IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2011/12 ONWARDS

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www.ipswich.gov.uk

C O N T E N T S

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Foreword

This document is the conclusion of a lot of work that has been undertaken to produce Ipswich Borough Council's budget for 2011/12. This year we have produced our budget alongside a refresh of our Corporate Plan, Transforming Ipswich, and I am therefore delighted that our budgetary planning will help deliver a range of key activities highlighted in that Plan but also that this Medium Term Financial Plan will go a along way to meeting our overarching objective of the Borough's Council Tax being lower in real terms in 2015 than it was in 2010.

The context for this document is the coalition Government's priority to cut the level of public debt inherited from the former Labour Government and we understand and agree that the local councils need to play its part in tackling the debt mountain. Over the next two years' the Borough Council will see its core government grant reduced by around 22% which, while the lowest percentage cut of Suffolk districts, has inevitably set us significant budgetary challenges.

That is why I am particularly delighted that, even with these challenges, this year's Medium Term Financial Plan will actually cut our Council Tax levels by 1% in 2011/12 and by a further 1% in 2012/13. These cuts will provide real assistance to local people in these challenging economic times. They will also be the first cuts in council tax ever made by this Council.

However, I should emphasise that we have achieved this without any significant cuts in frontline services. We have reached our savings targets by utilising what some call our 'rainy day' reserves – if this isn't a rainy day for public sector finances then I can't think what is. But we have also developed a £3 million savings programme that builds on our strong track record built up over many years of sensibly chipping away at the budget and we will be continuing this programme by cutting senior management costs and working with a variety of partners to provide "more for less" for council tax-payers.

The Council's capital programme is also contained within this document and while there have also been challenges in this area we have managed to fund the delivery of a range of initiatives including: our proposals to improve local housing; improve Crown Pools; and our commitment to supporting the regeneration of Broomhill Lido.

Finally, this document contains other key elements associated with our on-going sensible management of the Council's finances. These include:

- Our Finance Strategy and associated action list;
- Our Housing Revenue Account; and
- Our Prudential Code & Treasury Management Strategy.

I believe this Plan will help the Council deliver our new version of Transforming Ipswich – and therefore help deliver the central theme of that Plan – i.e. delivering what is important to residents and visitors to Ipswich. I hope you find it an interesting read.

Councillor John Carnall
Deputy Leader and Finance Portfolio Holder
Ipswich Borough Council

Section 1

FINANCE STRATEGY

Contents -

1. Aim

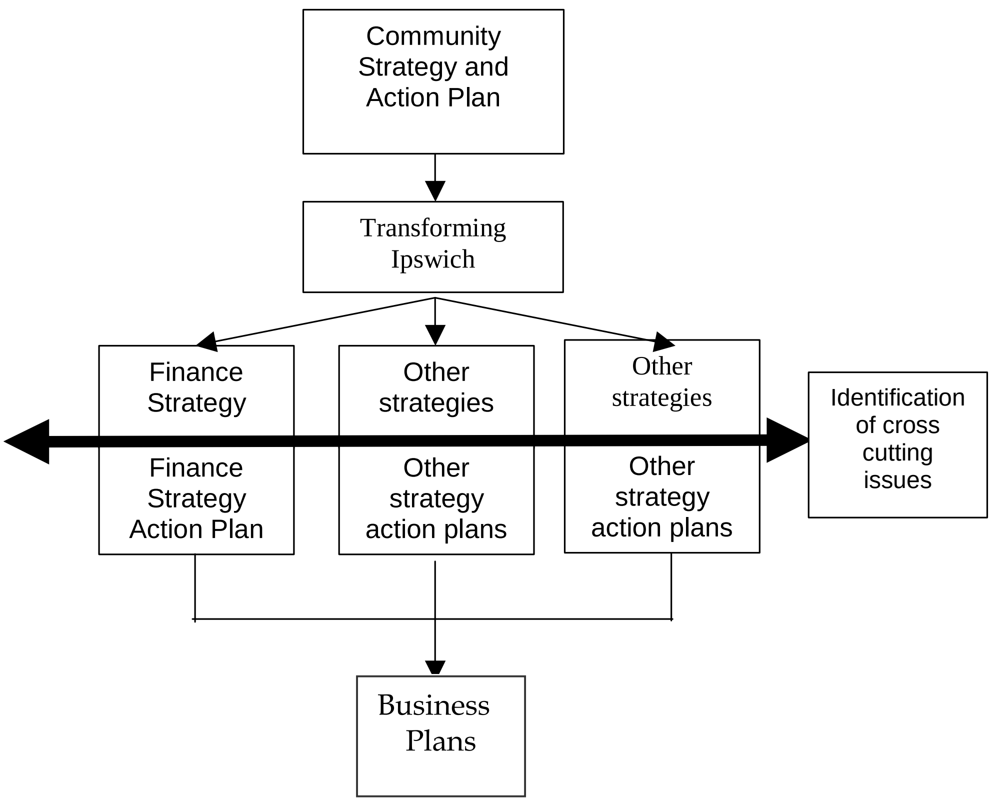
1.1 Finance, along with property and people, is a key resource for the Council. The aim of this Finance Strategy is **to identify how Ipswich Borough Council wishes to structure and manage its finances over the next 3 years and to ensure the achievement of the Council's objectives.**

2. Context

2.1 The Finance Strategy is a key element of the Organisational Resources Strategy. It underpins the Council's vision –"Transforming Ipswich", which aims to:- "Ensure good value services are available in Ipswich".

2.2 The Finance Strategy also underpins the Council's key principles and, in particular, the Council's commitment to Value for Money. The recent recession has shown how dynamic the financial environment can be with significant focus needed on fast changing service demands, revenue & capital resource constraints and managing exposure to volatile financial markets.

- **Figure 1 – Corporate Policy Framework**



2.3 The Finance Strategy is a cornerstone of the Council's corporate policy making and planning processes. The Strategy is updated annually to maintain a 3 year planning horizon.

- **Figure 2 – Interconnection of Finance Strategy with Corporate Planning Processes**

<table>
<tr><td colspan="4">FINANCIAL STRATEGY</td></tr>
<tr><td rowspan="2">Policy impact upon capital and service planning; financial management and budget strategy</td><td><u>Capital and Asset-related Strategies</u>
• Investment Strategy
• Asset Management Plan
• Housing Strategy</td><td><u>Financial Management</u>
• Audit Plan
• Risk Management Strategy
• Procurement Strategy
• Service Reviews
• Financial Regulations</td><td rowspan="2">External issues capital and service planning; financial management and budget strategy</td></tr>
<tr><td><u>Service Related Plans</u>
• Business Plans
• Corporate Plans: e.g. HR Strategy, ICT Strategy,
• Annual Report</td><td><u>Budget Strategy</u>
• Annual Budget
• Medium Term Financial Plan
• Fees and Charges
• Treasury Management</td></tr>
</table>

3. Scope

3.1 The Finance Strategy is comprised of a number of interconnected documents. The primary documents are this Strategy, the Capital Strategy, the Medium Term Financial Plan, the Treasury Management Strategy and Financial Standing Orders.

3.2 Setting the scope aims to ensure clarity about which issues will be dealt with by this Strategy and which will be dealt with as part of other corporate policy making and planning processes.

- **Table 1 – Scope of the Financial Strategy**

	Core to the Financial Strategy	**Links with the Financial Strategy**
Baseline	• Financial forecasts for revenue, capital and treasury, including government grants • Exception reports from budget monitoring statements/outturn • Council tax levels • Key prudential indicators • Strategic budget reviews • Corporate Governance Framework	• Asset Management Plan • Medium Term Financial Plan – Revenue/Capital • Annual Audit Plan
Financial Governance	• Financial management • Financial standing orders • Internal control • Financial reporting • Value for money	• Treasury Management Strategy (Annual Investment Strategy) • Budget Strategy • Corporate budget setting guidance and budget timetable • Financial Accounts • Financial Regulations, Standing Orders and Council Constitution which define key decisions • Corporate Governance Framework • Debt management policy • Audit Committee
Performance management	• Monitoring of major schemes that have substantial service and financial consequences	• Budget monitoring • Non-financial performance monitoring • Capital monitoring • Audit Reports
Developing options to transform the authority	• CIPFA Financial Management Guide • Optional appraisal for major schemes and proposals • Developing strategic savings options (including efficiency savings) • Income maximisation policy, including lobbying strategy • Policy on bidding for external resources (including matched-funding)	• "Gateway" process for all schemes • Option appraisals for smaller schemes • Developing small-scale savings options

	Core to the Financial Strategy	Links with the Financial Strategy
Risk Management	• Financial risk management (e.g. reserves and balances, contingencies, insurance fund) • Scenario planning ("What if?" analysis)	• Internal Audit • Corporate Governance Framework • Risk Register and processes for identifying, monitoring and managing risks

3.3 The Finance Strategy acknowledges and is constrained by the following factors:-

- Government Targets and Policy. Limited resources require a balanced trade-off between local and national priorities
- Statutory duties. The Council must discharge these duties although there is often discretion about how this is achieved.
- Regulatory Framework. This will be a cost driver although the Council can determine the extent and type of activity. This includes regulations, codes of best practice and guidance and service inspections.

4. Development

4.1 The Finance Strategy is both a document and a process. It is designed to be robust with effective integration with the Council's policy making and planning processes

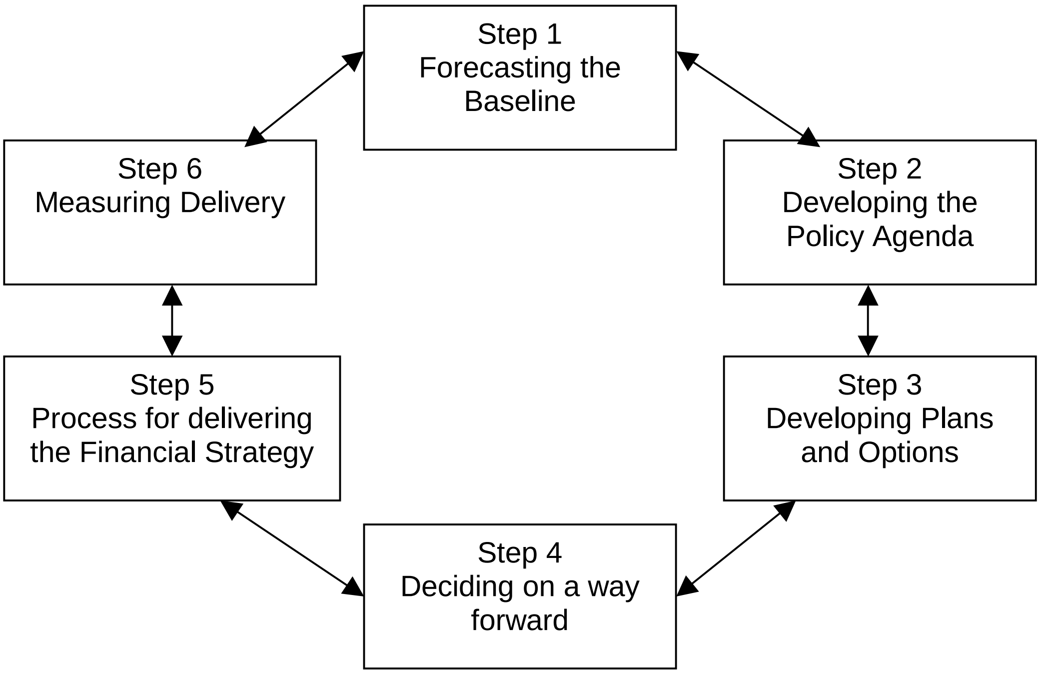
4.2 The Strategy is designed to be flexible and dynamic to respond to new financial opportunities, threats and policy directions.

4.3 The Financial Strategy is:-

- Multi-resource orientated
- Policy and priority driven
- A 3 year plus planning timeframe
- Focussed on stewardship, performance management and organisational transformation

4.4 The Financial Strategy is developed using an iterative process summarised below.

- **Figure 3 – Financial Strategy Process**



4.5 The Council will continue to exercise and develop strong financial management together with robust budgetary control. This Council is committed to robust forward financial planning.

4.6 The Finance Strategy covers a rolling 3-year period with annual reviews to reflect any major changes or developments.

4.7 The Finance Strategy acknowledges the significant financial implications of other strategies like the Human Resources Strategy, which will be integrated into the financial planning framework.

5. The Baseline

5.1 The Baseline is the financial reference point for measuring performance and improvement. This is quantified in the Medium Term Financial Plan (a separate document), which identifies the Council's financial baseline for the General Fund (revenue), Housing Revenue Account and Capital Programme. This Plan identifies the Budget strategy, process, prioritisation methodology, financial performance and risk management activity.

<u>General Fund</u>

5.2 The Councils General Fund budget strategy, which will be the focus of public consultation, is that:-

The Borough's part of the council tax will be kept to the lowest possible level consistent with maintaining the level of service desired by Ipswich residents.

5.3 The Council Tax level will be set by using best practice to forecast the Council Tax yield. This will usually be based on best estimates of changes in the number of band D equivalent dwellings, exemptions, discounts and the collection rate. Debts will be managed in accordance with the Council's Debt Management Policy.

<u>Housing Revenue Account</u>

5.4 There is a statutory requirement for the Council to produce a 30 year Housing Revenue Account Business Plan and which meets DCLG "fit for purpose" criteria. The Business Plan will be revised on a 3-year cycle with the financial forecast reviewed annually.

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

Amend the rents of its dwellings in line with the target rent under the Government's rent restructuring programme and ensure that the

Housing Revenue Account budget and 30 year business plan are complementary and do not show a deficit.

Capital Programme

5.6 The Capital Strategy (see Section 7) identifies the parameters used to determine capital investment and set the capital programme to achieve the Council's objectives.

Financial Principles

5.7 The Council will continue to operate its commercial services accounts (mainly those within Ipswich Borough Contracts) so that where possible any surpluses are either re-invested in services or used to reduce council tax.

5.8 Financial Services will monitor national/regional/local changes and will aim to optimise benefit to the Council.

Consultation

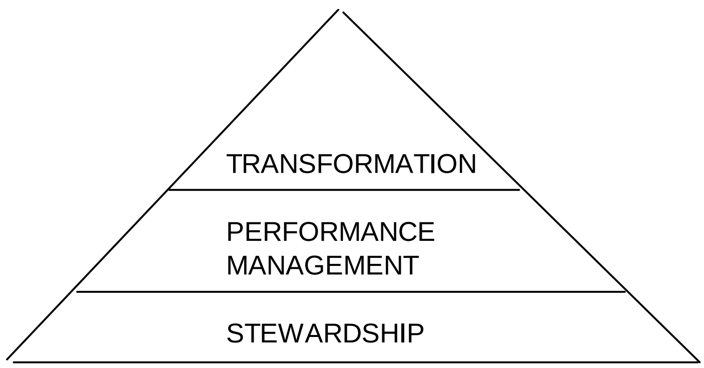
5.9 Consultation with the public and stakeholders will take place in the following ways:-

- General Fund revenue budget – With council taxpayers and local businesses through postal opinion poll, interactive sessions at area forums and local business consultation meeting.
- Housing Revenue Account revenue budget - With council tenants.
- Collection of taxes and other debts – with taxpayers and other members of the public and organisations.

6. Financial Governance

Role of Financial Management

6.1 Financial Management operates at 3 levels. The proportion of activity in each of the 3 levels needs to meet the Council's needs and acknowledge our position in the organisational lifecycle. The Council is currently undergoing a significant change management programme and the focus is on supporting transformation and performance management.



6.2 Key roles of financial management include:-

- Setting out the overall financial position and parameters through the forecasting of the baseline
- Supporting performance management and organisational transformation
- Developing financial policy to facilitate achieving the Council's objectives
- Developing and maintaining an integrated corporate financial planning framework
- Developing and maintaining processes for delivering the financial strategy e.g. maintaining appropriate corporate financial governance arrangements including financial stewardship
- Developing and maintaining a corporate financial performance management framework
- Developing an assurance framework to annually evidence the robustness of the Corporate Governance Framework

Role of Internal Audit

6.3 The Council has a legal duty to ensure that there is an adequate and effective Internal Audit service. This is delivered by a qualified audit team from the Audit Partnership, working to professional standards and reviewing the controls in place in each of the Council's service areas and systems.

6.4 Stewardship is the foundation of financial activity. It embodies the financial environment of rules and processes within which financial activity takes place. The focus on stewardship will continue to be a key element of the Internal Audit service.

6.5 The allocation of Internal Audit resources is determined on a risk basis in order to form an annual audit work plan covering the Council's services and systems. The audit team works closely with the Council's external auditors, as appointed by the Audit Commission.

6.6 The Council has an Audit Committee, which deals with matters related to internal and external audit planning, management and reporting. This Committee's role includes the evaluation of the Internal Audit function and is a key element of the internal control framework.

Financial Management and Development

6.7 The role of the Chief Executive, Directors, officers and councillors is set out in the Council's Financial Standing Orders.

6.8 The Council is committed to using best practice in order to improve and develop financial management.

Debt management policy for the collection of taxes and other debts

6.9 The Council's strategy is to maximise the collection rates and minimise the arrears for local taxes and other debts as quickly as possible and as long as it is financially prudent to do so. The Council also monitors the costs of collection of all debts within a firm but fair and reasonable recovery policy. Unrecoverable debts will be written off promptly.

6.10 The Council has signed up to a joint Suffolk local authorities' Charter & Code of Practice. This includes providing flexible and convenient methods of payment, informing people of their entitlement to benefits, discounts and relief's and treating people with courtesy and sympathy.

Treasury Management

6.11 The Council's strategy is governed by the requirements of the Local Government & Housing Act 1989, the Local Government Act 2003 and the Council's Financial Standing Orders. The Council has also adopted the Chartered Institute of Public Finance & Accountancy's (CIPFA's) Code of Practice – Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. These have been updated recently following the increased volatility seen in financial markets.

6.12 By March each year, the Council formally approves the Council's Treasury Management Policy Statement, Borrowing Limits and Investment Strategy. The Treasury Management Policy Statement relates to**:-**

"The management of the Council's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

6.13 Full Council annually sets the Overall Borrowing Limit and the Maximum proportion of interest on borrowing which is subject to variable rates, before the start of each financial year

6.14 The Council produces an Annual Investment Strategy as required under Section 15 (1) (a) of the Local Government Act 2003.

Financial Standing

6.15 The Council will maintain and develop the good relationships enjoyed with the community, suppliers, other organisations and financial institutions.

Financial Reporting

6.16 The Council has significant financial reporting responsibilities to the Community, Government Departments and other organisations. The Council will endeavour to provide timely, accurate, comprehensive and relevant information.

Internal Control

6.17 The Council maintains a robust corporate governance framework. Key elements include the Financial Strategy, Council's Constitution, Financial Standing Orders and Audit arrangements. The Council is committed to continuous improvement of internal controls and will publish an annual Corporate Governance Framework and an action plan to address any weaknesses.

Value For Money

6.18 This is a key priority Principle that underpins "Transforming Ipswich".

6.19 The Council will develop processes to effectively challenge the base budget and achieve efficiency savings.

6.20 The Council will develop robust processes to prioritise and redirect resources to meet the Council's goals identified in "Transforming Ipswich".

Developing Transformational Options

6.21 The Council has a significant organisational change programme. Change implementation requires resource and the Finance Strategy is a key tool to achieving organisation transformation. Key elements are identified below.

6.22 The Council has adopted an option appraisal methodology based on HM Treasury's Green Book: Appraisal and Evaluation in Central Government. This will be used to evaluate all major schemes and proposals.

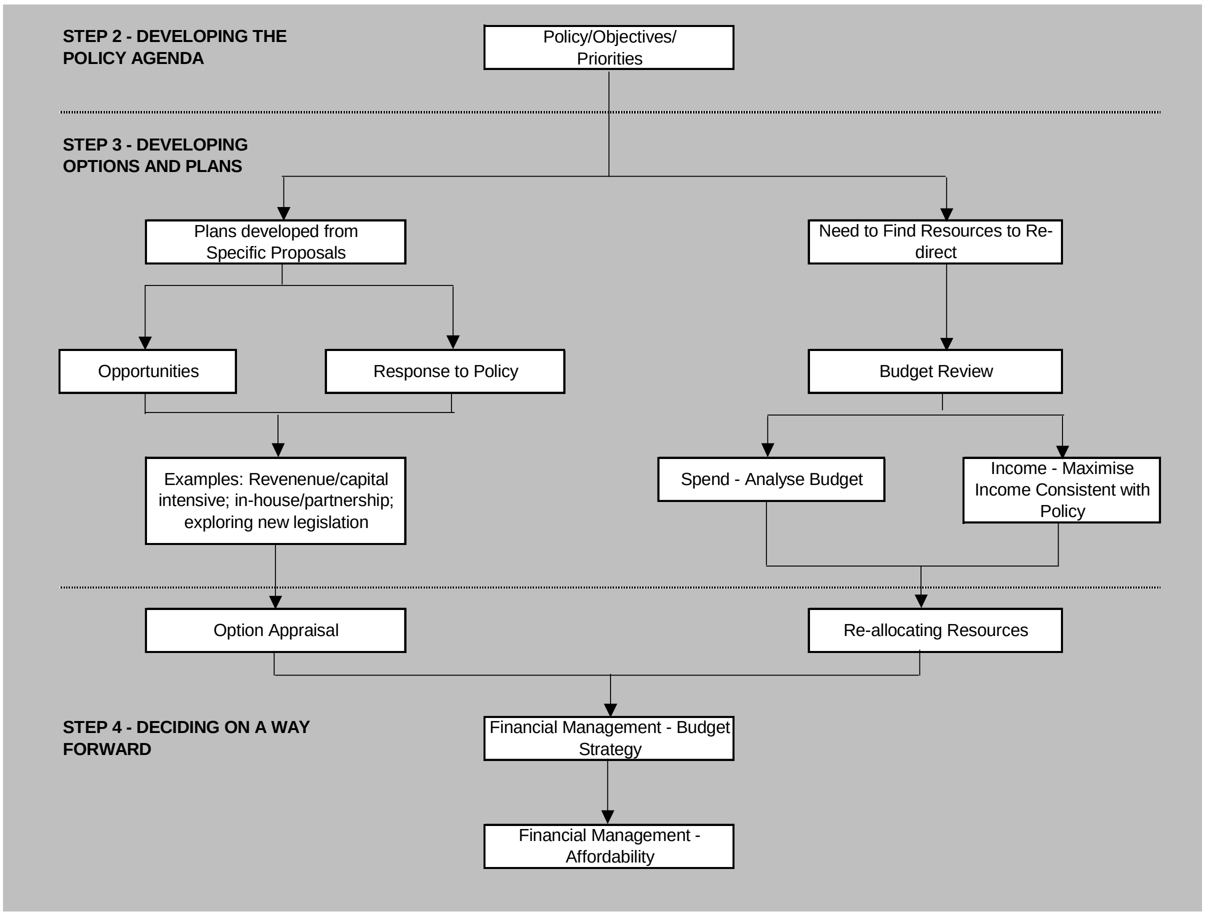
6.23 The Council will develop strategic savings options and plans. Specific efficiency targets are included in the Medium Term Financial Plan and processes are in place to identify savings opportunities during the year. The Council is committed to achieving the Government's efficiency targets.

