# APPENDIX 1

IPSWICH
BOROUGH COUNCIL

# FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2019/20 ONWARDS

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# Section 1

## Medium Term Financial Plan - Overview

### Introduction

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

1.2 This MTFP continues to adopt a four year planning timescale, as a result of accepting the Government's offer of a four year funding settlement. The plan outlines the impact of the 2019/20 Final Finance Settlement on Ipswich Borough Council, and provides an update on progress with the identification of planned savings by means of a Transformation Programme involving individual service reviews and also "big ticket" items. This programme continues to form a key part of the strategy to meet the identified budget gap in 2022/23.

1.3 There are some new elements in the 2019/20 MTFP following publication of the final settlement by the Ministry for Housing, Communities and Local Government (MHCLG). These are covered in detail below.

1.4 Note that the settlement continues to run to 2019/20 and no further information has been provided regarding subsequent years so assumptions have had to be made regarding government funding in 2020/21, 2021/22 and 2022/23. A consultation on funding formula from 2021/22 onwards is expected from MHCLG within the next twelve months, and this could have a material impact on the MTFP in later years.

## National Context

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

1.6 The OBR noted in its October 2018 Economic and Fiscal Outlook[2] that UK public finances have performed better than expected in 2017/18, and that there has been a significant improvement in the underlying pace of deficit reduction. This has been absorbed by the promise of additional spending on the National Health Service.

1.7 The following paragraphs are taken from the OBR's October 2018 forecast which covers the period up until 2023/24. Each of these paragraphs are supplemented in the OBR report by more detailed analysis and data tables.

*i. The fiscal outlook (para. 1.31; p.13)*

*"Public sector net borrowing has fallen from its post-crisis peak of 9.9 per cent of GDP (£153.1 billion) in 2009-10 to 1.9 per cent of GDP (£39.8 billion) in 2017-18, a smaller deficit than we forecast in March. With the output gap close to zero, we judge that the 2017-18 structural deficit (which excludes the effect of the economic cycle) was the same as the headline deficit at 1.9 per cent of GDP. On both measures, the deficit is expected to fall significantly in 2018-19, rise slightly in 2019-20, and then fall steadily thereafter."*

*ii. Changes in public sector net borrowing (para. 1.33; p.14)*

*"We expect borrowing in 2018-19 to be £11.6 billion lower than we forecast in March thanks to unexpected and broadly-based strength in tax receipts, combined with lower-than expected public spending. This downward revision would have been ever greater were it not for a £1.1 billion within-year fiscal giveaway focused on public services spending."*

*iii. Government decisions (para. 1.34; p.14)*

*"On a pre-measures basis the budget deficit would have fallen steadily across the forecast and moved into surplus in 2023-24. Adding in the effect of the new settlement for the NHS – financed entirely through borrowing – would have left our forecast for the deficit a little lower than March in the near term and a little higher in the medium term. Factoring in the Chancellor's further near-term giveaways and tiny medium-term takeaway has resulted in a path for the deficit that is slightly lower than March in all years bar 2022-23. The near-term giveaways mean the deficit is expected to rise year-on-year in 2019-*

[1] The Office for Budget Responsibility is the UK's independent fiscal watchdog.
[2] Available at: https://obr.uk/efo/economic-fiscal-outlook-october-2018/

*20, before resuming a steady decline to somewhat less than 1 per cent of GDP."*

iv. *Medium term outlook for GDP (para. 1.19; p.9)*

*"In this forecast we judge that the economy was running 0.2 per cent above potential in the second quarter of 2018, slightly below the 0.3 per cent we expected in March. Real GDP is then expected to grow by 6.1 per cent up to 2022-23, up from 5.5 per cent in March. One reason for the change is higher expected labour market participation, reflecting the incorporation of new data on participation by age in our cohort model (as flagged in our Fiscal sustainability report in July). We have also lowered our estimate of the sustainable rate of unemployment from 4½ per cent of the labour force to 4 per cent, reflecting the absence of a significant pick-up in wage growth as the jobless rate has continued to fall. (This takes us from slightly above to slightly below the Bank of England's latest published estimate.) This increases GDP over the forecast, partly offset by lower average hours."*

v. *Britain's exit from the European Union (Brexit) (para. 3.3; p. 33-34)*

*"Given the current uncertainty as to how the Government will respond to the choices and trade-offs facing it during the negotiations – which may well extend beyond the near-term Withdrawal Agreement and any accompanying political declaration – we still have no meaningful basis for predicting the post-Brexit relationship between the UK and EU upon which we could then condition our forecast. We continue to assume that the negotiations between the UK and the EU lead to an orderly transition to a new long-term relationship, whatever that relationship might be."*

vi. *Gross Domestic Product (GDP) forecast (para 3.53; p. 54, para. 3.66; p.60)*

*"We expect GDP growth of 1.6 per cent in 2019, as the impact of the discretionary fiscal loosening in this Budget boosts activity. This effect dissipates in 2020 and growth is expected to fall back to 1.4 per cent, before edging back up to 1.6 per cent by the end of the forecast, as trend productivity growth improves."*

*"Nominal GDP growth slowed in the first half of 2018, averaging 3.1 per cent on a year earlier, down from 3.8 per cent in 2017. Growth is expected to remain around this level in the second half of 2018 and then pick up over the rest of the forecast. Nominal GDP growth is higher than in our March forecast, particularly in 2019 and 2020 where the discretionary fiscal loosening raises both real GDP growth and GDP deflator inflation."*

vii. *Consumer Price Index (CPI) forecast (para. 3.59; p.57)*

*"CPI inflation averaged 2.4 per cent in the second quarter of 2018, in line with our March forecast. CPI inflation had been on a downward trend, falling from 3.0 per cent in the fourth quarter of 2017, as the contribution from higher import prices after the 2016 sterling depreciation faded. Following recent increases in oil prices and a further modest depreciation in sterling, we expect inflation to tick up in the second half of the year, and to be 0.5 percentage points above our March forecast in the fourth quarter. CPI inflation is forecast to fall again in 2019 as the effect from higher oil prices fades and as a result of policy measures. In the medium term, CPI inflation is a little above the Bank of England's target of 2 per cent."*

viii. *Employment (para. 3.71; p.62)*

*"The latest data showed a rise in the participation rate in the first quarter of 2018, which was then mostly reversed in the second quarter. This brings it broadly into line with our estimate of its underlying equilibrium. The rate is expected to remain broadly flat over the next few years, before declining over the rest of the forecast period as the share of older people in the population rises. The 0.9 million increase in employment over the forecast is therefore more than accounted for by population growth."*

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

*Table One: OBR Gross Domestic Product forecast 2018 – 2023*

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| GDP Forecast as at November 2018 | 1.3 | 1.6 | 1.4 | 1.4 | 1.5 | 1.6 |
| GDP Forecast as at November 2017 | 1.4 | 1.3 | 1.3 | 1.5 | 1.6 | N/A |

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

*Table Two: OBR Consumer Price Index forecast 2018 – 2023*

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| CPI Forecast as at November 2018 | 2.6 | 2.0 | 2.0 | 2.1 | 2.1 | 2.0 |
| CPI Forecast as at November 2017 | 2.4 | 1.9 | 2.0 | 2.0 | 2.0 | n/a |

# Section 2

## Finance Strategy

### Current Financial Position

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

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

2.3 The 2018/19 budget was set against a background of continuing funding reductions and the increased risk of sudden changes in funding inherent in the retained business rates scheme. Future central government funding consists primarily of Revenue Support Grant and Retained Business Rates, which taken together are termed "Settlement Funding Assessment".

2.4 Against this background Ipswich was still able to set a balanced budget for 2018/19. The achievement of this budget has been monitored during the year against expenditure profiles and no significant year end variations are anticipated.

2.5 This history of strong financial management gives a strong foundation to base the revised MTFP for 2019/20 onwards upon.

### Future aims of the organisation

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

2.7 The Corporate Plan includes the core aims of:

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

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

**How to provide the funding to meet these aims**

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

<u>General Fund</u>

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

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

- **i) Maintain and enhance where necessary the current level of front-line services provided to the residents of Ipswich;**
- **ii) Maintain the Council's part of the council tax at the lowest level possible consistent with maintaining the level of service desired by Ipswich residents;**
- **iii) Seek to ensure that the financial impact of the introduction of Council Tax localisation is minimised through a local tax scheme;**
- **iv) Maximise income from retained business rates, by membership of the "Suffolk Pool", supporting the work of the Valuation Agency and promoting economic development in the Ipswich area;**
- **v) Maximise other income sources, including fees and charges, without impacting upon vulnerable service users.**

2.12 The General Fund is mainly financed by Income from Government Grant (including New Homes Bonus), Retained Business Rates, Council Tax, Rents, Fees and Charges, and income from IBC's established Arms-Length Companies.

<u>Housing Revenue Account</u>

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

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

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

## Capital Programme

2.15 The Capital Strategy establishes the framework for investment in service infrastructure to facilitate the achievement of the Council's priorities mentioned earlier. Optimising funding available e.g. capital receipts, external funding, prudential borrowing (with new freedoms in the Housing Revenue Account following the lifting of the borrowing cap), or revenue contributions to capital outlay as appropriate.

### Financial risks inherent in the strategy

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

*Table Three: Finance Strategy Identified Risks*

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

## Budget monitoring and control management

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

2.18 Key elements of Financial Performance Management are:-

General Fund & Housing Revenue Account revenue budgets

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

Treasury Management

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

Collection of taxes and other debts

- Comprehensive Performance Indicators;
- Customer Surveys.

Internal Audit

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

The Prudential Indicators

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

## Equality and Diversity Issues

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

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

# Section 3

## General Fund Medium Term Financial Plan

### Introduction

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

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

3.3 Last year's MTFP (agreed at Council in February 2018) set out how the forecast budget gap would be met over the following four years, namely;

- i) The continuation of the 'Big Ticket' savings programme;
- ii) £0.500m of unidentified savings (a reduction from £0.700m from the previous year);
- iii) The use of some reserves (leaving sufficient balance to cover a fifth year of the underlying budget gap);
- iv) An increase in Council Tax in 2018/19 of 2.98%

3.4 The new plan attached to this report sets out the budget gap, as it currently stands, and how the Council will look to meet the financial challenges it faces for the next four year period – i.e. considering the year 2022/23 for the first time.

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

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

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

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

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

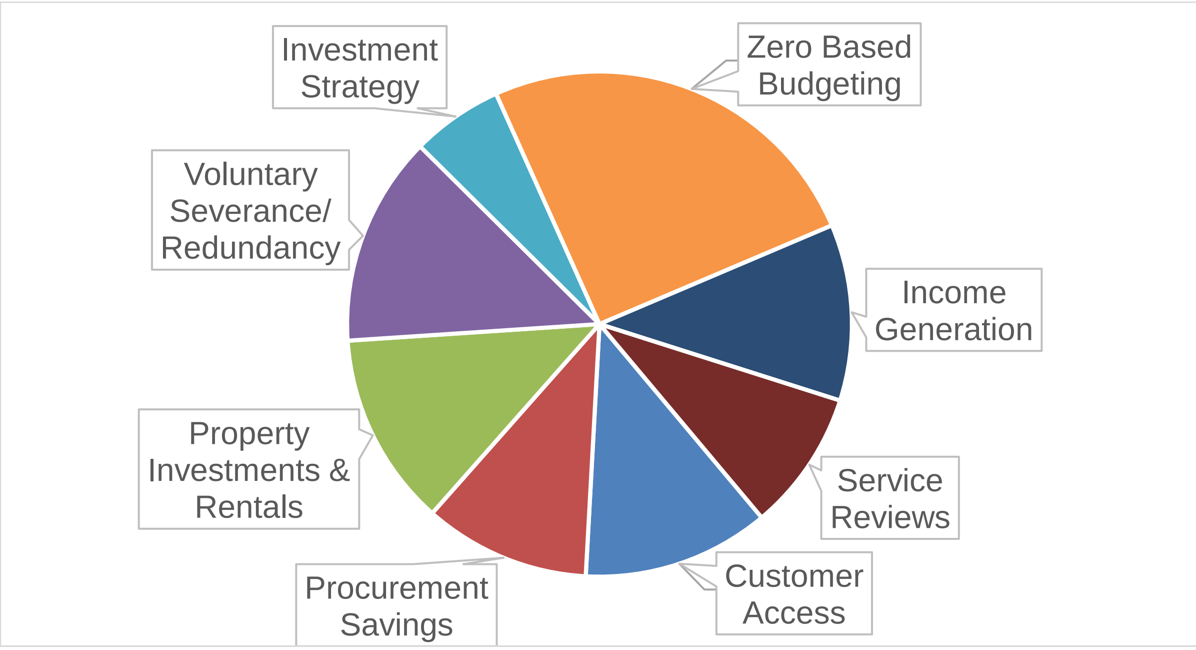
i) Achievements in the last year
ii) The Local Government Finance Settlement
iii) The General Fund revenue budget
iv) Growth items
v) The capital programme
vi) The Housing Revenue Account
vii) Longer term budget strategy

## Achievements in the Last Year

3.8 The Council's forecast net outturn in 2018/19 is £18.9m (per the Q2 budget monitoring report E/18/35) compared to £25.1m actual outturn in 2010/11 (approximately £28.8m when adjusted for inflation).

3.9 The 'Big Ticket' transformation programme, discussed more fully below, has delivered £4.355m of savings to Quarter Two 2018/19, broken down by scheme per Chart One:

*Chart One: Big Ticket Delivery by Scheme at Quarter Two 2018/19*




3.10 Alongside these savings, the Council has delivered a range of achievements during 2017/18 including;

- Successful opening of Crown Multi Storey car park
- Free Summer Holiday iCard issued to nearly 13,000 young people
- New £500,000 CCTV system procured
- Purchase and conversion started of a property to provide 40 new units of quality temporary accommodation for homeless people
- Work commenced on 17 new council houses at Cauldwell Hall Road
- Secured 4 Ed Sheeran concerts that will attract an audience of 180,000 over the August 2019 Bank Holiday weekend at Chantry Park
- Broomhill – extra funding agreed to secure HLF grant
- Successful HLF Bid for the Museum
- Successful £9.8m bid to Homes England for Ipswich Garden Suburb
- Completed purchase of retail units at Beardmore Park bringing in £460,000 income to the council, another Ipswich Borough Assets (IBA) scheme
- Purchase of Investec Silo bringing the ownership of all the redundant St Peters Wharf sites into one ownership for the first time

- First occupier secured for Eastern Gateway Enterprise Park with work commenced on site
- Secured new occupier for Europa House bringing 30 new jobs to Ipswich – an IBA scheme
- Completion of Cornhill redevelopment scheme
- Entered into service subsidy agreements to replace numerous bus services or parts of bus services that had been withdrawn by their operator
- Launched the 'Love Your Street' anti-litter campaign
- Five new high performance mechanical sweepers have replaced old and inefficient sweepers to keep the streets of Ipswich clean.
- Six houses recovered back into council ownership following Right To Buy fraud investigations.
- Successful response to meet the new duties from the Homelessness Reduction Act including 549 households prevented from homelessness up to end of November
- Number of Rough Sleepers reduced to 11 in November 2018 from 21 in 2017
- Delivered a programme of 13 IBC funded events plus 44 Commercial and Charity events in the Parks, Town Centre and Waterfront with over 210,000 attendees in total
- Delivered a large programme of quality exhibitions: Wolsey's Angels, Kiss & Tell, Women 100 and You Are Here
- Support for Pacitti Company Clarion Call on the Waterfront
- Redevelopment of Play Area & Paddling Pool in Bourne Park
- Installation of fountain & lighting in Christchurch Park
- Green Flags awarded for Christchurch & Holywells Parks – Christchurch has now won 11 flags in succession; Holywells has won eight in a row.
- Provident House, the first development signed by Ipswich Borough Assets, successfully occupied by Birketts
- Completed deal with Department for Education to bring a new primary school to the redundant Co-op Department Store site
- First major Ipserv contract signed – running car parking operations for University of Suffolk
- Purchase of Stage Events Security Ltd by Ipserv
- New fitness studio built at Gainsborough Sports Centre
- New sporting activities introduced: Buggy Fit, Float Fit and XTreme Active.
- Top 5% nationally in terms of speed of decision making in development management (99.4% determined within time)
- £1.3m major refurbishment to a 12 storey sheltered scheme, Cumberland Towers, including fitting a sprinkler system
- £1.6m scheme of external wall insulation to 300 hard-to-heat council homes completed.
- Successfully negotiating with developer to install sprinklers to all dwellings at 'The Winerack' (when there is not a legal obligation for them to do so)
- Pro-active intervention into St Francis Tower to enable improved fire precautions to be installed further to withdrawn Initial Notice by NHBC.
- Rollout of contactless payments
- All on-street and off-street parking ticket machines upgraded/replaced so can take all forms of payments (card, cash, contactless, virtual)
- HEARS customer numbers continued to increase and passed the 1500 user milestone

- Removal of burial and cremation charges for under 18 year olds
- Gained £172,000 Government subsidy by minimising Local Authority Error in benefits payments

## Local Government Finance Settlement

3.11 2019/20 is the final year of the current four-year Local Government Finance settlement. The final settlement (announced on 29th January 2019) is in line with the proposals consulted upon during summer 2018. Key elements included:-

(a) The Council supported a Suffolk-wide bid to gain a second year of retained Business Rate funding. The bid would have resulted in approximately £1m of additional funding for Ipswich. The settlement confirmed that this bid was unsuccessful.

