IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2013/14 ONWARDS

CONTENTS

Section 1

Medium Term Financial Plan - Overview

Introduction

This section introduces the Council's Medium Term Financial Plan and identifies the national and local financial issues that have shaped it.

The Medium Term Financial Plan (MTFP) is refreshed annually.

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

National Context

The national financial environment remains volatile with potential for continued recession in 2013/14. However the outlook for the UK economy still compares well with the Eurozone, since whilst growth over the last year in the UK has flat lined, it has been negative in Europe. Looking wider, China is anticipated to return to a growth in GDP of up to 8%, with the US continuing with a weak but steady recovery.

The Autumn Forecast Statement by the Chancellor of the Exchequer announced a reduction in the predicted growth of UK GDP to -0.1% from the 0.8% in the budget. Forecast growth for future years was also reduced, 1.2% 2013, 2% in 2014, 2.3% in 2015 and 2.7% in 2016. These revisions to forecasts also mean that the Chancellor's manifesto Debt Target will be missed, with the point at which net debt as a proportion of Gross Domestic Product (GDP) is predicted to fall being delayed by a year to 2016/17.

The Chancellor has reacted to this scenario by announcing that the next Comprehensive Spending Review (CSR13) will take place in the first half of 2013, as an interim measure, a further reduction in funding for local government of 2% was announced for 2014/15.

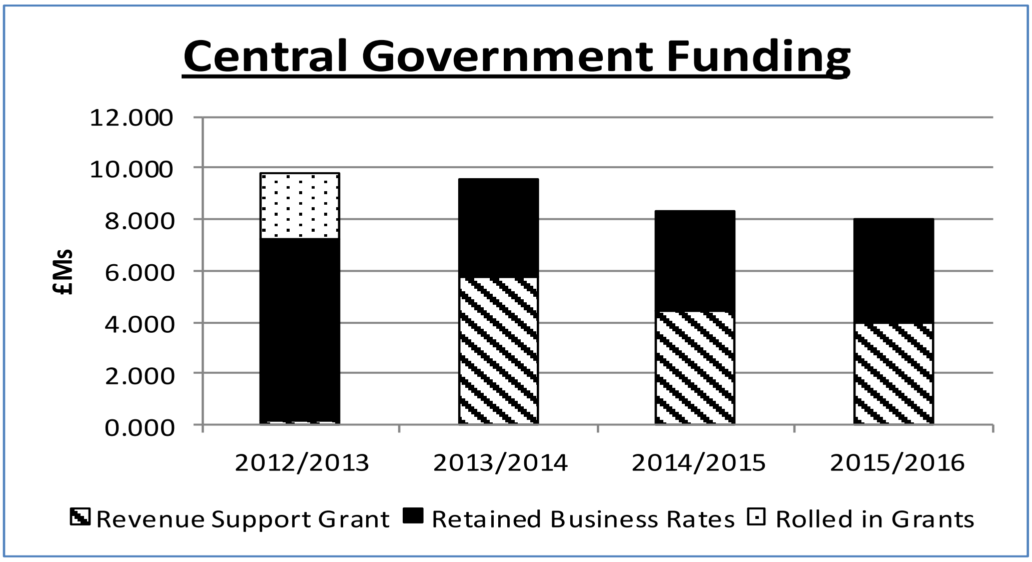
Local Context

The level of Government grant for Ipswich was reduced following the CSR10 settlement by 16.1% in 2011/12 and 3.8% in 2012/13, with a further provisional reduction in government funding of 2.2% included in the provisional finance settlement for 2013/14 (31st January, 2012).

The table and bar chart below show the level of funding announced in the Local Government Finance Settlement for 2013/14, 2014/15 and the estimated reduction in 2015/16.

Govt. Funding	2012/13	2013/14	2014/15	2015/16
	£'m	£'m	£'m	£'m
Revenue support grant	0.143	5.722	4.399	3.935
Retained business rates (formerly Non-domestic rates reallocated)	7.055	3.806	3.923	4.045
Formula Grant/Start Up Funding Assessment	7.198	9.528	8.322	7.980
Rolled in grants (included in Start Up Funding Assessment from 2013/14)	2.624	0.000	0.000	0.000
Total Funding	9.822	9.528	8.322	7.980

Reduction in funding from previous Year 2.99% 12.66% 4.11%



The following sections set out the assumptions made locally to reflect and incorporate the impact of national and local factors in the MTFP:-

Inflation

- Workforce
  The budget proposals include provision for an annual pay award of 1%.
- Fees and Charges
  The yield from fees and charges has been increased by 3% annually.
- Controllable budget increases has been set to nil.

- Energy inflation has been set to 10% annually.

New Homes Bonus

The level of New Homes Bonus announced for 2013/14 and anticipated to be received in future years has been restricted due to the reduced number of new homes coming into use. Future receipts relating to the provision of new council houses has been ring fenced to the Housing Revenue Account.

Single Status Harmonisation

It is anticipated that Single Status Harmonisation will be implemented during 2013 with no additional costs beyond those previously allowed for.

Living Wage

All council employees will be entitled to receive the “living wage”.

Reserves

The Council currently has a policy of maintaining a minimum level of working balances for the General Fund at £2.0 million. The MTFP continues the policy of ensuring that this level is maintained by using any excess balances to fund the budget. This reserve funding has been used to “smooth” the impact of the issues in preceding sections of this overview over the period of the MTFP.

Capital Financing

The impact of anticipated borrowing to support the capital programming is included in the Plan.

The 2013 / 14 Budget Process

Introduction

The Council has worked hard to ensure that it can set a balanced budget in tough financial times. The combination of Government funding cuts and increased demand for public services due to the recession makes this a complex and challenging task. Between 2010/11 and 2012/13, Ipswich Borough Council’s grant funding from central government has been cut by 22.6% (£2.1million - from £9.3million[1] to £7.2million[2]).

2013/14 will be a year of further changes. Government benefits cuts will have to be implemented by the Council. The Chancellor’s Autumn Statement announced further cuts to local government spending from 2014/15 onwards. Locally we will progress

[1] The £9.3million of grant funding in 2010/11 was made up of £1.5million Revenue Support Grant and £7.8million Non-Domestic Rates
[2] The £7.2million of grant funding in 2012/13 was made up of £0.1million Revenue Support Grant and £7.1million Non-Domestic Rates

on our priorities of jobs and skills and house building but we will also need to consider more widely how to prioritise our resources and what services we will deliver in order to continue to manage within our limited resources.

Ipswich Borough Council's Priorities

The Council's Corporate Plan makes our priorities clear:

- A stronger Ipswich Economy
- A Safer and Healthier Ipswich
- Keeping Ipswich moving
- Quality Housing for All
- A Greener Ipswich
- A more Enjoyable Ipswich
- A Fairer Ipswich
- Value for Money

Within this we have identified resources to prioritise two specific areas which will contribute to the borough's economy and to residents' wellbeing. These are the building of new Council homes and the introduction of a Jobs and Skills Fund.

The Council has already saved £4.9million in 2011/12 and 2012/13. We have achieved this through a well-managed approach that includes:

- Restructuring the Senior Management of the Council to reduce costs by around £500,000 year on year
- Freezing Councillor allowances and reducing car mileage rates for Council employees
- Sharing back office services to deliver efficiencies and economies of scale. For example, a shared Design and Print unit with Suffolk New College; a shared Internal Audit Manager with Suffolk Coastal and Waveney Councils; a temporary shared Head of Finance with Colchester Council; and the Shared Revenues Partnership with Mid Suffolk and Babergh Councils.
- Increasing income from our property portfolio e.g. by enabling Little Waitrose, Snobs Coffee Shop, Recreate, the Craft Society and Film Theatre to use part of the Town Hall / Corn Exchange Complex
- Analysing our expenditure and placing contracts with preferred suppliers to minimise the purchase of similar goods and services from different suppliers; implementing the national procurement strategy and using a Suffolk wide e-tendering and contract management system
- Tackling fraud including benefit and tenancy fraud
- Reducing our energy costs through joint procurement arrangements with Suffolk County Council

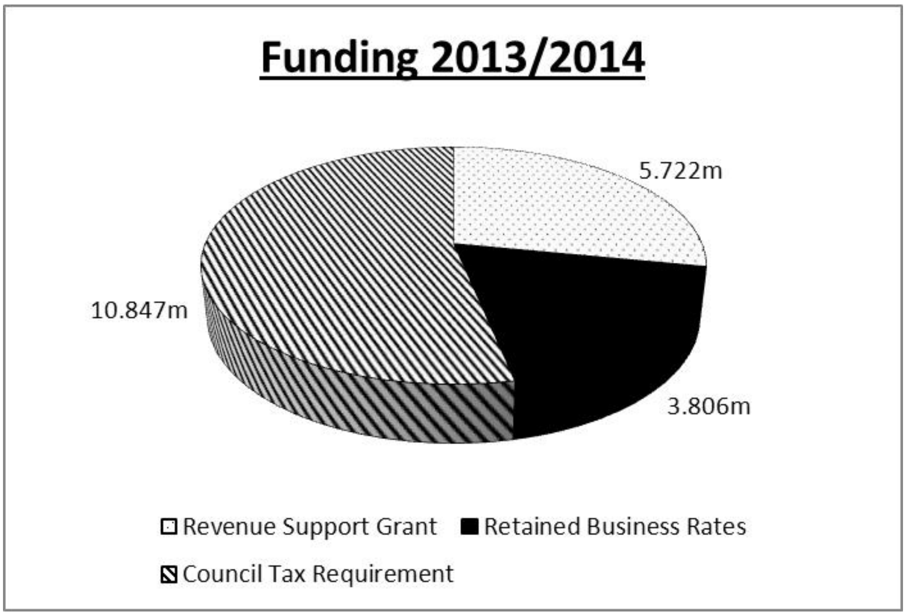
3.6 Other achievements and highlights of 2012/13 include:

- Attracting over £10.7million external funding and investment to the Borough:
    - £6.6million funding for new flood defences;
    - £3.25million of Energy Company Obligation funding to provide external wall insulation to 384 properties;
    - £600,000 Recreate funding to form an enterprise hub for creative industries;
    - £100,000 of “Portas Funding” to help rejuvenate retail areas in the town
    - £220,000 extra small business rates relief by a targeted take-up campaign
- Improving car parking in the town centre by introducing a £1 per hour tariff in council car parks, making Ipswich one of the cheapest places for town centre car parking in the region; and opening an extended Regent Theatre car park
- Bringing Waitrose and John Lewis stores to Ipswich
- Re-opening the plant nursery at Chantry Park in association with Suffolk New College and the Lapwing charity to provide urban horticulture courses to SNC students and work experience for disabled people
- Laying new paving between Neptune and Orwell Quays on the waterfront
- Investing in the town’s new Christmas lights - provided in partnership with Ipswich Central - to bring more shoppers into the town centre
- Approving a planning application for a Vue cinema to be developed in vacant units in the Buttermarket in Ipswich Town centre
- Hosting the opening stage of the Tour of Britain and European cycle cross; and hosting mass participation events such as Sky Ride and the half marathon
- Organising a range of popular events such as the popular Doctor Who “Crash of the Elysium” show; the Queen’s Diamond Jubilee; the Olympic Torch Relay; the Maritime Festival; Ip-Art and a new Christmas market
- Awarding the first bursaries to encourage local students who may have been put off by high tuition fees to study at University Campus Suffolk
- Purchasing the Ipswich Art School building – paid for by donations and fundraising – as part of steps to create a Cultural Quarter in the town
- Installation of Solar PV cells on council buildings bringing income of £2,700 so far
- Returning four empty homes to use using our compulsory purchase powers
- Implementing a new Integrated Housing Management System to improve services to our tenants, including on-line repair reporting and ordering.

