FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2010/11 ONWARDS

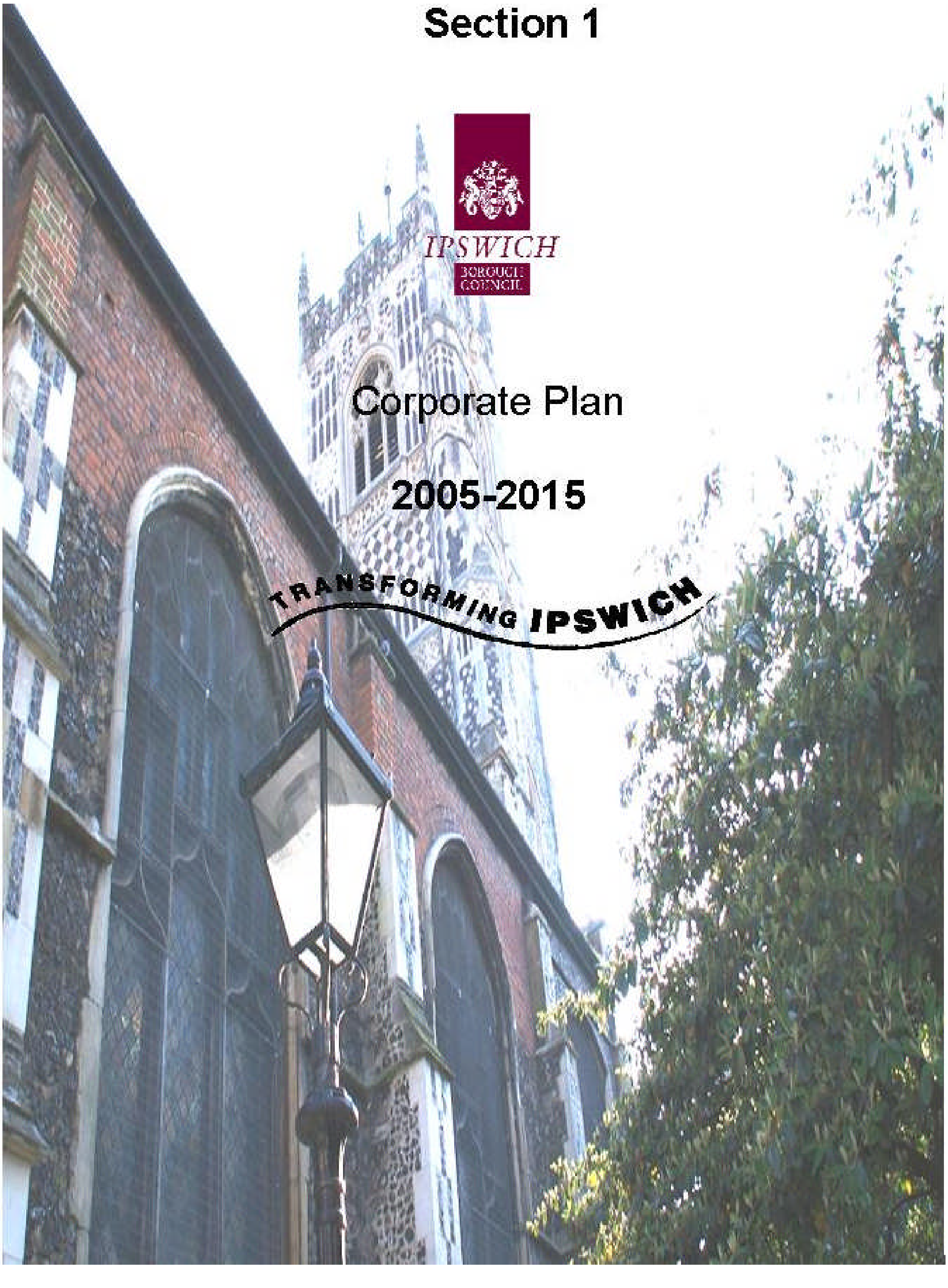
C O N T E N T S

FOREWORD

This document brings together, all the Council's financial strategies and plans.

- The approved corporate plan is restated here
- The approved Finance Strategy has been reviewed and progress identified on the action list
- The Medium Term Financial Plan (General Fund, HRA and Capital) is the result of a budget updating exercise that started in June 2009.
- The Capital Strategy has been reviewed to reflect current practise
- The Asset Management Plan has been reviewed and an updated action plan prepared for 2010/11
- The Prudential Code & Treasury Management Strategy has been significantly updated to comply with the new CIPFA Treasury Management Code of Practise and detailed consideration of the current volatile market conditions.

Ian Blofield
Head of Finance


Section 1
IPSWICH
BOROUGH COUNCIL
Corporate Plan
2005-2015
TRANSFORMING IPSWICH

The Ipswich vision:

"To deliver quality services for the people of Ipswich"

Priorities for 2008 – 2011

Taking forward the town's Community Strategy

Transforming and modernising customer access to services

Do the basics better for less

These priorities will be delivered through a series of activities aligned to the existing Goals of Transforming Ipswich and are shown in the various sections of this document,

Overarching project for all priorities:
Unitary status for Greater Ipswich

1. Clean and Green Ipswich

GOAL:

We will work with the community to make Ipswich a model urban clean and green place.

AIMS:

1. Seek to continually improve the cleanliness of Ipswich and seek to enhance the town through effective urban design.

2. Reduce waste by supporting initiatives which reduce, re-use and recycle

3. Ensure that residents and businesses value the environment and take action to reduce environmental impact through education, campaigning and enforcement.

4. Ensure adequate open spaces and amenity areas are available.

5. Protect and enhance biodiversity, by managing, developing and interpreting our valuable natural habitats and sensitive wildlife sites.

6. Monitor air, land, water and noise pollution within the Borough and take measures to minimise local pollution consistent with sustainable development principles.

7. Reduce carbon emissions by encouraging and supporting initiatives that promote renewable energy and energy efficiency.

Key activities

Engage with the Carbon Trust's Local Authority Carbon Management Programme to conduct a review of the Council's energy usage and establish a systematic programme to improve energy efficiency and adopt alternatives to traditional fossil fuel systems.

Through the CRed programme work with the business sector to reduce carbon emissions through reductions in energy usage, waste and travel planning, including the development of wind turbines.

Improve recycling rates and investigate glass recycling.

Make statutory any temporary allotments which have 90% occupancy.

2. Expanding Ipswich

GOAL:

We will work with business and external funders to encourage new investment, innovation, learning and sustainable growth and employment.

AIMS:

1. Develop the strengths of the local economy through regeneration and by ensuring an adequate supply and choice of land and buildings to support diversity of business opportunities.

2. Support the development of University Campus Suffolk and a redeveloped Suffolk College and promote business and community engagement.

3. Improve the profile of Ipswich as an investment, tourist, shopping and cultural centre at local, regional, national and international levels.

4. Provide a framework for investment, which will create and sustain social and economic regeneration and the integration of new and existing communities.

5. Secure the provision of more affordable homes for sale and rent to reflect the needs of Ipswich residents and reduce the level of homelessness.

6. Help provide the necessary infrastructure to allow Ipswich to develop and expand.

Key activities

Growth point and sustainable development through Haven Gateway and Regional Cities East.

Continued regeneration of Waterfront, Town Centre and Ipswich Village.

Support the development of University Campus Suffolk, Suffolk New College, SWISS (South West Ipswich & South Suffolk Sixth Form Centre) and Building Schools for the Future.

Increase delivery of new affordable housing by completing at least 300 new affordable homes and by keeping our affordable housing policies under review

3. Safe Ipswich

GOAL:

We will work with the community to keep Ipswich a safe place to live.

AIMS:

1. Prevent violence and disorder, particularly drug and alcohol related offences.

2. Increase the proportion of people feeling very safe in the area where they live by preventing incidents of anti-social behaviour, racial harassment, violent crime, criminal damage, burglary and vehicle crime.

3. Make the town centre a safe place to visit at night by working in partnership with the Police and other agencies and adopting a responsible licensing policy.

4. Promote a safe town by ensuring that all public premises, public open space and places of work comply with relevant legislation to maintain a high standard of public health and safety.

Key activities

Reduce crime and the fear of crime through the CSP, utilising the information within the strategic needs assessment for Ipswich

Revisit the Prostitution, alcohol and drug strategies to enhance activity

Enhance emergency planning and business continuity arrangements

4. Strengthening the community of Ipswich

GOAL:

We will help individuals and groups in the one Ipswich community who experience disadvantage and will work towards everyone having the opportunity of a decent home.

AIMS:

1. Encourage community development and involvement, and encourage young people to take advantage of the many opportunities available to them to participate in culture, leisure and sport.

2. Improve housing conditions and standards in both the private and public sectors and provide housing advice and support.

3. Identify and reduce health and other inequalities for communities in Ipswich.

4. Help and encourage vulnerable people to lead independent lives and enjoy continued social participation.

5. Continue to work with partners to improve the quality of life for children, young people, especially those leaving care homes, and families at risk.

Key activities

Continue to develop Health and Wellbeing initiatives for people in Ipswich, particularly those in the Town and Bridge Project area - e.g. improve physical activity opportunities - provide stop smoking clinics.

Continue investment to meet Decent Homes Standard by 2010 and the Ipswich Standard by 2014. Prioritise budget provision for decent homes compliance works.

Investigate increased involvement of the public in larger planning applications.

Review area forums as part of the national community empowerment project.

Development of the Waterfront community.

Continue the work of the "Triangle" project.

Produce the next stage of the Local Development Framework following a thorough review of people's comments at the Preferred Options stage.

5. Travel in Ipswich

GOAL:

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.

AIMS:

1. Provide people with a real choice of travel options to reduce reliance on the private car and so minimise congestion.

2. Seek to maximise the use of green travel alternatives including the creation of safe cycle routes in streets and through parks.

3. Work to improve access and mobility for pedestrians by better street design, mobility aids and the raising of relevant issues amongst the wider community.

4. Work to reduce the number of road accidents.

5. Investigate the provision of better access between the Port and the A14.

Key activities

Improve the condition of pavements and mend potholes

6. Vibrant Ipswich

GOAL:

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.

AIMS:

1. Protect, enhance and interpret the town's historic buildings and designated conservation areas.

2. Robustly encourage developers to create schemes of award winning architectural merit, and increase the range and diversity of public art to enrich the townscape.

3. Widen access to our diverse culture in all its forms, with particular emphasis on increasing access to heritage related resources and through increasing displays of the town's collections.

4. Extend and promote participation in leisure, arts and entertainment by facilitating a broad range of live performance opportunities and special events, both professional and amateur, in and around the town, including parks and on the waterfront.

5. Improve skills and inspire learning across all age groups and sectors of society, including those on low incomes, disadvantaged and minority groups, by increasing access and enjoyment through participation in culture and leisure opportunities.

6. Encourage greater use of all sports facilities, parks and open spaces.

Key activities

Support the development of local athletes through grants from the Team Ipswich Sports Foundation.

Continue the development of the Ip-Art festival, parks and museums.

Improve activities for young people, including teenage facilities

Principles which underpin everything we do within the Council:

- We will deliver effective local government, based on excellent customer care, which is open and responsive to residents' wishes.
- All our services will be delivered in a way that is fair, accessible and easy to use.
- We will deliver value for money services.
- We will consult and work in partnership with one-Ipswich, other organisations, business, as well as individuals, when making decisions and prioritising, to achieve cohesive service delivery.
- We will continue to value our staff and the contribution they make in achieving our vision and priorities.

Key Activities

Prepare a business case for a contact centre

Improvements to the website – particularly more services on line

Front to back office integration

Improved customer focus

Improving performance of services through performance management

Undertaking value for money reviews

Ensure strategies are cohesive

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Section 2

FINANCE STRATEGY

Contents -

1. Aim

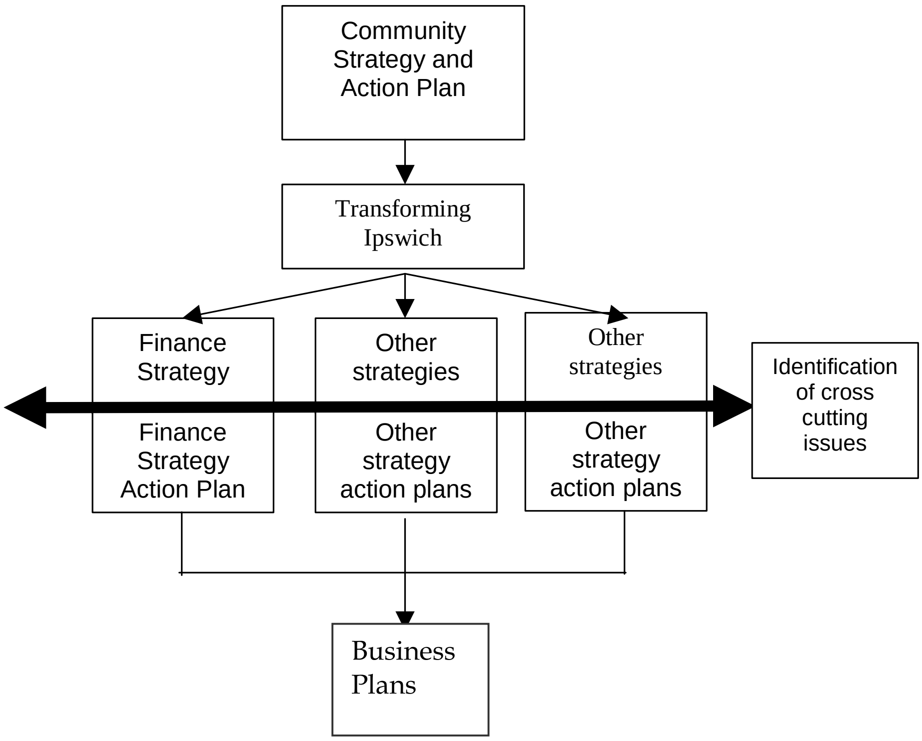
1.1 Finance, along with property and people, is a key resource for the Council. The aim of this Finance Strategy is **to identify how Ipswich Borough Council wishes to structure and manage its finances over the next 3 years and to ensure the achievement of the Council's objectives.**

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:- " Improve the quality of life for all people who live in, work in and visit Ipswich and to ensure the principles of fairness and ease of use that underpin all the Council's activities"

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>Capital and Asset-related Strategies
• Investment Strategy
• Asset Management Plan
• Housing Strategy</td><td>Financial Management
• 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>Service Related Plans
• Business Plans
• Corporate Plans: e.g. HR Strategy, ICT Strategy,
• Annual Report</td><td>Budget Strategy
• 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
Use of Resources	• 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, Comprehensive Performance Assessment 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

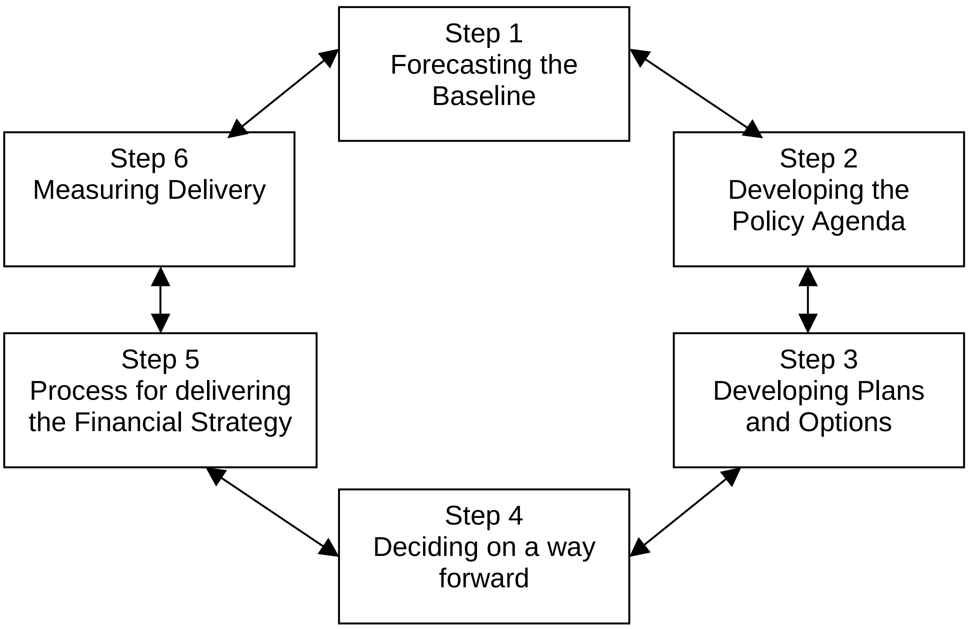
4.2 The Strategy is designed to be flexible and dynamic to respond to new financial opportunities, threats and policy directions.

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

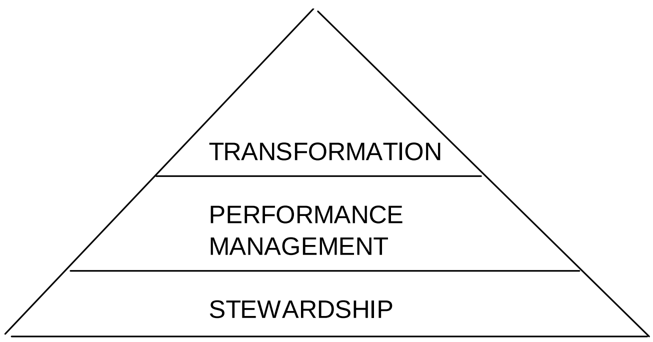
5.9 Consultation with the public and stakeholders will take place in the following ways:-

- 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. Use of Resources

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 In 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.

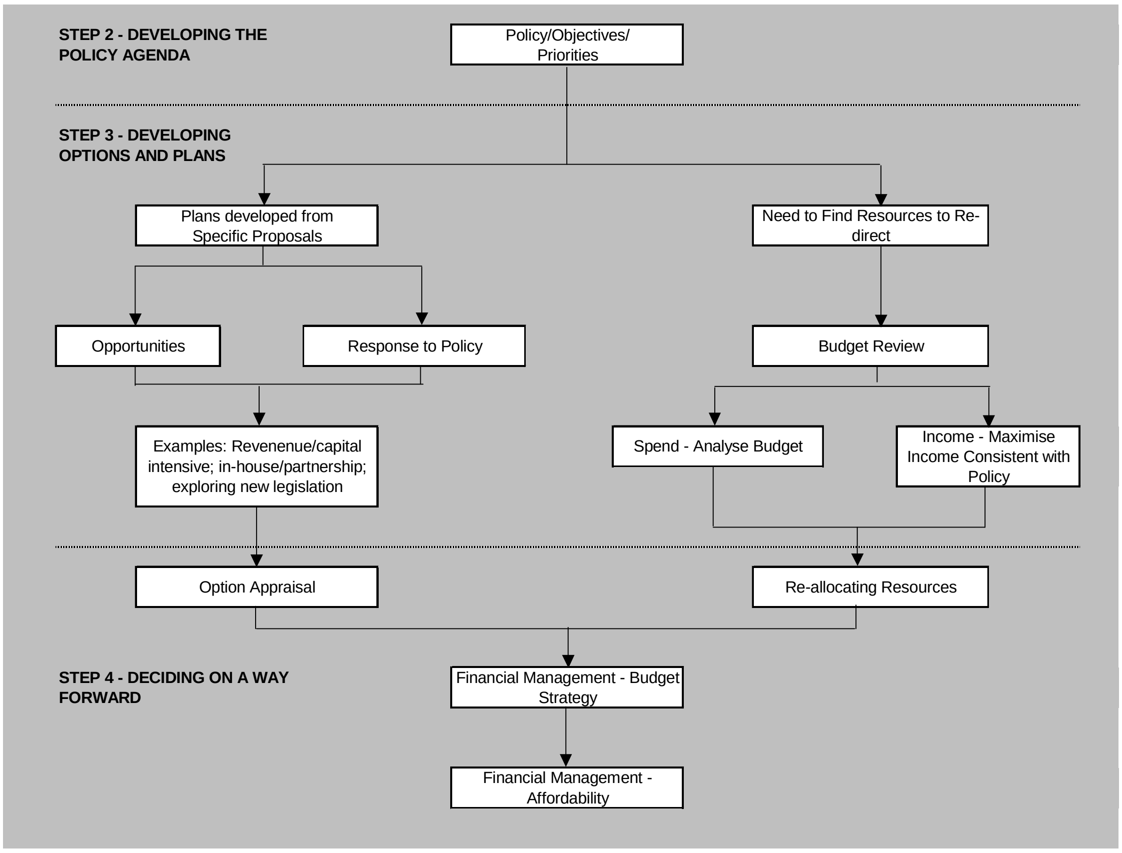
6.23 The Council will develop strategic savings options and plans. Specific efficiency targets are included in the Medium Term Financial Plan and processes are in place to identify savings opportunities during the year. The Council is committed to achieving the Government's efficiency targets.