6.24 The Council will seek to optimise external joint/partnership working and securing external resources to achieve the Council's objectives. Activity to achieve additional external resources will be undertaken in line with the External Funding Terms of Reference.

6.25 The Council will seek to make a fair charge to users of Council services to minimise the financial burden on council taxpayers. A fair charge will reflect at least the cost of service provision unless the Council considers this would significantly reduce accessibility to the service. All charges will have a clear rational basis and charging structure. Fees and charges will be reviewed annually.

6.26 Financial planning is integrated with the Councils corporate planning framework. Financial planning can be in response to a policy objective, adhoc opportunities and ongoing planning (e.g. asset management). Wherever they are developed, the Council's financial framework will ensure that financial plans are consistent and integrated with the Finance Strategy.

- **Figure 4 – Financial Planning Process**



7. Performance Management

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

7.2 Key elements of Financial Performance Management are:-

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

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

- High level dashboard of financial indicators produced monthly
- Comprehensive national and local Performance Indicators, covering key corporate and service level activity
- Robust budgetary control process,
- Robust medium term Financial Planning process,
- Annual review of rents, fees and charges,
- 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 Sub-Committee,
- External Audit and inspection

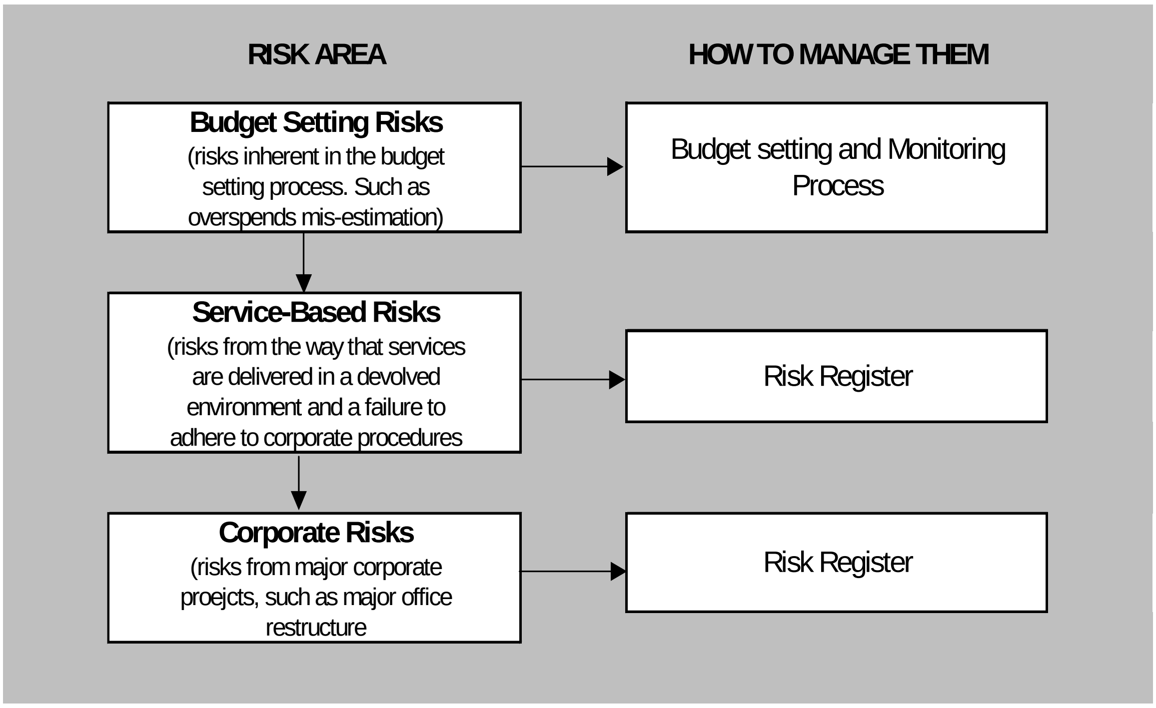
The Prudential Indicators

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

8. Risk Management

8.1 The Council has a corporate risk management framework to address the different levels of risk.

- **Figure 5 – Financial Risk Management Framework**



8.2 The key budget setting risks and mitigating actions are set out in the Medium Term Financial Plan and the Treasury Management Strategy. The corporate financial risks are summarised below:-

Financial Theme	Risk	Risk Category	Mitigation
Council Tax	Collection rate variance	2-C	Robust monitoring of council tax income drivers
Income	Income level variance	2-C	Robust budgetary control framework
Revenue Expenditure	Over/underspends	2-D	Robust budgetary control framework
Revenue Financing	Financing level variance	2-C	Robust resource monitoring and associated spending controls
Capital Expenditure	Over/underspends	2-D	Robust budgetary control framework
Capital Financing	Financing level variance	2-C	Robust resource monitoring and associated spending controls
Treasury Management	Investment return variance	2-C	Monitoring within Treasury Management Strategy parameters

* risk category definitions see section 9, paragraph 6.1

9. Equality and Diversity Issues

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

Although each element in the action plan should be the subject of an individual screening. 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 the action plan items would be subject to individual screenings.

10. Action Plan

This is the third year of this action plan. It aims to chart the Council's progress and to this end completed actions are recorded at the end of the list. The List identifies the next steps and new actions have been included as appropriate.

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
1	Introduce the International Finance Reporting Standard for 2010/11 Statement of Accounts	L	Produce & approve 2010/11 Statement of Accounts by 30/06/2011	Timetable, Quality of Final Document	Financial Services Group Manager	Yes £25,000 plus internal resources	Engagement of key officers across the Council in delivery	2-B	CIPFA consultants engaged. Draft templates produced. Project on track	Embed data collection & processes for annual production of Statement of Accounts Ensure knowledge transfer from advisers to staff. Production of Statement of Accounts on new basis by 30/6/11
2	Develop & embed 3 year financial planning framework including corporate budget setting and option planning processes	L	Medium term Financial Plan Approved by Council, Corporate budget setting timetable embedded, option planning processes developed (S – Ongoing)	Timetable/ Process embedded	Head of Finance, Corporate Management Team	N/A	Establish corporate ownership - Leads to drive implementation	2-D	Embedding new “bottom line” budgeting framework implemented from 1 April 2009 including new Constitution including new Financial Standing Orders	Review Financial Standing Orders and update in light of first years experience

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
3	Embed Council's procurement process	L	Procurement Team embedded, Building & Design Services restructured, Detailed action plan identified (S)	Strategic target savings met	Financial Services Group Manager, Director	N/A	Successful implementation of necessary process changes to achieve value for money targets	2-D	Procurement team embedded, revised Procurement Strategy adopted, buyers queue established.	Implement County-wide e-procurement system (including contracts register) Continue to promote and support Suffolk Collaborative Procurement project.
4	Maintain & develop first class corporate Enterprise Resource Planning system - Agresso	L	Maintenance, development and training programme in place (S)	Robust and appropriate processing and reporting Corporate engagement	Head of Finance	N/A	Establish corporate ownership following user acceptance testing and training	2-D	Agresso 5.5 upgrade successfully completed Substantial adoption of system by services	Develop reporting capabilities inc. non-financial information in pursuit of single truth Enterprise Resource Planning system. Introduce e-supplier invoices capability & embed e-requiisition process
5	Review financial strategy & internal financial controls and update annually. Further embed the internal control framework	L	Review undertaken (S – Ongoing)	Review undertaken	Head of Finance	N/A	Inappropriate or ineffective controls risk reduced by regular review	2-D	Financial Strategy and internal financial controls annual review completed	Ongoing

	Action List									
	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
6	Continue to develop key financial indicators to ensure accurate and comprehensive performance management	L	Gap analysis & new indicators developed to cover gaps (S – Ongoing)	All key financial activity covered by appropriate indicators	Head of Finance	N/A	Appropriate indicators & corporate ownership risks mitigated by consultation	3-E	Inclusion of key finance indicators in monthly corporate dashboard & the Budget report	Further development
7	Review/develop financial governance framework to meet Council's modernised way of working	L	Appropriate improvements implemented across Council (S)	No significant unexpected variances at financial year end	Head of Finance, Financial Services Group Manager	N/A	Consistent process adopted Council-wide. Risk reduced by Leads championing and embedding new process	2-D	Audit Committee overseeing Governance Framework	Ongoing
8	Document Council's option appraisal framework	L	Document, consult & implement (S)	Activity completed	Financial Services Group Manager	N/A	Consistent process adopted Council-wide.	3-E	Treasury "Green Book" methodology embedded for all major projects	Monitor and enforce usage

	Action List									
	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
9	Improve efficiency of transactional services through alternative service delivery models	L	SRP (Shared Revenues and Benefits) implement 1/4/11	Seamless change in service provider without service reduction	Head of Finance	Yes	Temporary drop in service levels Loss of subsidy Reputation	3-C	Project Officer and Head of Service appointed	Relocation of service to Grafton House
10	Develop internal processes to meet increasing requirements of external audit and inspection processes	L	Identify future requirements, & developed action plan to address (S – Ongoing)	Activity completed & kept under review	Internal Audit Partnership Manager & Head of Finance	Assess when requiremen ts established	Failure to meet increasing requirements. This risk is mitigated by early identification and action plans to deliver changes	2-D	Audit Scrutiny Committee established and training provided. Code of Corporate Governance complying with CIPFA best practice introduced	Review compliance and update annually
11	Review Council Tax consultation aims and process	E	Identify aims & evaluate options (M)	Activity complete	Finance Portfolio holder & Head of Finance	Assess when way forward is identified	Inappropriate or ineffective consultation process.	3-E	Introduced consultation with area forums.	Embedded forum consultation and developing a web product

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
12	Develop Business Planning Framework	E	Identify current processes, improvements, consult & implement (S – Ongoing)	Processes in place	Head of Finance, Corporate Management Team,	N/A	Risk of ineffective challenge of the base budget mitigated by Council's internal processes e.g. Overview & Scrutiny, budgetary control framework	2-D	Budget developed on new "bottom line" budgeting framework. Increased engagement of senior managers and portfolio holders. Challenge process completed.	Develop processes for challenging the base budget & finding strategic savings options including a strategic approach to capital investment
13	Develop corporate prioritisation methodology & policy for redirecting resources	E	Corporate prioritisation methodology embedded and robust corporate prioritisation framework (M)	Revised methodology & policy in place	Finance Portfolio holder, Corporate Management Team,	N/A	Risk of inappropriate prioritisation & no corporate ownership of policy for redirecting resources mitigated by consultation & Leads implementing	2-E	Embedded prioritisation methodology, based on Councils objectives, for all capital projects and revenue growth. Now undertaken as part of business planning	Refine and develop business planning and service allocation methodology
14	Develop Asset Management	E	Develop corporate asset management system Review Asset Management Plan (S)	Improved planning and monitoring process	Corporate Property Officer	Partial	Ineffective use of assets & receipt generation	2-E	National accounting changes implemented successfully. Key asset monitoring in place. Annual update completed	Embed asset management decision making Develop corporate asset management system and embed into budget planning

	Action List									
	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
15	Consultation on the Finance Strategy	L	Identify key parameters within the Finance Strategy & consult (S)	Stakeholder views on key parameters identified & reflected in the Finance Strategy Consultation complete	Finance Portfolio holder & Head of Finance	N/A	A clear consensus view not achieved	3-E	Consultation and MTFP completed	Annual review and update
16	Extend Financial Planning framework	L	Identify associated key benefits, opportunities & risks, consult & develop action plan (L)	Framework reviewed and action plan implemented	Head of Finance	N/A	Uncertainties reduce the usefulness of extended financial planning mitigated by appropriate use of contingencies and option planning techiques	3-E	3 year planning horizon maintained	Decision to reduce the level of certainty by reducing the financial planning horizon to two years in the Local Government Review, introduces further uncertainties into three year horizon. Need to rely on use of contingencies etc.
17	Continuous improvement of Internal Audit service	L	Self assessment of performance, Code of Conduct and documentation (S)	Assessment complete and action plan produced	Audit Partnership Manager	N/A	Ineffective internal audit function	3-E	Good progress on Audit plan. First annual self assessment presented to Audit Sub Committee	Development ongoing
18	Financial Monitoring/Reporting Data Quality	L	Implement Audit Recommendations	Robust, accurate, timely data	Performance Team Leader	N/A	Poorly informed decision making	2-D	Improvement plan identified	Improve consolidation and validation of data

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
19	Embed equality and diversity assessments into financial activity	L	Screening for Finance Strategy & Medium Term Financial Plan. Cascade assessments to business activity	Documents completed	Head of Finance	N/A	Non compliance	2-D	Screenings completed	Develop and embed
20	Minimising impact of the tough financial environment on the Ipswich Community	E	Implement appropriate measures (S)	Appropriate response for customers/stakeholders	Finance Portfolio Holder, Corporate Management Team/Head of Finance	Quantified in MTFP		2-C	Treasury Strategy reviewed	Implemented
21	Develop council-wide access to a comprehensive library of key financial documents & processes	L	Documents & Processes identified, Council-wide access available (S)	Activity completed	Financial Services Group Manager	N/A	Establish corporate ownership	3-E	Internet folder of Key financial documents established.	Promote awareness & embed
22	Develop corporate contact centre incl. Revenue & benefits	E	Migration to contact centre & restructuring back office	HB migrated & Council tax migrating in Dec 2010	Head of Finance	Yes	Establish corporate ownership	3-C	Progress on track	Embed

Section 2

MEDIUM TERM FINANCIAL PLAN - OVERVIEW

1. INTRODUCTION

1.1 This is the Council's sixth Medium Term Financial Plan. It identifies how the Council's corporate objectives as set out in, "Transforming Ipswich", take account of local and national priorities and drive the setting of the three year Medium Term Financial Plan (the Plan).

1.2 Robust medium term financial planning is essential to deliver excellent, value for money, services to the people of Ipswich in a changing environment. The new coalition Government has eased the pressure from central regulatory and inspection regimes, which is welcomed however new legislation and policy changes do not always accord with local priorities and pressures driven by our extensive engagement with local communities.

1.3 This is the most challenging MTFP in recent years due largely to the continuing economic situation and demographic changes. Central Government has adopted a strategy to dramatically reduce their debt, in a short time period. This has lead to a Local Government Finance Settlement, announced as part of the Comprehensive Spending Review (CSR10), which has dramatically reduced the amount of Formula Grant received by the authority.

1.4 The Council has an excellent track record and was rated as a "Good Authority" within the abolished "Use of Resources" performance assessment framework. This acknowledged positive service outcomes and effective corporate management. It was indicative of strong partnership working across public, private and voluntary sectors, and a corporate approach to risk management.

1.5 The Council is committed to continuous development and value for money. This is evidenced through the ongoing service transformation programme, which is focusing resources on front line service delivery and actively pursuing efficiency saving opportunities.

1.6 This Plan reflects the commitment of councillors and officers to build on past achievements to:

- Secure continued excellent value for money
- To focus on Council priorities
- To develop better ways of delivering services

1.7 The proposals contained in this Plan are underpinned by a comprehensive appraisal of strategic and operational risks. This Medium Term Financial Plan takes account of the Council's strategic risk register. In this way risk management is treated as an integral part of the planning and managing process, rather than as a separate annual event.

1.8 Assessments of financial risks associated with the 2011 to 2014 budgets are shown at 4.27.

2. SERVICE PRIORITIES

2.1 The Council's vision is set out in the Corporate Plan 2011 – 2015 "Transforming Ipswich" which is shown in Section 1. This sets the strategic direction for the Council, the aim of which is to "deliver quality services for the people of Ipswich", emphasising the importance of cost effective management and the need to keep Council Tax at a level local people can afford. This is reflected in the overarching principle – "Ipswich Borough council tax will be lower in real terms in 2015 than it was in 2010". The priorities identified within it are vital for financial planning and the finance plan demonstrates that resources follow the priorities set.

2.2 Key Goals for 2011 – 2015 are:

- **Clean & Green Ipswich** - We will work with the community to make Ipswich a model urban clean and green place.
- **Expanding Ipswich** - We will work with business and external funders to encourage new investment, innovation, learning and sustainable growth and employment.
- **Safe Ipswich** - We will work with the community to keep Ipswich a safe place to live.
- **Strengthening Communities in Ipswich** - The individuals, families, neighbourhoods and communities of Ipswich are the focus of efforts for improving quality of life.
- **Travel Ipswich** - We will develop and encourage the provision and use of an integrated and effective transport system, which maximises the use of public transport, walking and cycling and reduces the overall impact of travel on the environment.
- **Health and Wellbeing -** We will work with our partners and communities to support people to adopt healthy behaviours enabling them to be healthy and stay well
- **Vibrant Ipswich** - We will enrich and protect the town's historic assets and diverse cultural offering, whilst working to attract award-winning architecture, and increase the availability of public art and live performance opportunities, as well as encourage participation in all sport and leisure pursuits to create an even more vibrant town.

2.3 The priorities for 2011 – 2012 are:

- Minimising the impact of cuts in public sector expenditure on people in Ipswich
- Providing opportunities for community groups and organisations to get more fully involved in running and providing services in our town
- Ensuring the Council takes advantage of all opportunities to provide services more cheaply and more efficiently
- Identifying areas where the Council wishes to ensure excellent services

2.4 The Council has identified a number of key strategies, set out in its Strategy Framework document. This document is reviewed annually. All strategies are prepared for a minimum of 3 years and associated Strategic Action Plans (SAP) support their delivery.

2.5 The Finance Strategy shown at Section 2 shows how “Transforming Ipswich” will be delivered within the available resources.

3. NATIONAL CONTEXT

3.1 The revision and updating of the Medium Term Financial Plan (MTFP) for 2011/12 onwards has been particularly challenging and the following issues are notable.

3.2 Inflation has consistently exceeded the Treasury target of 2%, causing an upward pressure on the pricing of goods and services.

3.3 Investment income has been restricted by historically low interest rates and a shortage of credit worthy institutions to transact with.

3.4 There are some more positive signs, especially with regards to income from fees and charges. Last year’s MTFP saw a reduction in many income budgets and a provision made for further reduction. However this has not continued during 2010/11 as anticipated and as a result the general provision for further income reductions has been removed in 2011/12.

3.5 The Council’s financial planning takes place within the context of national political, economic and public expenditure plans. This section identifies the broad context, issues and assumptions, which provide the framework for the budget and medium term financial plan.

There have been two key announcements on public finances that impact on the Budget :

a) The final Local Government Finance Settlement for 2011/12 was announced on 31 January 2011. This made minor amendments to the amounts published in December 2010 as part of the Comprehensive Spending Review 2010.

b) The final Housing Subsidy Determination was published in January 2011.

Comprehensive Spending Review 2010 (CSR10)

3.6 The Comprehensive Spending Review would normally be completed and published during the summer of the year preceding its implementation and cover a planning period of three years. This allows local authorities to plan their finances for the medium term. However due to the General Election and change of government CSR10 was published on Monday 13th December 2010 and is presented as a “2+2” settlement, covering the period 2011/12 to 2012/13.

Local Government Finance Settlement

3.7 The current formula Grant Distribution System was introduced from 1st April 2006 and includes:-

- Three year grant settlements using a 4 block model covering a central allocation, relative needs, local resources and a minimum grant floor
- Use of trend projections for dominant data drivers like population and council tax base. Frozen multi year averages for all other formula data
- No retrospective amendments to the formal grant settlement unless there is a systematic error

3.8 The Secretary of State, for Communities and Local Government, announced a two-year settlement for local government, covering 2011-12 and 2012-13; and launched a consultation on the proposed settlement which ended on Monday 17 January.

The final settlement included, for each authority for each of the next two years, allocations of formula grant and other Government grants to local government.

The key features of the settlement are:

- in total, formula grant will be £29 billion in 2011-12 and £27 billion in 2012-13;

- over £4 billion of other grants have been rolled into formula grant; and the number of separate revenue funding streams has reduced from over 100 to around a dozen;

- for 2011-12 and 2012-13, the Government has ended ring-fencing on revenue grants for councils, apart from simplified schools grants.

The Finance Settlement for Ipswich Borough Council

3.9 The Council was notified on 13th December 2010, of provisional figures for 20011/12 and 2012/13. These were later updated by DCLG on 31st January 2011.