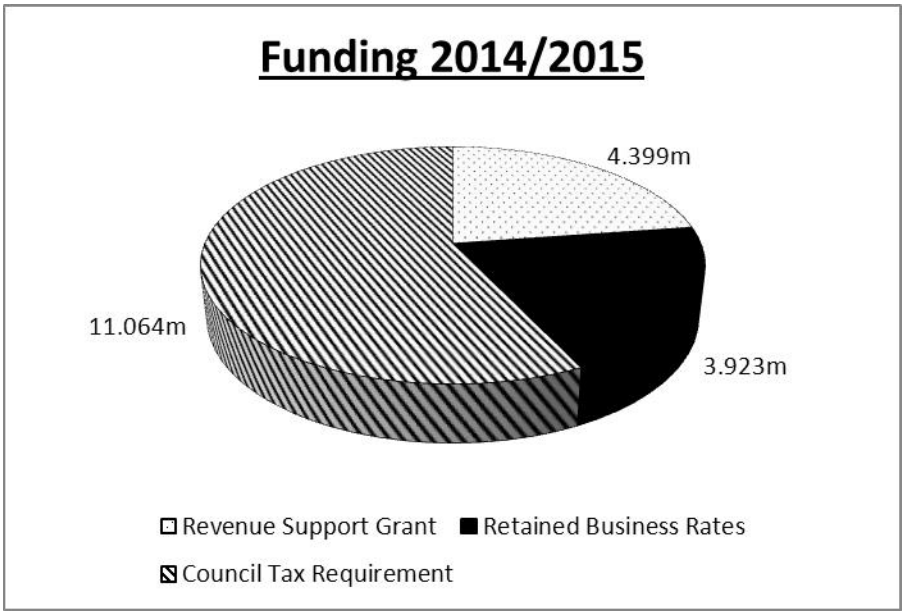
Local Government Finance Settlement 2013/14 onwards

The way that the Government funds local government is changing. Local Government funding has long been a combination of locally set Council Tax and a range of central government grants including a re-distribution of collected business rates. For 2013/14 onwards the Government is changing the way it distributes these business rates. For Ipswich this results in a greater reliance on direct government funding through the Revenue Support Grant.

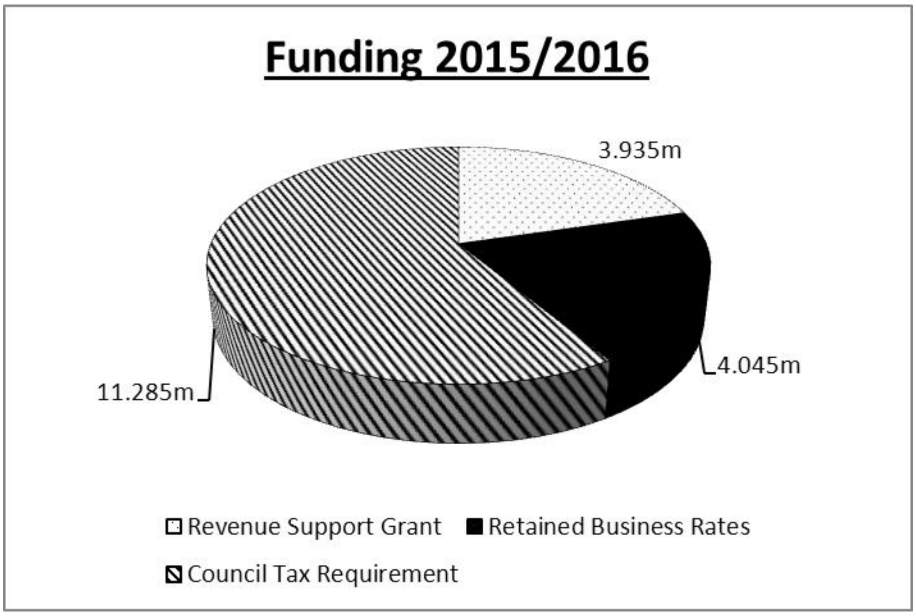
While the Local Government Finance Settlement for 2013/14 results in a further cut of £135,000 (equivalent to a 1.35% change in Council Tax) over and above the budgeted for cut of £158,000, it is funding for 2014/15 that is dramatically affected by cuts.



In 2014/15 the Revenue Support Grant for Ipswich Borough Council is cut by 23%. Overall the Government grant to Ipswich BC is projected to be cut by £1.2 million or 12.66% in 2014/15. This is a significant and challenging reduction.



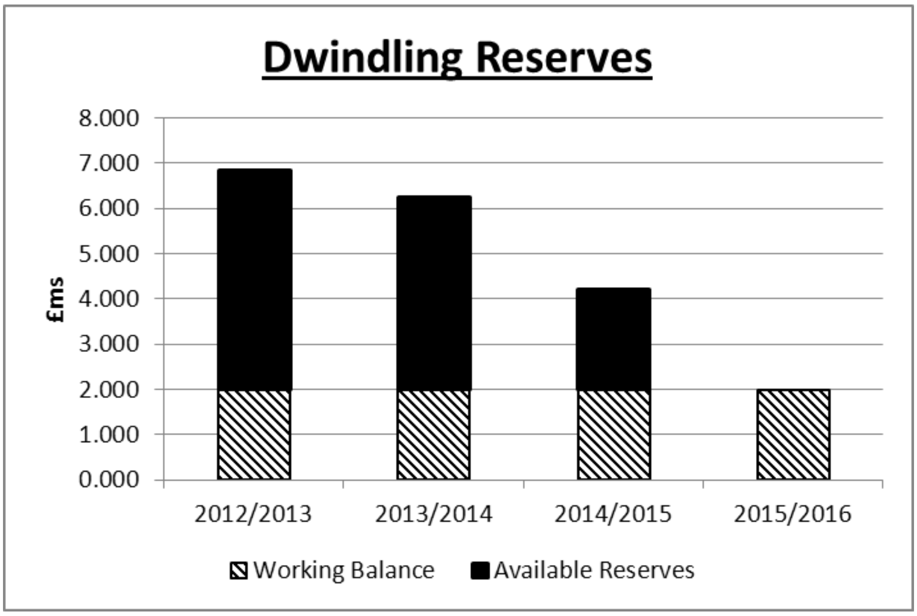
An additional overall cut in funding of 4.11% is projected for 2015/16 after allowing for a further 5% reduction in Revenue Support Grant. This equates to a £3.6m reduction in the level of overall government funding for the three year period. The Council has already saved £4.9million in 2011/12 and 2012/13.Achieving this further level of savings is challenging and will require the Council to make some tough decisions in the medium term.



Ipswich Borough Council Three Year Budget Plan

Our three year medium term financial plan includes a balanced budget for each of the three years – 2013/14 – 2015/16. This has been achieved through:

- Sensible use of the Council's reserves generated through sound financial management in previous years;
- Reduction of the level of working balances to the approved minimum level over the period of the MTFP (i.e. using £4.85 million of reserves over the next three years)



- A business planning process which included a Zero Based Budgeting Exercise netting £1.1million on-going savings;
- The identification of a range of savings options including restructuring some service areas and corporate management, making better use of some Council assets; generating income and doing things more efficiently.

In 2013/14 and 2014/15 we will also be conducting reviews of all the Council's operations areas. These reviews will consider why services are provided, what should be provided and to what extent, the best way to deliver the services, how to reduce costs and improve quality and outcomes and where services are currently delivered in partnership, how these arrangements could be improved. This programme is a key part of the Council's approach to managing within its financial restraints and demonstrates a managed and considered approach to decision making.

This type of approach will enable the Council to address its total savings requirement of over £10million over the next three years whilst attempting to minimise the impact on front-line council services, although achieving this level of savings will be extremely challenging and will require the Council to make tough decisions in the medium term. In order to balance the budget over the next three years, an unidentified savings target projected to yield £1 million over the two years, 2014/15 and 2015/16 has been included. It is anticipated that the operations area reviews mentioned above will make a significant contribution to achieving this target.

Ipswich Borough Council Budget 2013/14

Despite the tough constraints outlined above the Council has managed to set a budget which continues to deliver on its political priorities. In 2013/14 we are:

- Continuing to protect frontline services;

- Continuing to fund our external partners including those in the voluntary and community sector who themselves provide valuable services to the Ipswich community;
- Expecting to complete the building of the first new council houses in Ipswich for twenty years as part of a thirty year programme;
- Implementing an Apprenticeship Brokerage scheme as the first project to be supported by the Council's Jobs and Skills Fund. Detailed discussions are also underway on other projects to support people into employment, support business, encourage innovation, market Ipswich and enhance its reputation;
- Extending our help to town centre businesses by providing funding to maintain cheap car parking in the Council's town centre car parks;
- Implementing the Living Wage for all directly employed council staff – providing a fair day's pay for a fair day's work;
- Investing £200,000 to implement improvements to the Cornhill;
- Extending our programme of bringing empty homes back into use;
- Maintaining our programme of renovation grants to improve the maintenance of houses in the private sector;
- Upgrading CCTV cameras at key locations in the town.

Council Tax

Government funding to freeze council tax is significantly less generous than last year. Whereas previously the Government gave a grant to cover a 2% increase in council tax, this year they will only cover a 1% increase. Furthermore the grant runs out after two years leaving a further funding gap in the third year.

Overall, if the Council were to freeze council tax under the Government's scheme it would require additional cuts to council services of over £600,000 from 2015/16 onwards.

The Council is therefore proposing a small increase in its council tax of 1.98%. This means that the majority of houses in Ipswich will have an increase of 9p a week or less and will help the Council to continue to protect frontline services. This equates to a real terms cut of 4.68% over the last two years (and 15% over the seven years from 2006) when compared to inflation as measured by the Retail Price Index. The overall Council Tax payable will increase by 0.38% in 2013/14.

The real terms reduction in Council Tax charges has resulted in the Council Tax now forming a much reduced proportion of the average household bill – especially since utility suppliers and other regulated services e.g. rail travel have "enjoyed" increases in fees at, or exceeding, inflation during the same period.