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.

<u>Treasury Management</u>

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

<u>Collection of taxes and other debts</u>

- Comprehensive Performance Indicators
- Customer Surveys

<u>Internal Audit</u>

- Audit Plan and Internal Audit reviews
- Comprehensive Performance Indicators
- Audit Sub-Committee,
- External Audit and inspection

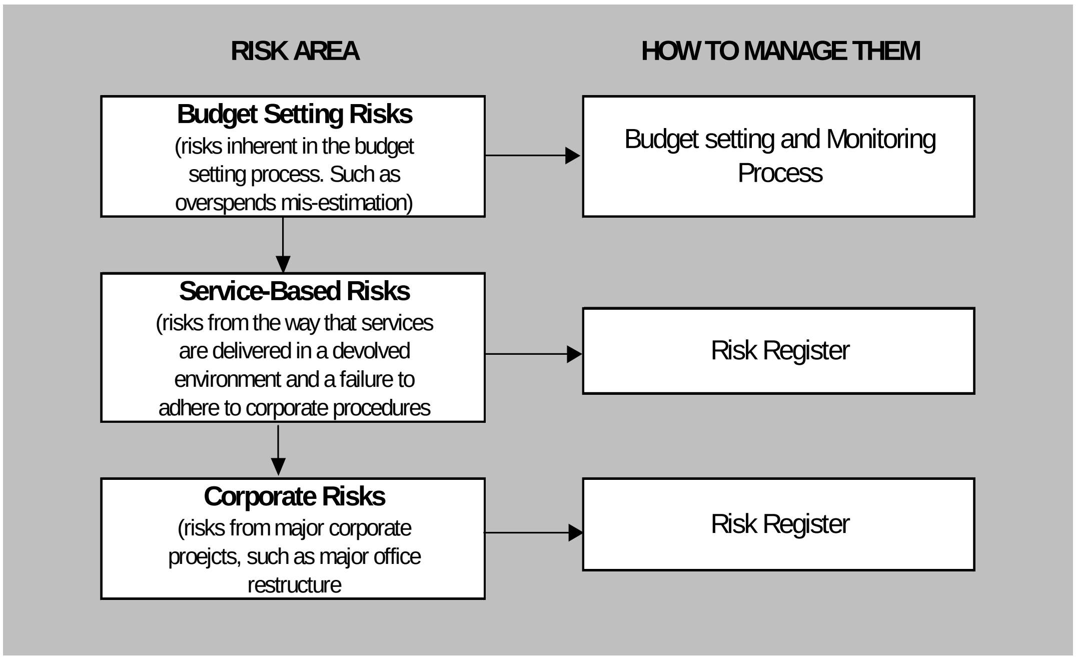
<u>The Prudential Indicators</u>

- 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)	Measurement	Lead	place	Risk	Category	Progress	Further Action
1	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	New “bottom line” budgeting framework implemented from 1 April 2009 including new Constitution including new Financial Standing Orders	Project Review
2	Re-engineer Council's procurement process	L	Procurement Team embedded, Building & Design Services restructured, Detailed action plan identified (S)	Strategic target savings met	Group Manager- Accounting Services, 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.	Implementation of commodity management and consideration of joint one Suffolk procurement function.
3	Maintain first class corporate financial system - Agresso	L	Maintenance, development and training programme in place (S)	Robust and appropriate processing and reporting	Head of Finance	N/A	Establish corporate ownership following user acceptance testing and training	2-D	Agresso 5.5 upgrade successfully completed	Agresso 5.5 review Electronic supplier invoices

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
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
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	Comprehensive KPI's now maintained through Performance System. Inclusion of key finance indicators in the Budget report	Further development to align indicators to vfm targets
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, Group Manager - Accounting Services	N/A	Consistent process adopted Council-wide. Risk reduced by Leads championing and embedding new process	2-D	Comprehensive MTFP framework embedded and new constitution implemented on 1 April 2009	Ongoing

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
9	Document Council's option appraisal framework	L	Document, consult & implement (S)	Activity completed	Group Manager- Accounting Services	N/A	Consistent process adopted Council-wide.	3-E	Treasury "Green Book" methodology embedded for all major projects	Review compliance and update as required
13	Develop internal processes to meet increasing requirements for use of resources	L	Identify future requirements, & develop action plan to address (S – Ongoing)	Activity completed & kept under review	Head of Finance, Group Manager - Accounting Services	Assess when requirements established	Failure to meet increasing requirements. This risk is mitigated by early identification and action plans to deliver changes	2-D	Achieved a good (3) score in the Use of Resources Assessment for 2008/09. Officer Steering group established	Ongoing
14	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 requirements 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

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
15	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.	Further development of Council tax consultation delayed due to Local Government Review
16	Review & develop processes for challenging the base budget & finding strategic savings options	E	Identify current processes, improvements, consult & implement (S – Ongoing)	Processes in place	Head of Finance, Corporate Management Team, Head of Strategic Projects	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.	Refine and embed process
17	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

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
18	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
19	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
20	Extend Financial Planning framework beyond the minimum 3 years	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 techniques	3-E	3 year planning horizon maintained	Further development suspended pending Local Government Review decision

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
21	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
22	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
23	Embed equality and diversity assessments into financial activity NEW	M	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
24	Minimising impact of the Credit Crunch 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	Credit Crunch package launched. Impact on services acknowledged in Budget. Treasury Strategy reviewed	Implemented
25	Local Government Review (LGR)	E	Deliver recommended structure when known (S)	Deliver restructure within time and budget	Councillors, Corporate Management Team/Head of Service	To be reviewed		1-B	Awaiting Secretary of State decision	Subject to decision

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
26	Develop council-wide access to a comprehensive library of key financial documents & processes	L	Documents & Processes identified, Council-wide access available (S)	Activity completed	Group Manager-Accounting Services	N/A	Establish corporate ownership	3-E	Internet folder of Key financial documents established.	Promote awareness & embed
4	Develop & embed external financial bidding process	L	Action Plan identified, process rolled out across Council (M)	Activity completed	Group Manager-Accounting Services	N/A	Establish corporate ownership and process compliance	3-E	Corporate ownership through new constitution duties	Completed
8	Develop & set strategic savings options and efficiency targets	E	Resourcing Gap identified for 3 year period, detailed plans identified to address d (S – Ongoing)	Detailed plans to address resource gaps identified	Head of Finance, Corporate Management Team, Head of Strategic Projects	N/A	Savings opportunities not being identified. Mitigated by Leads reviewing regularly and 3 year targets being set	2-D	Now embedded in the “bottom line” business planning process	Completed
10	Develop financial training programme for all levels of financial activity within the Council	L	Identify training needs, develop series of in-house courses to address (S – Ongoing)	Activity completed	Head of Finance	N/A	Limited access to training mitigated by inclusion within existing in-house training programmes	3-E	Comprehensive training programme established. Reviewed annually	Completed

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
11	Develop financial risk management framework including justification of levels of reserves, balances & contingencies	L	Identify degree of financial risks & develop recommended levels. (M)	Activity completed & reviewed periodically	Head of Finance	N/A	Inappropriate levels identified mitigated by periodic detailed review focusing on key potential financial risks	3-E	Comprehensive Reserves Policy produced and annually reviewed	Completed
12	Review & develop debt management policy	E	Identify current activity, review, consult & implement appropriate improvements (M)	Activity completed	Head of Finance & Head of Revenue Services	N/A	Inappropriate or ineffective policy mitigated by consultation of appropriate managers	3-E	Debt Management Policy reviewed and improvements implemented incl. monthly performance monitoring	Completed
27	Develop a Council-wide fees & charges policy	L	Council-wide policy in place (M)	Council-wide policy implemented	Finance Portfolio holder & Head of Finance	N/A	Corporate ownership of Council-wide policy addressing corporate and service needs. Risk mitigated by consultation with managers	3-D	Embedded in annual MTFP review process	Completed

Action List

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Measurement	Lead	place	Risk	Category	Progress	Further Action
28	Review & develop internal controls to address the volatility of capital resources	L	Identify key risks (e.g. generation of capital receipts). Identify mitigation measures & re view internal controls (S)	Mitigation measures & revised internal controls in place	Head of Finance, Corporate Property Officer	N/A	Ineffective resource monitoring & spending controls mitigated by periodic review	2-E	Capital Programme coordinator in place and control framework embedded	Completed
29	Continue to develop the use of the Prudential Code and Indicators	L	Identify current activity & potential extension to activity (S)	Review complete & improvements implemented	Head of Finance	N/A	Ineffective use of Prudential Code & Indicators mitigated by regular review and reporting	3-E	Prudential code successfully embedded in corporate planning and monitoring process	Completed

Section 3

MEDIUM TERM FINANCIAL PLAN - OVERVIEW

1. INTRODUCTION

1.1 This is the Council's fifth 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 3 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. Government continues to impose new legislative and policy pressures backed by tougher regulatory and inspection regimes, and these do not always accord with local priorities and pressures driven by our extensive engagement with local communities.

1.3 Demographic changes interact with these priorities and pressures to create increased demands well in excess of additional grant funding, with the potential to impose Council Tax burdens beyond that which the tax was designed to withstand.

1.4 The Council has an excellent track record and is rated as a "Good Authority" within the Government's Use of Resources performance assessment. This acknowledges recent positive service outcomes and effective corporate management. It is 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. The Council has restructured to focus resources on front line services and is 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 2010 to 2013 budgets are shown at 4.27.

2. SERVICE PRIORITIES

2.1 The Council's vision is set out in the Corporate Plan 2008 – 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. 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 2008 – 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** - We will help individuals and groups in the one-Ipswich community who experience disadvantage and will work towards everyone having the opportunity of a decent home.
- **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.
- **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 2008 – 2011 are:

- Taking forward the town's Community Strategy
- Transforming and modernising customer access to services
- Do the basics better for less

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 2010/11 onwards has been particularly challenging and the following issues are notable.

3.2 The economic collapse of Icelandic banks on 7 October 2008 heralded significant volatility in the global banking sector. The collapse of a country's financial system is rare and led to a fundamental review of the international credit rating systems used for financial investments. There were significant additional repercussions for the Council resulting in the Treasury Strategy being completely refocused, due to the volatility in the global banking sector, the resultant risks to investment capital, reduced investment opportunities and the poor investment returns. Activity and expectations have been significantly reduced in the aftermath of these events.

3.3 The continuing recession recognised in Autumn 2008, has had a significant effect on Council services. Services, like planning, land charge searches and car parking have experienced significant reductions in income levels. At the same time, the demand for services like housing advice and benefits have increased, putting more pressure on the Council's resources. This MTFP update takes account of these trends in income levels and demand for services that have already materialised. It is likely that, before the recession ends, further financial impacts will be seen. This MTFP provides a financial contingency to ensure that the Council has sufficient capacity to provide appropriate service levels whilst the current difficult economic circumstances continue.

3.4 The structure of Local Government in Suffolk and Norfolk has been under review for an extended period, as the result of unsuccessful legal challenges to the process by various district councils. The Secretary of State was expected to reach a formal decision on the future structure by February 13th 2009, however the Boundary Committee was not able to publish its advice to the Secretary of State until 7th December 2009. A formal decision by the Secretary of State is now anticipated, following a six week consultation period which ended on 19th January 2010. The Department for Communities and Local Government has indicated that an early decision should be expected, to enable new unitary structures to established from 1st April 2011. The Boundary Committee identified two sustainable models for a new unitary structure in Suffolk. The two models being a single unitary Council and a two authority model comprising of one authority covering the Ipswich and Felixstowe area and another covering the rest of rural Suffolk. The Boundary Committee has expressed a preference for the single unitary model. This MTFP does not make specific financial provision for local government restructuring as it is unclear at this time whether any decision will be made. It is acknowledged that the MTFP will need to be reviewed in the light of any decision that might be forthcoming from the Secretary of State.

3.5 This revision of the Medium Term Financial Plan continues to acknowledge the tougher economic climate predicted last year. The last year has seen an increase in demand for some services like Housing Advice and Benefits, together with a decline in income from services such as car parking, planning and building control. The plan makes provision for these pressures and includes contingencies for potential further pressures on resources.

3.6 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 2010/11 was announced in January 2010. This confirmed the amounts published earlier under the Comprehensive Spending Review 2007.
b) The final Housing Subsidy Determination was published in January 2010.

Comprehensive Spending Review 2007 (CSR07)

3.7 The Comprehensive Spending Review 2007 (CSR07) was published in July 2007 and covered the period 2008/09 to 2010/11. The headline issues announced included a requirement for 3% cashable efficiency savings, an expectation of pay increases being contained to 2% pa and an increased focus on efficient asset management. A provisional grant allocation for 2010/11 was issued in December 2007 at 0.7%. The Comprehensive Spending Review 2010, covering 2011 to 2014, is expected to be announced in the Autumn of 2010.

Local Government Finance Settlement

3.8 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

The Finance Settlement for Ipswich Borough Council

3.10 The Council was notified on 26 November 2008, of provisional figures for the second and third years of the first three-year settlement for Local Government, covering 2009/10 and 2010/11. These were later confirmed by DCLG on 20th January 2010.

3.11 The national increase for all shire districts was confirmed at 1.4%, and the table below compares the level of Grant increases for Ipswich, for 2010/11, with other Suffolk District/Borough Councils.

Grant Increases for Suffolk's District/Borough Councils

	2009/10	2010/11
Babergh	2.0%	1.9%
Forest Heath	0.5%	0.5%
Ipswich	1.1%	0.7%
Mid Suffolk	0.5%	0.5%
St. Edmundsbury	1.0%	1.0%
Suffolk Coastal	2.0%	2.0%
Waveney	2.8%	2.5%

3.12 The table below shows the level of Government Grant for Ipswich Borough Council, for last year, together with the settlement for 2009/10, and provisional settlement figure for 2010/11. The financial year 2011/12 is outside the current comprehensive spending review, so provisional figures are not available, however it is anticipated that there will be a significant reduction in grant levels.

Level of Government Grants – Ipswich Borough Council

Year	RSG/NNDR		Council Tax Increase (Band "D")	
	£m	%	£	%
2012/13 (Estimated)	**10,750**	**-5.00**	**325.10**	**1.94**
2011/12 (Estimated)	**11.316**	**-5.00**	**318.91**	**1.94**
2010/11	**11.912**	**0.70**	**312.84**	**1.94**
2009/10	**11.830**	**1.07**	**306.90**	**2.93**

3.13 The Council only receives funding from 2 of the 7 funding blocks (the Capital Financing and Environmental, Protective & Cultural Services blocks) for which the dominant data driver is population; as this uses historical rather than predictive data, a move to a 3 year funding programme exacerbates the time lag between need and funding.

3.14 There is an expectation by Central Government that "the average council tax increase in England to be substantially below 5 per cent ".

4. REVENUE PLANS 2010 to 2013

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 Heads of Service were provided with unit cost profiles for their groups, based upon local authority profiles available from the Audit Commission website. This formed an integral part of the Business Planning cycle and facilitated challenge from the Corporate Management Team and their peers

4.4 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.

Three Year Forecast

4.5 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 2009/10 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 latest review and forecast of profits.
- 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 2010/11 approved by Council on 27 January 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.
- A reduction in the rate of growth of the Council Tax base in General Fund
- GF Forecast anticipates a Council Tax increase of 1.94% a year
- 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.

INFLATION FACTORS

Item	2010/11 %	2011/12 %	2012/13 %
Salaries/Wages	0.5	1.0	1.0
All other expenditure	0.0	0.0	0.0
Fees and charges	1.0	1.0	1.0

- 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 and HEARS.

4.7 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 2009/10 and estimates for 2010/11.

4.8 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.

4.9 The approximate out-turn for 2009/10 includes an additional £71,000 for Housing and Planning Delivery Grant, which was announced in provisional figures by the Minister for Housing in November 2009. The 2010/11 allocation is not yet available, but is estimated on the current allocation basis to be £1,100,000, which is £238,000 higher than previously forecast.

4.10 The costs of implementing Local Government Reorganisation are not reflected in the Plan pending the Secretary of State's decision (see paragraph 3.4).

4.11 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.

4.12 The Council had investments totalling £5m in Icelandic Banks, which are now in administration. The Council has made provision for loss of the amount invested in the accounts. The local government association is still in discussion with central government about deferring the impact on local authority accounts until the actual loss is known.

4.13 Substantial savings were required to deliver a balanced budget for 2010/11. Savings have been identified both as specific reductions to Service Group budgets, by Heads of Service and as corporate savings targets. In both cases the means of delivering these savings have been identified and these are included in Service Group budgets.

CONTRIBUTIONS TO VOLUNTARY BODIES

4.14 Despite budget constraints, the Council has maintained a significant programme of contributions to voluntary organisations. For clarity these contributions are grouped into 3 themes i.e. culture, economic and community services. The overall allocations are included in the service analysis summarised in section 4.

Support for Cultural Partnerships

4.15 The Administration is committed to putting culture at the heart of its priorities for Ipswich. So much has been achieved in the last couple of years and the Administration is determined to continue to make a positive contribution to the Town's cultural offer whilst delivering significant economies and efficiencies.

4.16 As well as direct investment in a number of council facilities including museums, theatres and sports centres, the Council will also support a number of cultural partnerships with in-kind support and direct financial grants. These partnerships are also in receipt of significant Arts Council, County Council and other support.

4.17 Increasingly the Council will work closely with Suffolk County Council to ensure recipients of those grants are clear about what they have to deliver. For 2010 the partnerships supported are as follows:

Organisation	2009/10	2010/11 Grant	Other support
Dance East	£20,000	£35,000	Rent of spare office space One-off commissioned projects (subject to need)
New Wolsey Theatre	£87,000 (Includes £5,000 match funding)	£80,000	Peppercorn lease for theatre and studio. One-off commissioned projects (subject to need)
Eastern Angles	£1,000	£1,500	
Reserve		£1,500	
Total	£108,000	£118,000	

During this time of financial constraints the Council will work closely with all these partnerships to ensure economies of scale and best use of facilities and resources as part of its developing cultural strategy.

N.B. Dance East
Received an additional £15k for commissioned work through Sport & Play in 2009/10

New Wolsey
Received an additional £5k for commissioned project ‘No Ball Games’ in 2009/10

Red Rose
£1k funding for 2009/10 received via Community Grants Funding. 2010/11 funding via Cultural Grants

Support for Community Partnerships

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

ORGANISATION	AMOUNT APPLIED FOR 2010/11 £	PROVISIONAL AMOUNT ALLOCATED £	NOTES
Ipswich & District Citizens Advice Bureau	333,870.00	95,000.00	1
Ipswich Council for Voluntary Service	83,970.00	35,000.00	1
Age Concern Suffolk	10,000.00	5,000.00	
Ipswich Housing Action Group	14,000.00	7,000.00	
Ipswich Umbrella Trust	9,100.00	9,100.00	
Ipswich Women's Aid	25,000.00	17,000.00	
Bangladeshi Support Centre	14,820.00	10,300.00	
Town and Bridge Project	10,242.00	10,000.00	
Ipswich & Suffolk Credit Union	28,500.00	7,000.00	
Our Space	4,719.00	2,000.00	
Ipswich & Suffolk Council for Racial Equality	31,000.00	20,000.00	
Ipswich and East Suffolk Headway	19,000.00	3,500.00	
Suffolk Acre	16,915.00	15,000.00	
Ipswich Furniture Project	20,000.00	7,500.00	
Making Tracks	20,000.00	5,000.00	
Ipswich Blind Society	5,000.00	1,500.00	
Optua	5,875.00	1,500.00	
Alzheimer's Society - East Suffolk Branch	1,710.00	1,500.00	
Ipswich Epilepsy Support Group	2,000.00	800.00	
Red Rose Chain	7,500.00	1,000.00	
Volunteer Ipswich	28,000.00	8,000.00	
Ipswich Community Radio 2	26,033.70	3,000.00	
Ipswich Hindu Samaj	20,000.00	4,000.00	
Suffolk Refugee Support Forum	15,000.00	5,000.00	
The People's Community Garden 2	170,241.50	2,000.00	
CSV Media Clubhouse - Ipswich 1	19,550.00	2,000.00	
Ipswich Caribbean Association	79,139.00	50,000.00	2
Swimming Self-Help Group Ipswich	5,000.00	1,000.00	
Ipswich Sports Club for the Disabled	3,000.00	3,000.00	
Ipswich in Bloom	3,000.00	1,000.00	
1st Question East Co-operative Limited	16,100.00	1,500.00	
Waterfront Action Partnership Group 1	5,000.00	500.00	
Ipswich and District Widows	2,000.00	1,000.00	
Contingency		10,300.00	
TOTAL	1,055,285.20	347,000.00	

Notes
1. Recommended for a 3 year agreement
2. Business plan not received at the point grants considered, therefore, funding allocation to be reviewed in light of this.

