APPENDIX 1

IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2016/17 ONWARDS

CONTENTS

Section 1

Medium Term Financial Plan - Overview

Introduction

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

The MTFP is refreshed annually.

This comprehensive document includes the Council's financial strategies and the MTFP for the General Fund, the Housing Revenue Account and the Capital Programme.

In addition, this MTFP also adopts a four year planning timescale for the General Fund, as the result of accepting the Government offer of a four year funding settlement. The plan also outlines the impact of the 2016/17 Local Government Finance Settlement on Ipswich Borough Council and provides an update on progress with the identification of planned savings, by means of a Transformation Programme involving individual service reviews and also "big ticket" items. These programmes continue to form a key part of the strategy to meet the identified budget gap in 2019/20. The big ticket items will be extended to meet the additional challenges imposed by the new settlement.

National Context

Taking an overall view the Office for Budget Responsibility (OBR) perceives the Autumn Statement/Spending Review to be a "giveaway" funded by an increase in forecast tax receipts. This is because the reduction in the pace of cuts in Government spending, including the reversal of the tax credit cuts, is forecast to be outweighed by increased tax receipts (including Council Tax).

However as the OBR also note "the remaining cuts vary significantly by department", unsurprisingly local government - having delivered improved service satisfaction levels despite reduced funding, is chosen to deliver even greater savings. The finance settlement also envisages the phasing out of revenue support grant for all authorities by 2020, followed by 100% retention of business rates income by local government thereon.

The OBR growth (GDP) forecast is unchanged in 2015 at 2.4 per cent (from last year), followed by minimal increases for 2016, 2017 and 2018 before falling back to the previously predicted rate of 2.3% for 2019 to 2020. The outlook for productivity growth is the key uncertainty confronting all UK forecasters.

The following table summarises the OBR forecast for Gross Domestic Product (Growth in the economy) and inflation for the period up to 2020.

OBR November 2015 economy forecast	Forecast (percentage increase)					
	2015	2016	2017	2018	2019	2020
Gross Domestic Product (GDP)	2.4	2.4	2.5	2.4	2.3	2.3
Consumer Price Index (CPI)	0.1	1.0	1.8	1.9	2.0	2.0

The 2016 / 17 Budget Planning Process

Introduction

This section of the report is split into six further sections:

- Achievements in the last year
- The financial challenge facing the Borough Council
- The general fund revenue budget
- The County Council budget
- The capital programme
- The housing revenue account
- Longer term budget strategy

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

The Council's financial strategy is to invest in the town and the services the Council provides to local people and businesses at the same time as meeting its significant budget challenges through its Transformation Programme which includes both service reviews and "big ticket" items. Last year's MTFP (agreed at Council in February) set out how the forecasted budget gap would be met over the following three years. The new plan sets out how the new, larger budget gap will be addressed.

The MTFP does not sit in isolation but forms a significant part of the Council's strategic framework. It reflects the aims and ambitions of Building a Better Ipswich – and in particular the three core Council aims of:

(i) protecting front line services;
(ii) supporting jobs and skills; and
(iii) council house building.

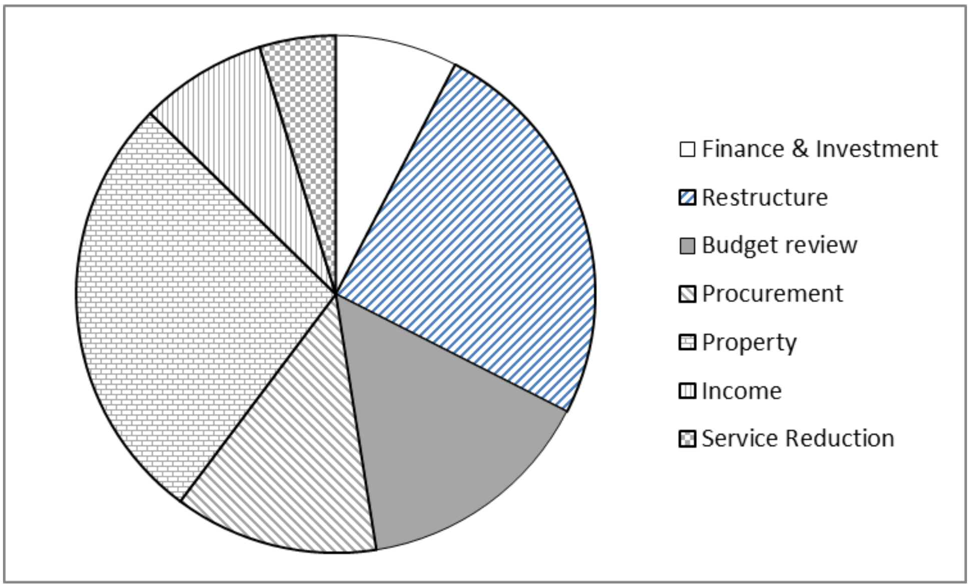
It is planned to produce a new Corporate Plan during 2016 to feed into the budget work for 2017/18 onwards.

Achievements in last year

The Council's net budget for 2015/16 was c£20m in contrast to the net budget for 2011/12 of c£24m. Our record of identifying and delivering savings/income is demonstrated in the table below:

Financial Year	Savings/income in First Year	On-going
	£'million	£'million
2011/12	2.0	3.0
2012/13	1.5	1.5
2013/14	1.6	2.1
2014/15	1.1	1.3
2015/16 (estimate)	1.4	1.9
Total	**7.6**	**9.8**

The pie chart below gives an indication of the areas in which the savings from 2013/14 onwards have been made. This includes the estimate outturn savings from 2015/16 identified in the table above.



Alongside as making an estimated £1.4m further savings during 2015/16 the Council has delivered a range of achievements including:

- Built more than 100 council homes – including those at Bader Close.
- Bader Close won annual "Bricks" award for Social Housing Development of the Year.
- 22 new council flats constructed at Barnes Square in McClure Way – with the street names honouring two local military heroes.
- 73 more empty homes brought back into use.
- Draft Local Plan submitted to Government.
- Achieved Enterprise Zone status for four Ipswich sites.
- Appointed 'master planner' at the Sproughton Road (former sugar beet factory) site.

- £9 million refurbishment work underway on Fison House in Princes Street after IBC completed property deal.
- Holywells Park £3.5 million Park For People HLF and Big Lottery project completed – new visitor centre, toilets, conservatory, café and wildlife improvements.
- Innovation Centre – successful partnership working with UCS, New Anglia LEP and other stakeholders, securing more than £2 million in match-funding to date.
- The Council gave £351,000 to community groups in the form of grants in 2015/16 – an increase of £16,000. This enabled 28 groups to improve their service offer, including Citizens Advice Bureau, ICENI Ipswich, Community Action Suffolk, Ipswich Disabled Advice Bureau, Ipswich & Suffolk Council for Racial Equality and Lighthouse Women's Aid.
- New skate park constructed at Whitehouse with Area Committee support.
- Opened Waterfront Profiles gym.
- Started work on new pavilion at Ransomes sports ground.
- Ipswich recycling rate increased to 43.1% (from 41%).
- Demolition of former police station.
- Step toward re-opening of Broomhill Pool with first stage HLF grant awarded, a project supported by £1 million pledge from IBC.
- Acquisition of Grafton House, delivering savings to IBC.
- £446,000 match-funding secured to assist 46 Area Committee-funded projects.
- Let the former park and ride site at Bury Road.
- Solar panels installed at Gwent House and Fore Street.
- Refurbishment of 127 “prefab” homes in Rushmere.
- Completed 863 kitchen and bathroom refurbishments on council homes in 2015 – also milestone 3,333rd refurbishment reached in the summer.
- Completed 357 disabled adaptations on council homes.
- Improved customer access and efficiency.
- Online licence section for taxi drivers.
- Wolsey's Gate removed from Historic England's at risk register.
- RIBA ‘highly commended’ award for plasterwork at the Regent Theatre and the refurbishment of the Town Hall entrance.
- New Marlborough Road conservation area designated.
- Urban characteristics and space and design supplementary planning documents (SPDs) adopted.
- Cycling strategy SPD consultation completed.
- Ecological Network Map for Ipswich created to promote wildlife habitat diversity.
- IBC shortlisted for second year in 2015 APSE Parks & Open Spaces management awards.
- Green Flags awarded to Christchurch and Holywells parks.
- Greenways Project celebrated 20th anniversary.
- Successful World War One commemoration events / exhibitions.
- Victoria Cross paving slabs in Soane Street unveiled by Mayor.
- Hosting Aspire Constable exhibition at Christchurch Mansion, attracting 32,000 visitors.

- An estimated 290,000 people enjoyed a wide range of council organised events and cultural activities both at the Regent and Corn Exchange and in our parks, town centre and Waterfront.
- We increased events sponsorship to £95,000 in 2015 from £52,800 in 2014.
- Hosted more than 500,000 swims at Crown Pools.
- We provided an extended summer holiday sports and leisure programme which saw a total attendance of 27,500, a 14.5% increase on the previous year.
- 56% increase in attendance at Jumpers For Goalposts community sports programme, supported financially by Area Committees.
- Handled 1,257 planning applications.
- More than £10,000 donated to Samaritans to improve training accommodation and Cinnamon Trust for service delivery under cremation recycling scheme.
- Four more UCS students given IBC bursaries (scheme now totalling 12).
- Introduction of new ASB legislation relating to anti-social behaviour and community triggers.
- Engaged with 200,000 customers at the Tourist Information Centre.
- Corporate Twitter account achieved official ‘blue tick’ verification and now up to 10.6k followers.
- Twitter made 15 million impressions (people seeing our social media conversations) and 42,900 engagements (direct communication, liking, sharing).
- Emptied more than 4.2 million bins (99.94% of total).
- Ipswich awarded Purple Flag recognising excellence in providing safe town centres.
- New Civil Parking Enforcement agreement with Suffolk County Council.

The Financial Challenge Facing the Borough Council

The provisional Local Government Finance settlement (announced on 17th December) was significantly worse than anticipated. Key components of the Settlement for Ipswich are:

- Total loss of Revenue Support Grant two years earlier than expected with a move to “negative RSG” (see following table) in 2018/19

- Reduced New Homes Bonus payments (each new home generates an additional £1600 per year for six years currently whereas under the new proposal this will be reduced to four years with 1/3 of New Homes Bonus income being passed to the County Council for Social Care

- Uncertainty over how changes to Business Rate retention will impact. This will be the subject of a future government consultation but it is likely that Retained Business Rates may be increased by CPI each year.

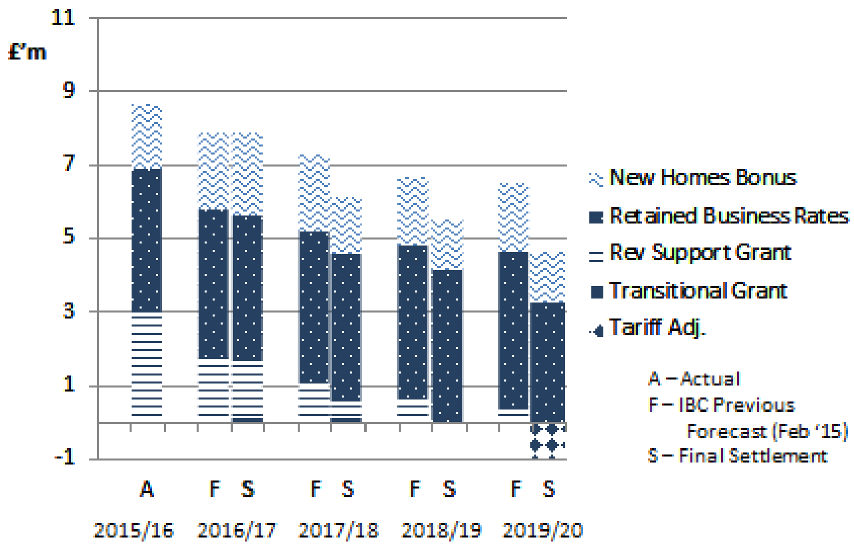
- A built in expectation that Council Tax will rise by around 2% each year and that the Council Tax base will grow (if these things didn't become reality then the Council would have to find additional savings to fill the gap).

