potential financial difficulties.

- **Category 3 (Major UK Financial Institutions)** - This category is for major UK financial institutions and also includes the nationalised and part-nationalised UK banks. Before undertaking investments, the Council will use generally available market information, and UK banks and Building Societies, which have the following ratings from at least two of the three rating agencies (Fitch, Moody's, and Standard & Poors).

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

The maximum time limit for investments in institutions falling in Category 3 is 2 years and the maximum amount to be invested in any one group is £20m. In addition, consideration will be given to the length of time any investments are made which will be dependent on their market outlook rating i.e., their rating direction. The overall maximum exposure for this category would be *£80m.*

- **Category 4 (Money Market Funds (MMF's)** - MMF's are for managing short-term cash balances only and offer instant access to funds. They are AAA rated products and interest rates are less volatile than base rates. There are two types of MMF's, one that invests in money market instruments that have been in existence for several years with the other being money market funds that invest in Government backed securities. To date the returns on investments in the money market instruments have performed better than the government backed securities (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 if they are sterling denominated. The use of MMF's eases the pressure on the Council's instant access account and gives us more flexibility. The overall maximum exposure for this category would be *£30m*, with a maximum of *£7.5m* 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,** but they must have met at least one of its credit ratings criteria.
- 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 *£3m*. If a **Category 3** institution is downgraded to a **Category 5** then then the **Category 5** limits will be applied. 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 considered. For most financial institutions, the maximum amount to be invested in any one group will be a lower figure, and some financial institutions will have shorter investment periods. The overall maximum exposure for this category would be *£25m.*

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

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

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

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

  Investments in property funds can have potential financial implications for the General Fund under IFRS9 regulations that were applicable from 1 April 2018, although the Government has introduced a mandatory statutory override for local authorities which now runs until 31 March 2025. Local authorities will still need to disclose the unrealised fair value movements in a separate unusable reserve over this period.

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

7.48 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 and 4.

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

7.49 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.

Table Twenty-three: Potential and Maximum Exposure by Category

	Number of Institutions in category	Maximum exposure per Institution (£m)	Potential Exposure (£m)	Maximum Exposure (£m)	Time Limit
Category 1	1	60	60	60	Max 6 Months
Category 2	Unlimited	5	50	50	Max 2 years
Category 3	10	20	200	80	Max 2 years
Category 4	4	7.5	30	30	Instant Access
Category 5	5	3	15	25	Max 365 Days
Category 6	33	5	165	25	Max 365 Days
Category 7	4	5	20	10	Unlimited

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

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

7.52 After considering the above operational issues and the counterparty framework set out the Council expects to follow the following future strategy.

7.53 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the Bank of England base rate staying at 5.25% until mid-2024. The criteria for choosing counterparties set out above, provides a sound approach to investment in “normal” market circumstances. Councillors are asked to approve these base criteria above. The Section 151 Officer may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval, dependent on future economic circumstances. It could also include borrowing in advance of need at lower fixed rates, where appropriate.

7.54 There are three main types of investment made by the council, each of which are discussed in turn below.

a. Treasury Management Investments
b. Investments made to support service objectives
c. Investing in Council-owned companies

Treasury Management Investments

7.55 The Council typically receives its cash income (e.g., from taxes and grants) in advance of when it is required operationally to pay for its expenditure in cash (e.g., through payroll and invoices). The Council also holds cash reserves to manage financial uncertainty and future requirements. This means that the Council's cash position is managed daily by the Finance team.

7.56 These day-to-day activities and the timing of borrowing decisions can lead to a cash surplus which can be invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy.

7.57 The contribution that these investments make to the objectives of the Council is to support effective Treasury Management activities and will rarely be capital expenditure. The Council's policies and its plan for future Treasury Management investments are covered in the Treasury Management Strategy in Section 8 of this document.

7.58 The Council will not ordinarily invest in financial investments not covered by the Treasury Management strategy. Should the Section 151 Officer determine that a suitable opportunity for such an investment has arisen, Executive will be asked for their approval before the Council proceeds. This will require a business case for the investment setting out the benefits and risks of the investment, the maximum term permitted and a limit for the sum of cash to be invested. Any such case should include a summary of the advice received from the Council's external financial advisors.

