APPENDIX 1

IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM-TERM FINANCIAL PLAN 2022/23 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 Indicators, Treasury Management and Annual Investment Strategy.

1.2 This MTFP continues to adopt a four-year planning timescale. The plan outlines the impact of the 2022/23 Local Government 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 the delivery of a "Big Ticket" programme. This programme continues to form a key part of the strategy to meet the identified budget gap up to 2025/26.

1.3 There are some new elements in the 2022/23 MTFP following publication of the settlement by the Department of Levelling Up, Housing and Communities (DLUHC). These are covered in detail below.

1.4 It is important to note that the finance settlement announced by DLUHC only applies to 2022/23 and no further information has been provided regarding subsequent years, so assumptions have had to be made regarding funding levels in 2023/24, 2024/25 and 2025/26.

National Context

1.5 The Office for Budget Responsibility (OBR) is the UK's independent fiscal watchdog and produces an 'Economic and Fiscal Outlook' twice a year following each Budget and Annual Statement.

1.6 These contain detailed forecasts for a five-year period which are then used to assess the Government's performance against fiscal targets that it has set itself. The most recent Economic and Fiscal Outlook document was published in October 2021[1].

1.7 The following paragraphs are taken from the OBR's October 2021 Economic and Fiscal Outlook which covers the period up until 2026/27. Each of these paragraphs are supplemented in the OBR report by more detailed analysis and data tables.

[1] Available at: https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/

i. *Medium term outlook for GDP (para. 2.51; p.49)*

"From 2023 onwards, annual growth returns to historically more normal rates. Growth falls from 2.1 per cent in 2023 to 1.3 per cent in 2024 as the boost to output from the Government's fiscal loosening unwinds and as the super deduction ends. It then settles at around 1.7 per cent at the forecast horizon, with consumption, investment, and government spending providing steady contributions to growth. Potential output anchors the level of activity in the medium run, so – reflecting our revised scarring judgement – by the first quarter of 2025, GDP stands around 1 per cent above our March 2021 forecast and 2 per cent below our March 2020 forecast."

ii. *Short-term Consumer Price Index (CPI) forecast (para. 2.87; p.67-68)*

"We expect CPI inflation to rise further in the coming months, peaking at 4.4 per cent in the second quarter of 2022. The increase mainly reflects higher utility prices, with the Ofgem energy price cap having increased by 12 per cent in October. Our forecast assumes that the sharp rise in wholesale gas prices already evident when we closed our forecast to new information will result in another increase in the price cap in April 2022. Wholesale gas prices have leapt a further 53 per cent since we closed our forecast, and oil prices have risen to 19 per cent above our forecast conditioning assumption. The mechanical effect of these rises on fuel duty and utility prices would be sufficient to add a further 0.5 percentage points to the peak in CPI inflation next year. A further impulse from increased transportation costs, and excess demand resulting from supply bottlenecks and labour market shortages is expected to put additional upward pressure on inflation. Inflation is also boosted slightly over the next couple of years by policy announced in the Budget and Spending Review. Increased inflationary pressure from the near-term fiscal loosening and pass-through from the increase in employer NICs to consumer prices outweigh the downward pressure from the customary freezes in fuel and alcohol duties."

iii. *Medium-term CPI forecast (para. 2.88; p.68)*

"We assume inflation returns to the target in the second half of 2024. Inflation initially drops back as energy prices stabilise and the effect of recent rises drop out of the annual calculation. Thereafter, tighter monetary policy (including our adjustment to the market curve to reflect the Government's policy package closes the output gap by the second quarter of 2024, bringing inflation back to the target. But the actual path of inflation is unlikely to be as smooth as our forecast suggests given the uncertainty around the extent and pace of pass through of increased cost pressures and how quickly global supply bottlenecks will be resolved."

iv. Employment (para. 2.78; p.63)

"The faster recovery in output and employment together with the record levels of vacancies have led us to lower our forecast for near-term unemployment. We now expect the unemployment rate to peak at 5.2 per cent in the fourth quarter of 2021, some 1.3 percentage points lower than we did in March (equivalent to 460,000 fewer people unemployed); see Chart 2.22. The present combination of high vacancies and relatively low redundancies suggests that unemployment may then fall back quite quickly, though restructuring in the wake of the pandemic means that there is also likely to be a rise in frictional unemployment as some workers are forced to change occupations or locations. Over the medium term, the unemployment rate is expected to settle at 4.2 per cent. This is 0.1 percentage points lower than in our March forecast, though 0.1 percentage points higher than we expected before the pandemic."

1.8 The rate of growth in Gross Domestic Product is an indicator for the rate of growth in the economy. The forecast annual change in GDP has reduced in all years over the period covered by the Medium Term Financial Plan compared to the November 2020 forecast.

Table One: OBR Gross Domestic Product forecast 2021 – 2025

	2021	**2022**	**2023**	**2024**	**2025**
GDP Forecast as at October 2021	6.5	6.0	2.1	1.3	1.6
GDP Forecast as at November 2020	5.5	6.6	2.3	1.7	1.8

1.9 The Consumer Price Index is an indicator of inflation and the rate at which costs are expected to increase each year. The OBR forecast in October 2021 assumes the annual increase CPI will be higher in all years between 2022 and 2025 than was the case in the November 2020 Economic and Fiscal Outlook.

Table Two: OBR Consumer Price Index forecast 2021 – 2025

	2021	**2022**	**2023**	**2024**	**2025**
CPI Forecast as at October 2021	2.3	4.0	2.6	2.1	2.0
CPI Forecast as at November 2020	1.2	1.6	1.7	1.9	2.0

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. This length of period is consistent with the previous multi-year Local Government Finance Settlement announced in 2015.

2.3 The 2021/22 budget was set against a background of the economic uncertainty caused by the Coronavirus pandemic and the increased risk of sudden changes in funding inherent in the retained business rates scheme. Future central government funding consists primarily of Retained Business Rates, termed “Settlement Funding Assessment”.

Future aims of the organisation

2.4 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.

2.5 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

2.6 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

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

General Fund

2.8 The General Fund includes all the services provided by the Council except for the provision of social housing.

2.9 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 Council Tax Reduction 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.

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

Housing Revenue Account

2.11 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 three-year cycle with the financial forecast updated annually.

2.12 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

2.13 The Capital Strategy establishes the framework for investment in service infrastructure to facilitate the achievement of the Council's priorities mentioned earlier.

Financial risks inherent in the strategy

2.14 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.

Financial Theme	Risk	Risk Category	Mitigation
Business Rates Pooling	Exit of single authority dissolves the pool.	1-1	Partnership governance and monitoring arrangements
Public Works Loan Board Rates	HM Treasury significantly increase rates with minimal notice given	2-3	Prudent budgeting, financing sourced from alternative providers, e.g. Municipal Bonds Agency, regular review of financing requirements, robust Treasury Management strategy.
Government Support	Coronavirus pandemic continues into 2022 with no further Government support	2-3	Prudent budgeting, ongoing risk assessment, monitoring arrangements

Budget monitoring and control management

2.15 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.

2.16 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.
- Quarterly Budget Monitoring Reports to Executive.
- 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

2.17 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.

2.18 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 Council agrees the final accounts for the previous financial year once they have been audited.

3.2 The Council's finances are under pressure and there is significant uncertainty about the ongoing impact of the Covid-19 pandemic, future income, inflation, and interest rates.

3.3 This MTFP has been produced with three priorities for 2022/23. These are:

i) Addressing the cost of living crisis:
  - (a) The Council will have the lowest Council Tax increase of the three precepting authorities,
  - (b) Introducing an additional £10 discount on top of the 95% Local Council Tax reduction will reduce council tax for 7,500 households in 2022/23 and the Council will consult on a 100% discount scheme for 2023/24,
  - (c) The Council will continue to provide a free iCard for young people over summer,
  - (d) The Council will continue to provide brown bin collections free of charge,
  - (e) Continuing to install solar PV and improved insulation to council houses will reduce energy bills for tenants,
  - (f) Charges in Council car parks have been frozen for over 3 years,
  - (g) The Council will continue not charging Ipswich residents under 18 years old for cremation costs,
  - (h) The Council will continue to keep free entry for all visitors to Ipswich Museum and Christchurch Mansion.

ii) Improving Community safety further:
  - (a) 5 new temporary CCTV cameras for ASB hot spots in the town, bringing the total to 12,
  - (b) An additional £20k to deliver elements of the Safety of Women at Night action plan following the failure of the Home Office to fund this work. The Council will use this contribution to seek match funding from partners.
  - (c) Maintaining 300+ CCTV cameras across the Town,
  - (d) Leaving our Ipswich Borough Council streetlights on throughout the night,
  - (e) Additional funding won for delivering safer streets work and projects.

iii) Investing in parks:
  - (a) A new five year £3.5m investment programme in play areas (including additional funding from Section 106 planning agreements- see paragraph 3.37(i)).

(b) Invested £307k in replacement boardwalks, benches, and notice boards in the last 12 months,
(c) First phase of installing new eco toilets in parks and allotments is nearing completion.
(d) The Council will invest in improving Chantry Park and seeking support from other potential funding partners such as the NLHF, with £1.5m of Council funding set aside for a Chantry Park lottery bid.

3.4 The Council is also delivering on climate change including:

- A 100% electric pool car fleet.
- Converting to LED streetlights.
- Installing solar PVs, A-rated boilers, and further high specification insulation in all our council homes.

3.5 The Council is required to set a balanced budget by the end of February each year and reviews the Council's MTFP annually to achieve this. Executive receives quarterly updates on the budget and Council agrees the final accounts for the previous financial year once they have been audited.

3.6 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 the financial challenges through a range of savings programmes, in particular via the "Big Ticket" savings programme.

3.7 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 adopted in March 2017 and 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

3.8 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.

3.9 The Council's Asset Management Strategy is also a key document that informs the MTFP. This Property Asset Management Strategy defines how the Council manages, maintains, acquires, and disposes of the property it owns. Effective asset management is pivotal in providing high-quality and cost-effective services and a key component in in ensuring best value is always achieved. The Property Portfolio plays a leading role in the Council's aspirations for regeneration and investment.

3.10 Following on from adoption of the Asset Management Strategy in February 2021, good progress has been made on tackling and reletting vacant properties, together with continued low rental debt and arrears ratios. In the context of the pandemic this is a positive outcome. Strategic projects are progressing with evidence of strong interest in the Waterfront Regeneration Project, Key Town Centre Buildings and at IP City Centre.

3.11 The implementation of a new database is now underway. This will be a significant step forward and enable much clearer implementation of the Strategy. Focus is being given to remedy outstanding lease renewals and rent reviews and the team is now resourced to proactively manage these. Priority is being given to improving energy efficiency. An updated Strategy is attached at Appendix 2

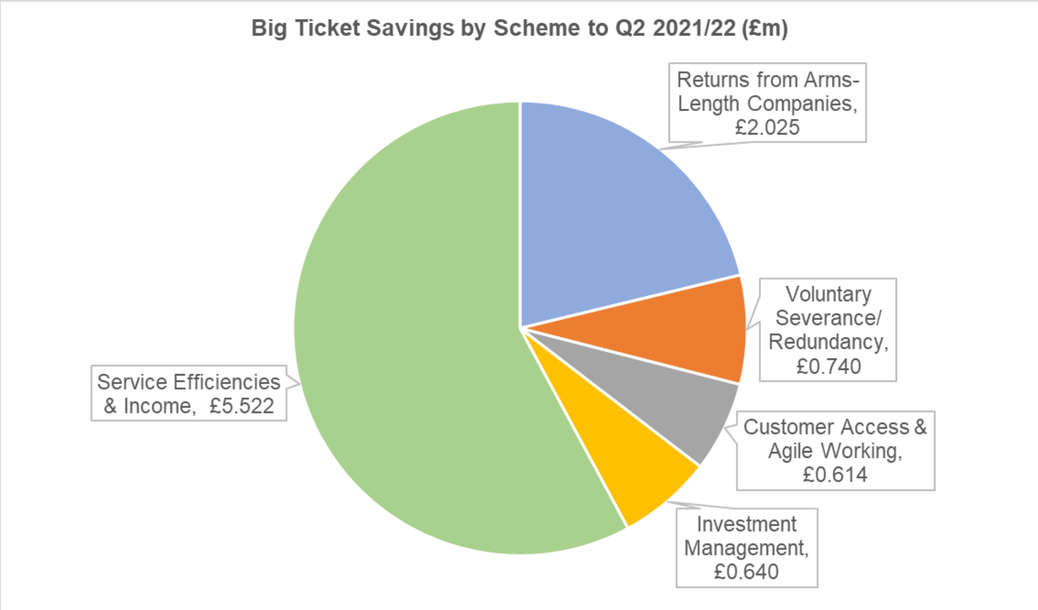
3.12 The 2021/22 MTFP (agreed at Council on 25 February 2021, C/20/20) set out how the forecast budget gap would be met over the following four years, by:

i. The continuation of the 'Big Ticket' savings programme.
ii. The use of some reserves (leaving sufficient balances to cover a fifth year of the underlying budget gap).
iii. An increase in Council Tax in 2021/22 of 1.99%.

3.13 This Plan 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. This budget considers the year 2025/26 for the first time.

3.14 The 'Big Ticket' transformation programme, discussed more fully below, has delivered a total of £9.541m of savings to the base budget from when the Big Ticket programme was introduced in 2015/16 to the end of Quarter Two 2021/22 (see Chart One).

Chart One: Total Big Ticket Delivery by Scheme to Quarter Two 2021/22



3.15 This section of the report is split into four further sections:

I. Council achievements in 2021/22
II. The 2022/23 Local Government Finance Settlement
III. The Autumn Budget and Spending Review 2021
IV. The General Fund revenue budget

Local Government Finance Settlement

3.16 The Government has announced that for 2022/23 there will be a one-year financial settlement for Local Government (as has been the case in 2020/21 and 2021/22). No information has been provided about future years. However, the Council has sought advice from external advisors about the likely scope of the impact of the expected future settlement.

3.17 The final settlement was published on 7 February 2022[2] and was in line with the provisional settlement published in December 2021. Key elements included: -

(a) The Baseline Funding Level (i.e. the amount of Business Rates that Ipswich Borough Council gets to keep) has been frozen in cash terms for the second successive year. This has been mitigated in part by a £0.218m increase in "compensation for under-indexation of the business rate multiplier" from the government.

(b) The Council Tax cap threshold relevant to Ipswich Borough Council has been retained at 2% in 2022/23. This means that the Council can opt to

[2] https://www.gov.uk/government/collections/final-local-government-finance-settlement-england-2022-to-2023

increase Council Tax by up to 2% without needing to organise a local referendum. This is consistent with the assumptions made in the 2021/22 MTFP that the Council would increase Council Tax by 2% each year from 2022/23 to 2024/25.

(c) New Homes Bonus to apply in 2022/23 with no legacy payments applicable – before 2020/21 New Homes Bonus payments had been made for four years.

(d) A one-off 'Lower Tier Services' Grant to be allocated to authorities providing 'lower-tier' services. This was allocated to authorities on a pro rata basis with a formula ensuring no authority suffered a reduction in overall Core Spending Power in 2022/23. This was not included in the planning assumption made in the 2021/22 MTFP. Although this is ostensibly a one-off grant, as its purpose is to maintain Core Spending Power it is assumed it will be maintained in some form in the funding reform due to be implemented from the 2023/24 settlements.

(e) A one-off 2022/23 Services Grant worth £0.300m, which includes compensation for the cost of the additional National Insurance employer's costs relating to the Health and Social Care Levy. This grant was unexpected and not included in the planning assumption made in the 2021/22 MTFP.

3.18 Following these changes, the Council's funding position for 2022/23 is now as shown in Table Four below (2021/22 is shown for comparative purposes). Overall, IBC's funding position has increased from 2021/22 to 2022/23 by 4.8%, which is less than current CPI inflation per the Office of National Statistics. If these inflation levels persist then it would represent a real term cut in funding.