(b) Following a successful campaign (supported by Ipswich Borough Council), the government has decided to not impose their original proposal for 2019/20 to introduce something known as 'Negative Revenue Support Grant'. The original proposal would have meant that the Council would have had to pay the Government £550,000 in 2019/20 to be used as the Government sees fit (i.e. elsewhere in the country).

(c) The Council Tax cap threshold relevant to Ipswich Borough Council will remain amended from 2% to 3% for 2019/20. This is the same level as was the case in 2018/19 and means that the Council can choose to increase Council Tax by up to 3% without needing to organise a local referendum. The 2018/19 MTFP had assumed that the Council would opt to increase Council Tax by 2% each year from 2019/20 to 2021/22.

(d) The Government also announced that Business Rates tax relief would be applied to rates charged on Public Toilets. This benefits the Council by £6k each year.

3.12 In the absence of other information (i.e. 2019/20 being the last of the four years of the current settlement period), the MTFP assumes that the 2019/20 settlement continues for the subsequent years.

3.13 In addition to the items announced in the settlement, the Government have also announced that the Council's Housing Benefit Subsidy Grant will be reduced by £70k per annum – this represents a £280k pressure on the budget across the MTFP period.

3.14 In terms of the broader details and assumptions associated with paragraph 3.11 (b), the Government have announced that the negative RSG will be replaced by adjustments to the business rates revenues. As stated above, this benefits Ipswich by £550k per annum and it has been assumed to continue in all years of the forecast – this is an assumption which needs to be reviewed as future year settlement details emerge.

3.15 Table Four sets out the Core Spending Power headline figures for Ipswich Borough Council from the settlement for 2016/17 through the four years, as estimated by central government at that time.

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

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

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

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

3.17 As a consequence of those changes and having regard to the exact figures used in the Final Settlement published on 29th January 2019 the Council's position for the last year of the four year settlement is now as shown in Table Five below.

*Table Five: Core Spending Power from Final 2019/20 Local Government Settlement*

| **Key Information** | **2019/20 £'m** |
|---|---|
| Revenue Support Grant/Tariff adj (-) | 0.00 |
| Council Tax | 13.88 |
| Retained Business Rates | 4.29 |
| New Homes Bonus | 0.88 |
| Transition Grant | 0.00 |
| **Total** | **19.05** |

3.18 The Government calculations also work on the assumption that every Council will increase their Council Tax by the maximum amount allowable under the Council Tax Cap Threshold – for 2019/20 this is 3%.

## The General Fund Revenue Budget

3.19 Every year, the Council's budget work starts with the previous year's MTFP and the underlying items that it contained. Assumptions made in the budget regarding inflation are also reviewed and updated. These items are then extrapolated forward for the 'new' fourth year. This is set out in Table Six.

*Table Six: General Fund Revenue Budget Gap 2019/20 to 2022/23*

| £m | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|
| Budget Gap b/fwd | 0.615 | 1.437 | 0.997 | 1.111 | **4.160** |
| | | | | | |
| New Homes Bonus | 0.002 | 0.190 | 0.339 | 0.052 | **0.583** |
| Housing Benefit Admin Subsidy Grant | 0.070 | 0.070 | 0.070 | 0.070 | **0.280** |
| Council Tax Base – adjusted | 0.004 | 0.095 | 0.097 | 0.099 | **0.295** |
| Business Rates Levy Account Surplus | -0.066 | 0.000 | 0.000 | 0.000 | **-0.066** |
| Remove Negative RSG | -0.550 | -0.550 | -0.550 | -0.550 | **-2.200** |
| Remove Unidentified Savings | 0.000 | 0.150 | 0.350 | 0.350 | **0.850** |
| Adjust budgetary assumptions | 0.043 | 0.150 | 0.139 | 0.153 | **0.485** |
| Public Toilets Rates Relief | -0.006 | -0.006 | -0.006 | -0.006 | **-0.025** |
| Starting Gap Position | **0.112** | **1.536** | **1.436** | **1.278** | **4.362** |

3.20 The 2018/19 Medium Term Financial Plan assumed that a total of £0.850m of unidentified savings would be delivered. Work has been completed to identify how all of these savings can be delivered and they have been removed from the 2019/20 Medium Term Financial Plan.

3.21 In addition to the items shown in Table Five, during the course of 2018/19 a series of new pressures have emerged which have an impact on the forecast for the period covered by the MTFP. The most significant items are summarised in Table Seven.

*Table Seven: Cost Pressures affecting 2019/20 to 2022/23*

| **£m** | **Note** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|---|
| Q1 Budget Monitoring (E/18/22) | 1 | 0.072 | 0.072 | 0.072 | 0.072 | **0.288** |
| Q2 Budget Monitoring (E/18/35) | 1 | 0.765 | 0.778 | 0.790 | 0.804 | **3.137** |
| Pay Assimilation | 2 | 0.500 | 0.500 | 0.500 | 0.500 | **2.000** |
| MRF Recycling Contract | 3 | 0.225 | 0.200 | 0.200 | 0.200 | **0.825** |
| Organic Waste | 4 | 0.070 | 0.040 | 0.040 | 0.040 | **0.190** |
| Rental Income | 5 | 0.194 | 0.194 | 0.000 | 0.000 | **0.388** |
| Car Park Promotion | 6 | 0.156 | 0.000 | 0.000 | 0.000 | **0.156** |
| Car Park Income Budget | 7 | 0.150 | 0.125 | 0.100 | 0.100 | **0.475** |
| IBC Contribution to CIMS | 8 | 0.010 | 0.031 | 0.043 | 0.075 | **0.159** |
| E/18/36 Unified Communications | 9 | 0.068 | 0.070 | 0.071 | 0.073 | **0.282** |
| Care Leavers Tax Allowance | 10 | 0.009 | 0.009 | 0.009 | 0.009 | **0.036** |
| **Total of items listed above** | | **2.219** | **2.019** | **1.825** | **1.873** | **7.936** |

3.22 More positively, during the course of 2018/19 certain items that improve the budget position have been identified - these are summarised in Table Eight. In particular the recurrent benefit from financing the Ipswich Borough Assets acquisition at Martlesham has delivered a significant benefit to the budget.

*Table Eight: Improvements to Budget Position affecting 2019/20 to 2022/23*

| **£m** | **Note** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|---|
| Sports Income Charges Review | 11 | -0.115 | -0.118 | -0.122 | -0.126 | **-0.481** |
| Additional Enterprise Zone Income | 12 | -0.105 | -0.108 | -0.111 | -0.115 | **-0.439** |
| Additional Profit from loan to IBA | 13 | -0.468 | -0.468 | -0.468 | -0.468 | **-1.872** |
| IBC Contribution to SRP | 14 | -0.022 | -0.022 | -0.022 | -0.022 | **-0.089** |
| Increase in Empty Homes Premium | 15 | 0.000 | -0.011 | -0.011 | -0.011 | **-0.044** |
| **Total of items listed above** | | **-0.710** | **-0.727** | **-0.735** | **-0.742** | **-2.914** |

3.23 Bearing in mind the materiality of the items listed in Table Seven and Table Eight above, it is appropriate to provide a brief commentary for each;

1. Budget Monitoring: Heads of Service have responsibility for managing their budgets within the amounts approved by the Council. Variations to budget are reported to Executive on a quarterly basis and funding requests re made for underlying budget pressures. Funding requests are considered and approved on a case-by-case basis and some of these will impact the Council's base budget recurrently.

2. Pay Assimilation: Assimilating the Council's pay scales to the national pay scale in line with the national pay award will result in a cost pressure above budget. The value shown is that just for the General Fund and excludes the impact upon the Shared Revenue Partnership and Housing Revenue Account budgets.

3. MRF Recycling Contract: The Borough's element of the county-wide contract for recycling waste material is currently expected to increase in cost by approximately £0.200m per annum. This is due to an ongoing drop in income from recycled materials and the envisaged cost of investment in plant for a new contract commencing in May 2019.

4. Organic Waste: The contract with the Council's current supplier for recycling organic waste expires on 15 May 2019. There is an option to extend the contract by two years and the Council has been informed that the cost per tonne will increase under the contract extension – a cost pressure of £0.185m pa. The Service Area is reviewing options to manage and reduce the cost pressure, including potentially moving to alternative providers. The costs indicated in the table are the current best estimate for an alternative provision – this is likely to mean that the waste types collected within the Borough's brown bins would be restricted to that collected within the other six district councils in Suffolk (although still as a free fortnightly service, unlike the charged service elsewhere).

5. Property Rental Income: The budget set in the 2018/19 MTFP assumed rental income will be received from a currently vacant property (the old Post Office) for all four years of the forecast period. The current assessment is that no income will be received for 2019/20 and 2020/21 while a new tenant is found (this includes provision for a rent-free period).

6. Car Park Promotion: Recently, the Council has a strong track record supporting the local economy via car park offers (e.g. £2 after 2pm). It is suggested that an amount is budgeted to support potential new offer(s) during 2019/20.

7. Car Park Income Budget: Detailed analysis has been undertaken of the car park budget following the opening of the new Crown Car Park. It has been concluded that some adjustments are needed to provide a realistic chance of the budget being met without introducing substantial charging increases to our headline charges (e.g. our £1.30 an hour short stay rate). Substantial increases would be likely to have a detrimental impact on the attractiveness of the town centre.

8. IBC contribution to CIMS: Ipswich Borough Council's contribution to Colchester for CIMS is increased by CPI each year. This inflationary increase was not factored into the base budget set in the 2018/19 MTFP.

9. E/18/36 Unified Communications: This is the ongoing revenue cost of the investment in Unified Communications approved by Executive in November 2018.

10. Care Leavers Tax Allowance: the Care Leaver Discount Scheme will reduce Council Tax liability for qualifying Care Leavers under 25 years of age by up to 100%. This is the current best estimate of the financial impact. This matter is the subject of a separate report on this Executive agenda.

11. Sports Income Charges Review: fees and charges for use of the Council's sports facilities are under review and changes are anticipated to deliver increased levels of income. These will go some way to addressing the deficit set out within the Quarter Two budget report (E/18/35) referred to at point 1 above.

12. Additional Enterprise Zone Income: Enterprise Zone income has been realised at a higher level than had been budgeted for in the 2018/19 Medium Term Financial Plan.

13. Additional Profit from Loan to IBA: IBA completed the acquisition of part of the Martlesham Heath Retail Park during 2018/19 – the financing of this property purchase was lent to IBA by Ipswich Borough Council, and this amount is the difference in levels of interest paid by the Council and IBA.

14. IBC Contribution to SRP: The Shared Revenues Partnership is a shared revenues and benefits service between Ipswich Borough Council, Babergh District Council and Mid Suffolk District Council. At the December SRP Joint Committee meeting the partner contributions for 2019/20 were agreed. Ipswich Borough Council's contribution is due to be £22k less than was budgeted.

15. Increase in Empty Homes Premium: From April 2019 the Council is able to increase the charge levied on homes that have been empty for a period of two years or more. This matter is the subject of a separate report on this Executive agenda.

3.24 This gives a 'Total Gap Position' of £9.383m between 2019/20 and 2022/23 as set out in Table Nine below:

*Table Nine: Total Budgetary Gap Position 2019/20 to 2022/23*

| **£m** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|
| Starting Gap Position | 0.070 | 1.494 | 1.394 | 1.236 | **4.362** |
| Cost Pressures Arising | 2.328 | 2.131 | 1.940 | 1.992 | **7.936** |
| Improvements to Budget Position | -0.721 | -0.727 | -0.735 | -0.742 | **-2.914** |
| **Total Gap Position before Growth & Capital** | **1.620** | **2.828** | **2.526** | **2.409** | **9.383** |

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

- Council Tax = 2% per annum post 2019/20 (as per last years' MTFP assumption);
- Salary costs continue to be uplifted by an average of 2% per annum;
- County Business Rates pool continues;
- An average of 2.5% increased income yield from 'Fees and Charges' income for paid-for Council services.

3.26 Proposals for growth are set out in Table Eighteen below. These result in a proposal to 'top-up' the growth budget to £300k in 2019/20 and 2020/21, and to restore the outstanding growth budget to £150k per annum from 2020/21 to 2022/23.

*Table Ten: Total Additional Costs from Growth Items 2019/20 to 2022/23*

| **£m** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|
| Set Growth Budget at £300k 2019/20 & 2020/21 | 0.228 | 0.093 | 0.000 | 0.000 | **0.321** |
| Restore Growth Budget 2020/21 to 2022/23 | 0.089 | 0.237 | 0.328 | 0.332 | **0.986** |
| **Additional Revenue Costs from Growth** | **0.317** | **0.330** | **0.328** | **0.323** | **1.307** |

3.27 Proposals for the capital programme are set out in paragraphs 3.56 to 3.66 below. Approximately £41m of the proposed capital programme are new items / additional costs, of which £35m is due to be funded through income generation. Assuming that the remaining £6m is funded through borrowing, a further £0.883m of capital charges will be incurred as set out in Table Eleven below.

*Table Eleven: Total Additional Costs from Capital Items 2019/20 to 2022/23*

| **£m** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|
| Additional Revenue Charges from Capital | 0.000 | 0.319 | 0.374 | 0.190 | **0.883** |

3.28 Adding these last two tables to Table Nine provides a final cumulative gap position of £11.573m between 2019/20 and 2021/22 as shown in Table Twelve.

*Table Twelve: Final Budget Gap Position 2019/20 to 2022/23*

| **£m** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|
| Total Gap Position before Growth & Capital | 1.620 | 2.828 | 2.526 | 2.409 | **9.383** |
| Additional Revenue Costs from Growth | 0.317 | 0.330 | 0.328 | 0.332 | **1.307** |
| Additional Revenue Charges from Capital | 0.000 | 0.319 | 0.374 | 0.190 | **0.883** |
| **Total Budget Gap Position** | **1.937** | **3.477** | **3.228** | **2.931** | **11.573** |

3.29 Clearly this sets a financial challenge. In meeting this challenge – and having regard to the amount of growth set out within this MTFP, the administration has retained the same three targets it set within the 2018/19 MTFP;

i) Reserves should be available to cover a fifth year, taking into account the £2m minimum balance required – (i.e. to be more than £2m plus the value from point (ii) below);

ii) Gap in the final year of the forecast to be less than £1m; and

iii) The amount of unidentified savings to be less than set out within last years' MTFP (£0.500m).

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

i) The implications and uncertainty of Brexit;

ii) The detail within the anticipated future year's finance settlements and the forthcoming Comprehensive Spending Review.

3.31 Neither of these issues are solely specific to Ipswich and it isn't possible to quantify the impact at this stage. However, they will continue to be monitored.

3.32 It is intended to address the Final Gap Position in three ways:

i) The continuation of the Big Ticket Item savings programme (see paragraphs 3.36 to 3.42 below);

ii) Use of reserves (as at Quarter Two 2018/19 the Council has £7.103m of useable reserves); and

iii) A second year increase of Council Tax in 2019/20 of 2.99% (i.e. 1% more than previously assumed) (see paragraphs 3.43 to 3.46 below).

3.33 The impact of these four elements in securing a balanced budget over the four years is set out in Table Fifteen and paragraph 3.48 sets out how they meet the financial aspirations set out at paragraph 3.29 above.

3.34 In the 2018/19 MTFP, a total £0.850m allocation for 'unidentified savings' to be delivered was made across the last three financial years of that MTFP (i.e. 2020/21 to 2022/23). These 'unidentified savings' have been removed in full from the budget set out above.

3.35 The 'Big Ticket' approach to savings was first introduced in the 2015/16 financial year, having been 'flagged' as the planned strategy in the previous MTFP. Prior to 2015/16 the Council savings programme had been a mix of 'salami' slicing (i.e. the same % reduction for every service) and / or detailed individual savings ideas.

3.36 Since 2015/16 the 'Big Ticket' approach has resulted in extensive savings that – by the end of 'Quarter Two' (30th September 2018) - had resulted in base savings of £4.335m within the Council's budget as shown in Table Thirteen.

*Table Thirteen: Big Ticket savings delivered to date as at Quarter Two 2018/19*

| **£m** | **To 2018/19** |
|---|---|
| Customer Access | 0.517 |
| Procurement Savings | 0.460 |
| Property Investments & Rentals | 0.536 |
| Voluntary Severance/Redundancy | 0.581 |
| Investment Strategy | 0.253 |
| Zero Based Budgeting | 1.093 |
| Income Generation | 0.487 |
| Service Reviews | 0.388 |
| **Total delivery** | **4.355** |

3.37 A careful review has been undertaken and it is recommended that the Strategy should be continued, with new schemes added to the existing Big Ticket programme.

3.38 The current Budget Gap Position outlined above assumes that a total of £4.030m of savings are yet to be delivered between 2019/20 and 2022/23.

*Table Fourteen: Big Ticket Delivery assumed 2019/20 to 2022/23*

| **£m** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|
| Customer Access | 0.086 | 0.028 | 0.017 | 0.017 | **0.148** |
| Procurement Savings | 0.300 | 0.300 | 0.300 | 0.300 | **1.200** |
| Property Investments & Rentals | 0.100 | 0.100 | 0.100 | 0.100 | **0.400** |
| Voluntary Severance/Redundancy | 0.065 | 0.065 | 0.065 | 0.065 | **0.260** |
| Investment Strategy | 0.139 | 0.343 | 0.546 | 0.546 | **1.574** |
| Zero Based Budgeting | 0.043 | 0.051 | 0.059 | 0.059 | **0.212** |
| Income Generation | 0.059 | 0.059 | 0.059 | 0.059 | **0.236** |
| **Total Big Ticket Savings Identified** | **0.792** | **0.946** | **1.146** | **1.146** | **4.030** |

3.39 A careful review has been undertaken and it is recommended that the Strategy should be adapted slightly with new targets and adapted themes as set out in Table Fifteen. The main theme changes are explained in paragraphs 3.40 to 3.42. This strategy – and the numbers associated with it – are considered to be challenging but realistic.