Investments Made to Support Service Objectives

7.59 The Council may spend money which supports the delivery of local public services. These will normally constitute capital expenditure, and it may be appropriate to borrow to finance service investments.

7.60 This category can also cover wider service objectives – for example, the economic development of Ipswich town centre.

7.61 It is important to note that in all cases the security and liquidity of taxpayers' money will remain key considerations and must be addressed by the business case for a scheme prior to that scheme proceeding.

7.62 This could include, but is not limited to, considering the credit rating of the creditor receiving Council monies, the Balance Sheet and financial statements of any external party involved in transactions, or an independent assessment of the sector in which the monies are being invested.

7.63 The business case for any such capital scheme will be considered and approved by Executive prior to proceeding. Part of the case to be considered will be the wider benefits of investing the money and the consequence on the revenue budget of investing the money.

7.64 It is important that the timescale for the repayment of the money invested is proportionate to the nature of the scheme. It is a minimum requirement that the scheme should generate sufficient revenue income each year to cover the capital charges incurred through investing the money including Minimum Revenue Provision associated with the scheme.

7.65 Any schemes will be listed and clearly named on the capital programme reported to Executive and Audit & Governance committees each quarter within the Budget Monitoring reports.

Investing in Council-owned Companies and for Commercial Purposes

7.66 The Council has invested and continues to invest in Council-owned companies. The change in the Prudential Code to not investing for yield, had immediate effect from 1 January 2022, and covered any new investment. This was supported by a similar limitation on borrowing for “purchasing investment assets primarily for yield” from the Public Works Loans Board. Any future investment has to meet this criterion.

7.67 The main change to the Prudential Code is contained in paragraph 51 of the Code. *“The Prudential Code determines that certain acts or practices are not prudent activity for a local authority and incur risk to the affordability of local authority investment*:

- *In order to comply with the Prudential Code, <u>an authority must not borrow to invest primarily for financial return</u>.*

- *It is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose.”*

7.68 Commercial property is any property which the local authority purchases or holds primarily for financial return. This is not a financial investment but is within the scope of this Code and is included in the prudential indicator for net income from commercial and service investments. The Prudential Code confirms that existing commercial investments are not required to be sold or exited. From April 2023 an increased level of prudential indicator reporting is needed on investments (see investment indicators).

7.69 The Council recently made a loan to IBA for £4.45m to enable the company to regenerate one of its retail parks within the borough to facilitate a development of a new retail unit to generate an economic and employment benefit. This was deemed to be compliant with the prudential code as the Council is seeking to generate an economic and employment benefit to the borough and was not seeking to primarily invest for financial return.

7.70 There are currently no other or anticipated investment requests from the Council's own companies.

7.71 Where investment in Council-owned companies meets the Prudential Code criteria, it will be undertaken based on a signed loan agreement setting out, as a minimum, the sum to be borrowed, the rate at which interest will accrue, the frequency of repayments and a repayment schedule. This loan agreement must be signed by the Section 151 Officer and the Company's Finance Director before proceeding. It is on this basis that investment in Council-owned companies will ordinarily be solely payments of principal and interest (SPPI).

7.72 Lending will only be offered to Council-owned companies at terms commercially available to the companies elsewhere and will be compliant with the Prudential Code.

7.73 Where the Council borrows money to finance lending to Council-owned companies, it must be at the best available terms and for a repayment period no longer than that of the loan being made to the company. The Council will require a minimum of five working days' notice from the company.

7.74 Borrowing undertaken by the Council to finance lending to Council-owned companies will ordinarily be repaid on an annuity basis, unless there are sound financial reasons for different repayment terms being agreed, irrespective of the terms being agreed with the Council-owned company.

7.75 The Council will undertake its own assessment of the risks associated with any investment. This may include an independent assessment of the sector in which the investment is being made or the wider economic outlook and any sector-specific risks that need to be considered and mitigated.

7.76 The Council has complied with paragraphs 51 to 53 of the Prudential Code in relation to investments for commercial purposes, and in particular the requirement that an authority must not borrow to invest for the primary purpose of financial return.