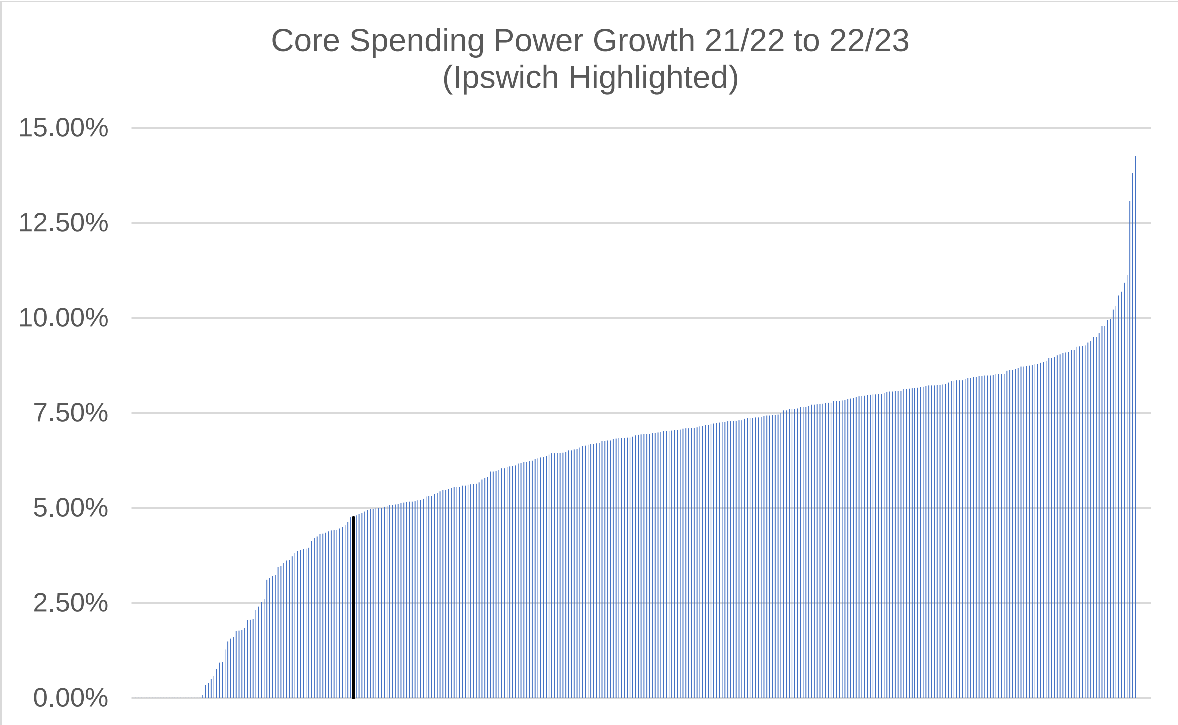
3.19 The growth in funding is largely due to the one-off 2022/23 Services Grant and the fact that the Government is assuming that there will be a predicted increase of funding from Council Tax, offsetting the reductions in central government related funding. (The government calculations assume that the Council will increase council tax by the full amount allowed – i.e. 2%).

Table Four: Core Spending Power from 2022/23 Local Government Settlement

Key Information	***2021/22 £m***	**2022/23 £m**	**Change %**
Revenue Support Grant	*0.000*	0.000	0.0%
Council Tax	*14.469*	14.811	2.4%
Retained Business Rates	*4.584*	4.803	4.8%
New Homes Bonus	*0.029*	0.071	144.8%
Lower Tier Services Grant	*0.186*	0.199	7.0%
2022/23 Services Grant	*0.000*	0.300	n/a
Total	***19.268***	**20.184**	**4.8%**

3.20 Across England the average increase in Core Spending Power is 7.4%, and the average increase for the rest of Suffolk is 7.8%. The Council does not do as well as most neighbouring authorities and this is illustrated in Chart Two and the table, below:

Chart Two: Growth in Core Spending Power by Authority 2021/22 to 2022/23

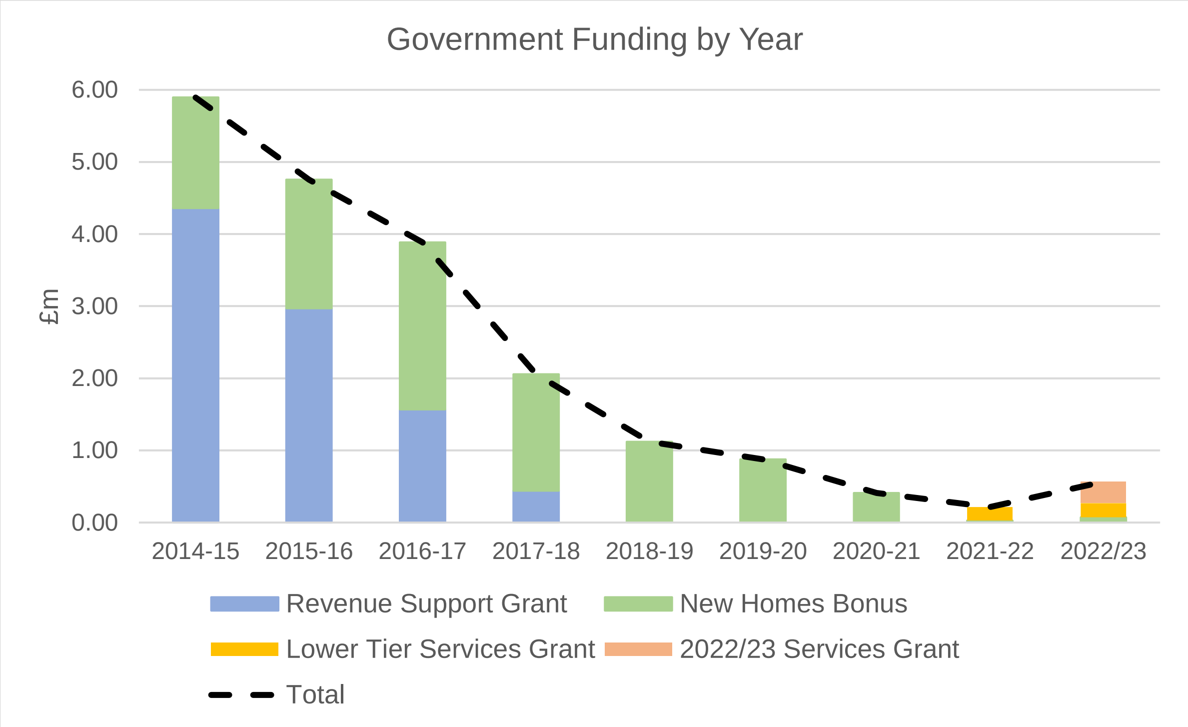


3.21 In 2010/11, IBC received £11.91m of Formula Grant in the Local Government Finance Settlement. Had this been uprated in line with the increase in CPI during the period from November 2009 to November 2021, the 2022/23 settlement would have totalled £15.59m before Council Tax rather than £5.37m before Council Tax (i.e. the sum of Retained Business Rates and Government Grants).

Table Five: 2022/23 Increase Core Spending Power by Suffolk Authority

Suffolk Authority	**2022/23 Core Spending Power Annual % Increase**
Babergh	4.76%
Ipswich	4.76%
East Suffolk	7.44%
County Council	7.85%
West Suffolk	8.03%
Mid Suffolk	10.60%

Chart Three: Government Funding by Year 2014/15 to 2022/23



3.22 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.

3.23 New Homes Bonus is one of the areas of Government funding where there continues to be greatest uncertainty, with a delayed consultation now expected in 2022. The MTFP outlined below assumes that IBC will receive no New Homes Bonus from 2023/24.

3.24 The Government has also announced the intention to review business rates and the Local Authority finance allocation mechanism in 2022. In the absence of other information being provided from the Government, the MTFP assumes that from 2023/24 IBC's resources will be in line with the 2022/23 settlement.

3.25 The Government allocation system is guided by an assessment of local core spending power. This takes account of the government's predictions on Business Rates and Council Tax. Their model assumes Council Tax increases, based on the latest return, which reduces the finance settlement for Ipswich.

3.26 The Finance settlement for 2022/23 is a £1.689m increase over the MTFP period, with a 4.8% increase in 2022/23. However, given current inflation is 5.4% and the forecast inflation levels, this is a reduction in real terms. Table Six summarises the components of the Finance Settlement.

Table Six: Impact of Local Government Finance Settlement on MTFP

£m	2022/23	2023/24	2024/25	2025/26	Total
Business Rates Baseline	-0.445	-0.087	-0.087	-0.087	**-0.706**
Council Tax Requirement	0.045	0.045	0.045	0.045	**0.180**
New Homes Bonus	-0.067	0.000	0.000	0.000	**-0.067**
2022/23 Services Grant	-0.300	0.000	0.000	0.000	**-0.300**
Lower Tier Services Grant	-0.199	-0.199	-0.199	-0.199	**-0.796**
Total Impact of Finance Settlement	**-0.966**	**-0.241**	**-0.241**	**-0.241**	**-1.689**

Autumn Budget and Spending Review 2021

3.27 The Autumn Budget and Spending Review 2021 was presented to the House of Commons by the Chancellor of the Exchequer on Wednesday 27 October with a detailed set of documents published on the Government's website[3]. The Spending Review covers government spending for the period 2022/23 to 2024/25.

3.28 An additional £4.8bn of grant funding has been made available for Local Government, with £1.5bn taking effect annually from 2022/23. Ipswich Borough Council's share of this in 2022/23 is reflected in the Local Government Financial Settlement figures discussed above.

3.29 Because the increased funding for Local Government has been made available for multiple years, it is considered to be a reasonable assumption that the Council's growth in Government funding will be maintained, at least in part, for the period covered by the MTFP.

The General Fund Revenue Budget

3.30 Every year, the Council's budget work starts with reviewing the previous year's MTFP and the underlying items that it contained. A brought-forward budget gap is calculated by taking the previous MTFP position, extrapolated forwards for a fourth year.

3.31 In the 2021/22 MTFP, (Table Eighteen of the covering report) the Council was forecasting to use £3.866m of General Fund balances to achieve financial balance.

[3] https://www.gov.uk/government/publications/autumn-budget-and-spending-review-2021-documents

Table Seven: Reserves require to achieve Financial Balance 2021/22 – 2024/25 (table 18 from the 2021/22 MTFP report)

£m	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
Total Budget Gap Position	**4.341**	**3.949**	**4.756**	**5.018**	**18.064**
Proposed Big Ticket Targets	-1.150	-1.750	-2.275	-2.375	**-7.550**
Transitional Vacancy Savings	-1.040	-1.066	-1.093	-1.120	**-4.319**
Unidentified Savings	-0.250	-0.150	-0.400	-0.400	**-1.200**
Additional Earmarked Reserves	-0.101	-0.577	-0.326	-0.125	**-1.129**
Reserves to Achieve Balance	**1.800**	**0.406**	**0.662**	**0.998**	**3.866**
Opening Usable Balances	3.945	2.145	1.740	1.078	
Usable Balance Carried Forward	*2.145*	*1.740*	*1.078*	*0.079*	

3.32 Extrapolating the Budget Gap forward and adjusting for the delivery of the 2021/22 Big Ticket programme, results in an opening Budget Gap totalling £14.141m.

Table Eight: Opening General Fund Budget Gap Position 2022/23 – 2025/26

£m	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
Budget Gap Position B/Fwd	**3.949**	**4.756**	**5.018**	**5.018**	**18.741**
Big Ticket Savings Delivered	-1.150	-1.150	-1.150	-1.150	**-4.600**
Revised Budget Gap Position	**2.799**	**3.606**	**3.868**	**3.868**	**14.141**

3.33 During 2021/22 decisions have been taken by Executive which have an impact on the General Fund revenue budget. These are shown in Table Nine below.

Table Nine: Impact of Executive Decisions on General Fund Revenue Budget Gap 2022/23 to 2025/26

£m	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
E/21/14 Financial Management System	0.250	0.250	0.250	0.250	**1.000**
E/21/21 Letting of Town Centre Property	0.053	0.040	0.040	0.040	**0.173**
E/21/30 Qtr. 1 Budget Monitoring	0.036	0.036	0.036	0.036	**0.144**
E/21/40 Qtr. 2 Budget Monitoring	-0.219	-0.089	0.013	0.013	**-0.282**
E/21/44 New Depot Update	0.173	0.169	0.405	0.401	**1.148**
Impact of Executive Decisions	**0.293**	**0.406**	**0.744**	**0.740**	**2.183**

3.34 The impact of the Local Government Finance Settlement, as shown in Table Six, and the items detailed in Table Nine, increases the total budget gap before savings to £14.635m.

Table Ten: General Fund Revenue Budget Gap 2022/23 to 2025/26

£m	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
Opening Budget Gap Position (T8)	**2.799**	**3.606**	**3.868**	**3.868**	**14.141**
Local Government Finance Settlement (T4)	-0.966	-0.241	-0.241	-0.241	**-1.689**
Impact of Executive Decisions 2021/22 (T7)	0.293	0.406	0.744	0.740	**2.183**
Updated Budget Gap Before Savings	**2.126**	**3.771**	**4.371**	**4.367**	**14.635**

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

- Council Tax at 2% per annum (as per last years' MTFP assumption)
- Salary costs continue to be uplifted by inflation
- The Suffolk Business Rates pool continues for 2022/23

- A minimum of 2.5% increased income yield from discretionary ‘Fees and Charges’ income for paid-for Council services.

3.36 These items are then extrapolated forward for the ‘new’ fourth year and added to the ‘Updated Budget Gap Before Savings’ to create a starting gap position, which totals £16.458m between 2022/23 and 2025/26 and is set out in Table Eleven.

Table Eleven: General Fund Revenue Budget Gap 2022/23 to 2025/26

£m	2022/23	2023/24	2024/25	2025/26	Total
Updated Budget Gap Before Savings (T8)	**2.126**	**3.771**	**4.371**	**4.367**	**14.635**
i) Pay Uplift	0.353	0.353	0.258	0.888	**1.852**
ii) Employers National Insurance Costs	0.177	0.180	0.184	0.188	**0.729**
iii) CPI Inflation	0.500	0.700	0.850	1.061	**3.111**
iv) Remove assumed Fairer Funding	-1.000	-1.000	-1.000	-1.000	**-4.000**
v) Council Tax Base	-0.143	-0.159	-0.221	-0.202	**-0.725**
vi) Climate Change Strategy	0.035	0.035	0.035	0.035	**0.140**
vii) Sales, Fees & Charges	0.000	0.875	0.000	0.000	**0.875**
viii) Collection Fund Surplus	-0.159	0.000	0.000	0.000	**-0.159**
Starting Gap Position 2022/23 - 2025/26	**1.889**	**4.755**	**4.477**	**5.337**	**16.458**

i) As part of the Spending Review, it was confirmed that there will be a ‘return to the normal pay setting process’. In September 2021, the Office for National Statistics reported the Consumer Price Index was 3.1% at that time. A 3.1% staff pay award has been assumed for 2022/23 reverting to an inflationary increase thereafter.

ii) On 7 September 2021 the Prime Minister announced an intention to increase National Insurance contribution rates for employees and employers by 1.25%. An initial estimate indicates that the cost to the General Fund of a 1.25% increase in National Insurance contributions would be about £180k per annum.

iii) CPI inflation forecast for 2022/23 by the Office for Budget Responsibility (OBR) is significantly higher than has been observed in recent years. The growth in prices between 2020-2025 is forecast to be almost double that observed in the period between 2015–2020 (i.e. 14.9 points on the index compared to 8.7 points). Officers have reviewed non-pay budgets and assessed the potential impact of inflation on the Council’s budget.

iv) The Government published reforms to the Business Rates regime alongside the Spending Review. There was no update announced on the Fairer Funding review and the current assumption is that the implementation of reform has been pushed back to 2023/24 at the earliest. Given no indication has been given by the Chancellor regarding the Fairer Funding Review, the current assumption regarding the negative impact of the review on the Council's income levels has been removed as it is now assumed that funding levels will be maintained throughout the Plan period. Instead the government has announced its commitment to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources and has noted that the data has not been updated for a number of years. It has been announced that the government will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes.

v) The Council Tax Base has been reviewed and needs to be increased slightly as growth is higher than anticipated in the 2021/22 MTFP.

vi) Executive paper E/19/13 identified General Fund staffing costs totalling £0.035m (with a further £0.015m in the HRA budget) for project officer support to develop a Climate Change strategy and project plan.

vii) Budget monitoring over the past two years has shown that the pandemic has had a significant effect on the Council's sales, fees, and charges. This budget assumes that losses will continue during 2022/23, with income recovering to budgeted levels in 2024/25. The November 2020 budget update (C/20/08) established a £5m provision for income losses, and the current forecast is that £2m of this will be available to fund losses in 2022/23.

viii) The council tax collection fund is showing a surplus of £0.159m in 2021/22 which will be realised as a benefit to the General Fund budget in 2022/23.