As a result of the new arrangements for Council Tax support, all council tax payers will pay at least 8.5% of the charge, even if previously this was fully funded by Council Tax Benefits. The table below illustrates the charge to be paid by such a Band B Council tax Payer in 2013/14.

Council Tax Band B	Annual amount payable	Cost per week
£1251.53	£106.38	£2.05

The element of the cost per week relating to the 1.98% increase in Council Tax equates to 0.8p.

Chief Finance Officer's Statement

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

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

The calculations of estimates making up the General Fund Council Tax requirement of £10,846,860 for 2013/14 have been based on principles set out above. This Plan delivers a financially balanced budget for 2013/14.

The calculations of estimates making up the Housing Revenue Account for 2013/14 have been based on principles set out above. This Plan delivers a financially balanced budget for 2013/14.

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

Sections 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.

Assessments of financial risks associated with the 2013 to 2016 budgets are shown below. These risks are taken account of in setting the level of reserves.

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
	1- Catastrophic 4 – Negligible	A – Very likely F – Almost impossible	
Accuracy of estimates	2	D	Incorporate current economic predictions. Service Group based budget process. Revenue & capital programme set together. All known future changes included in budget. Sign-off of detailed budgets by Heads of Service.
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	Corporate Plan, Strategic framework
Failure of “Approved Organisation for Investment”	2	C	Reviewed Treasury Management Strategy Daily monitoring of investment counterparties

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?**
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

<u>Specific Risks</u>

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

<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?**
<u>Capital</u> Predicted capital receipts may not materialise, capital programme could be curtailed or funding revised	2	B	Continual review of market conditions.
<u>HRA</u> Failure to pursue the most efficient method of financing the new Housing Regime	2	C	Professional advice taken, Housing Business plan revised.

Adequacy of Working Balance and Reserves

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.

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

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

The Reserves and Provisions Policy is included as Section 5 of the MTFP.

GENERAL FUND AND COUNCIL TAX REQUIREMENT

In determining the Council Tax Requirement for 2013/14, councillors and officers have refocused resources on investing in the Council’s priorities.

There is a special levy for the East Suffolk Internal Drainage Board issued on Ipswich Borough Council under the Internal Drainage Boards (Finance) Regulations 1990. From 1st April 1990, in addition to raising revenue by means of drainage rents, the boards raised revenue by means of special levies issued to charging authorities and is included within the Council's budget requirement for areas wholly or partly included in the Board's respective districts. The levy for 2013/14 is £31,744.

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.

Ipswich's Collection Fund shows a net surplus of £141,170. 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.

The Final Settlement for 2013/14 was announced on 4th February 2013 at £9,527,985. These figures are reflected in the summary below:

	2012/13 £	**2013/14 £**
Budget Requirement	**21,635,200**	**20,516,015**
Formula Grant Allocation	**-7,521,750**	**-9,527,985**
Council Tax Freeze Grant 12/13	**-323,490**	**0**
Collection Fund Adjustment	**48,030**	**-141,170**
To be financed from Council Tax	**-12,825,150**	**-10,846,860**

Assuming the Council has a Council Tax requirement for 2013/14 of £10,846,860 the Borough Council's element of the Ipswich charge for a Band D property in comparison with 2012/13 would be:

Potential Change in Band D Council Tax	**2012/13 £ p**	**2013/14 £ p**	**% Change**
IBC Charge before Collection Fund Adjustment	308.53	319.92	3.69
Plus/Minus(-) Collection Fund Adjustment	1.16	-4.11	-
IBC Charge after Collection Fund Adjustment	**309.69**	**315.81**	**1.98**

It follows from the above that the tax (for Ipswich Borough Council) at each of the property bands, compared with 2012/13, would be as follows:

Band	**2012/13**	**2013/14**	**Change**
	Tax (£ p)	**Tax (£ p)**	**%**
A	206.46	210.54	1.98
B	240.87	245.63	1.98
C	275.28	280.72	1.98
D	309.69	315.81	1.98
E	378.51	385.99	1.98
F	447.33	456.17	1.98
G	516.15	526.35	1.98
H	619.38	631.62	1.98

Precepts

Suffolk County Council and the Suffolk Police Authority have publicised their intention to retain their precept at previous levels. Any changes from this position 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	46,649,607	1,126.53
Suffolk Police Authority	6,905,946	166.77

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

Precepting	Valuation	2012/13	2013/14	Change	Change
Authority	Band	£ p	£ p	£ p	%
	A	751.02	751.02	0	0
	B	876.19	876.19	0	0
Suffolk	C	1,001.36	1,001.36	0	0
County	D	1,126.53	1,126.53	0	0
Council	E	1,376.87	1,376.87	0	0
	F	1,627.21	1,627.21	0	0
	G	1,877.55	1,877.55	0	0
	H	2,253.06	2,253.06	0	0

Precepting	Valuation	2012/13	2013/14	Change	Change
Authority	Band	£ p	£ p	£ p	%
	A	111.18	111.18	0	0
	B	129.71	129.71	0	0
Suffolk	C	148.24	148.24	0	0
Police	D	166.77	166.77	0	0
Authority	E	203.83	203.83	0	0
	F	240.89	240.89	0	0
	G	277.95	277.95	0	0
	H	333.54	333.54	0	0

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

Valuation Band	2012/13 £ p	2013/14 £ p	Change £ p	Change %
A	1,068.66	1072.74	4.08	0.38%
B	1,246.77	1251.53	4.76	0.38%
C	1,424.88	1430.32	5.44	0.38%
D	1,602.99	1609.11	6.12	0.38%
E	1,959.21	1966.69	7.48	0.38%
F	2,315.43	2324.27	8.84	0.38%
G	2,671.65	2681.85	10.20	0.38%
H	3,205.98	3218.22	12.24	0.38%

Housing Revenue Account (HRA)

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

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.

The HRA is ring-fenced and is required to balance each year i.e. the working balance can never be negative and for the sake of prudence it has been decided that a minimum balance of £1,000,000 is maintained.

The Government Rent Restructuring formula would dictate a rent rise for 2013/14 of 4.5%. As this would keep us in line to meet the current rent convergence date of 2015/16, the approved rent increase for 2013/14 is 4.5% (agreed at Council 30th January 2013).

Capital Programme

The Capital Strategy is set out at Section 6.

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

General Fund	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**8,076**	**7,646**	**5,357**	**1,823**
Financed By:-				
Capital Receipts	4,374	3,071	1,568	1,279
External Funding	1,109	1,143	948	428
Prudential Borrowing	1,592	83	1,575	0
Borrowing	929	3,334	1,260	110
RCCO's	72	15	6	6
Total Funding	**8,076**	**7,646**	**5,357**	**1,823**

Housing Revenue Account	**2012/13**	**2013/14**	**2014/15**	**2015/16**
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**15,061**	**13,096**	**12,898**	**12,926**
Financed By:-				
Capital Receipts	58	0	0	0
Prudential Borrowing	25	0	0	0
Major Repairs Allowance	8,083	8,068	7,898	7,926
RCCO's	6,895	5,028	5,000	5,000
Total Funding	**15,061**	**13,096**	**12,898**	**12,926**

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

Section 2

Finance Strategy

The corporate finance strategy should address five main areas;

Current financial position
Future aims of the organisation
How to provide the funding to meet these aims
Financial risks inherent in the strategy
Budget monitoring and control management

The following strategy has been constructed to address these five areas in a transparent manner.

Current Financial Position

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

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

The Comprehensive Spending Review 2010 (CSR10) reduced the level of formula grant to lower tier authorities by an average of 28% over the period of the review. Ipswich suffered a reduction in grant of £2.1m from 2010/11 to 2012/13, but was still able to set a balanced budget for 2012/13. The achievement of this budget has been monitored during the year against expenditure profiles and no significant variations are anticipated.

This history of strong financial management gives a strong foundation to base the revised MTFP for 2013/14 onwards upon.

Future aims of the organisation

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

The Council has identified six main themes for 2013/14 and has refocused resources to pursue these themes:

- **A Stronger Ipswich Economy**
- **A Safer and Healthier Ipswich**
- **Keeping Ipswich Moving**
- **Quality Housing for All**
- **A Greener Ipswich**

- **A more Enjoyable Ipswich**

In the MTFP a significant level of funding is identified to help "kick-start" the Ipswich economy including:

- A £5m per annum programme for new affordable houses (primarily new Council Houses);
- A £1.5m fund to support initiatives associated with the creation and retention of jobs;
- A £1m fund to bring empty homes back into use;
- A £2m fund to support investment in land and property.

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

How to provide the funding to meet these aims

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

<u>General Fund</u>

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

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

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

The General Fund is mainly financed by Government Grant, Retained Business Rates, Council Tax, Rents and Fees and Charges.

Housing Revenue Account

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

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

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

Capital Programme

The Capital Strategy establishes the framework for investment in service infrastructure to facilitate the achievement of the Council's six themes mentioned earlier. Optimising funding available e.g. capital receipts, external funding, prudential borrowing, revenue contributions to capital outlay or borrowing as appropriate.

Financial risks inherent in the strategy

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

Financial Theme	Risk	Risk Category	Mitigation
Council Tax	Collection rate variance	3-C	Robust monitoring of council tax income drivers
Income	Income level variance	3-C	Robust budgetary control framework
Revenue Expenditure	Over/underspends	2-D	Robust budgetary control framework
Changes in National funding framework	Financing level variance	2-B	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
Partnership Funding	Engagement/Financing level variance	2-D	Partnership governance and monitoring arrangements
Council Tax Support Localisation	Levels of Council Tax collected fall	3-C	Implementation of the Ipswich Scheme

Localisation Business Rates	Inaccurate estimation of NNDR1 over/understates income levels	2-D	Monitoring of movements in tax base, contact with VOA and internal e.g. Building Control, Planning.
Business Rates Pooling	Exit of single authority dissolves the pool.	2-C	Partnership governance and monitoring arrangements

Note: for risk category definitions see page 13

Budget monitoring and control management

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

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 including sign off by Heads of Service;
Robust Medium Term Financial Planning process;
Robust financial reporting and scrutiny of financial performance, including production of the Statement of Accounts.

<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.

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 and unfairness before it occurs.