Investment Indicators

7.77 The Treasury Management Code requires that investments be analysed between investments for treasury management, service, and commercial purposes.

7.78 The following table analyses the Council's investments into the three types:

Table Twenty-four: Investment Types as at 31st December 2023

	£m	£m
Treasury Management Investments:		
Fixed Term Investments	0.000	
Instant Access Accounts	0.110	
Money Market Funds	12.271	
Notice Accounts	0.000	**12.381**
Service Investments:		**0.000**
Commercial Investments:		
Inter Group Loans		**123.324**
Total Investments		**135.705**

7.79 The following table shows the net financial impact on the Council of its entire non-treasury investment income:

Table Twenty-five: Estimate of Net Income from Commercial & Service Investments to Net Revenue Stream

	22/23 Actual £m	**23/24 Estimate £m**	**24/25 Estimate £m**	**25/26 Estimate £m**	**26/27 Estimate £m**
Interest and investment income (excluding treasury management investments)	5.53	5.42	5.40	5.36	5.21
Income from Commercial Properties	0.85	0.00	0.00	0.00	0.00
Net revenue stream	23.11	23.06	22.88	23.44	24.05
Proportion of net income from commercial & service investments to net revenue stream	27.61%	23.50%	23.60%	22.87%	21.66%

7.80 The proportion of service and residual IBC company investment is regarded as prudent, affordable, and proportionate because it represents 30% of the Council's overall budget and losses could be absorbed in a managed way without detriment to local services.

7.81 The following quantitative indicators have been set to allow councillors and the public to assess the Council's total risk exposure as a result of its investment decisions. They take into account the types of investment made by the Council.

Investment Indicator One: Total exposure to investment losses

£m	2022/23 (actual)	2023/24 (forecast)	2024/25 (forecast)
Total Invested	129.284	135.745	128.439

Investment Indicator Two: Total Investments funded by borrowing.

£m	2022/23 (actual)	2023/24 (forecast)	2024/25 (forecast)
Total Invested	129.284	135.745	128.439
Funded by Borrowing	101.38	102.847	99.801
%	78.42%	75.76%	77.70%

Investment Indicator Three: Lending to Council-Owned Companies as a multiple of Net Service Expenditure

£m	2022/23 (actual)	2023/24 (forecast)	2024/25 (forecast)	2025/26 (forecast)	2026/27 (forecast)	2027/28 (forecast)
Lending to Companies	119.563	123.271	118.439	114.845	113.925	112.962
Total Net Service Expenditure	24.705	25.541	23.252	23.455	23.949	24.463
Multiple of Expenditure lent	4.8	4.8	5.1	4.9	4.8	4.6

Investment Indicator Four: Net Contribution made by non-TM Investments to Revenue budget.

£m	2022/23 (actual)	2023/24 (forecast)	2024/25 (forecast)	2025/26 (forecast)	2026/27 (forecast)	2027/28 (forecast)
Revenue Contribution	3.167	3.225	3.343	3.207	3.110	3.133

Investment Indicator Five: % of Authorised Limit for External Debt used for Company Lending

	2022/23 (actual)	2023/24 (forecast)	2024/25 (forecast)	2025/26 (forecast)	2026/27 (forecast)	2027/28 (forecast)
Lending to Companies	119.563	123.271	118.439	114.845	113.925	112.962
Authorised Limit	400	480	500	550	580	580
% of Limit Used	29.89%	25.68%	23.69%	20.88%	19.64%	19.48%

7.82 The Council uses external treasury management advisors. The Council recognises that responsibility for treasury management decisions always remains with the organisation 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 to acquire access to specialist skills, resources, and information. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

PRUDENTIAL INDICATORS

7.83 In addition, the CIPFA Prudential Code (2021) also requires Council's to consider and set indicators for the next three years as part of their medium term financial planning. These indicators should be monitored during the year and must be reviewed annually.

7.84 "The framework established by the Prudential Code should support:

a) local strategic planning
b) local asset management planning
c) proper option appraisal including ensuring that capital expenditure is in accordance with the corporate objectives of the authority.