3.37 The 2022/23 to 2025/26 Capital Programme is set out in Section Six of the attached MTFP document. Some of the existing planned spend for 2021/22 is now forecast to be spent in 2022/23 which generates some one-off savings in the financing budget. In addition, the following items are proposed to be added to the General Fund Capital Programme.

Table Twelve: Proposed Additions to Capital Programme 2022/23 to 2025/26

£m	**2022/23**	**2023/24**	**2024/25**	**2025/26**
i) Play Area Improvements	0.500	0.500	0.500	0.500
ii) Additional CCTV Cameras	0.015	0.000	0.000	0.000
iii) Master planning -Sports Facilities	0.850	0.000	0.000	0.000
iv) Christchurch Mansion Lift	0.010	0.160	0.005	0.000
v) IP-City Facility Improvements	0.020	0.260	0.020	0.000
vi) Cemeteries Software	0.080	0.000	0.000	0.000
vii) Replacement Waste Containers	0.155	0.155	0.155	0.155
Total General Fund Capital Additions	**1.630**	**1.075**	**0.680**	**0.655**

i) This is a new capital budget that is designed to kick start a five-year programme of improvements to our Play Areas – at £0.5m per annum. . It is estimated that various Section 106 planning agreements could fund an additional £1m (approximately) of play area improvements over the course of the MTFP. The details of this programme will be reported to Executive in due course but will ensure the sorts of improvements seen in the last 2 years at Alexandra Park, Christchurch Park and Dumbarton Road Recreation Ground are replicated across the town.

ii) Five additional temporary CCTV cameras will improve community safety across the town, increasing the total number of such cameras to 12.

iii) This capital allocation funds initial master-planning costs associated with the completion of the Sports Review.

iv) The Christchurch Mansion Lift project proposes to install a platform lift from the China room, on the ground floor, to the first floor. The installation will enable the building to significantly increase its disabled access.

v) This is separate to the existing IP-City Improvements capital scheme and will seek to improve the reception area with a refurbishment making it more modern, improve ICT infrastructure and data room facilities.

vi) The current cemeteries software solution, which in essence is a database, is an historic system which lacks functionality. There is a need to replace the current database with a modern software solution that will help to deliver operational efficiencies and improve customer service.

vii) To date, replacement and new skips and bins have been funded from revenue. Following a review, it has been concluded that it would be better / more cost effective for them to be funded from the capital programme.

3.38 In March 2021, Executive approved £300,000 from the existing Regent Theatre budget, within the Capital Programme, for modular changing rooms. Due to anticipated cost increases it is recommended that this budget be increased to £450,000 which still falls within the existing Regent Capital Programme budget and therefore sets a new allocation for the recommendation determined in March 2021 (i.e. report reference: E/20/51).

3.39 The 2021/22 MTFP included an Unallocated Growth Budget totalling £0.100m per annum. £0.014m of the Growth budget has been committed in 2021/22. It is proposed to remove the remainder of the Growth budget relating to 2021/22 and reset the Unallocated Growth budget to £0.100m per annum from 2022/23 onwards (see the table below).

Table Thirteen: Proposed Changes to Unallocated Growth Budget 2022/23 to 2025/26

£m	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
Growth Budget per 20/21 MTFP	**0.200**	**0.300**	**0.400**	**0.400**	**1.300**
Growth Committed in 2021/22	-0.014	-0.014	-0.014	-0.014	-0.056
Set Growth to 100k per annum	-0.086	-0.086	-0.086	0.014	-0.244
Growth Budget	**0.100**	**0.200**	**0.300**	**0.400**	**1.000**
Committed/allocated Growth	0.100	0.117	0.117	0.117	0.451
Unallocated Growth Budget	**0.000**	**0.083**	**0.183**	**0.283**	**0.549**

3.40 The Council continues to invest in its priorities. There is £100k committed growth allocation for 2022/23:

- Partial opening of the customer service centre for two days a week (£20k)

- Community safety - operation budget for the 5 additional temporary CCTV cameras (£10k) plus an additional £20k to deliver elements of the Safety of Women at Night action plan following the failure of the Home Office to fund this work. The Council will use this contribution to seek match funding from partners.

- An additional Local Council Tax Reduction Scheme award of £10 per claimant as approved by Executive (report E/21/47) (£50k) -see paragraph 3.52. The Council will consult precepting bodies during 2022 to seek a maximum 100% reduction for Ipswich residents claiming a Local Council Tax Reduction from 1 April 2023. The annual total cost, at current prices, would be £472,875 and the IBC proportion would be £87,135 per annum. This would be funded from the growth budget in 2023/24 onwards as well as from the 2022/23 allocation.

3.41 In recent years the Council has ensured that there are adequate resources to deliver our savings / investment plans via the Transformation / Invest to Save Fund. This Fund will require topping up from savings generated in 2021/22.

3.42 Most planned savings for 2022/23 can be achieved through officer delegations such as changing the events programme or passing on the convenience charge for using the app to MiPermit users, as other car park providers do. However, one proposed saving involves ceasing to provide a reception service at Holywells Park during school holidays and at Christchurch Park during weekends. The Parks receptions proposal will deliver a £26k saving over a full year. Executive is recommended to authorise the Director for Culture and Environment to cease providing the service subject to the necessary consultations and equality impact assessment.

3.43 Adding together the changes to the revenue impact of the capital additions at Table Twelve and the unallocated growth budget in Table Thirteen to the MTFP will result in a total cumulative budget gap of £16.971m before savings.

Table Fourteen: Final Budget Gap Position 2022/23 to 2025/26

£m	2022/23	2023/24	2024/25	2025/26	Total
Starting Gap Position 22/23 to 24/25 (T11)	**1.889**	**4.755**	**4.477**	**5.337**	**16.458**
Changes to Unallocated Growth (T13)	-0.086	-0.086	-0.086	0.014	**-0.244**
Changes to Capital Programme (T12)	0.004	0.071	0.152	0.531	**0.758**
Total Budget Gap Position	**1.807**	**4.740**	**4.543**	**5.882**	**16.972**

3.44 It is intended to address the Final Gap Position in five ways:

I. The continuation of the 'Big Ticket' Item savings programme.
II. Transitional Vacancy savings.
III. Unidentified savings.
IV. Use of earmarked reserves.
V. Use of General Fund balances.

3.45 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. Details of the success of the Programme can be found at Chart One after paragraph 3.14.

3.46 A careful review has been undertaken and it is recommended that the Strategy should be continued. This Strategy, and the associated numbers, is challenging but realistic, particularly as further progress continues to be made in delivering base savings towards the ‘Big Ticket’ targets.

Table Fifteen: Recommended Big Ticket Programme 2022/23 to 2025/26

£m	2022/23	2023/24	2024/25	2025/26	Total
Return from Arms-Length Companies	0.200	0.200	0.200	0.200	**0.800**
Voluntary Severance/Redundancy	0.050	0.100	0.150	0.200	**0.500**
Customer Access & Agile Working	0.000	0.200	0.500	1.000	**1.700**
Investment Management	0.075	0.100	0.100	0.100	**0.375**
Service Efficiencies & Income	0.500	0.500	0.500	0.500	**2.000**
Total	**0.825**	**1.100**	**1.450**	**2.000**	**5.375**

3.47 Table Sixteen shows the equivalent targets from the 2021/22 Medium Term Financial Plan (C/20/20) for context. The targets outlined in Table Fifteen are lower in each year of the MTFP when compared to the equivalent year in the 2021/22 MTFP.

3.48 The Big Ticket Programme includes returns from Arms-Length Companies. This will be achieved through a mix of dividends and savings on contract prices. This MTFP does not assume any further capital investment in the Council’s wholly-owned companies.

Table Sixteen: Big Ticket Programme 2021/22 to 2024/25 per 2021/22 MTFP report ,Table 16

£m	2021/22	2022/23	2023/24	2024/25	Total
Return from Arms-Length Companies	0.000	0.250	0.500	0.500	**1.250**
Voluntary Severance/Redundancy	0.000	0.000	0.050	0.100	**0.150**
Customer Access & Agile Working	0.250	0.300	0.300	0.300	**1.150**
Investment Management	0.150	0.200	0.225	0.225	**0.800**
Service Efficiencies & Income	0.750	1.000	1.200	1.250	**4.200**
Total	**1.150**	**1.750**	**2.275**	**2.375**	**7.550**

3.49 The Council budgets for 'Transitional Vacancy' savings. These are non-recurrent revenue savings generated by posts being vacant including staff turnover. The savings target is calculated based on the current budgeted establishment and the actual level of savings observed.

3.50 It is expected that the Council will continue to manage a proportion of unidentified savings, as was the case in the 2021/22 MTFP approved by Council in February 2021. The savings assumed in this budget are considered achievable by the Council's Corporate Management Team.

3.51 The Council has maintained an earmarked reserve to address any deficits in business rates receipts. Such deficits are often referred to within quarterly financial monitoring reports. In the 2021/22 MTFP £1.129m of the Business Rates Reserve was allocated to cover expected losses. This has been extrapolated by a year, but due to anticipated better economic conditions, a lower amount, £1.076m, will be required in the period 2022/23 to 2025/26. This is considered a proportionate and prudent approach.

3.52 To fund the remaining budget gap, it has been concluded that for 2022/23 the annual increase in Council Tax should be 1.98%. This is consistent with the Government assumption that Local Authorities will increase Council Tax by 2.00% in the financial year 2022/23, and the underlying assumptions adopted in previous MTFPs.

3.53 Other factors that support this proposal are:

i) It is less than the expected percentage increases adopted by the other precepting organisations in Ipswich – Suffolk County Council, who are anticipated to increase both of their respective elements by a total of 2.99%, and the Suffolk Police and Crime Commissioner, who has confirmed a 4.2% increase (i.e. the maximum £10 per Band D property).

ii) This amounts to an increase of 11.14p per week for Borough Council portion of the bill for the average (Band B) Council Taxpayer in Ipswich. This is compared to an expected 62.29p for Suffolk County Council and 14.90p for the Suffolk Police and Crime Commissioner. The equivalent increase for the Ipswich Borough Council element in 2021/22 was 11.01p.

iii) A taxpayer receiving full Council Tax Relief will see a decrease in their Council tax in 2022/23 following Executive's approval of an additional Local Council Tax Discount Scheme for 2022/23. This scheme is a Borough led proposal with support from Suffolk County Council (although not the Police and Crime Commissioner). See also paragraph 3.39 (growth proposals). The Council will consult precepting bodies during 2022 on a proposal for a 100% reduction for Ipswich residents claiming a Local Council Tax Reduction from 1 April 2023.

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

	2021/22	2022/23	Proposed Increase (£)	Per Week (p)	%
Ipswich Borough Council	293.02	298.83	5.81	11.14	**1.98**
Suffolk County Council*	1,086.68	1,119.16	32.48	62.29	**2.99**
Police & Crime Commissioner	184.87	192.64	7.77	14.90	**4.20**
Total	**1,564.57**	**1,610.63**	**46.06**	**88.33**	**2.94**

*Full details not yet confirmed

The effect for a band B resident getting 95% Local Council Tax Reduction (LCTR) including the £10 additional local discount mentioned in paragraph 3.40 is shown in the Table below. A full analysis is provided in table Twenty-Seven.

Table Eighteen: Proposed Council Tax increase by authority for a Band B resident receiving 95% LCTR

	2021/22	2022/23	Increase	Per Week
Ipswich Borough Council	£14.65	£14.94	£0.29	£0.01
Suffolk County Council	£54.33	£55.96	£1.63	£0.03
Police & Crime Commissioner	£9.24	£9.63	£0.39	£0.01
Sub Total	**£78.22**	**£80.53**	**£2.31**	**£0.04**
New Local Council Tax Discount		-£10.00		
Total	**£78.22**	**£70.53**	-£7.69	-£0.15

3.54 Bringing this all together results in £2.587m of reserves being required to deliver financial balance as shown in the Table below (compared to £3.866m of reserves being required to achieve financial balance in the 2021/22 MTFP approved by Council in February 2021 (C/20/20)).

3.55 The budget gap at the end of 2025/26 is forecast to be £0.587m, with £0.260m of reserves available which could be used to fund a deficit in 2026/27. The unidentified savings reflects the uncertainty about future funding levels and the detailed delivery of this has not been identified yet. It may flag the need for potential tough choices in future years.

Table Nineteen: Reserves required to achieve financial balance

£m	**2022/23**	**2023/24**	**2024/25**	**2025/26**	**Total**
Total Budget Gap Position	**1.807**	**4.740**	**4.543**	**5.882**	**16.972**
Proposed Big Ticket Targets	-0.825	-1.100	-1.450	-2.000	**-5.375**
Transitional Vacancy Savings	-1.000	-1.093	-1.120	-1.120	**-4.333**
Unidentified Savings	0.000	-0.600	-1.200	-1.800	**-3.600**
Additional Earmarked Reserves	0.000	-0.326	-0.375	-0.375	**-1.076**
Reserves to Achieve Balance	**-0.018**	**1.621**	**0.398**	**0.587**	**2.588**
Opening Usable Balances	2.847	2.865	1.244	0.846	
Usable Balance Carried Forward	*2.865*	*1.244*	*0.846*	*0.259*	

The Long-Term Budget Strategy

3.56 Ipswich Borough Council has taken a robust long-term budget strategy for several 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.

3.57 However, the recent financial settlements and announcements from government mean that uncertainty, and the challenge faced by IBC, is significantly greater than has historically been the case and this may require tough financial decisions in future years.

3.58 There are four main areas of uncertainty and / or challenge in this budget:

I. The on-going impacts of the Covid-19 pandemic on the Council's commercial income streams (particularly car parks, sports, and theatres).

II. The recent significant increase in inflation levels and the impacts on costs / expenditure of the Council (i.e. it costs significantly more to buy the same things and pay settlements are likely to be higher) – and the impact on cost of living for residents and potential knock on consequences for benefits and debt levels.

III. Rising interest rates increasing the cost of borrowing for future projects in the capital programme.

IV. On-going uncertainty around the level of support from the Government (following another single year settlement).

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

i) *Advocacy to support a good long-term local government finance settlement is in place long before the 2023/24 Medium Term Financial Plan needs to be set.*

ii) *Advocacy to support the principle of local retention of business rates and retaining or improving funding from central government.*

iii) *Additional work on planning, delivery, and financing of the capital programme.*

iv) *Continued delivery of the Big Ticket programme across the Medium Term.*

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

vi) *Reducing the Council's reliance on funding from Government, for example New Homes Bonus.*

Chief Finance Officer's Statement

3.60 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.

3.61 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. This report effectively fulfils that obligation.

3.62 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.

3.63 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. This updated financial position represents sound financial management by the Council and underpins the going concern flight path.

3.64 Assessments of financial risks associated with the 2022/23 to 2025/26 budgets are shown below. These risks are taken account of in setting the level of reserves.