*Table Fifteen: Recommended Big Ticket Programme 2019/20 to 2022/23*

| **£m** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|
| Return from Arms-Length Companies | 0.200 | 0.350 | 0.400 | 0.450 | **1.400** |
| Voluntary Severance/Redundancy | 0.070 | 0.100 | 0.100 | 0.100 | **0.370** |
| Customer Access & Agile Working | 0.250 | 0.300 | 0.350 | 0.400 | **1.300** |
| Investment Management | 0.300 | 0.550 | 0.800 | 1.000 | **2.650** |
| Service Efficiencies & Income | 0.700 | 0.900 | 1.000 | 1.000 | **3.600** |
| **Total** | **1.520** | **2.150** | **2.700** | **2.950** | **9.320** |

3.40 'Investment Management' covers a range of investment related activities such as rent from the Council's property assets, the council's investment and treasury management strategies and returns from Enterprise zone developments.

3.41 'Customer Access & Agile Working' covers delivery of the Customer Access Strategy, phase two of the 'Agile' programme resulting from the introduction of new unified communications systems and business process reviews.

3.42 'Service Efficiencies & Income' covers a range of service based efficiencies that will be derived through procurement, overhead reviews, income generation and cost reductions be derived through procurement, income generation and cost reductions.

3.43 In order to fund the remaining budget gap it has been concluded that – for one year only – the annual increase in Council Tax should be 2.99%.

3.44 This proposal would result in an additional income of around £136,000 per annum (or £569,000 over the four year period of the MTFP).

3.45 Other factors that support this proposal are:

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

ii) It is less than the % increases adopted by the other precepting organisations in Ipswich – Suffolk County Council at 3.99% and the Suffolk Police and Crime Commissioner at 12.68%.

iii) It is understood that Ipswich Borough Council's proposed increase is the third lowest percentage increase of the nine precepting organisations in Suffolk.

iv) It amounts to an increase of 15.71p per week for the average (Band B) Council Tax payer in Ipswich compared to 73.96p for Suffolk County Council and 35.71p for Suffolk Police and Crime Commissioner.

3.46 As stated above, the recommended 2.99% increase contrasts with 3.99% for Suffolk County Council and 12.68% for the Suffolk Police and Crime Commissioner. This is shown in Table Sixteen below.

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

| | **2018/19** | **2019/20** | **Proposed Increase (£)** | **Per Week (p)** | **%** |
|---|---|---|---|---|---|
| Ipswich Borough Council | 273.49 | 281.68 | 8.19 | 15.71 | **2.99** |
| Suffolk County Council | 966.42 | 1,004.99 | 38.57 | 73.96 | **3.99** |
| Police & Crime Commissioner | 146.86 | 165.48 | 18.67 | 35.81 | **12.68** |
| **Total** | **1,386.77** | **1,452.15** | **75.08** | **144.00** | **4.71** |

3.47 Bringing this all together results in £5.714m of reserves being required to deliver financial balance as shown in Table Seventeen below.

*Table Seventeen: Reserves required to achieve financial balance*

| **£m** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|
| Final Gap Position | **1.937** | **3.477** | **3.228** | **2.931** | **11.573** |
| New Big Ticket Targets | -0.728 | -1.204 | -1.554 | -1.804 | **-5.290** |
| Increased Council Tax Income | -0.136 | -0.140 | -0.144 | -0.149 | **-0.569** |
| **Reserves to Achieve Balance** | **1.078** | **2.133** | **1.530** | **0.978** | **5.714** |
| | | | | | |
| Opening Usable Balances | 7.103 | 6.030 | 3.897 | 2.367 | |
| *Usable Balance Carried Forward* | *6.030* | *3.897* | *2.367* | *1.389* | |

3.48 This means that – in relation to the aspirations set out in paragraph 3.30 – the relevant targets are being achieved as follows:

i) At the end of the 4th year there are forecast to be £1.389m of useable reserves (aside of the £2.000m minimum balance);

ii) The base gap at the end of the 4th year is forecast to be £0.978m; and

iii) There are no ‘unidentified savings’ within the budget.

3.49 The forecast £0.978m deficit in 2022/23 is less than the equivalent ‘fourth year’ deficit in the 2018/19 Medium Term Financial Plan (£0.997m), and is the smallest ‘fourth year’ deficit in any of the four-year Medium Term Financial Plans that have been published by Ipswich Borough Council.

3.50 In recent years the Council has ensured that there are adequate resources to ensure that our savings / investment plans can be delivered via a Corporate Service Reserve and the Transformation / Invest to Save fund. These “pots” will require topping up using one off savings generated in 2018/19.

## Growth Items

3.51 There is currently £72,000 worth of the 2019/20 growth monies from the 2018/19 MTFP that remains unallocated. Having considered the Corporate Plan and other elements of the MTFP, it is proposed to increase this to £300,000 in 2019/20.

3.52 In addition, it is proposed to set a growth budget (i.e. to be allocated in future versions of the MTFP) of £150,000 new money in each of 2020/21, 2021/22, and 2022/23.

3.53 Last year's MTFP made a series of growth commitments – some of those, such as support for 2018 centenary events – were one offs – but significant on-going investments (i.e. budgeted funding for every year going forward from 2018/19) were made to boost funding to address evening bus service challenges, to improve street cleansing and to help address anti-social behaviour / drugs matters.

3.54 The following growth items are proposed to be funded in the 2019/20 MTFP (the financial implications are set out in Table Eighteen below):

16. Priory Heath Allocated Ward Funding - Following commitments made to residents of the Racecourse estate in Priory Heath, in the wake of the murder of Tavis Spencer-Aitkens, £50,000 continuing funding per year is allocated to improving community engagement and services in the Priory Heath ward. The council has supported the creation of a local "reference" group now known as "Race for Change" which will work with statutory bodies to address issues in the area and decide how the funding will be spent.

17. Corn Exchange: It is intended to work with the Film Theatre Trust over the next two years to develop a film festival(s) that will support the wider economic and cultural development of the town. This is intended to also support the future events programme focussed around the Cornhill (the Borough's £25,000 contribution to this will be funded from within the Council's existing core Economic Development budget) and may build on key 2019 events (e.g. Elmer's Big Parade and the Ed Sheeran concerts).

18. Greenways Funding - Suffolk County Council have withdrawn from the Greenways Countryside Project which has resulted in a reduction of funding. The Project – whilst being hosted by Ipswich Borough Council – continues to retain support from other Councils (i.e. Suffolk Coastal District Council, Babergh District Council and a number of Parish/Town Councils). It is still considered to be of high value, much supported and a core part of the Councils broader environmental ambitions. Therefore, whilst alternative sources of funding do need to be pursued, it is proposed that Ipswich Borough Council meet the resultant funding gap.

19. Community & Anti-Social Behaviour - Learning from the approach to improving community engagement in Priority Heath it is proposed to allocate £100,000 continuing funding each year to support work in at least two other parts of the Town (i.e. areas experiencing similar levels of drug, knife and youth violence issues). We will work with local people to decide how this money will be spent. In addition, we are reviewing our approach to tackling anti-social behaviour across the town. It is proposed that £80,000 is allocated to enable improvements in this area.

20. Variable Message Signing – this is to fund the ongoing revenue costs following the approved investment in variable message signage in Ipswich town centre.

21. Summer Holiday iCard: The 2018 Summer Holiday iCard promotion cost approximately £0.100m, made up of lost income and additional direct costs. It is proposed to repeat the scheme (or something very similar to it) in future years – this will therefore incur a similar cost pressure each year.

22. Cash Grants Allowance – the budget for cash grant payments to voluntary and community sector groups in accordance with the Voluntary and Community Sector Grants Policy will be increased by £15k per annum. This will mean the total annual cash grants budget will be £375k per annum.

*Table Eighteen: Use of Growth Allocation 2019/20 to 2022/23*

| **£m** | **Note** | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|---|---|---|---|---|---|---|
| Total 18/19 Growth Allocation remaining | | 0.072 | 0.207 | 0.357 | 0.507 | **1.143** |
| Set budget at £300k 19/20 and 20/21 | | 0.228 | 0.093 | 0.000 | 0.000 | **0.321** |
| **Total Growth Allocation 19/20 MTFP** | | **0.300** | **0.300** | **0.357** | **0.507** | **1.464** |
| | | | | | | |
| Priory Heath Ward Allocated Funding | 16 | 0.050 | 0.050 | 0.050 | 0.050 | **0.200** |
| Corn Exchange | 17 | 0.010 | 0.005 | 0.000 | 0.000 | **0.015** |
| Greenways Funding | 18 | 0.014 | 0.014 | 0.014 | 0.014 | **0.056** |
| Community & Anti-Social Behaviour | 19 | 0.180 | 0.180 | 0.180 | 0.180 | **0.720** |
| Variable Message Signage | 20 | 0.020 | 0.020 | 0.020 | 0.020 | **0.080** |
| Summer Holiday iCard | 21 | 0.100 | 0.103 | 0.106 | 0.110 | **0.419** |
| Cash Grants Allocation | 22 | 0.015 | 0.015 | 0.015 | 0.015 | **0.060** |
| **Growth Allocation Committed** | | **0.389** | **0.387** | **0.385** | **0.389** | **1.550** |
| | | | | | | |
| Top-up Growth Budget | | 0.089 | 0.237 | 0.328 | 0.332 | **0.986** |
| **Growth Allocation Remaining** | | **0.000** | **0.150** | **0.300** | **0.450** | **0.900** |

3.55 This means that the entire 2019/20 growth allowance would be allocated at the start of the financial year.

## The Capital Programme

3.56 The 2019/20 to 2022/23 Capital Programme is set out in Section 6 of this document.

3.57 The Capital Programme was last reported to Executive within the Quarter Two Budget Monitoring report (on 27th November 2018, reference E/18/35).

3.58 The additions to the Capital Programme for the 2019/20 MTFP are summarised in Table Nineteen.

*Table Nineteen: Capital Additions 2019/20 to 2021/22*

| **£m** | **Note** | **Expenditure 2019/20** | **Expenditure 2020/21 Onwards** | **Total Capital Expenditure** |
|---|---|---|---|---|
| Fleet Replacement Programme | 23 | 2.000 | 2.000 | 4.000 |
| Unified Communications Project | 24 | 0.500 | 0.000 | 0.500 |
| ICT Equipment Replacement Programme | 25 | 0.150 | 0.410 | 0.560 |
| Princes Street Area Multi Storey Car Park | 26 | 1.000 | 6.000 | 7.000 |
| Eastern Gateway Project | 27 | 0.200 | 15.000 | 15.200 |
| Headway Centre | 28 | 0.500 | 5.050 | 5.550 |
| Tooks GP Premises | 29 | 0.500 | 6.000 | 6.500 |
| Capital Budget for Sports | 30 | 0.100 | 0.300 | 0.400 |
| Crown Pools Roof | 31 | 0.250 | 0.000 | 0.250 |
| Response to Gangs & Youth Violence | 32 | 0.060 | 0.120 | 0.180 |
| Ipswich Art Gallery Roof Replacement | 33 | 0.050 | 0.340 | 0.390 |
| **Total Capital Additions** | | **5.310** | **35.220** | **40.530** |

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

23. Fleet Replacement Programme - replacing some of IBC's ageing fleet that is becoming unreliable and costly to maintain. It is critical these vehicles are replaced as many are delivering front line services such as waste collections, cleansing and open space management. This will deliver revenue savings in the form of reduced maintenance costs and will deliver on the commitment the Council has made to reduce emissions from its fleet of vehicles.

24. Unified Communications Project- It is essential that the Council upgrades the current telephony systems in order to benefit from the enhanced functionality and wider communication improvements which expand upon the agile working ethos. The solution will replace the Council’s current back office telephony system, the contact centre telephony system and provide office functionality in a seamless environment.

25. ICT Equipment Replacement Programme - As part of a rolling annual replacement programme, this investment is for ongoing repairs, maintenance and refresh of the Council’s ICT Hardware and Equipment.

It is a combined budget covering the Council's stock of ICT desktop/laptops and the core ICT servers / networks.

26. Princes Street Area Multi-Storey Car Park – this funding allows further development of the Princes Street Area by investing in a new multi-storey car park. This project will be funded via Enterprise Zone income.

27. Eastern Gateway Project - The Eastern gateway project (formally known as Sproughton Enterprise Park) is moving ahead with Phase 1 of the infrastructure underway Western access Spine road to service the LDH site. To enable the rest of the site to be marketed and developed further roads, drainage, utilities and access need to be developed. This will be funded via Enterprise Zone funding and property deals.

28. Headway Centre – IBC are in discussions to develop a new residential and care unit at Ravenswood, leased to Headway Suffolk. This project will be funded by the lease income from the site.

29. Tooks GP Premises – Discussions continue with Clinical Commissioning Groups regarding the investment to fund the design and build GP surgery at the development on the former Tooks bakery site. The cost of this project will be funded by rental income from the NHS.

30. Sports Capital Budget – this is to fund the maintenance and development of the Council's sports premises to ensure that they are fit for purpose, and to support the delivery of income.

31. Crown Pools Roof - Following a condition survey there is a need to complete repairs to the roof.

32. Response to Gangs & Youth Violence – it is proposed to spend £0.060m per annum in each of 2019/20, 2020/21 and 2021/22 to support local communities in tackling anti-social behaviour and drug, knife and youth violence issues in the town.

33. Ipswich Art Gallery Roof Replacement - Following a roof survey at The Ipswich Art Gallery (which is located to the North of Ipswich Museum), following continuing leaks, it has been identified that the roof covering is life expired and requires replacement.

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

3.61 In total the additional costs added to the capital programme via this report amount to approximately £41m, most of which is financed through income.

Having regard to the sources of funding for these, the revenue implications are set out in paragraph 3.27.

3.62 The capital programme also continues to include key commitments made within last year's MTFP. Within the General Fund these include the new homeless families unit due to open later this year, funding for further public realm works and enhancements to the Regent Theatre. Within the Housing Revenue Account, the Council is currently delivering new homes at Cauldwell Hall Road and works should start at the Tooks site in the coming months (being delivered via Handford Homes).

3.63 As in previous years, the Capital Programme also includes £500,000 each year for 'Capitalised Repairs'.

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

*Table Twenty: General Fund Capital Programme Funding Sources 2019/20 to 2022/23*

| **General Fund** | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
|---|---|---|---|---|
| | **£000's** | **£000's** | **£000's** | **£000's** |
| | | | | |
| **Expenditure** | **17,860** | **28,633** | **16,329** | **8,529** |
| | | | | |
| Financed By:- | | | | |
| Capital Receipts | 850 | 249 | | |
| External Funding | 1,792 | 812 | 812 | 799 |
| Borrowing | 14,849 | 27,554 | 15,508 | 7,730 |
| RCCO's | 369 | 19 | 10 | 0 |
| **Total Funding** | **17,860** | **28,633** | **16,329** | **8,529** |

*Table Twenty One: HRA Capital Programme Funding Sources 2019/20 to 2022/23*

| **Housing Revenue Account** | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
|---|---|---|---|---|
| | **£000's** | **£000's** | **£000's** | **£000's** |
| | | | | |
| **Expenditure** | **42,486** | **17,027** | **10,884** | **11,503** |
| | | | | |
| Financed By:- | | | | |
| Capital Receipts | 4,810 | 3,906 | 2,102 | 2,406 |
| External Funding | | | | |
| Major Repairs Allowance | 10,167 | 9,121 | 8,782 | 8,810 |
| RCCO's | 27,408 | 4,000 | 0 | 287 |
| **Total Funding** | **42,486** | **17,027** | **10,884** | **11,503** |

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

## The Long Term Budget Strategy

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

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

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

i) Advocacy to support the principle of local retention of business rates;

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

iii) Continued delivery of the Big Ticket programme across the Medium Term;

iv) Continued management of the finances to avoid late changes to the forecast; and

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

## Chief Finance Officer's Statement

3.69 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.

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

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

3.72 Assessments of financial risks associated with the 2019/20 to 2022/23 budgets are shown below. These risks are taken account of in setting the level of reserves.

*Table Twenty Two: Financial Risk Assessment 2019/20 – 2022/23*

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

| **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** |
|---|---|---|---|---|---|
| Poor Corporate Governance/financial control | Lack of control | New Corporate Governance, Audit review, Standing Orders | 1 | 1 | Regular reporting & monitoring |
| Changes in proper accounting practice | Statement of accounts not approved by external audit | The Council adheres to the latest Statement of Recommended Practice | 1 | 2 | Training and liaison with External audit |
| Unexpected changes in demographic/ service expectations due to the current economic situation | Services under or over provided | Officers actively monitor potential future changes | 2 | 2 | Monitoring information used to predict future requirements |

## Specific Risks

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

*Table Twenty Three: 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** |
|---|---|---|---|---|---|
| <u>Capital</u> Ability to fund/finance | Capital programme not delivered | Capital receipts forecast. Prudential borrowing code of practice adopted. All known future changes included in budget | 4 | 2 | Funding forecast |
| <u>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

3.74 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.

3.75 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.

3.76 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.

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

## GENERAL FUND AND COUNCIL TAX REQUIREMENT

3.78 In determining the Council Tax Requirement for 2019/20, councillors and officers have refocused resources on investing in the Council's priorities.

3.79 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.

3.80 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.

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

3.82 Ipswich's Collection Fund shows a net surplus of £89,000. Any money recovered is credited to the Collection Fund, but the actual cost of recovery has to be charged to the General Fund and therefore falls within the Budget.