3.10 All shire districts received a reduction in grant of between 13.8 and 16.3% dependent on the extent to which they rely on grant funding. As Ipswich generates a substantial proportion of its funding from other sources, the Borough received a reduction of 16.1%. The table below compares the level of Grant increases for Ipswich, for 2011/12, with the other Suffolk District/Borough Councils.

Percentage change in Grant allocations for Suffolk's Councils

	2010/11	2011/12	2012/13
Babergh	1.9%	-14.2%	-13.6%
Forest Heath	0.5%	-13.2%	-12.5%
Ipswich	0.7%	-16.1%	-8.6%
Mid Suffolk	0.5%	-15.2%	-13.8%
St. Edmundsbury	1.0%	-15.2%	-13.4%
Suffolk Coastal	2.0%	-15.2%	-12.4%
Waveney	2.5%	-13.2%	-12.5%
Suffolk County	4.4%	-12.7%	-8.4%

3.11 The financial year 2013/14 is outside the current settlement, so provisional figures are not available, however Simon Ridley of CLG speaking on 15th December anticipated a minimal reduction in grant. The overall reduction for districts over three years has previously been predicted at 24.7%.

3.12 The calculation of the amount of Formula Grant (Revenue Support Grant plus Redistributed National Non Domestic Rates) to be received by any council, is calculated by the use of a complex formula designed to reflect the relative needs and resources of each council. This formula would have resulted in a grant of £9.329m to Ipswich Borough Council for 2011/12. However as the universal application of the formula would have resulted in some authorities receiving less than a predetermined "floor", "damping" has been applied.

3.13 The coalition government has made provision to compensate Council's for not increasing Council Tax in 2011/12, the compensation is equivalent to an increase of 2.5%.

4. REVENUE PLANS 2011 to 2014

4.1 This 3-year Medium Term Financial Plan has been reviewed with regard to achieving the Council's objectives "Transforming Ipswich". The forecast was prepared by comparing available financing, with the aggregate cost of delivering the Council's objectives and goals, as expressed in Service Group business plans.

4.2 Service Group business plans have identified proposed savings and growth required to deliver services within the available financing and thus deliver a balanced budget.

4.3 The detailed service group budgets have been prepared by Heads of Service, assisted by operational managers and customer support accountants in consultation with the Corporate Management Team and the relevant portfolio holders. The new Financial Standing Orders adopted on 1st April 2009 facilitated this approach which has been termed “Bottom line budgeting”. Once service group budgets are agreed, Heads of Service are expected to manage group finances on that basis. Progress against targets is reported to Heads of Service Team and Corporate management Team monthly and also reported quarterly to Executive and Overview and Scrutiny Committee.

Three Year Forecast

4.4 The Budget Requirement was calculated based on a number of principles. The key principles are outlined in this section. The Service Group budgets generally allow for a continuation of the level and standard of services provided for in the 2010/11 approved Budget. Other influences on the Medium Term Financial Plan include:

- Assumptions about the Capital Programme and its funding, including the revenue implications of anticipated borrowing and capital receipts.
- In general inflation allowances have been kept to a minimum. Where inflation factors are applied, these reflect the latest predictions of economic forecasters (see table below).
- The current economic situation and in particular its impact upon non-grant income.
- A review of provisions and reserves.
- Minimum level of reserves based on recent trends and risk assessment
- The full-year impact of the last review of fees and charges.
- Service area staff changes approved during the current year.
- The Council Tax base for 2011/12 approved by Council on 8 December 2010.
- The Council’s Approved Finance Strategy.
- The Council’s ”Transforming Ipswich” document and specific service priorities.
- Target savings and contingencies have been the subject of a thorough review.
- GF Forecast includes a Council Tax decrease of 1.00% in both 2011/12 and 2012/13.
- HRA Forecast anticipates annual rent increases sufficient to keep in line with the government’s rent restructuring regime and changes in the governments Housing Subsidy determination.

4.5 **INFLATION FACTORS**

Item	2011/12 %	2012/13 %	2013/14 %
Salaries/Wages	0.0	0.0	1.0
All other expenditure (a)	0.0	0.0	0.0
Fees and charges (b)	2.0	2.0	2.0

a) It is anticipated that inflation will be absorbed within operational budgets as in previous years.

b) A consistent increase in discretionary fees and charges* is proposed. Individual fee levels will be subsequently reviewed and any recommendations for different fee increases will be considered at an appropriate future Executive meeting.

* The following services levy discretionary charges – Waste Collection, Entertainments, Bereavement Services, Environmental Health, Licensing, Car Parks, Sport, Parks and Landscape Services, Building Control and HEARS.

4.6 The estimated revenue effects of anticipated capital resources and their application to the Capital Programme, have been reflected in the General Fund and Housing Revenue Account approximate out-turn for 2010/11 and estimates for 2011/12.

4.7 The estimates provide for the revenue effect of anticipated repayment levels of superannuation back-funding, based on the current actuarial valuation of the Pension Fund, anticipated liabilities and anticipated one off lump sum capital repayments.

4.8 The Budget includes provision in the General Fund Account and Housing Revenue Account to finance other general items that will be reallocated to service budgets in due course. These are included in the accounts as contingencies.

4.9 The Council still has investments totalling £4.5m in Icelandic Banks, which are in administration. The Council does anticipate the recovery of some of this amount and has made provision for any loss in the accounts based upon information from the Local Government Association.

4.10 The Borough Council has a track record of making significant savings every year with minimal or no impact to service standards. Much of this has been done using its own resources and some of it has been done with help from its performance improvement partner, Northgate Public Services.

4.11 The Council has followed a policy of maintaining its financial reserves at a reasonable level for two reasons – firstly to enable it to mitigate the impacts of ‘rainy day’ financial scenarios the like of which we are now facing and secondly to ensure it has enough money to cover all reasonable cash flow fluctuation issues. The next two years are clearly the period where any 'rainy day' reserves should be used and therefore £2.6m is suggested to be used over the two-year period bringing reserves down to the minimum level considered acceptable of £2.0m.

4.12 The announcement of Formula Grant levels for the next two financial years gives the opportunity to address the resource or budget gap for both years. This would involve the use of reserves as outlined in the previous paragraph and the adoption of a savings programme designed to bridge this gap after allowing for unavoidable growth items.

4.13 In recent months the Council has undertaken a rigorous budget process to identify savings opportunities as well as identify some areas where budgetary growth is required. The budget savings and growth proposals are set out in Section 3. It does need to be recognised that delivering all these items will be a challenge and that there will be impacts on staff and services.

4.14 The adoption of this approach facilitates a Council Tax reduction of 1% in the proposed 2011/12 budget and a Council Tax reduction of 1% in the provisional 2012/13 budget.

4.15 It is considered that the advantages of addressing the two years together outweigh any potential disadvantages for the following reasons:

- It provides a far greater degree of certainty for service users, key partners and community groups and staff;
- It will give some certainty to Council Tax payers as to what to expect from the Borough Council and that they can budget for a reduction in their Borough portion of the Council Tax;
- It provides some certainty to staff that what is set out in this document should be the only financial led changes to staffing structures;
- It shows that the tough challenge that the government has set can be met without significantly impacting on front-line services;
- It means that by making savings earlier the depth of savings will not need to be so great during 2012/13;
- It will enable the Council to focus on delivery of bigger projects during 2011/12 rather than on producing the 2012/13 budget;
- The 2013/14 budget will be challenging as further government cuts are likely and the Council will need to find funding to replace the proposed use of reserves but the two-year proposal will enable resources to be focussed on ensuring the 2013/14 budget challenges can be addressed with as minimal an impact as possible;

Support for Cultural Partnerships

4.16 It is recommended to focus support on those cultural partnership which are recognised as regularly funded organisations by the Arts Council and bring substantial additional investment to the Town

Organisation	Amount Proposed £
Dance East	50,000
Eastern Angles	1,500
New Wolsey Theatre	92,000
Total	143,500

Support for Community Partnerships

4.17 The All Party Communities Working Group has considered applications for grant from voluntary groups and recommended the payment of the grants listed below.

Applicant Name	Amount Proposed £
Bangladeshi Support Centre	8,500
Town and Bridge Project	10,000
Anglia Care Trust	7,500
Ipswich Umbrella Trust	9,100
Ipswich & Suffolk Council for Racial Equality	10,000
Ipswich Housing Action Group	7,000
Iceni Project	20,000
CSV Media Clubhouse - Ipswich 2	3,690
Making Tracks	10,000
Ipswich Women's Aid	17,000
Ipswich Disabled Advice Bureau	7,500
Ipswich Blind Society	1,500
Our Space	4,500
Ipswich Volunteer Centre	15,000
Ipswich Community Playbus	5,000
Ipswich Furniture Project	7,500
Optua	1,500
CSV Media Clubhouse - Ipswich 1	2,000
Salvation Army Priory Centre	1,000
Anglo Chinese Cultural Exchange	600
Suffolk Acre	10,000
Alzheimers Society - Suffolk	750
Ipswich Community Radio	3,000
Ipswich & East Suffolk Headway	3,500
1st Question Co-Operative Ltd - East	1,500
Ipswich & Suffolk West Indian Association	3,000
Ipswich in Bloom	1,000
Swimming Self-Help Group - Ipswich	1,000
Families in Need	2,000
Ipswich Council for Voluntary Service (1)	35,000
Ipswich & District Citizens Advice Bureau (1)	95,000
TOTAL	304,640

Note (1) - Denotes a 3 year Community Partnership Agreement

PRIORITISATION CRITERIA

4.18 As part of the Corporate Planning process, the Council has identified growth pressures to achieve its objective “Transforming Ipswich”. The Council uses a corporate resource allocation methodology, to assist in the allocation of resources. The list of priority growth for the General Fund is shown in Section 3. No such growth was identified for the Housing Revenue Account.

4.19 The proposed net service expenditure budgets for 2011/12 are analysed in Section 3 for General Fund and Section 4 for the Housing Revenue Account

4.20 The General Fund Forecast is detailed in Section 3 and the Housing Revenue Account Forecast is detailed in Section 4.

Chief Finance Officer’s Statement

4.21 Clause 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.

4.22 The Local Government Finance Act 1988 also requires the Chief Finance Officer to report to all the Authority’s Councillors if there is likely to be unforeseen expenditure or an unbalanced budget. External auditors have regard to these legal requirements when reviewing the arrangements in place to ensure that financial standing is soundly based.

Robustness of the estimates

4.23 The calculations of estimates making up the General Fund Budget requirement of £21,139,870 for 2011/12 have been based on principles set out above. The Medium Term Financial Plan is based on “Transforming Ipswich” and includes limited growth and all identified savings. This Plan delivers a financially balanced budget for 2011/12 and 2012/13.

4.24 The calculations of estimates making up the Housing Revenue Account for 2011/12 have been based on principles set out above. The Medium Term Financial Plan is based on “Transforming Ipswich” and includes all identified savings. This Plan delivers a financially balanced budget for 2011/12, with a rent increase based on the government’s rent restructuring regime.

4.25 The Chief Finance Officer is satisfied, therefore, that the estimates on which the budget has been based are robust. Clauses 28 and 29 of the 1988 Act require Councillors to review the budget from time to time during the year and consider the impact of any overspends on the forecast reserves position. Reports on budget variances are presented quarterly to the Executive during the year, and any action needed to maintain the General Fund and Housing Revenue Account Budgets is taken by Executive.

4.26 Assessments of financial risks associated with the 2011 to 2014 budgets are shown below. These risks are taken account of in setting the level of reserves.

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
	1- Catastrophic 4 – Negligible	A – Very likely F – Almost impossible	
Accuracy of estimates	2	D	Incorporate current economic predictions Service Group based budget process MTFP, revenue & capital programme set together All known future changes included in budget
Adequacy of reserves/balances/bad debt provision	1	E	Risk Management assessment, insurance policy
Significant variances due to poor budgetary control	2	E	Budgetary control process Quarterly reporting to Executive based on monthly exception reporting
Long term unsustainable/imprudent financial planning	1	E	Medium term financial planning, Prudential Indicator framework and regular monitoring
Partnership/Joint Working – poor control/definition resulting in financial liability	3	E	IBC retains control of resources unless partnership contract exists
Corporate projects – predicting financial implications	2	E	Corporate projects managed using Prince 2 based methodology
Changing goals/expectations	2	E	Transforming Ipswich, Corporate Plan, Strategic framework
Failure of “Approved Organisation for Investment”	2	D	Reviewed Treasury Management Strategy (see Section 10) Daily monitoring of investment counterparties
Poor Corporate Governance/financial control	2	E	New Corporate Governance, Audit review, Standing Orders
Changes in proper accounting practice	3	C	The Council adheres to the latest Statement of Recommended Practice
Unexpected changes in	2	E	Officers actively monitor

<u>Risk</u>	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
demographic/service expectations due to the current economic situation			potential future changes
Future changes in legislation and financial environment	2	E	Officers actively monitor potential future changes
Failure to implement IFRS fully on a timely basis	2	E	Acquisition of Real Asset Management System, officer training, appointment of valuers to value assets.

* risk category definitions – see section 9, Appendix 1.

Specific Risks

There are also some known key specific risks

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
General Fund Following the collapse of the Icelandic Banks there is a risk the final recovery rate may be different to the original indicative rate.	2	B	Local Government Association co-ordinating action Local Authority representation on Creditors group
Capital Predicted capital receipts may not materialise, capital programme would be curtailed or funding revised	2	B	Continual review of market conditions.
HRA That national review of Housing Subsidy could significantly change the Council's position. Future changes could continue to detrimentally affect the HRA's financial position	2	B	Action to minimise the impact including responding to consultation, reviewing costs and identifying saving options. Review future minimum working balance once more details known.

Adequacy of Working Balance and Reserves

4.27 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.

4.28 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.

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

4.30 The Reserves and Provisions Policy is included as section 5 of the Medium Term Financial Plan.

Consultation

4.31 A postal public consultation exercise was undertaken in Autumn 2010. The basis of the consultation was a 2.5% sample of all Ipswich council taxpayers for each of the eight council tax bands. 25% of questionnaires were returned. This gives a very good assurance that the survey is statistically representative of all Ipswich council taxpayers.

4.32 The most popular option chosen by Ipswich council taxpayers was to maintain the current level of services. This supports the approved Finance Strategy. This states the Council's General Fund budget strategy, is that the Borough's part of the council tax will be kept to the lowest possible level, consistent with maintaining the level of service desired by Ipswich residents. The results are detailed in Section 3.

4.33 Attendees at the Autumn Cycle of Area Forum meetings were invited to respond to the same range of options as the postal questionnaire. They were also invited to take part in a consultation exercise, which is intended to inform resource allocation decisions. The results are detailed in Section 3.

4.34 As part of the Council's commitment to consultation with its tenants a presentation was made to a joint meeting of the Housing Management Board in January 2010. Included was a section on rent levels, expenditure, housing subsidy and rent restructuring.

5 GENERAL FUND AND COUNCIL TAX REQUIREMENT

5.1 In determining the Budget Requirement for 2011/12, councillors and officers have considered options for reducing Council Tax, in addition to the identification of savings, economies and financing options. These are detailed in Section 3 with similar considerations for the HRA in Section 4.

5.2 There is a special levy for the River Gipping Internal Drainage Board issued on Ipswich Borough Council under the Internal Drainage Boards (Finance) Regulations 1990. From 1st April 1990, in addition to raising revenue by means of drainage rents, the boards raised revenue by means of special levies issued to charging authorities and is included within the Council's budget requirement for areas wholly or partly included in the Board's respective districts. The levy notified for 2011/12 is £30,290. The notification from the Drainage Board was received on 1st February, 2011.

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

5.4 The Council collects council tax on behalf of Suffolk County Council, the Suffolk police Authority and itself. All transactions are recorded in a Collection Fund that the Council holds on behalf of all 3 organisations and the net proceeds are allocated based to each in proportion to their element of the total council tax. Ipswich's Collection Fund shows a net surplus of £181,760. Any money recovered is credited to the Collection Fund, but the actual cost of recovery has to be charged to the General Fund and therefore falls within the Budget.

5.5 The Final Settlement for 2011/12 was announced on 31 January 2011 at £7,823,250. These figures are reflected in the summary below:

	2010/11	2011/12	Change %
Budget Requirement	**24,695,880**	**21,139,870**	
Formula Grant Allocation	**-11,911,660**	**-7,823,250**	**-16.1%**
Council Tax Reduction Grant	**0**	**-319,000**	**New**
Collection Fund Adjustment	**-23,480**	**-181,760**	
To be financed from Council Tax and reserves	**-12,760,740**	**-12,815,860**	**0.43**

5.6 Assuming the Council sets a budget for 2011/12 of £21,139,870 the Borough Council's element of the Ipswich charge for a Band D property in comparison with 2011/12 would be:

Potential Change in Band D Council Tax	**2010/11 £ : p**	**2011/12 £ : p**
Budget Requirement	605.44	510.46
Less Government Grant	-292.02	-196.38
IBC Charge before Collection Fund Adjustment	313.42	314.08
Less Collection Fund Adjustment	-0.58	-4.39
IBC Charge after Collection Fund Adjustment – 1% reduction	**312.84**	**309.69**

5.7 It follows from the above that the tax at each of the property bands, compared with 2010/11, would be as follows:

Band	**2010/11**	**2011/12**	**Reduction**
	Tax (£ : p)	**Tax (£ : p)**	**%**
A	208.56	206.46	1.01
B	243.32	240.87	1.01
C	278.08	275.28	1.01
D	312.84	309.69	1.01
E	382.36	378.51	1.01
F	451.88	447.33	1.01
G	521.40	516.15	1.01
H	625.68	619.38	1.01

PRECEPTS

5.8 Suffolk County Council and the Suffolk Police Authority are scheduled to determine their precepts for 2011/12 on 17th and 20th February respectively. **The precept figures are indicative at this stage.** Any changes following these meetings will be formally reported to the Council meeting and draft calculations for the total council tax figure will be recommended by the Head of Finance.

Precepting Authority	Precept £	Band D £.p
Suffolk County Council	**45,951,159**	**1,126.53**
Suffolk Police Authority	**6,556,585**	**160.74**

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

Precepting Authority	Valuation Band	2010/11 £ p	2011/12 £ p	Increase £ p	Increase %
	A	751.02	751.02	0.00	0
	B	876.19	876.19	0.00	0
Suffolk	C	1,001.36	1,001.36	0.00	0
County	D	1,126.53	1,126.53	0.00	0
Council	E	1,376.87	1,376.87	0.00	0
	F	1,627.21	1,627.21	0.00	0
	G	1,877.55	1,877.55	0.00	0
	H	2,253.06	2,253.06	0.00	0

Precepting Authority	Valuation Band	2010/11 £ p	2011/12 £ p	Increase £ p	Increase %
	A	107.16	107.16	0.00	0
	B	125.02	125.02	0.00	0
Suffolk	C	142.88	142.88	0.00	0
Police	D	160.74	160.74	0.00	0
Authority	E	196.46	196.46	0.00	0
	F	232.18	232.18	0.00	0
	G	267.90	267.90	0.00	0
	H	321.48	321.48	0.00	0

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

Valuation Band	2010/11 £ p	2011/12 £ p	Decrease £ p	Decrease %
A	1,066.74	1064.64	-2.10	-0.2
B	1,244.53	1242.08	-2.45	-0.2
C	1,422.32	1419.52	-2.80	-0.2
D	1,600.11	1596.96	-3.15	-0.2
E	1,955.69	1951.84	-3.85	-0.2
F	2,311.27	2306.72	-4.55	-0.2
G	2,666.85	2661.60	-5.25	-0.2
H	3,200.22	3193.92	-6.30	-0.2

6. HOUSING REVENUE ACCOUNT (HRA)

6.1 The HRA estimates have been prepared in accordance with the requirements of Part VI and Schedule 4 of the Local Government and Housing Act 1989 and the regulations, orders and subsidy determinations which follow from this. The Housing Revenue Account has been the subject of separate reports to and decisions by the Executive.

6.2 The HRA represents the Council's income and expenditure relating to the management and maintenance of the Council's Housing stock, as well as the garages, shops and land/property owned by the HRA.

6.3 The HRA is ring-fenced and is required to balance each year i.e. the working balance can never be negative and for the sake of prudence it has been agreed with our External Auditor (PwC), that a minimum balance of £500,000 is desirable. The Total estimated HRA expenditure for 2011/12 is £28.1 million, consisting of £20.3 million direct expenditure and £7.8 million payable to the Government for redistribution to other authorities.

6.4 The Government introduced Rent Restructuring in 2001 in order to produce a rent system within social housing that is fair and equitable across the nation. Each property has been given a 'target rent' that increases by a set percentage each year and the original deadline for all rents to converge was 2011/12. The rent convergence date varies according to the rate of inflation in September and the average guideline rent increase. Under the Governments formula for actual rent rises the Council's average proposed rent rise for 2010/11 is 6.47%

6.5 The Council undertook a Stock Options appraisal during 2004/05, which resulted in the Council's decision, which was ratified by the ODPM/ Community Housing Task Force to retain the stock and achieve the Ipswich Standard through revenue and capital funding. Under Decent Homes the Government set out a minimum condition standard for social housing that has already been achieved. When the Council resolved to retain its housing stock, the Government made it clear that authorities were expected to deliver a higher standard than the minimum decent homes standard and the "Ipswich Standard" to be delivered by 2014 was drawn up following extensive consultation with tenants and approved by Executive in 2005. The funding for this comes from a mixture of capital resources and from revenue funding via Revenue Contributions to Capital.

6.6 The Council will pay a negative subsidy of £7.816m to central Government in 2011/12. The existing Housing Subsidy system will be replaced from 2012 and replaced by a "self-financing" system. This will be implemented by a one-off payment between each authority and central government. The payment, effectively a "mortgage" on our properties is currently estimated at £121m. The level of repayment will be dependent on interest rates. In the early years repayments are likely to be in excess of the current payments, however in the longer term there will be large savings.