Table Twenty: Financial Risk Assessment 2022/23 – 2025/26

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

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

Table Twenty-One: Specific Risks Identified

Risk Description	Consequence of risk	Risk controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk, if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate
Capital Ability to fund/finance	Capital programme not delivered	Capital receipts forecast. Prudential borrowing code of practice adopted. All known future changes included in budget	4	2	Funding forecast
PWLB Further increases in rate announced by HM Treasury with minimal notice	Increased cost of delivering capital programme. Reduced margin on financing companies which will reduce the contribution made	Continued monitoring, prudent budgeting, Treasury Management Strategy and Capital Strategy as	2	3	Alternative sources of finance, e.g. Municipal Bonds Agency. Regular review of capital programme.

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
	to the General Fund revenue budget.	set out in this document.			
<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

3.66 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.

3.67 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.

3.68 At the time of writing this report the Council has £9.0m of earmarked reserves available and set aside for specific eventualities. This report draws upon £1.076m of earmarked reserves to counteract the impact of Business Rate and Council Tax losses. This is considered a prudent use of reserves to address.

3.69 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.

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

GENERAL FUND AND COUNCIL TAX REQUIREMENT

3.71 In determining the Council Tax Requirement for 2022/23, councillors and officers have refocused resources on investing in the Council's priorities.

3.72 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.

3.73 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.

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

3.75 The financial settlement for Ipswich Borough Council for 2022/23 was announced on 7th February 2022 at £4,357,925.

Table Twenty-Two: Council Tax Requirement 2022/23

£m	**2021/22**	**2022/23**
Budget Requirement	18,724,922	19,471,262
Settlement Funding Adjustment	-4,357,232	-4,357,925
Collection Fund Adjustment	101,000	-159,477
To be financed through Council Tax	**14,468,690**	**14,953,860**

3.76 Ipswich's Collection Fund shows a net surplus of £79,477. Any money recovered is credited to the Collection Fund, but the actual cost of recovery must be charged to the General Fund and therefore falls within the Budget. The Council was budgeting in the MTFP for a £80,000 deficit in 2022/23, so this represents a favourable variance of £159,477.

3.77 As the Council has a Council Tax Requirement for 2022/23 of £14,953,860, 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 2021/22 will be:

Table Twenty-Three: Proposed Change in Band B Council Tax 2022/23

Proposed Change in Band B Council Tax	**2021/22 £ : p**	**2022/23 £ : p**	**Change %**
IBC Charge	293.02	298.83	1.98%

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

Table Twenty-Four: Forecast Council Tax Requirement 2022/23 to 2025/26

	2022/23	**2023/24**	**2024/25**	**2025/26**
Council Tax Requirement	£14,953,860	£15,425,430	£15,908,240	£16,296,150

3.79 The Council Tax charge for Ipswich Borough Council at each of the property bands, compared with 2021/22 is shown in the Table below. The total number of dwellings by band on the Valuation List across Suffolk districts is shown for reference.

Table Twenty-Five: Proposed Council Tax Levels by Band 2022/23

<table>
<tr><th>Band</th><th>2021/22</th><th>2022/23</th><th>Change</th><th rowspan="3">Weekly increase</th><th colspan="5">Dwellings</th></tr>
<tr><th></th><th>Tax (£ : p)</th><th>Tax (£ : p)</th><th>%</th><th colspan="2">Ipswich*</th><th rowspan="10"></th><th colspan="2">Total Suffolk</th></tr>
<tr><th></th><th></th><th></th><th></th><th>Number</th><th>%</th><th>Number</th><th>%</th></tr>
<tr><td>A</td><td>251.16</td><td>256.14</td><td>1.98%</td><td>£0.10</td><td>19,208</td><td>31.1</td><td>69,894</td><td>19.9</td></tr>
<tr><td>B</td><td>293.02</td><td>298.83</td><td>1.98%</td><td>£0.11</td><td>23,083</td><td>37.4</td><td>106,742</td><td>30.4</td></tr>
<tr><td>C</td><td>334.88</td><td>341.52</td><td>1.98%</td><td>£0.13</td><td>11,346</td><td>18.4</td><td>70,115</td><td>19.9</td></tr>
<tr><td>D</td><td>376.74</td><td>384.21</td><td>1.98%</td><td>£0.14</td><td>4,441</td><td>7.2</td><td>49,693</td><td>14.1</td></tr>
<tr><td>E</td><td>460.46</td><td>469.59</td><td>1.98%</td><td>£0.18</td><td>2,325</td><td>3.8</td><td>30,842</td><td>8.8</td></tr>
<tr><td>F</td><td>544.18</td><td>554.97</td><td>1.98%</td><td>£0.22</td><td>935</td><td rowspan="3">2.1</td><td>14,797</td><td rowspan="3">6.9</td></tr>
<tr><td>G</td><td>627.90</td><td>640.35</td><td>1.98%</td><td>£0.24</td><td>366</td><td>8,707</td></tr>
<tr><td>H</td><td>753.48</td><td>768.42</td><td>1.98%</td><td>£0.29</td><td>22</td><td>757</td></tr>
</table>

3.80 Last year's Medium-Term Financial Plan set balanced proposals for the four years from 2021/22 to 2024/25 and assumed a 2.00% Council Tax increase provision being made for 2021/22 and subsequent years.

3.81 Central Government has set an annual ‘referendum’ level of 2.00% 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 within the level which would not require a referendum.

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

3.83 Suffolk County Council have not confirmed their increase at the time of writing, but on 1 February SCC’s Cabinet discussed the draft 2022/23 budget which includes an overall 2.99% increase in council tax in their 2022/23 budget papers, which is made up of a 1.99% increase in Council Tax and a 1.00% increase in the Adult Social Care Precept.

3.84 On 28 January 2022, the Suffolk Police and Crime Commissioner confirmed a £9.99 increase in precept for a Band D property in 2022/23 (this is the maximum allowable increase and equates to a 4.2% increase in the precept).

3.85 Factoring the changes proposed by the Police and Crime Commissioner and assumed to be implemented by Suffolk County Council, the overall Council Tax position for Ipswich Borough Council will be as shown in the Table below.

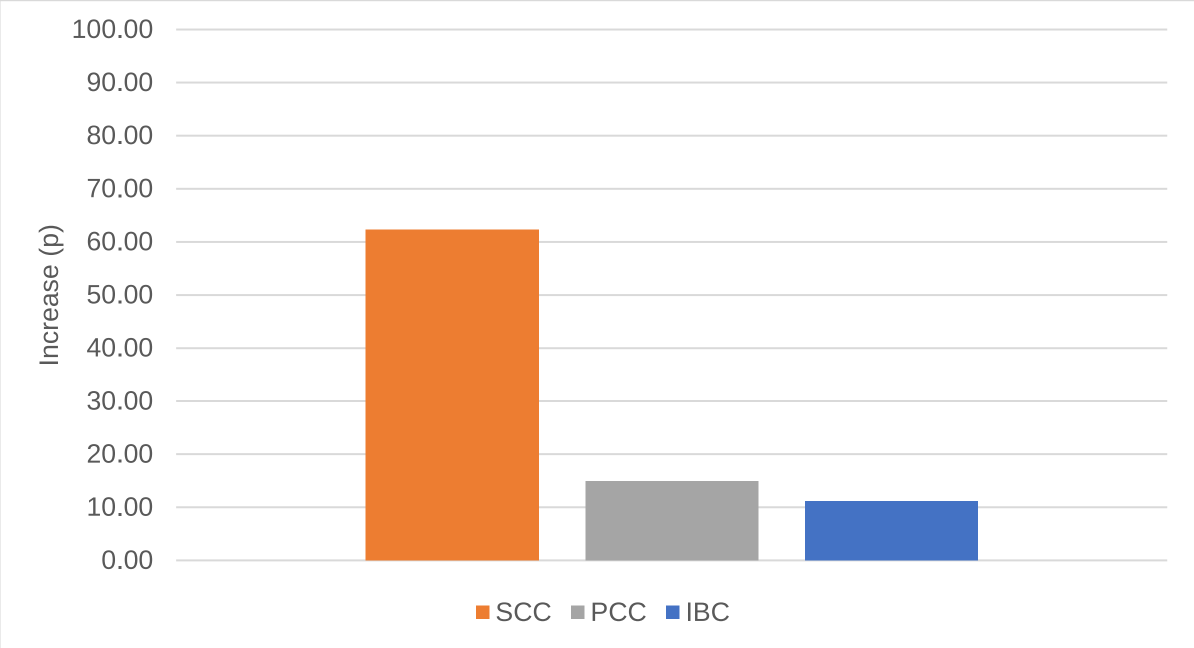
Table Twenty-Six: Proposed Council Tax Levels by Authority 2022/23

	IBC 21/22	**SCC 21/22**	**PCC 21/22**	**Total 21/22**	**IBC 22/23**	**SCC* 22/23**	**PCC 22/23**	**Total 22/23**	***Total Increase***
Band A	251.16	931.44	158.46	**1,341.06**	256.14	959.28	165.12	**1,380.54**	*39.48*
Band B	293.02	1,086.68	184.87	**1,564.57**	298.83	1,119.16	192.64	**1,610.63**	*46.06*
Band C	334.88	1,241.92	211.28	**1,788.08**	341.52	1,279.04	220.16	**1,840.72**	*52.64*
Band D	376.74	1,397.16	237.69	**2,011.59**	384.21	1,438.92	247.68	**2,070.81**	*59.22*
Band E	460.46	1,707.64	290.51	**2,458.61**	469.59	1,758.68	302.72	**2,530.99**	*72.38*
Band F	544.18	2,018.12	343.33	**2,905.63**	554.97	2,078.44	357.76	**2,991.17**	*85.54*
Band G	627.90	2,328.60	396.15	**3,352.65**	640.35	2,398.20	412.80	**3,451.35**	*98.70*
Band H	753.48	2,794.32	475.38	**4,023.18**	768.42	2,877.84	495.36	**4,141.62**	*118.44*

*Assumes 2.99% increase

3.86 The chart below shows the weekly increase in Council Tax for a Band B property in 2022/23 by authority.

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



3.87 A taxpayer receiving full Local Council Tax Relief will see a decrease in their Council tax in 2022/23 following Executive's approval of an additional Local Council Tax Discount Scheme for 2022/23. This Scheme is a Borough led proposal. The favourable response from Suffolk County Council (although not from the Police and Crime Commissioner) has enabled the discount level to be increased to £10 per household. See also paragraph 3.40 (growth proposals).

Table Twenty-Seven: Council Tax Increase by Precepting Authority for Council Taxpayer with Full Relief

	IBC 21/22	SCC 21/22	PCC 21/22	Total 21/22	IBC 22/23	SCC* 22/23	PCC 22/23	Local Discount	*Total Decrease*
Band A	12.56	46.57	7.92	**67.05**	12.81	47.96	8.26	-10.00	*-8.03*
Band B	14.65	54.33	9.24	**78.23**	14.94	55.96	9.63	-10.00	*-7.70*
Band C	16.74	62.10	10.56	**89.40**	17.08	63.95	11.01	-10.00	*-7.37*
Band D	18.84	69.86	11.88	**100.58**	19.21	71.95	12.38	-10.00	*-7.04*
Band E	23.02	85.38	14.53	**122.93**	23.48	87.93	15.14	-10.00	*-6.38*
Band F	27.21	100.91	17.17	**145.28**	27.75	103.92	17.89	-10.00	*-5.72*
Band G	31.40	116.43	19.81	**167.63**	32.02	119.91	20.64	-10.00	*-5.06*
Band H	37.67	139.72	23.77	**201.16**	38.42	143.89	24.77	-10.00	*-4.08*

Section 3
General Fund MTFP

GENERAL FUND REVENUE FORECAST 2021/22 TO 2025/26

DESCRIPTION	2021/22 ORIGINAL BUDGET £	2021/22 DRAFT APPROX O/T £	2022/23 FORECAST £	2023/24 FORECAST £	2024/25 FORECAST £	2025/26 FORECAST £
SERVICE EXPENDITURE						
Employees	29,515,270	28,577,510	29,911,800	30,559,540	31,134,160	31,744,140
Premises	6,078,670	6,509,010	6,115,900	6,115,900	6,115,900	6,115,900
Transport	2,281,440	2,169,410	2,166,410	2,166,410	2,153,230	2,153,230
Supplies & Services	12,540,490	17,815,400	12,985,270	12,936,020	12,933,420	12,933,420
Agency & Contracted Services	1,021,560	1,021,560	1,053,880	1,053,880	1,053,880	1,053,880
Transfer Payments	33,342,720	33,342,720	33,342,720	33,342,720	33,342,720	33,342,720
Central & Departmental Support	927,020	927,020	962,730	986,800	1,007,520	1,027,670
TOTAL SERVICE EXPENDITURE	85,707,170	90,362,630	86,538,710	87,161,270	87,740,830	88,370,960
SERVICE INCOME						
Government Grants	34,752,190Cr	36,520,840Cr	34,104,100Cr	34,104,100Cr	34,104,100Cr	34,104,100Cr
Other Grants,Contributions Etc	6,232,000Cr	9,041,050Cr	6,431,620Cr	6,575,970Cr	6,650,560Cr	6,768,920Cr
Sales	752,350Cr	420,650Cr	752,350Cr	759,870Cr	767,470Cr	767,470Cr
Fees & Charges	18,100,200Cr	14,406,420Cr	18,309,870Cr	18,439,410Cr	18,551,980Cr	18,551,980Cr
Rents	4,361,520Cr	4,508,590Cr	4,516,420Cr	4,529,420Cr	4,529,420Cr	4,529,420Cr
TOTAL SERVICE INCOME	64,198,260Cr	64,897,550Cr	64,114,360Cr	64,408,770Cr	64,603,530Cr	64,721,890Cr
NET SERVICE EXPENDITURE	21,508,910	25,465,080	22,424,350	22,752,500	23,137,300	23,649,070

GENERAL FUND REVENUE FORECAST 2021/22 TO 2025/26

DESCRIPTION	2021/22 ORIGINAL BUDGET £	2021/22 DRAFT APPROX O/T £	2022/23 FORECAST £	2023/24 FORECAST £	2024/25 FORECAST £	2025/26 FORECAST £
NET SERVICE EXPENDITURE	21,508,910	25,417,080	22,424,350	22,752,500	23,137,300	23,649,070
Contingencies etc:						
Additional commitments	539,000	775,230	1,050,000	1,658,000	2,142,000	2,648,000
Transformation Invest to Save Fund	510,000	1,017,260	0	0	0	0
General Service Contingency	0	500,320	0	0	0	0
Covid-19 Income Contingency	5,000,000	74,310	1,983,000	875,000	0	0
Covid-19 Funding	1,046,000Cr	1,676,000Cr	114,000Cr	114,000Cr	0	0
Big Ticket Savings	1,150,000Cr	757,240Cr	825,000Cr	1,100,000Cr	1,450,000Cr	2,000,000Cr
Transitional Vacancy Savings	1,040,000Cr	147,100	1,000,000Cr	1,093,000Cr	1,120,000Cr	1,120,000Cr
Unidentified Savings	250,000Cr	0	0	600,000Cr	1,200,000Cr	1,800,000Cr
Interest on balances etc	44,550	59,550	54,950	139,360	106,360	106,360
External interest etc	79,000Cr	94,000Cr	78,500Cr	126,000Cr	126,000Cr	126,000Cr
Loan repayments/Investment income from IBC companies	5,649,650Cr	5,660,650Cr	5,408,070Cr	5,345,150Cr	5,298,660Cr	5,298,660Cr
Capital financing costs	5,357,120	5,012,950	6,106,850	6,579,490	6,920,000	7,295,000
Net Expenditure	23,744,930	24,815,910	24,193,580	23,626,200	23,111,000	23,353,770
Revenue Support Grant	0	0	0	0	0	0
Lower Tier Funding	186,000Cr	186,000Cr	499,000Cr	199,000Cr	199,000Cr	199,000Cr
Council Tax Support Funding	383,000Cr	383,000Cr	0	0	0	0
Business Rates Baseline	4,357,000Cr	4,357,000Cr	4,358,000Cr	4,358,000Cr	4,358,000Cr	4,358,000Cr
Retained Business Rates	1,099,000Cr	10,511,000	1,674,000Cr	1,316,000Cr	1,316,000Cr	1,316,000Cr
Enterprize Zone Income	153,000Cr	153,000Cr	153,000Cr	153,000Cr	153,000Cr	153,000Cr
Collection Fund surplus(cr)/deficit 31st March (net)	104,000	104,000	79,000Cr	80,000	0	0
New Homes Bonus Scheme	29,000Cr	29,000Cr	71,000Cr	0	0	0
Transfer to/from (cr) reserves	1,372,890Cr	14,116,970Cr	2,423,690Cr	633,510Cr	778,510Cr	444,510Cr
Use of (cr) / contribution to GF revenue balance	1,800,350Cr	1,737,250Cr	17,970	1,621,260Cr	398,250Cr	587,110Cr
Unfunded Balance	0	0	0	0	0	0
COUNCIL TAX REQUIREMENT	14,468,690	14,468,690	14,953,860	15,425,430	15,908,240	16,296,150

