APPENDIX 1

IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES
AND MEDIUM TERM FINANCIAL PLAN
2020/21 ONWARDS

CONTENTS

Section 1

Medium Term Financial Plan - Overview

Introduction

1.1 The Medium Term Financial Plan (MTFP) is refreshed annually. This comprehensive document includes the Council's financial strategies and the MTFP for the General Fund, the Housing Revenue Account, the Capital Programme and the Prudential Code, Treasury Management and Annual Investment Strategy.

1.2 This MTFP continues to adopt a four-year planning timescale. The plan outlines the impact of the 2020/21 Final 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 "Big Ticket" schemes. This programme continues to form a key part of the strategy to meet the identified budget gap up to 2023/24.

1.3 There are some new elements in the 2020/21 MTFP following publication of the final settlement by the Ministry for Housing, Communities and Local Government (MHCLG). These are covered in detail below.

1.4 Note that the final finance settlement announced by MHCLG only applies to 2020/21 and no further information has been provided regarding subsequent years, so assumptions have had to be made regarding funding levels in 2021/22, 2022/23 and 2023/24.

National Context

1.5 The Bank of England's 'Monetary Policy Committee' (MPC) meets eight times a year (approximately every six weeks), and decides what monetary policy to take, including potentially changing the Bank of England base rate. In each of the 7 November, 19 December 2019 and 30 January 2020 meetings two of the nine members of the MPC voted to reduce the Bank of England base rate to 0.50%. The last previous time any member of the MPC voted to reduce the base rate was August 2016.

1.6 Although there was an overall majority to keep the base rate at its current rate (0.75%), the minutes of the December MPC meeting[1] reflect the uncertainty in the economy, stating that "Monetary policy could respond in either direction to changes in the economic outlook in order to ensure a sustainable return of inflation to the 2% target. The Committee will, among other factors, continue to monitor closely the responses of companies and households to Brexit developments as well as the prospects for a recovery in global growth" (p.3).

1.7 The Office for Budget Responsibility (OBR) is the UK's independent fiscal watchdog and produces an 'Economic and Fiscal Outlook' twice a year following each Budget and Annual Statement. These contain detailed forecasts for a five-year period which are then used to assess the Government's performance against fiscal targets that it has set itself.

1.8 The General Election held in December 2019 and the postponed Autumn Budget statement means that the most recent Economic and Fiscal Outlook document was published in March 2019[2].

1.9 The Government have announced that the next budget will be published on 11 March 2020. An updated Economic and Fiscal Outlook report is expected to be produced by the OBR following the publication of the budget documents.

1.10 The following paragraphs are taken from the OBR's March 2019 forecast which covers the period up until 2023/24. Each of these paragraphs are supplemented in the OBR report by more detailed analysis and data tables.

i. Fiscal Developments (para. 2.11; p.27)

"Over the first 10 months of 2018-19, the deficit has fallen faster than our October forecast for the full year. In the year to date, the deficit is down by £18.5 billion (46.6 per cent) on a year earlier, versus our October forecast for a full-year fall of £16.4 billion (39.2 per cent). The unexpectedly rapid fall largely reflects strength in January tax receipts, with central government receipts up 9.8 per cent on a year earlier. Nearly half of this relates to self-assessment income tax and capital gains tax, largely reflecting income and capital gains tax liabilities generated in 2017-18."

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[1] Available at https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-summary-and-minutes/2019/december-2019.pdf

[2] Available at: https://obr.uk/efo/economic-fiscal-outlook-march-2019/

ii. Changes in public sector net borrowing (para. 2.17; p.29)

"The average of the smaller sample of medium-term forecasts suggests that borrowing will continue to fall modestly year on year, reaching £27.4 billion in 2023-24. This is a slower decline from a higher level than in our central forecast. As well as reflecting differences in views about the economic outlook, most external forecasts will be based on what their authors consider to be the most likely path of fiscal policy."

iii. Government decisions (para. 1.34; p.19)