The table below sets out the headline figures for Ipswich Borough Council from the 2015/16 Budget through the four years of figures included in the Local Government Settlement. This shows a cumulative reduction in "spending power" of over 14% or £2.65m compared to the average reduction in local government spending power of 0.5% identified by government over the same period.

Key Information	**2015/16 £'m**	**2016/17 £'m**	**2017/18 £'m**	**2018/19 £'m**	**2019/20 £'m**
Revenue Support Grant/Tariff adj (-) #	2.99	1.57	0.44	0.00	-1.01
Transitional Grant	0.00	0.12	0.12	0.00	0.00
Council Tax *	11.98	12.22	12.46	12.71	12.96
Retained Business Rates ^	3.95	3.99	4.07	4.19	4.32
	18.92	17.90	17.09	16.90	16.27
gain/reduction(-)		**-1.02**	**-0.81**	**-0.19**	**-0.63**
% year on year		-5.39%	-4.53%	-1.11%	-3.73%
% cumulative		-5.39%	-9.67%	-10.68%	-14.01%

Tariff adjustment only has effective impact of 50% as shared with Suffolk Pool.
* Council Tax increased by 2% pa
^ Retained business rates baseline increased annually by R.P.I.

The chart below shows in bar chart form how the changes in different parts of the Settlement impact on Ipswich Borough Council.



The Finance Settlement and other growth pressures increased the annual forecast deficit on the draft MTFP to a point that there would be insufficient reserves available to support the strategy of addressing the budget gap through the Transformation Programme and Big Ticket reviews. However, following review of the current plan a number of positive items were identified:

- An increase in the tax base for Business Rates
- An increase in the Council Tax base (new build and reduction of benefits)
- Target increase for Big Ticket/Service reviews (property and procurement targets increased to reflect current achievements)
- Review of previous growth, savings and time limited items (ongoing review in progress)
- Additional Commitments review (Contingency held by S151 Officer to meet forecast budget pressures that are not certain – reviewed to ensure only reflects current risks)
- Reduction in SRP fraud costs
- Changing (reducing) growth allowance from £200k to £100k.

Taken together these items mean that there is forecast to be almost £1m of reserves remaining to help address budget pressures in 2020/21.

The actual impact on the previous IBC forecast, of these changes, is set out in the first part of the table on the following page. This shows that for 2016/17 there is a £190,000 increase in budget deficit as a result of the settlement, rising to a £1.437m increased deficit in 2019/20.

Forecast Summary	**2015/16 £'000**	**2016/17 £'000**	**2017/18 £'000**	**2018/19 £'000**	**2019/20 £'000**
Original Deficit as per 2015 MTFP	**0**	**1,637**	**1,149**	**1,179**	**1,054**
Plus - Changes:					
Provisional Settlement	0	70	461	510	930
New Homes Bonus - potential reduction	0	0	597	522	507
Increased deficit due to settlement	**0**	**1,707**	**2,207**	**2,211**	**2,491**
Plus - Other growth pressures:					
Pension Backfunding	0	0	0	300	600
Qtr1 budget monitoring	0	170	170	170	170
Housing Benefit Subsidy	250	250	0	0	0
Court Costs Recovered	150	200	200	200	200
Capital Financing/Investment Income	-253	-34	289	294	294
Miscellaneous Adjustments	465	217	194	200	-33
Increased deficit due to settlement and growth pressures	**612**	**2,510**	**3,060**	**3,375**	**3,722**
Less - Opportunities identified					
NDR Projections	285	500	478	629	629
Council Tax Base	0	124	144	217	217
Big Ticket/Service Reviews	175	396	500	500	500
Review of Growth, Savings and time limited items (from 2012/13 to date)	0	250	250	250	250
Additional Commitments Review	445	165	315	315	315
Reduction in SRP fraud costs	210	210	210	210	210
Changing growth allowance from £200k to £100K	0	0	100	200	300
Opportunities identified	**1,115**	**1,645**	**1,997**	**2,321**	**2,421**
Forecast surplus/deficit(-)	503	-865	-1,063	-1,054	-1,301
Bal b/f 1st April	**5,103**	**5,606**	**4,741**	**3,678**	**2,624**
Balance c/f 31st March (excluding £2m working balance)	**5,606**	**4,741**	**3,678**	**2,624**	**1,323**

The second part of the table above shows the Ipswich Borough Council pressures that have been identified during 2015/16 and need to be accounted for in future years added to the increased deficit caused by the Settlement. This brings the total deficit for 2016/17 to £2.510m rising to £3.722m in 2019/20.

The third section of the table above shows the positive steps that can be made to reduce the deficit. These eliminate the deficit in 2015/16 providing a surplus of £503,000 for that year which will be added to reserves. In the final year of the MTFP there will still be a deficit of £1.301m and steps will need to be taken between 2016/17 and 2019/20 to address this in addition to achieving existing savings targets.

At the bottom of the above table the level of available reserves is shown. A key part of the Council's budget strategy is to use its reserves to allow time for more detailed savings to be identified and delivered through the Transformation Programme and its "big ticket" items. At the start of the new MTFP (2016/17) there is £5.606m of available reserves (after the £2m working balance). This reduces to £1,323,000 at the end of 2019/20.

Despite the savings already planned for in previous MTFPs and the steps outlined above, the Council still needs to make considerable additional ongoing savings to the amounts set out below:

	2016/17	2017/18	2018/19	2019/20	Base Gap – On-going	4 year Cumulative Gap
Gap (£m)	0.865	1.063	1.054	1.301	1.301	4.283

During 2016 a new Corporate Plan will be developed which, alongside the Transformation Programme and its "big ticket" items, will ensure that these savings can be made while still delivering the Council's top priorities of protecting frontline services, council house building and supporting jobs and skills.

The deficit or budget gap does not account for any further changes to government funding and cannot address the current uncertainties about exactly how New Homes Bonus will change or what the implications of changes to Business Rate Retention might be.

Assumptions made in developing the MTFP

Many factors and assumptions are used in producing the MTFP. These include:

- Executive's decision at its meeting on 12th January 2016 to accept the Government's offer of a four year settlement and the subsequent introduction of a four year MTFP
- A net 3% increase in the Council's income from 'fees and charges' over and above 2015/16 budget levels;
- Council tax will be increased by 1.97% (which will ensure that the current administration continues to achieve the previous administration's core target which focussed on Council Tax levels). This equates to 10p or less per week for most households in Ipswich;
- Provision for the proposed national pay award for 2016/17 (i.e. staff salary increase) of 1.0% and this level of increase is anticipated to continue until 2019/20;
- Maintaining many budgets at last year's levels rather than increasing them by inflation saves the Council about £245k per annum – or £1.6m over the next four years;
- The Council Tax base has been increased by 571 band D equivalents in 2016/17, 300 in 2017/18, 450 in 2018/19 and 450 in 2019/20;
- The additional commitments contingency has been reviewed resulting in annual savings of £315k;

- A £200k per annum reduction in court costs recovered, following case law that costs charged may only reflect costs incurred;
- That the savings predicted within the Transformation Programme and Big Ticket items are achieved.

The Transformation Programme

There are two main components used within this MTFP to meet the identified budget gap. These are:

1. Savings being delivered by the Service Review component of the Council's Transformation Programme;
2. The development of the Council's Big Ticket component of the Council's Transformation Programme.

The Service Review component of the Council's Transformation Programme will continue to ensure that every service the Council provides is examined in detail over the next 12-18 months. Each Portfolio Holder will continue to take a clear lead on the reviews in their areas, supporting and guiding the Heads of Service and Operational Managers. Over-arching corporate leadership to the programme is provided by the Deputy Leader and the Chief Operating Officer.

In total the Service Reviews reported to Executive Committee so far are scheduled to save £366,000 in 2016/17 and £399,000 each year after that. A number of other reviews (nine) are in progress and will deliver savings and improvements during 2016/17 and beyond. Several more cross cutting reviews such as support services have yet to begin though some savings have already been made in these areas.

Last year's MTFP identified targets for six strategic 'big ticket' areas that, with long-term planning, make net savings to the Council in the region of £500k each.

Since last year progress has been made on all six and this is set out within the table below:

Big Ticket profiling	**2015/16**	**2016/17**	**2017/18**	**2018/19**
	£'000	**£'000**	**£'000**	**£'000**
Property Investments and rental income increases				
Target Saving	220	500	600	600
Actual Saving	389	429	440	451
Voluntary Severance and Voluntary Redundancy				
Target Saving	0	304	500	500
Actual Saving	239	304	366	374
Procurement Savings				
Target Saving	100	500	800	800
Actual Saving	107	465	465	465
Investment Strategy				
Target Saving	50	109	200	200
Actual Saving	60	109	100	100
Zero based budgeting				
Target Saving	30	200	500	500
Actual Saving	56	56	56	56
Customer Access Strategy				
Target Saving	70	500	500	500
Actual Saving	19	23	23	23
Income Generation				
Target Saving	0	495	584	599
Actual Saving	0	0	0	0
Overall				
Target Saving	470	2,608	3,684	3,699
Actual Saving	870	1,386	1,450	1,469

The table shows that the Council is making better progress than expected against some big ticket targets while for others preparation work has been done to enable savings to be achieved for 2016/17.

- Customer Access Strategy – During 2015/16 the main focus has been on the implementation of a new Customer Relationship Management System and developing an approach to Business Process Reengineering and Channel Shift for delivery in 2016/17.
- Procurement Savings – Significant progress has been made against this target. 2016/17 will include a review of the Council's procurement strategy and a focus on achieving greater value for money through new and existing contracts.
- Property Investments and rental income increases – the significant achievement during 2015/16 is the purchase of Grafton House saving the Council in excess of £300,000 per year. The target for this big ticket item for 17/18 onwards has been increased to £600,000.

- Voluntary Severance and Voluntary Redundancy – some 29 employees have left the Council through this scheme. It is anticipated that the £500,000 target will be fully achieved in 2017/18.
- Investment Strategy – Good progress has been made against this target by rescheduling the Council's debt.
- Zero based budgeting – every service budget will have a "zero based" review in 2016/17. This will involve building each service budget from zero to ensure every funding allocation is truly needed.
- Income Generation – income generation has been added for the first time for 2016/17 following detailed review work during 2015/16.

Two more "big ticket" items were originally identified in the 14/15 MTFP. These involved developing a strategic partnership relationship with another organisation and considering alternative delivery vehicles for income generating services. These options are still being considered but do not have any specific targets associated with them at this time.

Last year's Medium Term Financial Plan confirmed that a sum of £1m had been earmarked from the Working Balance to fund the cost of changes in service delivery as part of the Transformation Programme on an "invest to save" basis. It was anticipated that a significant proportion of this reserve will be utilised in the first two years of this MTFP. So far £566,000 has been invested in income generation reviews, resources to support the forthcoming Business Process Re-engineering and Channel Shift Programme to achieve the £500,000 target and a review of ICT applications to enable system rationalisation.

Additional Growth and Savings

Following the national announcements at the end of 2015, savings options have been reconsidered and further ideas sought from staff and Councillors (via Overview and Scrutiny Committee). It is anticipated that during 2016/17 all previously considered savings options will be re-considered including those rejected as part of the service review process.

In addition to the savings outlined above, the budget makes financial provision for a small number of growth items including:

- A £5,000 increase in the Council's Community Grants budget; and
- £125,000 to maintain the free organic waste/brown-bin service in light of changes being imposed by the County Council/Suffolk Waste Partnership.