PRIORITISATION CRITERIA

4.19 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 4. No such growth was identified for the Housing Revenue Account.

4.20 The proposed net service expenditure budgets for 2010/11 are analysed in Section 4 for General Fund and Section 5 for the Housing Revenue Account. It should be noted that capital charges are identified in a separate column. Capital charges are based on the value of assets used by each service and are calculated using the capital programme in Section 8. These charges do not affect the amount funded by council tax or rents as they are reversed out in the General Fund and Housing Revenue Account summaries, and replaced by the Council’s net external debt charges.

4.21 The General Fund Forecast is detailed in Section 4 and the Housing Revenue Account Forecast is detailed in Section 5.

Chief Finance Officer’s Statement

4.22 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.

4.23 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. Also the Comprehensive Performance Assessment requires a report on the standard of financial management including budgetary control and reserves of the authority.

Robustness of the estimates

4.24 The calculations of estimates making up the General Fund Budget requirement of £24,695,880 for 2010/11 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 2009/10 budget.

4.25 The calculations of estimates making up the Housing Revenue Account for 2010/11 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 2010/11 budget, with a rent increase based on the government’s rent restructuring regime.

4.26 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.

4.27 Assessments of financial risks associated with the 2010 to 2013 budgets are shown below. These risks are taken account of in setting the level of reserves.

<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?**
	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	C	Reviewed Treasury Management Strategy (see

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?**
			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 demographic/service expectations due to the current economic situation	2	E	Officers actively monitor potential future changes
Future changes in legislation and financial environment	2	E	Officers actively monitor potential future changes
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 Concessionary Fares Scheme- details being finalised with operators	3	C	Contingency provided to cover likely impact
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

4.28 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.

4.29 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.

4.30 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.

4.31 The Reserves and Provisions Policy is included as section 6 of the Medium Term Financial Plan.

Consultation

4.32 A postal public consultation exercise was undertaken in December 2009 to January 2010. The basis of the consultation was a 2.5% sample of all Ipswich council taxpayers for each of the eight council tax bands. 11% of questionnaires were returned. This gives a very good assurance that the survey is statistically representative of all Ipswich council taxpayers.

4.33 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 4.

4.34 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. Each person was invited to spend £10 on a range of council services. The results are detailed in Section 4.

4.35 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.

2011/12 and Beyond

4.36 Significant progress towards addressing the resource gap in 2011/12 and 2012/13 has been made. The Council has established processes to identify and achieve efficiency and savings opportunities resulting in a Corporate Savings Programme. Further work is underway to address the remaining General Fund budget shortfalls of £2.087m and £2.347m, respectively. A range of options are being developed to make further savings, increase income, reduce expenditure and review the levels and methods of service provision linked to the Council's priorities.

Local Area Agreement 2 - Financial Overview

4.37 2010/11 is the third year of LAA2 and the new financial arrangements introduced by government. Unlike previous rounds of LAA there is no dedicated funding for LAA2. It has been replaced with an Area Based Grant which is paid directly to county and district/borough councils as single non-ring fenced amounts. It is part of each council's overall budget, and funding to support LAA priorities and activities will need to be determined locally. In Suffolk there is a commitment to collectively achieve LAA targets through pooling and aligning funds, expertise and resources.

5 GENERAL FUND AND COUNCIL TAX REQUIREMENT

5.1 In determining the Budget Requirement for 2010/11, councillors and officers have considered options for proposed Council Tax increases, in addition to the identification of savings, economies and financing options. These are detailed in Section 4 with similar considerations for the HRA in Section 5.

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 estimated levy for 2010/11 is £30,000. The actual notification from the Drainage Board is still awaited.

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 Ipswich's Collection Fund shows a net surplus of £23,480. 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 2010/11 was announced on 20 January 2010 at £11,911,660. These figures are reflected in the summary below:

	2009/10	**2010/11**	**Change %**
Budget Requirement	**24,476,720**	**24,695,880**	**0.9**
Formula Grant Allocation	**-11,830,280**	**-11,911,660**	**0.7**
Collection Fund Adjustment	**-141,090**	**-23,480**	
To be financed from Council Tax and reserves	**-12,505,350**	**-12,760,740**	**2.0**

5.6 Assuming the Council sets a budget for 2010/11 of £24,695,880 the Borough Council's element of the Ipswich charge for a Band D property in comparison with 2010/11 would be:

Potential Change in Band D Council Tax	**2009/10 £ p**	**2010/11 £ p**
Budget Requirement	600.77	605.44
Government Grant	-290.41	-292.02
IBC Charge before Collection Fund Adjustment	310.36	313.42
Collection Fund Adjustment	-3.46	-0.58
IBC Charge after Collection Fund Adjustment – 1.94% increase	**306.90**	**312.84**

5.7 It follows from the above that the tax at each of the property bands, compared with 2009/10, would be as follows:

Valuation Band	**2009/10 £ p**	**2010/11 £ p**	**Increase £ p**	**Increase %**
A	204.60	208.56	3.96	1.94
B	238.70	243.32	4.62	1.94
C	272.80	278.08	5.28	1.94
D	306.90	312.84	5.94	1.94
E	375.10	382.36	7.26	1.94
F	443.30	451.88	8.58	1.94
G	511.50	521.40	9.90	1.94
H	613.80	625.68	11.88	1.94

PRECEPTS

5.8 Suffolk County Council and the Suffolk Police Authority are scheduled to determine their precepts for 2010/11 on 18 and 22 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	2009/10 £ p	2010/11 £ p	Increase £ p	Increase %
	A	733.44	751.02	17.58	2.40
	B	855.68	876.19	20.51	2.40
Suffolk	C	977.92	1,001.36	23.44	2.40
County	D	1,100.16	1,126.53	26.37	2.40
Council	E	1,344.64	1,376.87	32.23	2.40
	F	1,589.12	1,627.21	38.09	2.40
	G	1,833.60	1,877.55	43.95	2.40
	H	2,200.32	2,253.06	52.74	2.40

Precepting Authority	Valuation Band	2009/10 £ p	2010/11 £ p	Increase £ p	Increase %
	A	104.04	107.16	3.12	3.00
	B	121.38	125.02	3.64	3.00
Suffolk	C	138.72	142.88	4.16	3.00
Police	D	156.06	160.74	4.68	3.00
Authority	E	190.74	196.46	5.72	3.00
	F	225.42	232.18	6.76	3.00
	G	260.10	267.90	7.80	3.00
	H	312.12	321.48	9.36	3.00

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

Valuation Band	2009/10 £ p	2010/11 £ p	Increase £ p	Increase %
A	1,042.08	1,066.74	24.66	2.37
B	1,215.76	1,244.53	28.77	2.37
C	1,389.44	1,422.32	32.88	2.37
D	1,563.12	1,600.11	36.99	2.37
E	1,910.48	1,955.69	45.21	2.37
F	2,257.84	2,311.27	53.43	2.37
G	2,605.20	2,666.85	61.65	2.37
H	3,126.24	3,200.22	73.98	2.37

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 (PriceWaterhouseCoopers), that a minimum balance of £500,000 is desirable. The Total estimated HRA expenditure for 2010/11 is £26.7 million, consisting of £20.1 million direct expenditure and £6.5 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. The Government determination (draft) assumes an average rent increase of 3.1% across the country. The actual change in our guideline rents was 2.33%, which moves the convergence date to 2013-14. Under the Governments formula for actual rent rises the Council's average rent rise for 2010/11 is 1.8%

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 must be achieved by 31 December 2010 and the Council is committed to deliver this. 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 On 21 July 2009 the government started consultation on their review of council housing finances aimed at finding a long term, sustainable solution to improve or replacing the current Housing Revenue Account Subsidy System. Following the conclusion of the consultation at the end of October, the government is preparing the ground for a voluntary offer to local authorities in February 2010. The precise format of the offer is being worked up by a project team established by Department of Communities and Local Government (which includes Chartered Institute of Housing, Local Government Association and CIPFA), but it is expected to include a proposed debt reallocation or settlement, to take place from April 2011, along with details of how self-financing for the HRA would work. If the proposals are acceptable then the Council could opt out of the housing subsidy from April 2011.

6.7 Funding is currently received from Supporting People programme which provides housing-related support to vulnerable clients. This funding (£910k split £350k hostels, £560k sheltered schemes) comes from the Government via Suffolk County Council however it is going to be wholly redirected to another body from 2012/13 and its anticipated that the funding will be reduced during 2011/12 by as much as 50%. This is reflected in the current HRA forecast.

7. CAPITAL PROGRAMME

7.1 The Capital Strategy is set out at Section 7.

7.2 The draft Capital Programme is set out in detail at Section 8. The programme has been updated based on latest information on resources available. In summary the Capital programme is:

	2009 10	**2010 11**	**2011 12**	**2012 13**
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**21,386**	**21,853**	**19,812**	**12,948**
Financed By:-				
Capital Receipts	6,501	6,282	4,535	2,830
External Funding	1,935	2,875	492	118
Prudential Borrowing	298	1,000	4,000	0
Supported Capital Expenditure	1,314	1,314	0	0
Major Repairs Allowance	5,165	5,159	5,250	5,342
RCCO's	6,173	5,223	5,535	4,658
Total Funding	**21,386**	**21,853**	**19,812**	**12,948**

7.3 The Council ensures that capital receipts are in hand to fund the capital programme at the beginning of the financial year. Careful monitoring of the associated capital financing requirements will also be necessary as any slippage will impact on the overall borrowing requirements and thus the prudential indicators.

8. ASSET MANAGEMENT PLAN

8.1 The Asset Management Plan (AMP) is included at Section 9. The Asset Management Plan sets out how the Council will manage our portfolio in the future. It sets out how we will address future challenges to avoid:

- A property portfolio that is ageing with excessive liabilities
- A portfolio that is not suited to Council needs
- An ad-hoc approach to management of the portfolio

8.2 In addition it will set out how we will get the most from our property portfolio. This will include:

- The optimum delivery of Capital Receipts
- Revenue savings from property rationalisation
- Using Property effectively to support the Growth Agenda

8.3 To meet the challenges faced, the AMP:

- Clarifies the role of the Corporate Property Officer
- Establishes Property as a Strategic Resource to be managed corporately
- Establishes targets for Capital Receipts and Revenue Savings
- Provides an outline Property Strategy that will include the co-location of Council activities

9. PRUDENTIAL CODE AND TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY 2010/11

9.1 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.

9.2 The Prudential Code, and Treasury Management and Annual Investment Strategy for 2010/11, is attached at Section 10.

GENERAL FUND REVENUE FORECAST 2009/10 TO 2012/13

2008/09 OUT-TURN £	DESCRIPTION	2009/10 ORIGINAL BUDGET £	2009/10 DRAFT APPROX O/T £	2010/11 DRAFT BUDGET £	2011/12 FORECAST £	2012/13 FORECAST £
24,749,174	NET SERVICE EXPENDITURE	23,907,510	24,076,250	24,485,260	24,003,050	23,812,860
	Contingencies etc:					
0	Additional commitments	695,670	66,060	1,004,000	1,431,000	1,581,000
0	Invest to Save	0	49,500	0	0	0
	Savings/Growth:					
0	Transitional vacancies	0	0	0	0	0
	Management Savings (2009/10) not yet allocated to services	370,000Cr	0	0	0	0
155,025	Interest on balances etc	60,000	27,980	35,520	34,140	31,110
2,394,759Cr	External interest etc	839,030Cr	804,840Cr	556,640	186,580Cr	177,830Cr
1,846,170	Capital financing costs	1,520,750	1,481,880	1,460,230	1,403,840	1,517,680
24,355,610	Net Expenditure	24,974,900	24,896,830	27,541,650	26,685,450	26,764,820
202,418	Transfer to/from reserves	53,180Cr	352,740Cr	876,890Cr	3,110	3,110
300,000Cr	Use of DLO/DSO profits	300,000Cr	592,860Cr	150,000Cr	150,000Cr	150,000Cr
604,453Cr	Use of (cr) / contribution to GF revenue balance	145,000Cr	525,490	1,818,880Cr	0	0
23,653,575	BUDGET REQUIREMENT	24,476,720	24,476,720	24,695,880	26,538,560	26,617,930
1,430,389Cr	Revenue support grant	2,218,520Cr	2,218,520Cr	1,510,360Cr	1,434,840Cr	1,363,100Cr
10,275,183Cr	Non-domestic rates	9,611,760Cr	9,611,760Cr	10,401,300Cr	9,881,240Cr	9,387,180Cr
20,473Cr	Collection Fund surplus(cr)/deficit 31st March (net)	141,090Cr	141,090Cr	23,480Cr	0	0
11,927,530Cr	Demand on Collection Fund	12,505,350Cr	12,505,350Cr	12,760,740Cr	13,135,860Cr	13,520,730Cr
0	Unfunded Balance	0	0	0	2,086,620Cr	2,346,920Cr
23,653,575Cr	FINANCING THE BUDGET REQUIREMENT	24,476,720Cr	24,476,720Cr	24,695,880Cr	26,538,560Cr	26,617,930Cr
	GF REVENUE BALANCE					
3,897,839Cr	Balance b/fwd 1st April	2,445,000Cr	3,293,390Cr	3,818,880Cr	2,000,000Cr	2,000,000Cr
604,453	Surplus(Cr)/deficit for year	145,000	525,490Cr	1,818,880	0	0
3,293,386Cr	Balance c/fwd 31st March	2,300,000Cr	3,818,880Cr	2,000,000Cr	2,000,000Cr	2,000,000Cr

GENERAL FUND REVENUE FORECAST 2009/10 TO 2012/13

GENERAL FUND SUBJECTIVE ANALYSIS

2008/09 OUT-TURN £	DESCRIPTION	2009/10 ORIGINAL BUDGET £	2009/10 DRAFT APPROX O/T £	2010/11 DRAFT BUDGET £	2011/12 FORECAST £	2012/13 FORECAST £
	SERVICE EXPENDITURE					
15,988,446	Salaries	17,299,430	16,889,350	17,262,700	17,463,720	17,673,280
4,553,876	Wages	4,764,180	4,560,380	4,349,860	4,396,890	4,449,650
1,169,045	National Insurance (Salaries)	1,239,450	1,216,420	1,198,700	1,225,070	1,252,020
276,498	National Insurance (Wages)	336,480	316,270	271,030	276,780	282,870
1,830,464	Superannuation (Salaries)	2,065,720	2,014,480	2,069,660	2,115,190	2,161,730
358,486	Superannuation (Wages)	378,580	363,290	394,940	403,370	412,250
2,637,181	Superannuation Backfunding	3,010,650	2,592,550	2,628,730	2,679,180	2,738,130
0	Transitional Vacancies	870,450Cr	440,780Cr	0	0	0
1,145,319	Other Employee Expenses	532,850	821,130	437,210	437,210	437,210
907,018	Repairs & Mtce (Buildings)	906,580	907,210	897,260	897,260	897,260
46,058	Repairs & Mtce (Grounds)	62,490	52,730	51,730	51,730	51,730
1,007,337	Energy Costs	1,213,460	858,590	813,090	813,090	813,090
1,093,736	Rents	1,146,940	1,142,220	1,162,050	1,142,050	1,142,050
1,189,031	Rates	1,225,940	863,600	1,446,030	1,446,030	1,446,030
109,201	Water & Sewerage Charges	171,090	166,150	167,280	167,280	167,280
618,256	Cleaning Etc	695,350	619,160	555,970	555,970	555,970
606,556	Other Premises Costs	518,160	620,600	533,380	533,380	533,380
1,828,667	Use of Plant & Vehicles	1,691,130	1,725,070	1,753,200	1,738,840	1,738,840
116,602	Car Allowances/Leasing Etc	110,030	117,700	112,090	112,090	112,090
7,374	Other Transport Expenses	80,310	80,310	71,370	71,250	71,250
816,951	Equipment, Tools Etc	863,700	853,680	784,730	784,730	784,730
614,814	Materials, Provisions Etc	623,260	568,180	551,430	551,430	551,430
75,714	Clothing, Laundry	73,500	74,430	72,280	72,280	72,280
644,963	Printing & Stationery Etc	555,100	625,320	572,080	572,080	572,080
2,952,067	Miscellaneous Fees	2,612,270	2,518,540	1,670,890	1,543,890	1,555,890
1,730,710	Miscellaneous Services	1,945,360	1,786,380	1,980,010	1,846,840	1,971,840
225,501	Postages	171,400	184,650	198,450	198,450	198,450
395,066	Telephones Etc	407,010	368,180	423,160	423,160	423,160
645,203	Computing Costs - General	646,990	630,840	629,020	629,020	629,020
8,938	Computing Costs - Operating Leases	9,920	9,920	9,920	9,920	9,920
654,020	Miscellaneous Grants	650,680	703,180	660,720	660,720	660,720
395,421	Advertising, Publicity Etc	264,120	236,950	157,720	157,720	157,720
582,904	Miscellaneous Contributions	674,500	616,830	624,210	624,210	624,210
2,725,658	Other Costs & Expenses	169,220	2,385,960	552,410	672,410	822,410
2,479,042	Bus Concessions/Subsidies	3,176,130	3,336,130	3,176,130	3,176,130	3,176,130
864,470	Other Contracted Services	857,000	846,500	857,000	857,000	857,000
38,483,471	Rent Rebates & Allowances	32,116,020	43,698,810	45,009,760	45,009,760	45,009,760
10,180,744	Local Taxation Rebates	8,785,220	11,624,770	11,973,520	11,973,520	11,973,520
2,444,996	Central/Departmental Support	1,869,030	1,853,340	1,899,240	1,922,030	1,945,100
1,861	Finance Leases	6,070	4,270	1,840	1,840	1,840
102,411,665	TOTAL SERVICE EXPENDITURE	93,054,870	108,413,290	107,980,800	108,213,520	108,933,320