"Several measures have been announced since the Budget and departmental spending totals were increased again in the Statement itself. Overall, these changes add to borrowing by increasing amounts over the forecast period, rising from £0.7 billion in 2019-20 to £2.1 billion in 2023-24."

iv. Medium term outlook for GDP (para. 3.41, 3.42; p.46)

"We continue to assume that the negotiations between the UK and the EU lead to an orderly transition to a new long-term relationship, whatever that relationship might be. In the near term, we expect uncertainty to continue to weigh on business investment. We also expect subdued consumption growth, as a further improvement in real earnings growth is offset by slowing employment growth. A weaker global outlook also means that net trade acts as a significant drag on growth.

Taking these factors together, we expect GDP growth to slow to 1.2 per cent in 2019. As Brexit uncertainty begins to dissipate, and productivity growth gradually improves, we expect it to pick up to 1.4 per cent in 2020, and remain at 1.6 per cent a year across the rest of the forecast period."

v. Britain's exit from the European Union (Brexit) (para. 4.6; p. 75)

"Given the uncertainty as to how the Government will respond to the choices and trade-offs facing it during the negotiations, we still have no meaningful basis for predicting a precise outcome upon which we could then condition our forecast. Moreover, even if the outcome of the negotiations were predictable, its impact on the economy and the public finances would still be uncertain."

vi. Gross Domestic Product (GDP) forecast (para 3.42; p. 46)

"Taking these factors together, we expect GDP growth to slow to 1.2 per cent in 2019. As Brexit uncertainty begins to dissipate, and productivity growth

gradually improves, we expect it to pick up to 1.4 per cent in 2020, and remain at 1.6 per cent a year across the rest of the forecast period."

vii. Consumer Price Index (CPI) forecast (para. 3.48; p.49)

"CPI inflation was consistently above the 2 per cent target throughout 2018 and averaged 2.3 per cent in the fourth quarter – below our October forecast of 2.6 per cent. In January, CPI inflation fell further to 1.8 per cent. We expect the fall in oil prices since our October forecast to reduce CPI inflation in the first quarter of 2019, but the announced increase in the Ofgem energy price cap in April should increase it in the second. While the Government's announced ban on letting fees could lead to an increase in rents to compensate, we expect the effect on CPI inflation to be negligible and so have not adjusted our forecast. In the medium term, we expect CPI inflation to return to the 2 per cent target.

viii. Employment (para. 2.7; p.26)

"The unemployment rate was 4.0 per cent in the fourth quarter of 2018. This was unchanged from the second quarter (Table 2.6) but higher than we expected in October. Over the same period, the employment rate increased by 0.2 percentage points, in line with our October forecast. Average earnings growth – on the National Accounts derived measure that we focus on in our economy forecast – was somewhat stronger than we expected."

1.11 The rate of growth in Gross Domestic Product is an indicator for the rate of growth in the economy – by extension this can be taken as an indicator for the likely expected growth in income generated by the Council. The forecast growth in GDP has increased slightly since the November 2018 OBR forecast over the period covered by the Medium Term Financial Plan set out below.

Table One: OBR Gross Domestic Product forecast 2019 – 2023

	2019	**2020**	**2021**	**2022**	**2023**
GDP Forecast as at March 2019	1.2	1.4	1.6	1.6	1.6
GDP Forecast as at November 2018	1.6	1.4	1.4	1.5	1.6

1.12 Consumer Price Index is an indicator of inflation and the rate at which costs are expected to increase each year. It is also routinely used as a means by which prices are increased by suppliers – for example in a utilities contract.

Table Two: OBR Consumer Price Index forecast 2019 – 2023

	2019	**2020**	**2021**	**2022**	**2023**
CPI Forecast as at March 2019	2.1	1.9	2.0	2.0	2.0
CPI Forecast as at November 2018	2.0	2.0	2.1	2.1	2.0

Section 2

Finance Strategy

Current Financial Position

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

2.2 The Council has a policy of reviewing and updating a four-year rolling Medium Term Financial Plan (MTFP) on an annual basis. This period is consistent with the previous Local Government Finance Settlement announced in 2015.