Both growth items are required to ensure that these services remain unaffected by cuts in funding from Suffolk County Council. This is part of an increasing trend of "cost-shunting" from the County Council on to other councils and agencies.

The County Council budget

On 8th January 2016 the Borough Council were contacted by Suffolk County Council seeking its views on the County's Budget Proposals for 2016-17. This request arose out of the County Council Scrutiny Committee meeting on 26 November 2015. An extract of the minute of the committee is set out below:

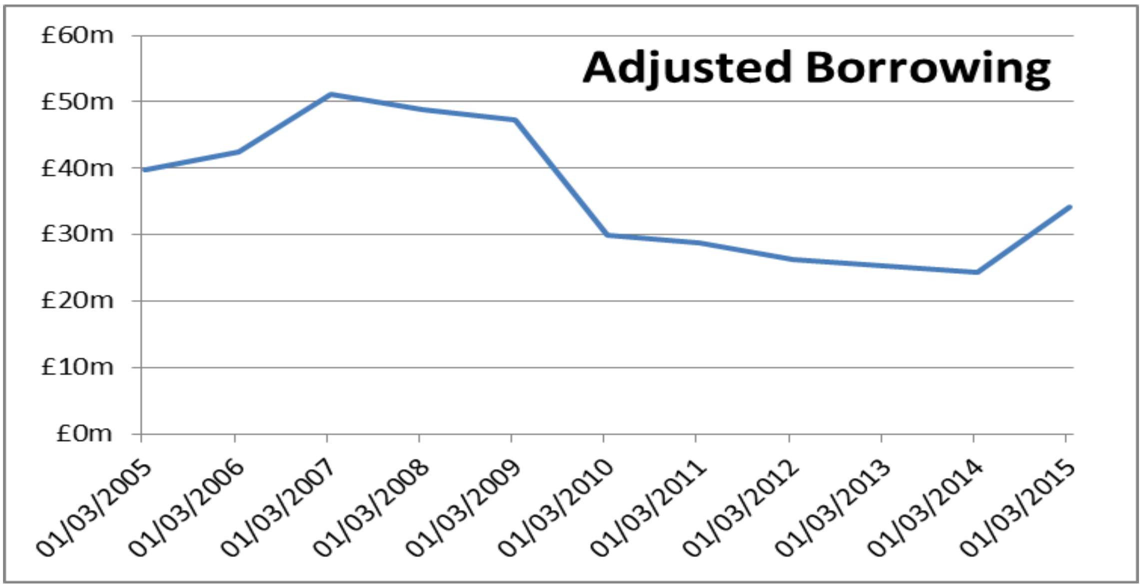
a) *To recommend to the Leader of the Council, the Cabinet Member for Finance and the Director of Resource Management that the following information should be included as part of the report to the Cabinet on 26 January 2016: (i) an Appendix providing brief statements from each of the District and Borough councils in Suffolk giving their comments on the potential impact of the County Council's proposals from their perspective, and whether the budget proposals will result in cost-shunting.*

The County Council gave the Borough Council two weeks to respond to this request. The Medium Term Financial Plan Report includes full details of the Ipswich Borough Council response – it is understood they will be written into the 'budget report' for the Council of Suffolk County Council meeting on 11th February 2016.

The Capital Programme

The 2015/16 to 2019/20 capital programme is set out in Section 6.

It should be recognised though that balancing the capital programme has remained challenging this year. The programme in Section 6 of the MTFP demonstrates that the Council is able to maintain investment in its key priorities, but a large part of the funding for the programme will be sourced from borrowing which has an impact on the revenue budget due to the need for repayments (see graph below for underlying borrowing levels – adjusted for the £100m Housing Subsidy borrowing). It should be noted that not all items included within the programme have been financed, specifically contingency items and projects which require further detailed consideration and/or are anticipated to be self-financing. Any such expenditure that does come forward will be reported to Executive as part of the Quarterly Budget Monitoring Regime and financing sought accordingly. These impacts have been allowed for within the General Fund revenue components of the MTFP.



The programme for 2016/17 includes:

- Retaining the Jobs and Skills Fund commitments including contributions towards an Innovation Centre at the Waterfront;
- A major project to expand the number of parking spaces at Crown Street;
- Completion of the new build of Ransomes Sports Pavillion;

- Cornhill investigation and survey works in preparation for major project together with commitment to fund 25% of the costs of the Cornhill Project to match funding from partners;
- Continued support of the Ipswich Flood Defence Barrier Scheme;
- A continuing commitment to improving and developing Ipswich Museums;
- Appointment of consultants to progress the masterplan for development of the Sproughton Road site;
- Development of two new car parks at South Street and Elm Street (Police Station).
- Christchurch Mansion roof repairs and mechanical and electrical improvements .
- Continuing commitment to making strategic asset purchases as they occur;
- Retaining the £1m commitment to support Broomhill Pool Trust following approval of HLF funding;
- Improving the resilience of council services in the event of floods, storms and other emergencies.
- Murray Road recreation ground Multi Use Games Area (MUGA).
- Invest to save works within the estate e.g. new storage facility for the Council's archive store (Grafton House).
- Investment in outdoor play provision

Capital Programme Summary	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Housing Revenue Account	18,290	35,663	25,808	23,951	20,558
General Fund	10,605	18,453	8,135	5,251	6,619
TOTAL	**28,895**	**54,116**	**33,943**	**29,202**	**27,177**

The Housing Revenue Account

The Council owns, 8,007 general needs and sheltered properties. To the end of the 3rd quarter in 2015/16, 53 properties have been sold during the year under the 'right-to-buy' scheme.

A New Build Programme for 1,000 Homes in a Decade was established in 2014, to ensure that the Council has a stable and long-term supply of housing. Resources have been earmarked in the Business Plan, mainly from revenue contributions and borrowing, to deliver the Programme.

To date the Programme has delivered 108 homes at Bader Close and schemes at Whitton Church Lane, Coltsfoot Avenue, Ulster Avenue and McClure Way. A programme of future schemes has been developed to ensure a steady supply of new homes. A scheme at the centre of Ravenswood is the next one awaiting planning permission.

There have been significant recent announcements that could have a fundamental impact on the future housing service. These changes have been announced in the July National Budget and the Housing & Planning Bill.

The July Budget introduced a significant change in the way annual rent increases are determined. In recent years the Government has published guidance that social rents should increase by the Consumer Price Index (CPI) plus one percent. The 15/16 rent increase was calculated using this formula.

However, the Welfare Reform and Work Bill, currently before Parliament, proposes a 1% reduction to all social housing basic rents for each of the next four years. The Bill currently is silent on 'associated charges' (e.g. garages and service charges).

The implementation of the 1% rent reduction would mean that the income to the HRA over 4 years would be £9.8 million less than predicted in the 30 year HRA Business Plan, assuming that rents return to being increased at an annual rate equal to CPI plus 1%.

The Welfare Reform and Work Bill is currently at Committee Stage in the House of Lords. It is usual for Executive to recommend the rent increase and for Council to consider and approve by the February meeting cycle. Any changes to rents should be notified to tenants by 10th March otherwise collection of the new rents cannot start on 1st April.

The Bill was scheduled to complete the report stage on 27th January. There is then a stage to consider any amendments before the Bill is ready for Royal Assent and enactment. The timescales of future stages is still unknown.

Part 4 of the Housing and Planning Bill also proposes significant changes. The key proposals are:

- To give councils a duty to consider selling high-value homes and require them to make payments to central government calculated on the assumption that such homes will be sold as they become vacant (Chapter 2, clauses 67-77);
- To require councils, along with housing associations, to charge market or near-market rents to tenants with household incomes above £30,000 a year (£40,000 in London) (Chapter 4, clauses 79-88);
- To require councils to issue 2 to 5 year fixed term tenancies to nearly all new tenants (Chapter 5, clauses 89-90 and Schedules 4 & 5).

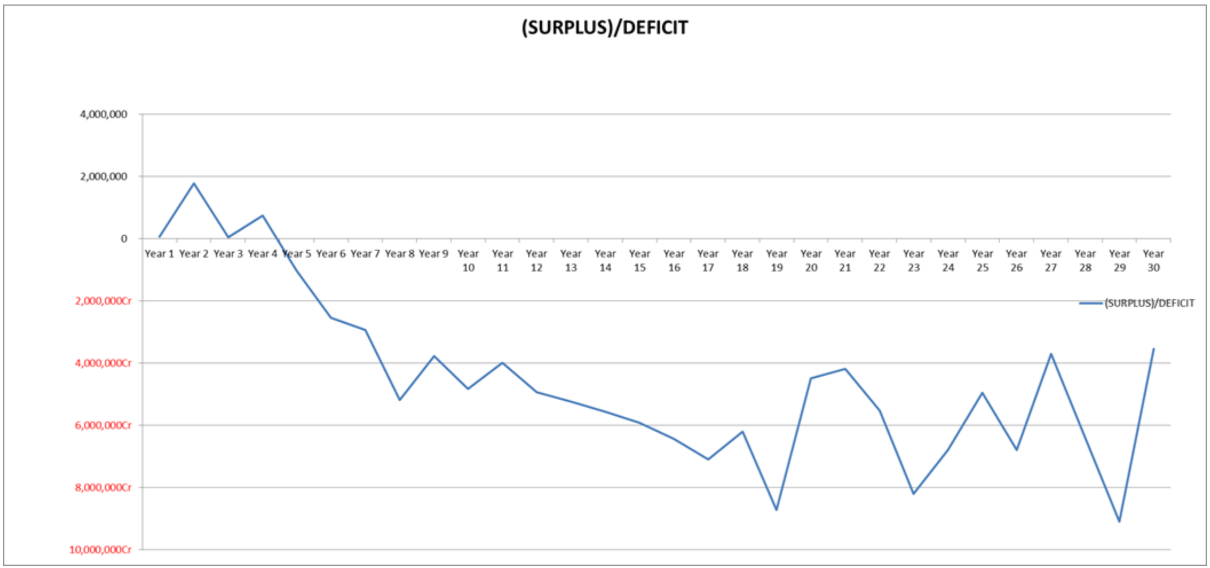
There are significant reductions in housing and other benefits together with the implementation of "Universal Credit", which may have significant impact on the financial capacity of households and also on the demand for affordable housing.

Taken together with the mandatory 4 year 1% rent reduction proposed in the Welfare Reform and Work Bill these proposals will significantly reduce the attractiveness of planned investment in new council housing and improvements to the existing stock and will significantly alter the relationship between local authorities and their tenants.

The timescales of future stages of the Housing and Planning Bill are also unknown. Once both Bills have been enacted and the details are known, the Council may wish to review its Housing Strategy.

The HRA Business Plan assumes service levels are maintained throughout the 30 years. A review of the planned maintenance budgets has improved forecasting accuracy and assurance. It identified £30m available budgets. Some of this resource is being used to upgrade boilers to minimum grade "A" efficiency and to ensure they are under 15 years old. Other schemes include refurbishing Cumberland Towers and improving insulation on bay windows.

The HRA Business Plan has been amended for the estimated impact of the "-1%" rent reduction and other known changes. The following graph shows the surplus (-) and deficit (+) predicted for each future year. Year 1 is 2015/16.



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

Due to the financial changes, explained in this section, it is anticipated that the Council will need to borrow up to the maximum prescribed limit of £144m, to fund the 1,000 Homes in a Decade Programme. This limit is also known as the HRA Borrowing Cap.

The Long Term Budget Strategy

Ipswich Borough Council has taken a robust long term budget strategy for a number of years – a strategy that, whilst it has evolved over time, aims to minimise the impact of changes in Central Government funding on the future level of IBC service provision. In that regard the Transformation Programme and its strategic "big ticket" items are projected to deliver around £3.2m in annual savings by 2018/19.