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

Section 3
General Fund MTFP

GENERAL FUND REVENUE FORECAST 2012/13 TO 2015/16

2011/12 OUT-TURN £	DESCRIPTION	2012/13 ORIGINAL BUDGET £	2012/13 DRAFT APPROX O/T £	2013/14 FORECAST £	2014/15 FORECAST £	2015/16 FORECAST £
19,492,498	NET SERVICE EXPENDITURE	21,066,620	21,432,550	19,571,800	19,481,710	19,411,500
	Contingencies etc:					
0	Additional commitments	749,000	97,350	1,004,000	1,753,000	2,353,000
0	Invest to Save	59,700	211,200	118,100	50,700	7,000
0	Management Restructuring (not yet allocated to services)	0	405,760	172,260	56,400	53,510
0	Savings Programme 2013/14 (not yet allocated to services)	0	0	50,000Cr	200,000Cr	500,000Cr
0	Savings Programme 2014/15	0	0	0	500,000Cr	500,000Cr
0	Service Reserves	0	1,282,270	0	0	0
0	General Service Reserve	0	596,280	0	0	0
16,954	Interest on balances etc	29,370	3,890	17,420	33,640	51,960
528,945Cr	External interest etc	196,830Cr	236,350Cr	174,860Cr	128,710Cr	138,780Cr
1,747,590	Capital financing costs	1,628,530	1,489,000	1,718,600	2,304,290	2,422,870
20,728,097	Net Expenditure	23,336,390	25,281,950	22,377,320	22,851,030	23,161,060
1,847,210Cr	Revenue support grant	143,030Cr	143,030Cr	5,721,580Cr	4,399,000Cr	3,935,000Cr
5,976,037Cr	Retained Business Rates (previously Non-domestic rates reallocated)	7,055,090Cr	7,055,090Cr	3,806,410Cr	3,923,000Cr	4,045,000Cr
181,761Cr	Collection Fund surplus(cr)/deficit 31st March (net)	48,030	48,030	141,170Cr	0	0
323,633Cr	Council Tax Freeze Grant	647,120Cr	647,120Cr	0	0	0
416,286Cr	New Homes Bonus Scheme	1,012,840Cr	1,012,840Cr	1,286,360Cr	1,470,000Cr	1,686,000Cr
355,508Cr	Transfer to/from (cr) reserves	1,506,130Cr	1,590,980Cr	28,430	20,500	20,500
1,188,198	Use of (cr) / contribution to GF revenue balance	195,060Cr	2,055,770Cr	603,370Cr	2,015,730Cr	2,230,480Cr
0	Unfunded Balance	0	0	0	0	0
12,815,860	COUNCIL TAX REQUIREMENT	12,825,150	12,825,150	10,846,860	11,063,800	11,285,080
	GF REVENUE BALANCE					
7,717,155Cr	Balance b/fwd 1st April	6,008,090Cr	8,905,350Cr	6,849,580Cr	6,246,210Cr	4,230,480Cr
1,188,198Cr	Surplus(Cr)/deficit for year	195,060	2,055,770	603,370	2,015,730	2,230,480
8,905,353Cr	Balance c/fwd 31st March	5,813,030Cr	6,849,580Cr	6,246,210Cr	4,230,480Cr	2,000,000Cr

2011/12 OUT-TURN £	DESCRIPTION	2012/13 ORIGINAL BUDGET £	2012/13 DRAFT APPROX O/T £	2013/14 FORECAST £	2014/15 FORECAST £	2015/16 FORECAST £
	SERVICE EXPENDITURE					
26,174,739	Employees	26,159,620	26,320,960	22,968,810	23,519,810	23,979,250
5,639,819	Premises	5,395,870	5,891,901	5,871,440	5,966,760	6,082,950
1,715,250	Transport	2,250,230	2,282,800	1,869,480	1,878,730	1,877,500
19,537,104	Supplies & Services	16,938,580	21,830,539	13,806,270	13,807,680	13,769,310
884,978	Agency & Contracted Services	867,060	868,810	849,990	849,990	849,990
63,906,310	Transfer Payments	56,983,280	69,126,230	69,217,040	69,217,040	69,217,040
783,097	Central & Departmental Support	572,350	470,350	879,550	842,620	816,380
0	Capital Financing	1,840	2,410	1,870	1,870	1,870
118,641,297	TOTAL SERVICE EXPENDITURE	109,168,830	126,794,000	115,464,450	116,084,500	116,594,290
	SERVICE INCOME					
65,405,082Cr	Government Grants	58,190,600Cr	70,663,210Cr	70,407,180Cr	70,299,000Cr	70,253,020Cr
7,667,103Cr	Other Grants,Contributions Etc	7,177,000Cr	7,560,630Cr	5,342,310Cr	5,264,950Cr	5,354,340Cr
497,196Cr	Sales	515,560Cr	512,840Cr	562,110Cr	578,970Cr	596,340Cr
22,514,309Cr	Fees & Charges	19,493,010Cr	23,522,920Cr	16,392,220Cr	17,130,190Cr	17,623,550Cr
3,065,109Cr	Rents	2,724,290Cr	3,100,100Cr	3,187,080Cr	3,327,930Cr	3,353,790Cr
0	Interest	1,750Cr	1,750Cr	1,750Cr	1,750Cr	1,750Cr
99,148,799Cr	TOTAL SERVICE INCOME	88,102,210Cr	105,361,450Cr	95,892,650Cr	96,602,790Cr	97,182,790Cr
19,492,498	NET SERVICE EXPENDITURE	21,066,620	21,432,550	19,571,800	19,481,710	19,411,500

General Fund Budgets 2013/14 - Service Group Analysis

The Controllable Budget figures below identify the expenditure and income coded directly to the service groupings. They exclude any recharges between General Fund Services and represent the Service Groups' "bottom-line". The service group analysis incorporates all of the investments and the majority of the savings detailed later in the section.

Service Grouping	**2013/14 Controllable Budget £**
Corporate Management Team	300,040
Corporate Services	1,513,760
Resource Management	5,776,480
Housing and Customer Services	1,927,630
Community and Cultural Services	7,661,130
Development and Public Protection	2,194,480
Transport	10,160
Communications and Design	188,120
NET SERVICE EXPENDITURE	19,571,800

General Fund Budget 2013/14 - Service Group Analysis

Corporate Management Team

Service Area	2013/14 Controllable Budget £
Corporate Management Team	300,040
Total	300,040

Corporate Services

Service Area	2013/14 Controllable Budget £
Cemeteries and Crematorium Summary	-541,980
Corporate Properties	-2,156,270
IP-City Centre	-168,120
Councillors' Services	231,530
Property Services Management	246,310
Legal Services	257,530
Democratic and Business Support	186,250
Head of Corporate Services	80,400
Health and Safety	84,760
Building and Design	723,870
Grafton House	1,123,320
Local Land Charges	49,410
Registration of Electors	67,480
Borough Council Elections	121,760
Mayoral Services	122,140
Councillors´ Costs	337,650
Community Development Team	189,890
Area Committees	240,000
Community Grants	317,830
Total	1,513,760

General Fund Budget 2013/14 - Service Group Analysis

Resource Management

Service Area	2013/14 Controllable Budget £
Housing & Council Tax Benefit Administration	1,015,790
Financial Services	927,420
Internal Audit	148,600
Human Resources	416,390
Head of Resource Management	114,110
Performance and Projects	393,470
Corporate Management Direct Costs	170,610
Unapportionable Central Overheads	1,729,050
Information Technology	879,220
Equalities	32,380
Nndr Discretionary Rate Relief	86,960
Central Overheads	-22,230
Democratic Representation and Management (DRM)	-115,290
Total	5,776,480

Housing and Customer Services

Service Area	2013/14 Controllable Budget £
Supervision and Management	286,530
Head of Housing and Customer Services	22,800
Housing Business Support Unit	-24,220
Housing Policy and Resources (GF)	165,200
Housing Options	549,120
Contributions To HRA	190,290
Bed and Breakfast Costs	46,820
Other Private Sector Accommodation Costs	22,760
Assistance to Voluntary Bodies (Gen)	15,540
M3 System Costs	8,040
Private Sector Housing Services	254,550
Customer Services Centre	555,530
Building Overheads	482,330
Commercial Contracts Summary	-647,660
Total	1,927,630

Community and Cultural Services

Service Area	2013/14 Controllable Budget £
Refuse Summary	-743,480
Waste Education and Promotion	199,440
Recycling Summary	-487,310
Public Conveniences Summary	59,800
Leisure Development	69,460
Business Development	35,800
Parks Summary Account	603,200
Rangers	434,170
Allotments	-7,480
Sports Development Unit	33,720
Classical Music Development	14,050
Cultural Development	192,410
Museum Summary Account	1,086,890
Events	94,550
Corn Exchange Summary	259,010
Entertainments Box Office	-24,070
Regent Theatre Summary	144,540
Head of Community and Cultural Services	113,290
Grounds Maintenance Summary Account	1,032,650
Icard Costs	81,600
Sports Centres Summary	723,060
Profiles (All Centres)	-607,050
Swimming Pools Summary	502,630
Refuse Collection Summary	2,475,140
Cleansing Services Summary	983,800
Gipping House Summary	391,310
Total	7,661,130

General Fund Budget 2013/14 - Service Group Analysis

Development and Public Protection

Service Area	2013/14 Controllable Budget £
Occupational Health	189,530
Food Safety	248,610
Pollution	323,550
EHO Group Support Services	169,640
Port Health	20,820
Animal Welfare Summary	55,210
Waste Enforcement	93,440
Tourist Information Centre	122,860
Hackney Carriage and Private Hire Vehicles	-80,210
Head of Development and Public Protection	96,600
Drainage Engineering	44,300
Emergency Planning	54,890
Planning and Development	554,790
Planning Policy	26,170
Local Development Framework	226,500
Building Control Summary	90,520
Caps System Costs	47,000
Historic Churches	37,750
Conservation of Historic Buildings	31,600
Licensing and Enforcement Unit	30,700
Miscellaneous Drainage	30,690
Economic Development	410,200
Economic Grants	50,000
Community Safety	361,690
Emergency Services Centre	357,770
Bus Route Subsidies/Network Support	21,450
Footway Lighting	69,110
Street Names and Seats	20,460
Verges - Maintenance	-106,930
Town Centre Pedestrian Areas	1,280
Shopmobility	9,320
Residents Parking Schemes	-102,060
IBC Car Parks Summary	-1,312,770
Total	2,194,480

General Fund Budget 2013/14 - Service Group Analysis

Transport

Service Area	2013/14 Controllable Budget £
Head of Transport *	10,160
Total	10,160

* temporary post until 30 April 2013

Communications and Design

Service Area	2013/14 Controllable Budget £
Printing Section - Summary	-208,750
Design Services	69,260
Press and Publicity Services	161,520
Advertising/Publicity	166,090
Total	188,120

General Fund Revenue Investments

Proposed Investment	2013/14 £'000	2014/15 £'000	2015/16 onwards £'000
Resource Management			
Discretionary Non-Domestic Rate Relief	14	14	14
Corporate Development			
Replacement of on-line GIS facility/integration of GIS with CRM	5	5	5
Communications			
Replacement/upgrade of website	25	5	5
Development and Public Protection			
Resources to support development of the Northern Fringe	36	36	36
Car park promotions	50	0	0
Enquiry budget	50	0	0
Contaminated land sites assessment	0	35	35
Corporate Services			
Third Sector Lets - Increase grants to compensate for market rents	30	40	50
Community and Cultural Services			
Asbestos related waste collections	3	3	3
Totals	213	138	148