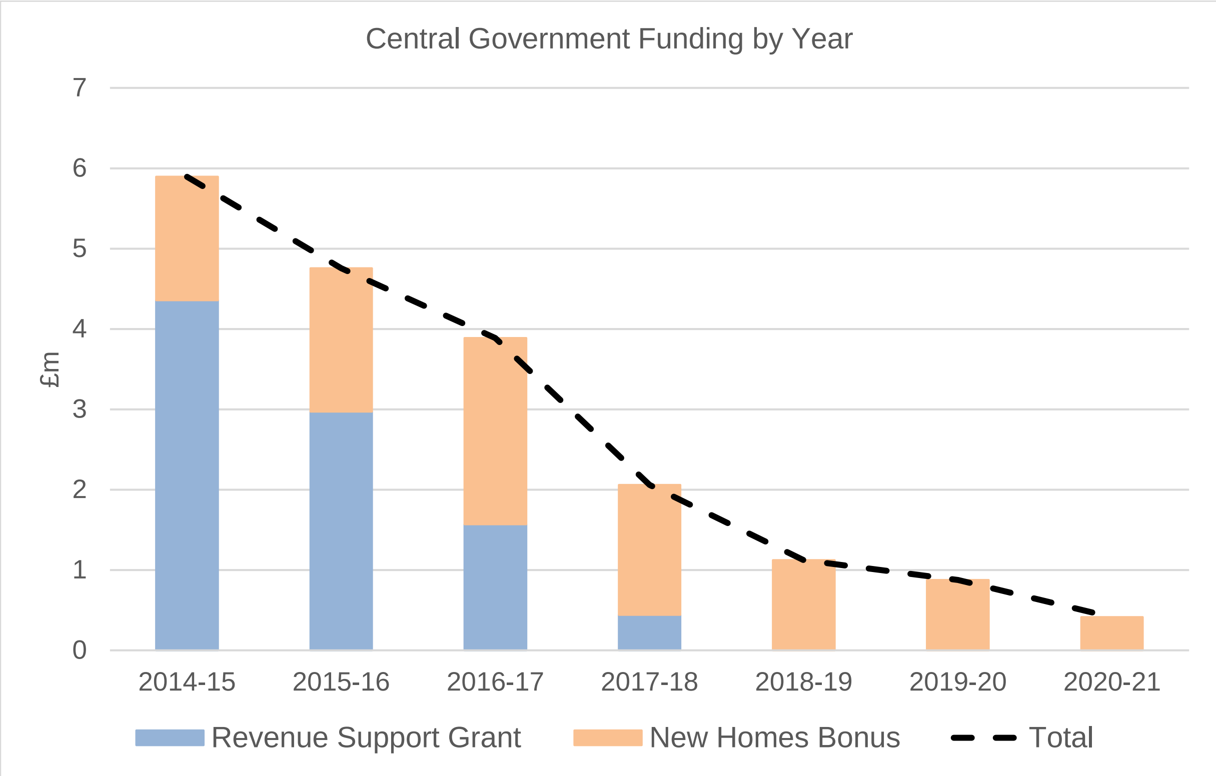
2.3 The 2019/20 budget was set against a background of continuing funding reductions and the increased risk of sudden changes in funding inherent in the retained business rates scheme. Future central government funding consists primarily of Retained Business Rates, termed “Settlement Funding Assessment”.

2.4 2019/20 was the final year of the current four-year Local Government Finance settlement announced in 2015. The Government has announced that 2020/21 will have a one-year settlement. No information has been provided for future years, but IBC has responsibly sought advice from external advisors about the likely scope of the impact of the expected future settlement.

2.5 Previously the council’s Settlement Funding Assessment also included Revenue Support Grant (RSG), but this is no longer the case as RSG has been removed from the settlement. Similarly, the future of New Homes Bonus payments is uncertain, and allocations made in the 2020/21 settlement are not eligible for legacy payments.