3.83 The Final Settlement for 2019/20 was announced on 29th January 2019 at £4,287,376. These figures are reflected in the summary below:

*Table Twenty Four: Council Tax Requirement 2019/20*

| **£m** | **2018/19** | **2019/20** |
|---|---|---|
| Budget Requirement | 17,752,680 | 18,255,434 |
| Settlement Funding Adjustment | -4,191,325 | -4,287,376 |
| Collection Fund Adjustment | -153,000 | -89,000 |
| **To be financed through Council Tax** | **13,408,355** | **13,879,058** |

3.84 As the Council has a Council Tax Requirement for 2019/20 of £13,879,058 (as per the Medium Term Financial Plan), 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 'average' in Ipswich) in comparison with 2018/19 will be:

| **Proposed Change in Band B Council Tax** | **2018/19 £ : p** | **2019/20 £ : p** | **% Change** |
|---|---|---|---|
| IBC Charge | 273.49 | 281.68 | 2.99 |

3.85 A council tax rise of 2% for a Band B property would equate to an increase of 10.5p per week, rather than the 15.7p increase proposed.

3.86 A taxpayer in a Band B property receiving full Council Tax Relief will see an increase in their annual bill of £3.75, of which 41p will relate to the Ipswich Borough Council element.

*Table Twenty Five: 19/20 Council Tax Increase by Precepting Authority with Full Relief*

| | 2018/19 | 2019/20 | Increase | Per Week |
|---|---|---|---|---|
| Ipswich Borough Council | £13.67 | £14.08 | £0.41 | 0.79p |
| Suffolk County Council | £48.32 | £50.25 | £1.93 | 3.70p |
| Police & Crime Commissioner | £7.34 | £8.27 | £0.93 | 1.78p |
| **Total** | **£69.33** | **£72.60** | **£3.27** | **6.27p** |

3.87 The Council Tax requirement for Ipswich has been assumed in the four year forecast. This is shown by year in Table Twenty Six below:

*Table Twenty Six: Forecast Council Tax Requirement 2019/20 to 2021/22*

| | 2019/20 £ | 2020/21 £ | 2021/22 £ | 2022/23 £ |
|---|---|---|---|---|
| Council Tax Requirement | 13,879,058 | 14,321,470 | 14,775,990 | 15,242,930 |

3.88 The Council Tax charge for Ipswich Borough Council at each of the property bands, compared with 2018/19 is shown in Table Twenty Seven below. The total number of dwellings by band across Suffolk districts is shown for reference.

*Table Twenty Seven: Proposed Council Tax Levels by Band 2019/20*

| Band | 2018/19 | 2019/20 | Change | Weekly increase | Dwellings | | | |
|---|---|---|---|---|---|---|---|---|
| | Tax (£ : p) | Tax (£ : p) | % | | Ipswich | | *Total Suffolk* | |
| | | | | | Number | % | *Number* | *%* |
| A | 234.42 | 241.44 | 2.99% | £0.14 | 18,570 | 31.0 | *49,498* | *17.6* |
| B | 273.49 | 281.68 | 2.99% | £0.16 | 22,642 | 37.8 | *81,956* | *29.1* |
| C | 312.56 | 321.92 | 2.99% | £0.18 | 11,026 | 18.4 | *56,530* | *20.1* |
| D | 351.63 | 362.16 | 2.99% | £0.20 | 4,228 | 7.1 | *43,825* | *15.6* |
| E | 429.77 | 442.64 | 2.99% | £0.25 | 2,184 | 3.6 | *27,370* | *9.7* |
| F | 507.91 | 523.12 | 2.99% | £0.29 | 913 | | *13,231* | |
| G | 586.05 | 603.60 | 2.99% | £0.34 | 353 | 2.1 | *8,103* | *7.8* |
| H | 703.26 | 724.32 | 2.99% | £0.41 | 19 | | *720* | |

3.89 Last year's Medium Term Financial Plan set balanced proposals for the four years from 2018/19 to 2020/21 and assumed a 2% Council Tax increase provision being made for this year.

3.90 Central Government has set an annual 'referendum' level of 3% which, if proposed to be exceeded, would mean that the relevant Council would have to undertake a referendum to obtain support for any rise above that level. The increase proposed is below the level which would require a referendum.

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

3.92 Suffolk County Council have confirmed an overall 3.99% increase in council tax in their 2019/20 budget papers, which is made up of a 2.99% increase in Council Tax and a 1% increase in the Adult Social Care Precept.

3.93 The Suffolk Police and Crime Commissioner has confirmed a 12.68% increase in the precept.

3.94 The overall impact of the three rises is a 4.71% increase in Council Tax levels in Ipswich.

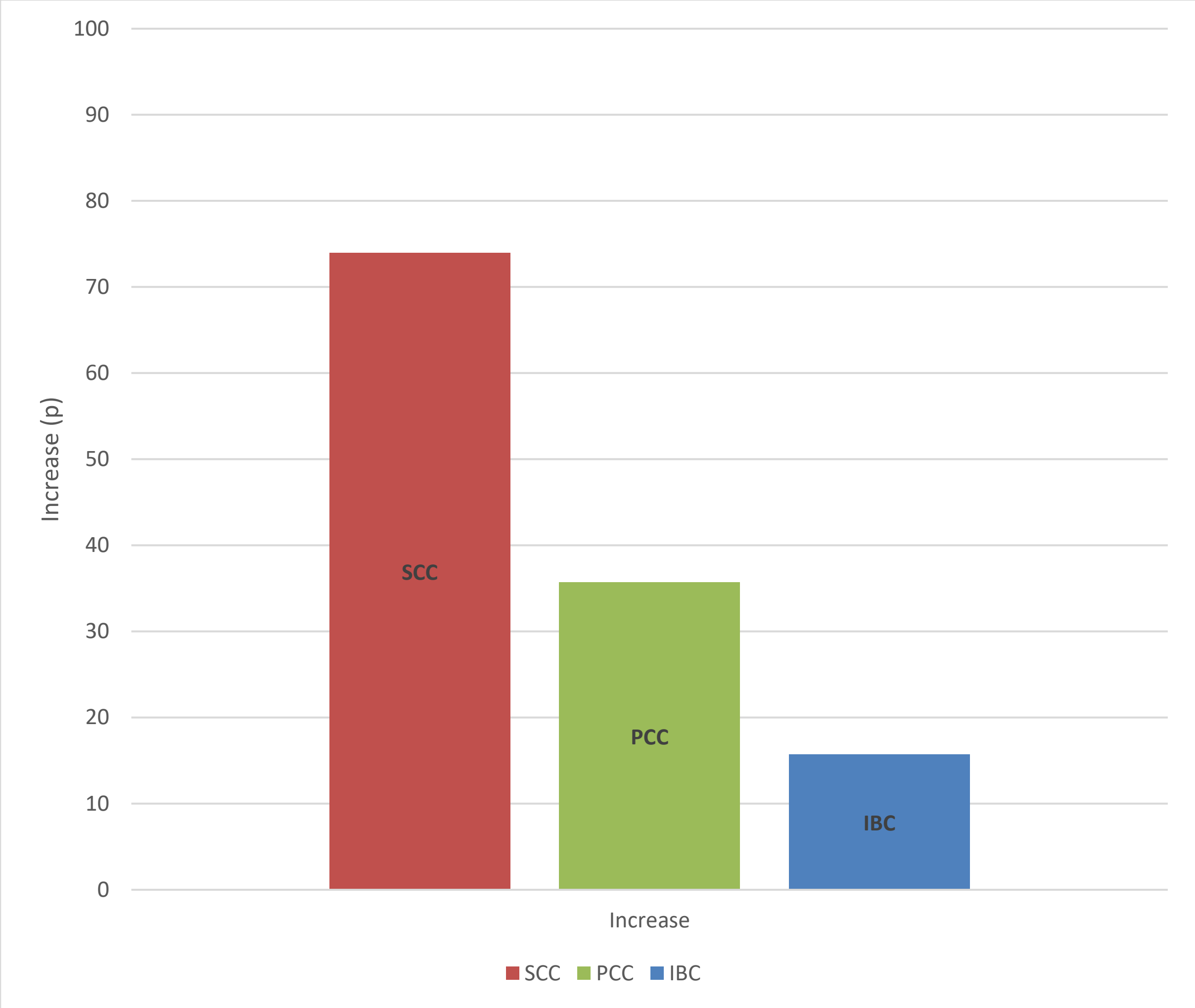
3.95 Factoring the changes confirmed for the Suffolk Police and Crime Commissioner and Suffolk County Council, the overall Council Tax position for Ipswich Borough Council will be as shown in Table Twenty Eight below:

*Table Twenty Eight: Proposed Total Council Tax Payable by Band 2019/20*

| | IBC 18/19 | SCC 18/19 | PCC 18/19 | **Total 18/19** | IBC 19/20 | SCC 19/20 | PCC 19/20 | **Total 19/20** | *Total Increase* |
|---|---|---|---|---|---|---|---|---|---|
| Band A | 234.42 | 828.36 | 125.88 | **1,188.66** | 241.44 | 861.42 | 141.84 | **1,244.70** | *56.04* |
| Band B | 273.49 | 966.42 | 146.86 | **1,386.77** | 281.68 | 1,004.99 | 165.48 | **1,452.15** | *65.38* |
| Band C | 312.56 | 1,104.48 | 167.84 | **1,584.88** | 321.92 | 1,148.56 | 189.12 | **1,659.60** | *74.72* |
| Band D | 351.63 | 1,242.54 | 188.82 | **1,782.99** | 362.16 | 1,292.13 | 212.76 | **1,867.05** | *84.06* |
| Band E | 429.77 | 1,518.66 | 230.78 | **2,179.21** | 442.64 | 1,579.27 | 260.04 | **2,281.95** | *102.74* |
| Band F | 507.91 | 1,794.78 | 272.74 | **2,575.43** | 523.12 | 1,866.41 | 307.32 | **2,696.85** | *121.42* |
| Band G | 586.05 | 2,070.90 | 314.70 | **2,971.65** | 603.60 | 2,153.55 | 354.60 | **3,111.75** | *140.10* |
| Band H | 703.26 | 2,485.08 | 377.64 | **3,565.98** | 724.32 | 2,584.26 | 425.52 | **3,734.10** | *168.12* |

3.96 The proportion of the increase for each precepting organisation is shown in Chart Two below:

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




## Housing Revenue Account (HRA)

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

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

3.99 The HRA is ring-fenced and is required to balance each year i.e. the working balance can never be negative and for the sake of prudence it has been decided that a minimum balance of £2m is required

# Section 3
# General Fund MTFP

## GENERAL FUND REVENUE FORECAST 2018/19 TO 2022/23

| DESCRIPTION | 2018/19 ORIGINAL BUDGET £ | 2018/19 DRAFT APPROX O/T £ | 2019/20 FORECAST £ | 2020/21 FORECAST £ | 2021/22 FORECAST £ | 2022/23 FORECAST £ |
|---|---|---|---|---|---|---|
| SERVICE EXPENDITURE | | | | | | |
| Employees | 27,149,660 | 27,984,030 | 27,810,900 | 28,430,880 | 28,947,060 | 29,485,960 |
| Premises | 6,243,310 | 5,835,770 | 6,186,660 | 6,242,160 | 6,299,930 | 6,358,000 |
| Transport | 1,572,250 | 1,923,420 | 2,009,810 | 1,895,500 | 2,151,770 | 2,151,770 |
| Supplies & Services | 13,017,903 | 15,633,568 | 13,403,440 | 13,363,880 | 13,382,140 | 13,402,250 |
| Agency & Contracted Services | 851,450 | 948,450 | 968,750 | 989,750 | 1,001,750 | 1,033,750 |
| Transfer Payments | 53,684,150 | 53,684,150 | 53,684,150 | 53,684,150 | 53,684,150 | 53,684,150 |
| Central & Departmental Support | 1,197,550 | 1,126,690 | 1,133,400 | 1,156,070 | 1,179,190 | 1,202,770 |
| TOTAL SERVICE EXPENDITURE | 103,716,273 | 107,136,078 | 105,197,110 | 105,762,390 | 106,645,990 | 107,318,650 |
| SERVICE INCOME | | | | | | |
| Government Grants | 54,663,750Cr | 55,583,240Cr | 54,510,530Cr | 54,514,920Cr | 54,588,430Cr | 54,588,430Cr |
| Other Grants,Contributions Etc | 6,845,943Cr | 7,099,453Cr | 6,261,050Cr | 6,331,220Cr | 6,457,600Cr | 6,561,540Cr |
| Sales | 706,060Cr | 750,200Cr | 770,810Cr | 790,080Cr | 809,830Cr | 830,080Cr |
| Fees & Charges | 17,656,510Cr | 17,393,565Cr | 17,457,030Cr | 17,961,900Cr | 18,319,210Cr | 18,673,980Cr |
| Rents | 3,880,210Cr | 3,629,170Cr | 3,931,720Cr | 3,936,220Cr | 4,135,220Cr | 4,135,220Cr |
| TOTAL SERVICE INCOME | 83,752,473Cr | 84,455,628Cr | 82,931,140Cr | 83,534,340Cr | 84,310,290Cr | 84,789,250Cr |
| NET SERVICE EXPENDITURE | 19,963,800 | 22,680,450 | 22,265,970 | 22,228,050 | 22,335,700 | 22,529,400 |

## GENERAL FUND REVENUE FORECAST 2018/19 TO 2022/23

| DESCRIPTION | 2018/19 ORIGINAL BUDGET £ | 2018/19 DRAFT APPROX O/T £ | 2019/20 FORECAST £ | 2020/21 FORECAST £ | 2021/22 FORECAST £ | 2022/23 FORECAST £ |
|---|---|---|---|---|---|---|
| NET SERVICE EXPENDITURE | 19,963,800 | 22,680,450 | 22,265,970 | 22,228,050 | 22,335,700 | 22,529,400 |
| Contingencies etc: | | | | | | |
| Additional Commitments | 802,120 | 948,890 | 1,093,990 | 1,294,320 | 1,511,990 | 1,714,990 |
| Transformation Invest to Save Fund | 0 | 823,410 | 0 | 0 | 0 | 0 |
| General Service Contingency | 0 | 126,330 | 0 | 0 | 0 | 0 |
| Big Ticket Savings | 750,000Cr | 133,040 | 1,520,000Cr | 2,150,000Cr | 2,700,000Cr | 2,950,000Cr |
| Interest on Balances etc | 140,190 | 210,190 | 399,130 | 215,700 | 243,970 | 379,200 |
| External interest etc | 144,500Cr | 221,500Cr | 334,680Cr | 324,150Cr | 350,480Cr | 460,820Cr |
| Loan Repayments/Investment Income from IBC Companies | 3,130,420Cr | 3,366,820Cr | 4,135,450Cr | 4,099,490Cr | 4,061,920Cr | 4,022,670Cr |
| Capital financing costs | 3,444,940 | 5,066,940 | 4,225,100 | 5,591,050 | 5,822,500 | 5,534,360 |
| Net Expenditure | 20,326,130 | 26,400,930 | 21,994,060 | 22,755,480 | 22,801,760 | 22,724,460 |
| Revenue Support Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Business Rates Baseline | 4,191,000Cr | 4,191,000Cr | 4,287,000Cr | 4,416,000Cr | 4,548,000Cr | 4,548,000Cr |
| Retained Business Rates | 1,024,000Cr | 5,010,000Cr | 1,150,000Cr | 1,091,000Cr | 1,099,000Cr | 1,099,000Cr |
| Enterprize Zone Income | 0 | 230,000Cr | 230,000Cr | 230,000Cr | 230,000Cr | 230,000Cr |
| Collection Fund surplus(Cr)/deficit 31st March (net) | 153,000Cr | 153,000Cr | 89,000Cr | 0 | 0 | 0 |
| New Homes Bonus Scheme | 963,000Cr | 988,000Cr | 774,000Cr | 468,000Cr | 363,000Cr | 650,000Cr |
| Transfer to/from (Cr) Reserves | 555,340Cr | 382,480Cr | 512,340Cr | 95,950Cr | 255,440Cr | 23,850 |
| Use of (Cr) / Contribution to GF Revenue Balance | 31,440Cr | 2,038,100Cr | 1,072,660Cr | 2,133,060Cr | 1,530,330Cr | 978,380Cr |
| Unfunded Balance | 0 | 0 | 0 | 0 | 0 | 0 |
| COUNCIL TAX REQUIREMENT | 13,408,350 | 13,408,350 | 13,879,060 | 14,321,470 | 14,775,990 | 15,242,930 |

# General Fund Budgets 2019/20 - Service Group Analysis

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

| **Service Grouping** | **2019/20 Controllable Budget £** |
|---|---|
| Chief Executive/Chief Operating Officer | 1,406,170 |
| Culture and Environment | 9,680,210 |
| Development | 376,230 |
| Finance and Revenues | 4,472,790 |
| Housing and Community | 2,815,750 |
| People and Governance | 3,514,820 |
| NET SERVICE EXPENDITURE | 22,265,970 |

**Chief Executive/Chief Operating Officer**

| **Service Area** | **2019/20 Controllable Budget £** |
|---|---|
| Corporate Management Team | 1,030,710 |
| Chief Executive | |
| Economic Development | 375,460 |
| Total | 1,406,170 |