GENERAL FUND REVENUE FORECAST 2009/10 TO 2012/13

GENERAL FUND SUBJECTIVE ANALYSIS

2008/09 OUT-TURN £	DESCRIPTION	2009/10 ORIGINAL BUDGET £	2009/10 DRAFT APPROX O/T £	2010/11 DRAFT BUDGET £	2011/12 FORECAST £	2012/13 FORECAST £
	SERVICE INCOME					
51,857,048Cr	Government Grants	43,083,830Cr	59,492,470Cr	59,302,260Cr	59,302,260Cr	59,302,260Cr
1,210,730Cr	Highways Agency	1,048,590Cr	1,048,590Cr	1,048,590Cr	1,048,590Cr	1,048,590Cr
1,243,399Cr	Contribns From Other Organisations	1,378,120Cr	1,247,810Cr	1,177,330Cr	1,177,330Cr	1,177,330Cr
3,363,704Cr	Recharges To Other Funds	3,434,000Cr	3,339,550Cr	3,406,530Cr	3,447,410Cr	3,488,780Cr
1,315,041Cr	Miscellaneous Grants Etc	1,398,400Cr	1,487,640Cr	1,324,290Cr	1,324,290Cr	1,324,290Cr
635,904Cr	Sales	713,510Cr	579,750Cr	591,910Cr	591,910Cr	591,910Cr
644,894Cr	Fees - Planning	570,990Cr	490,990Cr	376,700Cr	380,470Cr	486,280Cr
361,828Cr	- Building Control	312,660Cr	312,660Cr	315,780Cr	318,940Cr	322,130Cr
167,047Cr	- Local Land Searches	193,480Cr	193,480Cr	195,410Cr	197,360Cr	199,340Cr
506,885Cr	- Inspections/Licences	444,330Cr	374,770Cr	380,590Cr	400,910Cr	395,260Cr
2,987,052Cr	Charges - Car Parking	3,160,740Cr	2,378,420Cr	2,560,650Cr	2,785,230Cr	2,813,080Cr
3,589,782Cr	- Leisure Services	3,680,900Cr	3,202,400Cr	2,196,410Cr	2,218,370Cr	2,240,560Cr
1,327,279Cr	- Refuse Collection	1,425,030Cr	1,343,020Cr	1,386,140Cr	1,390,390Cr	1,404,290Cr
1,603,577Cr	- Cemetery/Crematorium	1,602,320Cr	1,590,210Cr	1,543,400Cr	1,640,640Cr	1,657,050Cr
2,605,121Cr	- Other Services	2,601,100Cr	2,540,950Cr	2,543,890Cr	2,569,330Cr	2,595,020Cr
1,871,063Cr	Misc Costs Recovered	1,207,420Cr	1,937,160Cr	1,036,480Cr	1,036,480Cr	1,036,480Cr
2,370,857Cr	Rents	2,824,010Cr	2,775,420Cr	2,318,230Cr	2,443,230Cr	2,443,230Cr
1,280Cr	Interest	67,930Cr	1,750Cr	1,750Cr	1,750Cr	1,750Cr
77,662,491Cr	**TOTAL SERVICE INCOME**	69,147,360Cr	84,337,040Cr	81,706,340Cr	82,274,890Cr	82,527,630Cr
24,749,174	**NET SERVICE EXPENDITURE**	23,907,510	24,076,250	26,274,460	25,938,630	26,405,690

GENERAL FUND REVENUE FORECAST 2009/10 TO 2012/13

2008/09 OUT-TURN £	DESCRIPTION	2009/10 ORIGINAL BUDGET £	2009/10 DRAFT APPROX O/T £	2010/11 DRAFT BUDGET £	2011/12 FORECAST £	2012/13 FORECAST £
	CAPITAL FINANCING					
816,021	Debt Charges - Principal (MRP)	1,008,330	973,140	1,064,940	1,052,670	1,202,740
798,441	Debt Charges - Interest	517,390	529,610	418,980	372,760	336,000
934Cr	Rescheduling - amortised premiums/discounts	9,810	10,600Cr	11,400Cr	11,410Cr	11,410Cr
28,938	Debt Management Expenses	21,230	25,740	23,720	25,830	26,360
176Cr	Interest - Housing Associations/ Advances	0	0	0	0	0
274,657	Impairment of Investments	0	0	0	0	0
70,777Cr	Capital charges from DLO/DSO's	36,010Cr	36,010Cr	36,010Cr	36,010Cr	36,010Cr
1,846,170	**NET COST OF CAPITAL FINANCING**	1,520,750	1,481,880	1,460,230	1,403,840	1,517,680

GENERAL FUND REVENUE FORECAST 2009/10 TO 2012/13

2008/09 OUT-TURN £	DESCRIPTION	2009/10 ORIGINAL BUDGET £	2009/10 DRAFT APPROX O/T £	2010/11 DRAFT BUDGET £	2011/12 FORECAST £	2012/13 FORECAST £
	SERVICE EXPENDITURE					
27,959,315	Employees	28,756,890	28,333,090	28,612,830	28,997,410	29,407,140
5,577,193	Premises	5,940,010	5,230,260	5,626,790	5,606,790	5,606,790
1,952,643	Transport	1,881,470	1,923,080	1,936,660	1,922,180	1,922,180
12,467,930	Supplies & Services	9,667,030	11,563,040	8,887,030	8,746,860	9,033,860
3,343,512	Agency & Contracted Services	4,033,130	4,182,630	4,033,130	4,033,130	4,033,130
48,664,215	Transfer Payments	40,901,240	55,323,580	56,983,280	56,983,280	56,983,280
2,444,996	Central & Departmental Support	1,869,030	1,853,340	1,899,240	1,922,030	1,945,100
1,861	Capital Financing	6,070	4,270	1,840	1,840	1,840
102,411,665	TOTAL SERVICE EXPENDITURE	93,054,870	108,413,290	107,980,800	108,213,520	108,933,320
	SERVICE INCOME					
51,857,048Cr	Government Grants	43,083,830Cr	59,492,470Cr	59,302,260Cr	59,302,260Cr	59,302,260Cr
7,132,874Cr	Other Grants,Contributions Etc	7,259,110Cr	7,123,590Cr	6,956,740Cr	6,997,620Cr	7,038,990Cr
635,904Cr	Sales	713,510Cr	579,750Cr	591,910Cr	591,910Cr	591,910Cr
15,664,528Cr	Fees & Charges	15,198,970Cr	14,364,060Cr	12,535,450Cr	12,938,120Cr	13,149,490Cr
2,370,857Cr	Rents	2,824,010Cr	2,775,420Cr	2,318,230Cr	2,443,230Cr	2,443,230Cr
1,280Cr	Interest	67,930Cr	1,750Cr	1,750Cr	1,750Cr	1,750Cr
77,662,491Cr	TOTAL SERVICE INCOME	69,147,360Cr	84,337,040Cr	81,706,340Cr	82,274,890Cr	82,527,630Cr
24,749,174	NET SERVICE EXPENDITURE	23,907,510	24,076,250	26,274,460	25,938,630	26,405,690
0	NET EFFECT OF SAVINGS PROGRAMME 2009/10 to 2012/13	0	0 *	1,985,700Cr	2,248,580Cr	2,907,830Cr
0	2010/11 GROWTH	0	0	196,500	313,000	315,000
24,749,174	REVISED NET SERVICE EXPENDITURE	23,907,510	24,076,250	24,485,260	24,003,050	23,812,860

(* Note: impact of Savings Programme on 2009/10 Draft Approx O/T has already been reflected in the detail lines in the forecast)

General Fund Budgets 2010/11 – Service Group Analysis

Service Grouping	2010/11 Draft Budget £
Corporate Management Team	143,750
Head of Finance	5,677,680
Head of Legal and Democratic Services	1,026,610
Head of Corporate Development	103,440
Head of Communications & Design	243,860
Head of Strategic Projects	214,900
Head of Planning, Transport and Regeneration	1,744,540
Head of Environmental Services	5,314,230
Head of Community Services	1,563,210
Head of Leisure and Cultural Services	6,192,250
Head of Housing Services	2,260,790
NET SERVICE EXPENDITURE	24,485,260

General Fund Budgets 2010/11 – by Head of Service

Corporate Management Team

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Corporate Management Team	0	0	0
Mayoral Services	143,750	0	143,750
Capital Charges Adjustment	0	0	0
Total	143,750	0	143,750

Head of Finance

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Rent Allowances	0	0	0
Rent Rebates (Incl HRA)	0	0	0
Council Tax Rebates	0	0	0
Hsg/Local Tax Rebates Admin	983,330	7,310	990,640
Information & Systems	523,280	0	523,280
Operations Manager Revenues and Benefits	65,370	0	65,370
Sundry Debt & Finance Teams	-6,390	6,390	0
Accounting Services	-15,850	15,850	0
Head of Finance	0	0	0
Internal Audit Summary	-340	340	0
Corporate Mananagement Direct Costs	274,950	0	274,950
Unapportionable Central Oheads	2,454,150	500,000	2,954,150
Nndr Collection	8,850	2,440	11,290
Council Tax	725,900	10,740	736,640
Nndr Discretionary Rate Relief	63,430	0	63,430
Corporate Mananagement Summary	772,000	0	772,000
Approved Growth	15,000	0	15,000
Savings Programme	-112,000	0	-112,000
"General Savings" Target	-74,000	0	-74,000
Capital Charges Adjustment	0	-543,070	-543,070
Total	5,677,680	0	5,677,680

General Fund Budgets 2010/11 – by Head of Service

Head of Legal and Democratic Services

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Cemeteries and Crematorium Summary	-309,440	230,660	-78,780
Councillors' Services	-690	690	0
Legal Services	0	0	0
Democratic and Business Support	0	0	0
Head of Legal Services	0	0	0
Licensing and Enforcement Unit	43,810	1,020	44,830
Registration of Electors	60,050	450	60,500
Borough Council Elections	144,610	0	144,610
Councillors´ Costs	389,280	0	389,280
Dem Rep and Man´T (Drm) Summary	909,990	0	909,990
Approved Growth	0	0	0
Savings Programme	-175,000	0	-175,000
"General Savings" Target	-36,000	0	-36,000
Capital Charges Adjustment	0	-232,820	-232,820
Total	1,026,610	0	1,026,610

Head of Corporate Development

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Human Resources Summary	-7,680	7,680	0
Head of Corporate Development	0	0	0
Health and Safety	0	0	0
Information Technology Summary	269,120	223,490	492,610
Central Overheads Susp Summary	0	0	0
Approved Growth	22,000	0	22,000
Savings Programme	-146,000	0	-146,000
"General Savings" Target	-34,000	0	-34,000
Capital Charges Adjustment	0	-231,170	-231,170
Total	103,440	0	103,440

General Fund Budgets 2010/11 – by Head of Service

Head of Communications & Design

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Tourist Information Centre	156,130	13,420	169,550
Printing Section - Summary	103,400	28,290	131,690
Design Services	-670	670	0
Press and Publicity Services	0	0	0
Approved Growth	0	0	0
Savings Programme	0	0	0
"General Savings" Target	-15,000	0	-15,000
Capital Charges Adjustment	0	-42,380	-42,380
Total	243,860	0	243,860

Head of Strategic Projects

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Performance Unit	-240	240	0
Head of Strategic Projects	376,240	0	376,240
Approved Growth	0	0	0
Savings Programme	-568,500	0	-568,500
Savings Programme Contingency	415,400	0	415,400
"General Savings" Target	-8,000	0	-8,000
Capital Charges Adjustment	0	0	0
Total	214,900	240	215,140

General Fund Budgets 2010/11 – by Head of Service

Head of Planning, Transport and Regeneration

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Concessionary Travel - Summary	3,144,560	0	3,144,560
Concessionary Pass Scheme	11,880	0	11,880
Bus Route Subsidies - General	42,570	0	42,570
Bus Network Support - General	20,550	4,490	25,040
Hackney Carriages and Private Hire Vehicles	17,980	240	18,220
Footway Lighting	79,310	58,170	137,480
Street Names and Seats	20,000	0	20,000
Verges - Maintenance	270,710	0	270,710
Town Centre Pedestrian Areas	13,750	0	13,750
Abandoned Vehicles	5,210	0	5,210
Shopmobility	44,600	1,410	46,010
Misc Highways - Recharges	145,860	0	145,860
Residents Parking Schemes	-37,420	0	-37,420
IBC Car Parks Summary	-1,029,840	1,537,710	507,870
SCC On Street Parking	-1,120	1,120	0
Special Parking Areas	0	0	0
Corporate Properties	-1,394,780	856,670	-538,110
Property Services Management	0	0	0
Head of Planning,Transport and Regeneration	0	0	0
Transportation	103,820	480	104,300
Community Improvements Unit	19,270	980	20,250
Drainage Engineering	78,990	0	78,990
Engineering Management and Support	0	0	0
Highways and Construction	8,480	4,360	12,840
Planning Delivery Grant	-664,020	0	-664,020
Planning & Development	236,690	0	236,690
Strategic Planning and Regeneration	279,270	80	279,350
Local Development Framework	177,250	0	177,250
Caps System Costs	47,070	0	47,070
Amenity Areas (Open Spaces)	13,600	0	13,600
Historic Churches	41,560	0	41,560
Community/Environmental Improvements	33,680	559,930	593,610
Conservation of Historic Buildings	31,600	0	31,600
Conservation and Urban Design	113,490	0	113,490
Local Land Charges	62,350	0	62,350
Miscellaneous Drainage	30,200	0	30,200
Economic Development	359,040	0	359,040
Economic Grants	95,020	0	95,020
Highways Agency - Admin	62,690	0	62,690
Approved Growth	20,000	0	20,000
Savings Programme	-661,330	0	-661,330
"General Savings" Target	-98,000	0	-98,000
Capital Charges Adjustment	0	-3,025,640	-3,025,640
Total	1,744,540	0	1,744,540

General Fund Budgets 2010/11 – by Head of Service

Head of Environmental Services

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Environmental Services Students	54,570	0	54,570
Occupational Health	203,460	0	203,460
Food Safety	255,190	0	255,190
Pollution	489,290	0	489,290
EHO Group Support Services	146,600	0	146,600
Port Health	24,830	0	24,830
Animal Welfare Summary	88,370	0	88,370
Waste Enforcement	80,750	0	80,750
Refuse Summary	1,542,140	39,350	1,581,490
Waste Education and Promotion	276,680	0	276,680
Environmental Strategy	185,670	0	185,670
Recycling Summary	273,880	92,800	366,680
Public Conveniences Summary	123,440	71,570	195,010
Head of Environmental Services	0	0	0
Building and Design	164,780	0	164,780
Admin Buildings Summary	0	0	0
Building Control Summary	390,370	17,360	407,730
Refuse Collection Summary	0	0	0
Cleansing Services Summary	1,202,540	12,450	1,214,990
Approved Growth	116,000	0	116,000
Savings Programme	-146,330	0	-146,330
"General Savings" Target	-158,000	0	-158,000
Capital Charges Adjustment	0	-233,530	-233,530
Total	5,314,230	0	5,314,230

Head of Community Services

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Health and Children	39,880	0	39,880
Whitehouse Community Centre	5,540	0	5,540
Head of Community Services	0	0	0
Emergency Planning	71,520	0	71,520
Customer Services Centre	0	0	0
Payments and Tickets	0	0	0
Community Development Team	275,870	0	275,870
Community Safety	316,020	1,490	317,510
Emergency Services Centre	600,670	80,600	681,270
Community Grants	318,210	455,000	773,210
Approved Growth	0	0	0
Savings Programme	-22,500	0	-22,500
"General Savings" Target	-42,000	0	-42,000
Capital Charges Adjustment	0	-537,090	-537,090
Total	1,563,210	0	1,563,210

General Fund Budgets 2010/11 – by Head of Service

Head of Leisure and Cultural Services

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Leisure Development Manager	99,680	0	99,680
Business Development Manager - Culture	77,950	0	77,950
Parks Summary Account	1,569,700	393,300	1,963,000
Allotments	39,710	1,380	41,090
Ransomes Sports Centre	2,520	0	2,520
Sports Development Unit	234,580	0	234,580
Play Service	69,270	22,560	91,830
Ipswich Skatepark	1,730	0	1,730
Ipswich Civic Concerts (Gen)	13,730	0	13,730
Grants to Cultural Organisations	119,180	0	119,180
Arts and Young People	4,140	0	4,140
Museum Summary Account	1,199,360	545,010	1,744,370
Corn Exchange Summary	448,810	288,740	737,550
Entertainments Box Office	6,310	170	6,480
Regent Theatre Summary	426,710	2,061,610	2,488,320
Town Hall	81,490	288,740	370,230
Head of Leisure and Cultural Services	0	0	0
Grounds Mtce Summary Account	635,690	16,910	652,600
Icard Costs	0	0	0
Sports Centre Summary	1,113,060	212,400	1,325,460
Profiles (All Centres)	-179,100	1,890	-177,210
Swimming Pools Summary	810,640	2,932,510	3,743,150
Approved Growth	10,000	0	10,000
Savings Programme	-434,910	0	-434,910
"General Savings" Target	-158,000	0	-158,000
Capital Charges Adjustment	0	-6,765,220	-6,765,220
Total	6,192,250	0	6,192,250

General Fund Budgets 2010/11 – by Head of Service

Head of Housing Services

Service Area	2010/11 Draft Budget (Excl Capital Charges) £	Capital Charges £	2010/11 Draft Budget £
Supervision and Management	667,050	0	667,050
Housing Provision	0	916,740	916,740
Head of Housing Services	0	0	0
Housing Business Support Unit	0	0	0
Housing Options	755,700	0	755,700
Contributions to HRA	181,090	0	181,090
Housing Associations - Summary	1,680	0	1,680
Bed and Breakfast Costs	116,510	0	116,510
Other Private Sector Accommodation Costs	189,750	0	189,750
Assistance to Voluntary Bodies (Gen)	23,990	0	23,990
Hostels - (GF)	0	0	0
Sheltered Schemes - (GF)	0	0	0
Improvement Grants	77,860	199,720	277,580
Private Sector Housing Services	425,190	0	425,190
Approved Growth	13,500	0	13,500
Savings Programme	-134,530	0	-134,530
"General Savings" Target	-57,000	0	-57,000
Capital Charges Adjustment	0	-1,116,460	-1,116,460
Total	2,260,790	0	2,260,790

General Fund Revenue Growth Requests 2010/11

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

Description	2010/11 £	2011/12 £	2012/13 £
Finance			
Impact of International Financial Reporting Standards – additional work arising from greatly increased financial reporting requirements	15,000	75,000	75,000
Finance Totals	**15,000**	**75,000**	**75,000**
Corporate Development			
Government Connect (note: connection completed by April 2009)	0	17,500	17,500
Place survey 2011 - Additional costs of statutory requirement.	2,000	0	2,000
Make permanent the temporary post of Lone Working Officer	12,000	12,000	12,000
Aditional funds required to fund Occupational Health Costs	8,000	8,000	8,000
Corporate Development Totals	**22,000**	**37,500**	**39,500**
Housing Services			
High demand families - support for work with S.C.C. and others	7,500	7,500	7,500
Integrated housing management software	1,000	0	0
Roll out of mobile working across Tenancy Services and Surveying Services	5,000	0	0
Housing Services Totals	**13,500**	**7,500**	**7,500**
Leisure & Culture			
Culture Grants - Increase in grant funding available for Arts organisations.	10,000	10,000	10,000
Leisure & Culture Totals	**10,000**	**10,000**	**10,000**
Environment			
Review of Food Safety service	60,000	60,000	60,000
Food waste - approved by Executive	42,000	108,000	108,000
Environment Totals	**102,000**	**168,000**	**168,000**
Planning Transport & Regeneration			
Remove street clutter	15,000	0	0
Pedestrianise Waterfront	5,000	1,000	1,000
PTR Totals	**20,000**	**1,000**	**1,000**
Legal and Democratic			
Shared Police Community Support Officer costs to assist Licensing Officers at night	14,000	14,000	14,000
Legal and Democratic Totals	**14,000**	**14,000**	**14,000**
Grand total	**196,500**	**313,000**	**315,000**

Savings Programme 2009/10 to 2012/13

As part of the annual update of the medium term financial plan, the Head of Finance identifies the shortfall in available funding compared with estimated expenditure in future years. This shortfall is known as the “Budget Gap”.

The Heads of Service Team identified potential areas where savings could be made. This initial list was then developed and quantified by Heads of Service in consultation with Portfolio Holders, Directors and Operational Managers to produce the list overleaf.

The figures identified for each item in the list are the maximum potential savings. In delivering the savings programme the council will need to be mindful that cost reductions in services benefiting from external funding could impact on the future level of external funding received. To acknowledge that the delivery of the full potential saving of some items may be affected by risk, timing, equality & diversity issues, a contingency of £415,400 has been included in the 2010/11 budget. The net figure included in the budget is therefore £1,985,700.