2.6 Since 2014/15 New Homes Bonus & RSG as contained in the Settlement Funding Assessment has significantly reduced as shown in Chart One below. The £5.48m reduction in Revenue Support Grant and New Homes Bonus received annually by IBC equates to £141 per Band D equivalent (per the Council Tax Base reported to Council C-19-16).

Chart One: New Homes Bonus and Revenue Support Grant 2014/15 to 2020/21



2.7 A new multi-year Local Government Finance settlement is expected in Autumn 2020 alongside funding reform. No indication has been given by Government about the likely direction of reforms and assumptions have had to be made. The council has taken a prudent view of the likely impact of the settlement expected in 2020, considering external advice.

2.8 Against this background Ipswich was still able to set a balanced budget for 2019/20. The achievement of this budget has been monitored during the year against expenditure profiles and no significant year end variations are anticipated.

2.9 This history of strong financial management gives a strong foundation upon which to base the revised MTFP for 2020/21 onwards.

Future aims of the organisation

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

2.11 The Corporate Plan includes the core aims of:

- A stronger Ipswich Economy
- A High Quality and Sustainable Environment
- An enjoyable place to live, work and study
- A Healthy Community
- Quality Homes for All
- Safe Communities
- An Efficient and Effective Council

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

How to provide the funding to meet these aims

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

<u>General Fund</u>

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

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

i) Maintain and enhance where necessary the current level of front-line services provided to the residents of Ipswich;

ii) Maintain the Council's part of the council tax at the lowest level possible consistent with maintaining the level of service desired by Ipswich residents;

iii) Seek to ensure that the financial impact of the introduction of Council Tax localisation is minimised through a local tax scheme;

iv) Maximise income from retained business rates, by membership of the "Suffolk Pool", supporting the work of the Valuation Agency and promoting economic development in the Ipswich area;

v) Maximise other income sources, including fees and charges, without impacting upon vulnerable service users.

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

Housing Revenue Account

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

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

vi) Deliver a sustainable 30-year business plan which includes equitable rent increases and supports a programme of investment in social housing;

vii) Maximise the opportunities presented by the Housing Reforms.

Capital Programme

2.19 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 (with new freedoms in the Housing Revenue Account following the lifting of the borrowing cap), or revenue contributions to capital outlay as appropriate.

2.20 Investment in the Council's arms-length companies generates a financial return, to close the funding gap created by the reduction in central government funding and to reduce the need for revenue savings to be delivered.

Financial risks inherent in the strategy

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

Table Three: Finance Strategy Identified Risks

Financial Theme	Risk	Risk Category	Mitigation
Council Tax	Collection rate variance	3-3	Robust monitoring of council tax income drivers
Income	Income level variance	3-3	Robust budgetary control framework
Revenue Expenditure	Over/underspends	2-3	Robust budgetary control framework
Changes in National funding framework	Financing level variance	2-3	Robust resource monitoring and associated spending controls
Capital Expenditure	Over/underspends	2-3	Robust budgetary control framework
Capital Financing	Financing level variance	2-3	Robust resource monitoring and associated spending controls
Treasury Management	Investment return variance	1-1	Monitoring within Treasury Management Strategy parameters
Partnership Funding	Engagement/Financing level variance	2-3	Partnership governance and monitoring arrangements
Council Tax Support Localisation	Levels of Council Tax collected fall	3-3	Implementation of the Ipswich Scheme
Localisation Business Rates	Inaccurate estimation of NNDR1 over/understates income levels	3-3	Monitoring of movements in tax base, contact with VOA and internal e.g. Building Control, Planning. Establishment of income equalisation reserve.
Business Rates Pooling	Exit of single authority dissolves the pool.	1-1	Partnership governance and monitoring arrangements
Public Works Loan Board Rates	HM Treasury significantly increase rates with minimal notice given	2-3	Prudent budgeting, financing sourced from alternative providers, e.g. Municipal Bonds Agency, regular review of financing requirements, robust Treasury Management strategy.