## *General Fund Budget 2019/20 - Service Group Analysis continued*

**Culture and Environment**

| **Service Area** | **2019/20 Controllable Budget £** |
|---|---|
| Colchester and Ipswich Museums | |
| Museums | 1,192,010 |
| Commercial Development | |
| Corn Exchange | 79,100 |
| Cultural Development | 189,620 |
| Enterprise Projects (incl Market) | 27,670 |
| Entertainments Box Office | -120,720 |
| Entertainments Management | 540,440 |
| Events and Festivals | 277,070 |
| Regent Theatre | -83,080 |
| Shopmobility | 11,060 |
| Tourism | 5,000 |
| Visitor Experience | 155,830 |
| Parks and Cemeteries | |
| Allotments | 29,560 |
| Amenity Areas (Open Spaces) | 13,780 |
| Cemeteries and Crematorium | -467,510 |
| Parks | 1,421,500 |
| Public Conveniences | 62,120 |
| Rangers | 544,530 |
| Verge Maintenance | 201,170 |
| Sports and Leisure | |
| Profiles Gyms | 30,480 |
| Sports and Leisure Development | 272,400 |
| Sports Centres | 690,160 |
| Swimming Pools | 861,550 |
| Waste and Fleet | |
| Cleansing Services | 1,356,380 |
| Recycling | 418,220 |
| Refuse Collection | 1,346,080 |
| Waste and Fleet Management | 520,510 |
| Waste Education and Promotion | 105,280 |
| Total | 9,680,210 |

## *General Fund Budget 2019/20 - Service Group Analysis continued*

| Development | |
|---|---|
| **Service Area** | **2019/20 Controllable Budget £** |
| Building Control | 46,370 |
| Major Capital Schemes | 890,260 |
| Planning and Development | |
| Bus Route Subsidies/Network Support | 110,250 |
| Caps System Costs | 48,300 |
| Community/Environmental Improvements | 33,360 |
| Conservation of Historic Buildings | 31,600 |
| Development Services Support | 239,850 |
| Drainage | 36,000 |
| Footway Lighting | 72,200 |
| Historic Churches | 53,940 |
| Planning and Development | 253,490 |
| Planning Policy | 190,710 |
| Street Names and Seats | 20,000 |
| Town Centre Pedestrian Areas | 37,400 |
| Transportation | 92,580 |
| Property Services | |
| Broomhill Pool | 2,940 |
| Corporate Properties | -1,856,460 |
| Grafton House | -26,900 |
| IP-City Centre | -248,820 |
| Property Services Management | 349,160 |
| Total | 376,230 |

## *General Fund Budget 2019/20 - Service Group Analysis continued*

**Finance and Revenues**

| **Service Area** | **2019/20 Controllable Budget £** |
|---|---|
| Financial Services | |
| Corporate Management Direct Costs | 280,570 |
| Financial Services | 901,270 |
| Housing and Council Tax Benefit Administration | 1,335,340 |
| Unapportionable Central Overheads | 917,140 |
| | |
| Information Technology | 1,038,470 |
| | |
| Total | 4,472,790 |

# General Fund Budget 2019/20 - Service Group Analysis continued

| Housing and Community | |
|---|---|
| **Service Area** | **2019/20 Controllable Budget £** |
| <u>Customer Services</u> | |
| Customer Services Centre | 845,300 |
| IBC Car Parks | -1,797,790 |
| Residents Parking Schemes | 6,240 |
| Emergency Services Centre - CCTV | 565,820 |
| Emergency Services Centre - HEARS | -119,010 |
| <u>Public Protection</u> | |
| Animal Welfare | 88,880 |
| Community Safety | 198,680 |
| Environmental Protection | 498,740 |
| Food Safety | 253,450 |
| Hackney Carriage and Private Hire Vehicles | -48,430 |
| Housing Business Support Unit | -55,640 |
| Improvement Grants | 20,400 |
| Licensing and Enforcement | -32,560 |
| M3 System Costs | 4,900 |
| Occupational Health | 12,810 |
| Port Health | 22,670 |
| Private Sector Housing Services | 283,360 |
| Waste Enforcement | 139,800 |
| <u>Housing Advice</u> | |
| Assistance to Voluntary Bodies | 5,770 |
| Bed and Breakfast Costs | 129,640 |
| Contributions to Housing Revenue Account | 211,360 |
| Homelessness | 366,510 |
| Hostels | -86,240 |
| Housing Options | 1,016,250 |
| Other Private Sector Accommodation Costs | 18,850 |
| Supervision and Management | 265,990 |
| Total | 2,815,750 |

## General Fund Budget 2019/20 - Service Group Analysis continued

**People and Governance**

| Service Area | 2019/20 Controllable Budget £ |
|---|---|
| Audit Partnership | 144,400 |
| Corporate Support | |
| Area Committees | 97,850 |
| Borough Council Elections | 163,690 |
| Marketing | 425,030 |
| Community Development Team | 130,310 |
| Design Services | 11,760 |
| Emergency Planning | 59,570 |
| Health and Safety | 81,900 |
| Community Grants | 393,390 |
| Performance and Projects | 387,830 |
| Printing Section | -52,510 |
| Registration of Electors | 183,600 |
| Human Resources | 445,820 |
| Legal and Democratic Services | |
| Councillors' Services | 221,000 |
| Councillors' Costs | 355,380 |
| Democratic and Business Support | 82,420 |
| Legal Services | 315,130 |
| Local Land Charges | -51,290 |
| Mayoral Services | 119,540 |
| Total | 3,514,820 |

# Section 4

## The Housing Revenue Account

4.1 The Council owns around 7,876 general needs and sheltered properties. 26 properties have been sold during the current year under the ‘right-to-buy’ scheme as at 4/12/18. For the budget it has been assumed a base 70 sales per annum.

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

4.3 To date the Programme has delivered 157 homes at Bader Close and schemes at Ainslie Rd, Widgeon Close, Whitton Church Lane, Coltsfoot Avenue and Ulster Avenue. A programme of future schemes has been developed to ensure a steady supply of new homes. The Cauldwell Hall Road Scheme of 17 properties is in progress with these being available for rent during 19/20. The next major proposed schemes will be at Old Norwich Road (former Tooks Bakery site) and at Ravenswood.

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

4.5 The Government announced that the capping limits for HRA borrowing has been lifted which means that although we had previously expected to reach the cap in 2024/25, we are no longer constrained by this.

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

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

4.8 The Housing and Planning Act 2016 introduced a number of significant changes that may impact on the forecast and as such need to be monitored.

4.9 The contingency of £100k pa had been assumed to cover potential loss of rent following sale of high-value homes. This has now been removed.

4.10 The financial impacts of further changes, like fixed term tenancies, or implementation of Universal Credit & Welfare Reform changes would need to be funded initially from the Welfare Reform reserve.

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

4.12 A contingency has been set for the potential effects of the Sheltered Housing Review. This includes the estimated change in Service Charge Income (£160.37k) and £1m to cover any revenue costs of refurbishment of the Sheltered Schemes.

4.13 Assimilating the Council's pay scales to the national pay scale in line with the national pay award will result in a cost pressure above budget. This is estimated to cost up to £280k for the HRA.

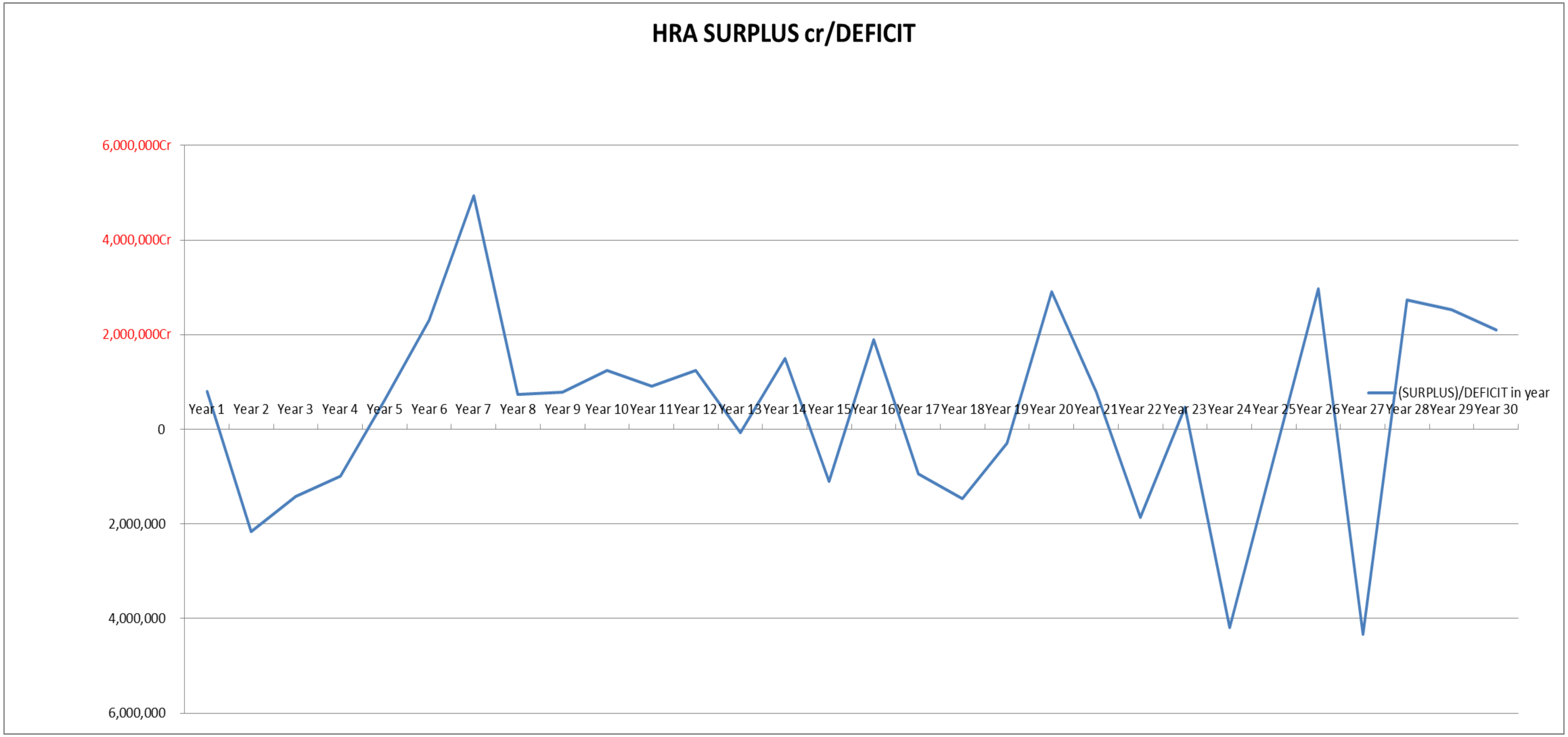
4.14 A revised savings target of £105k pa has been retained for future zero based budgeting & business process reviews.

4.15 Other minor contingencies exists to cover risks /opportunities identified in the 30 year Forecast. These can be seen in the HRA Forecast shown at the end of this section.

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

4.17 The HRA Business Plan has been amended for the estimated impact of the "-1%" rent reduction and other known changes. The graph (below) shows the surplus (-) and deficit (+) predicted for each future year. Year 1 is 2018/19.

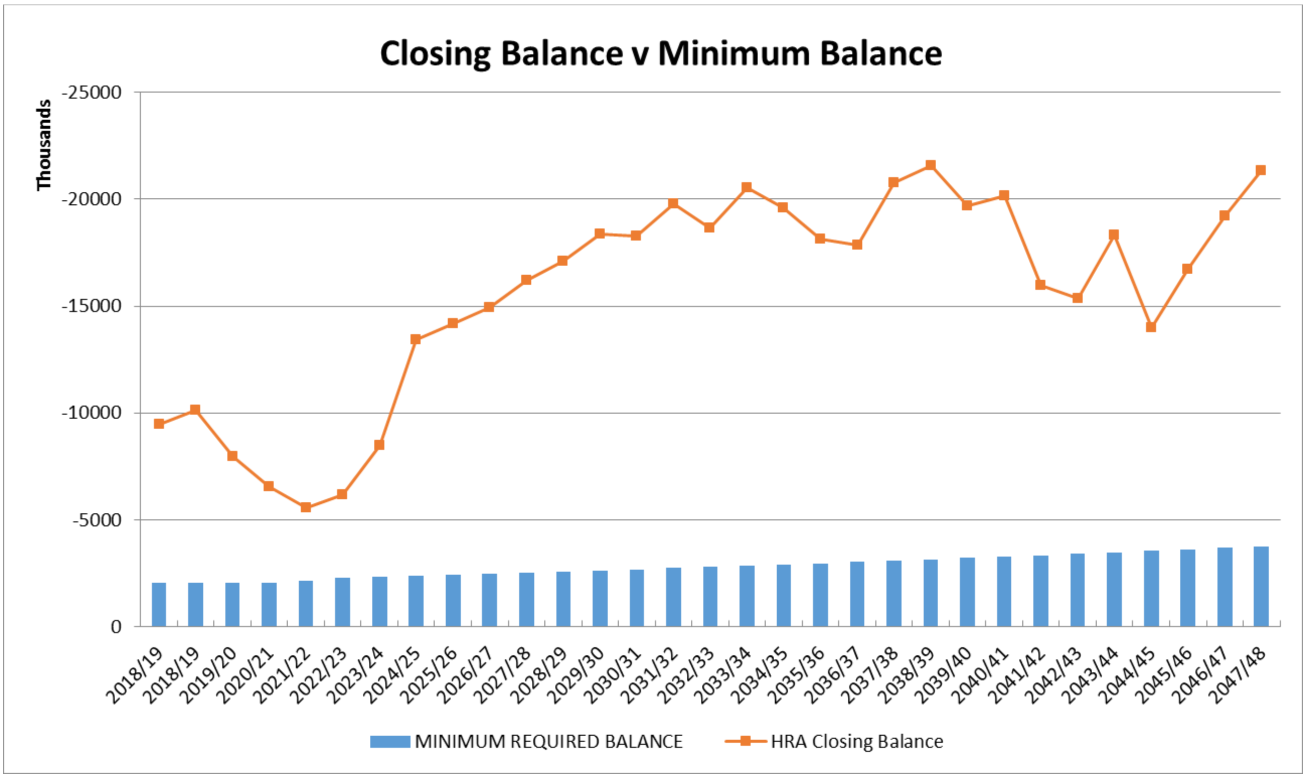
*Chart Three: 30 Year HRA Forecast Surplus/Deficit by year (cr = surplus)*



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

4.19 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 Four: 30-year plan of HRA balances and minimum reserve levels*



## HOUSING REVENUE ACCOUNT FORECAST 2018/19 TO 2022/23

| 2017/18 OUT-TURN £ | | 2018/19 ORIGINAL BUDGET £ | *Year 1* 2018/19 FORECAST £ | *Year 2* 2019/20 FORECAST £ | *Year 3* 2020/21 FORECAST £ | *Year 4* 2021/22 FORECAST £ | *Year 5* 2022/23 FORECAST £ |
|---|---|---|---|---|---|---|---|
| | **EXPENDITURE** | | | | | | |
| | **MANAGEMENT & MAINTENANCE** | | | | | | |
| 4,728,208 | Supervision & Management General | 4,626,360 | 4,775,360 | 4,879,660 | 4,964,190 | 5,063,470 | 5,164,700 |
| 2,292,553 | Supervision & Management Special | 2,297,550 | 2,430,470 | 2,418,020 | 2,466,380 | 2,515,710 | 2,566,000 |
| 0 | Superannuation Backfunding | 274,440 | 264,000 | 222,000 | 246,000 | 246,000 | 246,000 |
| 4,385,820 | Responsive Repairs | 4,534,950 | 4,236,330 | 4,340,370 | 4,659,970 | 4,827,560 | 4,498,020 |
| 1,435,079 | Special/Contract Repairs | 1,454,620 | 1,435,600 | 1,487,260 | 1,596,280 | 1,653,680 | 1,540,800 |
| 238,514 | Planned Maintenance | 986,120 | 1,638,410 | 945,920 | 1,015,260 | 1,051,770 | 979,970 |
| **13,080,173** | **MANAGEMENT & MAINTENANCE TOTAL** | **14,174,040** | **14,780,170** | **14,293,230** | **14,948,080** | **15,358,190** | **14,995,490** |
| | **CAPITAL FINANCING COSTS** | | | | | | |
| 55,805 | **Debt Management Expenses** | 39,260 | 32,250 | 29,220 | 28,070 | 27,200 | 26,670 |
| 2,866,502 | **Debt Principal - repayment** | 2,879,710 | 2,879,710 | 2,906,910 | 2,939,530 | 2,967,940 | 2,921,690 |
| 3,728,324 | **Debt Interest payable and similar charges** | 3,653,890 | 3,653,890 | 3,593,570 | 3,514,820 | 3,433,650 | 3,351,380 |
| 4,763,260 | **Depreciation** | 4,225,490 | 4,225,490 | 4,225,490 | 4,225,490 | 4,225,490 | 4,225,490 |
| 11,128,887Cr | **Impairment of Assets** | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | **Deferred Charges (REFCUS)** | 0 | 0 | 0 | 0 | 0 | 0 |
| **285,004** | **TOTAL CAPITAL FINANCING COSTS** | **10,798,350** | **10,791,340** | **10,755,190** | **10,707,910** | **10,654,280** | **10,525,230** |
| **0** | **RENT REBATES SUBSIDY LIMITATION** | **0** | **0** | **0** | **0** | **0** | **0** |
| **99,257** | **PROVISION FOR BAD DEBTS** | 548,690 | 548,690 | 543,200 | 301,670 | 311,930 | 322,540 |
| **132,790** | **HRA share of Corporate Democratic Core and Non Distributed Costs** | 134,120 | 134,120 | 136,810 | 142,340 | 145,180 | 148,080 |
| **13,597,225** | **TOTAL EXPENDITURE** | **25,655,200** | **26,254,320** | **25,728,430** | **26,100,000** | **26,469,580** | **25,991,340** |
| | **INCOME** | | | | | | |
| | **RENTAL & CHARGES FOR SERVICES/FACILITIES** | | | | | | |
| 33,660,615Cr | **Rents** | 33,309,100Cr | 33,222,100Cr | 33,610,410Cr | 34,098,060Cr | 35,256,860Cr | 36,456,740Cr |
| 543,437Cr | **Commercial** | 530,020Cr | 530,020Cr | 530,020Cr | 530,020Cr | 530,020Cr | 530,020Cr |
| 129,006Cr | **Garages** | 130,100Cr | 130,100Cr | 134,520Cr | 139,090Cr | 143,820Cr | 148,710Cr |
| 426,025Cr | **Shops** | 399,620Cr | 399,620Cr | 399,620Cr | 399,620Cr | 399,620Cr | 399,620Cr |
| 1,007,598Cr | **Service Charges** | 1,014,450Cr | 1,014,450Cr | 1,034,740Cr | 1,055,430Cr | 1,076,540Cr | 1,098,070Cr |
| 12,803Cr | **Electricity FIT income** | 15,220Cr | 15,220Cr | 15,220Cr | 15,220Cr | 15,220Cr | 15,220Cr |
| **35,779,486Cr** | **RENTS/CHARGES FOR SERVICES TOTAL** | **35,398,510Cr** | **35,311,510Cr** | **35,724,530Cr** | **36,237,440Cr** | **37,422,080Cr** | **38,648,380Cr** |
| **203,160Cr** | **G.F. RECHARGE** | **205,190Cr** | **205,190Cr** | 211,360Cr | 215,590Cr | 219,900Cr | 224,300Cr |
| **35,982,646Cr** | **TOTAL INCOME** | **35,603,700Cr** | **35,516,700Cr** | **35,935,890Cr** | **36,453,030Cr** | **37,641,980Cr** | **38,872,680Cr** |
| **22,385,422Cr** | **NET COST OF SERVICES** | **9,948,500Cr** | **9,262,380Cr** | **10,207,460Cr** | **10,353,030Cr** | **11,172,400Cr** | **12,881,340Cr** |