However, the recent financial settlements and announcements from government mean that the challenge is significantly greater than anticipated. The strategy will need to evolve again and realistically the Council cannot wait until the February 2017

Medium Term Financial Plan report to start making progress towards meeting the significant challenge which will start to bite in April 2017.

It is anticipated that there will be an additional budget gap of £1.3m for 2019/20 above and beyond the level of savings already anticipated. Clearly this is a ‘best estimate’ figure at this time and it could be subject to significant changes relating to a variety or local or national decisions across the next three to four years. However it is hoped that the acceptance of the Government offer of a four year settlement will help to introduce more certainty into the equation.

This challenge is not just affecting this Council – the November and December announcements have been particularly hard on district and borough councils across the country.

As previously stated it is considered prudent to set in place work to address the major budget challenges that arise from 2017/18 onwards and to endeavour to do so well in advance of the end of the calendar year. It is also planned to produce a new Corporate Plan during 2016 to feed into this work.

The longer term budget/finance strategy will need to be revised as the Government proposals for transferring 100% of NNDR receipts to local government from 2020 become clearer. This is likely to include more reliance on increasing the council tax base (building more houses) and increasing the business rate base (attracting and retaining businesses).

Conclusion

This budget builds on the work started within the budgets of the last four years but crucially also ensures the Council is in a solid position to address future challenges.

This budget focuses on setting out the medium term financial challenges facing the Council as well as delivering the strategic ‘big ticket’ ideas to meet that challenge. Central to this approach is identification of resources and ensuring that a sufficient timescale is available to plan and introduce the changes that will ensure that this challenge is met.

Whilst arguably this budget focusses on looking to the future it does so in a manner that ensures savings are made over the next twelve months with a minimal impact on front-line services. Significant progress also continues to be made on council house building and supporting jobs, skills and growth in the town.

In summary, the key financial headlines of the general fund part of the MTFP are:
The Local Government Finance Settlement results in a 14% drop in core spending power for Ipswich Borough Council in the next four years.

- The Borough Council’s Council Tax increase of 1.97% equates to 10p or less per week for most households in Ipswich.
- The Ipswich Borough increase (1.97%) is lower than the “Referendum Rate”
- The Council’s net budget has reduced by £4m over the last four years while making £9m savings. The majority of savings have been made without significant impact on front-line services

- A small amount of growth has been allocated to 2016/17 largely to enable the Council to continue to offer a free brown bin (garden waste) service while the County Council/Suffolk Waste Partnership expects District and Borough Councils to charge for this service
- The Council has a strong track record in planning and achieving savings through its Transformation Programme. However, further ongoing savings (£1.3m) will need to be identified before 2020 to meet the challenge of significant reduction in core spending power.
- There are still uncertainties which may impact on the revenue budget in this MTFP, namely in relation to New Homes Bonus and Business Rates Retention.

The capital programme contains a series of investments that will enhance and protect many of the town's historic assets whilst enabling investments in new initiatives which will:

- benefit local communities (e.g. Ransomes Sports Centre and Holywells Park);
- improve visitor numbers and spend as well as civic pride in the town (e.g. improvements to museums)
- improve the town's economy (e.g. proposals for a new multi-storey car park at Crown Street, Sproughton Road development and the Cornhill regeneration project);

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 £12,403,000 for 2016/17 have been based on principles set out above. This Plan delivers a financially balanced budget for 2016/17.

The calculations of estimates making up the Housing Revenue Account for 2016/17 have been based on principles set out above. This Plan delivers a financially balanced budget for 2016/17.

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

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 2016 to 2020 budgets are shown below. These risks are taken into account when setting the level of reserves.

Risk Description	**Consequence of risk**	**Risk Controls**	**Probability of risk occurring taking account of controls (scale 1-6) 1 – almost impossible 6 – very high**	**Impact of risk, if it occurred taking account of actions (scale 1 – negligible; 4 – catastrophic)**	**Actions to mitigate risk**
Accuracy of estimates	Unable to deliver services within financial provision	Incorporate current economic predictions. Service Group based budget process. Revenue & capital programme set together. All known future changes included in budget.	2	2	Sign-off of detailed budgets by Heads of Service.
Adequacy of reserves/balances/bad debt provision	Possible impact on service provision	Risk Management assessment, insurance policy	1	2	Regular monitoring
Significant variances due to poor budgetary control	Unable to deliver services within financial provision	Monthly Budgetary Control process	2	2	Quarterly reporting to Executive based on monthly exception reporting
Long term unsustainable/imprudent financial planning	Intervention by Secretary of State	Medium term financial planning, Prudential Indicator framework	1	1	Regular monitoring
Partnership/Joint Working – poor control/definition resulting in financial	Non delivery of agreed outcomes	Clear & concise contractual arrangements.	2	3	Monitoring by Joint committees

liability					
Corporate projects – predicting financial implications	Overspends or non-delivery	Corporate projects managed using Prince 2 based methodology	2	2	Regular monitoring
Changing goals/expectations	Uncertainty over service delivery	Corporate Plan, Strategic framework	1	2	Clear communication
Failure of "Approved Organisation for Investment"	Potential loss of investment	Reviewed Treasury Management Strategy	3	2	Daily monitoring of investment counterparties
Poor Corporate Governance/financial control	Lack of control	New Corporate Governance, Audit review, Standing Orders	1	1	Regular reporting and monitoring
Changes in proper accounting practice	Statement of Accounts not approved by External Audit	The Council adheres to the latest Statement of Recommended Practice	1	2	Training and liaison with External Audit.
Unexpected changes in demographic/service expectations due to the current economic situation	Services under or over provided	Officers actively monitor potential future changes	2	2	Monitoring information used to predict future requirements

Specific Risks

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

Risk Description	Consequence of risk	Risk Controls	Probability of risk occurring taking account of controls (scale 1-6) 1 – almost impossible 6 – very high	Impact of risk, if it occurred taking account of actions (scale 1 – negligible; 4 – catastrophic)	Actions to mitigate risk
Capital Ability to fund/finance		Capital receipts forecast. Prudential borrowing code of practise adopted. All known future changes included in budget.	4	2	Funding forecast
HRA Ability to deliver house building programme	Lack of available social housing	Capital receipts forecast. Prudential borrowing code of practise adopted. All known future changes included in budget.	3	3	Funding forecast. Updated business plan. Use of capital financing requirement.

Adequacy of Working Balance and Reserves

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.

GENERAL FUND AND COUNCIL TAX REQUIREMENT

In determining the Council Tax Requirement for 2016/17, 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 2016/17 is £32,871.

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 £200,487. 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 Provisional Settlement for 2016/17 was announced on 18th December 2015 at £5,556,241. These figures are reflected in the summary below:

	2015/16 **£**	**2016/17** **£**
Budget Requirement	**19,292,720**	**18,159,728**
Settlement Funding Assessment	**-6,947,854**	**-5,556,241**
Collection Fund Adjustment	**-369,394**	**-200,487**
To be financed from Council Tax	**-11,975,472**	**-12,403,000**

Assuming the Council has a Council Tax Requirement for 2016/17 of £12,403,000 the Borough Council's element of the Ipswich charge for a Band B property in comparison with 2015/16 would be:

Potential Change in Band B Council Tax	**2015/16 £ p**	**2016/17 £ p**	**% Change**
IBC Charge before Collection Fund Adjustment	263.24	265.81	-
Plus/Minus(-) Collection Fund Adjustment	-7.88	-5.41	-
IBC Charge after Collection Fund Adjustment	**255.36**	**260.4**	**1.97**

It follows from the above that the tax (for Ipswich Borough Council) at each of the property bands, compared with 2015/16, would be as follows:

Band	**2015/16**	**2016/17**	**Change**
	Tax (£ p)	**Tax (£ p)**	**%**
A	218.88	223.20	1.97%
B	255.36	260.40	1.97%
C	291.84	297.60	1.97%
D	328.32	334.80	1.97%
E	401.28	409.20	1.97%
F	474.24	483.60	1.97%
G	547.20	558.00	1.97%
H	656.64	669.60	1.97%

Precepts

Suffolk County Council has publicised their intention to continue to freeze general council tax, but implement the 2% social care increase. The Crime Commissioner has consulted upon a proposed a 1.958% increase. 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 Chief Finance Officer.

Precepting Authority	**Precept £**	**Band D £ p**
Suffolk County Council	**42,566,965**	**1149.03**
Suffolk Police Authority	**6,424,888**	**173.43**

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

Precepting Authority	Valuation Band	2015/16 £ p	2016/17 £ p	Change £ p	Change %
Suffolk County Council	A	751.02	766.02	15.00	2.00%
	B	876.19	893.69	17.50	2.00%
	C	1,001.36	1,021.36	20.00	2.00%
	D	1,126.53	1,149.03	22.50	2.00%
	E	1,376.87	1,404.37	27.50	2.00%
	F	1,627.21	1,659.71	32.50	2.00%
	G	1,877.55	1,915.05	37.50	2.00%
	H	2,253.06	2,298.06	45.00	2.00%

Precepting Authority	Valuation Band	2015/16 £ p	2016/17 £ p	Change £ p	Change %
Suffolk Police Authority	A	113.40	115.62	2.22	1.96%
	B	132.30	134.89	2.59	1.96%
	C	151.20	154.16	2.96	1.96%
	D	170.10	173.43	3.33	1.96%
	E	207.90	211.97	4.07	1.96%
	F	245.70	250.51	4.81	1.96%
	G	283.50	289.05	5.55	1.96%
	H	340.20	346.86	6.66	1.96%

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

Valuation Band	2015/16 £ p	2016/17 (£ : p)	Change £ p	Change %
A	1,083.30	1,104.84	21.54	1.99%
B	1,263.85	1,288.98	25.13	1.99%
C	1,444.40	1,473.12	28.72	1.99%
D	1,624.95	1,657.26	32.31	1.99%
E	1,986.05	2,025.54	39.49	1.99%
F	2,347.15	2,393.82	46.67	1.99%
G	2,708.25	2,762.10	53.85	1.99%
H	3,249.90	3,314.52	64.62	1.99%

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 £1m is maintained.

Capital Programme

The Capital Strategy is set out at Section 6.

The Capital Programme is also 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	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Expenditure	**10,605**	**18,453**	**8,134**	**5,251**	**6,619**
Financed By:-					
Capital Receipts	3,520	5,377	1,613	1,140	1,133
External Funding	4,646	3,411	865	1,185	1,615
Borrowing	2,230	9,618	5628	2,908	3,853
RCCO's	209	47	28	18	18
Total Funding	**10,605**	**18,453**	**8,134**	**5,251**	**6,619**

Housing Revenue Account	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Expenditure	**18,290**	**35,663**	**25,808**	**23,951**	**20,558**
Financed By:-					
Capital Receipts	3,124	9,469	5,280	2,839	2,839
Borrowing	278	100	5,799	6,274	5,166
Major Repairs Allowance	7,854	9,850	8,362	8,081	7,958
RCCO's	7,034	16,244	6,367	6,757	4,595
Total Funding	**18,290**	**35,663**	**25,808**	**23,951**	**20,558**

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 had a policy of reviewing and updating a three year rolling Medium Term Financial Plan (MTFP) on an annual basis, which has now been extended to four years to reflect the provisional settlement.

The 2015/16 budget was set against a background of continuing funding reductions and the increased risk of sudden changes in funding inherent in the retained business rates scheme. Future central government funding consists primarily of Revenue Support Grant and Retained Business Rates, which taken together are termed “Settlement Funding Assessment”. Against this background Ipswich was still able to set a balanced budget for 2015/16. The achievement of this budget has been monitored during the year against expenditure profiles and no significant year end variations are anticipated, indeed the target for Big Ticket items has been exceeded.