Budget monitoring and control management

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

2.23 Key elements of Financial Performance Management are:-

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

- Financial performance reviewed monthly by the Corporate Management Team
- High level dashboard of financial indicators produced monthly;
- Comprehensive national and local Performance Indicators, covering key corporate and service level activity;
- Robust monthly budgetary control process including sign off by Heads of Service;
- 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

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

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

Section 3

General Fund Medium Term Financial Plan

Introduction

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

3.2 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 a range of savings programmes – especially via "Big Ticket" items.

3.3 The 2019/20 MTFP (agreed at Council on 27 February 2019, C/18/20) set out how the forecast budget gap would be met over the following four years, namely;

i) The continuation of the 'Big Ticket' savings programme;
ii) No unidentified savings;
iii) The use of some reserves (leaving sufficient balances to cover a fifth year of the underlying budget gap);
iv) A one-off increase in Council Tax in 2018/19 of 2.98%

3.4 The new plan attached to this report sets out the budget gap, as it currently stands, and how the Council will look to meet the financial challenges it faces for the next four-year period – i.e. considering the year 2023/24 for the first time.

3.5 The MTFP does not sit in isolation but forms a significant part of the Council's strategic framework. At the 'top' of this framework is the Corporate Plan: Building a Better Ipswich. The Corporate Plan was produced alongside last years' MTFP and was adopted in March 2017. It has the core aims of:

i) A stronger Ipswich Economy
ii) A High Quality and Sustainable Environment
iii) An enjoyable place to live, work and study
iv) A Healthy Community
v) Quality Homes for All
vi) Safe Communities
vii) An Efficient and Effective Council

3.6 The Corporate Plan also identifies the following 'top ten projects':

- To provide new council housing and affordable homes;
- To kick-start the next development phase of the Waterfront;
- To improve the quality of the town centre;
- Ensure Ipswich is a Dementia Friendly Town;

- To improve Chantry Park and Ipswich Museum;
- To provide high quality multi-storey and surface car parks;
- To support the health sector to meet community needs;
- To ensure Ipswich is a great place to experience a wide range of arts and entertainment;
- To reduce our dependency on government funding;
- To be a good employer.