## HOUSING REVENUE ACCOUNT FORECAST 2018/19 TO 2022/23

| 2017/18 OUT-TURN £ | | 2018/19 ORIGINAL BUDGET £ | *Year 1* 2018/19 FORECAST £ | *Year 2* 2019/20 FORECAST £ | *Year 3* 2020/21 FORECAST £ | *Year 4* 2021/22 FORECAST £ | *Year 5* 2022/23 FORECAST £ |
|---|---|---|---|---|---|---|---|
| 22,385,422Cr | **NET COST OF SERVICES** | 9,948,500Cr | 9,262,380Cr | 10,207,460Cr | 10,353,030Cr | 11,172,400Cr | 12,881,340Cr |
| | **Summary/Contingency items** | | | | | | |
| 0 | Items t/f from previous to current year | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | RTB Sales estimated effect | 292,250 | 192,960 | 354,170 | 553,010 | 759,170 | 965,790 |
| 0 | New Build estimated effect | 0 | 19,030Cr | 37,410Cr | 115,830Cr | 228,000Cr | 328,950Cr |
| 463,180Cr | Pensions interest costs , expected returns & reversal of pension benefits & Employers pension contribution | 0 | 0 | 0 | 0 | 0 | 0 |
| 100,000 | Inflation/£/Brexit contingency | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| 100,000 | High Value Stock contingency | 100,000 | 0 | 0 | 0 | 0 | 0 |
| 860,000Cr | Welfare Reforms Contingency | 0 | 0 | 0 | 0 | 0 | 0 |
| 40,000 | Incentive Schemes Contingency | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| 300,000 | Abortive New Build Contingency | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | Pay Assimilation | 0 | 0 | 280,000 | 285,600 | 291,310 | 297,140 |
| 0 | Contingency for Sheltered Review | 0 | 0 | 1,051,410 | 51,450 | 52,480 | 53,530 |
| 0 | Recharges/rescheduling | 87,660 | 0 | 123,410 | 50,000 | 50,000 | 50,000 |
| 0 | Trans to/from IT Dev Reserve | | 60,090Cr | | | | |
| 0 | Budget c/fwd from 17/18 | | 725,000Cr | | | | |
| 35,530 | Misc Contribns to Reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| 133,300Cr | New Homes Bonus | 133,300Cr | 133,300Cr | 110,470Cr | 19,090Cr | 31,790Cr | 55,470Cr |
| 0 | Rent Reviews | 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | Zero based Budgeting savings target | 75,960Cr | 0 | 80,000Cr | 80,000Cr | 80,000Cr | 80,000Cr |
| 0 | Customer Access Strategy - savings target | 100,000Cr | 25,280Cr | 25,280Cr | 25,280Cr | 25,280Cr | 25,280Cr |
| 0 | Transitional Vacancy savings to find | 50,000Cr | 214,320Cr | 300,000Cr | 300,000Cr | 300,000Cr | 300,000Cr |
| 6,246,361 | Reverse All Depreciation & Deferred charges | 4,341,830Cr | 4,341,830Cr | 4,341,830Cr | 4,341,830Cr | 4,341,830Cr | 4,341,830Cr |
| 7,948,140 | Transfer to Major Repairs Reserve | 7,364,890 | 7,364,890 | 8,981,800 | 9,120,840 | 8,782,460 | 8,810,140 |
| 107,021Cr | Interest/investments (net) | 68,160 | 280,120Cr | 429,300Cr | 443,120Cr | 377,250Cr | 377,250Cr |
| 9,178,892Cr | **NET OPERATING EXPENDITURE** | 6,596,630Cr | 7,363,500Cr | 4,600,960Cr | 5,477,280Cr | 6,481,130Cr | 8,073,520Cr |
| 6,426,020 | RCCO's | 6,367,270 | 6,569,050 | 6,762,640 | 6,897,800 | 7,466,210 | 7,466,210 |
| 2,752,872Cr | **(SURPLUS)/DEFICIT in year** | 229,360Cr | 794,450Cr | 2,161,680 | 1,420,520 | 985,080 | 607,310Cr |
| | **Use of surplus for budget c/fwd** | | 725,000 | | | | |
| 2,752,872Cr | **NET (SURPLUS)/DEFICIT in year** | 229,360Cr | 69,450Cr | 2,161,680 | 1,420,520 | 985,080 | 607,310Cr |
| 7,322,233Cr | HRA Balance b/f 1st April | 8,992,923Cr | 10,075,105Cr | 10,144,555Cr | 7,982,875Cr | 6,562,355Cr | 5,577,275Cr |
| 10,075,105Cr | HRA Balance c/f 31st March | 9,451,643Cr | 10,144,555Cr | 7,982,875Cr | 6,562,355Cr | 5,577,275Cr | 6,184,585Cr |
| | MINIMUM REQUIRED BALANCE | 2,040,000Cr | 2,040,000Cr | 2,040,000Cr | 2,080,800Cr | 2,164,864Cr | 2,297,354Cr |

# Section 5

## RESERVES AND PROVISIONS POLICY

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

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

5.3 Reserves can be held for three main purposes;

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

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

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

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

## Reserves held by Ipswich Borough Council

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

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

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

### Ipswich Buses Ltd – Debenture Loan

5.11 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

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

### Repair and Renewal

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

### NNDR Equalisation Fund

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

### Revenue Grants/Contributions

5.15 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

5.16 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 £2m to ensure the sustainability of the plan.

### Repair and Renewal

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

### Miscellaneous

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

# Provisions held by Ipswich Borough Council

## General Fund

### Insurance Provision

5.19 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

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

## Housing Revenue Account

### Bad Debts

5.21 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-18 £'000 | Transfers In £'000 | Transfers Out £'000 | Balance 31-Mar-19 £'000 | Transfers In £'000 | Transfers Out £'000 | Balance 31-Mar-20 £'000 | Balance 31-Mar-21 £'000 | Balance 31-Mar-22 £'000 | Balance 31-Mar-23 £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Fund:** | | | | | | | | | | |
| Working Balance | 11,140Cr | 0 | 2,037 | 9,103Cr | 0 | 1,073 | 8,030Cr | 5,897Cr | 4,367Cr | 3,389Cr |
| Transport Realisation Reserve | 252Cr | 0 | 0 | 252Cr | 0 | 0 | 252Cr | 252Cr | 252Cr | 252Cr |
| Insurance Reserve | 1,003Cr | 0 | 33 | 970Cr | 0 | 0 | 970Cr | 970Cr | 970Cr | 970Cr |
| Service Based Reserves | 1,912Cr | 0 | 90 | 1,822Cr | 0 | 90 | 1,732Cr | 1,712Cr | 1,765Cr | 1,842Cr |
| Repair and Renewal | 444Cr | 25Cr | 4 | 465Cr | 25Cr | 4 | 486Cr | 507Cr | 528Cr | 549Cr |
| Business Rates Reserve | 3,106Cr | 0 | 80 | 3,026Cr | 0 | 329 | 2,697Cr | 2,697Cr | 2,457Cr | 2,457Cr |
| Legacies | 90Cr | 0 | 0 | 90Cr | 0 | 0 | 90Cr | 90Cr | 90Cr | 90Cr |
| Revenue Grants Reserve | 1,254Cr | 0 | 135 | 1,119Cr | 0 | 115 | 1,004Cr | 908Cr | 819Cr | 741Cr |
| Section 106 Grants | 821Cr | 0 | 55 | 766Cr | 0 | 0 | 766Cr | 766Cr | 766Cr | 766Cr |
| **Total** | **20,022Cr** | **25Cr** | **2,434** | **17,613Cr** | **25Cr** | **1,611** | **16,027Cr** | **13,799Cr** | **12,014Cr** | **11,056Cr** |
| **Housing Revenue Account:** | | | | | | | | | | |
| Working Balance | 10,075Cr | 69Cr | 0 | 10,144Cr | 0 | 2,162 | 7,982Cr | 6,562Cr | 5,577Cr | 6,184Cr |
| Repair and Renewal | 500Cr | 0 | 0 | 500Cr | 0 | 0 | 500Cr | 500Cr | 500Cr | 500Cr |
| Sheltered Scheme Reserve | 100Cr | 0 | 0 | 100Cr | 0 | 0 | 100Cr | 100Cr | 100Cr | 100Cr |
| IT Reserves | 60Cr | 0 | 60 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| HRA Insurance Reserve | 173Cr | 0 | 0 | 173Cr | 0 | 0 | 173Cr | 173Cr | 173Cr | 173Cr |
| Service Reserves | 492Cr | 0 | 0 | 492Cr | 0 | 0 | 492Cr | 492Cr | 492Cr | 492Cr |
| Abortive New Build | 300Cr | 0 | 0 | 300Cr | 0 | 0 | 300Cr | 300Cr | 300Cr | 300Cr |
| **Total** | **11,700Cr** | **69Cr** | **60** | **11,709Cr** | **0** | **2,162** | **9,547Cr** | **8,127Cr** | **7,142Cr** | **7,749Cr** |
| **Capital:** | | | | | | | | | | |
| **General Fund** | | | | | | | | | | |
| Usable Capital Receipts | 0 | 5,466Cr | 5,017 | 449Cr | 650Cr | 850 | 249Cr | 0 | 0 | 0 |
| Capital Financing | 65Cr | 2,039Cr | 1,754 | 350Cr | 19Cr | 369 | 0 | 0 | 0 | 0 |
| **Housing Revenue Account** | | | | | | | | | | |
| Usable Capital Receipts | 19,340Cr | 3,921Cr | 22,371 | 890Cr | 3,921Cr | 4,811 | 0 | 14Cr | 1,769Cr | 3,347Cr |
| Capital Financing | 22,975Cr | 13,934Cr | 8,425 | 28,484Cr | 15,744Cr | 37,675 | 6,553Cr | 9,452Cr | 16,918Cr | 24,097Cr |
| **Total** | **42,380Cr** | **25,360Cr** | **37,567** | **30,173Cr** | **20,334Cr** | **43,705** | **6,802Cr** | **9,466Cr** | **18,687Cr** | **27,444Cr** |

## Schedule of Working Balances, Reserves and Provisions contd

| **Provisions** | **Balance 31-Mar-18 £'000** | **Transfers In £'000** | **Transfers Out £'000** | **Balance 31-Mar-19 £'000** | **Transfers In £'000** | **Transfers Out £'000** | **Balance 31-Mar-20 £'000** | **Balance 31-Mar-21 £'000** | **Balance 31-Mar-22 £'000** | **Balance 31-Mar-23 £'000** |
|---|---|---|---|---|---|---|---|---|---|---|
| **General Fund:** | | | | | | | | | | |
| Insurance Provision | 482Cr | 200Cr | 200 | 482Cr | 200Cr | 200 | 482Cr | 482Cr | 482Cr | 482Cr |
| Provision for Bad Debts | 1,816Cr | 100Cr | 100 | 1,816Cr | 100Cr | 100 | 1,816Cr | 1,816Cr | 1,816Cr | 1,816Cr |
| **Total** | **2,298Cr** | **300Cr** | **300** | **2,298Cr** | **300Cr** | **300** | **2,298Cr** | **2,298Cr** | **2,298Cr** | **2,298Cr** |
| **Housing Revenue Account:** | | | | | | | | | | |
| Provision for Bad Debts | 523Cr | 100Cr | 100 | 523Cr | 100Cr | 100 | 523Cr | 523Cr | 523Cr | 523Cr |
| **Total** | **523Cr** | **100Cr** | **100** | **523Cr** | **100Cr** | **100** | **523Cr** | **523Cr** | **523Cr** | **523Cr** |
| **Grand Total** | **76,923Cr** | **25,854Cr** | **40,461** | **62,316Cr** | **20,759Cr** | **47,878** | **35,197Cr** | **34,213Cr** | **40,664Cr** | **49,070Cr** |

# Section 6

## CAPITAL STRATEGY / PROGRAMME

**Introduction**

6.1 The CIPFA Prudential Code for Capital Finance in Local Authorities published in December 2017 introduced a new 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 Plan and the long term vision of Ipswich.
- Links with the Council's Asset Management Plan.
- Is affordable, financially prudent and sustainable.
- Ensures the most cost effective use is made of existing assets and new capital investment.
- Supports other service specific plans and strategies.

**Key Areas of Capital Expenditure**

6.4 The capital strategy supports delivery of the Council's Corporate Plan and objectives. The Corporate Plan includes the core aims of;

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

6.5 The Medium Term Financial Plan sets out the capital programme and funding requirements over the medium term. In particular, there are three main areas of focus over the medium term;

- Building 1,000 homes in a decade;
- Investing in and developing Ipswich's town centre;
- Financing the Council's arm-length companies to support the revenue budget

6.6 In relation to the 2019/20 (and onwards) capital programme, key highlights include:

- Further developing Arms-Length companies
- Increasing housing stock
- Investing in the Eastern Gateway at Sproughton
- Bringing forward the replacement of some of the Council's older vehicle fleet
- Developing a new multi-storey car park for the Princes Street area
- Supporting Headway with the build of their new base
- Replacing Crown Pools roof

6.7 The Medium Term Financial Plan also includes the future financing costs (i.e. the cost of the debt incurred to pay for capital assets) and maintenance costs associated with the capital programme.

## Funding Capital Expenditure

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

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

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

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

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

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

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

## Current Situation

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

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

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

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

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

## Performance Framework Overview

6.11 The Council has adopted Best Practice to coordinate:-

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

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

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

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

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

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

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

**<u>Performance Measures and Monitoring</u>**

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

- Heads of Service are responsible for monitoring individual schemes;
- Online financial information is available to all Heads of Service and Project Managers, including details of any commitments, via the Council's financial reporting system;
- Monthly budget monitoring reports are produced for Heads of Service and Project Managers;
- Delivery against each capital scheme is reviewed on a monthly basis at Capital Working Group, chaired by the Chief Executive;
- Capital Programme monitoring is done on a quarterly basis through Heads of Service Monitoring Returns so any additional resources required/surplus resources that are not needed are identified at an early stage;
- Quarterly reports to Executive showing the latest Capital Programme and estimated resources;

- An annual report to Executive detailing the reasons for budget carry forwards, together with explanations for any variances >10% (+/-) of budgeted scheme cost; and
- The capital receipts forecast is updated on a quarterly basis.

6.18 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**

6.19 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.

6.20 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.

6.21 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.

6.22 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.

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

6.24 In order for a scheme to be added to the capital programme, approval must be given by Executive. Heads of Service are responsible for ensuring that a detailed business case is prepared for each project within their respective service area.

6.25 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.

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

## Capital Procurement

6.27 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.

6.28 All tenders with an aggregate spend in excess of £100,000 require approval from Executive before contracts can be awarded – this will affect most capital projects.

6.29 The Procurement Board is chaired by the Chief Operating Officer and comprises members of Corporate Management Team along with the Operations Managers for Finance and Legal & Democratic Services and the Procurement Manager.

6.30 All procurements meeting OJEU thresholds (£181,302 for Goods & Services; £4,551,413 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.

## Developing Knowledge and Skills

6.33 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.

6.34 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 commercial property investment decision.