This history of strong financial management gives a strong foundation to base the revised MTFP for 2016/17 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 MTFP.

The Council has three main priorities for 2016/17 and has continued to focus resources accordingly:

- **Protecting front line services;**
- **Supporting jobs and skills; and**

- **Building new council housing.**

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

General Fund

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

Note: for risk category definitions see page 19

Budget monitoring and control management

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

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

<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 & Governance 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 2015/16 TO 2019/20

DESCRIPTION	2015/16 ORIGINAL BUDGET £	2015/16 DRAFT APPROX O/T £	2016/17 FORECAST £	2017/18 FORECAST £	2018/19 FORECAST £	2019/20 FORECAST £
SERVICE EXPENDITURE						
Employees	25,721,298	25,052,178	27,582,000	27,653,400	27,942,550	28,282,260
Premises	5,993,630	6,154,400	5,774,500	5,634,130	5,627,130	5,627,130
Transport	1,870,910	1,795,210	1,675,840	1,675,840	1,677,310	1,677,310
Supplies & Services	13,926,424	17,925,844	13,229,510	13,204,123	13,209,363	13,222,313
Agency & Contracted Services	799,380	799,380	848,880	864,880	884,880	894,880
Transfer Payments	53,684,150	53,934,150	53,934,150	53,684,150	53,684,150	53,684,150
Central & Departmental Support	564,730	729,670	717,650	740,780	752,630	764,120
Capital Financing	1,870	140	140	140	140	140
TOTAL SERVICE EXPENDITURE	102,562,392	106,390,972	103,762,670	103,457,443	103,778,153	104,152,303
SERVICE INCOME						
Government Grants	55,677,750Cr	55,236,910Cr	54,791,750Cr	54,747,750Cr	54,747,750Cr	54,747,750Cr
Other Grants,Contributions Etc	6,200,082Cr	6,392,202Cr	5,990,430Cr	6,097,923Cr	6,173,343Cr	6,246,383Cr
Sales	588,920Cr	675,440Cr	667,800Cr	687,830Cr	708,460Cr	727,890Cr
Fees & Charges	16,136,770Cr	19,623,890Cr	17,093,660Cr	17,329,320Cr	17,690,160Cr	18,062,530Cr
Rents	3,435,040Cr	3,513,750Cr	3,413,340Cr	3,405,340Cr	3,395,340Cr	3,395,340Cr
Interest	850Cr	250Cr	240Cr	240Cr	240Cr	240Cr
TOTAL SERVICE INCOME	82,039,412Cr	85,442,442Cr	81,957,220Cr	82,268,403Cr	82,715,293Cr	83,180,133Cr
NET SERVICE EXPENDITURE	20,522,980	20,948,530	21,805,450	21,189,040	21,062,860	20,972,170

General Fund MTFP contd

GENERAL FUND REVENUE FORECAST 2015/16 TO 2019/20

DESCRIPTION	2015/16 ORIGINAL BUDGET £	2015/16 DRAFT APPROX O/T £	2016/17 FORECAST £	2017/18 FORECAST £	2018/19 FORECAST £	2019/20 FORECAST £
NET SERVICE EXPENDITURE	20,522,980	20,948,530	21,805,450	21,189,040	21,062,860	20,972,170
Contingencies etc:						
Additional commitments	1,044,000	284,270	811,050	519,600	596,180	952,240
Transformation Fund (including former Invest to Save Fund)	132,420	1,084,060	132,640Cr	52,090Cr	0	0
Big Ticket Savings	470,000Cr	6,620Cr	1,586,680Cr	2,598,920Cr	2,593,690Cr	2,593,690Cr
Transformation Savings Targets Set	225,000Cr	0	225,000Cr	225,000Cr	225,000Cr	225,000Cr
Service Reserves	0	1,059,280	0	0	0	0
General Service Reserve	0	883,510	0	0	0	0
Interest on balances etc	3,470	17,990	16,520	45,760	45,760	45,760
External interest etc	82,720Cr	157,290Cr	182,160Cr	203,110Cr	203,110Cr	203,110Cr
Capital financing costs	1,671,270	1,946,350	2,300,780	2,755,990	2,731,670	2,731,670
Net Expenditure	22,596,420	26,060,080	22,807,320	21,431,270	21,414,670	21,680,040
Revenue support grant	2,993,140Cr	2,993,140Cr	1,569,000Cr	440,000Cr	0	550,000
Transitional Grant	0	0	120,000Cr	119,000Cr	0	0
Business Rates Baseline	3,954,710Cr	3,954,710Cr	3,986,000Cr	4,066,000Cr	4,188,000Cr	4,320,000Cr
Retained Business Rates	0	674,000Cr	1,353,000Cr	1,486,000Cr	1,676,000Cr	1,676,000Cr
Collection Fund surplus(cr)/deficit 31st March (net)	369,390Cr	369,390Cr	200,500Cr	0	0	0
New Homes Bonus Scheme	1,761,000Cr	1,774,000Cr	2,261,000Cr	1,498,000Cr	1,326,000Cr	1,341,000Cr
Transfer to/from (cr) reserves	478,500	296,350	49,500Cr	7,500Cr	7,500Cr	7,500Cr
Use of (cr) / contribution to GF revenue balance	2,021,210Cr	4,615,720Cr	865,320Cr	1,062,510Cr	1,054,420Cr	1,301,020Cr
Unfunded Balance	0	0	0	0	0	0
COUNCIL TAX REQUIREMENT	11,975,470	11,975,470	12,403,000	12,752,260	13,162,750	13,584,520

GF REVENUE BALANCE						
Balance b/fwd 1st April	9,432,340Cr	12,221,950Cr	7,606,230Cr	6,740,910Cr	5,678,400Cr	4,623,980Cr
Surplus(Cr)/deficit for year	2,021,210	4,615,720	865,320	1,062,510	1,054,420	1,301,020
Balance c/fwd 31st March	7,411,130Cr	7,606,230Cr	6,740,910Cr	5,678,400Cr	4,623,980Cr	3,322,960Cr

General Fund Budgets 2016/17 - Service Group Analysis

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

Service Grouping	2016/17 Controllable Budget £
Chief Executive/Chief Operating Officer	1,403,190
Resource Management	8,169,290
Housing and Community	3,767,850
Culture and Environment	8,187,800
Development	277,320
NET SERVICE EXPENDITURE	21,805,450

General Fund Budget 2016/17 - Service Group Analysis contd

Chief Executive/Chief Operating Officer	
Service Area	**2016/17 Controllable Budget £**
Chief Executive/Chief Operating Officer	392,130
Corporate Support	365,000
Printing and Design	-128,600
Registration of Electors	70,830
Borough Council Elections	121,790
Customer Services Centre	890,390
Tourist Information Centre	140,200
Tourism	10,250
Bus Route Subsidies/Network Support	9,030
Footway Lighting	72,350
Street Names and Seats	20,000
Town Centre Pedestrian Areas	1,270
Shopmobility	22,540
Residents Parking Schemes	-83,870
IBC Car Parks	-1,455,810
Special Parking Areas	11,960
Transportation	93,900
Economic Development	449,210
Town Centre Management	56,000
Press and Publicity Services	344,620
Total	1,403,190

General Fund Budget 2016/17 - Service Group Analysis contd

Resource Management	
Service Area	**2016/17 Controllable Budget £**
Head of Resource Management	106,520
Councillors' Services	198,710
Democratic and Business Support	184,140
Mayoral Services	136,990
Councillors´ Costs	337,000
Community Development Team	205,210
Area Committees	145,000
Community Grants	378,390
Legal Services	233,070
Local Land Charges	-42,020
Corporate Management Direct Costs	164,900
Unapportionable Central Overheads	2,295,130
Democratic Representation and Management	-121,870
Housing and Council Tax Benefit Administration	1,315,300
Finance and Procurement	870,350
Human Resources	502,210
Information Technology	1,093,910
Audit Partnership	166,350
Total	8,169,290

General Fund Budget 2016/17 - Service Group Analysis contd

Housing and Community

Service Area	2016/17 Controllable Budget £
Head of Housing and Community	36,970
Supervision and Management	249,100
Housing Business Support Unit	-74,840
Housing Policy and Resources	127,030
Housing Options	617,180
Contributions to Housing Revenue Account	201,150
Bed and Breakfast Costs	75,270
Other Private Sector Accommodation Costs	26,940
Assistance to Voluntary Bodies (Gen)	14,580
Hostels	29,750
Homelessness	195,010
Gipping House	142,520
Building Overheads	358,050
Commercial Contracts	-465,600
Hackney Carriage and Private Hire Vehicles	-43,900
Emergency Planning	57,230
Licensing and Enforcement Unit	34,060
Emergency Services Centre - HEARS	-110,640
Community Safety	378,700
Emergency Services Centre	492,700
M3 System Costs	9,660
Occupational Health	212,050
Food Safety	250,850
Private Sector Housing Services	335,010
Pollution	442,350
Port Health	20,820
Animal Welfare	65,430
Waste Enforcement	90,420
Total	3,767,850

General Fund Budget 2016/17 - Service Group Analysis contd

Culture and Environment

Service Area	2016/17 Controllable Budget £
Head of Culture and Environment	100,600
Public Conveniences	67,270
Cemeteries and Crematorium	-147,920
Parks	955,020
Rangers	485,890
Allotments	37,820
Verges Maintenance	210,760
Amenity Areas (Open Spaces)	13,780
Business Development	14,410
Cultural Development	210,110
Corn Exchange	126,850
Entertainments Box Office	-89,460
Entertainments Management	604,140
Events and Festivals	133,440
Regent Theatre	-104,490
Ipswich Skatepark	3,550
Icard Costs	87,590
Sports Centres	1,147,920
Profiles Gyms	-545,670
Swimming Pools	617,460
Refuse Summary	135,800
Waste Education and Promotion	136,980
Recycling	359,210
Refuse Collection	1,372,310
Cleansing Services	1,084,920
Museum Service	1,169,510
Total	8,187,800

General Fund Budget 2016/17 - Service Group Analysis contd

Development

Service Area	2016/17 Controllable Budget £
Head of Development	22,470
Environmental Strategy	11,970
Health and Safety	72,740
Building and Design	712,430
Grafton House	52,880
Corporate Properties	-2,052,690
IP-City Centre	-184,690
Property Services Management	247,360
Community/Environmental Improvements	33,360
Drainage	79,470
Planning and Development	583,640
Planning Policy	27,740
Local Development Framework	176,500
Development Services Support	241,470
Building Control	119,250
Caps System Costs	47,000
Historic Churches	54,820
Conservation of Historic Buildings	31,600
Total	277,320