7. CAPITAL PROGRAMME

7.1 The Capital Strategy is set out at Section 6.

7.2 The draft Capital Programme is set out in detail at Section 7. The programme has been updated based on latest information on resources available. In summary the Capital programme is:

	2010/11	2011/12	2012/13	2013/14
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**19,362**	**18,724**	**15,226**	**13,680**
Financed By:-				
Capital Receipts	5.395	4,676	3,735	1,450
External Funding	1,980	1,386	1,166	830
Prudential Borrowing	461	1,612	625	1,700
Supported Capital Expenditure	1,314	0	0	0
Major Repairs Allowance	5,159	5,242	5,287	5,330
RCCO's	5,053	5,808	4,413	4,370
Total Funding	**19,362**	**18,724**	**15,226**	**13,680**

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

8. PRUDENTIAL CODE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2011/12

8.1 The introduction of a Prudential Code for Capital Finance in Local Authorities with effect from 1 April 2004, brought about a requirement for Council's to set Prudential Indicators for the following financial year, and for Executive to receive a monitoring report during the year, showing the latest estimated position on the Prudential Indicators set for the year. Councillors' involvement through the process is important in order that the Council can demonstrate that capital expenditure plans are affordable, external borrowing is prudent and sustainable and that treasury decisions are taken in accordance with good practice.

8.2 The Prudential Code, and Treasury Management and Annual Investment Strategy for 2011/12, is attached at Section 8.

GENERAL FUND REVENUE FORECAST 2010/11 TO 2013/14

2009/10 OUT-TURN £	DESCRIPTION	2010/11 ORIGINAL BUDGET £	2010/11 DRAFT APPROX O/T £	2011/12 DRAFT BUDGET £	2012/13 FORECAST £	2013/14 FORECAST £
21,444,128	NET SERVICE EXPENDITURE	24,485,260	25,125,560	20,144,300	18,970,310	19,346,730
	Contingencies etc:					
0	Additional commitments	1,004,000	483,080	1,060,500	1,285,500	1,552,000
0	Invest to Save	0	296,080	45,460	45,460	0
2,155,000Cr	Exceptional item - VAT refund	0	0	0	0	0
12,809Cr	Interest on balances etc	35,520	10,080	19,590	35,250	80,000
1,050,830Cr	External interest etc	556,640	562,450	253,090Cr	236,170Cr	162,610Cr
1,700,089	Capital financing costs	1,460,230	1,508,880	1,515,040	1,427,430	1,677,420
19,925,578	Net Expenditure	27,541,650	27,986,130	22,531,800	21,527,780	22,493,540
2,709,097	Transfer to/from reserves	876,890Cr	2,086,890Cr	3,110	3,110	3,110
717,590Cr	Use of DLO/DSO profits	150,000Cr	0	0	0	0
2,559,632	Use of (cr) / contribution to GF revenue balance	1,818,880Cr	1,203,360Cr	1,395,040Cr	1,254,620Cr	0
24,476,717	BUDGET REQUIREMENT	24,695,880	24,695,880	21,139,870	20,276,270	22,496,650
2,218,519Cr	Revenue support grant	1,510,360Cr	1,510,360Cr	1,847,210Cr	1,687,520Cr	1,650,390Cr
9,611,764Cr	Non-domestic rates	10,401,300Cr	10,401,300Cr	5,976,040Cr	5,459,400Cr	5,339,290Cr
141,084Cr	Collection Fund surplus(cr)/deficit 31st March (net)	23,480Cr	23,480Cr	181,760Cr	0	0
12,505,350Cr	Demand on Collection Fund	12,760,740Cr	12,760,740Cr	12,815,860Cr	12,810,350Cr	12,933,000Cr
0	Council Tax Reduction Grant	0	0	319,000Cr	319,000Cr	319,000Cr
0	Unfunded Balance	0	0	0	0	2,254,970Cr
24,476,717Cr	FINANCING THE BUDGET REQUIREMENT	24,695,880Cr	24,695,880Cr	21,139,870Cr	20,276,270Cr	22,496,650Cr
	GF REVENUE BALANCE					
3,293,386Cr	Balance b/fwd 1st April	3,818,880Cr	5,853,020Cr	4,649,660Cr	3,254,620Cr	2,000,000Cr
2,559,632Cr	Surplus(Cr)/deficit for year	1,818,880	1,203,360	1,395,040	1,254,620	0
5,853,018Cr	Balance c/fwd 31st March	2,000,000Cr	4,649,660Cr	3,254,620Cr	2,000,000Cr	2,000,000Cr

SECTION 3
General Fund MTFP

GENERAL FUND REVENUE FORECAST 2010/11 TO 2013/14

GENERAL FUND SUBJECTIVE ANALYSIS

2009/10 OUT-TURN £	DESCRIPTION	2010/11 ORIGINAL BUDGET £	2010/11 DRAFT APPROX O/T £	2011/12 DRAFT BUDGET £	2012/13 FORECAST £	2013/14 FORECAST £
	SERVICE EXPENDITURE					
16,143,315	Salaries	17,262,700	17,466,160	15,579,610	15,712,930	15,981,480
4,595,178	Wages	4,349,860	5,527,780	5,115,270	5,166,420	5,269,750
1,169,096	National Insurance (Salaries)	1,198,700	1,226,020	1,102,410	1,112,070	1,131,190
275,425	National Insurance (Wages)	271,030	347,470	329,220	332,510	339,160
1,848,391	Superannuation (Salaries)	2,069,660	2,084,770	1,872,580	1,888,380	1,920,190
360,641	Superannuation (Wages)	394,940	489,020	477,590	482,370	492,010
2,434,507	Superannuation Backfunding	2,628,730	2,778,730	2,600,540	2,626,550	2,679,080
680,213	Other Employee Expenses	437,210	734,690	409,580	409,580	409,580
859,017	Repairs & Mtce (Buildings)	897,260	936,060	912,440	912,440	912,440
33,218	Repairs & Mtce (Grounds)	51,730	58,910	60,410	60,410	60,410
781,739	Energy Costs	813,090	647,560	699,390	699,390	699,390
1,126,979	Rents	1,162,050	1,191,290	1,171,090	1,171,090	1,171,090
848,744	Rates	1,446,030	1,179,580	1,225,980	1,225,980	1,225,980
115,967	Water & Sewerage Charges	167,280	169,320	168,590	168,590	168,590
562,220	Cleaning Etc	555,970	641,610	608,720	608,720	608,720
485,712	Other Premises Costs	533,380	458,160	390,860	390,860	390,860
1,782,359	Use of Plant & Vehicles	1,753,200	2,170,520	2,120,250	2,119,190	2,120,010
101,187	Car Allowances/Leasing Etc	112,090	170,510	155,830	155,830	155,830
103,072	Other Transport Expenses	71,370	91,040	89,770	89,770	89,770
795,350	Equipment, Tools Etc	784,730	839,040	828,770	828,770	828,770
565,139	Materials, Provisions Etc	551,430	1,345,570	1,507,970	1,507,970	1,507,970
51,089	Clothing, Laundry	72,280	89,670	89,660	89,660	89,660
615,430	Printing & Stationery Etc	572,080	634,190	505,180	505,180	505,180
3,009,033	Miscellaneous Fees	1,670,890	4,998,070	3,929,950	3,910,700	3,783,700
1,634,500	Miscellaneous Services	1,980,010	2,016,890	2,009,450	2,134,450	2,134,450
219,785	Postages	198,450	191,310	130,250	130,250	130,250
328,368	Telephones Etc	423,160	388,110	411,990	411,990	411,990
571,838	Computing Costs - General	629,020	648,800	572,050	572,050	572,050
668	Computing Costs - Operating Leases	9,920	10,050	9,150	9,150	9,150
633,429	Miscellaneous Grants	660,720	787,470	684,030	684,030	684,030
193,705	Advertising, Publicity Etc	157,720	222,850	139,010	139,010	139,010
485,547	Miscellaneous Contributions	624,210	852,470	3,127,710	3,051,740	3,051,740
2,043,363	Other Costs & Expenses	1,236,790Cr	3,181,670	764,430	410,620	526,920
3,088,143	Bus Concessions/Subsidies	3,176,130	3,185,130	42,570	42,570	42,570
845,975	Other Contracted Services	857,000	914,370	923,510	923,510	923,510
44,440,975	Rent Rebates & Allowances	45,009,760	44,945,760	45,009,760	45,009,760	45,009,760
11,379,227	Local Taxation Rebates	11,973,520	12,031,380	11,973,520	11,973,520	11,973,520
1,838,292	Central/Departmental Support	1,899,240	1,697,810	1,009,950	639,040	633,340
1,861	Finance Leases	1,840	1,840	1,840	1,840	1,840
107,048,697	TOTAL SERVICE EXPENDITURE	106,191,600	117,351,650	108,760,880	108,308,890	108,784,940

GENERAL FUND REVENUE FORECAST 2010/11 TO 2013/14

GENERAL FUND SUBJECTIVE ANALYSIS

2009/10 OUT-TURN £	DESCRIPTION	2010/11 ORIGINAL BUDGET £	2010/11 DRAFT APPROX O/T £	2011/12 DRAFT BUDGET £	2012/13 FORECAST £	2013/14 FORECAST £
	SERVICE INCOME					
59,858,063Cr	Government Grants	59,302,260Cr	60,864,590Cr	58,364,450Cr	58,364,450Cr	58,364,450Cr
1,109,624Cr	Highways Agency	1,048,590Cr	1,048,590Cr	1,048,590Cr	1,048,590Cr	1,048,590Cr
1,191,651Cr	Contribns From Other Organisations	1,177,330Cr	1,238,280Cr	797,790Cr	426,460Cr	426,460Cr
3,209,973Cr	Recharges To Other Funds	3,406,530Cr	2,924,370Cr	3,141,520Cr	3,152,600Cr	3,142,920Cr
1,425,430Cr	Miscellaneous Grants Etc	1,324,290Cr	1,723,010Cr	1,613,740Cr	1,613,740Cr	1,613,740Cr
603,999Cr	Sales	591,910Cr	616,640Cr	600,640Cr	600,640Cr	600,640Cr
492,799Cr	Fees - Planning	376,700Cr	396,700Cr	396,700Cr	501,670Cr	506,680Cr
279,254Cr	- Building Control	315,780Cr	315,780Cr	315,780Cr	318,940Cr	322,130Cr
206,347Cr	- Local Land Searches	195,410Cr	195,410Cr	5,410Cr	5,460Cr	5,520Cr
422,430Cr	- Inspections/Licences	380,590Cr	405,230Cr	412,500Cr	416,630Cr	420,790Cr
2,350,930Cr	Charges - Car Parking	2,560,650Cr	2,123,300Cr	2,439,310Cr	2,463,700Cr	2,488,340Cr
3,625,901Cr	- Leisure Services	2,196,410Cr	3,328,230Cr	2,231,690Cr	2,254,010Cr	2,276,550Cr
1,368,182Cr	- Refuse Collection	1,386,140Cr	1,386,140Cr	1,297,560Cr	1,310,540Cr	1,323,640Cr
1,523,712Cr	- Cemetery/Crematorium	1,543,400Cr	1,663,400Cr	1,164,830Cr	1,176,480Cr	1,188,240Cr
2,729,270Cr	- Other Services	2,543,890Cr	2,722,420Cr	2,460,430Cr	2,485,030Cr	2,509,880Cr
2,084,150Cr	Misc Costs Recovered	1,036,480Cr	8,915,120Cr	8,367,570Cr	8,439,570Cr	8,439,570Cr
3,122,475Cr	Rents	2,318,230Cr	2,357,130Cr	2,424,320Cr	2,424,320Cr	2,424,320Cr
379Cr	Interest	1,750Cr	1,750Cr	1,750Cr	1,750Cr	1,750Cr
85,604,569Cr	TOTAL SERVICE INCOME	81,706,340Cr	92,226,090Cr	87,084,580Cr	87,004,580Cr	87,104,210Cr
21,444,128	NET SERVICE EXPENDITURE	24,485,260	25,125,560	21,676,300	21,304,310	21,680,730

GENERAL FUND REVENUE FORECAST 2010/11 TO 2013/14

2009/10 OUT-TURN £	DESCRIPTION	2010/11 ORIGINAL BUDGET £	2010/11 DRAFT APPROX O/T £	2011/12 DRAFT BUDGET £	2012/13 FORECAST £	2013/14 FORECAST £
	CAPITAL FINANCING					
973,134	Debt Charges - Principal (MRP)	1,064,940	1,065,830	1,096,240	1,114,970	1,332,390
516,439	Debt Charges - Interest	418,980	422,920	403,330	296,870	325,060
10,599Cr	Rescheduling - amortised premiums/discounts	11,400Cr	11,400Cr	11,410Cr	11,410Cr	11,410Cr
30,297	Debt Management Expenses	23,720	31,530	26,880	27,000	31,380
156Cr	Interest - Housing Associations/ Advances	0	0	0	0	0
242,920	Impairment of Investments	0	0	0	0	0
51,946Cr	Capital charges from DLO/DSO's	36,010Cr	0	0	0	0
1,700,089	NET COST OF CAPITAL FINANCING	1,460,230	1,508,880	1,515,040	1,427,430	1,677,420

GENERAL FUND REVENUE FORECAST 2010/11 TO 2013/14

2009/10 OUT-TURN £	DESCRIPTION	2010/11 ORIGINAL BUDGET £	2010/11 DRAFT APPROX O/T £	2011/12 DRAFT BUDGET £	2012/13 FORECAST £	2013/14 FORECAST £
	SERVICE EXPENDITURE					
27,506,766	Employees	28,612,830	30,654,640	27,486,800	27,730,810	28,222,440
4,813,596	Premises	5,626,790	5,282,490	5,237,480	5,237,480	5,237,480
1,986,618	Transport	1,936,660	2,432,070	2,365,850	2,364,790	2,365,610
11,147,244	Supplies & Services	7,097,830	16,206,160	14,709,600	14,385,570	14,374,870
3,934,118	Agency & Contracted Services	4,033,130	4,099,500	966,080	966,080	966,080
55,820,202	Transfer Payments	56,983,280	56,977,140	56,983,280	56,983,280	56,983,280
1,838,292	Central & Departmental Support	1,899,240	1,697,810	1,009,950	639,040	633,340
1,861	Capital Financing	1,840	1,840	1,840	1,840	1,840
107,048,697	TOTAL SERVICE EXPENDITURE	106,191,600	117,351,650	108,760,880	108,308,890	108,784,940
	SERVICE INCOME					
59,858,063Cr	Government Grants	59,302,260Cr	60,864,590Cr	58,364,450Cr	58,364,450Cr	58,364,450Cr
6,936,678Cr	Other Grants,Contributions Etc	6,956,740Cr	6,934,250Cr	6,601,640Cr	6,241,390Cr	6,231,710Cr
603,999Cr	Sales	591,910Cr	616,640Cr	600,640Cr	600,640Cr	600,640Cr
15,082,975Cr	Fees & Charges	12,535,450Cr	21,451,730Cr	19,091,780Cr	19,372,030Cr	19,481,340Cr
3,122,475Cr	Rents	2,318,230Cr	2,357,130Cr	2,424,320Cr	2,424,320Cr	2,424,320Cr
379Cr	Interest	1,750Cr	1,750Cr	1,750Cr	1,750Cr	1,750Cr
85,604,569Cr	TOTAL SERVICE INCOME	81,706,340Cr	92,226,090Cr	87,084,580Cr	87,004,580Cr	87,104,210Cr
21,444,128	NET SERVICE EXPENDITURE	24,485,260	25,125,560	21,676,300	21,304,310	21,680,730
0	NET EFFECT OF SAVINGS PROGRAMME 2011/12 to 2012/13	0	0	2,000,000Cr	2,700,000Cr	2,700,000Cr
0	2011/12 GROWTH	0	0	468,000	366,000	366,000
21,444,128	REVISED NET SERVICE EXPENDITURE	24,485,260	25,125,560	20,144,300	18,970,310	19,346,730

General Fund Budgets 2011/12 – Service Group Analysis

Service Grouping	2011/12 Draft Controllable Budget £
Corporate Management Team	1,388,900
Finance	4,098,060
Legal and Democratic Services	704,900
Corporate Development	1,572,440
Planning, Transport and Regeneration	-2,962,230
Environmental Services	6,190,610
Housing	1,505,650
Community	1,890,050
Culture and Leisure	5,391,110
Communications and Design	364,810
NET SERVICE EXPENDITURE	20,144,300

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

The detailed service analysis follows:

General Fund Budgets 2011/12 – by Head of Service

Corporate Management Team

Service Area	2011/12 Draft Controllable Budget £
Corporate Management Team	547,650
Strategic Projects	169,630
Performance Unit	126,170
Mayoral Services	118,190
Approved Growth	0
2010/11 Savings Contingency	500,260
2011/12 Savings Programme	-280,000
2011/12 Savings Programme Contingency	207,000
Total	1,388,900

Finance

Service Area	2011/12 Draft Controllable Budget £
Housing/Local Tax Rebates Admin	682,020
Financial Services	725,500
Head of Finance *	-45,690
Internal Audit Summary	446,900
Corporate Management Direct Costs	292,600
Unapportionable Central Oheads	2,143,300
Nndr Discretionary Rate Relief	63,430
Approved Growth	150,000
2011/12 Savings Programme	-360,000
Total	4,098,060

* includes general savings that have not been allocated to specific services

General Fund Budgets 2011/12 – by Head of Service

Legal & Democratic Services

Service Area	2011/12 Draft Controllable Budget £
Cemeteries and Crematorium Summary	-467,300
Councillors' Services	221,880
Legal Services	229,340
Democratic and Business Support	201,910
Head of Legal & Democratic Services *	40,070
Licensing and Enforcement Unit	38,530
Registration of Electors	67,690
Borough Council Elections	119,760
Councillors´ Costs	343,790
Democratic Representation and Managament (DRM)	-110,770
Approved Growth	20,000
2011/12 Savings Programme	0
Total	704,900

Corporate Development

Service Area	2011/12 Draft Controllable Budget £
Human Resources Summary	508,510
Head of Corporate Development *	10,730
Health and Safety	95,530
Information Technology Summary	1,283,960
Central Overheads Susp Summary	-20,290
Approved Growth	15,000
2011/12 Savings Programme	-321,000
Total	1,572,440

* includes general savings that have not been allocated to specific services

General Fund Budgets 2011/12 – by Head of Service

Planning, Transport and Regeneration	
Service Area	**2011/12 Draft Controllable Budget £**
Bus Route Subsidies - General	42,570
Bus Network Support - General	8,750
Hackney Carriages and Private Hire Vehicles	-49,960
Footway Lighting	62,580
Street Names and Seats	20,000
Verges - Maintenance	-73,430
Town Centre Pedestrian Areas	26,250
Shopmobility	9,230
Residents Parking Schemes	-166,410
IBC Car Parks Summary	-1,334,230
SCC On-Street Parking	-57,730
Special Parking Areas	-295,860
Corporate Properties	-1,997,000
Ip-City Centre	-93,000
Property Services Management	213,610
Head of Planning, Transport and Regeneration *	-177,000
Transportation	478,640
Community Improvements Unit	-200
Drainage Engineering	86,950
Engineering Management and Support	556,680
Highways and Construction	518,120
Planning and Development	53,380
Planning Policy	167,100
Local Development Framework	175,000
Caps System Costs	42,380
Historic Churches	48,090
Conservation of Historic Buildings	31,600
Conservation and Urban Design	103,060
Local Land Charges	5,950
Miscellaneous Drainage	30,000
Economic Development	208,680
Economic Grants	50,000
Highways Agency - Admin	-945,440
Highways Overheads	719,940
Highways Maintenance	-1,069,530
Approved Growth	23,000
2011/12 Savings Programme	-384,000
Total	-2,962,230

* includes general savings that have not been allocated to specific services

General Fund Budgets 2011/12 – by Head of Service

Environmental Services

Service Area	2011/12 Draft Controllable Budget £
Environmental Services Students	41,530
Occupational Health	237,680
Food Safety	225,670
Pollution	326,620
EHO Group Support Services	127,760
Port Health	20,350
Animal Welfare Summary	45,770
Waste Enforcement	66,070
Refuse Summary	-678,460
Waste Education and Promotion	190,380
Environmental Strategy	106,130
Recycling Summary	-327,180
Public Conveniences Summary	63,940
Head of Environmental Services *	-4,550
Building and Design	588,580
Admin Buildings	1,520,760
Building Control Summary	214,610
Refuse Collection Summary	2,410,820
Cleansing Services Summary	937,540
Gipping House Summary	353,590
Approved Growth	20,000
2011/12 Savings Programme	-297,000
Total	6,190,610

* includes general savings that have not been allocated to specific services

General Fund Budgets 2011/12 – by Head of Service

Housing

Service Area	2011/12 Draft Controllable Budget £
Supervision and Management	359,240
Head of Housing Services	77,360
Housing Business Support Unit	62,600
Housing Policy & Resources (GF)	203,150
Housing Options	315,270
Contributions To HRA	184,710
Bed and Breakfast Costs	63,910
Other Private Sector Accommodation Costs	176,230
Assistance To Voluntary Bodies (Gen)	25,850
Hostels - (GF)	0
Sheltered Schemes - (GF)	0
Improvement Grants	94,150
MVM System Costs	15,940
Private Sector Housing Services	139,640
Building Overheads	510,940
Commercial Contracts Summary	-720,340
Approved Growth	0
2011/12 Savings Programme	-3,000
Total	1,505,650

Community

Service Area	2011/12 Draft Controllable Budget £
Whitehouse Community Centre	4,240
Head of Community Services *	47,360
Emergency Planning	67,420
Customer Services Centre	381,870
Community Development Team	232,660
Emergency Services Centre	526,970
Community Safety	230,880
Community Grants	323,650
Approved Growth	240,000
2011/12 Savings Programme	-165,000
Total	1,890,050

* includes general savings that have not been allocated to specific services

General Fund Budgets 2011/12 – by Head of Service

Culture and Leisure

Service Area	2011/12 Draft Controllable Budget £
Leisure Development Manager	35,890
Business Development Manager	135,730
Parks Summary Account	663,700
Rangers	595,840
Allotments	-12,900
Sports Development Unit	40,570
Play Service	6,920
Ipswich Skatepark	620
Classical Music Development	13,730
Cultural Development	187,690
Museum Summary Account	1,155,110
Events	64,270
St Lawrence Centre	1,740
Corn Exchange Summary	203,320
Entertainments Box Office	14,180
Regent Theatre Summary	193,790
Town Hall	117,380
Head of Cultural Services	77,660
Grounds Mtce Summary Account	1,179,430
Icard Costs	147,220
Sports Centres Summary	746,560
Profiles (All Centres)	-342,920
Swimming Pools Summary	514,580
Approved Growth	0
2011/12 Savings Programme	-349,000
Total	5,391,110

Communications and Design

Service Area	2011/12 Draft Controllable Budget £
Tourist Information Centre	132,300
Printing Section - Summary	37,130
Design Services	112,380
Press and Publicity Services	131,000
Approved Growth	0
2011/12 Savings Programme	-48,000
Total	364,810

General Fund Revenue Growth Requests 2011/12

As part of the annual update of the medium term financial plan, Heads of Service identify and quantify budget growth pressures. These pressures arise from a number of sources i.e. Health and Safety requirements, Statutory Requirements, Priority Areas (Transforming Ipswich) and service development.