6.35 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

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

| | Councillor | Scheme | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget | 2022/23 Budget |
|---|---|---|---|---|---|---|---|
| Maintaining Properties | Cllr Macdonald | Affordable Warmth | 1,350,200 | 1,902,310 | 1,947,170 | 1,651,390 | 1,582,310 |
| Maintaining Properties | Cllr Macdonald | Asbestos Removal | 114,230 | 121,950 | 131,520 | 136,020 | 139,100 |
| Maintaining Properties | Cllr Macdonald | Better Use of Stock | 79,760 | 22,270 | | | |
| Maintaining Properties | Cllr Macdonald | Communal Area Refurbishments | 75,560 | 276,010 | 289,390 | 312,870 | 342,360 |
| Maintaining Properties | Cllr Macdonald | Communal Electrics | | | | | |
| Maintaining Properties | Cllr Macdonald | Cumberland Towers upgrade | 31,590 | 42,630 | | | |
| Maintaining Properties | Cllr Macdonald | Disabled Adaptations | 749,770 | 792,020 | 830,430 | 911,390 | 932,010 |
| Maintaining Properties | Cllr Macdonald | ECO External Wall Insulation | 175,750 | | | | |
| Maintaining Properties | Cllr Macdonald | Electrical sub-mains within IBC flats | 0 | 441,500 | 455,970 | | |
| Maintaining Properties | Cllr Macdonald | Kitchen and Bathroom Refurbishments | 700,670 | 848,110 | 1,230,800 | 1,126,890 | 1,707,000 |
| Maintaining Properties | Cllr Macdonald | Insulation/Ventilation | 11,430 | 108,730 | 109,780 | 110,160 | 110,270 |
| Maintaining Properties | Cllr Macdonald | Neighbourhood & Community Improvements | 119,560 | 501,270 | 390,890 | 429,550 | 445,750 |
| Maintaining Properties | Cllr Macdonald | Planned Maintenance | 1,393,580 | 3,827,150 | 2,414,900 | 2,926,130 | 2,274,250 |
| Maintaining Properties | Cllr Macdonald | Rewires Programme including Voids | 730,320 | 752,460 | 907,440 | 847,960 | 946,140 |
| Maintaining Properties | Cllr Macdonald | Sheltered Imps/Lifts/Boilers | 138,260 | 295,450 | 412,550 | 330,100 | 330,950 |
| Maintaining Properties | Cllr Macdonald | Upgrade bay window wall & roof insulation | 509,040 | 520,010 | | | |
| Housing IT | Cllr Macdonald | CIVICA Upgrade | | 297,850 | | | |
| House Building - Other | Cllr Macdonald | I.H.P. 79 Cauldwell Hall Road demolition & new build | 2,540,700 | 808,300 | 159,300 | | |
| House Building - Other | Cllr Macdonald | I.H.P. 79 Cauldwell Hall Road purchase | 724,500 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Ainslie Road | 127,914 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Bader Close | 221,469 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Grimwade Street | 50,000 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Halifax Road | 20,000 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Quad Site | 80,000 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Sheldrake Drive | 20,000 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Ulster Avenue | 58,675 | | | | |
| House Building - Other | Cllr Macdonald | I.H.P. Widgeon Close | 22,157 | 11,550 | | | |
| House Building - Other | Cllr Macdonald | Buy Backs | 170,500 | | | | |
| House Building - Other | Cllr Macdonald | Increased Housing Provision (indicative - subject to HRA resources) | 16,765,915 | 21,666,000 | 3,247,000 | 2,102,000 | 2,692,785 |
| House Building - Handford Homes | Cllr Macdonald | I.H.P. Ravenswood UVW | 21,850 | 6,450,000 | 4,500,000 | | |
| House Building - Handford Homes | Cllr Macdonald | I.H.P. Tooks | 3,859,220 | 2,800,000 | | | |
| **Housing Revenue Account** | | | **30,862,620** | **42,485,570** | **17,027,140** | **10,884,460** | **11,502,925** |

| | Councillor | Scheme | 2018/19 Budget | 2019/20 Budget | 2020/21 Budget | 2021/22 Budget | 2022/23 Budget |
|---|---|---|---|---|---|---|---|
| IT | Cllr M Cook | Cap. IT Dev. - Development of website/integration of back office to Cl | 6,209 | 15,000 | | | |
| IT | Cllr M Cook | Cap. IT Dev. - Equipment | 100,000 | 250,000 | 250,000 | 230,000 | 230,000 |
| IT | Cllr M Cook | Cap. IT Dev. - Increased use of Electronic Document Storage | 7,310 | | | | |
| IT | Cllr M Cook | Finance System | 215,387 | 114,426 | | | |
| IT | Cllr M Cook | Unified Communications Project | | 500,000 | | | |
| Property Purchases | Cllr Ellesmere | Opportunity Purchases/Infrastructure Imps | 1,645,112 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| Capitalised Repairs | Cllr Jones | Capitalised Repairs | 923,590 | 500,000 | 500,000 | 500,000 | 500,000 |
| Play Equipment | Cllr P Smart | Play Equipment | 760,248 | 200,000 | | | 200,000 |
| Disabled Facilities Grant | Cllr Macdonald | Disabled Facilities Grant | 870,824 | 1,599,014 | 799,014 | 799,014 | 799,014 |
| Improvement Grants | Cllr Macdonald | Improvement Grants | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Resurfacing Car Parks | Cllr Ross | Resurfacing Car Parks | 170,560 | 100,000 | 100,000 | 100,000 | 100,000 |
| Town Centre Public Realm Improvements | Cllr Ellesmere | Town Centre Public Realm Improvements | | 1,000,000 | 1,000,000 | 1,000,000 | |
| **General Fund - Annual Core Investments** | | | **4,899,240** | **5,478,440** | **3,849,014** | **3,829,014** | **3,029,014** |
| Major Capital Projects | Cllr Ellesmere | 100 Princes Street (Drum & Monkey) | 288,613 | | | | |
| Major Capital Projects | Cllr Macdonald | Homeless Hostel NE Ipswich | 1,530,984 | 150,000 | | | |
| Major Capital Projects | Cllr Ellesmere | Broomhill Pool | 500,000 | 500,000 | 500,000 | | |
| Major Capital Projects | Cllr Ross | Car Park Ticket Machines | 221,000 | | | | |
| Major Capital Projects | Cllr Jones | Carbon Reduction Programme Invest to Save | 149,332 | 18,530 | 18,500 | 9,650 | |
| Major Capital Projects | Cllr Ross | CCTV Replacement System | 462,762 | | | | |
| Major Capital Projects | Cllr Meudec | Cemetery - Phase 2a and West Chapel refurb. | 389,749 | | | | |
| Major Capital Projects | Cllr Smart | Chantry HLF Bid | 250,000 | 1,250,000 | | | |
| Major Capital Projects | Cllr Jones | Christchurch Mansion Consolidation project | 20,000 | | | | |
| Major Capital Projects | Cllr Ellesmere | Community Improvements in Priory Heath and Westgate | 200,000 | | | | |
| Major Capital Projects | Cllr Ellesmere | 1 Cornhill | 350,000 | 300,000 | | | |
| Major Capital Projects | Cllr Ellesmere | Cornhill Regeneration | 2,732,235 | | | | |
| Major Capital Projects | Cllr Ellesmere | Customer Contact Telephony System | 50,000 | | | | |
| Major Capital Projects | Cllr Ellesmere | Crown Street Multi Storey Car Park | 830,474 | | | | |
| Major Capital Projects | Cllr Ellesmere | Economic Development | 723,500 | | | | |
| Major Capital Projects | Cllr Ellesmere | NE Ipswich GP Surgery | 9,875 | | | | |
| Major Capital Projects | Cllr Ross | HEARS system upgrade | 35,000 | | | | |
| Major Capital Projects | Cllr Ellesmere | Ipswich Flood Defence Payback | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 600,000 |
| Major Capital Projects | Cllr Ellesmere | Princes St Area Multi Storey Car Park | 17,776 | 1,000,000 | 6,000,000 | | |
| Major Capital Projects | Cllr Jones | Museum CCTV | 105,000 | | | | |
| Major Capital Projects | Cllr Jones | Museum project | 1,562,483 | 735,750 | 735,750 | | |
| Major Capital Projects | Cllr Ellesmere | New Wolsey Theatre Roof | 391,005 | | | | |
| Major Capital Projects | Cllr Ellesmere | Queen St electrical works for market extension | 28,636 | | | | |
| Major Capital Projects | Cllr Rudkin | Ransomes Sports Centre | 2,641 | | | | |
| Major Capital Projects | Cllr Ellesmere | Regent Theatre | 150,000 | 827,400 | | | |
| Major Capital Projects | Cllr Ellesmere | Sproughton Road Site | 4,910,975 | 200,000 | 4,000,000 | 7,000,000 | 4,000,000 |
| Major Capital Projects | Cllr Ellesmere | Sproughton Road Silo Demolition | 22,434 | | | | |
| Major Capital Projects | Cllr Ellesmere | St Peters Dock Public Realm | 750,000 | | | | |
| Major Capital Projects | Cllr Ellesmere | Upper Barclay Street Car Park | 70,610 | | | | |
| Major Capital Projects | Cllr Ellesmere | Crown Pools Roof Replacement | | 250,000 | | | |
| Major Capital Projects | Cllr Ellesmere | Headway Centre | | 500,000 | 4,000,000 | 750,000 | 300,000 |
| Major Capital Projects | Cllr Ellesmere | Ipswich Arts School Roof Replacement | | 50,000 | 340,000 | | |
| Major Capital Projects | Cllr Ellesmere | NE GP Surgery | | 500,000 | 5,500,000 | 500,000 | |
| Property Purchases | Cllr Ellesmere | Carr St/Upper Barclay St (Co-op) Purchase | 1,050,000 | | | | |
| Property Purchases | Cllr Ellesmere | Waterfront Development Site | 1,000,000 | | | | |
| Property Purchases | Cllr Ellesmere | Walnut Tree Farm Land Purchase | 1,260,000 | 2,410,000 | | 2,580,000 | |
| **General Fund - Major Capital Projects** | | | **21,065,085** | **9,691,680** | **22,094,250** | **11,839,650** | **4,900,000** |
| Any Other Items | Cllr MacDonald | CPO Empty Homes | 847,755 | | | | |
| Any Other Items | Cllr Ellesmere | FIND Gainsborough Sports Centre | 200,000 | | | | |
| Any Other Items | Cllr Smart | Fleet Replacement | | 2,000,000 | 2,000,000 | | |
| Any Other Items | Cllr Ellesmere | Former Tooks Bakery Site transfer of residential land | 1,000,000 | | | | |
| Any Other Items | Cllr M Cook | Leases funded by loan | 225,576 | | | | |
| Any Other Items | Cllr Smart | Mechanical Sweeping | 119,780 | | | | |
| Any Other Items | Cllr Ellesmere | Pond Hall Farm | 32,800 | | | | |
| Any Other Items | Cllr Ellesmere | Priory Heath Improvements | 30,000 | 30,000 | 30,000 | | |
| Any Other Items | Cllr Ellesmere | Variable Message Signing | 259,000 | | | | |
| Any Other Items | Cllr Ellesmere | Transit site for Travellers | 100,000 | | | | |
| Any Other Items | Cllr Ellesmere | Responses to Gangs & Youth Violence | | 60,000 | 60,000 | 60,000 | |
| Any Other Items | Cllr Rudkin | Sports Schemes | | 100,000 | 100,000 | 100,000 | 100,000 |
| Contingency | Cllr M Cook | Contingency - additional commitments | 499,140 | 500,000 | 500,000 | 500,000 | 500,000 |
| **General Fund - Contingency and Other Items** | | | **3,314,051** | **2,690,000** | **2,690,000** | **660,000** | **600,000** |
| **General Fund (Excluding Loans to Council Companies)** | | | **29,278,376** | **17,860,120** | **28,633,264** | **16,328,664** | **8,529,014** |
| Loans to Council Companies | Cllr M Cook | Billingtons | 1,000,000 | | | | |
| Loans to Council Companies | Cllr M Cook | IPSERV Loan | 425,000 | | | | |
| Loans to Council Companies | Cllr M Cook | Martlesham Heath Retail Park | 22,000,000 | | | | |
| **General Fund - Loans to Council Companies** | | | **23,425,000** | **0** | **0** | **0** | **0** |

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

| | CAPITAL RECEIPTS | EXTERNAL FUNDING | BORROWING | REVENUE CONTRIBS TO CAPITAL OUTLAY | TOTAL |
|---|---|---|---|---|---|
| | | | | | |
| **2018/19** | | | | | |
| Resources at 31.03.2018 | 0 | 0 | 0 | 65,716 | 65,716 |
| Capital Receipts forecast to be received during 2018/19 | 5,465,583 | 0 | 0 | 0 | 5,465,583 |
| Resources in the year | 0 | 4,133,470 | 41,798,918 | 2,038,530 | 47,970,918 |
| Use of Resources | 5,016,742 | 4,133,470 | 41,798,918 | 1,754,247 | 52,703,376 |
| Balance at year end | 448,841 | 0 | 0 | 350,000 | 798,841 |
| | | | | | |
| **2019/20** | | | | | |
| Resources at 31.03.2019 | 448,841 | 0 | 0 | 350,000 | 798,841 |
| Capital Receipts forecast to be received during 2019/20 | 650,000 | 0 | 0 | 0 | 650,000 |
| Resources in the year | 0 | 1,792,264 | 14,849,326 | 18,530 | 16,660,120 |
| Use of Resources | 850,000 | 1,792,264 | 14,849,326 | 368,530 | 17,860,120 |
| Balance at year end | 248,841 | 0 | 0 | -0 | 248,841 |
| | | | | | |
| **2020/21** | | | | | |
| Resources at 31.03.2020 | 248,841 | 0 | 0 | -0 | 248,841 |
| Capital Receipts forecast to be received during 2020/21 | 0 | 0 | 0 | 0 | 0 |
| Resources in the year | 0 | 811,514 | 27,554,409 | 18,500 | 28,384,423 |
| Use of Resources | 248,841 | 811,514 | 27,554,409 | 18,500 | 28,633,264 |
| Balance at year end | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| **2021/22** | | | | | |
| Resources at 31.03.2021 | 0 | 0 | 0 | 0 | 0 |
| Capital Receipts forecast to be received during 2021/22 | 0 | 0 | 0 | 0 | 0 |
| Resources in the year | 0 | 811,514 | 15,507,500 | 9,650 | 16,328,664 |
| Use of Resources | 0 | 811,514 | 15,507,500 | 9,650 | 16,328,664 |
| Balance at year end | 0 | 0 | 0 | 0 | 0 |
| | | | | | |
| **2022/23** | | | | | |
| Resources at 31.03.2022 | 0 | 0 | 0 | 0 | 0 |
| Capital Receipts forecast to be received during 2022/23 | 0 | 0 | 0 | 0 | 0 |
| Resources in the year | 0 | 799,014 | 7,730,000 | 0 | 8,529,014 |
| Use of Resources | 0 | 799,014 | 7,730,000 | 0 | 8,529,014 |
| Balance at year end | -0 | 0 | 0 | 0 | -0 |

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

| | USABLE CAPITAL RECEIPTS | RESTRICTED CAPITAL RECEIPTS NEW BUILD ONLY | RESTRICTED CAPITAL RECEIPTS ALLOWABLE DEBT | EXTERNAL FUNDING | BORROWING | MAJOR REPAIRS ALLOWANCE | REVENUE CONTRIBS TO CAPITAL OUTLAY | TOTAL |
|---|---|---|---|---|---|---|---|---|
| **2018/19** | | | | | | | | |
| Resources at 31.03.2018 | 6,157,331 | 5,908,888 | 7,274,239 | 0 | 0 | 0 | 22,975,040 | 42,315,498 |
| Capital Receipts forecast to be received during 2018/19 | 230,791 | 2,385,926 | 1,303,782 | 0 | 0 | 0 | 0 | 3,920,498 |
| Resources in the year | 0 | 0 | 0 | 66,968 | 0 | 7,364,890 | 6,569,050 | 14,000,908 |
| Use of Resources | 6,388,122 | 7,404,870 | 8,578,020 | 66,968 | 0 | 6,179,721 | 2,244,919 | 30,862,620 |
| Balance at year end | 0 | 889,944 | 0 | 0 | 0 | 1,185,170 | 27,299,171 | 29,374,285 |
| | | | | | | | | |
| **2019/20** | | | | | | | | |
| Resources at 31.03.2019 | 0 | 889,944 | 0 | 0 | 0 | 1,185,170 | 27,299,171 | 29,374,285 |
| Capital Receipts forecast to be received during 2019/20 | 230,791 | 2,385,926 | 1,303,782 | 0 | 0 | 0 | 0 | 3,920,498 |
| Resources in the year | 0 | 0 | 0 | 0 | 0 | 8,981,800 | 6,762,640 | 15,744,440 |
| Use of Resources | 230,791 | 3,275,869 | 1,303,782 | 0 | 0 | 10,166,969 | 27,508,159 | 42,485,570 |
| Balance at year end | -0 | -0 | 0 | 0 | 0 | 0 | 6,553,652 | 6,553,653 |
| | | | | | | | | |
| **2020/21** | | | | | | | | |
| Resources at 31.03.2020 | -0 | 0 | 0 | 0 | 0 | 0 | 6,553,652 | 6,553,653 |
| Capital Receipts forecast to be received during 2020/21 | 230,791 | 2,385,926 | 1,303,782 | 0 | 0 | 0 | 0 | 3,920,498 |
| Resources in the year | 0 | 0 | 0 | 0 | 0 | 9,120,840 | 6,897,800 | 16,018,640 |
| Use of Resources | 230,791 | 2,371,890 | 1,303,782 | 0 | 0 | 9,120,840 | 3,999,838 | 17,027,140 |
| Balance at year end | -0 | 14,036 | 0 | 0 | 0 | 0 | 9,451,614 | 9,465,651 |
| | | | | | | | | |
| **2021/22** | | | | | | | | |
| Resources at 31.03.2021 | -0 | 14,036 | 0 | 0 | 0 | 0 | 9,451,614 | 9,465,651 |
| Capital Receipts forecast to be received during 2021/22 | 230,791 | 2,385,926 | 1,303,782 | 0 | 0 | 0 | 0 | 3,920,498 |
| Resources in the year | 0 | 0 | 0 | 0 | 0 | 8,782,460 | 7,466,210 | 16,248,670 |
| Use of Resources | 167,618 | 630,600 | 1,303,782 | 0 | 0 | 8,782,460 | 0 | 10,884,460 |
| Balance at year end | 63,172 | 1,769,361 | 0 | 0 | 0 | 0 | 16,917,824 | 18,750,358 |
| | | | | | | | | |
| **2022/23** | | | | | | | | |
| Resources at 31.03.2022 | 63,172 | 1,769,361 | 0 | 0 | 0 | 0 | 16,917,824 | 18,750,358 |
| Capital Receipts forecast to be received during 2022/23 | 230,791 | 2,385,926 | 1,303,782 | 0 | 0 | 0 | 0 | 3,920,498 |
| Resources in the year | 0 | 0 | 0 | 0 | 0 | 8,810,140 | 7,466,210 | 16,276,350 |
| Use of Resources | 293,963 | 807,836 | 1,303,782 | 0 | 0 | 8,810,140 | 287,205 | 11,502,925 |
| Balance at year end | -0 | 3,347,452 | 0 | 0 | 0 | 0 | 24,096,829 | 27,444,281 |

# Section 7

## THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2019/20

### Introduction

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

7.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations.