Housing Revenue Account MTFP

HOUSING REVENUE ACCOUNT FORECAST 2015/16 TO 2019/20

2014/15 OUT-TURN £		2015/16 ORIGINAL BUDGET £	Year 1 2015/16 FORECAST £	Year 2 2016/17 FORECAST £	Year 3 2017/18 FORECAST £	Year 4 2018/19 FORECAST £	Year 5 2019/20 FORECAST £
	EXPENDITURE						
	MANAGEMENT & MAINTENANCE						
3,772,211	Supervision & Management General	4,438,600	4,212,460	4,249,160	4,250,150	4,250,150	4,292,650
1,995,042	Supervision & Management Special	2,322,160	2,216,870	2,324,880	2,324,880	2,324,880	2,348,130
328,560	Superannuation Backfunding	368,500	368,500	408,430	408,430	408,430	412,510
3,811,095	Responsive Repairs	3,998,750	4,236,230	4,247,830	4,228,190	4,244,570	4,287,020
1,315,211	Special/Contract Repairs	1,143,050	1,352,210	1,227,210	1,177,210	1,177,210	1,188,980
1,041,271	Planned Maintenance	928,300	888,040	928,040	928,040	928,040	937,320
12,263,390	**MANAGEMENT & MAINTENANCE TOTAL**	**13,199,360**	**13,274,310**	**13,385,550**	**13,316,900**	**13,333,280**	**13,466,610**
	CAPITAL FINANCING COSTS						
53,056	**Debt Management Expenses**	49,080	44,180	44,810	42,100	41,210	41,720
2,753,241	**Debt Principal - repayment**	2,734,130	2,856,640	2,864,120	2,895,020	2,919,550	2,812,130
4,050,118	**Debt Interest payable and similar charges**	3,935,790	3,882,980	3,815,820	3,744,160	3,673,880	3,593,330
3,939,534	**Depreciation**	3,891,050	3,891,050	3,891,050	3,891,050	3,891,050	3,891,050
498,960Cr	**Impairment of Assets**	0	0	0	0	0	0
10,296,989	**TOTAL CAPITAL FINANCING COSTS**	**10,610,050**	**10,674,850**	**10,615,800**	**10,572,330**	**10,525,690**	**10,338,230**
57,200	**PROVISION FOR BAD DEBTS**	**236,370**	**236,370**	**234,010**	**231,670**	**229,350**	**227,060**
141,210	**HRA share of Corporate Democratic Core and Non Distributed Costs**	**144,030**	**126,770**	**126,770**	**126,770**	**126,770**	128,040
22,758,789	**TOTAL EXPENDITURE**	**24,189,810**	**24,312,300**	**24,362,130**	**24,247,670**	**24,215,090**	**24,159,940**

HOUSING REVENUE ACCOUNT FORECAST 2015/16 TO 2019/20

2014/15 OUT-TURN £		2015/16 ORIGINAL BUDGET £	Year 1 2015/16 FORECAST £	Year 2 2016/17 FORECAST £	Year 3 2017/18 FORECAST £	Year 4 2018/19 FORECAST £	Year 5 2019/20 FORECAST £
	INCOME						
	RENT INCOME						
33,868,657Cr	**Rents**	34,775,340Cr	34,461,180Cr	34,113,150Cr	33,770,250Cr	33,431,470Cr	33,096,820Cr
945,942Cr	**Service Charges**	987,840Cr	975,070Cr	984,820Cr	994,670Cr	1,004,620Cr	1,014,670Cr
532,306Cr	**Commercial**	495,930Cr	529,930Cr	529,930Cr	529,930Cr	529,930Cr	529,930Cr
67,740Cr	**Hostels**	167,070Cr	0	0	0	0	0
410,371Cr	**Shops**	359,620Cr	399,620Cr	399,620Cr	399,620Cr	399,620Cr	399,620Cr
35,825,016Cr	**RENTS TOTAL**	**36,785,800Cr**	**36,365,800Cr**	**36,027,520Cr**	**35,694,470Cr**	**35,365,640Cr**	**35,041,040Cr**
194,100Cr	**G.F. RECHARGE**	**197,980Cr**	**197,980Cr**	197,980Cr	197,980Cr	197,980Cr	**199,960Cr**
36,019,116Cr	**TOTAL INCOME**	**36,983,780Cr**	**36,563,780Cr**	**36,225,500Cr**	**35,892,450Cr**	**35,563,620Cr**	**35,241,000Cr**
13,260,327Cr	**NET COST OF SERVICES**	**12,793,970Cr**	**12,251,480Cr**	**11,863,370Cr**	**11,644,780Cr**	**11,348,530Cr**	**11,081,060Cr**

Housing Revenue Account MTFP contd

HOUSING REVENUE ACCOUNT FORECAST 2015/16 TO 2019/20

2014/15 OUT-TURN £		2015/16 ORIGINAL BUDGET £	*Year 1* 2015/16 FORECAST £	*Year 2* 2016/17 FORECAST £	*Year 3* 2017/18 FORECAST £	*Year 4* 2018/19 FORECAST £	*Year 5* 2019/20 FORECAST £
13,260,327Cr	**NET COST OF SERVICES**	12,793,970Cr	12,251,480Cr	11,863,370Cr	11,644,780Cr	11,348,530Cr	11,081,060Cr
	Summary/Contingency items						
0	RTB Sales estimated effect	395,400	87,070	270,190	447,870	620,200	783,340
0	New Build estimated effect	140,380Cr	104,160Cr	441,930Cr	728,400Cr	1,004,880Cr	1,124,310Cr
0	Single Status & Harmonisation Contingency	24,900	0	0	0	0	0
0	Removal of 'contracted out' element of NI	0	0	95,000	95,000	95,000	95,000
0	Housing Related Support Contingency (formerly SP)	70,130	0	0	0	0	0
0	Welfare Reforms Contingency	564,340	500,000	0	0	0	0
0	Transitional Vacancy savings to find	30,000Cr	30,000Cr	50,000Cr	50,000Cr	50,000Cr	50,000Cr
3,484,283Cr	Reverse All Depreciation & Deferred charges	3,929,280Cr	3,929,280Cr	3,929,280Cr	3,929,280Cr	3,929,280Cr	3,929,280Cr
8,392,000	Transfer to Major Repairs Reserve	8,672,000	8,672,000	8,960,000	9,529,460	9,608,080	9,687,350
50,112Cr	Interest/investments (net)	18,730Cr	18,730Cr	17,220Cr	46,460Cr	740Cr	740Cr
8,402,722Cr	**NET OPERATING EXPENDITURE**	7,185,590Cr	7,074,580Cr	6,976,610Cr	6,326,590Cr	6,010,150Cr	5,619,700Cr
253,201Cr	Contributions to/from Provisions/Reserves	0	0	0	0	0	0
6,203,960	RCCO's	7,140,000	7,140,000	8,752,680	6,367,250	6,756,920	4,594,710
2,451,963Cr	**(SURPLUS)/DEFICIT**	45,590Cr	65,420	1,776,070	40,660	746,770	1,024,990Cr
4,696,486Cr	HRA Balance b/f 1st April	5,490,936Cr	7,148,449Cr	7,083,029Cr	5,306,959Cr	5,266,299Cr	4,519,529Cr
7,148,449Cr	HRA Balance c/f 31st March	5,536,526Cr	7,083,029Cr	5,306,959Cr	5,266,299Cr	4,519,529Cr	5,544,519Cr
	MINIMUM REQUIRED BALANCE	2,000,000Cr	2,000,000Cr	2,000,000Cr	2,000,000Cr	2,000,000Cr	2,000,000Cr

Recommended Sheltered Scheme Charges 2016/17
(per week over 50 weeks)

Charge	2015/16	2016/17	Comment
Service Charge	£23.20	£23.41	This charge is eligible for Housing Benefit
Housing Related Support Charge	£0.00	£0.00	Housing Related Support (HRS) element is likely to be withdrawn.
Water Rate Charge	£4.15	£4.19	
(i) Heating Communal Areas			This charge is eligible for Housing Benefit
Charge 1	£2.49	£2.51	
Charge 2*	£0.92	£0.93	
Heating – Individual home Charge			
1 –2 rooms with htg	£4.46	£4.50	
3 – 4 rooms with htg	£7.19	£7.25	
5/6 rooms with htg	£9.78	£9.87	
7+ rooms with htg	£12.35	£12.46	

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

Notes

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

Garage Rents 2016/17

All charges per week to be increased by 0.9%.

Scheme	2015/16	2016/17	Change
Council Tenants Garages			
Vary From	£7.43	£7.50	0.9% increase
To	£10.09	£10.18	0.9% increase
Non Council Tenants*			
Vary from	£7.43 + vat = £8.92	£7.50 + vat = £9.00	0.9% increase
To	£10.09 + vat = £12.11	£10.09 + vat = £12.22	0.9% increase
Other Charges			
Water charge (where applicable)	£1.22	£1.23	0.9% increase
Hardstands			
Vary from	£1.59	£1.60	0.9% increase
To	£1.99	£2.01	0.9% increase

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

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 £2m is contrasted with the cost of running services such as Refuse and Cleansing or Sports provision which are 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 level of uncertainty surrounding the future funding of local government and the sensitivity of income from retained business rates to government intervention, appeals and closures and the possible impact on cash flow has led to a decision to retain a General Fund Working Balance of £2m for 2016/17 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.

NNDR Equalisation Fund

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

Revenue Grants/Contributions

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 £1m 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

Reserves	Balance 31-Mar-15 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-16 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-17 £'000	Balance 31-Mar-18 £'000	Balance 31-Mar-19 £'000	Balance 31-Mar-20 £'000
General Fund:										
Working Balance	12,222Cr	0	4,616	7,606Cr	0	865	6,741Cr	5,678Cr	4,624Cr	3,323Cr
Transport Realisation Reserve	252Cr			252Cr	0	0	252Cr	252Cr	252Cr	252Cr
Insurance Reserve	1,119Cr		38	1,081Cr	0	0	1,081Cr	1,081Cr	1,081Cr	1,081Cr
Repair and Renewal	2,042Cr	407Cr	32	2,417Cr	25Cr	74	2,368Cr	2,361Cr	2,339Cr	2,382Cr
NNDR Equalisation	500Cr			500Cr	0	0	500Cr	500Cr	500Cr	500Cr
Legacies	90Cr			90Cr	0	0	90Cr	90Cr	90Cr	90Cr
Revenue Grants/Contributions	1,656Cr		41	1,615Cr	0	0	1,615Cr	1,615Cr	1,615Cr	1,615Cr
Total	**17,881Cr**	**407Cr**	**4,727**	**13,561Cr**	**25Cr**	**939**	**12,647Cr**	**11,577Cr**	**10,501Cr**	**9,243Cr**
Housing Revenue Account:										
Working Balance	7,148Cr	0	65	7,083Cr	0	1,776	5,307Cr	5,266Cr	4,520Cr	5,545Cr
Repair and Renewal	500Cr	0	0	500Cr	0	0	500Cr	500Cr	500Cr	500Cr
Miscellaneous	435Cr	0	0	435Cr	0	0	435Cr	435Cr	435Cr	435Cr
Total	**8,083Cr**	**0**	**65**	**8,018Cr**	**0**	**1,776**	**6,242Cr**	**6,201Cr**	**5,455Cr**	**6,480Cr**
Capital:										
General Fund Usable Capital Receipts	6,965Cr	1,580Cr	3,520	5,025Cr	213Cr	5,238	0	0	0	0
Housing Revenue Account Usable Capital Receipts	8,506Cr	3,689Cr	3,125	9,070Cr	2,839Cr	9,469	2,440Cr	0	0	0
Total	**15,471Cr**	**5,269Cr**	**6,645**	**14,095Cr**	**3,052Cr**	**14,707**	**2,440Cr**	**0**	**0**	**0**

Schedule of Working Balances, Reserves and Provisions contd

Provisions	Balance 31-Mar-15 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-16 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-17 £'000	Balance 31-Mar-18 £'000	Balance 31-Mar-19 £'000	Balance 31-Mar-20 £'000
General Fund:										
Insurance Provision	698Cr	250Cr	250	698Cr	250Cr	250	698Cr	698Cr	698Cr	698Cr
Provision for Bad Debts	1,504Cr	100Cr	100	1,504Cr	100Cr	100	1,504Cr	1,504Cr	1,504Cr	1,504Cr
Total	**2,202Cr**	**350Cr**	**350**	**2,202Cr**	**350Cr**	**350**	**2,202Cr**	**2,202Cr**	**2,202Cr**	**2,202Cr**
Housing Revenue Account:										
Provision for Bad Debts	361Cr	200Cr	200	361Cr	200Cr	200	361Cr	361Cr	361Cr	361Cr
Total	**361Cr**	**200Cr**	**200**	**361Cr**	**200Cr**	**200**	**361Cr**	**361Cr**	**361Cr**	**361Cr**
Grand Total	**43,998Cr**	**6,226Cr**	**11,987**	**38,237Cr**	**3,627Cr**	**17,972**	**23,892Cr**	**20,341Cr**	**18,519Cr**	**18,286Cr**

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

The programme for 2016/17 includes:

- Retaining the Jobs and Skills Fund commitments including contributions towards an Innovation Centre at the Waterfront;
- A major project to expand the number of parking spaces at Crown Street car park;
- Completion of the new build of Ransomes Sports Pavillion;
- Cornhill investigation and survey works in preparation for major project together with commitment to fund 25% of the costs of the Cornhill Project to match funding from partners;
- Continued support of the Ipswich Flood Defence Barrier Scheme;
- A continuing commitment to improving and developing Ipswich Museums through a £3.2m programme over five years;
- Appointment of consultants to progress the masterplan for development of the Sproughton Road site;
- Development of two new car parks at South Street and Elm Street (Police Station).
- Christchurch Mansion roof repairs and mechanical and electrical improvements.
- Continuing commitment to making strategic asset purchases as they occur;
- Retaining the £1m commitment to support Broomhill Pool Trust following approval of HLF funding;
- Improving the resilience of council services in the event of floods, storms and other emergencies.
- Murray Road recreation ground Multi Use Games Area (MUGA).
- Invest to save works within the estate e.g. new storage facility for the Council's archive store (Grafton House).