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

GENERAL FUND SAVINGS

Description	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Finance				
Revs & Bens				
Improved productivity from Northgate Revenues and Benefits System	0	-4,000	-8,000	-8,000
Software application/licence review	0	-4,000	-8,000	-8,000
Reduce printing costs by using other methods	0	-4,000	-8,000	-8,000
Closer working on Revenues & Benefits Service with neighbouring local authorities	0	-1,000	-1,000	-1,000
Centralised debt recovery	0	-19,000	-19,000	-19,000
Accounting Services				
E invoices	0	-5,000	-30,000	-30,000
Review of structure	0	-15,000	-40,000	-40,000
Loans Fund Charge	0	-20,000	-20,000	-20,000
Focus on self service for external funding and curtail corporate external search engine	0	0	-2,000	-2,000
Treasury Management – refocus the Council's investment portfolio	0	-40,000	-80,000	-80,000
Finance Totals	**0**	**-112,000**	**-216,000**	**-216,000**
Corporate Development				
Renegotiation of Electronic Document Management System	0	-10,000	-10,000	-10,000
Telecoms budget review/renegotiation	0	-30,000	-30,000	-30,000
Reduce IT consumables budget	0	-5,000	-5,000	-5,000
Defer additional bandwidth for further year	0	-25,000	0	0
Centralise ICT purchase budgets	0	-15,000	-15,000	-15,000
Centralise Line rentals budgets	0	-10,000	-10,000	-10,000
Shared ICT Support - Income	0	-5,000	-5,000	-5,000
Reduce all Corporate Development Technical training budgets by 50%	0	-7,000	0	0
Reduce the central training budget by 50%	0	-24,000	0	0
Reduce margins on ICT maintenance	0	-10,000	-10,000	-10,000
Review Corporate Development establishment.	0	-5,000	-30,000	-30,000
Corporate Development Totals	**0**	**-146,000**	**-115,000**	**-115,000**

GENERAL FUND SAVINGS continued

Description	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Strategic Projects				
Options for the Future/ Shared Services				
Efficiencies through shared procurement	0	-150,000	-200,000	-200,000
Corporate Efficiency				
One off savings	-250,000	0	0	0
Customer Contact Centre - efficiencies from consolidation	0	-210,000	-450,000	-625,000
Payment Modernisation Project	0	-56,000	-56,000	-56,000
Maximising return on Capital Assets	0	-52,500	-90,500	-128,500
Electricity - reduced consumption	0	-50,000	-50,000	-50,000
Gas - reduced consumption	0	-50,000	-50,000	-50,000
Strategic Projects Totals	**-250,000**	**-568,500**	**-896,500**	**-1,109,500**
Housing Services				
Additional Building profits due to review of pricing 7/8 & 6/7	-200,000	0	0	0
Complete implementation of revised structure for housing services	0	-34,530	-50,000	-50,000
Review of temporary accommodation provision	0	-50,000	-50,000	-50,000
Choice Based Lettings - implementation of sub regional administration.	0	0	-10,000	-10,000
Integrated housing management software	0	0	-6,000	-6,000
Roll out of mobile working across Tenancy Services and Surveying Services	0	0	-12,000	-12,000
Review of arrangements to protect homeless families possessions in line with legislation.	0	-30,000	-30,000	-30,000
Change of Housing Association Leasing Scheme Partner	0	-20,000	-20,000	-20,000
Housing Services Totals	**-200,000**	**-134,530**	**-178,000**	**-178,000**

GENERAL FUND SAVINGS continued

Description	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Leisure & Culture				
Sport Services				
Swimming Pools - review of casual cover in line with need.	0	-5,500	-5,500	-5,500
Review of administration for I Card.	0	-6,000	-6,000	-6,000
Review of Northgate Daytime Cover	0	-26,000	-36,000	-36,000
Removal of Regent Marketing Post	0	-31,040	-31,040	-31,040
BroomHill Pool - reduction in premises costs	0	-13,040	-13,040	-13,040
Fundamental review of Sports Service including Joint Provision	0	-100,000	-100,000	-100,000
Entertainments Box Office - review of arrangements.	0	-20,000	-20,000	-20,000
Museum Services - efficiencies and review	0	-40,000	-40,000	-40,000
Business Development				
Town Hall Galleries - efficiencies with the Colchester and Ipswich Museum partnership	0	-15,000	-15,000	-15,000
Arts, Play & Sports Development: Review and investigate partnerships with neighbouring authorities, including amalgamation of Sports, Arts & Play Development Management	0	-25,000	-40,000	-40,000
Landseer Centre Secure partnership support for centre.	0	-17,000	-17,000	-17,000
Greenspace				
Review of Gipping House based services.	0	-73,330	-166,670	-266,670
Review of Park Patrol	0	-20,000	-20,000	-20,000
Extend grounds maintenance into schools, housing associations etc	0	-25,000	-25,000	-25,000
Grounds Maintenance Equipment efficiencies	0	-18,000	-18,000	-18,000
Leisure & Culture Totals	**0**	**-434,910**	**-553,250**	**-653,250**

GENERAL FUND SAVINGS continued

Description	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Environment				
Review Pest control and animal welfare service	0	-24,000	-24,000	-24,000
Efficiency saving half post (hotline)	0	-10,000	-10,000	-10,000
Terminate dedicated Hotline no longer required due to reduced number of calls and standard of cleanliness	0	-15,000	-15,000	-15,000
Review of Gipping House based services.	0	-73,330	-166,670	-266,670
Income generation – waste management team	0	-5,000	-5,000	-5,000
Double shift bin delivery van	0	-5,000	-5,000	-5,000
Gully sucking vehicle - no longer retain spare vehicle	0	-14,000	-14,000	-14,000
Environment Totals	**0**	**-146,330**	**-239,670**	**-339,670**
Community Services				
Racial Harassment Initiative - review contribution to County Council	0	-22,500	0	0
Community Services Totals	**0**	**-22,500**	**0**	**0**

Description	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Planning Transport & Regeneration				
Reduced cost of Concessionary Fares based on usage	0	-290,000	0	0
Local Development Framework	-146,250	0	146,250	0
Structure Review Highways and Transport	0	-65,000	-65,000	-65,000
Structure Review Planning	0	-60,000	-60,000	-60,000
Structure Review Property and Economic Development	0	-15,000	-15,000	-15,000
HPDG funding to offset revenue costs	0	-25,000	-25,000	-25,000
Review of Gipping House based services.	0	-73,330	-166,670	-266,670
Highways overtime	0	-5,000	-5,000	-5,000
Parking Service Restructure	0	-20,000	-20,000	-20,000
Additional Highways Surplus	-13,000	-53,000	-40,000	-40,000
Income generation sponsorship advertising	0	-20,000	-20,000	-20,000
Planning fees	0	-20,000	-20,000	-20,000
Drainage Engineering	0	-15,000	-15,000	-15,000
PTR Totals	**-159,250**	**-661,330**	**-305,420**	**-551,670**

GENERAL FUND SAVINGS continued

Description	2009/10 £	2010/11 £	2011/12 £	2012/13 £
Legal and Democratic				
Legal Partnership	0	-10,000	-10,000	-10,000
To increase fees by £50 per cremation	0	-120,000	-120,000	-120,000
To reduce enforcement of Licensing	0	-30,000	-30,000	-30,000
Review requirement for legal assistant post	0	-15,000	-15,000	-15,000
Legal and Democratic Totals	**0**	**-175,000**	**-175,000**	**-175,000**
Total Potential Savings Approved	**-609,250**	**-2,401,100**	**-2,678,840**	**-3,338,090**
Savings Approved for inclusion in MTFP	**-609,250**	**-1,985,700**	**-2,248,580**	**-2,907,830**

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**	**2010/11 Grant £'000**	**2010/11 Related Expenditure £'000**
Housing Benefit and Council Tax Benefit Administration	Y	Confirmed	1,245	2,644
Additional National Bus Concessionary Fares Grant for 2008/09 Scheme changes	Y	Confirmed	625	1,145
Homelessness Grant	Y	Confirmed	90	90
Area Based Grant:	N	Confirmed		
Youth Taskforce			30	30
Climate Change			23	23
Economic Assessment Duty			6	6
Housing & Planning Delivery Grant	N	Indicative	1,100	1,100

<u>The background and a short summary of all the grants is shown below:-</u>

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.

National Bus Concessionary Fares Grant – This grant was introduced in 2008/09 to help fund the government initiative of free bus travel from 1 April 2008 for males over 60 in England. As can be seen from the above table it is estimated that this initiative will cost the Council Tax Payer £520k as the total additional cost is estimated to be £1.145m.

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

Area Based Grant – Non ring-fenced Area Based Grants replaced the old Local Area Agreement Grants with effect from 2008/09. Ipswich has been allocated £30k for the next year for Youth Taskforce expenditure, £23k for Climate Change and £6k re Economic Assessment.

Housing and Planning Delivery Grant –Global allocations have been agreed for the next year, but individual authority allocations for 2010/11 will not be known until the Autumn 2010. Funding cannot be guaranteed for the next year.

PUBLIC CONSULTATION RESULTS – JANUARY 2010

A public consultation exercise was undertaken in December 2009 to January 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	**68%**
Option 2 - A small reduction in the level of services provided by the Council	**18%**
Option 3 – A large reduction in the range and level of services provided by the Council	**9%**

226 responses received equating to an overall response rate of 11%

(5% of responses were spoilt or returned uncompleted)

AREA FORUM CONSULTATION RESULTS – DECEMBER 2009

A consultation exercise was carried out with the attendees of each of the Area Forums during November to December 2009. The results are set out below:

Response to same options as postal survey -

Council's General Fund Budget/Council Tax levels	Respondees	%
Option one - Council Services remain largely the same	128	74.85
Option two - A small reduction in the services provided by the Council	38	22.22
Option three - A large reduction in the services provided by the Council	5	2.93

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

Service	Current % spend on relative services	Area Forum % spend on relative services	% change in spend suggested by Area Forums
Waste Collection & Street Cleaning	17.6	17.6	0
Concessionary Bus Travel	15.1	10.8	-28.5
Parks & Open Spaces	13.4	12.9	-3.7
Sport	11.2	7.1	-36.6
Affordable Decent Housing	11.2	12	7.1
Culture	9.9	5.2	-47.5
Community Development & Safety	9.6	13.8	43.8
Environmental Health	6.2	11.2	80.6
Economic Development & Support	5.8	9.4	62.1
TOTAL	**100**	**100**	

Section 5

HOUSING REVENUE ACCOUNT FORECAST 2009/2010 TO 2012/13

2008/09 OUT-TURN £	updated for final subsidy determ 2010-11	2009/10 ORIGINAL BUDGET £	*Year 1* 2009/10 FORECAST £	*Year 2* 2010/11 FORECAST £	*Year 3* 2011/12 FORECAST £	*Year 4* 2012/13 FORECAST £
	EXPENDITURE					
	MANAGEMENT & MAINTENANCE					
3,521,216	Supervision & Management General	3,583,940	4,339,540	4,261,240	4,045,430	3,825,310
1,749,642	Supervision & Management Special	1,938,040	1,838,970	1,840,210	1,877,010	1,914,550
308,830	Superannuation Backfunding	344,380	344,380	348,510	355,480	362,590
4,455,371	Jobbing Repairs	4,434,360	4,037,540	4,277,110	4,362,650	4,449,900
288,315	Special Repairs	260,920	375,920	260,260	265,470	270,780
1,017,941	Planned Maintenance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
11,341,315	**MANAGEMENT & MAINTENANCE TOTAL**	**11,561,640**	**11,936,350**	**11,987,330**	**11,906,040**	**11,823,130**
	CAPITAL FINANCING COSTS					
57,236	Debt Management Expenses	45,050	51,510	52,340	51,300	49,290
7,925,388	Depreciation	7,879,250	7,879,250	7,950,420	8,022,370	8,095,120
83,921,780	Impairment of Assets	0	0	0	0	0
5,501Cr	Deferred Charges	620,000	0	0	0	0
91,898,903	**TOTAL CAPITAL FINANCING COSTS**	**8,544,300**	**7,930,760**	**8,002,760**	**8,073,670**	**8,144,410**
0	**RENT REBATES SUBSIDY LIMITATION**	**0**	**147,790**	**0**	**0**	**0**
6,259,698	**GOVERNMENT SUBSIDY PAYMENT**	**6,390,020**	**6,102,740**	**6,496,100**	**7,345,330**	**8,408,290**
0	**PROVISION FOR BAD DEBTS**	**100,000**	**100,000**	**100,000**	**100,000**	**100,000**
126,500	**HRA share of Corporate Democratic Core and Non Distributed Costs**	**129,790**	**129,790**	**131,350**	**133,980**	**136,660**
109,626,416	**TOTAL EXPENDITURE**	**26,725,750**	**26,347,430**	**26,717,540**	**27,559,020**	**28,612,490**
	INCOME					
	RENT INCOME					
26,248,372Cr	Rents	27,688,900Cr	26,855,370Cr	27,458,220Cr	28,504,790Cr	29,678,930Cr
647,105Cr	Service Charges	687,330Cr	705,370Cr	718,070Cr	747,460Cr	780,880Cr
537,832Cr	Commercial	536,210Cr	554,760Cr	554,760Cr	554,760Cr	554,760Cr
237,703Cr	Hostels	254,270Cr	235,900Cr	240,150Cr	249,980Cr	261,160Cr
322,711Cr	Shops(Net)	300,000Cr	300,000Cr	300,000Cr	300,000Cr	300,000Cr
27,993,723Cr	**RENTS TOTAL**	**29,466,710Cr**	**28,651,400Cr**	**29,271,200Cr**	**30,356,990Cr**	**31,575,730Cr**
72,225	**RENTAL CONSTRAINT ALLOWANCE**	**0**	**0**	**0**	**0**	**0**
173,390Cr	**G.F. RECHARGE**	**173,390Cr**	**178,940Cr**	**181,090Cr**	**184,710Cr**	**188,400Cr**
28,094,888Cr	**TOTAL INCOME**	**29,640,100Cr**	**28,830,340Cr**	**29,452,290Cr**	**30,541,700Cr**	**31,764,130Cr**
81,531,528	**NET COST OF SERVICES**	**2,914,350Cr**	**2,482,910Cr**	**2,734,750Cr**	**2,982,680Cr**	**3,151,640Cr**

HOUSING REVENUE ACCOUNT FORECAST continued

HOUSING REVENUE ACCOUNT FORECAST 2009/2010 TO 2012/13

2008/09 OUT-TURN	updated for final subsidy determ 2010-11	2009/10 ORIGINAL BUDGET	*Year 1* 2009/10 FORECAST	*Year 2* 2010/11 FORECAST	*Year 3* 2011/12 FORECAST	*Year 4* 2012/13 FORECAST
£		£	£	£	£	£
81,531,528	NET COST OF SERVICES	2,914,350Cr	2,482,910Cr	2,734,750Cr	2,982,680Cr	3,151,640Cr
0	Items t/f from previous to current year	0	185,190Cr	0	0	0
23,760	Ipswich Standard Contingency	23,760	23,760	23,760	23,760	23,760
0	Single Status & Harmonisation Contingency	0	0	50,000	50,000	50,000
0	Recharge Changes	0	29,470Cr	0	0	0
0	Target Savings	0	383,920Cr	459,400Cr	564,470Cr	564,470Cr
0	Transitional Vacancy savings	60,000Cr	0	30,000Cr	30,000Cr	30,000Cr
85,056,890Cr	Adjusting Transfer from AMRA	1,531,250Cr	1,276,320Cr	1,453,440Cr	1,359,920Cr	1,287,470Cr
136,371Cr	Interest	53,440Cr	53,440Cr	42,680Cr	32,590Cr	18,190Cr
3,637,973Cr	NET OPERATING EXPENDITURE	4,535,280Cr	4,387,490Cr	4,646,510Cr	4,895,900Cr	4,978,010Cr
92,171Cr	Contributions to Provisions	0	0	0	0	0
6,126,000	RCCO's	5,929,000	5,929,360	5,222,760	4,433,390	4,658,470
2,395,856	(SURPLUS)/DEFICIT	1,393,720	1,541,870	576,250	462,510Cr	319,540Cr
5,241,399Cr	HRA Balance b/f 1st April	2,671,803Cr	2,845,543Cr	1,303,673Cr	727,423Cr	1,189,933Cr
2,845,543Cr	HRA Balance c/f 31st March	1,278,083Cr	1,303,673Cr	727,423Cr	1,189,933Cr	1,509,473Cr
	MINIMUM REQUIRED BALANCE	500,000Cr	500,000Cr	500,000Cr	500,000Cr	500,000Cr

Recommended Sheltered Scheme Charges 2010/11 (per week over 50 weeks)

Charge	2009/10 £	2010/11 £	Comment
Service Charge	14.50	17.14	Increase due to review of service charge elements (This charge is eligible for Housing Benefit)
Supporting People Charge	24.34	20.00	Lower costs of running this element of the service will result in a lower charge to Supporting People (SP) (SP cover this cost for all tenants in receipt of Housing Benefits)
Water Rate Charge	3.10	3.41	Increase due to water charge increases – 10% increase
Heating Communal Areas Charge 1 Charge 2*	 2.00 0.75	 1.90 0.71	(This charge is eligible for Housing Benefit) Reduction 5%
Heating – Individual home Charge 1 –2 rooms with htg 3 – 4 rooms with htg 5/6 rooms with htg 7+ rooms with htg	 3.59 5.78 7.85 9.93	 3.41 5.49 7.46 9.43	Decreases of around 5% to match anticipated gas costs (figures are rounded up or down)

*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 2010/11 (per week) all charges to Increase by 1.8% in line with the average Council house inflationary increase (rounded up/down)

Scheme	2009/10 £	2010/11 £	Change £
Council Tenants Garages			
Vary From			
To	5.99	6.10	+ 0.11
	7.97	8.11	+ 0.14
Non Council Tenants*			
Vary from			
To	6.88	7.00	+ 0.12
	9.36	9.53	+ 0.17
Other Charges			
Water charge (where applicable)			
	0.99	1.01	+ 0.02
Hardstands			
Vary from			
To	1.26	1.28	+ 0.02
	1.58	1.61	+ 0.03

Different charges between council/non council relate to ***VAT***

District Heating Charges 2010/11 (per week)

Rate	2009/10 £	2010/11 £	Change £
Lower rate	8.10	7.50	- 0.60
Higher rate	9.80	9.00	- 0.80

Charges vary according to number of rooms with heating – Charges have been reduced despite high energy costs, 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 6

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 £1.5 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 2010/11 onwards. This is 1.8% of gross expenditure and 7% of net expenditure.

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

<u>Housing Revenue Account</u>

Working Balance

13. 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 4.0% on management costs, 7.7% on the Subsidy Payment, 9% on revenue repairs and 1.7% of the total rental income. This is considered an appropriate level.

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Repair and Renewal

14. There is a £1m repair and renewal reserve. This is scheduled to be fully utilised by the end of 2011/12 to enable Decent Homes target to be met and to provide funding for the Ipswich Standard Program

Miscellaneous

15. 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

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

Bad Debts

17. 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%.

18. **It is recommended that the level of General Fund Balances remain at £2.0m, in recognition of the current economic climate for 2010/11 onwards.**

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-09 £'000**	**Appropriations £'000**	**Applications £'000**	**Balance 31-Mar-10 £'000**	**Appropriations £'000**	**Applications £'000**	**Balance 31-Mar-11 £'000**	**Balance 31-Mar-12 £'000**	**Balance 31-Mar-13 £'000**
General Fund:									
Working Balance	3,293Cr	526Cr	0	3,819Cr	0	1,819	2,000Cr	2,000Cr	2,000Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr
Trading Account Profits	56Cr	480Cr	536	0	0	0	0	0	0
Insurance Reserve	1,035Cr	0	100	935Cr	0	0	935Cr	935Cr	935Cr
Repair and Renewal	1,132Cr	25Cr	277	880Cr	25Cr	22	883Cr	885Cr	887Cr
Miscellaneous	430Cr	0	0	430Cr	0	430	0	0	0
Total	**6,198Cr**	**1,031Cr**	**913**	**6,316Cr**	**25Cr**	**2,271**	**4,070Cr**	**4,072Cr**	**4,074Cr**
Housing Revenue Account:									
Working Balance	2,845Cr	0	1,542	1,303Cr	0	576	727Cr	1,190Cr	1,509Cr
Repair and Renewal	1,000Cr	0	0	1,000Cr	0	0	1,000Cr	0	0
Miscellaneous	1,141Cr	0	139	1,002Cr	0	303	699Cr	155Cr	0
Total	**4,986Cr**	**0**	**1,681**	**3,305Cr**	**0**	**879**	**2,426Cr**	**1,345Cr**	**1,509Cr**
Capital:									
Usable Capital Receipts	13,797Cr	0	8,343	5,454Cr	716Cr	5,668	502Cr	2,103Cr	1,478Cr
Total	**13,797Cr**	**0**	**8,343**	**5,454Cr**	**716Cr**	**5,668**	**502Cr**	**2,103Cr**	**1,478Cr**
Provisions									
General Fund:									
Insurance Provision	1,524Cr	0	0	1,524Cr	0	0	1,524Cr	1,524Cr	1,524Cr
Provision for Bad Debts	3,166Cr	0	0	3,166Cr	0	0	3,166Cr	3,166Cr	3,166Cr
Total	**4,690Cr**	**0**	**0**	**4,690Cr**	**0**	**0**	**4,690Cr**	**4,690Cr**	**4,690Cr**
Housing Revenue Account:									
Provision for Bad Debts	396Cr	100Cr	100	396Cr	100Cr	100	396Cr	396Cr	396Cr
Total	**396Cr**	**100Cr**	**100**	**396Cr**	**100Cr**	**100**	**396Cr**	**396Cr**	**396Cr**
Grand Total	**30,067Cr**	**1,131Cr**	**11,037**	**20,161Cr**	**841Cr**	**8,918**	**12,084Cr**	**12,606Cr**	**12,147Cr**

Section 7

CAPITAL STRATEGY

1. VISION AND CORPORATE STRATEGY

1.1 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.