GF REVENUE BALANCE						
Balance b/fwd 1st April	5,945,790Cr	6,584,070Cr	4,846,820Cr	4,864,790Cr	3,243,530Cr	2,845,280Cr
Surplus(Cr)/deficit for year	1,800,350	1,737,250	17,970Cr	1,621,260	398,250	587,110
Balance c/fwd 31st March	4,145,440Cr	4,846,820Cr	4,864,790Cr	3,243,530Cr	2,845,280Cr	2,258,170Cr

General Fund Budgets 2022/23 - Service Group Analysis

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

Service Grouping	**2022/23 Controllable Budget £**
Chief Executive	295,850
Deputy Chief Executive	8,885,820
Culture and Environment	7,024,530
Housing and Community	6,218,150
NET SERVICE EXPENDITURE	22,424,350

Portfolio	**2022/23 Controllable Budget £**
Leader - Property & Development	851,280
Deputy Leader - Sport & Communities	2,811,340
Planning & Museums	2,474,900
Housing & Health	1,926,960
Community Protection	2,387,490
Environment & Climate Change	6,180,200
Resources	6,245,320
Town Centre	-453,140
NET SERVICE EXPENDITURE	22,424,350

Leader - Property & Development	
Service Area	**2022/23 Controllable Budget £**
Deputy Chief Executive	
Communications and Marketing	301,790
Corporate Management Team	971,510
CMT Business Support	459,560
Economic Development	318,110
Major Capital Schemes	861,090
Property Services	
Corporate Properties	-2,278,810
Grafton House	-9,350
IP-City Centre	-249,560
Property Services Management	476,940
Total	851,280

Deputy Leader – Sport & Communities	
Service Area	**2022/23 Controllable Budget £**
Community Support	
Area Committees and Priority Funds	231,850
Community Grants	384,280
Sports and Leisure	
Sports and Leisure Development	402,720
Sports Centres	921,710
Swimming Pools	870,780
Total	2,811,340

Planning & Museums

Service Area	2022/23 Controllable Budget £
Museums	1,297,470
Planning and Development	
Caps System Costs	50,260
Community/Environmental Improvements	36,740
Conservation of Historic Buildings	13,600
Development Services Support	123,030
Drainage	38,240
Historic Churches	69,340
Planning and Development	407,670
Planning Policy	167,710
Building Control	270,840
Total	2,474,900

Housing & Health

Service Area	2022/23 Controllable Budget £
Housing Advice	
Assistance to Voluntary Bodies	4,170
Bed and Breakfast Costs	129,640
Contributions to Housing Revenue Account	218,810
Homelessness	435,480
Hostels	-24,800
Housing Options	924,240
Other Private Sector Accommodation Costs	18,850
Supervision and Management	220,570
Total	1,926,960

Environment & Climate Change

Service Area	2022/23 Controllable Budget £
Parks and Cemeteries	
Allotments	31,010
Cemeteries and Crematorium	-690,080
Parks	1,314,360
Public Conveniences	85,960
Rangers	599,040
Verge Maintenance	285,740
Waste and Fleet	
Cleansing Services	1,618,580
Climate Change	34,420
Recycling	441,020
Refuse Collection	1,554,960
Waste and Fleet Management	623,440
Waste Education and Promotion	64,060
Transport	
Bus Route Subsidies - General	121,450
Transportation	96,240
Total	6,180,200

Resources	
Service Area	**2022/23 Controllable Budget £**
Audit Partnership	160,740
Financial Services	
Corporate Management Direct Costs	279,740
Financial Services	1,339,780
Housing and Council Tax Benefit Administration	1,641,840
Contributions to Central Overheads	-377,710
Human Resources	483,370
ICT	1,261,100
Legal & Democratic	
Borough Council Elections	168,390
Councillor Services	238,840
Councillors' Costs	382,040
Democratic and Business Support	70,790
Legal Services	336,210
Local Land Charges	-45,550
Mayoral Services	104,180
Registration of Electors	201,560
Total	6,245,320

Community Protection

Service Area	2022/23 Controllable Budget £
Community Support	
Community Engagement	211,330
Community Safety	199,770
Emergency Planning	70,020
Emergency Services Centre - CCTV	634,470
Emergency Services Centre - HEARS	-135,640
Public Protection	
Animal Welfare	13,680
Environmental Protection	540,950
Food Safety	267,750
Hackney Carriage and Private Hire Vehicles	-76,240
Housing Business Support Unit	-66,150
Improvement Grants	-6,230
Licensing and Enforcement	-30,070
M3 System Costs	5,100
Occupational Health	280,720
Port Health	19,560
Private Sector Housing Services	317,460
Waste Enforcement	141,010
Total	2,387,490

Town Centre

Service Area	2022/23 Controllable Budget £
Commercial Development	
Corn Exchange	141,750
Cultural Development	201,620
Enterprise Projects (inc. market)	-39,420
Entertainments Bookings	-255,950
Entertainments Management	469,430
Events and Festivals	281,660
Health and Safety	178,160
Regent Theatre	-37,150
Customer Services	
Customer Services Centre	692,520
Footway Lighting	47,130
IBC Car Parks	-2,035,130
Residents Parking Schemes	-172,200
Street Names and Seats	20,000
Town Centre Pedestrian Areas	44,370
Total	-453,140

Section 4

The Housing Revenue Account

4.1 The Council owns 7,848 general needs and sheltered properties. 29 properties have been sold during the current year under the ‘right-to-buy’ scheme as at 31/12/21. 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 affordable housing. Resources have been earmarked in the Business Plan, mainly from revenue contributions, to deliver the Programme.

4.3 To date the Programme has delivered 232 homes at locations across the Town including Old Norwich Rd, Ainslie Rd, Widgeon Close, Whitton Church Lane, Ulster Avenue and Cauldwell Hall Road.

4.4 60 homes were completed at Old Norwich Road (former Tooks Bakery site) through the general development agreement with Handford Homes and let in Spring 2021. Currently a further 40 homes are being built on small sites across the Town and an additional 10 homes at Coltsfoot Rd, Halton Crescent and Mallard Way have been completed up to December 2021. In addition, 12 properties have been acquired to 31 December 2021.

4.5 The Council has gained Homes England funding for future housing schemes, including the forty homes on small sites. A requirement of the funding is that the properties are let at affordable rents (80% of Market Rent value). This will mean for the first time the Council will be charging rents calculated differently to the normal rent setting criteria. A programme of future schemes at affordable rent has been developed to ensure a steady supply of new homes. As a result, in future, the HRA will offer a mix of social and affordable tenure homes.

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

4.7 The pandemic has had a significant adverse effect on rent income, demand for repairs and the level of void properties. The anticipated 2021/22 year-end position for the Housing Revenue Account at Quarter Two is a £3.131m deficit, after addressing pressures relating to Covid-19, which represents an overspend of £1.795m against budget.

Table Twenty-Eight – Key Variances, Quarter Two 2021/22

	£m
Rent income	0.496
Repairs/voids	1.126
Other	0.173
Total	**1.795**

4.8 The Business Plan makes the following assumptions for these key pressures:

- Rents – tenancy services are increasing focus on supporting tenants to pay their rent and on early help. A new system, RentSense, has been implemented to facilitate this. The bad debts arising from arrears are anticipated to reduce by 33% as rent arrears processes recommence. There is also additional rent from the new build properties that are coming on stream.

- Repairs- the financial implications of the repairs and voids backlog and the £2.5m investment approved by Executive on 5th October to address it are included in the updated business plan. The assumption is that the backlog impacts will be resolved before 30 September 2022 . A contingency has been included in the Business plan, commencing from October 2022, to allow for the possible continuation of increased repairs / voids levels (£246k per annum).

- New build – the pipeline programme in the capital programme and the additional income and associated costs are included in the updated Business Plan.

- Capital investment in council homes – Full provision has been made for capital investment, including alternative non-fossil heating replacement for the entire stock, improved fire safety in flat blocks and planned maintenance.

- The rollout of universal credit to householders from April 2018 continues to 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 2023). Provision has been made to mitigate this as far as possible. The financial impacts of further Universal Credit & Welfare Reform changes would need to be funded initially from reserves.

4.9 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 to March 2020. From April 2020 the rent rise reverted back to the original CPI plus one percent formula and this will again be applied to rents from April 2021 but core rent income has reduced by £9.8m p.a. (as reported in paragraph 2.5 of the rent report 2020/21, E/19/39).

4.10 A contingency has been set for the potential effects of the Sheltered Housing Review. This includes £0.978m to cover any revenue costs of refurbishment of the Sheltered Schemes.

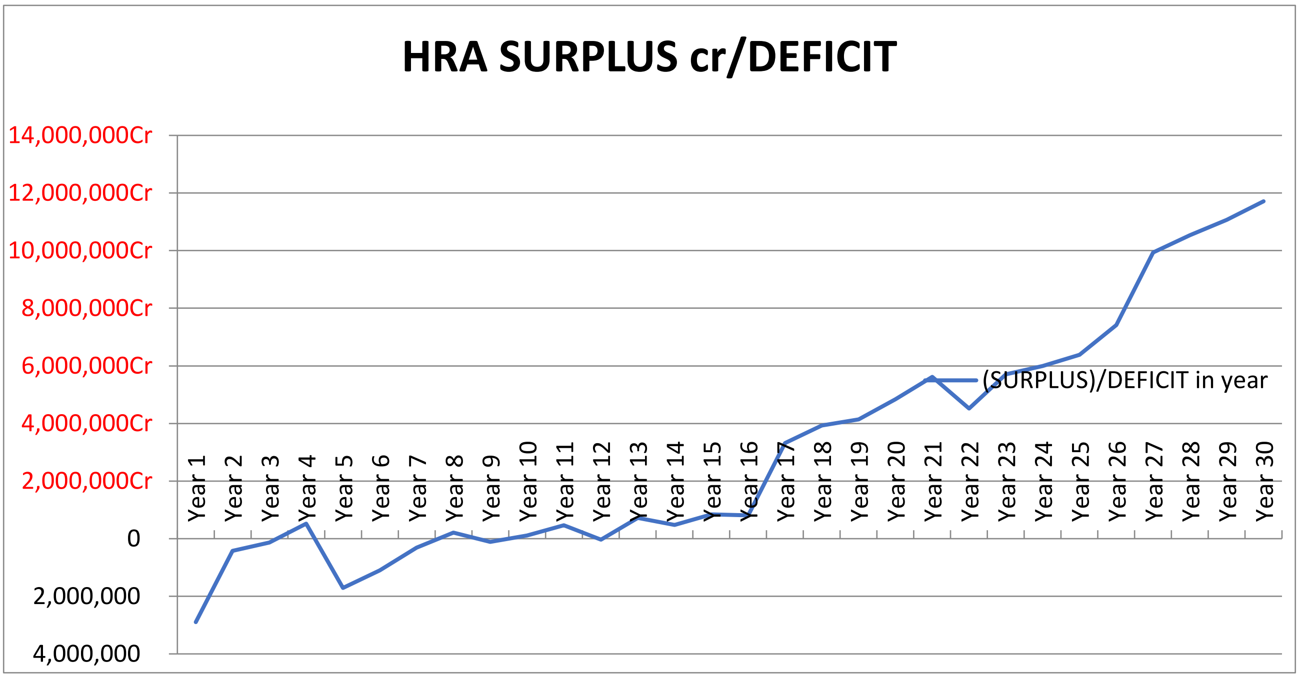
4.11 A revised savings target of £0.109m pa has been retained for future zero based budgeting & business process reviews.

4.12 Other minor contingencies exist 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.

4.13 Various assumptions have been made in producing the HRA Business Plan, as discussed above. These will be monitored and updated as and when necessary and any significant variances will be reported to Executive and Audit & Governance Committee via the quarterly budget monitoring report.

4.14 The HRA Business Plan has been amended for the estimated impact of the past rent reductions and other known changes. Chart Seven shows the surplus (-) and deficit (+) predicted for each future year. Year 1 is 2022/23.

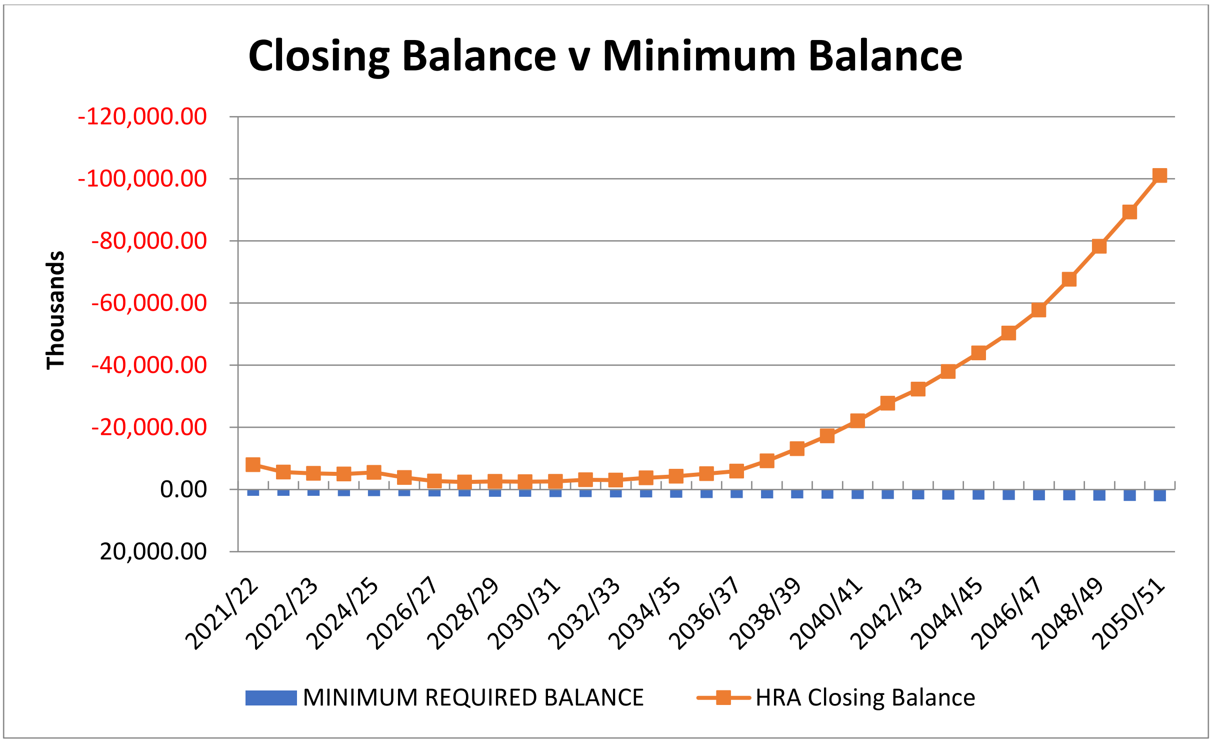
Chart Seven: 30 Year HRA Forecast Surplus/Deficit by year (cr = surplus)



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

4.16 The HRA has a minimum recommended working balance of £2.000m. The HRA working balance is expected to reduce by £1.752m over the 4-year MTFP period. The graph below shows the forecast position of the closing HRA balance v the Minimum balance that demonstrates the viability of the 30-year Plan.