GENERAL FUND SAVINGS

Proposed Change of Activity/Saving	2013/14 £'000	2014/15 £'000	2015/16 onwards £'000
Resource Management			
Increased income from treasury management activities	50	50	50
Financial Services Restructure to reflect loss of Highways Agency and review of service levels	30	30	30
LAMAC Annual Fees	2	2	2
Subscriptions - CIPFA Stats	1	1	1
Increase use of Government Procurement Card, to reduce transaction costs	5	10	10
Staff saving (Corporate)	150	0	0
Reduce corporate training budget	10	10	10
Renegotiate dataline contracts	5	5	5
Above the line re-charging for development work on General fund.	120	120	120
Above the line recharging for specific invest-to-save projects e.g. restructures.	30	30	30
Reduction in network provision, dependent on co-location of CSC/CCC	10	10	10
Corporate Services			
Lease Park & Ride, Bury Rd	100	125	125
Bus Garage, Constantine Road	15	30	45
Third Sector Lets - market rates	30	40	50
Ground Leases	30	35	35
Gipping House Rental	50	50	50
Re let Showroom/Garage premises	15	30	30
Rationalise use of Grafton House	-20	50	50
Review Building & Design Provision	0	30	30
Transport			
Reduce Long Term Storage	5	5	5
Development and Public Protection			
Delete 1 Student EHO post	19	19	19

GENERAL FUND SAVINGS continued

Proposed Change of Activity/Saving	2013/14 £'000	2014/15 £'000	2015/16 onwards £'000
Housing and Customer Services			
Rent deposit scheme	20	0	20
Housing Options	18	18	18
End Temporary posts in BSU	0	13	13
Contingency saving	19	0	0
Contingency saving	155	0	0
Reduce Admin to 18 hours	10	10	10
Co-locate the Customer Service Centre with the Customer Contact Centre	175	190	190
Community and Cultural Services			
Corporate Management Restructure -Phase 2	40	40	40
Increased Fees and Charges	75	159	193
Minor Restructure – Sport	25	25	25
Review staffing of Profiles Gyms	36	36	36
Additional Pools income	10	10	10
Review cost of bar supplies	5	5	5
Box Office - apply booking fee for all ticket sales	20	20	20
Rationalise Parks machinery requirements	12	12	12
Encourage and support bowls clubs to raise standards through self-management of bowls greens.	20	20	20
Suffolk New College initiative based around using part of Chantry Park as educational training base for horticultural students.	10	10	10
Create more sustainable landscape schemes to address future climate change.	25	25	25
Expand successful longer grass policy to benefit wildlife and increase biodiversity.	10	10	10
Agree annual programme to secure additional income through marketing services to external clients, e.g. ground maintenance, tree surgery, sports field maintenance, weed control, landscaping,etc	50	75	100
Review of Bereavement Services staffing	25	25	25
Non-implementation of food waste collections	108	108	108
Review of hazardous waste collection	10	10	10
Corporate Working Group			
Increased income	50	200	500
Totals	1,585	1,703	2,107

Section 4

Housing Revenue Account MTFP

HOUSING REVENUE ACCOUNT FORECAST 2012/13 TO 2015/16

2011/12 OUT-TURN £		2012/13 ORIGINAL BUDGET £	2012/13 FORECAST £	2013/14 FORECAST £	2014/15 FORECAST £	2015/16 FORECAST £
	EXPENDITURE					
	MANAGEMENT & MAINTENANCE					
4,117,533	Supervision & Management General	3,940,430	4,053,490	4,342,390	4,450,850	4,562,270
1,806,542	Supervision & Management Special	2,222,170	2,092,620	1,916,460	1,964,330	2,013,500
282,480	Superannuation Backfunding	282,750	285,580	285,580	285,580	285,580
3,451,334	Responsive Repairs	3,516,210	3,475,720	3,468,110	3,554,730	3,643,710
1,168,481	Special/Contract Repairs	1,203,900	1,185,400	1,071,550	1,105,640	1,150,970
820,566	Planned Maintenance	1,040,410	1,040,410	1,066,420	1,093,050	1,120,420
11,646,935	**MANAGEMENT & MAINTENANCE TOTAL**	**12,205,870**	**12,133,220**	**12,150,510**	**12,454,180**	**12,776,450**
	CAPITAL FINANCING COSTS					
97,613	Debt Management Expenses	82,200	90,390	79,610	77,890	77,730
0	Debt Principal & rescheduling	1,665,040	2,735,680	2,758,040	2,692,450	2,696,230
0	Debt Interest	5,550,460	4,459,800	4,331,570	4,199,850	4,070,010
3,925,467	Depreciation	8,082,500	8,082,500	8,082,501	9,221,370	9,297,450
3,819,463	Impairment of Assets	0	0	0	0	0
99,793,996	Deferred Charges (REFFCUS)	0	0	0	0	0
107,636,538	**TOTAL CAPITAL FINANCING COSTS**	**15,380,200**	**15,368,370**	**15,251,721**	**16,191,560**	**16,141,420**
130,083	RENT REBATES SUBSIDY LIMITATION	0	0	0	0	0
7,898,069	GOVERNMENT SUBSIDY PAYMENT	0	0	0	0	0
63,040	PROVISION FOR BAD DEBTS	211,200	211,200	223,030	233,070	244,130
128,020	HRA share of Corporate Democratic Core and Non Distributed Costs	132,240	129,300	135,720	139,110	142,590
127,502,685	**TOTAL EXPENDITURE**	**27,929,510**	**27,842,090**	**27,760,981**	**29,017,920**	**29,304,590**
	INCOME					
	RENT INCOME					
29,461,342Cr	Rents	30,779,240Cr	31,031,820Cr	32,394,980Cr	33,849,730Cr	35,338,590Cr
809,633Cr	Service Charges	834,240Cr	870,620Cr	909,790Cr	952,980Cr	997,340Cr
558,260Cr	Commercial	554,700Cr	542,700Cr	544,310Cr	544,310Cr	544,310Cr
172,789Cr	Hostels	183,440Cr	217,350Cr	227,130Cr	237,910Cr	248,990Cr
356,868Cr	Shops	330,000Cr	362,830Cr	362,830Cr	362,830Cr	362,830Cr
31,358,891Cr	RENTS TOTAL	32,681,620Cr	33,025,320Cr	34,439,040Cr	35,947,760Cr	37,492,060Cr
184,710Cr	G.F. RECHARGE	186,560Cr	186,560Cr	191,220Cr	196,000Cr	200,910Cr
31,543,601Cr	**TOTAL INCOME**	**32,868,180Cr**	**33,211,880Cr**	**34,630,260Cr**	**36,143,760Cr**	**37,692,970Cr**
95,959,083	**NET COST OF SERVICES**	**4,938,670Cr**	**5,369,790Cr**	**6,869,279Cr**	**7,125,840Cr**	**8,388,380Cr**

HOUSING REVENUE ACCOUNT FORECAST 2012/13 TO 2015/16

2011/12 OUT-TURN		2012/13 ORIGINAL BUDGET	2012/13 FORECAST	2013/14 FORECAST	2014/15 FORECAST	2015/16 FORECAST
£		£	£	£	£	£
95,959,083	**NET COST OF SERVICES**	**4,938,670Cr**	**5,369,790Cr**	**6,869,279Cr**	**7,125,840Cr**	**8,388,380Cr**
0	Single Status & Harmonisation Contingency	150,000	0	150,000	150,000	150,000
0	Supporting People Sheltered Contingency	200,000	200,000	200,000	200,000	200,000
0	Welfare Reforms Contingency	0	0	566,530	724,457	724,457
0	Empty Homes - Ctax contingency	0	0	29,030	29,030	29,030
0	Transitional Vacancy savings	30,000Cr	30,000Cr	30,000Cr	30,000Cr	30,000Cr
100,900,753Cr	Capital Summary Adjustments	0	0	0	0	0
20,294Cr	Interest/investments	6,020Cr	8,860Cr	10,090Cr	14,760Cr	20,100Cr
4,961,964Cr	**NET OPERATING EXPENDITURE**	**4,624,690Cr**	**5,208,650Cr**	**5,963,809Cr**	**6,067,113Cr**	**7,334,993Cr**
786,931Cr	Contributions to Provisions/Reserves	376,350Cr	404,350Cr	0	0	0
5,242,850	RCCO's	5,167,500	5,367,500	5,028,710	5,000,000	5,000,000
506,045Cr	**SURPLUS(Cr)/DEFICIT**	**166,460**	**245,500Cr**	**935,099Cr**	**1,067,113Cr**	**2,334,993Cr**
1,265,781Cr	HRA Balance b/f 1st April	1,204,685Cr	1,771,826Cr	2,017,326Cr	2,952,425Cr	4,019,538Cr
1,771,826Cr	HRA Balance c/f 31st March	1,038,225Cr	2,017,326Cr	2,952,425Cr	4,019,538Cr	6,354,530Cr
	MINIMUM REQUIRED BALANCE	**1,000,000Cr**	**1,000,000Cr**	**1,000,000Cr**	**1,000,000Cr**	**1,000,000Cr**

<u>Agreed Sheltered Scheme Charges 2013/14</u> (per week over 50 weeks)

Charge	2012/13	2013/14	Comment
Service Charge	£20.95	£21.89	Increase 4.5% in line with rent increase (This charge is eligible for Housing Benefit)
Supporting People Charge	£6.00	£6.00	Supporting People (SP) element reduced as per SCC. (SP cover this cost for all tenants in receipt of Housing Benefits)
Water Rate Charge	£3.48	£3.76	Charge needs to cover anticipated costs – assumed 8% increase
Heating Communal Areas Charge 1 Charge 2*	 £2.09 £0.78	 £2.26 £0.84	(This charge is eligible for Housing Benefit) Price rises reflect anticipated cost increases – assumed 8% increase.
Heating – Individual home Charge			
1 –2 rooms with htg	£3.75	£4.05	Price rises reflect anticipated cost increases – assumed 8% increase.
3 – 4 rooms with htg	£6.04	£6.52	
5/6 rooms with htg	£8.21	£8.87	
7+ rooms with htg	£10.37	£11.20	

*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 2013/14 (per week) all charges to increase by 4.5% in line with the average Council house inflationary increase (rounded up/down)

Scheme	**2012/13**	**2013/14**	**Change**
Council Tenants Garages			
Vary From	£6.71	£7.01	+£0.30
To	£9.11	£9.52	+£0.41
Non Council Tenants*			
Vary from	£6.71 + vat = £8.05	£7.01 + vat = £8.41	+£0.36
To	£9.11 + vat = £10.93	£9.52 + vat = £11.42	+£0.49
Other Charges			
Water charge (where applicable)	£1.10	£1.15	+£0.05
Hardstands			
Vary from	£1.44	£1.50	+£0.06
To	£1.80	£1.88	+£0.08

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

District Heating Charges 2013/14 (per week)

	2012/13	**2013/14**	**Change**
Lower rate	£8.25	£8.62	£0.37
Higher rate	£9.90	£10.35	£0.45

Charges vary according to number of rooms with heating

Section 5

RESERVES AND PROVISIONS POLICY

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.