7.85 The objectives of the Prudential Code are to provide a framework for local authority capital finance that will ensure for individual local authorities that:

d) capital expenditure and investment plans are affordable and proportionate
e) all external borrowing and other long-term liabilities are within prudent and sustainable levels
f) the risks associated with investments for service and commercial purposes are proportionate to their financial capacity – i.e., that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services
g) treasury management and other investment decisions are taken in accordance with professional good practice and that in taking decisions in relation to d) to g) above the local authority is:
h) accountable, by providing a clear and transparent framework.

In exceptional circumstances the objective of the Prudential Code is to provide a framework that will demonstrate that there is a danger of not ensuring the above, so that the authority can take timely remedial action."

7.86 The Council must 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.

Table Twenty-six: Estimated Capital Expenditure by Year 2023/24 to 2027/28

Year	General Fund (£m)	HRA (£m)	Overall (£m)
2023/24	37.388	41.182	78.570
2024/25	65.069	61.151	126.220
2025/26	39.156	40.513	79.669
2026/27	6.504	42.407	48.911
2027/28	5.074	43.675	48.749

7.87 The Council's Capital Financing Requirement (CFR) is set out in the table below and is essentially the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. The CFR is therefore an indication of Council's underlying borrowing need.

Table Twenty-seven: Estimated Capital Financing Requirement 2023/24 to 2027/28

Year	General Fund (£m)	HRA (£m)	Overall (£m)
2023/24	207.180	104.190	311.370
2024/25	234.366	121.360	355.726
2025/26	248.505	131.564	380.069
2026/27	246.373	144.307	390.680
2027/28	243.371	157.665	401.036

7.88 The prudential code identifies some key affordability indicators.

Table Twenty-eight: Financing Costs to Net Revenue Stream (General Fund)

	22/23 Actual £m	24/25 Estimate £m	25/26 Estimate £m	26/27 Estimate £m	27/28 Estimate £m
Financing costs	2.69	3.78	3.68	4.39	4.46
Net revenue stream	23.11	23.06	22.88	23.44	24.05
Financing costs to net revenue stream	11.64%	16.39%	16.08%	18.73%	18.54%

7.89 The Council is required to pay an annual revenue charge (the Minimum Revenue Provision (MRP)), which broadly reduces the indebtedness in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

Table Twenty-nine: Estimated Minimum Revenue Provision Charge 2023/24 to 2027/28

Year	General Fund (£m)	HRA (£m)	Loans Made (£m)	Overall (£m)
2023/24	3.603	2.993	0.743	**7.339**
2024/25	3.889	3.295	0.382	**7.566**
2025/26	4.896	3.734	8.044	**16.674**
2026/27	5.901	4.321	0.920	**11.142**
2027/28	5.827	4.424	0.963	**11.214**

7.90 DLUHC Regulations have been issued which require Council to approve an MRP Statement in advance of each year. A variety of options is provided to councils, so long as there is prudent provision.

7.91 It is recommended that Council approve the following MRP Statement which is unchanged from last year.:

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 MHCLG Regulations.*

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

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

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

  MRP will commence in the latter of the year following the year in which capital financing from borrowing is incurred, or the year after the asset is brought into use.

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

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

7.92 The Council must set prudential limits for its total gross debt which should not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year, plus the estimates of any additional CFR for

2024/25 and the following two financial years. This allows some flexibility for limited early borrowing for future years but ensures that borrowing is not undertaken for revenue purposes.

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

7.94 The Council maintains the minimum level of debt for the Council to keep the Council Tax level low, subject to optimum use of the Treasury Management and Prudential Codes, when opportunities arise that are beneficial to the Council.

7.95 **The liability benchmark** covers the forthcoming and following two years, as a minimum. The chart is intended to show how the minimum revenue provision (MRP) and other cash flows affect the future debt requirement, through four balances.