The growth bids are collated and then prioritised, using the methodology previously mentioned in the “Overview of the Medium Term Financial Plan”.

All growth items have been assessed for deliverability, risk, timing and likelihood of occurrence. The figures included in the list below are shown gross i.e. they are the maximum cost possible, the actual amount of growth included in the MTFP is less as a result of the assessment completed.

The growth items identified below have been included in the budget forecast:-

General Fund Revenue Growth

Proposed Change of Activity	2011 / 2012 £'000	Ongoing £'000
Communities		
Locality Budgets	240	240
Corporate Development		
Ensure IT security to comply with anticipated changes to GCSx CoCo	15	15
Environment		
Fire Risk Assessments	20	0
Finance		
Pension Backfunding - anticipated increase following trienniel valuation	50	50
Pump-priming contribution to the 'Big Society'	100	0
Legal		
Ipswich Central BID (Business Incentive District) vote	20	0
Planning & Regeneration		
Planning Service - to provide establishment funding to replace lost HPDG funding for posts	23	61
	468	366

Two-Year Savings Programme 2011/12 to 2012/13

As part of the annual update of the medium term financial plan, the Head of Finance identified the shortfall in available funding compared with estimated expenditure for 2011/12 to 2012/13 as £3 million. A decision was made to utilise reserves to enable a deliverable phased programme of savings to be introduced, this programme therefore aims to achieve the required level of sustainable savings over a two-year period.

The Heads of Service Team initially identified potential areas where savings could be made. This initial list was further developed at a joint meeting of the Corporate Management and Heads of Service Teams. The result was then refined and quantified by Heads of Service working with Financial Services, this list was then considered by Portfolio Holders, Directors and Operational Managers to produce the programme overleaf.

The figures identified for each item in the list are considered realistic, however a contingency of approximately 10% has been included to allow for potential shortfalls arising from time delays or other considerations.

The figures quoted for 2012/13 onwards are not in addition to those quoted for 2011/12, they represent the impact of the saving relevant to the base year.

The following pages contain these approved savings items, which have been included in the budget forecast: -

GENERAL FUND SAVINGS

Change of Activity / Saving	2011 / 2012 Revenue Saving £'000	2012/13 onwards Revenue Saving £'000
Communications & Design		
Dis-establish Reprographics Coordination Officer post	30	30
Cumulative Minor savings within Printing Section budgets	5	5
Cumulative minor savings within the Tourism Information Centre budget	13	13
Communities		
Savings associated with possible transfer of Ipswich HEARS to Suffolk wide responding service	0	50
Review manning levels of the Emergency Services Centre if HEARS transferred	30	150
Review budgets within Emergency Services	5	5
Reduce corporate contributions to outside organisations by ensuring that all financial support is routed via the corporate grants process	70	70
Reduce equalities budget	5	5
Reduce contingency within Emergency planning budget and utilise corporate contingency instead	5	5
Realign community cash grants budget to current spending levels	50	60
Corporate Development (inc. staffing)		
Reduced employee related costs across IBC	200	375
Remove additional budget for extra bandwidth	25	25
Reduce margin on computer maintenance	12	0
Renegotiate individual broadband contracts	7	7
Realign all technical training budgets to current spending levels	77	77

GENERAL FUND SAVINGS continued

Change of Activity / Saving	2011 / 2012 Revenue Saving £'000	2012/13 onwards Revenue Saving £'000
Corporate Management Team		
*Chief Executive appointment at the bottom of Grade 1	30	30
*Dis-establish one Director post (i.e. have two not three)	92	92
*Dis-establish one Personal Assistant Post - replace with internal secondment	11	11
Cumulative Minor savings within other Corporate Management Team Budgets	17	17
*Delete the Head of Strategic Projects Post (currently vacant)	80	80
Recharge a percentage of staff time on project work within the Performance and Project team to relevant revenue and capital projects / budgets	50	120
*Consolidate three Operational Areas into new Performance and Projects Team	0	43
Opportunity Led Savings or Restructures (e.g. people leaving to go to other jobs / places (etc) might lead to savings, restructures or dis-established posts)	0	100
Culture		
Sports service efficiencies and improvements	40	120
Alternative management options for sports centres	70	70
Focus play activity at the Landseer centre around school holidays	15	15
Allocate grant funding to focus on Dance East, NWT and Eastern Angles	38	38
Lease part of the Corn Exchange	0	50
Parks & Open Spaces Improvement Plan	78	6
Community management of parks sports facilities	18	18
Review of grass cutting efficiencies across parks and open spaces	20	20
Strategic Review of the Museum Service	70	100
Environment		
Reduce storage costs	10	10
Reduce environment team costs	64	64
Delete vacant Area Building Control Officer post	40	40
Reduce level of funding for Environmental Health Officer Students by 50%	28	28
Sub Lease part of Grafton House	100	250
Remove sustainable travel surplus	25	25
Renegotiation of Building & Design contract	30	30

GENERAL FUND SAVINGS continued

Change of Activity / Saving	2011 / 2012 Revenue Saving £'000	2012/13 onwards Revenue Saving £'000
Finance		
PwC audit fees	20	20
*Accounting services restructure	20	40
Internal Audit restructure/additional income from counter fraud partnership arrangements with SCDC and WDC	10	20
Revenues & Benefits better housekeeping	5	5
Further reduction in external audit fee following abolition of CAA & Audit Commission	80	80
SRP Accommodation Recharge	100	100
Reduce supplies and services across IBC	100	100
Investment income - proactive management	25	25
Housing		
Business Support Unit - staff reduction once integrated housing management software fully implemented	3	7
Planning, Transport & Regeneration		
Review of Planning and Conservation charges	25	25
Economic Development Grants to RCE, HGP, Princes Trust etc funded through IP-City Account.	50	50
Asset and Property charging for services and information	22	22
LDF beyond Core Strategy - reduce allocation for external consultants and Inspector	50	50
Parking and Highway Services restructure review. Recovery above Streetcare Saving targets.	46	0
Demolish ICA building create car park – will mean demolition costs and creating of flat surface (capital)	30	30
Town Centre Maintenance grant removed	21	21
Increase charges for Highway related Services e.g. skips	5	5
Combine Community Projects with Communities	60	80
Highway Services staff reduction from establishment	75	75
Contingency for non delivery		
Margin for delay or difficulty in implementation	-207	-309
Net Saving	**2,000**	**2,700**

* Savings approved by committee

Table of Specific and Other Revenue Grants

In addition to the Revenue Support Grant, the Council receives specific other grants to support Government initiatives towards services provided by the Council. The table below shows the level of grant receivable and the gross cost of the service:

Grant	**Ringfenced** Y/N	**Status**	**2011/12 Grant £'000**	**2011/12 Related Expenditure £'000**
Housing Benefit and Council Tax Benefit Administration	Y	Confirmed	1,147	2,768
Homelessness Grant	Y	Confirmed	127	127
Council Tax Compensation Grant	N	Indicative	319	319
New Homes Bonus	N	To be confirmed	N/A	N/A

The background and a short summary of all the grants is shown below:-

Housing Benefit and Council Tax Benefit Administration – This is awarded by the Department of Works and Pensions to help cover the cost of processing Housing and Council Tax Benefit.

Homelessness Grant – This was introduced as a government initiative a number of years ago to help towards the cost of Homelessness.

Council Tax Compensation Grant – This is a new grant, being introduced in 2011/12, to compensate those councils that freeze or reduce their council tax.

New Homes Bonus –This is a new scheme, commencing in April 2011 to provide incentives and rewards for councils and communities who wish to build new homes in their area.

PUBLIC CONSULTATION RESULTS – AUTUMN 2010

A public consultation exercise was undertaken in Autumn 2010.

The 2.5% sample covers all Ipswich council tax payers on each Band.

The public consultation focused only on Ipswich Borough Council's element of the Council Tax

Council's General Fund Budget/Council Tax levels

Option 1 – Range and level of Council services to remain largely the same level	**41%**
Option 2 - A small reduction in the level of services provided by the Council	**39%**
Option 3 – A large reduction in the range and level of services provided by the Council	**11%**

299 responses received equating to an overall response rate of 25%

(9% of responses were spoilt or returned uncompleted)

AREA FORUM CONSULTATION RESULTS – AUTUMN 2010

A budget planning consultation exercise was carried out with the attendees of each of the Area Forums during Autumn 2010. The results are set out below:

Response to same options as postal survey -

Council's General Fund Budget/Council Tax Level		Respondees	%
Option 1	Council services remain largely the same	47	49
Option 2	A small reduction in the services provided by the Council	46	48
Option 3	A large reduction in the services provided by the Council	3	3

Results of the budget allocation exercise carried out at Area Forums -

2011/12 BUDGET PLANNING CONSULTATION	% change as per area forum		
Service Grouping	**+**	**-**	**same**
Car Parking	5.7	4.0	3.6
Communications and Tourism	4.2	3.4	5.0
Community Safety, CCTV & Emergency Planning	8.4	1.7	5.0
Concessionary Bus Fares	2.7	3.7	5.2
Corporate Property Management	0.6	4.9	4.2
Customer Service Centre	2.4	3.2	5.6
Entertainment Provision (incl Regent Theatre, Corn Exchange, Cultural Grants)	2.7	4.3	5.4
Finance (incl Accountancy, Audit, Revenues and Benefits)	1.2	7.3	3.2
Grants to Voluntary Organisations & Community Development	10.2	3.0	4.1
Housing Strategy & Support (incl Choice based lettings, Homeless accommodation)	7.8	3.4	3.7
IBC Premises Costs (incl Building & Design)	0.6	9.3	2.1
IT, Human Resources and Health & Safety	1.2	6.9	3.6
Legal & Democracy (incl Committee Services, Councillor Allowances, Mayoral costs)	0.6	9.1	2.3
Licensing & Bereavement	2.1	2.5	5.5
Museums Service	1.5	3.0	6.3
Parks Service	5.7	3.0	5.2
Planning, Economic Development and Building Control	3.6	5.0	4.2
Public Health - Food, Noise, Pollution	9.0	0.7	5.6
Refuse Collection and Street Cleaning	7.2	0.7	6.2
Senior Management Team	0.9	9.8	1.8
Sport Centres, Swimming Pools and Sports Development	8.7	1.9	5.0
Strategic Projects and Performance Monitoring	1.2	7.2	3.0
Transport Policy & Highways Agency	11.7	2.1	4.2

HOUSING REVENUE ACCOUNT FORECAST 2010/2011 TO 2014/15

2009/10 OUT-TURN £		2010/11 ORIGINAL BUDGET £	*Year 1* 2010/11 FORECAST £	*Year 2* 2011/12 FORECAST £	*Year 3* 2012/13 FORECAST £	*Year 4* 2013/14 FORECAST £	*Year 5* 2014/15 FORECAST £
	EXPENDITURE						
	MANAGEMENT & MAINTENANCE						
3,911,035	Supervision & Management General	4,261,240	4,003,800	3,852,140	3,606,720	3,678,850	3,752,430
1,655,069	Supervision & Management Special	1,840,210	1,793,070	1,914,980	1,953,280	1,992,350	2,032,200
303,800	Superannuation Backfunding	348,510	440,000	441,130	449,950	458,950	468,130
4,101,119	Responsive Repairs	4,277,110	3,164,610	3,430,410	3,499,020	3,569,000	3,640,380
290,065	Special/Contract Repairs	260,260	1,242,950	1,199,950	1,223,950	1,248,430	1,273,400
1,002,958	Planned Maintenance	1,000,000	1,000,000	1,020,000	1,040,400	1,061,210	1,082,430
11,264,046	**MANAGEMENT & MAINTENANCE TOTAL**	**11,987,330**	**11,644,430**	**11,858,610**	**11,773,320**	**12,008,790**	**12,248,970**
	CAPITAL FINANCING COSTS						
64,784	**Debt Management Expenses**	52,340	72,513	62,157	61,624	57,246	52,852
4,841,757	**Depreciation**	7,950,420	7,950,420	8,095,120	8,168,670	8,243,020	8,243,020
28,709,367	**Impairment of Assets**	0	0	0	0	0	0
6,155	**Deferred Charges**	0	0	0	0	0	0
33,622,063	**TOTAL CAPITAL FINANCING COSTS**	**8,002,760**	**8,022,933**	**8,157,277**	**8,230,294**	**8,300,266**	**8,295,872**
21,794	**RENT REBATES SUBSIDY LIMITATION**	**0**	**0**	**0**	**0**	**0**	**0**
6,107,087	**GOVERNMENT SUBSIDY PAYMENT**	**6,496,100**	**6,518,898**	**7,816,470**	**8,625,100**	**9,411,050**	**10,393,520**
0	**PROVISION FOR BAD DEBTS**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
129,790	**HRA share of Corporate Democratic Core and Non Distributed Costs**	**131,350**	**131,350**	**130,930**	**133,550**	**136,220**	**138,940**
51,144,780	**TOTAL EXPENDITURE**	**26,717,540**	**26,417,611**	**28,063,287**	**28,862,264**	**29,956,326**	**31,177,302**
	INCOME						
	RENT INCOME						
26,899,198Cr	**Rents**	27,458,220Cr	27,395,110Cr	29,127,850Cr	30,178,680Cr	31,300,890Cr	32,444,720Cr
710,408Cr	**Service Charges**	718,070Cr	770,000Cr	790,000Cr	820,020Cr	852,050Cr	885,330Cr
567,327Cr	**Commercial**	554,760Cr	554,760Cr	554,700Cr	554,700Cr	554,700Cr	554,700Cr
195,913Cr	**Hostels**	240,150Cr	167,200Cr	173,710Cr	180,310Cr	187,350Cr	194,670Cr
337,641Cr	**Shops (Net)**	300,000Cr	305,000Cr	330,000Cr	330,000Cr	330,000Cr	330,000Cr
28,710,487Cr	**RENTS TOTAL**	**29,271,200Cr**	**29,192,070Cr**	**30,976,260Cr**	**32,063,710Cr**	**33,224,990Cr**	**34,409,420Cr**
0	**RENTAL CONSTRAINT ALLOWANCE**	**0**	**0**	**0**	**0**	**0**	**0**
173,390Cr	**G.F. RECHARGE**	**181,090Cr**	**181,090Cr**	**184,710Cr**	**188,400Cr**	**192,170Cr**	**196,010Cr**
28,883,877Cr	**TOTAL INCOME**	**29,452,290Cr**	**29,373,160Cr**	**31,160,970Cr**	**32,252,110Cr**	**33,417,160Cr**	**34,605,430Cr**
22,260,903	**NET COST OF SERVICES**	**2,734,750Cr**	**2,955,549Cr**	**3,097,683Cr**	**3,389,846Cr**	**3,460,834Cr**	**3,428,128Cr**

2009/10 OUT-TURN £		2010/11 ORIGINAL BUDGET £	*Year 1* 2010/11 FORECAST £	*Year 2* 2011/12 FORECAST £	*Year 3* 2012/13 FORECAST £	*Year 4* 2013/14 FORECAST £	*Year 5* 2014/15 FORECAST £
22,260,903	**NET COST OF SERVICES**	2,734,750Cr	2,955,549Cr	3,097,683Cr	3,389,846Cr	3,460,834Cr	3,428,128Cr
0	Items t/f from previous to current year	0	62,000Cr	0	0	0	0
0	Ipswich Standard Contingency	23,760	0	0	0	0	0
0	Repairs Contingency_emergency repairs	0	29,320	29,320	29,320	29,320	29,320
0	Single Status & Harmonisation Contingency	50,000	0	100,000	100,000	50,000	50,000
0	Recharge Changes	0	0	0	0	0	0
0	Target Savings	459,400Cr	0	0	0	0	0
0	Transitional Vacancy savings	30,000Cr	0	30,000Cr	30,000Cr	30,000Cr	30,000Cr
26,957,644Cr	Adjusting Transfer from AMRA	1,453,440Cr	1,453,440Cr	1,447,960Cr	1,378,810Cr	1,282,180Cr	1,345,590Cr
23,929Cr	Interest	42,680Cr	42,680Cr	23,180Cr	12,100Cr	8,000Cr	12,020Cr
4,720,670Cr	**NET OPERATING EXPENDITURE**	4,646,510Cr	4,484,349Cr	4,469,503Cr	4,681,436Cr	4,701,694Cr	4,736,418Cr
92,168	Contributions to Provisions/Reserves	0	0	0	0	0	0
5,929,000	RCCO's	5,222,760	5,222,760	4,742,853	4,413,180	4,370,110	4,326,710
1,300,498	**(SURPLUS)/DEFICIT**	576,250	738,411	273,350	268,256Cr	331,584Cr	409,708Cr
2,845,543Cr	HRA Balance b/f 1st April	1,303,673Cr	1,545,045Cr	806,634Cr	533,284Cr	801,540Cr	1,133,124Cr
1,545,045Cr	HRA Balance c/f 31st March	727,423Cr	806,634Cr	533,284Cr	801,540Cr	1,133,124Cr	1,542,832Cr
	MINIMUM REQUIRED BALANCE	500,000Cr	500,000Cr	500,000Cr	500,000Cr	500,000Cr	500,000Cr

NOTES:

Assumes both Decent Homes & Ipswich Standard program are fully funded - subject to HRA Reform - see below

Effect of HRA Reform and Self Financing not know at this stage for the purpose of the forecast Govt Subsidy payments have been projected on their current basis.

RCCO contribution may need to be adjusted depending on size of the borrowing requirement. This may result in a reduced Ipswich Standard Program

Recommended Sheltered Scheme Charges 2011/12 (per week over 50 weeks)

Charge	2010/11	2011/12	Comment
Service Charge	£17.14	£19.00	Increase due to review of service charge elements (This charge is eligible for Housing Benefit)
Supporting People Charge	£20.00	£13.00	Supporting People (SP) element reduced as per SCC – Service will be reduced to compensate. (SP cover this cost for all tenants in receipt of Housing Benefits)
Water Rate Charge	£3.41	£3.41	Income covers anticipated costs – price freeze
Heating Communal Areas Charge 1 Charge 2*	 £1.90 £0.71	 £1.90 £0.71	(This charge is eligible for Housing Benefit) Price rises kept to minimum through energy procurement and usage lowered by proactive energy management –Net result price freeze
Heating – Individual home Charge 1 –2 rooms with htg 3 – 4 rooms with htg 5/6 rooms with htg 7+ rooms with htg	 £3.41 £5.49 £7.46 £9.43	 £3.41 £5.49 £7.46 £9.43	Price rises kept to minimum through energy procurement and usage lowered by proactive energy management – Net result price freeze

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

Notes

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

Garage Rents 2011/12 (per week) all charges to increase by 6.47% in line with the average Council house inflationary increase (rounded up/down)

Scheme	**2010/11**	**2011/12**	**Change**
Council Tenants Garages			
Vary From	£5.96	£6.35	+ £0.39
To	£8.11	£8.63	+ £0.52
Non Council Tenants*			
Vary from	£5.96 + vat = £7.15	£6.35 + vat = £7.62	+ £0.47
To	£8.11 + vat = £9.73	£8.63 + vat = £10.36	+ £0.63
Other Charges			
Water charge (where applicable)	£1.01	£1.08	+ £0.07
Hardstands			
Vary from	£1.28	£1.36	+ £0.08
To	£1.61	£1.71	+ £0.10

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

District Heating Charges 2011/12 (per week)

	2010/11	**2011/12**	**Change**
Lower rate	£7.50	£7.50	£0
Higher rate	£9.00	£9.00	£0

Charges vary according to number of rooms with heating – Charges have been reduced despite energy cost price rises, further improvements have been made to the district heating systems to reduce energy consumption as part of the Councils corporate aim to reduce energy consumption

Section 5

Reserves and Provisions Policy

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.

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.

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

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. 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

6. The level of the General Working Balance to be held by the Council is determined by consideration of strategic, operational and financial risks. The determination of the level of reserves to be held is influenced by cash flow requirements, budget assumptions e.g. inflation, interest rates, planned efficiency savings and the availability of other funds together with an assessment of the financial standing and management of the authority e.g.

track record in budget management and strength of financial reporting procedures.