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.

Reserves can be held for three main purposes:

1. a working balance to cope with uneven cash flows and reduce temporary borrowing;
2. a contingency to deal with unexpected events or emergencies;
3. earmarked reserves to build up funds to meet known future requirements.

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.

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

1. there is a present obligation as a result of a past event;
2. it is probable that the obligation will arise;
3. the amount of the obligation can be estimated.

Reserves held by Ipswich Borough Council

General Fund

Working Balance

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.

The opportunity cost of maintaining a minimum General Fund working balance of £2 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.

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.

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 2013/14 onwards.

Ipswich Buses Ltd – Debenture Loan

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

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

Repair and Renewal

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.

Investment Impairment

The Investment Impairment reserve was set up to cover possible losses on the Council's investments in Icelandic Banks. The decision by the Icelandic courts to confirm the preferred creditor status of UK local authorities has meant that a large proportion of the reserve is no longer required. However, if recoveries do not come up to the Administrators expectations, there will be a need to use the reserve.

Revenue Grants/Contributions

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

Housing Revenue Account

Working Balance

The HRA Working Balance is maintained to provide a contingency for dealing with potentially significant variances that could arise due to changes associated with the HRA business plan. As a result, the minimum working balance is kept at £1,000,000 to ensure the sustainability of the plan.

Repair and Renewal

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

Miscellaneous

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

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

Bad Debts

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

Housing Revenue Account

Bad Debts

The provision for bad debts comprises of individual provisions for Housing Rents, Service Charges and Sundry Debtors – the level of provision is based upon past experience of default.

Schedule of Working Balances, Reserves and Provisions

ADEQUACY OF WORKING BALANCE/ RESERVES AND PROVISIONS

Reserves	Balance 31-Mar-12 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-13 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-14 £'000	Balance 31-Mar-15 £'000	Balance 31-Mar-16 £'000
General Fund:									
Working Balance	8,905Cr	0	2,056	6,849Cr	0	603	6,246Cr	4,230Cr	2,000Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr
Insurance Reserve	833Cr	0	5	828Cr	0	0	828Cr	828Cr	828Cr
Repair and Renewal	612Cr	25Cr	32	605Cr	28Cr	0	633Cr	653Cr	673Cr
Investment Impairment	2,195Cr	0	1,500	695Cr	0	0	695Cr	695Cr	695Cr
Legacies	117Cr	0	0	117Cr	0	0	117Cr	117Cr	117Cr
Revenue Grants/Contributions	1,632Cr	0	78	1,554Cr	0	0	1,554Cr	1,554Cr	1,554Cr
Total	**14,546Cr**	**25Cr**	**3,671**	**10,900Cr**	**28Cr**	**603**	**10,325Cr**	**8,329Cr**	**6,119Cr**
Housing Revenue Account:									
Working Balance	1,772Cr	245Cr	0	2,017Cr	935Cr	0	2,952Cr	4,019Cr	6,354Cr
Repair and Renewal	500Cr	0	0	500Cr	0	0	500Cr	500Cr	500Cr
Miscellaneous	844Cr	0	404	440Cr	0	0	440Cr	440Cr	440Cr
Total	**3,116Cr**	**245Cr**	**404**	**2,957Cr**	**935Cr**	**0**	**3,892Cr**	**4,959Cr**	**7,294Cr**
Capital									
General Fund Usable Capital Receipts	5,275Cr	0	4,375	900Cr	2,328Cr	3,070	158Cr	466Cr	0
Housing Revenue Account Usable Capital Receipts	58Cr	0	58	0	523Cr	0	523Cr	1,243Cr	1,963Cr
Total	**5,333Cr**	**0**	**4,433**	**900Cr**	**2,851Cr**	**3,070**	**681Cr**	**1,709Cr**	**1,963Cr**

Provisions	Balance 31-Mar-12 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-13 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-14 £'000	Balance 31-Mar-15 £'000	Balance 31-Mar-16 £'000
General Fund:									
Insurance Provision	840Cr	0	0	840Cr	0	0	840Cr	840Cr	840Cr
Provision for Bad Debts	849Cr	100Cr	100	849Cr	100Cr	100	849Cr	849Cr	849Cr
Total	**1,689Cr**	**100Cr**	**100**	**1,689Cr**	**100Cr**	**100**	**1,689Cr**	**1,689Cr**	**1,689Cr**
Housing Revenue Account:									
Provision for Bad Debts	275Cr	200Cr	200	275Cr	211Cr	211	275Cr	275Cr	275Cr
Total	**275Cr**	**200Cr**	**200**	**275Cr**	**211Cr**	**211**	**275Cr**	**275Cr**	**275Cr**
Grand Total	**24,959Cr**	**570Cr**	**8,808**	**16,721Cr**	**4,125Cr**	**3,984**	**16,862Cr**	**16,961Cr**	**17,340Cr**

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Section 6

CAPITAL STRATEGY / PROGRAMME

Introduction

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

- Ensures the Council’s resources are used to support the delivery of priorities within the Corporate Plan and the long term vision of Ipswich.
- Links with the Council’s Asset Management Plan.
- Is affordable, financially prudent and sustainable.
- Ensures the most cost effective use is made of existing assets and new capital investment.
- Supports other service specific plans and strategies.

Key Areas of Capital Expenditure

There are a number of new areas for capital expenditure that the Council has identified, which are set out in the table below:-

PROPOSED CAPITAL INVESTMENT

Service Group	Proposed Capital Investment	2013/14 £'000	2014/15 £'000	2015/16 onwards £'000
Resource Management	Replacement of virtual servers	0	50	50
Resource Management	PC replacement programme	20	20	20
Community and Cultural Services	New Wolsey Theatre capital project	50	0	0
Community and Cultural Services	Museum joint funding bid	0	350	0
Development and Public Protection	Camera upgrades at our operationally busiest sites	25	14	0
		95	434	70

Funding Capital Expenditure

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

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

Supported Capital Expenditure (SCE) - This is Government Approved borrowing to undertake Capital Expenditure. The Government pays for the principal repayments and interest through the Revenue Support Grant. SCE can only be used in the year in which the borrowing approval is received. It is 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.

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

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

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

Borrowing - This is unsupported borrowing. Any schemes funded through this method will incur revenue expenditure in respect of principal and interest charges. The revenue cost of the borrowing is currently set at 5% for the current capital programme and the rate is reviewed on a yearly basis.

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

Current Situation

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

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

- Capital receipt levels were already reducing but the current economic situation has seen a significant reduction in both the value and volume of receipts. Traditionally these have been the main funding source for the General Fund capital programme and have historically been used as funding in the year following their receipt. This was to acknowledge their volatility. With the financial pressures surrounding the funding of the capital programme, some of the forecast capital receipts will be used “in year”. It is anticipated that investment demand over the next 5 years will continue to significantly outstrip the capital receipts available.

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

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

Performance Framework Overview

The Council has adopted Best Practice to coordinate:-

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

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.

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

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

- Asset Management
- Responsible Officer

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

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

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

Performance Measures and Monitoring

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

- Heads of Service are responsible for monitoring individual schemes;
- Online financial information is available to all Heads of Service and Project Managers, including details of any commitments, via the Council's financial reporting system;
- Monthly budget monitoring reports are produced for Heads of Service and Project Managers;
- Capital Programme monitoring is done on a monthly basis through Heads of Service Monthly Monitoring Returns so any additional resources required/surplus resources that are not needed are identified at an early stage;
- Quarterly reports to Executive showing the latest Capital Programme and estimated resources;
- An annual report to Executive detailing the reasons for budget carry forwards, together with explanations for any variances >10% (+/-) of budgeted scheme cost; and
- The capital receipts forecast is updated on a monthly basis.

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.

Detailed Capital Programme and Funding Sources

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

CAPITAL PROGRAMME FOR 2012/13 AND FUTURE YEARS

Scheme	2012/13	2013/14	2014/15	2015/16
HOUSING REVENUE ACCOUNT				
HRA shops	9,186			
Integrated Housing Management System	137,154			
Ipswich Standard	9,890,000	8,096,210	7,898,000	7,926,330
Leases Funded by Loan	24,789			
Increased Housing Provision (indicative - subject to HRA resources)	5,000,000	5,000,000	5,000,000	5,000,000
HRA TOTAL	**15,061,129**	**13,096,210**	**12,898,000**	**12,926,330**
GENERAL FUND				
COMMUNITY				
Area Forums	45,097			
Broomhill Pool		500,000	500,000	
Camera Upgrades at busy operational sites		25,000	14,000	
Chantry Nurseries Project (PRG)	22,170			
Community Improvements	146,649			
Ipswich Street Prostitution Strategy	80,640			
Locality Funded Schemes	1,500			
LSP Performance Reward Grant	23,685			
New Wolsey Theatre (PRG)	1,010			
Shop mobility replacement wheelchairs	9,945		10,000	
Waterfront & Walkways CCTV (PRG)	25,214			
ECONOMIC				
Corn Hill Improvements		200,000		
Kick Starting Development	150,000			
Wayfinder Project	270,466			
Economic Development Fund		650,000	650,000	
Festive Decorations - Town Centre	101,171			
Housing and Planning Delivery Grant	23,436			
Opportunity Purchases/Infrastructure Imps		1,000,000	1,000,000	

CAPITAL PROGRAMME FOR 2012/13 AND FUTURE YEARS

Scheme	2012/13	2013/14	2014/15	2015/16
HOUSING				
Affordable Housing – Other		338,520	169,260	
Affordable Housing - Leasing		36,700		
Affordable Housing - Ravenswood			399,750	133,250
Disabled Facilities Grant	471,818	663,000	413,000	413,000
Empty Homes Strategy	500,000	500,000	100,000	100,000
Improvement Grants	117,129	300,000	200,000	200,000
ICT				
Cap. IT Dev. - CSC-Call Centre/CRM back off/E Gov	66,076			
Cap. IT Dev. - Development of website/integration of back office to CRM	96,010			
Cap. IT Dev. - Increased use of Electronic Document Storage	150,000			
Cap. IT Dev. - PC replacement	58,556	60,000	60,000	60,000
Cap. IT Dev. - Virtual Server replacement	51,077		50,000	50,000
Cap. IT Dev. - Uniform IT System	20,000			
CCTV Synectics replacement	31,400			
Cemetery - IT system	17,610			
Replacement of computerised booking service (Leisure Flex System)		100,000		
SRP New IT Platform	344,397			
MISC				
Athena Hall Car Park P & D machines	10,000			
Leases funded by loan	225,268			