1.2 The Capital Strategy brings together the key priorities and targets for the Council, aspects of partnership working within the local community, and investment to deliver the aims and objectives of the Council as described in the Corporate Plan and in Operational Plans. It aims to bring together the overriding issues identified in those documents, which require capital investment to deliver the services and growth agenda for Ipswich.

1.3 The Capital Strategy was developed in consultation with Councillors, Directors Team, and the Corporate Property Officer. It brought together the Council's response to Community consultation, and facilitated the achievement of the Best Value Performance Plan, Operational Plans, the Asset Management Plan, Housing Investment Plan and Housing Revenue Account (HRA) Business Plan. The Capital Strategy covers all capital expenditure and its financing.

1.4 Ipswich Borough Council has launched "Transforming Ipswich (TI)" with a vision:-

"To deliver quality services for the people of Ipswich"

1.5 The key objectives and priorities of the Council and its partners in working towards this vision are encapsulated in the following six strategic goals:–

- **Clean and 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 the Community of Ipswich** – We will help individuals and groups in the One-Ipswich community who experience disadvantage and will work towards everyone having the opportunity of a decent home.
- **Travel in 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.

- **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. KEY AREAS OF CAPITAL EXPENDITURE

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

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 both in year and on a year-by-year basis.

2.4 Investment in Culture – The main scheme in the 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 Ipswich Strategic Partnership and provides funding for Environmental Improvements, Community Improvements and Area Forums.

2.6 The Council provides matched 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

3. FUNDING CAPITAL EXPENDITURE

3.1 Given the extent of 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, East of England Development Agency (EEDA), 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.

4. PERFORMANCE FRAMEWORK OVERVIEW

4.1 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.

4.2 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.

4.3 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

4.4 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.

4.5 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.

4.6 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.

5. PERFORMANCE MEASURES AND MONITORING

5.1 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

5.2 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.

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

- Project Managers are responsible for monitoring individual schemes
- Online financial information is available to all 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 Finance and Audit Scrutiny Committee detailing the reasons for budget carry forwards
- A system of project completion reviews was implemented during 2008/09 for all projects in excess of £100,000
- 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

5.4 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.

6. LINKS TO PARTNERS AND CONSULTATION

6.1 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

6.2 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.

6.3 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.

6.4 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.

6.5 A "One-Ipswich" website has been set up to support the Area Forums across the town providing an immediate identity.

6.6 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.

6.7 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 8

Capital Programme for 2009/10 and Future Years

Programme Name	Project Manager	2009/10	2010/11	2011/12	2012/13
HRA					
HRA Shops	S. Rutter	126,090			
Introduction of Choice Based Lettings	A. Ward	38,800	30,000		
Ipswich Standard	A. Huffey	12,635,670	11,410,630	10,785,000	10,000,000
Ipswich Standard Contingency	A. Huffey				
Saffron Rents			285,000		
HRA TOTAL		**12,800,560**	**11,725,630**	**10,785,000**	**10,000,000**
GF					
Affordable Housing - Other	P. Hart	48,000	505,250	219,230	0
Affordable Housing - Ravenswood	P. Hart	13,430	411,490	498,230	249,120
Alexandra Park Fountain	S. Teague	40,220			
Allotment Improvements	E. Peters	7,350			
Area Forums	J. Clements	197,330	146,760	50,000	50,000
Asbestos Removal	T. Wright	20,000			
Broomhill Pool	M. Hunter	60,000			
Bus Shelters & Bus Stops	J. Jacobs	44,600		3,000	
Cap. IT Dev. - Business Continuity	H. Gaskin	1,200			
Cap. IT Dev. - Caps Uniform Asset Management System	S. French	6,700			
Cap. IT Dev. - Electronic Doc man system + extension	S. Langdon	8,640	36,350		
Cap. IT Dev. - Green Travel Plan	I. Booth	50,000			
Cap. IT Dev. HR4U	S. Langdon	17,000			
Cap. IT Dev. - Implementation of Paris PCI DSS	S. Langdon	10,500			
Cap. IT Dev. - Integrated Financial Systems-Agresso	I. Blofield	15,580			
Cap. IT Dev. - PC and central IT replacement	H. Gaskin	45,000	65,000	100,000	
Cap. IT Dev. - Rev & Benefits Replace soft/hardware	S. Attwood	175,950	12,850		
Cap. IT Dev. - Telephony Improvements	H. Gaskin	16,000			

Capital Programme for 2009/10 and Future Years continued

Programme Name	Project Manager	2009/10	2010/11	2011/12	2012/13
Cap. IT Dev. - Upgrading PARIS income management	S. Langdon	6,670			
Cap. IT Dev. - CSC -Call Centre/CRM back off/E Gov	J. Perigo	212,500	96,020		
Cap. IT Dev. - Paris on-line licensing	S. Langdon	9,000			
Cap. IT Dev. - R.A.M. system	D. Wolton	25,000			
Capitalised repairs	M. Hunter	745,020	466,320	550,000	550,000
Carbon Reduction Programme Invest to Save	B. Moss-Taylor	142,200	53,770	111,570	3,770
CCM Platform Lift and Escape Staircase	M. Hunter	9,550		101,880	
CCTV	P. Farrer	41,820			
CCTV - Grafton House	B. Harvey	30,000			
Cemetery - Phase 2a	M. Grimwood		50,000	200,000	
Cemetery Toilets Upgrade	M. Hunter	1,250			
Christchurch Mansion Repairs	M. Hunter	20,640			
Community Improvements	J. Clements	259,390	351,020	150,000	150,000
Corn Exchange - External & Roof Repairs	M. Hunter	417,100			
CP133 Ransomes SCC changing facilities	T. Snook	0	40,000	10,000	
CP22 Tower Ramparts Bus Station	J. Clements	10,000		152,840	
Cremator Replacement	M. Hunter		1,000,000	4,000,000	
Crown Pools Improvements	M. Hunter	728,000	740,000	1,500,000	664,700
Crown Pools Repairs	M. Hunter	53,590			
Dance East - Dance House Project	B. Brennan	150,000			
DIF Recycle on the go	D. Reeve	1,590			
DIF Trade recycling	D. Reeve	5,750			
DIF Glass & mixed recycling from flats	D. Reeve	3,000			
Disabled Facilities Grant	C. Lovell	360,910	250,000	270,000	270,000
Emergency Service Centre Items	P. Farrer	27,370			
Empty Homes Strategy	C. Lovell	0	483,480		
Environmental Improvements Town Centre	P. Hussey	201,220	709,930		
Footway/Street Lighting	M. Wedgwood	98,710			

Capital Programme for 2009/10 and Future Years continued

Programme Name	Project Manager	2009/10	2010/11	2011/12	2012/13
Fore Street Pool Improvements	M. Hunter	512,220	23,150		
Housing and Planning Delivery Grant	M. Tee	145,785	205,755		
IAFDP Gainsborough S C Main Doors	M. Hunter	8,680			
IAFDP Temple of Remembrance Ramp	M. Hunter	15,620			
IAFDP unallocated	M. Hunter	25,220	30,000	30,000	30,000
Improvement Grants	C. Lovell	467,610	120,720	180,720	180,720
Legal Case Management System	C. Barritt	6,250			
Leases funded by loan	G. Elliston	297,690			
Liveability	J. Clements	11,600			
Local Housing Allowance IT Software	D. Hood	2,330	1,550		
M&E Installations	M. Hunter	276,620	185,000	100,000	
Museum - HEG Roof Refurbishment	M. Hunter	20,000	312,420		
Old Cemetery Church refurbishment	M. Hunter	7,260			
Old Cemetery drainage & footpaths	D. Cooper	45,870			
Old Cemetery Toilets & South Shelter	M. Hunter	11,210			
Operational Bases for GM Staff	M. Hunter	5,470	260,000		
Parks Lodges repairs	M. Hunter	11,700			
Parks Lottery Bid Christchurch Park	E. Peters	83,250			
Play Facilities	E. Peters	156,000	94,500		
Ravenswood IBC Costs	J. Stebbings	50,670	89,960		
Red Rose Chain	B. Brennan	0	75,000		
Regent Repairs	M. Hunter	50,000			
Road Improvements	I. Booth	365,000	335,000		
St Lawrence Church	M. Hunter	33,450			
Tourist Information Centre (TIC) External Repairs	M. Hunter	58,470			
UCS	R. Williams	455,000	455,000		

Capital Programme for 2009/10 and Future Years continued

Programme Name	Project Manager	2009/10	2010/11	2011/12	2012/13
Waste PE Grant Brown Bins	D. Reeve	470			
Waste PE Grant IT Project	D. Reeve	24,190			
Waste PE Grant Recycling at Flats	D. Reeve	2,870			
Waste PE Grant WEEE Impact Waste Electrical	D. Reeve	50			
Whitton S C Football Facilities	T. Snook		460,000		
GF TOTAL		**7,488,335**	**8,066,295**	**8,227,470**	**2,148,310**
CONTINGENCY					
Contingency - additional commitments	I. Blofield	168,850	300,000	200,000	200,000
Contingency - I. T. Upgrades	D. Field	79,190	200,000	100,000	100,000
Contingency - Regent Repairs	M. Hunter		200,000		
Crown St Car Park Repairs	J. Clements	358,840	250,000		
Crown Pools Repairs Contingency	S. Kemp	102,090			
Ipswich Street Prostitution Strategy	J. Clements	30,070	68,000		
Pension Fund Contributions	D. Wolton	270,000	730,000	500,000	500,000
CONTINGENCY TOTAL		**1,009,040**	**1,748,000**	**800,000**	**800,000**
LSP Performance Reward Grant					
LSP Performance Reward Grant	R. Mandal	88,000	313,460		
LSP Performance Reward Grant Total		**88,000**	**313,460**	**0**	**0**
TOTAL SCHEMES APPROVED		**21,385,935**	**21,853,385**	**19,812,470**	**12,948,310**

Funding of Capital Programme

	CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROW	SUPPORTED CAPITAL EXPENDITURE	MAJOR REPAIRS ALLOWANCE	RCCO'S	TOTAL
2009/10							
Resources at 31.03.2009	13,796,828	636,703	0	0	0	244,279	14,677,810
Resources in the year	0	1,335,562	297,690	1,314,000	5,165,280	5,929,001	14,041,533
Use of Resources	6,500,820	1,934,865	297,690	1,314,000	5,165,280	6,173,280	21,385,935
Balance at year end	7,296,008	37,400	0	0	0	0	7,333,408
2010/11							
Resources at 31.03.2010	7,296,008	37,400	0	0	0	0	7,333,408
Capital Receipts forecast to be received during 2009/2010	716,564	0	0	0	0	0	716,564
Resources in the year	0	2,840,815	1,000,000	1,314,000	5,159,240	5,223,000	15,537,055
Use of Resources	6,282,330	2,874,815	1,000,000	1,314,000	5,159,240	5,223,000	21,853,385
Balance at year end	1,730,242	3,400	0	0	0	0	1,733,642
2011/12							
Resources at 31.03.2011	1,730,242	3,400	0	0	0	0	1,733,642
Capital Receipts forecast to be received during 2010/11	7,130,500	0	0	0	0	0	7,130,500
Resources in the year	0	489,230	4,000,000	0	5,249,610	5,535,390	15,274,230
Use of Resources	4,535,240	492,230	4,000,000	0	5,249,610	5,535,390	19,812,470
Balance at year end	4,325,502	400	0	0	0	0	4,325,902
2012/13							
Resources at 31.03.2012	4,325,502	400	0	0	0	0	4,325,902
Capital Receipts forecast to be received during 2011/12	2,990,000	0	0	0	0	0	2,990,000
Resources in the year	0	118,400	0	0	5,341,530	4,658,470	10,118,400
Use of Resources	2,829,910	118,400	0	0	5,341,530	4,658,470	12,948,310
Balance at year end	4,485,592	400	0	0	0	0	4,485,992
Actual Resources	24,633,892	5,420,710	5,297,690	2,628,000	20,915,660	21,590,140	80,486,092
Use of Resources	20,148,300	5,420,310	5,297,690	2,628,000	20,915,660	21,590,140	76,000,100
Deficit(-)/ Surpus of Resources	4,485,592	400	0	0	0	0	4,485,992

Notes to Capital Programme

1. The Council's capital programme has been reviewed in respect of the Council's priorities and the forecast resources available to fund the programme over the next few years. The major changes and the reasons for these changes are highlighted below.

2. A programme for 2012/13 has been added and the rolling programmes for schemes such as Improvement Grants, Disabled Facilities Grants, Capitalised repairs, Community Improvements and the Ipswich Standard have reviewed and show allocations across all years.

3. The Council has also looked to set the programme as to when the expenditure is anticipated, and a number of schemes have been re-profiled to reflect this. These schemes include Affordable Housing, Cemetery Phase 2a, Environmental Improvements Town Centre, and Operational bases for grounds maintenance staff.

4. The funding of the Capital Programme has also been looked at to ensure the Council is managing its capital resources well and financing schemes from currently available funding where applicable.

5. Funding for phase 2 of the University Campus Suffolk project of £910,000 is included in 2 equal instalments over 2009/10 and 2010/11.

Section 9

Asset Management Plan

Review of Progress 2009/10 and Revised Action Plan 2010/11

1. Introduction

1.1 The 2009/10 Asset Management Plan, incorporating an action plan for making improvements to the way the Council manages its assets, was approved by the Council in February 2009. Work has been continuing over the past year to implement the approved action plan. However, progress has been limited due partly to the long-term absence of the Operations Manager – Assets & Property because of ill health. A new Operations Manager has been appointed and started in January 2010.

1.2 A "critical friend" audit of asset management activity has been carried out by the Council's external auditors, PriceWaterhouseCoopers. The outcome of the audit is a series of recommendations regarding improvements that need to be made to the way the Council manages its assets. The audit report and recommendations were considered by the Corporate Management Team in December 2009 and an action plan has been prepared detailing how the Council plans to tackle the issues raised.

1.3 Given the timescales involved in the consideration of the audit report and the appointment of the new operations manager, the decision has been taken not to update the Asset Management Plan for 2010/11. This report considers the following:

- a review of the progress made in implementing the action plan in the 2009/10 Asset Management Plan; and
- preparation of a new action plan for 2010/11 using the audit recommendations as a base.

1.4 A complete review of the current Asset Management Plan will be undertaken during 2010/11 and a new plan prepared for 2011/12.

2. Review of Progress 2009/10

2.1 This section of the report reviews the progress made in implementing the 2009/10 action plan. A full copy of the action plan, updated to show where progress has been made, is included in appendix one.

2.2 Over the past year, the following specific activity has taken place in respect of asset management:

Implementation of Asset Management Data System

The Council has recognised that improvements need to be made to its asset record systems and a decision was made to purchase the CAPS Uniform asset management module. As at the end of December 2009, records for virtually all assets have been established. The next step is for the asset records to be populated with data relating to those assets and resources are currently being identified to complete this project. It is planned that most of the key data will be entered onto the system by the end of 2010/11.

Capital Receipts

Work on disposing of surplus assets continued during 2009/10. However, the economic downturn has continued to see a reduction in both demand and price for development land and other property. This, coupled with limitations on staffing resources within the Asset & Property service, has meant that sales of surplus assets have shown a reduction compared with previous years when the market was more buoyant. Capital receipts from the sale of assets achieved or expected to be achieved during the 2009/10 year are approximately £250,000.

Repairs & Refurbishments to Buildings

The Council has in recent years had a significant capital programme financed largely by capital receipts from the sale of surplus assets. Major repairs and refurbishments have been carried out on a number of buildings during the past year as follows:

- *Corn Exchange Façade & Roof Repairs*

  The project to carry out external repairs to the Corn Exchange, one of the Council's most prominent grade two listed buildings, has been completed during 2009/10. In addition to important repairs to the fabric of the building, refurbishment of the stonework has returned the external façade of the building to its former glory.

- *Disabled Access Audits & Improvements*

  The Council has continued its programme of improvements arising from disabled access audits on Council buildings. The works carried out in 2009/10 includes works at Gainsborough Sports Centre and the Temple of Remembrance in the Cemetery to improve accessibility for disabled people.

- *Crown Pools Improvements*

  The Council has commenced a £3.5 million refurbishment of Crown Pools. The first phase of the works will include refurbished reception and changing rooms, changes to plant and machinery and the installation of a pool cover. Phase two of the refurbishment will commence in April 2011.

- *Fore Street Pool Improvements*

  A refurbishment has been completed of Fore Street Pool during 2009/10. Approximately £0.5 million has been invested in re-roofing, new guttering, flooring and lighting, and installation of a new air handling system and heat pump.

- *External Repairs to Tourist Information Centre*

  Repairs to the value of approximately £60,000 are in the process of being completed to the exterior of St. Stephen's Church.

Revaluation of Property Assets

Accounting regulations require that the Council carries out a full revaluation of its assets every five years. Following a tendering exercise, Savills were appointed to undertake the revaluation which is expected to be completed in March 2010.

Asset Challenge Reviews

The review of operational property assets has continued with a report on the outcome of the review being considered by Executive in June 2009. Since then, work has continued with some of the review recommendations being implemented, whilst others have been provided with timescales for implementation by operational managers.

Executive requested that a report be prepared setting out progress on implementing the review outcomes. This will be reported to Executive in March 2010.

Housing Small Sites Review

All 6 sites in the Small Sites 1 Project have been sold to provide a total of 62 Affordable Homes for rent. All will be completed by April 2010. Disposal of the 3 sites in Small Sites 2 have been held up due to lack of resources but it is expected that disposal should take place by end of April 2010. Small Sites 2 should provide 13 Affordable Homes for rent.

3. Critical Friend Audit

3.1 Although the Comprehensive Area Assessment (CAA) did not require an assessment of progress on asset management for District Councils in 2009/10, the Council included a "critical friend" audit in its audit plan to be. The audit, carried out by external auditors, PriceWaterhouseCoopers, concluded that:

"The Council has sound processes in place to support strategic asset management and has already developed plans to address the majority of the development areas identified as part of this review exercise.

"By reinvigorating its existing governance arrangements, strengthening its focus on partnership working, and implementing new policies and procedures including a property database and performance management system, it is possible to conclude that the Council has good prospects for securing and sustaining value for money, enhancing public service and delivering wider economic, environmental and social benefit for its local communities from its assets."

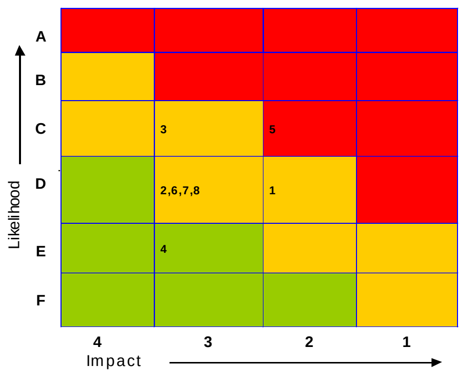
3.2. The Council has prepared an action plan from the detailed outcomes and recommendations identified during the audit. The action plan, a full copy of which is attached as appendix two, will provide the main focus of asset management activity during 2010/11.

APPENDIX ONE

Action for 2009/10

The Council approved the action plan in February 2009 and some progress has been made on implementing the action points. The following table provides an update on the progress made during the 2009/10 year.