7.3 This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

7.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects.

7.5 The Council's treasury activities are strictly regulated by statutory requirements in The CIPFA Code of Practice on Treasury Management 2017 and The CIPFA Prudential Code 2017. Consideration has also been given to the following: CIPFA Treasury Management in the Public Service Guidance Notes 2018, CIPFA Statement on 17/10/2018 on borrowing in advance of need and investments in commercial properties, CIPFA Bulletin 02 Treasury and Capital Management Update October 2018, Statutory investment guidance where it has been updated in 2018 and Statutory MRP guidance where it has been updated in 2018 in compiling the Treasury Management strategy.

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

## TREASURY MANAGEMENT STRATEGY

7.7 Table Twenty Nine below shows the Council's treasury portfolio position as at 31 December 2018.

*Table Twenty Nine: Ipswich Borough Council's Treasury Portfolio 31 December 2018*

| | General Fund | HRA | Overall |
|---|---|---|---|
| **Borrowing** | | | |
| PWLB Maturity | £58.900m | £34.150m | £93.050m |
| PWLB Annuity | £35.804m | £31.803m | £67.607m |
| PWLB EIP | £0m | £29.887m | £29.887m |
| Market loans | £4.600m | £9.000m | £13.600m |
| **Total Borrowing** | **£99.304m** | **£104,840m** | **£204.144m** |
| | | | |
| **Investments** | | | |
| Fixed Term Investments | | | £27.020m |
| Instant Access Accounts | | | £5.000m |
| Money Market Funds | | | £9.450m |
| Notice Accounts | | | £6.000m |
| Inter Group Loans | | | £88.547m |
| **Total Investments** | | | **£136.017m** |

### Borrowing Strategy

7.8 The Council has adopted a two debt pool approach, one for the HRA and one for GF.

7.9 The capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and helps to minimise counterparty risk. This means the Council is currently maintaining an under-borrowed position. However, borrowing rates have been a bit more volatile over the past few months and this trend is expected to continue into 2019.

7.10 Against this background and the risks within the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances;

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

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

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

7.12 Interest rates across the board are at historic low levels and over the coming year are not expected to increase too much, with the base rate not expected to increase until mid-2019 at the earliest, especially with so much uncertainty over Brexit. If the Council were to borrow any long term debt during 2019/20, the current expectation is that the interest rate will be probably vary between 2.2% - 3.2%, depending on the periods borrowed for and the type of loans taken out. We would expect most borrowing would be via the Public Works Loan Board (PWLB) Certainty Rate, which is lower than the normal rate as the Council submitted its capital plans.

7.13 If there were opportunities to borrow at better rates in the money markets or with the Municipal Bonds Agency then these options will be explored. The table below gives the estimated interest rates for future periods based on an agreement being reached on Brexit between the UK and the EU.

*Table Thirty: Forecast Future Public Works Loan Board Interest Rates*

| | Bank Rate (%) | PWLB Borrowing Rates (%) | | |
|---|---|---|---|---|
| | | 10 year | 25 year | 50 year |
| March 2019 | 0.75% | 2.50% | 2.90% | 2.70% |
| March 2020 | 1.25% | 2.80% | 3.20% | 3.00% |
| March 2021 | 1.50% | 3.00% | 3.40% | 3.20% |
| March 2022 | 1.75% | 3.20% | 3.60% | 3.40% |

7.14 In the event of an orderly Brexit non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

7.15 If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

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

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

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

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

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

## INVESTMENT STRATEGY

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

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

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

7.22 The credit-worthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agency. Using the ratings system of the Council's treasury management advisors, Link Asset Services, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

7.23 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.

7.24 The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties. All counterparties on the Council's list will be subject to meeting the minimum criteria where applicable before any investments are made.

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

7.26 There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2019/20 and these are detailed below.

7.27 The Council currently have two instant access accounts 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.

7.28 The security and return of investments is the biggest priority, especially given the current economic circumstances. As a general rule, the more security an investment has, the lower the interest rate is. The table below shows the rates available from five different investment categories. It also shows there are different levels of security with the five investments, all of which are very good.

The rates shown below are currently the best on offer based on a one-year investment with base rates at 0.75%.

*Table Thirty One: Expected Rates Available From Investment Categories*

| **Investment Counterparty** | **Interest Rate** | **Security** |
|---|---|---|
| Government Debt Management Account | 0.50% | The government guarantees this money is returned. |
| Gilts | 0.70% | Money Invested with Government, so it will be returned. These can be traded, but if traded you might have to settle at a loss. |
| Local Authorities | 1.00% | Even though most local authorities are not credit rated, they have regular cash flows and we would expect any investments to be returned on time. Any default would increase their future borrowing costs. This is a growing area of activity for local authorities |
| Major UK Clearing Bank | 1.05% | Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits. |
| UK Building Society (Best available rate from top 5 Building Society) | 0.85% | Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits. |

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

| Year | Expected Returns |
|---|---|
| 2018/19 | 0.75% |
| 2019/20 | 1.00% |
| 2020/21 | 1.25% |
| 2021/22 | 1.50% |

7.30 The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £30m could range from £150,000 to £315,000. The difference equates to a Band D Equivalent of £4.33. Investment returns are an important income source and help keep Council Tax levels down and are a key part of the Finance Strategy. From an operational point of view, the Council would spread investments over a number of different counterparties and categories.

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

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

7.34 Because of the change in accounting standards for 2018/19 under IFRS 9, the Council will consider the implications of investment instruments, which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, MHCLG concluded a consultation for a 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 1/4/2018. The Council do not have any pooled investments at present. However, the Council's investments in its arms-length companies come under the scope of IFRS 9 and we are monitoring the effect of this.

7.35 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.

7.36 The Council's full counterparty list for investments and the limits has to be agreed by Council. If any institution needs to be added to the list or limits changed upwards, this needs to be agreed by Council, so in preparing the counterparty list for 2019/20, the Council needs to reflect the current economic climate, but also needs to have scope within the list to help officers act in the Council's best interests.

7.37 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.

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

7.39 The Council's treasury consultants advise on all active counterparties that comply with the criteria set out 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.

7.40 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.

7.41 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.

7.42 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.

7.43 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure.

7.44 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 and the interest rates payable are very low. The maximum amount to be invested is £50m with an overall maximum exposure for this category of £50m. The reason for the high limit is that if other counterparties are removed from our counterparty list and there are other uncertainties in the market this should be the safest place for the Council to place its investments. Also, if market conditions deteriorated sharply the Council would want the ability to potentially place all investments here.

**Category 2 (Local Authorities)** - Even though the majority of Local Authorities are not rated, investments made in them have a high security rating, as local authorities have to set legal budgets and have guaranteed borrowing help available to them through government sources. However, most investments in local authorities are normally borrower led. 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 £3m. The overall maximum exposure for this category would be £30m. 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 one part-nationalised UK bank, The Royal Bank of Scotland, who will be used so long as they meet the rating criteria or remain part nationalised. Before undertaking investments, the Council will use generally available market information, and UK banks and Building Societies, which have the following ratings from at least one of the three rating agencies (Fitch, Moody's, and Standard & Poors).

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

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

**Category 4 (Money Market Funds (MMF's)** - MMF's are for managing short-term cash balances only and offer instant access to funds. They are AAA rated products and interest rates are less volatile than base rates. There are two types of MMF's, one that invests in money market instruments that have been in existence for a number of years with the other being money market funds that invest in Government backed securities. Several of these have been launched over the last couple of years and funds are invested in gilts and treasury bills. To date the returns on investments in the first type have performed better than the second (due to respective security levels). One of the characteristics to note is that investments can be made in Government securities and financial institutions outside the UK as long as they are sterling denominated. The use of MMF's eases the pressure on the Council's instant access accounts and gives us more flexibility. As from 21 July 2018, there was a choice of three structural options for all currently existing MMFs as at that date to choose to migrate to by 21.1.19 – these were CNAV (Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value), or VNAV (Variable Net Asset Value). Our existing MMF's will all fall into the LVNAV category but will use all categories if relevant. The overall maximum exposure for this category would be £25m, with a maximum of £5m in any one fund.

**Category 5 (Other UK Financial Institutions)** - The Council will use UK banks and Building Societies who do not meet the credit ratings criteria of the financial institutions in category 3, if they meet certain 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 £6m. As a minimum, financial institutions in this category would need to have credit ratings from at least one credit ratings agency. Other available market information would also be taken into account. For most financial institutions the maximum amount to be invested in any one group will be a lower figure, and some financial institutions will have shorter investment periods. The overall maximum exposure for this category would be £25m.

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

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

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

**Category 7 (Property Funds)** – These are long term investments and are designed to generate an enhanced return over a number of years. The use of these instruments may be deemed to be capital expenditure and as such will be an application of capital resources. The Council will seek guidance on the status of any fund it may consider using. There are two aspects to any return, rental yields and capital value. Whist rental yields do not fluctuate greatly the capital value can be volatile. A number of local authorities have invested in Property funds over the past few years. 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 are applicable from 1 April 2018, although the Government has introduced a mandatory statutory override for local authorities until 31 March 2023. 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.

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

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

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

7.48 The time limits for institutions and the maximum exposure to any one group on the Council's Counterparty List are shown in Table Thirty Two (these will cover both Specified and Non-Specified Investments).

7.49 Table Thirty Two 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.

7.50 Category 5 has a higher 'maximum exposure' than 'potential exposure' because 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 gives the Council scope if this ever happens.

*Table Thirty Two: Maximum Exposure and Time Limits Applied by Investment Category*

| | Number of Institutions in category | Maximum exposure per Institution (£m) | Potential Exposure (£m) | Maximum Exposure (£) | Time Limit |
|---|---|---|---|---|---|
| Category 1 | 1 | 50 | 50 | 50 | Max 6 Months |
| Category 2 | Unlimited | 3 | 30 | 30 | Max 2 years |
| Category 3 | 10 | 15 | 150 | 80 | Max 2 years |
| Category 4 | 5 | 5 | 25 | 25 | Instant Access |
| Category 5 | 5 | 6 | 15 | 25 | Max 365 Days |
| Category 6 | 28 | 5 | 36 | 25 | Max 365 Days |
| Category 7 | 2 | 5 | 10 | 10 | Unlimited |

7.51 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.

7.52 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.

7.53 After taking into account the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2019/20.

7.54 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.75% Bank Rate continuing until mid-2019. There is a clear operational difficulty arising from the current Brexit situation. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty credit-worthiness suggests shorter dated investments would provide better security.

7.55 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.

7.56 Under the exceptional current market conditions the Section 151 Officer will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. This restricted operational counterparty list will remain in place until the banking system returns to normal conditions. Similarly the time periods for investments will be restricted.

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

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

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

## PRUDENTIAL INDICATORS

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

7.61 The aim of the code is to allow Councillors to be informed of the impact of capital investment decisions on the overall Council budget. These are set out below and need to be considered as a whole.

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

*Table Thirty Three: Estimated Capital Expenditure 2018/19 to 2021/22*

| Year | General Fund £ | HRA £ | Overall £ |
|---|---|---|---|
| 2018/19 Estimate | 52,703,376 | 30,862,620 | 83,565,996 |
| 2019/20 Estimate | 17,860,120 | 42,485,570 | 60,345,690 |
| 2020/21 Estimate | 28,633,264 | 17,027,140 | 45,660,404 |
| 2021/22 Estimate | 16,328,664 | 10,884,460 | 27,213,124 |

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

*Table Thirty Four: Estimated Capital Financing Requirement 2018/19 to 2021/22*

| Year | General Fund £ | HRA £ | Overall £ |
|---|---|---|---|
| 2018/19 Estimate | 144,044,173 | 115,985,325 | 260,029,498 |
| 2019/20 Estimate | 151,571,339 | 113,078,383 | 264,649,722 |
| 2020/21 Estimate | 175,086,612 | 110,138,825 | 285,225,437 |
| 2021/22Estimate | 186,377,521 | 107,170,860 | 293,548,381 |

7.64 MHCLG 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 to replace the existing Regulations, so long as there is prudent provision.

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

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

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

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."

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

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

7.68 The Council must set prudential limits for its total gross debt which should not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for 2019/20 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.

7.69 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.

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

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

**The Authorised Limit for External Debt** – This represents a statutory limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limit for 2019/20 and future year's takes account of the future plans of the Council.

**The Operational Boundary for External Debt** –This indicator is based on the expected maximum external debt during the course of the year; it is not a limit. The operational boundary is also used as an indicator that the authorised limit for future years could need increasing.

*Table Thirty Five: Authorised Limit and Operational Boundary for External Debt*

| Year | Authorised Limit | Operational Boundary |
|---|---|---|
| 2018/19 Actual | £350m | £340m |
| 2019/20 Proposed | £350m | £320m |
| 2020/21 Estimate | £350m | £320m |
| 2021/22 Estimate | £350m | £320m |

7.72 The HRA previously had a debt cap and could not borrow above this amount. However, this was abolished on 29 October 2018.

7.73 The Council must place an upper limit on the total amount of borrowing which is at fixed and variable rates, which are shown below:

*Table Thirty Six: Upper Limit on Fixed Rate and Variable Rate Borrowing*

| Year | Fixed Rate | Variable Rate |
|---|---|---|
| 2018/19 | 100% | 50% |
| 2019/20 | 100% | 50% |
| 2020/21 | 100% | 50% |
| 2021/22 | 100% | 50% |

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

*Table Thirty Seven: Upper and Lower Limits on Maturity Structure of Borrowing*

| **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% |

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

| Year | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
|---|---|---|---|---|
| Limit | £20m | £20m | £20m | £20m |

## Approved Organisations for Investment 2019/20

| | Lending Limit £Million |
|---|---|
| **CATEGORY 1 - Government Debt Management Account** | **50** |
| | |
| **CATEGORY 2 - Local Authorities (£3m per authority)** | **30** |
| | |
| **CATEGORY 3 - UK Financial Institutions** | |
| **Barclays Bank UK PLC (Ring Fenced Bank (RFB))** | **15** |
| **Goldman Sachs International Bank** | **15** |
| **HSBC (RFB)** | **15** |
| **Nationwide Building Society** | **15** |
| **Lloyds Banking Group (RFB)**<br>- Bank of Scotland PLC (RFB)<br>- Lloyds Bank PLC (RFB) | **15** |
| **Santander UK PLC** | **15** |
| **Standard Chartered Bank** | **15** |
| **Sumitomo Mitsui Banking Corporation Europe Ltd** | **15** |
| **The Royal Bank of Scotland (RFB)**<br>- National Westminster Bank (RFB)<br>- The Royal Bank of Scotland (RFB) | **15** |
| **UBS Ltd** | **15** |
| **CATEGORY 3 - Maximum Exposure** | **80** |
| | |
| **CATEGORY 4 - Money Market Funds (£5m per Fund)** | **25** |
| | |
| **CATEGORY 5 - UK Financial Institutions that do not meet the criteria of Category 3** | |
| **Coventry Building Society** | **3** |
| **Handlesbanken PLC** | **3** |
| **Leeds Building Society** | **3** |
| **Skipton Building Society** | **3** |
| **Yorkshire Building Society** | **3** |
| **CATEGORY 5 - Maximum Exposure** | **25** |

**Approved Organisations for Investment 2019/20 Continued**

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

**Approved Organisations for Investment 2019/20 Continued**

| | Lending Limit £Million |
|---|---|
| **Sweden** | |
| Skandinaviska Enskida Banken | 5 |
| Svenska Handelsbanken | 5 |
| Swedbank | 5 |
| | |
| **Switzerland** | |
| Credit Suisse | 5 |
| UBS | 5 |
| | |
| **USA** | |
| Bank of America | 5 |
| Bank of New York Mellon | 5 |
| JP Morgan Chase Bank | 5 |
| Wells Fargo Bank | 5 |
| | |
| CATEGORY 6 - Maximum Exposure | 25 |
| | |
| CATEGORY 7 – Property Funds (£5m per Fund) | 10 |