CAPITAL PROGRAMME FOR 2012/13 AND FUTURE YEARS

Scheme	2012/13	2013/14	2014/15	2015/16
PROPERTY				
Capitalised repairs	668,926	500,000	500,000	500,000
Cemetery Phase 2a		200,000		
Corn Exchange - External & Roof Repairs	9,532			
County Hall - urgent works	50,000			
CP33 Ransomes SCC changing facilities	25,000	25,000		
Cremator Replacement	991,829	83,185		
M&E Installations Gipping House	8,210			
M&E Installations WAG	222,181			
M & E installations phase 2	50,000	600,000		
Operational Bases for GM Staff	346,516	200,039		
Pond Hall Farm	250,000			
St Lawrence Church	2,285			
11- 27 Woodbridge Road	218,253			
SPORT & CULTURE				
Crown Pools Improvements	773,554			
Crown Pools Development Phase 3	25,000	600,000	575,000	
Crown Pools Repairs Contingency	67,274			
Ipswich Art School purchase	262,410			
New Wolsey Theatre/High Street Exhibition Gallery	4,787			
New Wolsey Theatre Grant		50,000		
Regent Re-roof phase 3 and M&E items	50,000	550,000		
Alexandra Park Fountain	134			
Christchurch Park Tennis Courts Refurbishment	19,879			
Holywells Park Development Grant	96,480	52,000		
IAFDP Crown Pools - Summer 2011	45,100			
IAFDP Orwell Country Park K Barrier gate replacement	7,000			
Museum - Ipswich Art School	5,000			
Museum - HEG Roof Refurbishment	1,378			
Museum joint funding bid IBC contribution			350,000	
Parks Lodges	78,820			
Play Facilities	21,415			
Red Rose Chain	7,500			

CAPITAL PROGRAMME FOR 2012/13 AND FUTURE YEARS				
Scheme	**2012/13**	**2013/14**	**2014/15**	**2015/16**
SUSTAINABILITY				
Bus Shelters/Bus Stops	49,819			
Carbon Reduction Programme Invest to Save	272,268	14,900	6,280	6,280
Solar PV installation	30,588			
Waste PE Grant Recycling at Flats	790			
Waterfront Sustainable Transport	90,000	90,000		
GF TOTAL	**7,812,252**	**7,338,344**	**4,997,290**	**1,462,530**
CONTINGENCY				
Contingency - additional commitments	264,008	308,000	360,000	360,000
CONTINGENCY TOTAL	**264,008**	**308,000**	**360,000**	**360,000**
TOTAL SCHEMES APPROVED	**23,137,389**	**20,742,554**	**18,255,290**	**14,748,860**

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2012/13 AND FUTURE YEARS	CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2012/13						
Resources at 31.03.2012	3,911,944	656,951	0	0	0	4,568,895
Capital Receipts received during 2011/12 to be used during 2012/13	1,362,779	0	0	0	0	1,362,779
Resources in the year	0	452,124	1,592,082	929,216	71,580	3,045,002
Use of Resources	4,374,307	1,109,075	1,592,082	929,216	71,580	8,076,260
Balance at year end	900,416	0	0	0	0	900,416
2013/14						
Resources at 31.03.2013	900,416	0	0	0	0	900,416
Capital Receipts forecast to be received during 2012/13	2,327,856	0	0	0	0	2,327,856
Resources in the year	0	1,143,220	83,185	3,333,500	14,900	4,576,305
Use of Resources	3,070,039	1,143,220	83,185	3,333,500	14,900	7,646,344
Balance at year end	158,232	0	0	0	0	158,232
2014/15						
Resources at 31.03.2014	158,232	0	0	0	0	158,232
Capital Receipts forecast to be received during 2013/14	1,875,250	0	0	0	0	1,875,250
Resources in the year	0	948,382	1,575,000	1,260,000	6,280	3,789,662
Use of Resources	1,567,628	948,382	1,575,000	1,260,000	6,280	5,357,290
Balance at year end	465,854	0	0	0	0	465,854
2015/16						
Resources at 31.03.2015	465,854	0	0	0	0	465,854
Capital Receipts forecast to be received during 2014/15	226,449	0	0	0	0	226,449
Capital Receipts forecast to be received during 2015/16 *	585,946	0	0	0	0	585,946
Resources in the year	0	428,000	0	110,000	6,280	544,280
Use of Resources	1,278,250	428,000	0	110,000	6,280	1,822,530
Balance at year end	-0	0	0	0	0	-0
Actual Resources	10,290,224	3,628,677	3,250,267	5,634,216	99,040	22,902,424
Use of Resources	10,290,224	3,628,677	3,250,267	5,634,216	99,040	22,902,424
Deficit(-)/ Surplus of Resources	-0	0	0	0	0	-0

FUNDING OF HOUSING REVENUE A/C CAPITAL PROGRAMME FOR 2012/13 AND FUTURE YEARS	CAPITAL RECEIPTS		PRUDENTIAL BORROWING	MAJOR REPAIRS PROVISION	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2012/13						
Resources at 31.03.2012	57,585		0	0	1,643,486	1,701,071
Resources in the year	0		24,789	8,197,233	5,252,767	13,474,789
Use of Resources	57,585		24,789	8,082,501	6,896,254	15,061,129
Balance at year end	0		0	114,732	0	114,732
2013/14						
Resources at 31.03.2013	0		0	114,732	0	114,732
Capital Receipts forecast to be received during 2012/13	523,277		0	0	0	523,277
Resources in the year	0		0	9,106,638	5,028,710	14,135,348
Use of Resources	0		0	8,067,500	5,028,710	13,096,210
Balance at year end	523,277		0	1,153,870	0	1,677,147
2014/15						
Resources at 31.03.2014	523,277		0	1,153,870	0	1,677,147
Capital Receipts forecast to be received during 2013/14	719,631		0	0	0	719,631
Resources in the year	0		0	8,143,580	5,000,000	13,143,580
Use of Resources	0		0	7,898,000	5,000,000	12,898,000
Balance at year end	1,242,907		0	1,399,450	0	2,642,357
2015/16						
Resources at 31.03.2015	1,242,907		0	1,399,450	0	2,642,357
Capital Receipts forecast to be received during 2014/15	719,631		0	0	0	719,631
Resources in the year	0		0	7,974,700	5,000,000	12,974,700
Use of Resources	0		0	7,926,330	5,000,000	12,926,330
Balance at year end	1,962,538		0	1,447,820	0	3,410,358
Actual Resources	2,020,123		24,789	33,422,151	21,924,964	57,392,027
Use of Resources	57,585		24,789	31,974,331	21,924,964	53,981,669
Deficit(-)/ Surplus of Resources	1,962,538	*	0	1,447,820	0	3,410,358
* Capital Receipts ring fenced HRA New Build Only	470,184					
Unrestricted HRA Capital Receipts	1,492,354					

Section 7

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2013/14

INTRODUCTION

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

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

The Council's treasury activities are strictly regulated by statutory requirements and the November 2011 update of the CIPFA Code of Practice on Treasury Management, has been adopted by the Council. The CIPFA Prudential Code was revised in November 2012 and the prudential indicators shown reflect the revised requirements and show all prudential indicators.

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

Following the abolition of the Housing subsidy system the Council have adopted a two debt pool approach, one for the HRA and one for GF. All of the current actual borrowing as at 1 April 2012, including the borrowing needed to come out of the housing subsidy system, was allocated to the HRA.

One of the major benefits of the new system is that the Council is able to make more business like decisions and actual borrowing will be allocated to the correct fund, rather than the arbitrary system that was in place under housing subsidy.

TREASURY MANAGEMENT STRATEGY

Borrowing Strategy

The Council's treasury portfolio position as at 31 March 2012, with forward projections is summarised at Appendix 1. The table shows the actual external borrowing (the treasury management operations), against the notional borrowing requirement, called the Capital Financing Requirement (CFR) which is based on past decisions made by the Council and also incorporates any borrowing assistance that has been supplied by the government. The CFR indicates the level of actual borrowing the Council could be carrying for the level of liabilities it currently has. This table highlights any over or under borrowing.

As can be seen from the table, the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

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

Interest rates across the board are at historic low levels and over the coming year are not expected to increase too much, with the base rate not expected to increase until the end of 2014. If the Council were to borrow any long term debt during 2013/14, the current expectation is that the interest rate will be probably vary between 2% - 4%, depending on the periods borrowed for. We would expect most borrowing would be from the Public Works Loan Board (PWLB). The PWLB introduced a certainty rate during 2012/13, where if Council's supplied their borrowing plans, they received a lower interest rate and Ipswich was one of the Council's that took advantage of this scheme. If there were opportunities to borrow at better rates in the money markets then these options will be explored.

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

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

If the Council needs to borrow for any short term cash flow situations, there are a number of providers in the market who can supply the Council with funds as required for the periods required.

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

INVESTMENT STRATEGY

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments and the 2011 revised CIPFA Treasury Management Code. The Council's primary principle governing investment priorities will be security first, liquidity second, then return, so as to minimise risk. After this main principle the Council will ensure:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and

- It has sufficient liquidity in its investments to meet its current liabilities. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed.

In accordance with the above, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The credit-worthiness methodology used to create the counterparty list fully accounts for the ratings and watches published by all three ratings agencies with a full understanding of what the ratings reflect in the eyes of each agengy. Using the ratings system of the Council's treasury management advisors, Sector, service banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "Credit Default Swaps" and overlay that information on top of the credit ratings. This is encapsulated within the credit methodology provided by Sector. Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly credit-worthy counterparties which will also enable diversification and thus avoidance of concentration risk. Since 2009, all new investments have only been with UK financial institutions, but going forward a few foreign based financial institutions will be included on the list.

There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2013/14 and these are detailed below.

Since the introduction of the "Funding for Lending" scheme by the government in August interest rates on fixed rate investments and instant access accounts has been falling, as financial institutions take advantage of borrowing from the government at 0.25%. This has meant, that they have less need to borrow money from organisations such as local authorities

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 four different investment categories. It also shows there are different levels of security with the four investments all of which are very good. The rates shown below are currently the best on offer based on a one-year investment with base rates at 0.50%.

Investment Counterparty	**Interest Rate**	**Security**
Government Debt Management Account	0.25%	The government guarantees this money is returned.
Local Authorities	0.50%	Even though most local authorities are not credit rated, they have regular cash flows and we would expect any investments to be returned on time. Any default would increase their future borrowing costs.
Major UK Clearing Bank (Best available rate from top 5 Building Society)	1.00%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.

UK Building Society (Best available rate from top 5 Building Society)	1.00%	If UK Building Societies do get into trouble, past experience shows they are taken over by other Building Societies. However, there is no guarantee this will happen in the future.