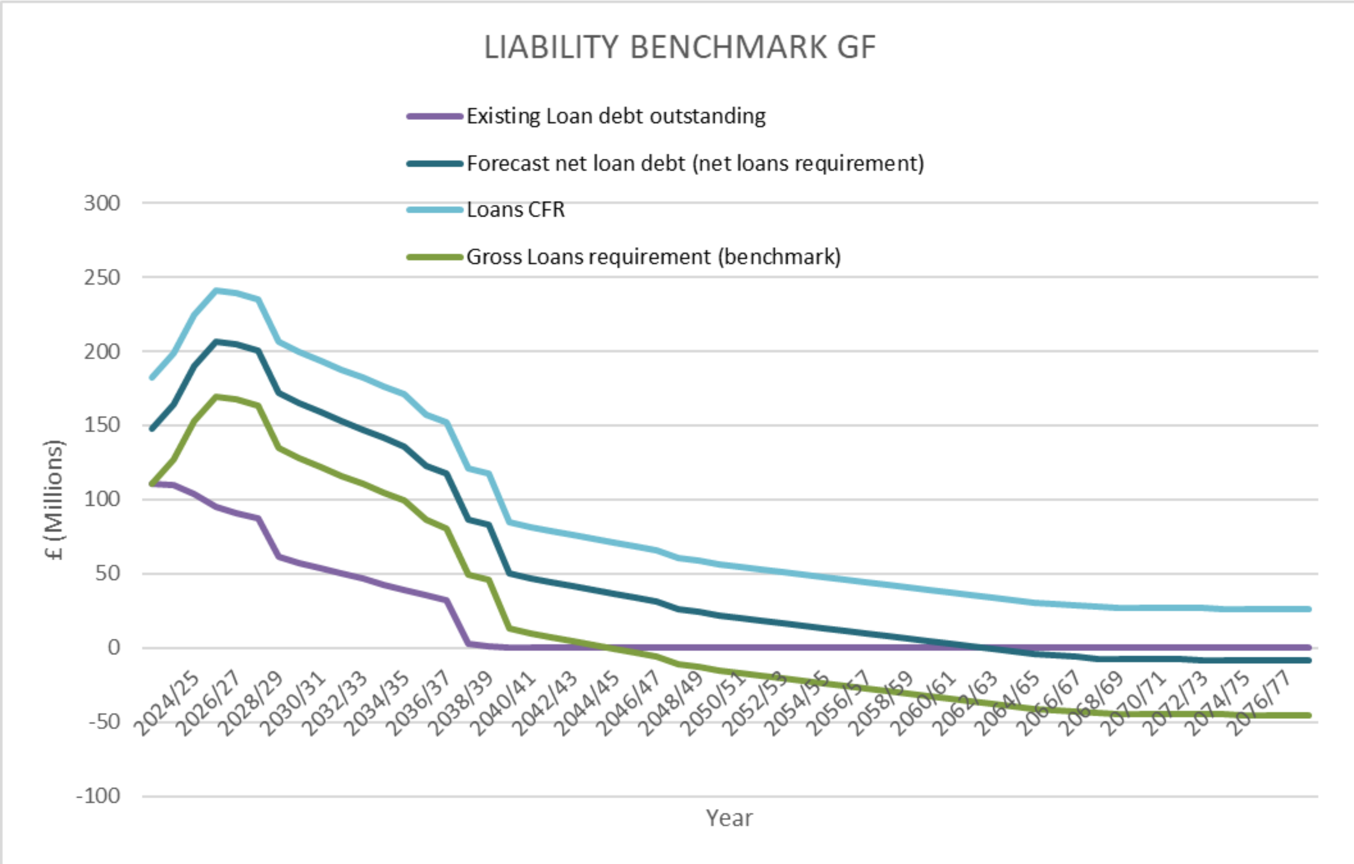
1. Existing loan debt outstanding: the authority’s existing loans that are still outstanding in future years.

2. Loans CFR: calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP, taking account of approved prudential borrowing.