3.7 This section of the report is split into seven further sections:

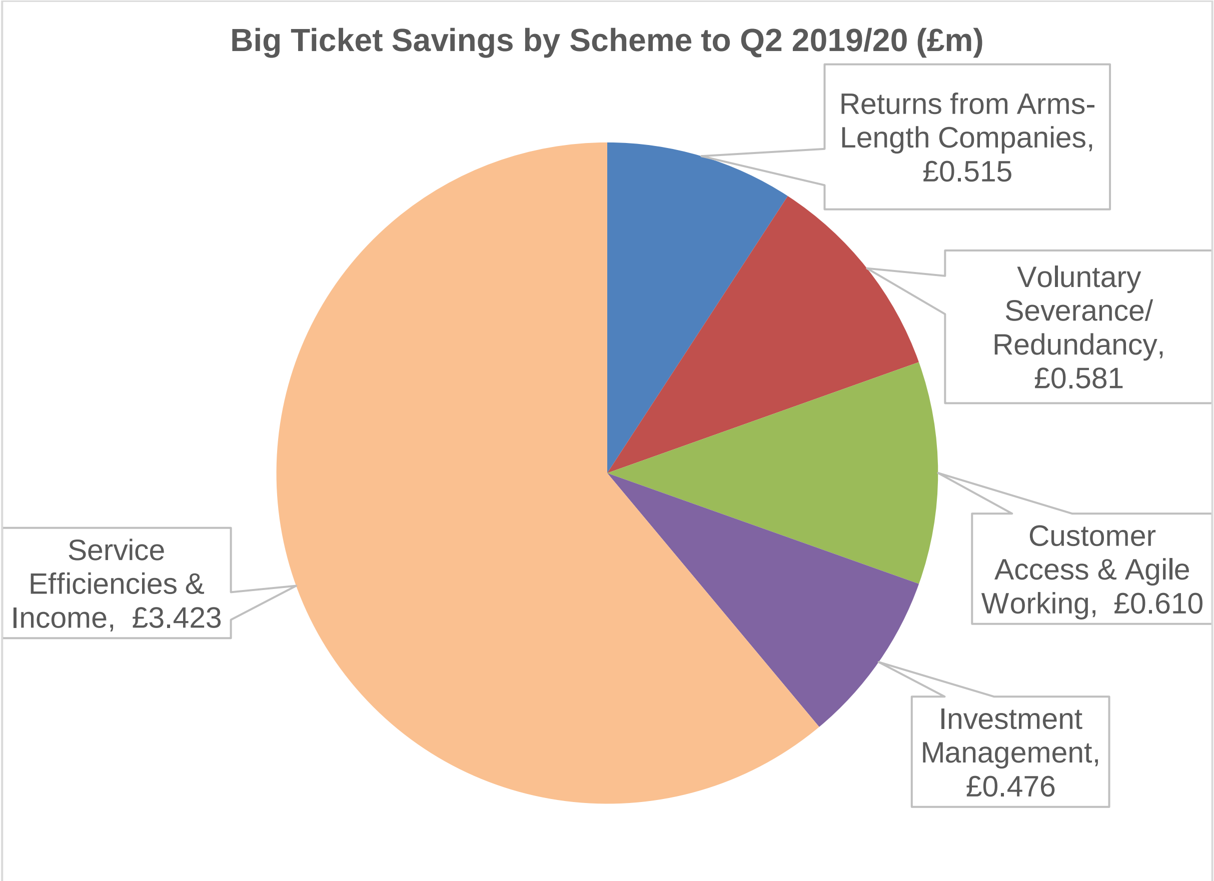
i) Achievements in the last year
ii) The Local Government Finance Settlement
iii) The General Fund revenue budget
iv) Growth items
v) The capital programme
vi) The Housing Revenue Account
vii) Longer term budget strategy

Achievements in the Last Year

3.8 The Council's forecast net outturn in 2019/20 is £24.3m (per the Q2 budget monitoring report E/19/14) compared to £25.1m actual outturn in 2010/11 (approximately £29.4m when adjusted for inflation).

3.9 The 'Big Ticket' transformation programme, discussed more fully below, has delivered £5.605m of savings to Quarter Two 2019/20, broken down by scheme per Chart Two:

Chart Two: Big Ticket Delivery by Scheme at Quarter Two 2019/20



3.10 Alongside these savings, the Council has delivered a range of achievements during 2019/20 including:

1. Support for vulnerable people in need – opening a 45-bedroom temporary housing unit to meet the growing homelessness crisis and massively reducing the potential number of families being placed in B&B.

2. Continuing to build affordable homes for local people - completed and let 17 council homes at Cauldwell Hall Road and via Handford Homes, work is under way on 60 homes at the former Tooks bakery site on Norwich Road.

3. The Council has worked with national experts to develop an effective multi-agency approach to addressing urban street gangs and reducing

County Lines in Ipswich. In particular, we have worked alongside the Racecourse community following the tragic fatal stabbing and have established significant community funding for three anti-social behaviour hotspots across the Borough.

4. The Council has addressed significant anti-social behaviour and drug abuse in Maple Park, redesigning this urban park with the help of the local community, the Police and ward Councillors. Maple Park has since won an Ipswich Society award.

5. The Council launched a £140,000 community fund called Seeds for Change in October 2019. The fund aims to attract project ideas that focus on making a real difference to the life chances and opportunities for young people in Ipswich. To date the fund has attracted 29 community bids totalling over £800,000 – these are currently being considered.

6. The successful delivery of the Ed Sheeran concerts in August – which attracted over 140,000 people - and delivering substantial benefits to the local economy.

7. In partnership with the Sheeran family, the Council hosted and curated the Ed Sheeran: Made in Suffolk exhibition at Christchurch Mansion, attracting audiences from all over the world.

8. Nearly 6,000 youngsters enjoyed a wide range of sport and fitness activities through the summer holiday free junior iCard programme, including more than 25,000 visits to our sports centres and Crown Pools.