IBC Risk Management Matrix



Likelihood:

A	Very high
B	High
C	Significant
D	Low
E	Very low
F	Almost impossible

Impact:

1	Catastrophic
2	Critical
3	Marginal
4	Negligible

Note: The numbers in the risk management matrix above refer to the risks
Identified in the following tables

Aim: To ensure the Council's property portfolio is well maintained				
			Likelihood	**Impact**
Risk 1: The Council's property portfolio falls into disrepair and is not fit for purpose			**D**	**2**

Action	**Timescale**	**Who**	**Progress 2009/2010**
Develop a Council property maintenance policy, which identifies minimum maintenance standards for Council buildings.	October 2009	Mark Hunter, Building & Design Services	No further progress due to resource constraints and other priorities
Prepare an up to date schedule of required maintenance for Council buildings and develop a plan to meet the identified maintenance needs.	October 2009	Mark Hunter, Building & Design Services	Review of required maintenance complete. Further work required to develop plan to meet identified maintenance needs.
Continue to implement a programme of condition surveys over a four year period of 38 of the Council's heritage assets	March 2012	Mark Hunter, Building & Design Services	Condition surveys completed on 15 heritage properties in 2009/10. Programme of further condition surveys continuing.
Continue to implement the programme of repairs to Council housing in order to meet the Decent Homes Standard by December 2010 and the Ipswich Standard by 2014.	Ongoing	Alan Huffey, Surveying Services	On target to meet Decent Homes Standard by end of 2010 apart from homes where tenants have refused works, these works will be undertaken when homes become vacant. On target to meet the Ipswich Standard by 2014 subject to adequate funding in future years.
Carry out accessibility audits to Council owned buildings to identify where improvements need to be made and carry out any necessary works to improve accessibility.	Ongoing	Robert Self, Access Officer, Building Control Mark Hunter, B&DS	Accessibility audits in progress or completed for Crown Pools and Christchurch Mansion. Budget available in capital programme to complete improvements on a needs basis.

Aim: To ensure the Council's operational and non-operational assets are being utilised effectively to deliver its objectives, are relevant and are fit for purpose.			
		Likelihood	**Impact**
Risk 2: The Council's property portfolio is poorly utilised and/or poorly performing, and as a result is not relevant to the needs of the Council and its services.		**D**	**3**

Action	**Timescale**	**Who**	**Progress 2009/2010**
Prepare a schedule of agreed recommendations arising from the operational asset challenge reviews and develop a plan for their implementation.	March 2009	Mike Gregory, Asset & Property	Schedule of agreed recommendations prepared and reported to Executive in June 2009. Progress report to be submitted to Executive in March 2010.
Develop an approach to the review of the Council's non-operational property portfolio and prepare terms of reference for its completion.	March 2009	Mike Gregory, Asset & Property	Research carried out and options considered based on examples of good practice at other local authorities. Further progress to be made following appointment of new Operations Manager – Assets, Property & Economic Development
Carry out a review of the Council's non-operational property portfolio based on the agreed terms of reference.	TBA	Mike Gregory, Asset & Property	Pending agreement of terms of reference for review.
Review and report on the performance of the corporate estate using the 2006/07 & 2007/08 NaPPMI PI data.		Asset & Property Manager	Report comparing performance of operational portfolio with other local authorities using national performance indicators prepared for Head of Service.
Complete the disposal of the remaining sites arising from the housing small sites review	February 2010	Pauline Hart, HS Richard Beckton A&P	All 6 sites in the Small Sites 1 Project have been sold to provide a total of 62 Affordable Homes for rent. All will be completed by April 2010. Disposal of the 3 sites Small Sites 2 have been held up due to lack of resources but is hoped that disposal should take place by end of April 2010. Small Sites 2 should provide 13 Affordable Homes for rent.

Aim: To ensure that the systems for recording and maintaining information about the Council's assets are suitable to enable their performance to be measured.			
		Likelihood	**Impact**
Risk 3: The Council's asset data management systems are inadequate to enable performance of assets to be properly managed		**C**	**3**

Action	**Timescale**	**Who**	**Progress 2009/2010**
Gather performance indicator data and submit to the NaPPMI database.	May 2009	Mike Gregory, Asset & Property	Further work carried out to refine collection of PI data. Data submitted to CIPFA Property for 2008/09 year. This is an ongoing process
Implement CAPS Uniform asset management database system		Stephen French, PT&R Support	CAPS Uniform system has been implemented and an asset record set up for all the Council's non housing assets. Further work to be undertaken to complete data entry for each asset.

Aim: To develop policies relating to the Council's acquisition and disposal of property assets.		
	Likelihood	**Impact**
Risk 4: The Council's property dealings are not carried out in a consistent and transparent manner.	**E**	**3**

Action	**Timescale**	**Who**	**Progress 2009/2010**
Complete the development of statements to clarify the Council's policies relating to the acquisition and disposal of property assets, and the disposal or leasing of its assets at less than best consideration.		Asset & Property Manager	A suite of four policies relating to the Acquisition and Disposal of Council assets has been completed in draft and submitted to the Head of Service for consideration. Further progress to be made following appointment of new Operations Manager – Assets, Property and Economic Development.

Aim: To maximise the Council's receipts from the sale of surplus property assets and to meet the target set by the Council for 2009/10		
	Likelihood	**Impact**
Risk 5: The Council will raise insufficient capital receipts through the disposal of surplus assets to finance the approved capital programme	C	2

Action	**Timescale**	**Who**	**Progress 2009/2010**
Continue the programme of surplus asset disposals in order to meet the 2009/10 capital receipts target.	March 2010	Asset & Property Manager	Surplus asset disposals have continued during the 2009/10 year although the economic downturn and staff shortages have curtailed the disposals programme to a considerable extent.

Aim: To improve the energy and water efficiency of the Council corporate property portfolio		
	Likelihood	**Impact**
Risk 6: The Council's property portfolio will be inefficient in the use of energy and water	D	3

Action	**Timescale**	**Who**	**Progress 2009/2010**
Implement the proposals set out in the IMPACT Carbon Management Plan and continue with a rolling programme of energy & water audits & action plan for each.	2008-2013	IMPACT Board & Team (Project Lead Barbara Moss-Taylor)	Energy efficiency improvements made (or underway) at several IBC operational buildings. Executive report being prepared on progress. Ongoing audit of buildings delayed due to staff shortages but will commence in 2010/11

Aim: To establish arrangements for working with LSP and other partners to maximise the benefits from joint working on asset management issues		
	Likelihood	**Impact**
Risk 7: The Council will not benefit from joint working with partners on asset management issues	D	3

Action	**Timescale**	**Who**	**Progress 2009/2010**
Liaise with LSP partners to establish a forum to seek benefits of joint working on asset management issues.		Asset & Property Manager	This has not been progressed due to the long term absence of the Operations Manager

Aim: To create an asset management plan that shows how the council's property assets will be used to help deliver corporate priorities and service delivery needs over the longer term.		
	Likelihood	**Impact**
Risk 8: The Council will not plan how it will use its property assets to achieve longer-term strategic goals.	D	3

Action	**Timescale**	**Who**	**Progress 2009/2010**
Review the 2008/12 asset management plan to include longer-term action points for the period 2009/13		Asset & Property Manager	This has not been progressed due to the long term absence of the Operations Manager. A full review of the Asset Management Plan is intended during 2010/11

APPENDIX TWO

Action Plan 2010/11

Effective Management of Assets Audit Outcomes

Outcomes from Audit	**Action**	**Action By**	**Date**
Governance, policies and standards – **1. In its self assessment against the KLoE for asset management, the Council has acknowledged that its principal governance forum for strategic asset management, SAMI, could be re-energised. The SAMI group should play the lead role in monitoring progress against the Draft AMP management action plan in addition to the recommendations set out in this paper. It should be responsible for the effective integration of asset planning with corporate business planning and for ensuring that robust capital prioritisation criteria are routinely applied to all capital bids.** *Recommendation: To enable greater value to be achieved from the estate the Council should reinforce existing governance arrangements that integrate asset planning with corporate business planning and implement corporate property policies and standards e.g. maintenance standards, space standards.*	SAMI to be relaunched under the leadership of Mike Tee. New terms of reference and group membership to be drawn up for approval of CMT in February 2010. This group will provide the strategic direction for asset management activity at the Council.	Mike Tee/Mike Gregory	February 2010
	A suite of asset management policies to be developed for consideration by SAMI as follows:	SAMI	March 2010
	A property maintenance policy, which identifies minimum maintenance standards for the Council's operational assets	Mark Hunter	2010- When resources allow
	An office accommodation space standards policy which is used to identify the Council's office accommodation needs.	Mark Hunter/Bob Harvey	2010- When resources allow
	Policies relating to the acquisition and disposal of property assets, the disposal of assets at less than best consideration and community asset transfer.	Mike Gregory/ John Parling	February 2010

Outcomes from Audit	**Action**	**Action By**	**Date**
	As part of the corporate business planning process, SAMI should review all business plans to consider any asset management implications and where necessary to incorporate these into the Asset Management Plan. To be included in the business planning process guidance.	SAMI	July 2010 & subsequent years
Effective performance management **2. The management action plan within the Draft Asset Management Plan (AMP) for 2009/2013 identifies the implementation of the CAPS Uniform asset management system as a critical enabler to enhanced strategic asset management. The implementation of this new system will ensure that the systems for recording and maintaining information about the Council's assets are suitable to enable their performance to be measured in an effective manner.** ***Recommendation: The Council should integrate P&FM systems and develop tools to interrogate and report. The Council should also provide access to P&FM data to support key decision-makers (investment in P&FM systems will be a critical enabler of a number of opportunities identified below).***	Install Uniform asset management software	S French	Completed
	Populate database with the Council's asset records. This will mean that every Council asset will have a record on the system.	S French	December 2009
	Populate asset records with data. A schedule has been drawn up to identify each item of data required, its source and the priority for populating it on the system. This needs to be completed by the end of March 2010. Assistance is sought from CMT to identify resources, perhaps through secondment, to complete this process. Estimate two people required full time for three months (January to March).	CMT to consider and approve staff resources	Resources required in 2010. Completion of data entry depends on resource availability.
Accessible and accurate P&FM information **3. The Council is a member of the IPF National Property Performance Management Initiative (NaPPMI) and has set**	Continue to collate performance data in respect of the NAPPMI asset management PIs and submit to CIPFA.	Mike Gregory	Annually on demand from CIPFA.

Outcomes from Audit	**Action**	**Action By**	**Date**
targets within its Draft AMP for reviewing and reporting on the performance of the corporate estate by November 2009. ***Recommendation: Develop corporate property performance management system and report key metrics for P&FM to senior board. The Council will benefit from agreeing a set of key performance indicators for its property portfolio that it will use to monitor and track the effectiveness of its strategic asset planning function. These performance indicators should be regularly reported and formally monitored by the Council's Strategic Asset Management and Investment Group (SAMI) to the Directors Team (quarterly) and Executive (annually). Appendix B provides further guidance on establishing a balanced scorecard of performance indicators for strategic asset management.***	Develop a set of key strategic asset management performance indicators that informs the progress of implementing strategic asset management across the Council. Report performance outcomes to SAMI, CMT and Executive on a basis to be agreed.	John Parling/Mike Gregory	May 2010
	Set annual targets for the rate of return on investment on the Council's non-operational asset base and to review arrangements for their achievement and monitoring including the effectiveness of the Strutt & Parker contract.	John Parling/Mike Gregory	May 2010
Community and voluntary sector tenancies **4. Community asset transfer policies have been under significant scrutiny in the last eighteen months and the authority's partner organisations may already have invested time and energy in developing policies that it could apply subject to appropriate modifications.** ***Recommendation: The Council should give further consideration to exploring opportunities to secure greater economic and social capital from leading practice community asset management. Greater partnership working should enable the Council to share and benefit from the good practice processes and policies of its strategic partners.***	Develop a policy to clarify the Council's approach to asset transfers to third sector organisations (see item 1 above)	Mike Gregory	February 2010
	Asset transfer does not necessarily have to be a freehold transfer and the Council has several arrangements in place where it leases assets to the third sector, either at a market or reduced rent. A schedule of evidence to be prepared that demonstrates the Council's activity in this area.	Mike Gregory/Terry Hayward	End February 2010
Operational estate – strategic asset planning 5. Operational service asset reconfiguration: The Council has recently completed a leading practice programme of asset challenge	Complete the revised schedule of required maintenance for the Council's operational buildings.	Mark Hunter	January 2010

Outcomes from Audit	**Action**	**Action By**	**Date**
reviews to its operational property portfolio. The financial and service implications of this review are currently being considered. ***Recommendation: Continue to modernise the operational portfolio and make better use of assets through developing service and area-based asset plans and identifying and delivering cross service and agency opportunities. Regularly examine opportunities to use assets to leverage value, improve 'place' and contribute to economic development.***	Complete preparation of an implementation plan arising from the review of operational assets and monitor its implementation.	Mike Gregory	March 2010
	Examine opportunities for improving utilisation of Council assets to further regeneration by leveraging external funding through the establishment of a Local Asset Backed Vehicle. Arrange for a consultancy firm to make a presentation to Council officers regarding LABVs and their possible application in Ipswich (post unitary announcement).	Mike Gregory	March 2010
Recommendation: The Council may wish to assess the strategic options for the commercial portfolio as part of any further review work and explore ways to use financial structures and commercial vehicles to realise value from the commercial portfolio.	Develop an approach to the review of the Council's non-operational property portfolio and prepare terms of reference for its completion. Needs professional input from A&P Operations Manager.	John Parling/ Mike Gregory	April 2010

Outcomes from Audit	**Action**	**Action By**	**Date**
6. The Draft AMP makes no reference to the Council's office portfolio and any strategic plans in place to rationalise, modernise and make efficiency savings from the better use of workspace. Evidence of robust estate planning should include operational assets, workspace and non-operational assets and this gap should be kept under review and addressed as appropriate. (Appendix C highlights the potential for efficiency savings that can be generated by undertaking a strategic review of office accommodation alongside the implementation of corporate space standards and flexible working). ***Recommendation: Keep under review the Council's requirements for workspace and flexible working arrangements, including strategy and planning – i.e. consolidate workspace requirements and continue to promote and occupy space on a non-territorial and non-hierarchical basis and implement flexible working and desk sharing.***	Currently reviewing the occupation levels of Grafton House by adding or removing services in line with savings targets. Workspace and flexible working arrangements under continuous review. Office accommodation space standards policy, once agreed, to steer development in this area.	Mark Hunter	Ongoing
7. Existing documentation indicates that limited partnership working on strategic asset management has taken place because of the uncertainties presented by the review of local government structures in Suffolk. However, the Council recognises that it needs to develop a long term strategy for working with its partner organisations on strategic asset management issues and will benefit from demonstrating its role in catalysing this activity ahead of the 2009/10 UoR assessment. ***Recommendation: The Council should review and give consideration to the range of opportunities for closing any portfolio investment gap that are likely to be presented by greater partnership working with the County Council, the PCT and other public sector stakeholders.***	"Suffolk Public Services – Options for the Way Forward" being developed by Suffolk Chief Executives. This will consider options for joint delivery of services with partners which may lead to improved utilisation of assets across the county. The future for Local Government Review in Suffolk is still unclear and it is inappropriate to make any firm decisions regarding joint use of assets until the future for LGR has been resolved.	Delayed pending the decision re local government review.	

<u>Outcomes from Audit</u>	**Action**	**Action By**	**Date**
8. The Council is well placed to benefit from joined-up asset management planning having invested significant time and energy in reviewing its operational estate. ***Recommendation: As a priority, the Council should calculate the funding gap between its existing estate position and its desired position and demonstrate that the options for addressing this funding gap have, or are in the process, of being addressed.***	Following on from the update of the schedule of required maintenance, carry out an assessment of the maintenance funding gap and identify a plan for addressing the gap	Mark Hunter/Mike Gregory	September 2010

Section 10

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2010/11

This report sets out the expected treasury operations for 2010/11 and outlines the Council's prudential indicators for 2010/11 – 2012/13. 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 2010/11 to 2012/13, and the Treasury Prudential Indicators.**
2. **The Authorised Limit Prudential Indicator.**
3. **The Investment Strategy 2010/11 contained in the Treasury Management Strategy and the detailed criteria.**
4. **The Prudential Indicators and Limits for 2010/11 to 2012/13.**
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 The Code also requires councils 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.

1.3 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 2 below and need to be considered as a whole: the sequence of presentation is not an indication of relative significance.

1.4 In addition 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 3 below for 2010/11.

1.5 Due to the economic conditions prevailing over the past 18 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 Estimate	27,694	10,700	16,994

Note

The estimate investment figure as at 31/03/2010 includes £4.7m 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 will adopt the revised code. This adoption meets the requirement of the first of the treasury prudential indicators.

2.3 The Office of the Deputy Prime Minister (now CLG) issued Investment Guidance on 12th March 2004. The key intention of the 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 has to produce 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 a further update on treasury is produced 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	20 yr	50 yr
2009	Dec	0.50	0.60	0.80	1.20	3.10	4.50	4.50
2010	March	0.50	0.70	0.90	1.50	3.60	4.90	5.00
	June	0.75	0.90	1.30	1.90	3.80	5.00	5.10
	Sept	1.00	1.20	1.50	2.20	4.00	5.00	5.20
	Dec	1.00	1.30	1.60	2.40	4.00	5.00	5.20
2011	March	1.25	1.50	1.80	2.60	4.20	5.20	5.40
	June	1.50	1.70	2.00	2.80	4.20	5.20	5.40

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	20 yr	50 yr
2008/09	3.90	5.00	5.30	4.20	4.80	4.50
2009/10	0.50	0.80	1.40	3.20	4.40	4.60
2010/11	1.00	1.10	2.00	4.00	5.00	5.20
2011/12	2.00	2.00	3.00	4.30	5.30	5.30
2012/13	4.50	4.50	5.00	5.30	5.50	5.30

2.9 The UK economy has been in a profound recession for the past 18 months, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets.

2.10 Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced but it will remain insipid and there is a danger that early reversal of monetary ease, (rate cuts and Quantative Easing {QE}), could trigger a dip back to negative growth and a W-shaped GDP path.

2.11 Credit extension to the corporate and personal sectors has improved modestly but banks remain nervous about the viability of counterparties. This is likely to remain a drag upon activity prospects, as will the lacklustre growth of broad money supply.

2.12 The main drag upon the economy is expected to be weak consumers' expenditure growth. The combination of the desire to reduce the level of personal debt and job uncertainty is likely to weigh heavily upon spending. This will be amplified by the prospective increases in taxation already scheduled for 2010 – VAT and National Insurance. Without a rebound in this key element of UK GDP growth, any recovery in the economy is set to be weak and protracted.

2.13 The MPC will continue to promote easy credit conditions via QE which has been extended to a total of £200bn and there is still an outside chance that it could be expanded further during February 2010. Whether this has much impact in the near term remains a moot point given the personal sector's reluctance to take on more debt and add to its already unhealthy balance sheet.

2.14 With inflation set to remain subdued in the next few years, the pressure upon the MPC to hike rates will remain moderate. But some increase will be seen as necessary in 2010 to counter the effects of external cost pressures (as commodity prices begin to rise again) and to avoid damage that sterling could endure if the UK is seen to defy an international move to commence policy exit strategies.

2.15 Longer term rates are expected to be more volatile. The current 'softness' of gilt yields & PWLB rates may continue for a while yet, given that these are being driven by a benign international backdrop and the effects of QE. Nevertheless this process will come to an end before the close of the financial year.

2.16 This is likely to herald a return to rising yields for a number of reasons:

- Net gilt issues will rise sharply;
- This will be increased by the extent to which the BoE attempts to claw back funds injected to the economy via the QE programme;
- Investors will be looking to place more of their funds in alternative instruments as their risk appetite increases, demand for gilts will weaken as a consequence;
- A decision to leave QE in place will generate inflation concerns and pressurise long yields higher.

Borrowing Strategy

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 The Council is currently under-borrowed in terms of its capital financing requirement and this has implications for housing subsidy purposes and the knock on effect on general fund. 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.

2.23 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.

2.24 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.

2.25 The Government are currently consulting on reforms to the housing subsidy system that could possibly have an effect from April 2011. 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

2.26 The past 18 months have been very challenging for the Council's Treasury Management operations, with the number of institutions with whom the Council can 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 counterparty list in 2008/09 have been removed. There have also been considerable changes within the UK financial environment with a number of Building Societies and Banks merging. During 2009/10 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, the Council has invested money with the Government Debt Management Office. The advantage to 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 the Council has had surplus funds not earning any interest, due to bank charges being more than the interest the investment would have made.