7. The opportunity cost of maintaining a minimum General Fund working balance of £2.0 million, is contrasted with the cost of running services such as Domestic Refuse Collection, Parks and Open Spaces or the Emergency Services Centre which are all comparable in cost. The level of reserves held is also influenced by the "opportunity cost" of holding these funds, which could otherwise be used for other purposes. The funds could also be used to reduce the level of Council Tax or increase the overall level of services provided.

8. 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.

9. 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 million for 2011/12 onwards.

Ipswich Buses Ltd – Debenture Loan

10. 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

11. The Insurance Reserve is required to cover the potential liability for excess payments arising from claims below the insurance threshold and uninsured risks.

Repair and Renewal

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

Investment Impairment

13. The Investment Impairment reserve has been set up to cover possible losses on the Council's investments in Icelandic Banks.

<u>Housing Revenue Account</u>

Working Balance

14. The HRA Working Balance is maintained to provide a contingency for dealing with potentially significant variances that could arise due to events like changes in subsidy or overspends on the large improvement programme. The current minimum balance of £500,000 is equivalent to a variance of

approximately 4.2% of management and maintenance costs, 6.4% of the Subsidy Payment and 1.6% of the total rental income. This is considered an appropriate level.

.

Repair and Renewal

15. £500,000 of this reserve will be fully utilised in 2011/12 to provide funding for the Ipswich Standard Program. The balance is held to cover future year's programs or unforeseen emergency repairs to the Council's housing stock.

Miscellaneous

16. 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

17. The Insurance Provision represents funds set aside to meet the value of outstanding unsettled claims, as advised by our external insurers.

Bad Debts

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

Housing Revenue Account

Bad Debts

19. 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.

20. It is recommended that the current level of HRA working balance be maintained at a minimum of £0.5m.

Schedule of Working Balances, Reserves and Provisions

ADEQUACY OF WORKING BALANCE/ RESERVES AND PROVISIONS

Reserves	Balance 31-Mar-10 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-11 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-12 £'000	Balance 31-Mar-13 £'000	Balance 31-Mar-14 £'000
General Fund:									
Working Balance	5,853Cr	0	1,504	4,349Cr	0	1,395	2,954Cr	2,000Cr	2,000Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr
Insurance Reserve	1,173Cr	0	0	1,173Cr	0	0	1,173Cr	1,173Cr	1,173Cr
Repair and Renewal	1,691Cr	25Cr	1,157	559Cr	25Cr	22	562Cr	565Cr	568Cr
Investment Impairment	2,443Cr	0	955	1,488Cr	0	0	1,488Cr	1,488Cr	1,488Cr
Total	**11,412Cr**	**25Cr**	**3,616**	**7,821Cr**	**25Cr**	**1,417**	**6,429Cr**	**5,478Cr**	**5,481Cr**
Housing Revenue Account:									
Working Balance	1,545Cr	0	738	807Cr	0	274	533Cr	802Cr	1,133Cr
Repair and Renewal	1,000Cr	0	0	1,000Cr	0	500	500Cr	500Cr	500Cr
Miscellaneous	1,107Cr	0	114	993Cr	0	558	435Cr	88Cr	0
Total	**3,652Cr**	**0**	**852**	**2,800Cr**	**0**	**1,332**	**1,468Cr**	**1,390Cr**	**1,633Cr**
Capital:									
Usable Capital Receipts	9,975Cr	0	5,395	4,580Cr	429Cr	4,676	333Cr	2Cr	3Cr
Total	**9,975Cr**	**0**	**5,395**	**4,580Cr**	**429Cr**	**4,676**	**333Cr**	**2Cr**	**3Cr**
Provisions									
General Fund:									
Insurance Provision	1,145Cr	0	0	1,145Cr	0	0	1,145Cr	1,145Cr	1,145Cr
Provision for Bad Debts	882Cr	0	0	882Cr	0	0	882Cr	882Cr	882Cr
Total	**2,027Cr**	**0**	**0**	**2,027Cr**	**0**	**0**	**2,027Cr**	**2,027Cr**	**2,027Cr**
Housing Revenue Account:									
Provision for Bad Debts	311Cr	100Cr	100	311Cr	100Cr	100	311Cr	311Cr	311Cr
Total	**311Cr**	**100Cr**	**100**	**311Cr**	**100Cr**	**100**	**311Cr**	**311Cr**	**311Cr**
Grand Total	**27,377Cr**	**125Cr**	**9,963**	**17,539Cr**	**554Cr**	**7,525**	**10,568Cr**	**9,208Cr**	**9,455Cr**

Section 6

CAPITAL STRATEGY

1. VISION AND CORPORATE STRATEGY

1.1 The Capital Strategy is a key document for the Council. Its sets out the processes and policies relating to capital expenditure and includes reference to other key documents of the authority that influence capital investment. It is essential that a robust Capital Strategy is in place in order to take the authority forward and ensure that its capital assets and resources are utilised in the most effective way.

1.2 The Finance Strategy sets the Council's overall strategy for Finance. The Capital Strategy and Asset Management Strategy complement the Finance Strategy and cover the Council's service investment programme and property management respectively. These strategies are subject to an annual review to ensure they remain up to date.

1.3 The key objective of the Capital Strategy is to deliver a capital programme 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.

1.4 The Capital Strategy was developed in consultation with Councillors, Corporate Management Team, and the Corporate Property Officer. It brings together the Council's response to the Corporate Plan, and facilitates the achievement of Operational Plans, the Asset Management Plan, Housing Investment Plan and Housing Revenue Account (HRA) Business Plan. The Capital Strategy covers the approach to all capital expenditure and it's financing.

2. KEY AREAS OF CAPITAL EXPENDITURE

2.1 There are a number of key areas of capital expenditure within the authority, which are:-

2.2 Maintenance of the Council's assets – Councillors are committed to investing in the Council's assets to maintain them in a "Fit for Purpose" state.

2.3 As required by the Government, the Council undertook, in consultation with tenants, a full stock options appraisal of the HRA housing stock, with the result being that the Council decided to retain its stock and approve a ten year £123m+ investment programme known as the "Ipswich Standard". The Government's regional office, Go-East has approved the decision and the Council does not need to reappraise its stock holding until 2013 unless there is any significant risk to the delivery of the Ipswich Standard programme in the intervening time. Due to the potential uncertainty and volatility of resources to finance the programme, e.g. Government allowances and capital receipts, the programme and resource availability is monitored closely.

2.4 Investment in Culture – The main scheme in the current capital programme is the refurbishment of Crown Pools to help people stay healthy in Ipswich.

2.5 Community Schemes – The Council is committed to listening to the views of tenants and provides funding for Environmental Improvements throughout the town.

2.6 The Council provides funding for Disabled Facilities Grants and also for meeting the Decent Homes standard in private dwellings through Improvement Grants.

2.7 The Council is committed to increasing the number of affordable homes available in Ipswich.

2.8 Ensuring the Council meet Government legislation. The Council is due to replace the cremators to meet the emissions legislation.

3. FUNDING CAPITAL EXPENDITURE

3.1 To achieve the Council's future capital requirements, it is clear that the Council will need to maintain innovative procurement methods and a robust and rigorous approach to the management of its capital and assets in order to deliver its key objectives. 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:-

3.2 **Government Grants** – These are contributions received from Government bodies. They are normally attributable to specific schemes or programmes e.g. Major Repairs Allowance

3.3 **Supported Capital Expenditure (SCE)** – This is Government Approved borrowing to undertake Capital Expenditure. The Government pays for the principal repayments and interest through RSG/Housing Subsidy in future years. SCE can only be used in the year in which the borrowing approval is received. They are normally scheme specific, except in the case of the Housing Revenue Account (HRA), where we are currently receiving SCE in respect of meeting the Decent Homes standard, and that covers a number of different schemes e.g. Affordable Warmth, Improving Ipswich Homes.

3.4 **External Funding -** These are contributions received from any other bodies e.g. Developers, Haven Gateway Partnership (HGP), Heritage Lottery Fund (HLF). The Council has produced, as part of the finance strategy, external funding guidelines and a checklist. Where schemes attract external funding, which does not require Ipswich Borough Council to use additional capital resources, the value of the funding is automatically added to the capital programme.

3.5 **Section 106 Contributions –** These are contributions constrained by planning law and are normally for specific schemes such as Affordable Housing and Parks

3.6 **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. The General Fund does not normally make contributions towards capital expenditure

3.7 **Capital Receipts** - These are contributions received from the sale of our assets.

3.8 **Prudential Borrowing -** This is unsupported borrowing. Any schemes funded through this method will incur revenue expenditure in respect of principal and interest charges. It is normally only used for “Invest to Save” schemes i.e. those schemes that will pay back the capital expenditure through savings/increased income.

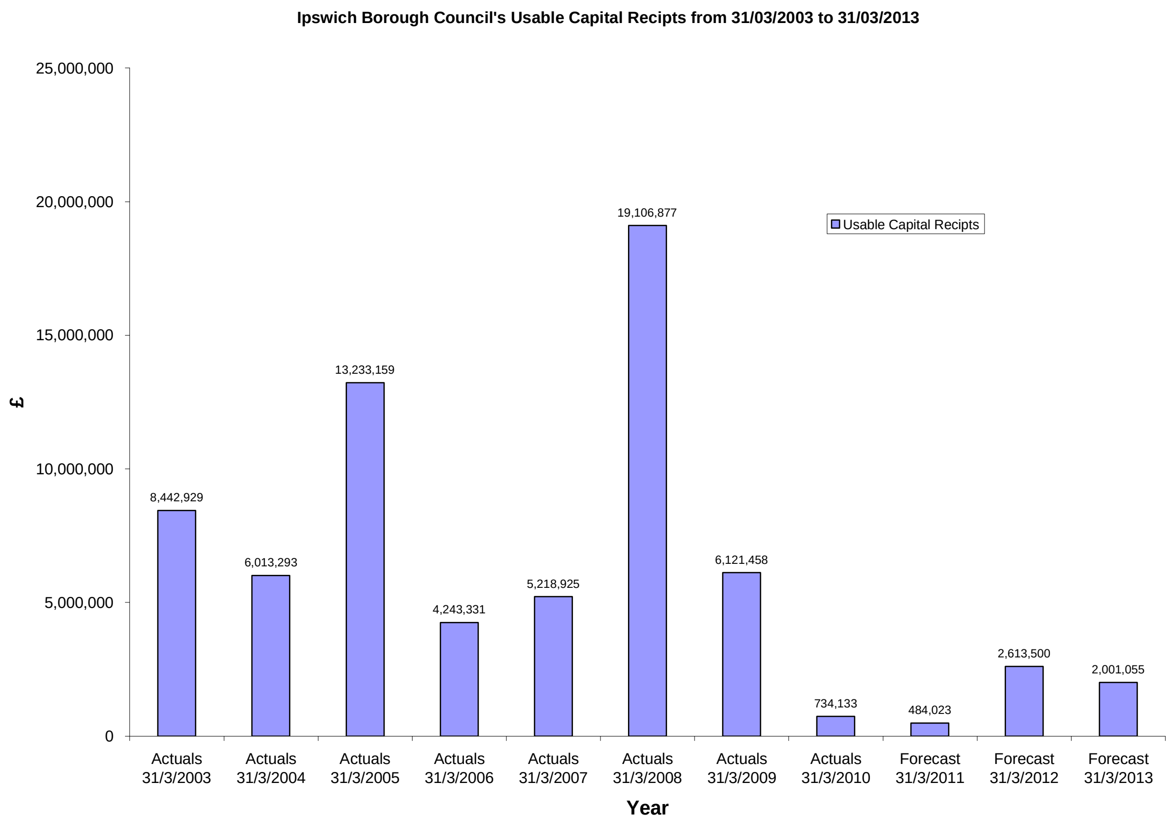
3.9 **Leasing** – The Council has moved away from this funding source in previous years, but with the changes to Public Works Loan Board rates, this funding source will be looked at again.

4. CURRENT SITUATION

4.1 The current depressed economic situation has a significant impact on the mix of capital projects required and the funding available. It is expected that the current economic pressures will remain to a significant degree over the next 5 years to 2016.

4.2 The Council needs to re-focus the capital programme and funding to provide an appropriate response. Key issues affecting particularly the general fund capital programme:-

4.3 Capital receipt levels were reducing but the current economic situation has seen a significant reduction in both the value and volume of receipts. Traditionally these have been the main funding source for the General Fund capital programme. It is anticipated that investment demand over the next 5 years will continue to significantly outstrip the capital receipts available. The graph below shows the Council’s capital receipts since 2003 and the forecast for the next two years.



- The Council has successfully reduced net borrowing levels from over £90m in the early 1990s to £18m with a corresponding reduction in the revenue debt charge levels.
- The Council has benefited from several significant external funding streams in the past 5 years. The market has matured and applications often require significant resource now effectively reducing the accessibility to these resources.

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

5. STRATEGIC APPROACH

5.1 There are many potential actions which could address the general fund capital situation which are based on either reducing capital investment levels or increasing funding levels over the next 5 years. A clear approach involving a mix of appropriate actions would facilitate the development of future capital programmes. Some key options are included in the annex and the following comments relate to these.

5.2 It is recommended that the Councils approach to future capital programme resourcing be the subject of a corporate review in 2011, in time for the next refresh of the capital strategy. An illustrative example of a strategic approach is illustrated in the table below.

Action	**Sub Option**	**Note**	**Extent**
Reduce capital expenditure	Stop projects Delay projects	1	Only so far as impact upon services is limited
Review operational property portfolio	Fit for purpose? Sell or Transfer property, equipment, plant	2	Some dependent on merits of individual cases & outlook for property market
Review corporate property portfolio	Review individual returns on capital employed. Sell or Transfer	2	Some dependent on merits of individual cases & outlook for property market
Generate Capital receipts	Bring forward sales Review corporate property & leases	2	Some dependent on merits of individual cases & outlook for property market As above
Increase Borrowing	For financially viable projects. Consider extending to other key projects	3 4 5	Max for projects breaking even in under 10 years Last resort to balance programme Max £5m increase by 2015
Fund appropriate schemes from revenue	Potential for community/locality, capitalised repairs	6 7	Max subject to general fund affordability limit
Section 106	Review opportunities	8	Max within criteria for individual

Action	Sub Option	Note	Extent
contributions	to use for projects		contributions
Revenue contributions	Introduce a general fund revenue contribution Increase the HRA revenue contribution	9	Last resort to balance programme Only available for HRA capital projects
Service Reserves	Allow HoS to transfer to Capital	5	Meet HoS priorities
Explore external funding opportunities	Make use of Grantfinder	10	Maximise additional resources
Lease Assets	Explore options	11	Subject to being cheapest option
Innovative scheme delivery	Using other partners	12	Dependent on practicality of delivery and ability to identify appropriate partners

<u>Notes</u>

1. The impact of stopping or delaying projects needs to acknowledge any increase in future cost and the ability to fund in future years
2. There will be a need to balance the need for capital receipts with the potential increase in value once markets recover.
3. Does the Council take advantage of current low interest rates to ensure projects that provide a return of capital within 10 years.
4. Does the Council take advantage of current low interest rates to ensure a sustainable capital programme.
5. Should the Council look to undertake projects with a mixture of funding streams eg Prudential Borrowing and Service Reserves
6. Should the Council move towards funding those schemes that are done on an annual basis such as Capitalised repairs to revenue. This would provide more flexibility and could cut down on future costs.
7. By moving Community/Locality funding to revenue, this will give Councillors and Officers more freedom as to where money can be spent and be more responsive to communities needs.
8. Could the Council have a more proactive approach to S106, so they do not have so many restrictions. This is one area where frequent Freedom of Information requests are received and it is difficult to spend the money received from S106, due to the restrictions.
9. Are revenue contributions treated as a corporate resource such as capital receipts, or are they targeted to specific schemes.
10. Should the Council subscribe to Grantfinder again.
11. The Council has moved away from leasing in recent years. Due to the changes in Public Works Loans Board rates this option will again be looked at.
12. There can be merit in joining with other partners who can add value eg council asset matched with partner funding to achieve joint delivery. An example is the use of a partner to deliver free energy to some council houses by installing photovoltaic solar panels.

6. PERFORMANCE FRAMEWORK OVERVIEW

6.1 The Council has adopted Best Practice to coordinate:-

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

Financial monitoring reports are submitted quarterly to the Executive. The Council has a policy that all Capital resources that are not ring-fenced should be pooled to meet the Council's priorities. Capital receipt forecasts based on the Asset Management Plan are updated on a monthly basis.

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

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

- Aim of the Project
- Meeting "Transforming Ipswich" objectives
- Priority
- Financial Information (Both Capital and Ongoing Revenue costs)
- Business Case
- Risk Management
- Timescales
- Milestones
- Asset Management
- Responsible Officer

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

6.5 All schemes, which progress from the project feasibility stage, are subject to evaluation The Council has developed a Capital Prioritisation methodology which scores all the factors in the Project feasibility. A guide to the evaluation process is available to officers and members to ensure a transparent and understandable method of evaluation. The revenue implications are checked as part of the Capital bidding scoring process. The scores for all projects are included within a list to be considered by Councillors and Directors' Team.

6.6 The Council has adopted a revised corporate procurement strategy, to ensure procurement supports the achievement of corporate aims and objectives. The Council has a Procurement Function and all strategic procurement decisions are to be made for the overall benefit of the organisation and not for individual constituent parts.

7. PERFORMANCE MEASURES AND MONITORING

7.1 The Council has developed a performance management framework comprising:-

- An annual Performance Plan
- Key Strategies
- Action Plans for Key Strategies
- Business Plans for each service
- Quarterly progress reports to Executive

7.2 In addition to adopting Audit Commission National and Local Indicators, the Council has developed a range of local performance measures and benchmarking techniques to inform on comparison with other similar organisations, public and private, identify "best practice" and enable continuous improvement.

7.3 The Capital Programme is monitored and reviewed in the following way:-

- Heads of Service are responsible for monitoring individual schemes
- Online financial information is available to all Heads of Service and Project Managers
- All project managers have access to, and have received training in the Council's Financial reporting system, Agresso
- Commitment Accounting is available in Agresso
- Capital Programme monitoring is done on a monthly basis through Heads of Service Budget Monitoring Reports so any additional resources required/surplus resources that are not needed are identified at an early stage
- Quarterly reports to Executive showing a 3 year Capital Programme and estimated resources
- An annual report to Executive detailing the reasons for budget carry forwards
- Any variances between +/- 5%/£5,000 (whichever is the higher) of budget to actual expenditure are included on monthly exception reports
- Any variances between +/- 5% of projected to actual completion dates are included on monthly exception reports

7.4 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.

8. LINKS TO PARTNERS AND CONSULTATION

8.1 Ipswich Borough Council has a history of working successfully together with a number of organisations and this has led to the formation of the 'One Ipswich' Local Strategic Partnership (LSP), as a body which will encompass all previous partnership working and improve local strategic decision making. The Local Strategic Partnership has agreed the Ipswich Community Strategy along the following themes:-

- Access and Fairness
- Culture and Learning
- Environment and Transport
- Crime
- Economy and Regeneration
- Health and Well-being

8.2 Although these themes do not mirror exactly Transforming Ipswich they are complementary to it and link the Council's Corporate Plan to the delivery of local priorities across wider cross cutting issues.

8.3 The reasons for having the Local Strategic Partnership are based on:-

- Ensuring that all organisations serving the community coordinate their actions and resources to address key priorities and to promote seamless service delivery.
- Identify local priorities and deliver services based on addressing them.
- Engage the local community in having a say on the things that shape their environment, facilities and lifestyle.

8.4 The thematic approach will help support these aims and has been further enhanced by the creation of 5 Area Forums across the town to focus on issues on a more local level and to engage with the people within each community. The key aim is to provide opportunities for local people and communities to take part in decisions that affect them.

8.5 The Council has regularly undertaken surveys in order to obtain representative public opinion on service priorities. The last Ipswich wide representative survey was undertaken in 2007 in order to inform policy and decision making at an Ipswich Borough Council level. This is in addition to on-going consultation carried out by Service Managers in relation to levels of customer satisfaction and service quality.

8.6 A presentation of the Capital Programme is also made to Local Businesses in February each year at which views are sought. This forum also brings together the aspirations of the various groups and helps co-ordinate partnership working schemes.