- Investment in outdoor play provision
- Contribution towards county wide work on Transit Sites for Gypsies and Travellers

Significant changes to the Capital Programme include;

- removal of items of large Solar PV projects, which would have led to income generation for the Council, but following government changes this was no longer viable.
- the inclusion of £200,000 per annum for new play equipment across the town.

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.

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 Council currently has a limited supply of capital receipts, both received and forecast, which limits capital expenditure to those schemes with a business case which justifies borrowing or those that are essential for the wellbeing of citizens. This situation will remain to a significant degree for the foreseeable future.

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

- Capital receipt levels have reduced in recent years, however the new council housing programme has produced receipts for the General Fund from the sale/transfer of land to the Housing Revenue Account. Traditionally, capital receipts have been the main funding source for the General Fund capital programme and have historically been used as funding in the year following their receipt. This is to acknowledge their volatility. It is anticipated that investment demand over the next 5 years will continue to significantly outstrip the capital receipts available.

- The Council has previously benefited from several significant external funding streams e.g. Heritage Lottery Fund and New Anglia Local Enterprise Partnership. The market has matured and applications normally require significant resourcing, which effectively reduces the accessibility to these resources.

- The practice adopted last year of not “fully funding” the Capital Programme has been continued, as a result “contingency” and “self-financing” projects are not funded until finance is actually required.

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.

The Council has a Capital Performance framework with a comprehensive structured process to help deliver the Council’s objectives. This framework is currently coordinated by the Corporate Support 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 2015/16 AND FUTURE YEARS	**2015/16 Current Budget**	**2016/17 Budget**	**2017/18 Budget**	**2018/19 Budget**	**2019/20 Budget**
HOUSING REVENUE ACCOUNT					
HRA shops	7,937				
Increased Housing Provision (indicative - subject to HRA resources)	9,975,558	23,066,201	17,445,925	15,870,000	12,600,000
West Villa Site Clearance	175,326				
Ipswich Standard	7,853,590	12,497,270	8,362,100	8,080,960	7,958,330
Disabled Facilities Grant - HRA Disabled Adaptations	200,000	100,000			
Leases Funded by Loan	77,870				
HRA TOTAL	**18,290,281**	**35,663,471**	**25,808,025**	**23,950,960**	**20,558,330**
GENERAL FUND					
Bus Shelter/Bus Stops	20,000	13,577			
Cap. IT Dev. - Development of website/integration of back office to CRM	9,624				
Crown Street Multi Storey Car Park	45,000	2,355,000			
Economic Development Fund	0	1,076,000			
Ipswich Flood Defence	4,000,000	2,600,000			
Ipswich Flood Defence Payback		1,000,000	1,000,000	1,000,000	1,000,000
Queen St electrical works for market extension	0	30,000			
Street Lighting Upgrades	40,000				
Variable Message Signing	99,243				
Cemetery - Phase 2a and West Chapel refurb.	0	403,642			
Christchurch Mansion security and CCTV	15,611	0			
IAFDP	11,218				
Christchurch Mansion Consolidation project 2015/16	77,794	349,284			
M&E Installations Regent Theatre heating and cooling	98,564				
Murray Road Scheme	183,000				
Museum Project	0	1,665,000	383,750	383,750	383,750
Old Mortuary Depot refurb. And remove portacabin	13,012				
Operational Bases for GM Staff	56,585				

CAPITAL PROGRAMME FOR 2015/16 AND FUTURE YEARS	2015/16 Current Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget
GENERAL FUND (CONTINUED)					
Profiles on the Waterfront Gym	19,141				
Ransomes Sports Centre	734,308	206,051			
Regent front of house, ticket office etc	60,000	380,000	10,000		
Burton Warehouse & Dock Roller Mill Purchase	212,402				
Carbon Management Programme Invest to Save	0	231,491	29,320	18,530	18,530
Elm Street Car Park (former Police Station)	0	500,000			
Grafton House Unit re-fit to meeting room	80,000				
Kick Start- Princes Street	1,080				
IP City works to subdivide	8,707				
IP8 Scrivener Drive Access Road	218,613				
Ipswich Court	43,772				
Malt House Car Park temp. ext. of Ips. Village CP	5,000	20,000			
Malt House external works	100,000				
Malt House/Zest purchase	412,522				
Norwich Rd/South St Purchase	29,894				
Norwich Rd/South St conversion to Car Park	28,600	100,000			
Opportunity Purchases/Infrastructure Imps	212,270	1,000,000	1,000,000	1,000,000	1,000,000
Police Station	525,377				
Pond Hall Farm	0	32,800			
Resurfacing Car Parks	100,000	100,000	100,000	100,000	100,000
Sproughton Road Site	660,280	973,711	2,396,836	944,180	2,311,935
Tooks Bakery surrender of Leasehold	0				
Gipping House relocation	2,080	497,920	200,000		
Waterfront and St Peters Dock acquisitions	0	300,000			
Cross Borough CCTV provision & upgrade	49,015				
Whitton S C Emergency Planning	42,018				
Disabled Facilities Grant	270,265	767,005	504,577	504,577	504,577

CAPITAL PROGRAMME FOR 2015/16 AND FUTURE YEARS	2015/16 Current Budget	2016/17 Budget	2017/18 Budget	2018/19 Budget	2019/20 Budget
GENERAL FUND (CONTINUED)					
Improvement Grant	73,753	200,000	200,000		
Cap. IT Dev. - GIS project Grant Funded	1,744				
Cap. IT Dev. - Increased use of Electronic Document Storage	26,000				
Cap. IT Dev. – Equipment	117,932	100,000	100,000	100,000	100,000
Cap. IT Dev. - Uniform IT System	18,100				
Integrated HR and Finance System	0	500,000			
Leases funded by loan	253,399				
LSP Performance Reward Grant	735				
NW Forum Contrib. Whitton Rec Ground Skate Park Cont	198,978				
The Triangle Project (PRG)	21,681				
SRP New IT Platform	5,305	90,000			
Play Equipment		200,000	200,000	200,000	200,000
Capitalised Repairs	690,384	500,000	500,000	500,000	500,000
Photo Voltaic programme	180,768	0			
GF TOTAL	**10,073,774**	**16,191,481**	**6,624,483**	**4,751,037**	**6,118,792**
CONTINGENCY					
Cornhill Regeneration (IBC Contribution)	0	410,000	410,000		
Broomhill Pool	0	500,000	500,000		
Empty Homes	250,000	851,353	100,000		
Contribution to countywide work on Transit Sites for Gypsies and Travellers		100,000			
Contingency - additional commitments	281,298	400,000	500,000	500,000	500,000
CONTINGENCY TOTAL	**531,298**	**2,261,353**	**1,510,000**	**500,000**	**500,000**
TOTAL SCHEMES APPROVED	**28,895,353**	**54,116,305**	**33,942,508**	**29,201,997**	**27,177,122**

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2015/16 AND FUTURE YEARS	USABLE CAPITAL RECEIPTS	RESTRICTED CAPITAL RECEIPTS NEW BUILD ONLY	RESTRICTED CAPITAL RECEIPTS ALLOWABLE DEBT	TOTAL CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2015/16										
Resources at 31.03.2015	3,453,027	1,600,184	3,452,727	8,505,937	0	0	0	71,140	7,385,958	15,963,035
Capital Receipts forecast to be received during 2015/16	1,115,183	1,341,484	1,232,533	3,689,200	0	0	0	0	0	3,689,200
Resources in the year	0	0	0	0	200,000	77,870	0	8,672,000	7,140,000	16,089,870
Use of Resources	183,263	2,941,668	-0	3,124,931	200,000	77,870	0	7,853,590	7,033,890	18,290,281
Balance at year end	4,384,947	0	4,685,260	9,070,207	0	0	0	889,550	7,492,068	17,451,824
2016/17										
Resources at 31.03.2016	4,384,947	0	4,685,260	9,070,207	0	0	0	889,550	7,492,068	17,451,824
Capital Receipts forecast to be received during 2016/17	265,183	1,341,484	1,232,533	2,839,200	0	0	0	0	0	2,839,200
Resources in the year	0	0	0	0	100,000	0	0	8,960,000	8,752,680	17,812,680
Use of Resources	2,647,720	1,341,484	5,479,969	9,469,174	100,000	0	0	9,849,550	16,244,748	35,663,471
Balance at year end	2,002,410	0	437,823	2,440,233	0	0	0	0	-0	2,440,233
2017/18										
Resources at 31.03.2017	2,002,410	0	437,823	2,440,233	0	0	0	0	-0	2,440,233
Capital Receipts forecast to be received during 2017/18	265,183	1,341,484	1,232,533	2,839,200	0	0	0	0	0	2,839,200
Resources in the year	0	0	0	0	0	0	5,799,241	9,529,460	6,367,250	21,695,951
Use of Resources	2,267,593	1,341,484	1,670,356	5,279,434	0	0	5,799,241	8,362,100	6,367,250	25,808,025
Balance at year end	0	0	0	0	0	0	0	1,167,360	-0	1,167,360
2018/19										
Resources at 31.03.2018	0	0	0	0	0	0	0	1,167,360	-0	1,167,360
Capital Receipts forecast to be received during 2018/19	265,183	1,341,484	1,232,533	2,839,200	0	0	0	0	0	2,839,200
Resources in the year	0	0	0	0	0	0	6,273,880	9,608,080	6,756,920	22,638,880
Use of Resources	265,183	1,341,484	1,232,533	2,839,200	0	0	6,273,880	8,080,960	6,756,920	23,950,960
Balance at year end	0	0	0	0	0	0	0	2,694,480	-0	2,694,480
2019/20										
Resources at 31.03.2019	0	0	0	0	0	0	0	2,694,480	-0	2,694,480
Capital Receipts forecast to be received during 2019/20	265,183	1,341,484	1,232,533	2,839,200	0	0	0	0	0	2,839,200
Resources in the year	0	0	0	0	0	0	5,166,090	9,687,350	4,594,710	19,448,150
Use of Resources	265,183	1,341,484	1,232,533	2,839,200	0	0	5,166,090	7,958,330	4,594,710	20,558,330
Balance at year end	0	0	0	0	0	0	0	4,423,500	-0	4,423,500
Actual Resources	5,628,943	8,307,605	9,615,390	23,551,938	300,000	77,870	17,239,211	46,528,030	40,997,518	128,694,567
Use of Resources	5,628,943	8,307,605	9,615,390	23,551,938	300,000	77,870	17,239,211	42,104,530	40,997,518	124,271,067
Deficit(-)/ Surplus of Resources	0	0	0	0	0	0	0	4,423,500	-0	4,423,500