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



HOUSING REVENUE ACCOUNT FORECAST 2021/22 TO 2050/51

2020/21 OUT TURN £		2021/22 ORIGINAL BUDGET £	Year 1 2021/22 FORECAST £	Year 2 2022/23 FORECAST £	Year 3 2023/24 FORECAST £	Year 4 2024/25 FORECAST £	Year 5 2025/26 FORECAST £
	EXPENDITURE						
	MANAGEMENT & MAINTENANCE						
5,220,118	Supervision & Management General	5,267,280	5,903,840	5,486,848	5,645,625	5,827,087	6,007,870
2,650,075	Supervision & Management Special	2,737,790	2,745,600	2,835,168	2,923,154	3,013,626	3,107,123
23,370	Superannuation Backfunding	0	0	0	0	0	0
4,935,471	Responsive Repairs	4,912,490	6,271,290	6,734,420	5,149,629	5,279,597	5,443,395
1,451,181	Special/Contract Repairs	1,444,360	1,755,700	1,690,283	1,742,746	1,796,684	1,852,426
536,992	Planned Maintenance	1,345,490	1,420,490	1,490,300	1,430,256	1,474,522	1,520,269
14,817,206	**MANAGEMENT & MAINTENANCE TOTAL**	**15,707,410**	**18,096,920**	**18,237,019**	**16,891,410**	**17,391,517**	**17,931,084**
	CAPITAL FINANCING COSTS						
25,710	Debt Management Expenses	24,520	24,520	20,560	18,050	17,570	17,570
2,939,553	Debt Principal - repayment	2,967,030	2,967,030	2,929,230	2,969,740	3,011,400	3,054,240
	New Build Borrowing Repayment		0	0	301,439	609,157	1,205,754
3,515,164	Debt Interest payable and similar charges	3,433,420	3,433,420	3,351,150	3,267,750	3,183,190	3,097,430
5,205,683	Depreciation	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490
4,690,362	Impairment of Assets	0	0	0	0	0	0
	Deferred Charges (REFCUS)	0	0	0	0	0	0
16,376,471	**TOTAL CAPITAL FINANCING COSTS**	**10,650,460**	**10,650,460**	**10,526,430**	**10,782,469**	**11,046,807**	**11,600,484**
	RENT REBATES SUBSIDY LIMITATION	0	0	0	0	0	**0**
149,362	PROVISION FOR BAD DEBTS	311,930	311,930	202,540	207,600	212,790	218,110
140,230	HRA share of Corporate Democratic Core and Non Distributed Costs	141,630	141,630	141,630	141,630	141,630	145,170
20,868	HRA Share of Apprentice Levy	21,260	21,260	21,260	21,260	21,260	21,260
31,504,138	**TOTAL EXPENDITURE**	**26,832,690**	**29,222,200**	**29,128,879**	**28,044,369**	**28,814,004**	**29,916,108**
	INCOME						
	RENTAL & CHARGES FOR SERVICES/FACILITIES						
33,115,274Cr	Rents	33,634,750Cr	33,267,750Cr	35,209,910Cr	36,090,670Cr	37,702,990Cr	37,916,810Cr
677,777Cr	Commercial	613,930Cr	613,930Cr	613,930Cr	613,930Cr	613,930Cr	613,930Cr
3,956Cr	Ground Rent	3,660Cr	3,660Cr	3,730Cr	3,800Cr	3,800Cr	3,800Cr
80,183Cr	Garages	141,455Cr	141,455Cr	143,859Cr	146,305Cr	148,792Cr	152,512Cr
387,105Cr	Shops	417,800Cr	417,800Cr	417,800Cr	417,800Cr	417,800Cr	417,800Cr
858,041Cr	Service Charges	1,020,400Cr	1,020,400Cr	1,040,810Cr	1,061,630Cr	1,082,860Cr	1,109,930Cr
13,668Cr	Electricity FIT income	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr
35,136,003Cr	**RENTS/CHARGES FOR SERVICES TOTAL**	**35,847,215Cr**	**35,480,215Cr**	**37,445,259Cr**	**38,349,355Cr**	**39,985,392Cr**	**40,230,002Cr**
216,640Cr	G.F. RECHARGE	216,640Cr	216,640Cr	220,970Cr	225,390Cr	229,900Cr	234,500Cr
35,352,643Cr	**TOTAL INCOME**	**36,063,855Cr**	**35,696,855Cr**	**37,666,229Cr**	**38,574,745Cr**	**40,215,292Cr**	**40,464,502Cr**
3,848,505Cr	**NET COST OF SERVICES**	**9,231,165Cr**	**6,474,655Cr**	**8,537,350Cr**	**10,530,376Cr**	**11,401,288Cr**	**10,548,394Cr**

HOUSING REVENUE ACCOUNT FORECAST 2021/22 TO 2050/51							
			Year 1	*Year 2*	*Year 3*	*Year 4*	*Year 5*
2020/21		**2021/22**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
OUT TURN		**ORIGINAL BUDGET**	**FORECAST**	**FORECAST**	**FORECAST**	**FORECAST**	**FORECAST**
£		**£**	**£**	**£**	**£**	**£**	**£**
3,848,505Cr	**NET COST OF SERVICES**	**9,231,165Cr**	**6,474,655Cr**	**8,537,350Cr**	**10,530,376Cr**	**11,401,288Cr**	**10,548,394Cr**
	Summary/Contingency items						
0	RTB Sales estimated effect	15,344Cr	15,344Cr	296,526	491,363	662,352	877,992
	New Build estimated effect	0	0	312,280Cr	617,690Cr	1,036,750Cr	1,490,040Cr
305,380Cr	Pensions interest costs , expected returns & reversal of pension benefits & Employers pension contribution	0	0	0	0	0	0
0	Inflation Contingency	100,000	0	182,370	182,370	182,370	182,370
0	Incentive Schemes Contingency	40,000	0	88,000	88,000	0	0
0	Tenancy growth pressures	0	0	382,920	408,920	219,670	219,670
	Additional repairs / voids pressure contingency	0	0	123,180	246,350	246,350	246,350
	M&C executive / MMR / procurement pressures	0	0	263,000	263,000	263,000	263,000
0	HRA Cost Pressures Arising net	270,000Cr	270,000Cr	220,000Cr	220,000Cr	220,000Cr	220,000Cr
0	Contingency for Sheltered Review	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	0
0	Recharges/rescheduling	198,170	198,170	248,170	248,170	248,170	248,170
0	Budget c/fwd from prev to curr yr	0	0	0	0	0	0
52,490Cr	Misc Contribns to Reserves	11,560Cr	86,510Cr	0	0	0	0
13,810Cr	New Homes Bonus	0	0	0	0	0	0
0	Zero based Budgeting savings target	80,000Cr	750	0	0	0	0
0	Customer Access Strategy - savings target	25,280Cr	25,280Cr	25,280Cr	25,280Cr	25,280Cr	25,280Cr
0	CIVICA Upgrade Efficiency Savings	153,130Cr	74,590Cr	84,450Cr	84,450Cr	84,450Cr	84,450Cr
0	Staffing contingency	309,000	9,000	259,000	109,000	9,000	9,000
0	Transitional Vacancy savings to find	300,000Cr	243,910Cr	383,520Cr	372,680Cr	351,980Cr	351,980Cr
	New Depot interest / mrp	0	0	259,200	253,201	607,059	600,769
	Gipping House Lease savings	0	0	0	0	76,000Cr	76,000Cr
10,024,107Cr	Reverse All Depreciation & Deferred charges	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr
11,264,730	Transfer to Major Repairs Reserve	12,279,764	12,279,764	10,284,110	12,176,470	12,682,340	15,309,550
57,128Cr	Interest/investments (net)	38,680Cr	59,540Cr	55,120Cr	139,080Cr	106,120Cr	106,120Cr
3,036,691Cr	**NET OPERATING EXPENDITURE**	**540,055Cr**	**1,896,025**	**573,354Cr**	**864,542Cr**	**1,523,388Cr**	**712,777**
3,908,383	**New Build RCCO**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**	**1,000,000**
871,692	**(SURPLUS)/DEFICIT in year**	**459,945**	**2,896,025**	**426,646**	**135,458**	**523,388Cr**	**1,712,777**
	Use of surplus for budget c/fwd						
871,692	**NET (SURPLUS)/DEFICIT in year**	**459,945**	**2,896,025**	**426,646**	**135,458**	**523,388Cr**	**1,712,777**
9,361,310Cr	**HRA Balance b/f 1st April**	**8,489,618Cr**	**8,489,618Cr**	**5,593,593Cr**	**5,166,947Cr**	**5,031,490Cr**	**5,554,877Cr**
8,489,618Cr	**HRA Balance c/f 31st March**	**8,029,673Cr**	**5,593,593Cr**	**5,166,947Cr**	**5,031,490Cr**	**5,554,877Cr**	**3,842,100Cr**
0	**MINIMUM REQUIRED BALANCE**	**2,000,000**	**2,000,000**	**2,040,000**	**2,080,800**	**2,122,416**	**2,164,864**

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 £2.000m.

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.

<u>Housing Revenue Account</u>

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 £2.000m 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-21 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-22 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-23 £'000	Balance 31-Mar-24 £'000	Balance 31-Mar-25 £'000	Balance 31-Mar-26 £'000
General Fund:										
Working Balance	6,584Cr	0	1,737	4,847Cr	18Cr	0	4,865Cr	3,244Cr	2,845Cr	2,258Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr	252Cr
Insurance Reserve	729Cr	0	0	729Cr	0	0	729Cr	729Cr	729Cr	729Cr
Service Based Reserves	5,872Cr	2,037Cr	3,165	4,744Cr	0	2,131	2,613Cr	2,499Cr	2,385Cr	2,305Cr
Repair and Renewal	558Cr	14Cr	4	568Cr	10Cr	0	578Cr	589Cr	599Cr	610Cr
Business Rates Reserve	3,856Cr	0	1,344	2,512Cr	0	303	2,209Cr	1,679Cr	1,004Cr	629Cr
Business Rates S31 Reliefs	11,530Cr	0	11,530	0	0	0	0	0	0	0
Legacies	85Cr	40Cr	0	125Cr	0	0	125Cr	125Cr	125Cr	125Cr
Revenue Grants Reserve	2,254Cr	0	144	2,110Cr	0	0	2,110Cr	2,110Cr	2,110Cr	2,110Cr
Section 106 Capital Grants	843Cr	0	18	825Cr	0	0	825Cr	825Cr	825Cr	825Cr
Total	**32,563Cr**	**2,091Cr**	**17,942**	**16,712Cr**	**28Cr**	**2,434**	**14,306Cr**	**12,052Cr**	**10,874Cr**	**9,843Cr**
Housing Revenue Account:										
Working Balance	8,490Cr	0	2,896	5,594Cr	0	427	5,167Cr	5,032Cr	5,555Cr	3,842Cr
Repair and Renewal	1,500Cr	0	0	1,500Cr	0	0	1,500Cr	1,500Cr	1,500Cr	1,500Cr
Sheltered Scheme Reserve	978Cr	0	0	978Cr	0	0	978Cr	978Cr	978Cr	978Cr
IT Reserves	12Cr	0	12	0	0	0	0	0	0	0
HRA Insurance Reserve	315Cr	0	0	315Cr	0	0	315Cr	315Cr	315Cr	315Cr
Service Reserves	667Cr	0	75	592Cr	0	0	592Cr	592Cr	592Cr	592Cr
Abortive New Build	300Cr	0	0	300Cr	0	0	300Cr	300Cr	300Cr	300Cr
Total	**12,262Cr**	**0**	**2,983**	**9,279Cr**	**0**	**427**	**8,852Cr**	**8,717Cr**	**9,240Cr**	**7,527Cr**
Capital:										
General Fund										
Usable Capital Receipts	0	552Cr	552	0	0	0	0	0	0	0
Capital Financing	180Cr	134Cr	134	180Cr	0	150	30Cr	0	0	0
Housing Revenue Account										
Usable Capital Receipts	13,025Cr	3,522Cr	5,240	11,307Cr	3,522Cr	7,067	7,762Cr	3,715Cr	1,999Cr	0
Capital Financing	40,462Cr	1,000Cr	15,223	26,239Cr	1,000Cr	16,623	10,616Cr	42Cr	22Cr	43Cr
Total	**53,667Cr**	**5,208Cr**	**21,149**	**37,726Cr**	**4,522Cr**	**23,840**	**18,408Cr**	**3,757Cr**	**2,021Cr**	**43Cr**

Schedule of Working Balances, Reserves and Provisions continued

Provisions	Balance 31-Mar-21 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-22 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-23 £'000	Balance 31-Mar-24 £'000	Balance 31-Mar-25 £'000	Balance 31-Mar-26 £'000
General Fund:										
Insurance Provision	709Cr	200Cr	200	709Cr	200Cr	200	709Cr	709Cr	709Cr	709Cr
Provision for Bad Debts	2,304Cr	100Cr	100	2,304Cr	100Cr	100	2,304Cr	2,304Cr	2,304Cr	2,304Cr
Total	**3,013Cr**	**300Cr**	**300**	**3,013Cr**	**300Cr**	**300**	**3,013Cr**	**3,013Cr**	**3,013Cr**	**3,013Cr**
Housing Revenue Account:										
Provision for Bad Debts	870Cr	100Cr	100	870Cr	100Cr	100	870Cr	870Cr	870Cr	870Cr
Total	**870Cr**	**100Cr**	**100**	**870Cr**	**100Cr**	**100**	**870Cr**	**870Cr**	**870Cr**	**870Cr**
Grand Total	**102,375Cr**	**7,699Cr**	**42,474**	**67,600Cr**	**4,950Cr**	**27,101**	**45,449Cr**	**28,409Cr**	**26,018Cr**	**21,296Cr**

Section 6

CAPITAL STRATEGY / PROGRAMME

Introduction

6.1 The CIPFA Prudential Code for Capital Finance in Local Authorities was published in December 2017, updated in December 2021. It introduced a requirement for Local Authorities to develop, determine and publish a Capital Strategy.

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

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

- Ensures the Council's resources are used to support the delivery of priorities within the Corporate 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. There are two main areas of focus over the medium term in this MTFP.

- Building 1,000 homes
- Investing in and developing Ipswich's town centre.

6.6 In relation to the 2022/23 (and onwards) capital programme, key highlights include:

- The delivery of the £25m Towns Fund programme
- Increasing and maintaining housing stock

- Delivery of projects to address the climate emergency and reduce carbon emissions
- Investing in a new depot premises, reducing the Council's carbon footprint
- Investing in the Waterfront
- Investing in the Ipswich Museum
- Investing in alternative non-fossil heating for the Council's housing stock
- Further developing the Eastern Gateway site
- Investing in a new five-year Play Strategy, improving facilities in open spaces
- Investing in Sports facilities, including the Broomhill redevelopment

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.

6.8 The capital programme included in this MTFP does not assume any additional capital investment in Council-owned companies.

Funding Capital Expenditure

6.9 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, National Heritage Lottery Fund (NHLF) for specific schemes. Where schemes attract external funding, which does not require Ipswich Borough Council to use additional capital resources, the value of the scheme and funding is automatically added to the capital programme.

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

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

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

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

Current Situation

6.10 The Council is investing in schemes to deliver new affordable homes across the town, reduce carbon emissions, regenerate the Town Centre, and support the local economy.

6.11 Key issues particularly affecting the funding of the General Fund capital programme are as follows:-

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

- Gilt prices have increased, driving up the cost of borrowing during the past year, as a consequence of economic uncertainty caused by the pandemic and Brexit.