9. Instigated a £4 million vehicle replacement programme that in its first year has introduced 34 fully electric and 29 Euro VI diesel vehicles as part of the Council's commitment to minimising the impact of its operations on the environment.

10. The Council has reduced energy bills for tenants by increasing the average energy efficiency of the housing stock to a SAP rating of 73 Band C via its planned maintenance programme. Investment includes insulation schemes, installation of photo voltaic arrays, installation of AA rated boilers, improved bay cladding and replacement windows and doors.

11. Maintained funding for community and voluntary organisations including Ipswich CAB. The majority of funded organisations are now on three-year deals which provides certainty and stability.

12. Area Committees funded nearly £60,000 towards 13 projects, which also achieved an equivalent of 150% of match-funding (i.e. nearly £90,000 more) towards those projects.

13. Maintained an in-house events team that provides support and expertise to enable community events such as the Maritime Festival, Windrush Festival on the Cornhill, Suffolk Pride on the Waterfront and events in our

parks such as Ipswich Music Day, the Indian Mela and the Big Multicultural Festival.

14. Worked closely with St Elizabeth Hospice to deliver the Wild @ Art trail – Elmer's Big Parade - over summer 2019. Over 200,000 people visited IBC venues during the trail, compared to 100,000 the previous summer. Some venues saw record increases, with the Town Hall seeing over 10,000 people a month whilst it hosted Elmer HQ, farewell event and auction.

15. Visitor numbers at Ipswich Museum and Ipswich Art Gallery rocketed by 38% while 23% more people visited Christchurch Mansion – thanks to the Council sourcing internationally renowned exhibitions and improving activity sessions.

16. Provided funding and support to National Portfolio Organisations (NPOs) that has resulted in Gecko being able to develop plans for a new venue in a disused Waterfront building and the New Wolsey to construct a new purpose-built space, as well as re-modelling parts of the theatre.

17. Work has started with Fusion for the repair and reinstatement of the Broomhill lido as part of a £7m Heritage Fund project. Public meetings have been held and initial ground work will commence in February with completion of the project due in Spring 2021.

18. Successfully brought cleaning services in Council buildings back inhouse, improving the terms and conditions of staff.

19. The introduction of the Business Rates discretionary retail discount has resulted in 342 local businesses receiving support amounting to a combined reduction in Business Rates of £805,000. Properties benefiting from the discount have a rateable value of less than £51,000, that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments.

20. Through the introduction of the discretionary local Council Tax discount for care leavers the Council are providing financial assistance to individuals, who would otherwise have to pay the full council Tax. There are currently 38 people in receipt of the discount.

21. Improved partnership working with the Police (and other key agencies) to deliver Community Safety initiatives e.g. Hate Crime Week, 16 Days of Action for Domestic abuse and several of the Vulnerability nights

22. Successfully progressed enforcement action through the Magistrates Court in relation to the former Rose & Crown Public House building, Norwich Rd.

23. Approved planning applications that will see 40 new homes and public realm improvements around the Ipswich Waterfront.

24. Adopted the Ipswich Public Realm Strategy SPD, which will help and support developers in improving our town centre and waterfront sites. Plans are already underway to improve Arras Square.

25. Celebrated the 90th anniversary of the Regent Theatre, putting on 6 week-long West End shows, including a week-long sell out of 'We Will Rock You' the worldwide smash hit musical that was so successful it's returning to Ipswich in 2020.

26. Provided building control services to significant developments, such as the St Francis Tower fire safety works, the Winerack residential development and at Ipswich Hospital.

Local Government Finance Settlement

3.11 2019/20 was the final year of the current four-year Local Government Finance settlement announced in 2015. The Government has announced that 2020/21 will have a one-year settlement. No information has been provided for future years, but IBC has responsibly sought advice from external advisors about the likely scope of the impact of the expected future settlement.