The Council currently have five instant access accounts and the policy of investing in these accounts has meant the Council's investments are very secure and liquidity is very good. However but the interest rates on these accounts has been falling and there is also the threat of some banks closing them altogether.

The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £15m could range from £37,500 to £150,000. The difference is equivalent to a Band D Equivalent of £3.28. 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.

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.

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 credit-worthiness suggests shorter dated investments would provide better security. In addition, if interest rates rise, the Council would not wish to invest for too long in case the investment return actually became a drag on performance.

The Council sets group limits for counterparties on its lending list, so the Council does not get over-exposed to any one group. However with banks and building societies merging this reduces the number of counterparties the Council can deal with. Another factor is, when the Council wants to undertake long-term investments not all counterparties are available to deal with. Also some of the rates on offer for a one year investment are lower than we receive for our instant access accounts.

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.

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

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 2013/14, 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.

The full counterparty list agreed by Council identifies the maximum range and extent of counterparties that can be used. The Section 151 Officer uses this list to draw up an appropriate operational list for use by officers. This operational counterparty list will be subject to change depending on the economic climate, 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 Section 151 Officer in consultation with the Finance Portfolio holder in accordance with the Council's Financial Standing Orders.

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

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.

The Council has drawn up a list of seven different categories in which investments can be made, which all have different levels of security, monetary limits and time limits. The Council would look to spread investments over different institutions so as not to be left overexposed to any one institution. The limits drawn up for each of the institutions has been based on security. The categories are also listed in order of security available (highest security first). The investment limits below are based on the Council borrowing up to its available capital financing requirement and therefore having a higher level of investments.

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

Category 2 – Even though the majority of Local Authorities are not rated, investments made in them have a high security rating, as local authorities have to set legal budgets and have guaranteed borrowing help available to them through government sources. However, most investments in local authorities are normally borrower led and do not normally exceed one month and so makes long term planning and fixing of investment returns very difficult. Investment rates offered by local authorities are very low. The time limit for investments in local authorities is 2 years and the maximum amount to be invested in any one local authority is £3m. The overall maximum exposure for this category would be £15m.

Category 3 – The UK Government has issued various guarantee mechanisms for UK financial institutions. It was originally opened to only 8 major entities, but was then widened to all who met particular criteria. 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. This category also includes the two part nationalised UK banks, Lloyds Banking Group and Royal Bank of Scotland, who will be used so long as they meet the rating criteria or remain part nationalised. Before undertaking investments the Council will use generally available market information, and UK banks and Building Societies, which have 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
Viability/ Financial Strength	BB-	C-	N/A
Support	3	N/A	N/A

The maximum time limit for investments in institutions falling in category 3 is 2 years and the maximum amount to be invested in any one group is £10m. For certain financial institutions the maximum amount to be invested in any one group will be a lower figure. In addition consideration will be given to the length of time investments are made for and for some financial institutions the length of time investments are made will be short term. The overall maximum exposure for this category would be £50m. If any of the institutions in category 3 fail to meet the criteria, they will be placed in category 5 if applicable.

Category 4 – Money Market Funds (MMF) are for managing short-term cash balances only and offer instant access to funds. They are AAA rated products and interest rates are less volatile than base rates. There are two types of MMF's, one that invests in money market instruments that have been in existence for a number of years. The second type is money market funds that invest in Government backed securities. Several of these have been launched over the last couple of years and funds are invested in gilts and treasury bills. To date the returns on investments in the first type have performed better than the 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 use of MMF's would ease the pressure on the Council's instant access accounts and give us more flexibility. The overall maximum exposure for this category would be £15m, with a maximum of £5m in any one fund.

Category 5 – The Council will use UK banks and Building Societies under the UK Government Guarantee Schemes who do not meet the credit ratings criteria of the financial institutions in category 3, and have assets of at least £4bn as at 31 December 2010.

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

Category 6 – The Council will use foreign banks, where the sovereign rating of the country is a minimum of AAA. 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	AA-	Aa2	AA-
Viability/ Financial Strength	BB+	C	N/A
Support	1	N/A	N/A

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

Category 7 – The Council will use Ipswich Building Society. The society does not meet the criteria in category 5 as it chooses not to be credit rated. The last few years have been difficult for Building Societies with a lot of local authorities not placing investments with them. However, the Council wishes to support local businesses and Ipswich Building Society with an asset base over £500m provides a very valuable support to the local community. Before any investments are placed due diligence would be undertaken.

The time limit for investments in institutions falling in category 7 is 365 days and the maximum amount to be invested is £2m. The overall maximum exposure for this category would be £2m.

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

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

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

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

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

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.

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.

After taking into account the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2013/14.

Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.5% Bank Rate staying the same during 2013/14. 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.

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

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.

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

PRUDENTIAL INDICATORS

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

The aim of the code is to allow Councillors 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 below and need to be considered as a whole: the sequence of presentation is not an indication of relative significance.

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
2011/12 Actual	£5,918,174	£109,738,817	£115,656,991
2012/13 Approved	£8,076,260	£15,061,129	£23,137,389
2013/14 Estimate	£7,646,344	£13,096,210	£20,742,554
2014/15 Estimate	£5,357,290	£12,898,000	£18,255,290
2015/16 Estimate	£1,822,530	£12,926,330	£14,748,860

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.

Year	General Fund	HRA	Overall
2011/12 Actual	£15,277,367	£134,843,138	£150,120,505
2012/13 Approved	£16,484,189	£132,153,844	£148,638,033
2013/14 Estimate	£18,415,940	£129,462,609	£147,878,549
2014/15 Estimate	£20,376,140	£126,744,174	£147,120,314
2015/16 Estimate	£19,127,905	£124,017,367	£143,145,272

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2013/14 in accordance with the main recommendations contained within the guidance issue by the Secretary of State under section 21(1A) of the Local Government Act 2003. CLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is prudent provision.

It is recommended that Council approve the following MRP Statement

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

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

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

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

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

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 HRA percentage increases significantly from 2012/13 due to the significant borrowing required to come out of the housing subsidy system. The GF percentage increases due to the borrowing costs to finance the capital programme.

Year	General Fund	HRA	Overall
2011/12 Actual	5.39%	4.41%	4.81%
2012/13 Approved	4.76%	22.13%	15.32%
2013/14 Estimate	7.30%	20.74%	15.56%
2014/15 Estimate	10.63%	19.35%	16.15%
2015/16 Estimate	11.13%	18.14%	15.63%

The Council anticipates funding part of the capital programme through unsupported borrowing and must estimate the financial impact on the revenue budgets, which is taken up in financing new capital financing costs.

Year	Council Tax Band D Equivalent	Weekly Housing Rent Levels
2012/13 Estimate	£0.00	£0.00
2013/14 Estimate	£0.00	£0.00
2014/15 Estimate	£0.40	£0.00
2015/16 Estimate	£1.20	£0.00

The Council adopted the Treasury Management Code in 2002. The Code represents best practice in the regulation and management of borrowing and investments and related activities. Treasury Management Practices (TMP's) have been established with advice from Sector and applied to the Council's treasury management. The code was updated in November 2011 and this strategy reflects the updated code.

The Council must set prudential limits for its total gross debt does not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

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

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.

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

The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limit for 2013/14 and future year's takes account of the future plans of the Council.
The Operational Boundary for External Debt –This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

Year	Authorised Limit	Operational Boundary
2012/13 Estimate	£155m	£152m
2013/14 Estimate	£160m	£157m
2014/15 Estimate	£160m	£157m
2015/16 Estimate	£160m	£157m

As part of the HRA self financing regime, the Council is also limited to a maximum indebtedness limit. The limits are shown below:-

Year	Maximum HRA Indebtedness
2012/13 Estimate	£142m
2013/14 Estimate	£139m
2014/15 Estimate	£136m
2015/16 Estimate	£134m

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 aims to ensure a balanced approach. 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.

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:

<u>Borrowing and Investments – Maximum Limits</u>

Year	Fixed Rate	Variable Rate
2012/13	100%	50%
2013/14	100%	50%
2014/15	100%	50%
2015/16	100%	50%

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

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%
Over 30 Years	0%	100%

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

Year	Limit
2012/13	£5M
2013/14	£5M
2014/15	£5M
2015/16	£5M

APPENDIX 1

HRA	**2011/12 Actual** £'000	**2012/13 Estimated** £'000	**2013/14 Estimated** £'000	**2014/15 Estimated** £'000	**2015/16 Estimated** £'000
Capital Financing Requirement as at 1 April	35,295	134,843	132,154	129,463	126,744
Supported Capital Expenditure	0	0	0	0	0
Prudential Borrowing	98	25	0	0	0
Finance Leases	0	0	0	0	0
HRA Settlement	99,602	0	0	0	0
MRP	-152	-2,714	-2,691	-2,718	-2,727
Capital Financing Requirement as at 31 March	134,843	132,154	129,463	126,744	124,017
Actual/Forecast Borrowing as at 31 March	125,793	124,908	124,928	121,127	116,065
Finance Leases	57	2	0	0	0
Under Borrowing	8,992	7,244	4,535	5,617	7,952
Use of Reserves - HRA	4,759	4,507	4,535	5,617	7,952
Use of Reserves - GF	4,233	2,737			

General Fund	**2011/12 Actual** £'000	**2012/13 Estimated** £'000	**2013/14 Estimated** £'000	**2014/15 Estimated** £'000	**2015/16 Estimated** £'000
Capital Financing Requirement as at 1 April	15,216	15,277	16,484	18,416	20,376
Supported Capital Expenditure	0	0	0	0	0
Prudential Borrowing	1,662	2,823	3,594	3,862	696
Finance Leases	0	0	0	0	0
MRP	-1,601	-1,616	-1,663	-1,902	-1,944
Capital Financing Requirement as at 31 March	15,277	16,484	18,416	20,376	19,128
Actual/Forecast Borrowing as at 31 March	0	3,588	6,321	10,607	9,385
Finance Leases	457	152	55	26	0
Under Borrowing	14,821	12,745	12,040	9,743	9,743
Use of Reserves - GF	14,821	12,745	12,040	9,743	9,743

APPENDIX 2

Approved Organisations for Investment 2013/14

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

Approved Organisations for Investment 2013/14 Continued

-	Lending Limit £Million
CATEGORY 6 - Foreign Financial Institutions	
Canada	
Bank of Montreal	**4**
Canadian Imperial Bank of Commerce	**4**
Royal Bank of Canada	**4**
Toronto-Dominion Bank	**4**
Singapore	
DBS Bank Ltd	**4**
Overseas Chinese Banking Corporation Ltd	**4**
United Overseas Bank Ltd	**4**
Sweden	
Nordea Bank	**4**
Svenska Handelsbanken	**4**
CATEGORY 6 - Maximum Exposure	**25**
CATEGORY 7 - UK Financial Institutions that do not meet the criteria of Categories 3 and 5	
Ipswich Building Society	**2**