- The Council as ‘accountable body’ for the Town Fund work in Ipswich that has led the work – with partners – that has secured a £25m capital investment towards 11 projects. The Council will continue to pursue opportunities to secure grant funding as they emerge.

- 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.

- Due to the complex nature and longevity of projects there are likely to be some underspends against scheme budgets and the current practice is to provide for the cost of financing 90% of the programme when calculating revenue charges.

Performance Framework Overview

6.12 The Council has adopted Best Practice to coordinate:-

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

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

6.14 As part of the annual budget setting process, capital bids are considered by a group comprising of members of Corporate Management Team and Councillors, with successful bids being added to the draft capital programme for inclusion in the Medium Term Financial Plan, which is then approved by Executive and Council.

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

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

Performance Measures and Monitoring

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

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

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

6.25 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 monthly 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 £250,000 require approval from Executive before contracts can be awarded – this will affect most capital projects.

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

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

6.31 All procurements meeting FTS thresholds (which for 2022/23 are £213,477 inclusive of VAT for Goods & Services and £5,336,937 inclusive of VAT for works) are managed through Procurement Board following a gateway process. This ensures that the procurement exercise is of a high process, following due process throughout and delivering best value.

6.32 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.

6.33 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

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

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

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

Detailed Capital Programme and Funding Sources

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

Capital Project Description	2021/22	2022/23	2023/24	2024/25	2025/26
70 London Road	0	0	85,000	0	0
Asbestos Removal	156,000	156,000	156,000	156,000	156,000
Better Use of Stock	20,000	105,000	0	0	0
Capital Projects Costs M&C	966,610	966,610	966,610	966,610	966,610
Central Heating (Affordable Warmth)	1,455,050	2,250,000	2,371,000	2,000,000	0
Communal Area Rewires	0	0	560,000	528,340	538,900
Communal Areas refurbishments	75,000	413,000	293,000	177,200	177,200
Communal TV System upgrades	0	0	103,620	67,500	0
Cumberland Towers	*0*	*150,000*	*850,000*	*0*	*0*
Disabled Adaptations	1,124,000	973,000	1,009,000	1,137,740	1,137,740
Electrical Sub Mains	737,000	375,000	0	0	0
Fire Safety	*0*	*200,000*	*300,000*	*0*	*0*
IBC Lifts	16,000	16,500	17,500	17,500	17,500
Insulation/Ventilation	18,570	50,000	140,000	100,000	100,000
Improving Ipswich Homes Kitchens & Bathrooms	711,210	750,000	723,000	1,255,350	3,100,000
Neighbourhood and Community Improvements	35,000	616,000	429,240	429,240	429,240
Planned Maintenance	2,650,000	3,360,000	3,528,000	4,177,360	4,177,360
PV Panels	685,840	666,000	300,000	300,000	300,000
Rewires Programme inc Voids	1,250,000	1,918,000	1,144,500	1,207,500	1,085,000
Sheltered Imps/Lifts/Boilers	314,000	399,000	200,000	200,000	200,000
Social Housing Decarbonisation	*0*	*0*	*0*	*962,000*	*3,924,000*
Maintaining Properties	**10,214,280**	**13,364,110**	**13,176,470**	**13,682,340**	**16,309,550**
Buy Backs	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Housing Acquisitions	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
House Building	14,698,120	17,890,280	22,244,780	13,232,930	22,500,000
House Building	**21,898,120**	**25,090,280**	**29,444,780**	**20,432,930**	**29,700,000**
Civica Upgrade	172,400	20,000	0	0	0
Housing Revenue Account Total	**32,284,800**	**38,474,390**	**42,621,250**	**34,115,270**	**46,009,550**
Capitalised Repairs	816,600	1,171,000	500,000	500,000	500,000
Disabled Facilities Grants	420,340	2,217,000	1,600,000	1,500,000	1,500,000
Improvement Grants	100,000	100,000	100,000	100,000	100,000
Cap. IT Dev. - Equipment	230,000	230,000	230,000	230,000	230,000
Cap. IT Dev. - Development of website/integration of back office to CRM	7,250	0	0	0	0
Play Areas	50,000	*500,000*	*500,000*	*500,000*	*500,000*
Opportunity Purchase/Infrastructure	684,740	500,000	500,000	500,000	500,000
Climate Change	208,650	385,000	200,000	200,000	200,000
Air Quality Action Plan (Enhanced Delivery)	100,000	100,000	100,000	100,000	100,000
Non-Operational Asset Management	36,100	375,000	375,000	375,000	375,000
General Fund - Annual Core Investments	**2,653,680**	**5,578,000**	**4,105,000**	**4,005,000**	**4,005,000**

Capital Project Description	2021/22	2022/23	2023/24	2024/25	2025/26
General Fund - Towns Fund	***10,750,000***	***12,070,000***	***3,180,000***	***0***	***0***
Waterfront Sites General	356,000	578,000	0	0	0
Burtons Building	1,000,000	2,000,000	0	0	0
Town Centre Property Improvements	844,500	0	0	0	0
Acquisition of Land in IP1	330,000	0	0	0	0
214 Sidegate Lane	47,880	0	0	0	0
86-98 Princes Street (former Avanti Auto)	32,480	0	0	0	0
Broomhill Loan	0	*900,000*	*900,000*	*0*	*0*
Broomhill Pool	0	750,000	716,500	0	0
Buildings At Risk	50,000	150,000	0	0	0
Carbon Management Prog Invest to Save - unallocated	196,000	0	0	0	0
CCTV Replacement System	2,590	187,500	0	0	0
Cemeteries Software	0	*80,000*	*0*	*0*	*0*
Chantry HLF Bid	0	0	275,930	1,220,000	0
Chantry Park Entrance (road) improvements	3,640	93,050	0	0	0
Christchurch Mansion Lift	0	*10,000*	*160,000*	*5,000*	*0*
Community Improvements in Gipping, Priory Heath and Westgate	0	90,000	90,000	90,000	0
Community Safety (Safer Street 2 Grant)	1,000	216,000	0	0	0
Corn Exchange Improvements	140,000	0	0	0	0
Crown Pools Filter Repair	57,500	0	0	0	0
Crown Pools Roof Repair	40,040	200,000	0	0	0
Depot Construction	0	*14,700,000*	*3,300,000*	*0*	*0*
Eastern Gateway	500,000	9,376,570	3,000,000	0	0
Economic Development	50,000	250,000	200,000	0	0
Headway Centre	0	2,000,000	3,550,000	0	0
IP-City Facility Improvements	0	*20,000*	*260,000*	*20,000*	*0*
Ipswich Historic Churches Trust	100,000	100,000	100,000	100,000	0
Ipswich Arts School Roof Replacement	378,680	0	0	0	0
Ipswich Flood Defence Payback	1,000,000	600,000	0	0	0
Landseer Park BMX Track	40,000	0	0	0	0
Museum Project	226,250	200,000	1,300,000	1,300,000	200,000
New Way Land Purchase & Development	*5,000,000*	*500,000*	*0*	*0*	*0*
NW (Tooks) GP Surgery	30,000	500,000	5,796,360	0	0
Parks Composting Toilets	72,000	0	0	0	0
Parks Improvements	307,500	0	0	0	0
Parks & Other External Spaces Repairs	68,820	400,000	100,000	0	0
Princes St Area Multi Storey car park	0	500,000	8,277,020	1,000,000	0
Public Realm Arras Square	87,360	0	0	0	0
Raeburn Road Infrastructure Works	113,900	0	0	0	0
Regent Theatre Customer Improvements	350,000	582,750	0	0	0
Resurfacing Car Parks	114,250	100,000	100,000	0	0
Sports Review	0	*850,000*	*0*	*0*	*0*
Tooks Gen Fund	1,570	1,375,000	0	0	0
Town Centre Public Realm Improvements	0	700,000	700,000	0	0
Walnut Tree Farm Land Purchase	0	0	0	0	0
Whitton Church Lane (Modular Units)	713,290	0	0	0	0
General Fund - Major Capital Projects	**12,255,250**	**38,008,870**	**28,825,810**	**3,735,000**	**200,000**
CCTV and Mobile Cameras	0	*15,000*	*0*	*0*	*0*
CPO 77 Norwich Road	247,960	0	0	0	0
CPO Empty Homes	547,240	0	0	0	0
FIND Gainsborough Sports Centre	33,680	0	0	0	0
Fleet Replacement	1,456,530	1,043,000	500,000	500,000	500,000
Pond Hall Farm	294,280	130,000	0	0	0
Replacement Waste Containers	*0*	*155,000*	*155,000*	*155,000*	*155,000*
Sports Schemes	174,630	0	0	0	0
Transit site for Travellers	100,000	0	0	0	0
Variable Message Signing	157,940	0	0	0	0
Contingency - additional Commitments	337,250	400,000	400,000	400,000	400,000
General Fund - Contingency & Other Items	**3,349,510**	**1,743,000**	**1,055,000**	**1,055,000**	**1,055,000**
General Fund Total (Excluding Loans to Council Companies)	**29,008,440**	**57,399,870**	**37,165,810**	**8,795,000**	**5,260,000**
Loans to Council Companies	0	0	0	0	0
TOTAL CAPITAL PROGRAMME	**61,293,240**	**95,874,260**	**79,787,060**	**42,910,270**	**51,269,550**

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2021/22 AND FUTURE YEARS

	USABLE CAPITAL RECEIPTS	RESTRICTED CAPITAL RECEIPTS NEW BUILD ONLY	RESTRICTED CAPITAL RECEIPTS ALLOWABLE DEBT	TOTAL CAPITAL RECEIPTS	EXTERNAL FUNDING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY (NEW BUILD)	TOTAL
2021/22									
Resources at 31.03.2021	4,906,760	6,461,850	1,656,750	13,025,360	1,643,490	0	5,430,030	40,462,280	60,561,160
Resources forecast to be received during 2021/22	570,740	1,925,330	1,026,170	3,522,240	0	0	12,279,760	1,000,000	16,802,000
Resources available in year	**5,477,500**	**8,387,180**	**2,682,920**	**16,547,600**	**1,643,490**	**0**	**17,709,790**	**41,462,280**	**77,363,160**
Use of resources	461,310	2,096,120	2,682,920	5,240,350	1,643,490	0	10,178,190	15,222,770	32,284,800
Balance at year end	**5,016,190**	**6,291,060**	**0**	**11,307,250**	**0**	**0**	**7,531,600**	**26,239,510**	**45,078,360**
2022/23									
Resources at 31.03.2022	5,016,190	6,291,060	0	11,307,250	0	0	7,531,600	26,239,510	45,078,360
Resources forecast to be received during 2022/23	570,740	1,925,330	1,026,170	3,522,240	1,400,000	0	10,284,110	1,000,000	16,206,350
Resources available in year	**5,586,930**	**8,216,390**	**1,026,170**	**14,829,490**	**1,400,000**	**0**	**17,815,710**	**27,239,510**	**61,284,710**
Use of resources	2,588,970	3,451,940	1,026,170	7,067,080	1,400,000	0	13,384,110	16,623,200	38,474,390
Balance at year end	**2,997,960**	**4,764,450**	**0**	**7,762,410**	**0**	**0**	**4,431,600**	**10,616,310**	**22,810,320**
2023/24									
Resources at 31.03.2023	2,997,960	4,764,450	0	7,762,410	0	0	4,431,600	10,616,310	22,810,320
Resources forecast to be received during 2023/24	570,740	1,925,330	1,026,170	3,522,240	700,000	9,600,000	12,176,470	1,000,000	26,998,710
Resources available in year	**3,568,700**	**6,689,780**	**1,026,170**	**11,284,650**	**700,000**	**9,600,000**	**16,608,070**	**11,616,310**	**49,809,030**
Use of resources	2,804,530	3,739,350	1,026,170	7,570,050	700,000	9,600,000	13,176,470	11,574,730	42,621,250
Balance at year end	**764,170**	**2,950,430**	**0**	**3,714,600**	**0**	**0**	**3,431,600**	**41,580**	**7,187,780**
2024/25									
Resources at 31.03.2024	764,170	2,950,430	0	3,714,600	0	0	3,431,600	41,580	7,187,780
Resources forecast to be received during 2024/25	570,740	1,925,330	1,026,170	3,522,240	4,375,000	9,800,000	12,682,340	1,000,000	31,379,580
Resources available in year	**1,334,910**	**4,875,760**	**1,026,170**	**7,236,840**	**4,375,000**	**9,800,000**	**16,113,940**	**1,041,580**	**38,567,360**
Use of resources	1,334,910	2,877,110	1,026,170	5,238,190	4,375,000	9,800,000	13,682,340	1,019,740	34,115,270
Balance at year end	**0**	**1,998,650**	**0**	**1,998,650**	**0**	**0**	**2,431,600**	**21,840**	**4,452,090**
2025/26									
Resources at 31.03.2025	0	1,998,650	0	1,998,650	0	0	2,431,600	21,840	4,452,090
Resources forecast to be received during 2025/26	570,760	1,925,330	1,026,170	3,522,260	4,200,000	19,000,000	15,309,550	1,000,000	43,031,810
Resources available in year	**570,760**	**3,923,980**	**1,026,170**	**5,520,910**	**4,200,000**	**19,000,000**	**17,741,150**	**1,021,840**	**47,483,900**
Use of resources	570,760	3,923,980	1,026,170	5,520,910	4,200,000	19,000,000	16,309,480	979,160	46,009,550
Balance at year end	**0**	**0**	**0**	**0**	**0**	**0**	**1,431,670**	**42,680**	**1,474,350**

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2021/22 AND FUTURE YEARS	EXTERNAL FUNDING	CAPITAL RECEIPTS	REVENUE CONTRIBS TO CAPITAL OUTLAY	BORROWING	TOTAL
2021/22					
Resources at 31.03.2021	3,411,640	0	180,000	0	3,522,630
Resources forecast to be received during 2021/22	14,656,860	552,440	133,500	15,791,240	31,134,040
Resources available in year	**18,068,500**	**552,440**	**313,500**	**15,791,240**	**34,725,680**
Use of Resources	12,531,260	552,440	133,500	15,791,240	29,008,440
Balance at year end	**5,537,240**	**0**	**180,000**	**0**	**5,717,240**
2022/23					
Resources at 31.03.2022	5,537,240	0	180,000	0	5,717,240
Resources forecast to be received during 2022/23	13,069,810	0	0	40,728,820	53,798,630
Resources available in year	**18,607,050**	**0**	**180,000**	**40,728,820**	**59,515,870**
Use of Resources	16,521,050	0	150,000	40,728,820	57,399,870
Balance at year end	**2,086,000**	**0**	**30,000**	**0**	**2,116,000**
2023/24					
Resources at 31.03.2023	2,086,000	0	30,000	0	2,116,000
Resources forecast to be received during 2023/24	4,180,000	0	0	32,355,810	36,535,810
Resources available in year	**6,266,000**	**0**	**30,000**	**32,355,810**	**38,651,810**
Use of Resources	4,780,000	0	30,000	32,355,810	37,165,810
Balance at year end	**1,486,000**	**0**	**0**	**0**	**1,486,000**
2024/25					
Resources at 31.03.2024	1,486,000	0	0	0	1,486,000
Resources forecast to be received during 2024/25	1,000,000	0	0	7,295,000	8,295,000
Resources available in year	**2,486,000**	**0**	**0**	**7,295,000**	**9,781,000**
Use of Resources	1,500,000	0	0	7,295,000	8,795,000
Balance at year end	**986,000**	**0**	**0**	**0**	**986,000**
2025/26					
Resources at 31.03.2025	986,000	0	0	0	986,000
Resources forecast to be received during 2025/26	1,000,000	0	0	3,760,000	4,760,000
Resources available in year	**1,986,000**	**0**	**0**	**3,760,000**	**5,746,000**
Use of Resources	1,500,000	0	0	3,760,000	5,260,000
Balance at year end	**486,000**	**0**	**0**	**0**	**486,000**

Section 7

2022/23 INVESTMENT STRATEGY

Introduction

7.1 The Council's Investment Strategy, Capital Strategy and Treasury Management Strategy are all compiled in accordance with the requirements of the 2017 CIPFA Prudential Code and the 2017 CIPFA Treasury Management Code.