2.27 At the beginning of 2009/10 the Council had £27m in fixed term investments and, all but £6m will have matured by the end of 2009/10. The Council has undertaken a policy of repaying debt and reducing investments, thereby reducing risk.

2.28 There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2010/11 and these are detailed below.

Investment Security and Returns

2.29 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 six month 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	1.35%	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)	2.20%	If UK Building Societies do get into trouble, past experience shows they are taken over by other Building Societies. However, we do not know what will happen in the future.

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

2.31 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 £440,000. The difference is equivalent to a Band D Equivalent of £9.57. 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

2.32 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.

2.33 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.

2.34 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 will 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

2.35 The Council does not deal in the market every day and manages it 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 don't currently take investments from local authorities.

2.36 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 illustration of this in the last year 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.

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

2.38 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 investments.

Other Operational Issues

2.39 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. 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 and have less money invested.

2.40 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.

2.41 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.

2.42 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

2.43 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 2010/11, 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.

2.44 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.

2.45 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.

2.46 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.

2.47 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.

2.48 The Council has drawn up a list of seven different categories in which investments can be made, which all have different levels of security, monetary limits and time limits. The Council would look to spread investments over different institutions so as not to be left overexposed to any one. 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).

2.49 **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 place more investments here.

2.50 **Category 2** – Even though 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 364 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.

2.51 **Category 3 -** Northern Rock has an ongoing guarantee from the UK Government that can be removed at no less than 3 months notice. The time limit for investments in Northern Rock will be 90 days with maximum total investments of £5m. This will ensure that alternative investments can be made if the Government give notice to remove the guarantee. The overall maximum exposure for this category would be £5m.

2.52 **Category 4** - 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	1	N/A	N/A
Financial Strength	N/A	D	N/A

2.53 The time limit for investments in institutions falling in category 4 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 4 fail to meet the criteria, they will be placed in category 6 if applicable.

2.55 **Category 5 –** 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

2.56 **Category 6** – 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 £3bn as at 31 December 2008.

2.57 The time limit for investments in institutions falling in category 6 is 364 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 7** – 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 7 is 364 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 6 has a higher maximum exposure than potential exposure, is that financial institutions that are in category 4 could be downgraded and therefore not meet the criteria in category 4. If this was the case, they would be downgraded to category 6. By having a higher maximum exposure than potential exposure in category 6, 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 364 Days
Category 3	1	5	5	90 Days
Category 4	7	70	50	Max 2 years
Category 5	3	15	15	Instant Access
Category 6	7	21	25	Max 364 Days
Category 7	17	25	25	Max 364 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 2010/11

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 2010/11.

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 throughout 2010 and into 2011. 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 Future Council accounts will be required to disclose 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.

	2010/11 Estimate l + 1%	2010/11 Estimate l - 1%
Interest on Borrowing	+£30,000	-£30,000
Net General Fund Borrowing Cost	+£30,000	-£30,000
Investment income	+£200,000	-£200,000

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 all investments in categories 1 to 4 and some investments in category 5.

Non-Specified Investments – Non-specified investments are any other type of investment. The only investments that would fall into this group are some investments in categories 3 and 5.

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 2010/11 and will report the results in the variance report at the end of 2010/11.

- 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 Butlers 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;
- Debt rescheduling advice surrounding the existing portfolio;
- 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 and the Council are currently undertaking a tendering exercise for advisors to provide the service from 1 April 2010. The successful tenderer will be subject to the restrictions on treasury management contained within the MTFP.

Member and Officer Training

2.73 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

2.74 It is the 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
2008/09 Actual	£6,348,625	£12,633,096	£18,981,721
2009/10 Approved	£8,585,375	£12,800,560	£21,385,935
2010/11 Estimate	£10,127,755	£11,725,630	£21,853,385
2011/12 Estimate	£9,027,470	£10,785,000	£19,812,470
2012/13 Estimate	£2,948,310	£10,000,000	£12,948,310

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 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.

3.5 The table below shows the actual CFR at 31st March 2009 and the projected CFR at the end of 2009/10, 2010/11, 2011/12 and 2012/13.

Year	General Fund	HRA	Overall
2008/09 Actual	£13,003,573	£35,029,787	£48,033,360
2009/10 Estimate	£12,566,614	£36,322,275	£48,889,889
2010/11 Estimate	£12,659,930	£37,614,948	£50,274,878
2011/12 Estimate	£15,890,903	£37,594,938	£53,485,841
2012/13 Estimate	£14,697,641	£37,574,928	£52,272,569

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 2010/11 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
2008/09 Actual	-1.61%	6.81%	2.66%
2009/10 Estimate	2.84%	5.63%	4.26%
2010/11 Estimate	5.24%	5.43%	5.34%
2011/12 Estimate	5.04%	5.93%	5.47%
2012/13 Estimate	5.54%	6.07%	5.80%

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
2009/10 Estimate	£0.00
2010/11 Estimate	£0.00
2011/12 Estimate	£2.37
2012/13 Estimate	£11.87

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
2009/10 Estimate	£0.00
2010/11 Estimate	£0.00
2011/12 Estimate	£0.00
2012/13 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 Butlers Treasury Services and applied to the Council's treasury management. The code was updated in November 2009 and it is recommended that Council adopt 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 2010/11 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
2009/10 Estimate	£54M	£51M
2010/11 Estimate	£65M	£62M
2011/12 Estimate	£65M	£62M
2012/13 Estimate	£65M	£62M

The increase in 2010/11 reflects the reduction in the capital receipts stream and the Council's potential need to borrow for a replacement multi storey car park and crematorium.

3.14 Due to the economic conditions over the past 18 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 actual position on external borrowing as at 31 March 2009 and the estimated position for 31 March 2010 based on the Capital Programme in the Medium Term Financial Plan is shown in the table below.

Year	Amount
31/3/2009 Actual	£47.2M
31/3/2010 Estimate	£27.7M

Indicator Eight: Fixed and Variable interest rate exposure

3.15 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
2009/10	100%	50%
2010/11	100%	50%
2011/12	100%	50%
2012/13	100%	50%

Investments – Maximum Limits

Year	Fixed Rate	Variable Rate
2009/10	100%	50%
2010/11	100%	50%
2011/12	100%	50%
2012/13	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
2009/10	£15M
2010/11	£15M
2011/12	£15M
2012/13	£15M

APPENDIX 1

IPSWICH BOROUGH COUNCIL'S INVESTMENTS AS AT 8-2-2010

	INVESTMENTS AS AT 8-2-2010 £	INTEREST RATE %	DATE TAKEN OUT	DATE MATURES
Barclays Commercial Bank	2,000,000	2.2000	10/12/2009	10/12/2010
Dexia Bank Belgium	2,000,000	6.4100	29/05/2008	25/04/2013
Barclays Bank Plc	2,000,000	7.0000	02/06/2008	31/05/2013
	6,000,000			

APPENDIX 2

Approved Organisations for Investment 2010/11

	Lending Limit £Million
CATEGORY 1 - Government Debt Management Account	**50**
CATEGORY 2 - Local Authorities (£3m per authority)	**15**
CATEGORY 3 - Northern Rock	**5**
CATEGORY 4 - 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 4 - Maximum Exposure	**50**
CATEGORY 5 - Money Market Funds	**15**
CATEGORY 6 - UK Financial Institutions that do not meet the criteria of Category 4	
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 6 - Maximum Exposure	**25**

Approved Organisations for Investment 2010/11 Continued

	Lending Limit £Million
CATEGORY 7 - Foreign Financial Institutions	
<u>Belgium</u>	
Dexia Bank	4
<u>Canada</u>	
Canadian Imperial Bank of Commerce	4
Bank of Montreal	4
Bank of Nova Scotia	4
Royal Bank of Canada	4
Toronto-Dominion Bank	4
<u>France</u>	
BNP Paribas	4
Credit Agricole	4
Credit Lyonnais	4
Societe Generale	4
<u>Germany</u>	
Deutsche Bank	4
<u>Netherlands</u>	
ING Bank	4
ABN AMRO Bank	4
Rabobank	4
<u>Switzerland</u>	
Credit Suisse First Boston	4
<u>United States</u>	
JP Morgan Chase Bank	4
State Street Bank & Trust Company	4
CATEGORY 7 - Maximum Exposure	25

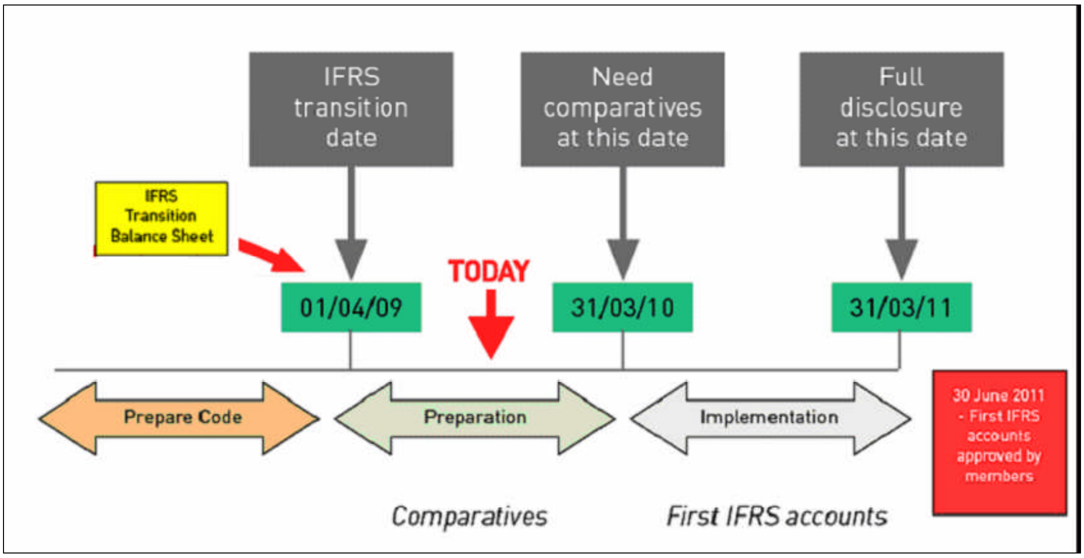
Section 11

Implementation of International Financial Reporting Standards

1. Background

1.1. The councils accounts are currently prepared using UK Generally Accepted Accounting Practice (UK GAAP); this has been converging with International Financial Reporting Standards (IFRS) and will eventually disappear. This is a significant change to reporting requirements.

1.2. In the Budget 2007 the Government made a commitment that the UK public sector would move towards and adopt IFRS by 2010-11, with the time scale graphically illustrated in the table below.



1.3. Local Government will be the last of the public service sectors to move towards accounting on an IFRS basis, with both the NHS and Central Government converting one year earlier (i.e. in 2009-10), as shown in the table below;

Sector	2008/2009	2009/2010	2010/2011
Central Government	Comparatives	IFRS	IFRS
NHS	Comparatives	IFRS	IFRS
Local Government	Comparative (Balance Sheet only)	Comparatives (all core statements) and change in treatment of PFI	IFRS

1.4. A new local authority code of practice for Local Authorities, based upon International Financial Reporting Standards only became available from CIPFA in January 2010. The main issues to consider under the introduction of IFRS are highlighted in the table below;

Significant Differences	Some Differences	No Significant Differences
Fixed Assets	Related Party Disclosures	Stocks
Leases	Impairments	Post Balance Sheet Events
Group Accounts	Intangible Assets	Government Grants
Format of the Accounts	Investment Properties	Provisions
Employee Benefits	General Disclosures	Financial Instruments

1.5. An important consideration is that the average length of private sector statement of accounts typically increased by 60% under the introduction of IFRS, mainly due to the increased requirement for disclosure notes. There may be some notes that are not deemed to be required from public sector bodies, but overall a significant increase in disclosure notes is anticipated.

2. The Transition Date

2.1. The Transition date for Local Government to switch to International Financial Reporting Standards was 31st March 2009 and the first full statement of accounts will be for the 2010-11 financial year.

2.2. The reason for the transition date so far in advance of the first statement of accounts under the new regime is because under International Accounting Standard (IAS) 1 for first time adoption there is a requirement for 2 years worth of comparative balance sheets to be produced and a reconciliation to be completed between the balance sheets under IFRS and UK GAAP – hence, the balance sheet as at 1 April 2009 (approved by Council in June 2009) will require restatement on an IFRS compliant basis as part of the transition to IFRS accounting.

2.3. In addition to this there is a requirement for full retrospection for items where the accounting treatment has changed. This is important for Leases as the treatment of these items will have to be calculated from when the lease started and not from the conversion date to IFRS accounting.

2.4. It is important to note this date as information will be needed to complete the restatement of the balance sheet as at 1 April 2009 including information on employee benefits, fixed asset valuations and leases. The Audit Commission initially requested that this restatement be completed by the end of December 2009, however in the absence of guidance they recognized this was unrealistic. Officers are currently working on producing this converted Balance Sheet.

3. Primary Financial Statements

3.1. Under IFRS the following adjustments are made to the presentation and content of the core Financial Statements;

Current Statement	New Statement
Income and Expenditure Statement	Expenditure and Income Statement
Statement of Movement on the General Fund Balance	Movement in Reserves Statement
Balance Sheet	Balance Sheet
Statement of Total Recognised Gains and Losses	Expenditure and Income Statement
Cash Flow Statement	Cash Flow Statement

3.2. A summary of the changes to the Primary Financials Statements can be seen below;

The Balance Sheet;

- *Balance sheet information will need to be made available to Council Tax payers during the year.*
- *The reserves (at the bottom of the Balance Sheet will need to be split between;*
  - o *Those to fund services (i.e. General Fund & HRA resources)*
  - o *Those not to fund services (i.e. Accounting entries)*
- *There will be the option as to the level of disclosure on the face of the Balance Sheet (and how much is contained within the notes).*

Expenditure and Income Statement;

- *A subjective analysis will need to be included in the notes to the accounts (i.e. breaking down the costs between employees expenses, running expenses, income, etc)*
- *The "net cost of services" can be split according to internal arrangements (service groups/portfolios) but will need to be shown in the existing format in notes (which is in accordance with the Best Value Accounting Code of Practice –BVACOP).*

Movement in Reserves Statement;

- *This will have a matrix style of presentation (columns for GF/HRA/Collection Fund).*
- *The existing Statement of Movement on the General Fund Balance total will be included as a single line in the new statement but will need to be split out in the notes.*

Cash Flow Statement;

- *The largest change is a change to cash and cash equivalents (i.e. those which are convertible to cash in 90 days or less) and the way in which these will need to be treated.*

4. Employee Benefits

4.1. This has been the most talked about change. It requires authorities to accrue for the employee benefits that have been earned by staff but not taken at the end of the financial year. This means that an accrual will need to be recorded for the value of Annual leave, flexi-time and holiday saving scheme carried forward by each member of staff as at 31 March each year. This will cause particular data collection difficulty at Ipswich due to flexible working. Historically, this information has not been centrally recorded, and hence officers will be compiling this information as part of the closure of the accounts for 2009-10.

4.2. A key risk here is that there may be a revenue impact on the General Fund and Housing Revenue Account. The Department of Communities and Local Government have issued draft orders for consultation that is intended to neutralise the financial effects of this accrual. However the guidance is currently unclear and contradictory, accordingly local authority consultees have requested clarification.

5. Leases

5.1. For accounting purposes there are two types of leases, finance leases and operating leases. Operating leases are 100% revenue expenditure and finance leases have the payments split between capital expenditure and interest payments.

5.2. UK GAAP has a number of tests that help to determine whether a lease is to be treated as a finance lease or operating lease.

5.3. Under IFRS the rules for determining whether a lease is treated as an operating or finance lease have been significantly revised and most importantly more emphasis is placed on judgement rather than a quantitative test. Individual components within lease arrangements may need to be split out separately with land elements treated as an operational lease and a building a finance lease. In addition to this there may be embedded finance leases within existing contracts which have currently not been identified.

5.4. The changes mean that officers are having to re-examine all of the Councils existing leases and determine how to account for these leases under IFRS accounting. Under the rules of full retrospection (see paragraph 2.3 above), if the treatment changes then this will need to be calculated from the original inception of the lease.

5.5. Significant progress has been made gathering the required information and considering each lease, however it is considered that this process will potentially still be the most challenging aspect of IFRS implementation.

6. Fixed Assets

6.1. There are some significant changes to the way in which fixed assets will need to be accounted for under IFRS. For example, the definition of intangible fixed assets has been widened, and as such more intangible assets may need to be recorded on the authority's balance sheet.

6.2. IFRS also introduces a requirement to move to component accounting. This means that where an asset is made up of several material parts with different lifetimes they will need to be accounted for separately.

Examples of components can be:

- Land
- Roof
- Walls
- Boilers/Plant
- Lifts

6.3. Component accounting is the only aspect of IFRS accounting, which will not be required on a retrospective basis.

6.4. In order to be able to calculate the entries for each asset, valuations will need to be completed in line with the new accounting standards, and accordingly the Royal Institute of Chartered Surveyors (RICS) has issued guidance on how to achieve this. External valuers have been engaged to carry out this work.

6.5. The corporate asset management system (CAPS) is incapable of dealing with the data recording and financial reporting requirements of IFRS. Accounting Services have previously maintained an access database to provide the financial data for accounting for assets. This will not be a feasible solution for IFRS given the increased complexity of accounting and record keeping. The Council is acquiring a suitable system from Real Asset Management, which is already in use by many Councils and will be used to close the 2009/10 accounts.

7. Group Accounts

7.1. There is a change in the way group relationships are identified that may lead to more relationships being included within the authority's accounts in addition to the Bus Company. Under UK GAAP the primary consideration is the exertion of control over a 3rd party; if the Council exerts control over a 3rd party then there is a group relationship.

7.2. IFRS states that the key test is the ability to exert influence over a 3rd party even if we do not currently do so. This may involve group relationships with a number of bodies to which members are appointed being included within the accounts.

7.3. The change in accounting regulations need to be considered when setting up new bodies as we may not want to incur the burden of further consolidation for the sake of an influence that we do not want to exercise.

8. Collection Fund Accounts

8.1 Under IFRS, the billing authority acts as the agent, and this will necessitate amendments to I&E, Cash Flow and Balance Sheet as only the billing authority's share of income and expenditure from the Collection Fund should be accounted for on the face of the financial statements. This differs from the current practice, whereby all transactions resulting from the Collection Fund are included within the authority's accounts.

9. Implications Assessment

9.1. Preparation for the implementation of IFRS forms part of external audit's current assessment of the council's performance, with the Audit Commission recognising the importance of adequate preparation for the introduction of IFRS accounting. Failure to prepare adequately will affect on the quality of the 2010-11 accounts and the consequential audit opinion upon these statements. Accordingly, officers are actively engaged in understanding the implications of IFRS introduction and to mitigate the risks wherever possible (such as by way of assessing employee skills and utilising opportunities presented through changes in workload within Accounting Services).

9.2 Preparing for IFRS has required, and will continue to require, a significant level of input from many services. To manage this a project plan has been established and officers have been allocated tasks to complete by specific deadlines. This practice is in line with guidance received from CIPFA. The changes will (in particular) place an additional burden on the accountancy function with financial reporting requirements potentially becoming more onerous.

9.3. The change is not just a finance issue, it will affect all services, and the implications of the adoption of IFRS will be a consideration to many aspects of the council's business such as in the setting up of trusts, entering into leases, recording information on annual leave, etc.

9.4 One of the key difficulties to the successful implementation is the ability to get data for all the changes that need to be made, such as there may be some issues accessing data on leases that are quite old.

9.5 The Medium Term Financial Plan includes provision for the additional costs of compliance. This will include additional audit fees, as the Audit Commission will have to audit the re-statement of the 2009-10 accounts and the 1st April 2009 balance sheet position.

10. Conclusion

10.1 The move towards IFRS represents a big change for local authority accounting with the introduction of a new "rule book" with the added complication of full retrospection where changes need to be made. This will represent a considerable demand on officer time reviewing key risk areas and gathering information.

10.2 There are potential "real" costs to the Authority of adopting IFRS, if the measures put in place by central government to neutralize potential impacts are ineffective or poorly drafted. These include accruals for employee benefits and the potential reclassification of longer term rents (leases) as capital receipts rather than revenue income.

10.3 The implementation of IFRS for public sector financial reporting will allow direct comparison with the private sector and other public sector organisations internationally.