3. Net loans requirement: the authority’s gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.

4. Liability benchmark (or gross loans requirement) equals net loans requirement plus short-term liquidity allowance.

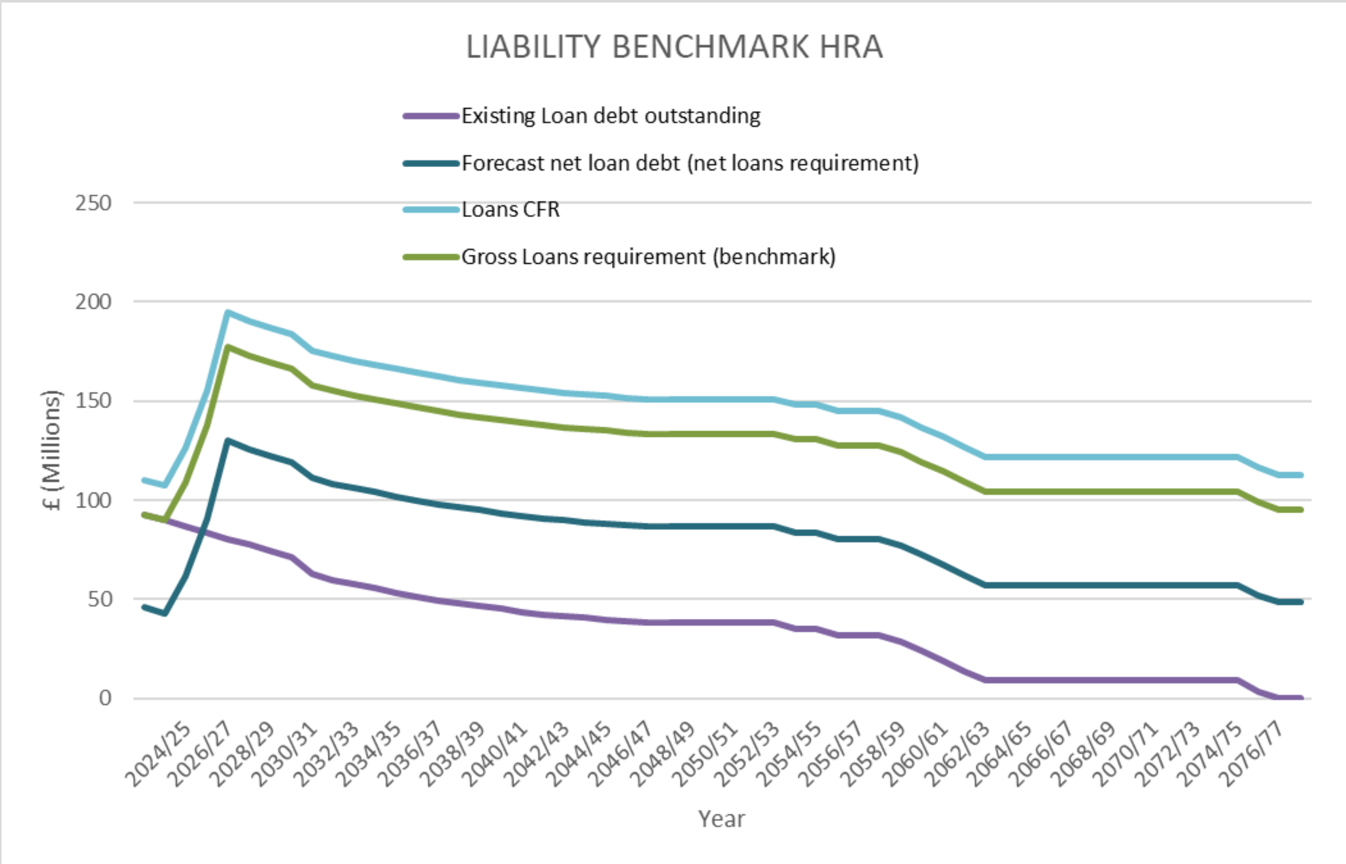
Chart Eight: Liability Benchmark (General Fund)



If the Purple line is ABOVE the Green line IBC needs to INVEST the excess

If the Purple line is BELOW the Green line IBC needs to BORROW to meet the shortfall

Chart Nine: Liability Benchmark (Housing Revenue Account)



If the Purple line is ABOVE the Green line IBC needs to INVEST the excess

If the Purple line is BELOW the Green line IBC needs to BORROW to meet the shortfall

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

The Authorised Limit for External Debt – This represents a statutory limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limit for 2024/25 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 year; it is not a limit. The operational boundary is also used as an indicator to set the authorised limit for future years.