7.2 In December 2021, CIPFA published an updated Prudential Code and Treasury Management code. CIPFA have acknowledged that this is too close to the start of the 2022/23 financial year for changes to reporting to be implemented immediately. The updated reporting requirements within these Codes are mainly about knowledge and skills, and the management of non-treasury investments, and will take full effect from April 2023. Where changes to the CIPFA codes have been able to be incorporated in this document, they have been. The exception is that the requirement not to invest primarily for yield has been introduced with immediate effect. Further guidance notes are expected to be published.

7.3 The definition of an investment covers all the financial assets of a Local Authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit. The term is does not include pension funds or trust fund investments which are subject to separate regulatory regimes.

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

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

7.5 The Council will typically prioritise security, liquidity and then yield when choosing where and how to invest any surplus cash, though non-financial considerations will also be taken into account.

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

7.7 Historically the Council has borrowed most of its financing from the Public Works Loan Board (PWLB). Local Authorities are required to submit high level capital plans for three years when accessing PWLB lending and the Section

151 Officer is required to confirm that there is no intention to buy investment assets primarily for yield at any point during that three-year period.

7.8 The PWLB will not lend to a local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

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

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

Treasury Management Investments

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

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

7.13 The contribution that these investments make to the objectives of the Council is to support effective Treasury Management activities. The Council's policies and its plan for 2022-23 for Treasury Management investments are covered in the Treasury Management Strategy in Section 8 of this document.

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

Investments Made to Support Service Objectives

7.15 The Council may spend money on capital schemes which support wider service objectives – for example the economic development of Ipswich town centre. It is important to note that in all cases the security and liquidity of taxpayers' money will remain key considerations and must be addressed by the business case for a scheme prior to that scheme proceeding.

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

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

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

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

Investing in Council-owned Companies

7.20 The Council has invested in Council-owned companies and there is a change in the Prudential Code that will require any future investment to meet new criteria.

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

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

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

7.22 This change to not investing for yield has immediate effect for any new investment and is supported by a similar limitation on borrowing for "purchasing investment assets primarily for yield" from the Public Works Loans Board.

7.23 The revised Prudential Code confirms that existing commercial investments are not required to be sold or exited. From April 2023 an increased level of prudential indicator reporting will be needed on investments.

7.24 The Council has no current or anticipated investment requests from the Council's own companies. Further updated guidance on the Prudential Code is expected and, once published, the Council will review the implications and ensure compliance.

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

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

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

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

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

Investment Indicators

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

Investment Indicator One: Total exposure to investment losses

£m	**2021/22 (actual)**	**2022/23 (forecast)**
Total Invested	171.473	168.150

Investment Indicator Two: Total Investments funded by borrowing

£m	**2021/22 (actual)**	**2022/23 (forecast)**
Total Invested	171.473	168.150
Funded by Borrowing	110.361	108.038
%	64.4%	64.3%

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

	2021/22 (actual)	2022/23 (forecast)	2023/24 (planned)	2024/25 (planned)
Lending to Companies	123.666	121.343	118.969	116.544
Total Net Service Expenditure	25.425	22.424	22.753	23.137
Multiple of Expenditure lent	4.9	5.4	5.2	5.0

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

£m	2021/22 (actual)	2022/23 (forecast)
Revenue Contribution	3.257	3.064

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

	2021/22 (actual)	2022/23 (forecast)	2023/24 (planned)	2024/25 (planned)
Lending to Companies	123.666	121.343	118.969	116.544
Authorised Limit	375	400	425	475
% of Limit Used	33.0%	30.3%	28.0%	24.5%

Investment Indicator Six: % of Big Ticket Programme relating to Investment Strategy

	2021/22 (actual)	2022/23 (forecast)	2023/24 (planned)	2024/25 (planned)
Investment Return Schemes	0.150	0.275	0.300	0.300
Total Big Ticket Programme	1.150	0.825	1.100	1.450
% of Big Ticket Schemes	13.0%	33.3%	27.3%	20.7%

Credit Risk Model

7.31 The Council reports on all investments in accordance with the CIPFA Code of Practice on Local Authority Accounting, which is published annually and is based on International Financial Reporting Standards (IFRS).

7.32 IFRS 9, ‘Financial Instruments’, was published by the International Accounting Standards Board in July 2014. This was primarily in response to the banking crisis of 2008 and requires expected credit losses to be recognised in financial accounts when they can be reasonably forecasted rather when they are incurred.

7.33 Where lending is consistent with a basic lending model – i.e. solely payments of principal and interest – it is held at fair value on the Council’s Balance Sheet. This is consistent with all other long-term receivables held by the Council.

7.34 The Council recognises that financial assets bear a risk that future cash flows might not take place because the counterparty could default on their obligation. The Council therefore recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis.

7.35 Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed across the lifetime of the asset. Where risk has not increased significantly or remains low, losses are assessed based on 12-month expected losses.

Developing Capacity, Skills and Culture

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

7.37 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.

7.38 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.

7.39 The Finance team provide weekly reporting to the Head of Finance and Revenues as well as twice yearly reporting to Council and the Audit and Governance Committee on the financial position of the Council in relation to investment and treasury matters.

Section 8

THE TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL CODE FOR 2022/23

Introduction

8.1 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.

8.2 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.

8.3 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.

8.4 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.

8.5 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. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

8.6 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

8.7 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.

8.8 Consideration has also been given to the following documents in compiling the Treasury Management strategy: CIPFA Treasury Management in the Public Service Guidance Notes 2018,DLUHC Local Government Finance Settlement 2022/23, 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.

8.9 Historically the Council has borrowed most of its financing from the Public Works Loan Board (PWLB). Local Authorities are required to submit high level capital plans for three years when accessing PWLB lending and the Section 151 Officer is required to confirm that there is no intention to buy investment assets primarily for yield at any point during that three-year period.

8.10 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 2022/23 financial year. Under the Council's constitution, all of these reports will be presented to Council for consideration.

TREASURY MANAGEMENT STRATEGY

8.11 Table Twenty-Nine below shows the Council's treasury portfolio position as at 31 December 2021.

Table Twenty-Nine: Treasury Portfolio Position as at 31 December 2021

	General Fund	HRA	Overall
Borrowing			
PWLB Maturity	£55.500m	£34.151m	£89.651m
PWLB Annuity	£60.915m	£27.367m	£88.282m
PWLB EIP	£0.000m	£25.094m	£25.094m
Market loans	£0.600m	£9.000m	£9.600m
Total Borrowing	**£117.015**	**£95.612m**	**£212.627m**
Investments			
Fixed Term Investments			£3.000m
Instant Access Accounts			£16.807m
Money Market Funds			£15.000m
Notice Accounts			£13.000m
Inter Group Loans			£123.666m
Total Investments			**£171.423m**

Borrowing Strategy

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

8.13 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.

8.14 The current economic forecast is uncertain and consequently caution will be adopted with the 2022/23 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.

8.15 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.

8.16 Interest rates across the board are at historic low levels and over the coming year are not expected to significantly increase much, with the base rate not expected to increase for the foreseeable future.

8.17 If the Council were to borrow any long-term debt during 2022/23, the current expectation is that the interest rate will likely vary between 1.7% - 2.0%, depending on the periods borrowed for and the type of loans taken out.

Table Thirty: Estimated Interest Rates for Future Periods

	Bank Rate (%)	PWLB Borrowing Rates (%)		
		10 year	25 year	50 year
March 2022	0.25%	1.70%	1.90%	1.70%
March 2023	0.75%	1.90%	2.20%	2.00%
March 2024	1.00%	2.10%	2.30%	2.10%
March 2025	1.25%	2.30%	2.50%	2.30%

8.18 Historically, the Council has borrowed most of its funding via the PWLB. With changes introduced to PWLB lending terms, the Local Authority market may now appeal to other lenders and all options will be examined when considering the funding needs of the Council. However, the lead-in times to borrow long term funding from counterparties other than the PWLB is longer, and this factor will need to be considered when long term funding decisions are made.

8.19 The Council will investigate the possibility of issuing bonds and similar instruments, including private placements, to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA Code.

8.20 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.

8.21 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.

8.22 The Council have signed up as one of the founding members of this scheme. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt.

8.23 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).

8.24 If the Council needs to borrow for any short-term cash flow situations, there are several providers in the market who can supply the Council with funds 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.

8.25 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

8.26 The Council's investment policy has regard to the DLUHC's Guidance on Local Government Investments and the CIPFA Treasury Management Code.

8.27 The Council's primary principle governing investment priorities will be security first, liquidity second, then return, 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.

8.28 In accordance with the above, and 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.

8.29 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.

8.30 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.

8.31 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.

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

8.33 All counterparties on the Council's list will be subject to meeting the minimum criteria where applicable before any investments are made.

8.34 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.

8.35 There are several operational issues Councillors will need to consider when agreeing the Counterparty list for 2022/23 and these are detailed below.

8.36 The Council currently have an instant access account 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.

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

8.38 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: Rates Available by Investment Counterparty Type

Investment Counterparty	**Interest Rate**	**Security**
Government Debt Management Account	0.56%	The government guarantees this money is returned.
Gilts	0.50%	Money Invested with Government, so it will be returned. These can be traded, but if traded you might have to settle at a loss.
Local Authorities	0.90%	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	1.00%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.
UK Building Society (Best available rate from top 5 Building Society)	0.85%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.

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

Year	Expected Returns
2021/22	0.50%
2022/23	0.75%
2023/24	1.00%
2024/25	1.25%

8.40 The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £35m could range from £175,000 to £437,500. The difference equates to a Band D Equivalent of £6.68. 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 several different counterparties and categories.

8.41 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.

8.42 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 creditworthiness 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 became a drag on performance.

8.43 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.

8.44 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.

8.45 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. The Council's investments in its arms-length companies may come under the scope of IFRS9 and this is being monitored.

8.46 The Council are evaluating Property Funds as an opportunity for investment. These will come under the scope IFRS9 and will be covered by the override until 31/3/2023.

8.47 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.

8.48 The Council's full counterparty list for investments and the limits must be agreed by Council. If any institution needs to be added to the list or limits changed upwards, this needs to be agreed by Council, so in preparing the counterparty list for 2021/22, 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.

8.49 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.

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

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

8.52 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.

8.53 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.

8.54 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.

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

8.56 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.

8.57 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.

8.58 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 £60m with an overall maximum exposure for this category of £60m. The reason for the high limit is that if other counterparties are removed from our counterparty list and there are other uncertainties in the market this should be the safest place for the Council to place its investments. Also, if market conditions deteriorated sharply the Council would want the ability to potentially place all investments here.

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

- **Category 3 (Major UK Financial Institutions) -** This category is for major UK financial institutions and also includes the 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 and Poors).

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

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

- **Category 4 (Money Market Funds (MMF's)** - MMF's are for managing short-term cash balances only and offer instant access to funds. They are AAA rated products and interest rates are less volatile than base rates. There are two types of MMF's, one that invests in money market instruments that have been in existence for several years with the other being money market funds that invest in Government backed securities. To date the returns on investments in the money market instruments have performed better than the government backed securities (due to respective security levels). One of the characteristics to note is that investments can be made in Government securities and financial institutions outside the UK if they are sterling denominated. The use of MMF's eases the pressure on the Council's instant access account and gives us more flexibility. 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 £30m, with a maximum of £7m 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 considered. For most financial institutions the maximum amount to be invested in any one group will be a lower figure, and some financial institutions will have shorter investment periods. The overall maximum exposure for this category would be £25m.

- **Category 6 (Foreign Financial Institutions) -** The Council will use foreign banks where the sovereign rating of the country is a minimum of AA-. In addition, before undertaking investments, the Council will use generally available market information, which have the following ratings from at least two of the three rating agencies (Fitch, Moody's, and Standard 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 anyone banking group is £5m. The overall maximum exposure for this category would be £25m.

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

Investments in property funds can have potential financial implications for the General Fund under IFRS9 regulations that are applicable from 1 April 2018, although the Government has introduced a mandatory statutory override for local authorities which runs 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.

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

Table Thirty-Two: Potential and Maximum Exposure by Category (£m)

	Number of Institutions in category	Maximum exposure per Institution (£m)	Potential Exposure (£m)	Maximum Exposure (£m)	Time Limit
Category 1	1	60	60	60	Max 6 Months
Category 2	Unlimited	5	50	50	Max 2 years
Category 3	9	15	150	80	Max 2 years
Category 4	5	7	35	30	Instant Access
Category 5	5	6	15	25	Max 365 Days
Category 6	28	5	36	25	Max 365 Days
Category 7	4	5	20	10	Unlimited

8.60 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.

8.61 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.

8.62 After considering the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2021/22.

8.63 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the Bank of England base rate remaining under 1% until 2023. The long-term impact of Brexit and the Coronavirus pandemic create uncertainty. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

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

8.65 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.

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

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

PRUDENTIAL INDICATORS

8.68 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.

8.69 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 together.

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

Table Thirty-Three: Estimated Capital Expenditure by Year 2021/22 to 2024/25

Year	General Fund	HRA	Overall
2021/22 Forecast	18.658	30.279	48.937
2022/23 Estimate	55.895	38.474	94.369
2023/24 Estimate	41.291	42.621	83.912
2024/25 Estimate	8.795	34.115	42.910

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

Table Thirty-Four: Capital Financing Requirement 2021/22 to 2024/25

Year	General Fund	HRA	Overall
2021/22 Forecast	183.902	110.129	294.031
2022/23 Estimate	197.788	107.162	304.950
2023/24 Estimate	224.260	104.240	328.500
2024/25 Estimate	224.590	101.278	325.868

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

Table Thirty-Five: Estimated Minimum Revenue Provision Charge 2021/22 to 2024/25

Year	General Fund	HRA	Loans Made	Overall
2021/22 Forecast	2.768	2.975	5.308	**11.051**
2022/23 Estimate	3.292	2.929	1.042	**7.263**
2023/24 Estimate	3.988	2.970	1.436	**8.393**
2024/25 Estimate	4.971	3.011	1.107	**9.089**

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

8.74 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 MHCLG Regulations.*

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

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

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

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

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

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

8.75 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 2022/23 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.

8.76 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.

8.77 Councillors may 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.

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

The Authorised Limit for External Debt – This represents a statutory limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limit for 2022/23 and future year's takes account of the future plans of the Council.

The Operational Boundary for External Debt –This indicator is based on the expected maximum external debt during the year; it is not a limit. The operational boundary is also used as an indicator to set the authorised limit for future years.

Year	Authorised Limit	Operational Boundary
2021/22 Actual	£375m	£325m
2022/23 Proposed	£400m	£350m
2023/24 Estimate	£425m	£380m
2024/25 Estimate	£475m	£420m

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

Year	Fixed Rate	Variable Rate
2020/21	100%	50%
2021/22	100%	50%
2021/22	100%	50%
2022/23	100%	50%

8.80 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 regarding the maturity structure of the Council's borrowing, and reflect the relatively beneficial long-term rates that are expected to be available over the next few years.

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

8.81 Authorities can 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	2020/21	2021/22	2021/22	2022/23
Limit	£30m	£30m	£30m	£30m

Approved Organisations for Investment 2022/23

	Lending Limit £Million
CATEGORY 1 - Government Debt Management Account	**60**
CATEGORY 2 - Local Authorities (£5m per authority)	**50**
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) - Bank of Scotland PLC (RFB) - 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) - National Westminster Bank (RFB) - The Royal Bank of Scotland (RFB)	**15**
CATEGORY 3 - Maximum Exposure	**80**
CATEGORY 4 - Money Market Funds (£7m per Fund)	**30**
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 2021/22 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 2020/21 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**