Section 7

Capital Programme for 2010/11 and Future Years

Scheme	Head of Service	2010/11	2011/12	2012/13	2013/14
HRA					
HRA Shops	Housing Services	52,040			
Integrated Housing Management System	Housing Services	285,000	65,000		
Introduction of Choice Based Lettings	Housing Services	55,360			
Ipswich Standard	Housing Services	11,247,770	10,985,000	9,700,000	9,700,000
HRA TOTAL		**11,640,170**	**11,050,000**	**9,700,000**	**9,700,000**
GF					
Affordable Housing - Other	Housing Services	216,700	169,260	169,260	169,260
Affordable Housing - Ravenswood	Housing Services	162,370		399,750	133,250
Alexandra Park Fountain	Culture & Leisure Services	37,690			
Area Forums	Planning, Transport & Regeneration	204,600			
Broomhill Pool	Culture & Leisure Services			500,000	500,000
Bus Shelters & Bus Stops	Planning, Transport & Regeneration	58,350	3,000		
Cap. IT Dev. - CSC -Call Centre/CRM back off/E Gov	Community Services	118,350			
Cap. IT Dev. - Electronic Doc man system + extension	Corporate Development	11,980			
Cap. IT Dev. - HR4U	Corporate Development	1,560			
Cap. IT Dev. - Implementation of Paris PCI DSS	Corporate Development	800			
Cap. IT Dev. - Paris on-line licensing	Corporate Development	3,100			
Cap. IT Dev. - PC and central IT replacement	Corporate Development	65,000	70,000	40,000	40,000
Cap. IT Dev. - PCI, updating security for credit card payments	Corporate Development	15,000			
Cap. IT Dev. - R.A.M. system	Finance	2,500			
Cap. IT Dev. - Rev & Benefits Replace soft/hardware	Finance	12,850			
Cap. IT Dev. - Upgrading PARIS income management	Corporate Development	3,070			
Capitalised repairs	Environmental Services	719,690	500,000	500,000	500,000
Carbon Management Programme Invest to Save	Environmental Services	162,830	111,570	3,770	
CCTV Synectics replacement	Community Services		51,400		

Capital Programme for 2010/11 and Future Years continued

Scheme	Head of Service	2010/11	2011/12	2012/13	2013/14
Cemetery - IT system	Legal and Democratic Services	19,800			
Cemetery - Phase 2a	Legal and Democratic Services		50,000		200,000
Community Improvements	Planning, Transport & Regeneration	368,560	43,300		
Corn Exchange - External & Roof Repairs	Environmental Services	96,440			
CP133 Ransomes SCC changing facilities	Culture & Leisure Services	40,000		10,000	
CP22 Tower Ramparts Bus Station	Planning, Transport & Regeneration	10,230		50,000	
Cremator Replacement	Environmental Services	45,000	811,000	400,000	50,000
Crown Pools Improvements	Environmental Services	874,040	1,697,380	412,000	
Crown Pools Repairs	Environmental Services	5,650			
Development of Corporate Mobile working solutions	Corporate Development		100,000	50,000	
Development of website/integration of back office to CRM	Corporate Development		100,000		
Disabled Facilities Grants	Housing Services	380,910	413,000	413,000	413,000
Emergency Service Centre Items	Community Services	560			
Environmental Improvements Town Centre	Planning, Transport & Regeneration	284,580			
Fore Street Pool Improvements	Environmental Services	13,700			
Housing and Planning Delivery Grant	Planning, Transport & Regeneration	28,750			
IAFDP Crown Pools - Summer 2011	Environmental Services		45,100		
IAFDP Orwell Country Park K Barrier gate replacement	Environmental Services	7,000			
Improvement Grants	Housing Services	225,000	124,000	124,000	124,000
Increased use of Electronic Document Storage	Corporate Development		75,000	75,000	
Ipswich Street Prostitution Strategy	Planning, Transport & Regeneration		45,000	50,020	
Leases funded by loan	Finance	416,300			
LSP Performance Reward Grant.	Community Services	245,000	246,120		
M & E installations phase 2	Environmental Services			50,000	600,000
M&E Installations Gipping House	Environmental Services	20,000			
M&E Installations Wolsey Art Gallery (WAG)	Environmental Services	25,500	282,000	52,500	
Microsoft Office Upgrade - Compliance	Corporate Development		95,000		
Microsoft XP replacement - compliance	Corporate Development			150,000	
Museum - HEG Roof Refurbishment	Environmental Services	247,640	31,220		
Museum - Ipswich Art School	Culture & Leisure Services	50,000			
Old Cemetery drainage & footpaths	Planning, Transport & Regeneration	8,060			
Operational Bases for GM Staff	Culture & Leisure Services	19,520	258,880	301,600	

Capital Programme for 2010/11 and Future Years continued

Scheme	Head of Service	2010/11	2011/12	2012/13	2013/14
Parks Lodges repairs	Environmental Services	1,220			
Parks Lottery Bid Christchurch Park	Culture & Leisure Services	71,450			
Pension Fund Contributions	Finance	190,000	500,000	500,000	500,000
Play Facilities	Culture & Leisure Services	8,000	80,200		
Regent Repairs	Environmental Services	117,090	45,000		
Regent Re-roof phase 3 and M&E items	Culture & Leisure Services			50,000	550,000
Road Improvements	Planning, Transport & Regeneration	564,450			
SRP New IT Platform	Finance		876,500		
St Lawrence Church	Environmental Services	26,510			
Stonelodge Park - Play Area	Culture & Leisure Services	64,900			
Tourist Information Centre (TIC) External Repairs	Environmental Services	10,080			
UCS	Legal and Democratic Services	455,000			
Virtual Server replacement	Corporate Development		50,000	50,000	
Waste PE Grant IT Project	Environmental Services	12,000			
Waste PE Grant Recycling at Flats	Environmental Services	790			
Wayfinder	Planning, Transport & Regeneration	350,800	200,000	115,000	
Whitton S C Football Facilities	Culture & Leisure Services			460,000	
GF TOTAL		**7,100,970**	**7,073,930**	**4,925,900**	**3,779,510**
CONTINGENCY					
Broomhill Pool	Environmental Services	1,340			
Contingency - additional commitments	Finance	30,200	600,000	600,000	200,000
Contingency - I. T. Upgrades	Corporate Development	73,490			
Crown Pools Repairs Contingency	Culture & Leisure Services	96,330			
Crown St Car Park Repairs	Planning, Transport & Regeneration	419,290			
CONTINGENCY TOTAL		**620,650**	**600,000**	**600,000**	**200,000**
TOTAL SCHEMES APPROVED		**19,361,790**	**18,723,930**	**15,225,900**	**13,679,510**

Funding of Capital Programme

	CAPITAL RECEIPTS	EXTERNAL FUNDING	BORROWING	MAJOR REPAIRS ALLOWANCE	SCE	RCCO'S	TOTAL
2010/11							
Resources at 31.03.2010	9,974,742	614,162	0	0	0	311,569	10,900,473
Resources in the year	0	1,368,969	461,300	5,159,240	1,314,000	4,741,001	13,044,510
Use of Resources	5,394,950	1,979,730	461,300	5,159,240	1,314,000	5,052,570	19,361,790
Balance at year end	4,579,792	3,401	0	0	0	0	4,583,192
2011/12							
Resources at 31.03.2011	4,579,792	3,401	0	0	0	0	4,583,192
Capital Receipts forecast to be received during 2010/11	429,023	0	0	0	0	0	429,023
Resources in the year	0	1,383,180	1,611,900	5,242,150	0	5,807,850	14,045,080
Use of Resources	4,675,850	1,386,180	1,611,900	5,242,150	0	5,807,850	18,723,930
Balance at year end	332,965	401	0	0		0	333,365
2012/13							
Resources at 31.03.2012	332,965	401	0	0	0	0	333,365
Capital Receipts forecast to be received during 2011/12	2,613,500	0	0	0	0	0	2,613,500
Capital Receipts forecast to be received during 2012/13 *	790,000	0	0	0	0	0	790,000
Resources in the year	0	1,166,260	625,000	5,286,820	0	4,413,180	11,491,260
Use of Resources	3,734,640	1,166,260	625,000	5,286,820	0	4,413,180	15,225,900
Balance at year end	1,825	401	0	0	0	0	2,225
2013/14							
Resources at 31.03.2013	1,825	401	0	0	0	0	2,225
Capital Receipts forecast to be received during 2012/13	1,211,055	0	0	0	0	0	1,211,055
Capital Receipts forecast to be received during 2013/14 *	240,000	0	0	0	0	0	240,000
Resources in the year	0	829,555	1,700,000	5,329,890	0	4,370,110	12,229,555
Use of Resources	1,449,955	829,555	1,700,000	5,329,890	0	4,370,110	13,679,510
Balance at year end	2,925	401	0	0	0	0	3,325
Actual Resources	15,258,320	5,362,126	4,398,200	21,018,100	1,314,000	19,643,710	66,994,455
Use of Resources	15,255,395	5,361,725	4,398,200	21,018,100	1,314,000	19,643,710	66,991,130
Deficit(-)/ Surplus of Resources	2,925	401	0	0	0	0	3,325

* There has recently been a reduction in the level of capital receipts due to be received in future years. In order to balance the programme it has become necessary to use the capital receipts due to be received in year for both 2012/13 and 2013/14 in addition to using those brought forward from previous years.

Section 8

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2011/12

This report sets out the expected treasury operations for 2011/12 and outlines the Council's prudential indicators for 2011/12 – 2013/14. It fulfils four key legislative requirements:

- The treasury management strategy statement which sets out how the Council's treasury service will support the capital decisions taken above, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator is the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is the Affordable Borrowing Limit required by S3 of the Local Government Act 2003. This is in accordance with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code;
- The reporting of the prudential indicators setting out the expected capital activities (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management Code of Practice;
- The investment strategy, which sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the CLG Investment Guidance;
- The Council's Minimum Revenue Provision (MRP) Policy, which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007;

A revised CIPFA Treasury Management code of practice was produced in November 2009. One element of the code is that the **"clauses to be adopted"** as part of the Council's financial standing orders be amended. The clauses are listed below:-

1. This Council will create and maintain, as the cornerstones for effective treasury management:
   - ***A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;***
   - ***Suitable Treasury Management Practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.***

2. The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMPs.

3. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Head of Finance, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The Council is recommended to approve each of the six key elements:

1. **The Treasury Management Strategy 2011/12 to 2013/14, and the Treasury Prudential Indicators.**
2. **The Authorised Limit Prudential Indicator.**
3. **The Investment Strategy 2011/12 contained in the Treasury Management Strategy and the detailed criteria.**
4. **The Prudential Indicators and Limits for 2011/12 to 2013/14.**
5. **The Minimum Revenue Provision (MRP) Statement, which sets out the Council's policy on MRP.**
6. **The revision to the Council's financial standing orders. This revision nominates Audit Scrutiny Committee to ensure effective scrutiny of the treasury management strategy and policies.**

1 BACKGROUND

1.1 The Local Government Act 2003 allows local authorities to determine locally their levels of capital investment and associated borrowing. To ensure probity, affordability and accountability the Authority should comply with the code of practice, the 'Prudential Code', which requires the Council to determine a number of key indicators prior to setting its council tax each year. These indicators must be consistent with the Council's budget strategy. Principally, this process requires an assessment that:

a) capital investment plans are affordable

b) all external borrowing and other long term liabilities are within prudent and sustainable levels, and

c) treasury management decisions are taken in accordance with professional good advice.

1.2 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

a) increases in interest charges caused by increased borrowing to finance additional capital expenditure, and

b) any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future

1.3 The Code requires the Council to set borrowing limits, which establish borrowing ceilings and the 'debt mix' of any borrowings to be made. Under the Code the Council is also required to approve its annual Treasury Management Strategy and this is set out at Section 2 below for 2011/12.

1.4 In addition the 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.

1.5 The aim of the code is to allow Members to be informed of the impact of capital investment decisions on the overall Council budget. The Council must set ten indicators. These are set out at Section 3 below and need to be considered as a whole: the sequence of presentation is not an indication of relative significance.

1.6 Due to the economic conditions prevailing over the past 30 months the Council has repaid a considerable amount of debt and kept investments to a minimum, so as to reduce risk. The table below shows the Councils net borrowing position since 2005

Year End	Borrowings	Investments	Net Position
	£000's	£000's	£000's
31/03/2005 Actual	39,815	26,181	13,634
31/03/2006 Actual	42,402	23,178	19,224
31/03/2007 Actual	51,166	25,318	25,848
31/03/2008 Actual	48,903	35,464	13,439
31/03/2009 Actual	47,216	32,320	14,896
31/03/2010 Actual	29,993	10,964	19,029
31/03/2011 Estimate	27,500	9,000	18,500

Note

The estimate investment figure as at 31/03/2011 includes £4.5m that is currently frozen with Icelandic banks.

2 TREASURY MANAGEMENT STRATEGY

2.1 The treasury management service is an important part of the overall financial management of the Council's affairs. The prudential indicators consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The treasury service considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets the balanced budget requirement under the Local Government Finance Act 1992.

2.2 The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). The Council adopted the Code of Practice on Treasury Management in February 2002, and as a result adopted a Treasury Management Policy Statement. The CIPFA code of practice was updated in November 2009 and the Council adopted the revised code. This adoption meets the requirement of the first of the treasury prudential indicators.

2.3 The key intention of current CLG Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield.

2.4 The Council produces an Annual Investment Strategy as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for decision making on investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

2.5 The Constitution requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming year. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. The quarterly budgetary control report includes a section on treasury management activities and further reports on treasury are produced after six months and after the year-end as part of the variance report, to report on actual activity for the year.

2.6 This strategy covers:

- The Council's debt and investment projections;
- The Council's estimates and limits on future debt levels;
- The expected movement in interest rates;
- The Council's borrowing and investment strategies;
- Treasury performance indicators;
- Specific limits on treasury activities;
- Any local treasury issues.

2.7 The following table shows the interest rate forecasts for the next 12 months from the Council's Treasury Management consultants.

			Money Rates			PWLB Rates		
Year	End Period	Bank Rate	3 Mth	6 Mth	12 Mth	5 yr	25 yr	50 yr
2011	Jan	0.50	0.60	0.90	1.40	3.40	5.30	5.20
	March	0.50	0.60	0.90	1.40	3.30	5.20	5.20
	June	0.50	0.70	1.00	1.50	3.30	5.20	5.20

			Money Rates			PWLB Rates		
	Sept	0.50	0.80	1.10	1.60	3.40	5.20	5.20
	Dec	0.75	1.00	1.20	1.80	3.50	5.30	5.30
2012	March	1.00	1.20	1.50	2.10	3.60	5.30	5.30

Note
The money rates shown are estimated to be the average. For investments with the major clearing banks and the Government's Debt Management Office the rates are generally lower.

2.8 The table below shows average rates over the last 2 years and the forecast average rates for the next 3 years from the Council's Treasury Management consultants.

		Money Rates		PWLB Rates		
Year	Bank Rate	3 Mth	12 Mth	5 yr	25 yr	50 yr
2009/10	0.50	0.70	1.40	2.80	4.20	4.30
2010/11	0.50	0.70	1.50	3.00	4.70	4.80
2011/12	0.70	1.00	1.80	3.40	5.30	5.30
2012/13	1.50	2.00	2.80	3.90	5.40	5.40
2013/14	2.80	3.20	3.70	4.60	5.60	5.60

Note
On 20 October 2010, the PWLB increased all borrowing rates by 1%. There was no corresponding increase in repayment rates.

Economic Background

2.9 The sovereign debt crisis peaked in May 2010 prompted, in the first place, by major concerns over the size of the Greek government's total debt and annual deficit. However, any default or write down of Greek debt would have substantial impact on other countries, in particular, Portugal, Spain and Ireland. This crisis culminated in the EU and IMF putting together a €750bn support package in mid May. A second support package for Ireland was agreed in December.

2.10 Following the general election in May 2010, the coalition government has put in place an austerity plan to carry out correction of the public sector deficit over the next five years. The inevitable result of fiscal contraction will be major job losses during this period, in particular in public sector services. This will have a knock on effect on consumer and business confidence and appears to have also hit the housing market as house prices started on a negative trend during the summer and autumn of 2010. Mortgage approvals are also at very weak levels and declining, all of which indicates that the housing market is likely to be very weak next year.

2.11 Economic Growth is likely to have peaked in the current period of recovery with GDP at 1.2% in quarter 2 of 2010. The first estimate of +0.8% for quarter 3 was also unexpectedly high. However, the outlook is for anaemic growth in 2011/12 although the Bank of England and the Office for Budget Responsibility are forecasting near trend growth (2.5%) i.e. above what most forecasters are currently expecting.

2.12 The trend of falling unemployment (on the benefit claimant count) has now been replaced since July 2010 with small increases, which are likely to be the start of a new trend for some years ahead of rising unemployment.

2.13 The Consumer Price Index has remained high during 2010. It peaked at 3.7% in April gradually declining to 3.1% in September (RPI 4.6%) before returning to its April level by December 2010. Although inflation has remained stubbornly above the MPC's 2% target, the MPC is confident that inflation will fall back under the target over the next two years.

2.14 The Bank of England finished its programme of quantitative easing (QE) with a total of £200bn in November 2009. However, major expectation that there could be a second round of quantitative easing in late 2010 or early 2011, to help support economic growth, have evaporated after the surprises of the Q3 GDP figure of +0.8% and the November Inflation Report revising the forecast for short term inflation sharply upwards. The general view is that there is unlikely to be any increase in Bank Rate until the end of 2011.

2.15 It is currently difficult to have confidence as to exactly how strong the UK economic recovery is likely to be, and there are a range of views in the market. There are huge uncertainties in all forecasts due to the major difficulties of forecasting the following areas:

- the speed of economic recovery in our major trading partners - the US and EU
- the danger of currency war and resort to protectionism and tariff barriers if China does not address the issue of its huge trade surplus due to its undervalued currency
- the degree to which government austerity programmes will dampen economic growth and undermine consumer confidence
- changes in the consumer savings ratio
- the speed of rebalancing of the UK economy towards exporting and substituting imports
- the potential for more quantitative easing, and the timing of this in both the UK and US, and its subsequent reversal
- the speed of recovery of banks' profitability and balance sheet imbalances and the consequent implications for the availability of credit to borrowers
- the potential for a major EU sovereign debt crisis which could have a significant impact on financial markets and the global and UK economy

2.16 The overall balance of risks is weighted to the downside and there is some risk of a double dip recession and deleveraging, creating a downward spiral of falling demand, falling jobs and falling prices, although this is currently viewed as being a small risk.

2.17 The consensus seems to be that the longer trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries.

Borrowing Strategy

2.18 The Council's borrowing strategy aims to minimise the short term costs but balancing this while optimising on investment opportunities and longer term borrowing through appropriate responses to interest rate trends and opportunities for restructuring.

2.19 The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.

2.20 Long-term fixed interest rates are at risk of being higher over the medium term and short term interest rates are expected to rise, although more modestly. The Head of Finance, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short/medium term.

2.21 With the likelihood of long term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, at either fixed or variable rates of interest. The Head of Finance and treasury consultants will monitor prevailing rates for any opportunities during the year. However, with the recent changes to PWLB rates, where a repayment rate has been introduced and the increase in PWLB rates, with no corresponding increase in the repayment rate has reduced the Council's restructuring options.

2.22 The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns and would minimise costs providing short term interest rates remain fairly stable as currently predicted.

2.23 Long term interest rates are expected to increase over the course of the following year and if opportunities arise to borrow funds at favourable rates, without other financial penalties, these will be undertaken to optimise benefit to the Council.

2.24 The Council may also look to repay borrowing and reducing investments if appropriate, as a risk reduction strategy. This course of action depends on a number of factors and the current unusual market conditions.

2.25 In certain circumstances there could be a need to undertake borrowing in advance of need. The Council has some flexibility to borrow funds this year for use in future years. The Head of Finance may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Head of Finance will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. 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.

2.26 The Government are currently consulting on reforms to the housing subsidy system that could probably take effect from April 2012. One of the proposals is that local authorities could remove themselves from the system, but to undertake this would need to take on significant additional debt. Once more details and options have been released a further report will be produced on the implications.

Investment Counterparty and Liquidity Framework Issues

Operational Issues

2.27 The past 30 months have been very challenging for the Council's Treasury Management operations, with the number of institutions with whom the Council has been prepared to place investments reduced considerably. This has been mainly due to the fact that the Council has decided to put deposits with UK financial institutions only, and also a large number of UK building societies who were on the previous counterparty list have been removed. There have also been considerable changes within the UK financial environment with a number of Building Societies and Banks merging. During 2010/11 the Council has only made one fixed term investment. The remainder of the Council's surplus money has been placed in the Council's instant access accounts with Nat West, Abbey National, The Bank of Scotland and the Co-op Bank. When these have been full in the past, the Council has invested money with the Government Debt Management Office. The advantage of this strategy has been added security and liquidity of funds, but the downside is the Council is achieving lower returns on its investments. The other downside is that for some periods the Council has had surplus funds not earning any interest, due to bank charges being more than the interest the investment would have made.

2.28 At the beginning of 2009/10 the Council had £27m in fixed term investments and, all but £4m will have matured by the end of 2010/11. The Council has undertaken a policy of repaying debt and reducing investments, thereby reducing risk.

2.29 There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2011/12 and these are detailed below.

Investment Security and Returns

2.30 The security and return of investments is the biggest priority, especially given the current economic circumstances. As a general rule the more security an investment has, the lower the interest rate is. The table below shows the rates available from three different investment categories. It also shows there are different levels of security with the three investments all of which are very good. The rates shown below are based on a one year investment with base rates at 0.50%

Investment Counterparty	Interest Rate	Security
Government Debt Management Account	0.25%	The government guarantees this money is returned
Major UK Clearing Bank	1.40%	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)	2.00%	If UK Building Societies do get into trouble, past experience shows they are taken over by other Building Societies. However, there is no guarantee this will happen in the future.

2.31 The policy of investing in instant accounts has meant the Council's investments are very secure and liquidity is very good, but the interest earned has only been between 0.15-0.40% above the base rate.

2.32 The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £20m could range from £50,000 to £400,000. The difference is equivalent to a Band D Equivalent of £8.35. Investment returns are an important income source and help keep Council Tax levels down and are a key part of the Finance Strategy. From an operational point of view, the Council would spread investments over a number of different counterparties and categories.

Money and Time Limits

2.33 With certain financial institutions there is a minimum dealing limit of £2m per transaction. This has been the case with the major UK clearing banks in the past, but a number of them have changed their policies over the last few months in order to attract investments from local authorities who have got considerable sums to invest. The Council normally deal in tranches of £1m. The other issue is the larger the investment the higher the rate normally available.

2.34 There is also the issue of time periods of investments. The maximum period for an investment in the government's debt management account is six months and most investments with local authorities are borrower led and are normally for less than one month. The longer an investment can be made for, the more certainty there is on the Council's budget in terms of investment income. Also, the longer the period of investment, the higher the interest rate in the current economic climate.

2.35 There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security. In addition, interest rates are expected to rise and therefore the Council would not wish to invest for too long in case the investment return actually became a drag on performance once rates rise.