Table Thirty: Authorised Limit and Operational Boundary

Year	Authorised Limit £m	Operational Boundary £m
2023/24 Actual	480	420
2024/25 Proposed	500	440
2025/26 Estimate	520	460
2026/27 Estimate	530	470
2027/28 Estimate	540	480

7.97 The Council must place an upper limit on the total amount of borrowing, which is at fixed and variable rates, which are shown below. The current borrowing rate split is 100% fixed.

Table Thirty-one: Upper Limits for fixed/variable borrowing

Year	Fixed Rate	Variable Rate
2023/24	100%	50%
2024/25	100%	50%
2025/26	100%	50%
2026/27	100%	50%
2027/28	100%	50%

7.98 The Council must set upper and lower limits with respect to the maturity (debt profile) structure of its borrowing. No changes are proposed to the current prudential limits below as these provide enough flexibility for future interest changes without increasing any risks.

Table Thirty-two: Debt Profile structure

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

7.99 Authorities can invest for longer than 365 days and this 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 longer than 365 days as follows:

Table Thirty-three: Deposit limits >365 days

Year	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
Limit	£30m	£30m	£30m	£30m	£30m

Approved Organisations for Investment 2024/25

	Lending Limit £Million
CATEGORY 1 - Government Debt Management Account	**60**
CATEGORY 2 - Local Authorities (Max £5m per authority)	**50**
CATEGORY 3 - UK Financial Institutions	
Barclays Bank UK PLC (Ring Fenced Bank RFB)	20
Goldman Sachs International Bank	20
HSBC (RFB)	20
Nationwide Building Society	20
Lloyds Banking Group (RFB) - Bank of Scotland PLC (RFB) - Lloyds Bank PLC (RFB)	20
National Bank of Kuwait (International) PLC	20
Santander UK PLC	20
Standard Chartered Bank	20
SMBC Bank International Ltd	20
Nationalised & part Nationalised Banks - National Westminster Bank (RFB) -The Royal Bank of Scotland (RFB)	20
CATEGORY 3 - Maximum Exposure	**80**
CATEGORY 4 - Money Market Funds (Max £7.5m per Fund)	**30**
CATEGORY 5 - UK Financial Institutions that do not meet the criteria of Category 3	
Coventry Building Society	3
Handelsbanken PLC	3
Leeds Building Society	3
Skipton Building Society	3
Yorkshire Building Society	3
CATEGORY 5 - Maximum Exposure	**25**

Approved Organisations for Investment 2024/25 continued

	Lending Limit £Million
CATEGORY 6 - Foreign Financial Institutions	
Australia	
Australia and New Zealand Banking Group Ltd	5
Macquarie Bank Ltd	5
Commonwealth Bank of Australia	5
National Australia Bank Ltd	5
Westpac Banking Corporation	5
Canada	
Bank of Montreal	5
Bank of Nova Scotia	5
Canadian Imperial Bank of Commerce	5
National Bank of Canada	5
Royal Bank of Canada	5
Toronto-Dominion Bank	5
Denmark	
Danske A/S	5
Finland	
Nordea Bank Abp	5
Germany	
DZ BANK AG Deutsche Zentral-Genossenschaftsbank	5
Landesbank Hessen-Thueringen Girozentrale	5
Landwirtschaftliche Rentenbank	5
NRW Bank	5
Netherlands	
ABN AMRO Bank N.V.	5
Bank Nederlandse Gemeenten	5
Cooperatieve Rabobank U.A.	5
ING Bank N.V.	5

Approved Organisations for Investment 2024/25 continued

	Lending Limit £Million
Singapore	
DBS Bank Ltd	5
Overseas Chinese Banking Corporation Ltd	5
United Overseas Bank Ltd	5
Sweden	
Skandinaviska Enskida Banken	5
Svenska Handelsbanken	5
Swedbank	5
Switzerland	
UBS AG	5
USA	
Bank of America N.A.	5
Bank of New York Mellon	5
Citibank N.A.	5
JP Morgan Chase Bank	5
Wells Fargo Bank	5
CATEGORY 6 - Maximum Exposure	**25**
CATEGORY 7 – Property Funds (£5m per Fund)	**10**