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2015/16 AND FUTURE YEARS	CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2015/16						
Resources at 31.03.2015	6,964,780	0	0	0	87,578	7,052,358
Capital Receipts forecast to be received during 2015/16	1,580,073	0	0	0	0	1,580,073
Resources in the year	0	4,646,109	253,399	1,977,018	121,118	6,997,644
Use of Resources	3,519,850	4,646,109	253,399	1,977,018	208,696	10,605,072
Balance at year end	5,025,003	0	0	0	0	5,025,003
2016/17						
Resources at 31.03.2016	5,025,003	0	0	0	0	5,025,003
Capital Receipts forecast to be received during 2016/17	212,573	0	0	0	0	212,573
Resources in the year	0	3,410,582	0	9,617,935	47,610	13,076,127
Use of Resources	5,376,707	3,410,582	0	9,617,935	47,610	18,452,834
Balance at year end	-139,131	0	0	0	0	-139,131
2017/18						
Resources at 31.03.2017	-139,131	0	0	0	0	-139,131
Capital Receipts forecast to be received during 2017/18	52,573	0	0	0	0	52,573
Resources in the year	0	864,577	0	5,627,500	29,320	6,521,397
Use of Resources	1,613,086	864,577	0	5,627,500	29,320	8,134,483
Balance at year end	-1,699,644	0	0	0	0	-1,699,644
2018/19						
Resources at 31.03.2018	-1,699,644	0	0	0	0	-1,699,644
Capital Receipts forecast to be received during 2018/19	52,573	0	0	0	0	52,573
Resources in the year	0	1,184,577	0	2,907,500	18,530	4,110,607
Use of Resources	1,140,430	1,184,577	0	2,907,500	18,530	5,251,037
Balance at year end	-2,787,500	0	0	0	0	-2,787,500
2019/20						
Resources at 31.03.2019	-2,787,500	0	0	0	0	-2,787,500
Capital Receipts forecast to be received during 2019/20	52,573	0	0	0	0	52,573
Resources in the year	0	1,614,577	0	3,852,500	18,530	5,485,607
Use of Resources	1,133,185	1,614,577	0	3,852,500	18,530	6,618,792
Balance at year end	-3,868,112	0	0	0	0	-3,868,112
Actual Resources	8,915,146	11,720,422	253,399	23,982,453	322,686	45,194,106
Use of Resources	12,783,258	11,720,422	253,399	23,982,453	322,686	49,062,218
Deficit(-)/ Surplus of Resources	-3,868,112	0	0	0	-0	-3,868,112

Section 7

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2016/17

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 May 2013 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 has adopted a two debt pool approach, one for the HRA and one for GF. All of the actual external borrowing as at 1st 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

Since the beginning of 2009, the Council has undertaken a risk reduction strategy by repaying borrowing and reducing investments. The table below shows the Council’s treasury portfolio position as at 31st December 2015.

	General Fund	HRA	Overall
Long Term Borrowing			
PWLB Maturity	£10.400m	£34.151m	£44.551m
PWLB Annuity	£8.640m	£35.560m	£44.200m
PWLB EIP	£0m	£34.310m	£34.310m
Market loans	£0m	£9.000m	£9.000m
Total Long Term Borrowing	**£19.040m**	**£113.021m**	**£132.061m**
Investments			
Fixed Term Investments			£15.000m
Instant Access Accounts			£16.420m
Money Market Funds			£10.000m
Total Investments			**£41.420m**

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2016/17 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 middle of 2016 at the earliest. If the Council were to borrow any long term debt during 2016/17, the current expectation is that the interest rate will be probably vary between 2.6% - 4%, depending on the periods borrowed for. We would expect most borrowing would be via the Public Works Loan Board (PWLB) Certainty Rate, which is lower than the normal rate as the Council submitted its capital plans. If there were opportunities to borrow at better rates in the money markets or with the Municipal

Bonds Agency then these options will be explored. The table below gives the estimated interest rates for future periods.

	Bank Rate (%)	PWLB Borrowing Rates (%)		
		5 year	25 year	50 year
March 2016	0.50	2.00	3.40	3.20
March 2017	0.75	2.40	3.70	3.50
March 2018	1.25	2.80	4.00	3.90
March 2019	1.75	3.20	4.10	4.00

The Local Government Association has established a Municipal Bonds Agency, which will look to raise funds from capital markets and then on-lend to participating authorities at rates that are expected to be at or below PWLB rates. One of the advantages this will offer local authorities is that borrowing undertaken through this method will be free from PWLB adjustments of interest rates and early redemption penalties, which in the past have been introduced immediately, without any consultation with lenders and have cost local authorities a lot of money. The Council have signed up as one of the founding members of this scheme.

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

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

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.

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

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, watches and outlooks 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, Capita, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

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

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

There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2016/17 and these are detailed below.

Since the introduction of the "Funding for Lending" scheme by the government in August 2012 and regulatory requirements aimed at reducing banks reliance on short term cash (under 30 days) to fund their operations interest rates on some short term investments and instant access accounts have been falling. Banks and financial institutions generally have good liquidity which has meant that they have less need to borrow money from organisations such as local authorities.

The Council currently have four 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, the interest rates on these accounts has been falling and there is also the threat of some banks closing them altogether. Money Market Funds have started to be used to provide an alternative for managing liquid funds.

The security and return of investments is the biggest priority, especially given the current economic circumstances. As a general rule, the more security an investment has, the lower the interest rate is. The table below shows the rates available from five different investment categories. It also shows there are different levels of security with the 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.
Gilts	0.40%	Money Invested with Government, so it will be returned. These can be traded, but if traded you might have to settle at a lower rate.
Local Authorities	0.65%	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	1.00%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.
UK Building Society (Best available rate from top 5 Building Society)	0.95%	Same as major UK clearing banks

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

Year	Expected Returns
2016/17	0.70%
2017/18	1.30%
2018/19	1.80%

The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £20m could range from £50,000 to £200,000. The difference equates to a Band D Equivalent of £4.04. 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, the more certainty there is on the Council's budget in terms of investment income.

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

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

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 by Council, so in preparing the counterparty list for 2016/17, 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, credit rating changes and other market intelligence. 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.

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 eight 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 have been based on security. The categories are also listed in order of security available (highest security first). The investment limits below are based on the Council borrowing up to its available capital financing requirement and therefore having a higher level of investments.

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

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

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

The maximum time limit for investments in institutions falling in category 3 is 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) - MMFs 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 MMFs, one that invests in money market instruments that have been in existence for a number of years with the other being money market funds that invest in Government backed securities. Several of these have been launched over the last couple of years and funds are invested in gilts and treasury bills. To date the returns on investments in the first type have performed better than the second (due to respective security levels). One of the characteristics to note is that investments can be made in Government securities and financial institutions outside the UK as long as they are sterling denominated. The use of MMFs eases the pressure on the Council's instant access accounts and gives us more flexibility. The overall maximum exposure for this category would be £20m, with a maximum of £5m in any one fund.

Category 5 (Other UK Financial Institutions) - The Council will use UK banks and Building Societies who do not meet the credit ratings criteria of the financial institutions in category 3, and have assets of at least £4bn as at 31st December 2015.

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

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

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

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

Category 7 (UK Financial Institutions that do not meet the criteria of Categories 3 and 5) - 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 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.

Category 8 (Property Funds) – These are long term investments and are designed to generate an enhanced return over a number of years. The use of these instruments may be deemed to be capital expenditure and as such will be an application of capital resources. The Council will seek guidance on the status of any fund it may consider using. There are two aspects to any return, rental yields and capital value. Whist rental yields do not fluctuate greatly the capital value can be volatile. A number of local authorities have invested in Property funds over the past few years and the average return over the past 10 years has been 4.9%. Before any investments are placed, due diligence would be undertaken.

There would be no time limit for investments in institutions in category 8 and the overall maximum exposure for this category would be £5m, with a maximum of £5m in any one fund.

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

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

Non-Specified Investments – Non-specified investments are any other type of investment. These would include investments in categories 3, 5, 6, 7 and 8.

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 (£m)	Time Limit
Category 1	1	50	50	50	Max 6 Months
Category 2	15	3	15	15	Max 2 years
Category 3	8	10	80	60	Max 2 years
Category 4	4	5	20	20	Instant Access
Category 5	5	6	15	25	Max 365 Days
Category 6	9	5	36	25	Max 365 Days
Category 7	1	2	2	2	Max 365 Days
Category 8	2	3	5	5	Unlimited

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 2016/17.

Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.5% Bank Rate continuing until the middle of 2016/17. 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.

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

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

PRUDENTIAL INDICATORS

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
2014/15 Actuals	£28.541m	£16.739m	£45.280m
2015/16 Estimate	£10.605m	£18.290m	£28.895m
2016/17 Estimate	£17.038m	£35.663m	£52.701m
2017/18 Estimate	£8.251m	£25.828m	£34.059m
2018/19 Estimate	£10.367m	£23.951m	£34.318m

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 the 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
2014/15 Actual	£37.136m	£127.342m	£164.478m
2015/16 Approved	£36.625m	£124.590m	£161.215m
2016/17 Estimate	£39.919m	£121.728m	£161.647m
2017/18 Estimate	£42.196m	£124.588m	£166.784m
2018/19 Estimate	£42.475m	£127.757m	£170.232m

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2016/17 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 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 GF percentage increases due to the borrowing costs to finance the capital programme.

Year	General Fund	HRA
2014/15 Actual	6.52%	19.10%
2015/16 Approved	9.87%	18.60%
2016/17 Estimate	10.82%	18.62%
2017/18 Estimate	12.53%	18.59%
2018/19 Estimate	12.10%	18.76%

The Council has to show the revenue costs of any additional borrowing it anticipates making to fund the capital programme.

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 Capita 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 so it 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 2016/17 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 2015/16 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
2015/16 Estimate	£190m	£185m
2016/17 Estimate	£195m	£190m
2017/18 Estimate	£195m	£190m
2018/19 Estimate	£195m	£190m

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

	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate	2018/19 Estimate
HRA Debt Cap (This cannot be exceeded)	£144m	£144m	£144m	£144m
HRA CFR	£125m	£122m	£119m	£116m
HRA Headroom (Amount under-borrowed)	£19m	£22m	£25m	£28m

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:

Borrowing and Investments – Maximum Limits

Year	Fixed Rate	Variable Rate
2015/16	100%	50%
2016/17	100%	50%
2017/18	100%	50%
2018/19	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%
Over 20 Years	0%	100%

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

Year	2015/16	2016/17	2017/18	2018/19
Limit	£10m	£15m	£15m	£15m

Approved Organisations for Investment 2016/17

	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**
GOLDMAN SACHS	**10**
HSBC	**10**
NATIONWIDE BUILDING SOCIETY	**10**
LLOYDS BANKING GROUP - Bank of Scotland - Lloyds	**10**
ROYAL BANK OF SCOTLAND GROUP - National Westminster Bank - Royal Bank of Scotland	**10**
STANDARD CHARTERED	**10**
CATEGORY 3 - Maximum Exposure	**60**
CATEGORY 4 - Money Market Funds (£5m per Fund)	**20**
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**
Principality Building Society	**3**
West Bromwich Building Society	**3**
CATEGORY 5 - Maximum Exposure	**25**

Approved Organisations for Investment 2016/17 Continued

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

Approved Organisations for Investment 2016/17 Continued

	Lending Limit £Million
Sweden	
Nordea Bank	5
Svenska Handelsbanken	5
USA	
The Bank of New York Mellon	5
JP Morgan Chase Bank	5
Wells Fargo Bank	5
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
CATEGORY 8 – Property Funds (£3m per Fund)	6