Counterparty Issues

2.36 The Council does not deal in the market every day and manages it’s short term cash flows through its instant access accounts. This is similar to other counterparties in the market and when the Council wants to undertake long term investments not all counterparties are available to deal with. Standard Chartered Bank are one of the eight original financial institutions to sign up to the UK Governments credit guarantee scheme, but they currently have little need or appetite for sterling denominated investments.

2.37 The Council sets group limits for counterparties on its lending list, so the Council does not get overexposed to any one group. However with banks and building societies merging this reduces the number of counterparties the Council can deal with. The best recent illustration of this, is the merger between the Council’s bankers, the Co-op and Britannia building society. By having a comprehensive list agreed at the beginning of the year this should reduce the need for further requests to Council to add further names to the list. However, there are calls for some of the major high street banks to be “broken-up” and a major review is currently being undertaken.

2.38 There are only a limited number of instant access accounts the Council has access to, with the Council currently having four.

2.39 The Council has to pay bank charges for telegraphic transfers between the Council’s bank account and the relevant counterparty. Due to the very low interest rates, it has on some occasions been beneficial not to make short term investments.

Other Operational Issues

2.40 There is a correlation between the Council’s borrowing and its investments in that if the Council does not borrow up to its Capital Financing Requirement there could be a financial effect on the General Fund due to Government Subsidy. The current regulations mean you calculate HRA debt using a set formula and General Fund picks up the remainder. However the economy and the financial services industry is in very uncertain circumstances and it has been in the Council’s interest to reduce its borrowings and investments. The main driver for this course of action is for the Council to reduce its risk, have less money invested and minimise the cost of carry.

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

2.42 The Council has been only investing in UK financial institutions. However, Abbey changed its name to Santander during January 2010 to reflect it being owned by the Banco Santander group based in Spain. It is still however deemed a UK institution as this is a name change rather than any wholesale movement of the entity overseas. The entity continues to be part of the UK Government’s Credit Guarantee Scheme.

2.43 The management of the Council's counterparty list is delegated to the Head of Finance and it is their duty to act within the confines of this list and the limits set, except that the Head of Finance with the agreement of the Finance Portfolio Holder be 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.

Investment Counterparty Framework

2.44 The Council's full counterparty list for investments and the limits has to be agreed by Council. If any institution needs to be added to the list or limits changed upwards, this needs to be agreed at Full Council, so in preparing the counterparty list for 2011/12, 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.

2.45 The full counterparty list agreed by Council identifies the maximum range and extent of counterparties that can be used. The Head of Finance uses this list to draw up an appropriate operational list for use by officers. This operational counterparty list will be subject to change depending on the economic climate, Government guarantees, mergers and credit rating changes. Changes that are automatically triggered such as credit rating changes will be acted upon immediately. Any other changes would be approved by the Head of Finance in consultation with the Finance Portfolio holder in accordance with the Council's Financial Standing Orders.

2.46 The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. 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.

- 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.

2.47 The Head of Finance will maintain the full counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria selects which counterparties the Council will choose rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

2.48 Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change in the short term), rating outlooks (indication of any bias to ratings over the medium term) are provided to officers almost immediately after they occur and this information is considered before dealing. Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps or equity prices) will be applied to compare the relative security of differing investment counterparties.

2.49 The Council has drawn up a list of six 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. 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.

2.50 **Category 1** – The Government has a debt management account and guarantees all deposits. However investments can only be for a maximum of 6 months and the interest rates payable are very low. The maximum amount to be invested is £50m with an overall maximum exposure for this category of £50m. The reason for the high limit is that if other counterparties are removed from our counterparty list and there are other uncertainties in the market this should be the safest place for the Council to place its investments. Also, if market conditions deteriorated sharply the Council would want the ability to potentially place all investments here.

2.51 **Category 2** – Even though the majority of Local Authorities are not rated, investments made in them have a high security rating as local authorities have to set legal budgets and have guaranteed borrowing help available to them through government sources. However, most investments in local authorities are normally borrower led and do not normally exceed one month and so makes long term planning and fixing of investment returns very difficult. Some local authorities have been looking for cheap one year money over the last few months and the Council has been approached about placing money with them. Investment rates offered by local authorities are very low. The time limit for investments in local authorities is 365 days and the maximum amount to be invested in any one local authority is £3m. The overall maximum exposure for this category would be £15m.

2.52 **Category 3 -** The UK Government has issued various guarantee mechanisms for UK financial institutions. It was originally opened to only 8 major entities, now reduced to 7 due to the merger of Lloyds/TSB and HBOS, but was then widened to all who met particular criteria (and are therefore classified Eligible Institutions). Importantly, none of the guarantee mechanisms cover wholesale deposits by Local Authorities. However, they do supply investors with some comfort that while financial markets remain quite illiquid, these entities will have alternative methods to access funding when required. Before undertaking investments the Council will use generally available market information, and UK banks and Building Societies which have at least the following Fitch, Moody's and Standard and Poors ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A1
Long Term	A-	A2	A
Individual	C	N/A	N/A
Support	3	N/A	N/A
Financial Strength	N/A	C-	N/A

2.53 The maximum time limit for investments in institutions falling in category 3 is 2 years and the maximum amount to be invested in any one group is £10m. For certain financial institutions the maximum amount to be invested in any one group will be a lower figure. The overall maximum exposure for this category would be £50m.

2.54 If any of the seven institutions in category 3 fail to meet the criteria, they will be placed in category 5 if applicable.

2.55 **Category 4 –** Money Market Funds 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 money market funds, one which invests in money market instruments which have been in existence for a number of years. The second type is money market funds that invest in Government backed securities. Several of these have been launched over the last year and funds are invested in gilts and treasury bills. To date the returns on investments in the first type have performed better than the money market funds that invest in 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 as long as they are sterling denominated. The overall maximum exposure for this category would be £15m, with a maximum of £5m in any one fund.

2.56 **Category 5** – The Council will use UK banks and Building Societies deemed Eligible Institutions under the UK Government Guarantee Schemes who do not meet the credit ratings criteria of the financial institutions in category 4, and have assets of at least £4bn as at 31 December 2009.

2.57 The time limit for investments in institutions falling in category 5 is 365 days and the maximum amount to be invested in any one group is £6m. As a minimum, financial institutions in this category would need to have credit ratings from at least one credit ratings agency. Other available market information would also be taken into account. For most financial institutions the maximum amount to be invested in any one group will be a lower figure, and some financial institutions will have shorter investment periods. The overall maximum exposure for this category would be £25m.

2.58 **Category 6** – 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, and at least the following Fitch, Moody's and Standard and Poors ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1+	P1	A1+
Long Term	A-	A2	A
Individual	C	N/A	N/A
Support	1	N/A	N/A
Financial Strength	N/A	C-	N/A

2.59 The time limit for investments in institutions falling in category 6 is 365 days and the maximum amount to be invested in any one banking group is £4m. The overall maximum exposure for this category would be £25m.

2.60 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 was the case, they would be downgraded to category 5. By having a higher maximum exposure than potential exposure in category 5, this gives the Council scope if this ever happens.

	Number of Institutions in category	Potential Exposure (£m)	Maximum Exposure (£)	Time Limit
Category 1	1	50	50	Max 6 Months
Category 2	5	15	15	Max 365 Days
Category 3	7	70	50	Max 2 years
Category 4	3	15	15	Instant Access
Category 5	6	18	25	Max 365 Days
Category 6	16	25	25	Max 365 Days

2.61 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.

2.62 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.

Investment Strategy 2011/12

2.63 After taking into account the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2011/12.

2.64 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.5% Bank Rate increasing in 2011 and through 2012. The Council's investment decisions are based on the rises priced into market rates compared to the Council's and advisers own forecasts.

2.65 There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

2.66 The criteria for choosing counterparties set out above, provides a sound approach to investment in "normal" market circumstances. Councillors are asked to approve this base criteria above. Under the exceptional current market conditions the Head of Finance 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.

2.67 Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

Sensitivity to Interest Rate Movements

2.68 The Council's require disclosure of the impact of risks on the Council's treasury management activity. Whilst most of the risks facing the treasury management service are addressed elsewhere in this report (credit risk, liquidity risk, market risk, maturity profile risk), the impact of interest rate risk is discussed but not quantified. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

	2011/12 Estimated + 1%	2011/12 Estimated - 1%
Interest on Borrowing	+£227,000	-£227,000
Net General Fund Borrowing Cost	+£227,000	-£227,000
Investment income	+£400,000	-£400,000

Specified and Non-Specified Investments

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

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

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

Performance Indicators

2.70 The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. The Council will use the following performance indicators to report on treasury management performance for 2011/12 and will report the results in the variance report at the end of 2011/12.

- Borrowing of Debt - Average rate of borrowing for the year compared to average available.
- Security of Investments - To ensure that all investments made by the Council are repaid to the Council on the Designated day. Any failure to achieve 100% could result in severe financial implications for the Council.
- Liquidity of Portfolio – To ensure the Council has adequate cash resources, borrowing arrangements and overdraft arrangements to ensure it has the necessary level of funds available for the achievement of business objectives.
- Yield on Investments – The Council will look to achieve returns above the 7 day LIBID rate, but will not compromise the security of the portfolio to achieve those returns.

Treasury Management Advisers

2.71 The Council currently uses Sector as its treasury management consultants, who provide a range of services, which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing and rescheduling;
- Generic investment advice on interest rates, timing and investment instruments;

- Credit ratings/market information service comprising the three main credit rating agencies;
- Provide advice and input into the treasury management strategy.

2.72 Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

2.73 The Council undertook a tendering exercise for advisors to provide the service from 1 April 2010. The successful tenderer was Butlers, but during the year the service was transferred to Sector following a review of the activities of Butlers parent company ICAP. Sector act within the restrictions on treasury management contained within the MTFP.

Member and Officer Training

2.74 The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. The Council has addressed this important issue by:

- Having staff who are qualified;
- Ensuring staff have access to the code of practice and are familiar with the requirements;
- Attending appropriate courses, so they are up to date with the latest requirements;
- Providing training opportunities to Councillors;

External Fund Managers

2.75 It is Council's policy to use external fund managers for part of its investment portfolio. The fund managers will use both specified and non-specified investment categories. The Council does not currently employ external fund managers but if they were employed they would be contractually required to comply with the annual investment strategy. The external fund manager would be required to produce monthly reports and their performance would be reviewed at least quarterly, by the Head of Finance.

3 PRUDENTIAL INDICATORS

It is recommended that Council approve the Prudential Indicators shown below:-

Capital Prudential Indicators

Indicator One: Estimates of capital expenditure

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

Year	General Fund	HRA	Overall
2009/10 Actual	£6,985,890	£12,426,068	£19,411,958
2010/11 Approved	£7,721,620	£11,640,170	£19,361,790
2011/12 Estimate	£7,673,930	£11,050,000	£18,723,930
2012/13 Estimate	£5,525,900	£9,700,000	£15,225,900
2013/14 Estimate	£3,979,510	£9,700,000	£13,679,510

Indicator Two: Estimates of capital financing requirements and net borrowing

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

3.3 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2011/12 in accordance with the main recommendations contained within the guidance issue by the Secretary of State under section 21(1A) of the Local Government Act 2003. CLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is prudent provision.

3.4 It is recommended that Council approve the following MRP Statement

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

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

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

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

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

3.5 The following table shows the actual CFR at 31st March 2010 and the projected CFR at the end of 2010/11, 2011/12, 2012/13 and 2013/14.

Year	General Fund	HRA	Overall
2009/10 Actual	£12,382,881	£36,322,275	£48,705,155
2010/11 Estimate	£11,656,564	£37,864,438	£49,521,002
2011/12 Estimate	£12,458,760	£37,797,672	£50,256,432
2012/13 Estimate	£11,996,322	£37,730,906	£49,727,228
2013/14 Estimate	£20,031,771	£37,664,140	£57,695,911

Indicator Three: Estimate of ratio of financing costs to net revenue stream

3.6 The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure. The net financing costs are the cost of interest and principal repayments less investment income generated. The General Fund percentage increases significantly from 2011/12 reflecting the anticipated reduction in investment income due to lower investment levels and returns. The HRA financing costs are not affected because HRA investment levels are insignificant compared to the much larger debt levels (see table above).

Year	General Fund	HRA	Overall
2009/10 Actual	2.61%	5.90%	4.24%
2010/11 Estimate	4.94%	5.65%	5.29%
2011/12 Estimate	5.72%	6.14%	5.94%
2012/13 Estimate	6.19%	6.24%	6.21%
2013/14 Estimate	6.85%	6.09%	6.44%

Indicator Four: Incremental Impact of Capital Investment decisions on Band D Council Tax

3.7 The Council must estimate the financial impact on the revenue budget, which is taken up in financing new capital expenditure through prudential borrowing. The Council anticipates funding part of the capital programme through prudential borrowing.

Year	Amount
2010/11 Estimate	£0.00
2011/12 Estimate	£38.95
2012/13 Estimate	£15.10
2013/14 Estimate	£41.08

Indicator Five: Incremental Impact of Capital Investment decisions on Housing Rent levels

3.8 The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure through prudential borrowing for council housing provision. This indicator is nil because the Council does not anticipate funding any part of the capital programme through prudential borrowing.

Year	Amount
2010/11 Estimate	£0.00
2011/12 Estimate	£0.00
2012/13 Estimate	£0.00
2013/14 Estimate	£0.00

Treasury Prudential Indicators

Indicator Six: Local authority has adopted the CIPFA Code of Treasury Management in the Public Services

3.9 The Code was adopted by the Council in 2002. The Code represents best practice in the regulation and management of borrowing and investments and related activities. Treasury Management Practices (TMP's) have been established with advice from Sector and applied to the Council's treasury management. The code was updated in November 2009 and the Council adopted the new code.

Indicators Seven: External Debt Prudential Indicators

3.10 The Council must set prudential limits for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities. The authorised limit sets a ceiling on external debt, the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers is "prudent". The proposed indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year.

3.11 The Head of Finance 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.

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

3.13 A further two prudential indicators control or anticipate the overall level of borrowing and take into account the above. These are:

The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council.

The limit for 2012/13 and future years takes account of the future plans of the Council.

The Operational Boundary for External Debt –This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

Council is asked to approve the following Authorised Limit and Operational Boundary:

Year	Authorised Limit	Operational Boundary
2010/11 Estimate	£55M	£52M
2011/12 Estimate	£55M	£52M
2012/13 Estimate	£65M	£62M
2013/14 Estimate	£65M	£62M

The increase in 2012/13 reflects the reduction in the capital receipts stream and the Council's potential need to borrow for a replacement multi storey car park.

3.14 The Government are currently consulting on reforms to the housing subsidy system that could probably have an effect from April 2012. One of the proposals is that local authorities could remove themselves from the system, but to undertake this would need to take on significant additional debt. Once more details and options have been released a further report will be produced on the implications.

3.15 Due to the economic conditions over the past 30 months, the Council has repaid a considerable amount of debt and reduced investments to reduce risk. When conditions improve the Council will look to increase its debt and investments as this will improve the Council's financial position. The estimated position of the Council's capital financing requirement and external borrowing as at 31 March 2011 is shown in the table below.

	Amount
Estimated Capital Financing Requirement as at 31/3/2011	£48.9M
Estimated external borrowing as at 31/3/2011	£27.5M

Indicator Eight: Fixed and Variable interest rate exposure

3.16 The Council must place an upper limit on the total amount of net borrowing (borrowing less investment) which is at fixed rates secured against future interest rate movements. These limits represent 100% of the Operational Boundary in each year and aim to ensure a balanced approach.

3.16 The Council must place an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. These limits represent 50% of the Operational Boundary in each year.

3.17 For the purposes of practicality and clear meaningful reporting it is proposed to have a limit for borrowing and a limit for investments as follows:

Borrowing – Maximum Limits

Year	Fixed Rate	Variable Rate
2010/11	100%	50%
2011/12	100%	50%
2012/13	100%	50%
2013/14	100%	50%

Investments – Maximum Limits

Year	Fixed Rate	Variable Rate
2010/11	100%	50%
2011/12	100%	50%
2012/13	100%	50%
2013/14	100%	50%

Indicator Nine: Prudential limits for the maturity structure of borrowing

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

Period	Lower Limit	Upper Limit
Up to 1 Year	0%	50%
1 Year to 2 Years	0%	50%
2 Years to 5 Years	0%	50%
5 Years to 10 Years	0%	75%
10 Years to 20 Years	0%	100%
20 Years to 30 Years	0%	100%
30 Years to 40 Years	0%	100%
40 Years to 50 Years	0%	100%
50 Years to 60 Years	0%	100%
60 Years to 70 Years	0%	100%

Indicator Ten: Total investments for periods longer than 364 days

3.19 Authorities are able to invest for longer than 364 days; this can be advantageous if higher rates are available. However it would be unwise to lend a disproportionate amount of cash for too long a period, therefore it is proposed to limit the investments that are deposited as follows

Year	Limit
2010/11	£15M
2011/12	£15M
2012/13	£15M
2013/14	£15M

APPENDIX 1

IPSWICH BOROUGH COUNCIL'S INVESTMENTS AS AT 17-1-2011

	INVESTMENTS AS AT 17-1-2011 £	INTEREST RATE %	DATE TAKEN OUT	DATE MATURES
Lloyds/TSB Bank PLC	2,000,000	1.9500	04/08/2010	04/08/2011
Barclays Bank Plc	2,000,000	7.0000	02/06/2008	31/05/2013
	4,000,000			

APPENDIX 2

Approved Organisations for Investment 2011/12

	Lending Limit £Million
CATEGORY 1 - Government Debt Management Account	**50**
CATEGORY 2 - Local Authorities (£3m per authority)	**15**
CATEGORY 3 - UK Financial Institutions covered by Government Guarantee	
BANCO SANTANDER GROUP	**10**
BARCLAYS BANK	**10**
HSBC	**10**
NATIONWIDE BUILDING SOCIETY	**10**
LLOYDS BANKING GROUP - Bank of Scotland - Lloyds/TSB	**10**
ROYAL BANK OF SCOTLAND GROUP - National Westminster Bank - Royal Bank of Scotland	**10**
STANDARD CHARTERED BANK	**10**
CATEGORY 3 - Maximum Exposure	**50**
CATEGORY 4 - Money Market Funds	**15**
CATEGORY 5 - UK Financial Institutions that do not meet the criteria of Category 3	
Co-operative Bank	**3**
Yorkshire Building Society	**3**
Coventry Building Society	**3**
Chelsea Building Society	**3**
Skipton Building Society	**3**
Leeds Building Society	**3**
Norwich & Peterborough Building Society	**3**
CATEGORY 5 - Maximum Exposure	**25**

Approved Organisations for Investment 2011/12 Continued

	Lending Limit £Million
CATEGORY 6 - Foreign Financial Institutions	
Canada	
Canadian Imperial Bank of Commerce	**4**
Bank of Montreal	**4**
Bank of Nova Scotia	**4**
Royal Bank of Canada	**4**
Toronto-Dominion Bank	**4**
France	
BNP Paribas	**4**
Credit Agricole	**4**
Credit Lyonnais	**4**
Societe Generale	**4**
Germany	
Deutsche Bank	**4**
Netherlands	
ING Bank	**4**
ABN AMRO Bank	**4**
Rabobank	**4**
Switzerland	
Credit Suisse First Boston	**4**
United States	
JP Morgan Chase Bank	**4**
State Street Bank & Trust Company	**4**
CATEGORY 6 - Maximum Exposure	**25**

Section 9

Implementation of International Financial Reporting Standards

1. This section provides an update on progress in adopting International Financial Reporting Standards (IFRS) and the preparation and publication of IBC financial statements in the new format. The full details of the impact and implementation of the new standards were included in last years MTFP.

2. The IFRS based Code will take effect for accounting years commencing on 1 April 2010 and local authorities in England and Wales will be required to produce a full set of IFRS compliant accounts for 2010/11 (including 2009/10 IFRS compliant comparative figures). The new reporting regime will bring significant challenges for local authorities, requiring revisions to accounting policies, the format of financial statements and systems and a significant number of additional disclosures.

3. The implementation of IFRS is a complex and time consuming task which impacts on many areas of the Council other than Finance. There is currently no experience of implementing IFRS at IBC or indeed in local government as a whole. CIPFA “IFRS Transition Support” have been engaged to guide and mentor the authority through this process.

4. The first stage in this process has now been completed with the completion of an “impact analysis” by CIPFA. This analysis is based upon a review of the current statement of accounts, together with data on future changes in activity e.g. establishment of the Shared Revenues Partnership”.

5. The analysis identified the need to manage the implementation as a project, which includes including specific data provision responsibilities for Human Resources, Property Services and possibly require the involvement of ICT if significant changes to systems are required.

6. The implementation is being run as a project with an issues log, which is reviewed weekly in conjunction with the action plan. This serves to ensure forward progress and identify any issues, which need to be resolved. Performance is monitored weekly by the implementation team.

7. An opening balance sheet for 1st April, 2009 has already been formatted and populated in order to identify data gaps.

8. The Human Resources Manager and the Property Services Manager have been briefed on the data requirements and there is an ongoing dialogue and joint working to ensure that data is available as required.

9. A pro-forma set of accounts (Statement of Accounts) and accounting policies in the new format has been prepared.

10. Contact has been established with external audit to ensure that where possible the format and content of the new financial reports are approved before their use.

11. The financial implications of implementing IFRS have been covered in the Medium Term Financial Plan 2010/11 onwards. There is anticipated to be a cost of £15,000 in 2010/11 and £75,000 in future years this includes the increased cost of external audit, staff time spent on preparation and publication.

12. The production and publication of the 2010/11 Financial Statement of Accounts in the IFRS format by 30th June, 2011 is a challenging task. However the engagement of CIPFA IFRS Implementation Support, together with the support of HR and Property in providing data will enable this new requirement to be achieved.