3.12 The final settlement announced on 6 February 2020 is in line with the provisional settlement published in December 2019 and the proposals consulted upon during autumn 2019. Key elements included: -

(a) Only a single year settlement rather than the multi-year settlements as published in previous years, introducing a significant amount of uncertainty into the planning process.

(b) Following a successful campaign (supported by Ipswich Borough Council), the government has decided to not impose their original proposal for 2019/20 to introduce ‘Negative Revenue Support Grant’. The original proposal would have meant that the Council would have had to pay the Government £550,000 in 2019/20 to be used as the Government sees fit (i.e. elsewhere in the country).

(c) The Council Tax cap threshold relevant to Ipswich Borough Council has been reduced from 3% in 2019/20 to 2% in 2020/21. This means that the Council can opt to increase Council Tax by up to 2% without needing to organise a local referendum. This is consistent with the assumptions made in the 2019/20 MTFP that the Council would increase Council Tax by 2% each year from 2020/21 to 2022/23.

(d) New Homes Bonus to apply in 2020/21 with no legacy payments applicable – in previous years New Homes Bonus payments had been made for four years. The financial impact of this is shown in Table Five below.

3.13 Following these changes, the Council’s funding position for 2020/21 is now as shown below (2019/20 is shown for comparative purposes). Overall, IBC’s funding position has reduced by 0.31% from 2019/20 to 2020/21. This is due to the predicted increase from Council Tax offsetting some of the reductions in central government related funding.

Table Four: Core Spending Power from 2020/21 Local Government Settlement

Key Information	***2019/20 £m***	**2020/21 £m**	**% Change**
Revenue Support Grant	*0.00*	0.00	0.00%
Council Tax	*13.88*	14.35	3.39%
Retained Business Rates	*4.43*	4.36	-1.58%
New Homes Bonus	*0.88*	0.41	-53.41%
Total	***19.18***	**19.12**	**-0.31%**

3.14 In 2010/11, IBC received £11.912m of Formula Grant in the Local Government Finance Settlement. Had this been uprated in line with the increase in CPI during the period from December 2009 to December 2019, the 2020/21 settlement would have totalled £14.538m (before Council Tax) rather than £4.77m as shown in Table Four above.

3.15 In 2017/18 there were significant changes to the New Homes Bonus element of central government financing which had a major detrimental impact on the Council's financial position.

3.16 New Homes Bonus is one of the areas of Government funding where there continues to be greatest uncertainty, with a consultation expected in Spring 2020. The MTFP outlined below assumes that IBC will receive no New Homes Bonus from 2021/22, other than allocations already announced (i.e. legacy payments from previous years).

3.17 In the absence of other information being provided from the Government, the MTFP assumes that from 2020/21 IBC's resources will reduce by £1m per annum (this is in line with external advice received from LG Futures).

3.18 The Government calculations also work on the assumption that every Council will increase their Council Tax by the maximum amount allowable under the Council Tax Cap Threshold – for 2020/21 this is 2%, which is a reduction from the 3% Threshold in 2019/20.

3.19 Table Five shows the combined impact of the assumed changes to the forecast resources available to Ipswich Borough Council. In total they have a cumulative adverse impact of £6.353m.

Table Five: General Fund Revenue Budget Gap 2020/21 to 2023/24

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Assumed Impact of 21/22 Settlement	0.000	1.000	1.000	1.000	**3.000**
Changes to New Homes Bonus	0.070	0.334	0.646	0.325	**1.375**
PWLB Rate Increase	0.226	0.417	0.653	0.682	**1.978**
Impact of Government Changes	**0.296**	**1.751**	**2.299**	**2.007**	**6.353**

3.20 The figures shown in Table Five reflect a prudent position, taking into account changes already announced by HM Treasury for the change to PWLB rates (which is how most of the capital programme is financed) and the potential impact to the forecast revenue position (based on advice and guidance provided by LG Futures). However, the uncertainty for 2021/22 onwards is such that the position may change significantly in future financial planning rounds.

The General Fund Revenue Budget

3.21 Every year, the Council's budget work starts with reviewing the previous year's MTFP and the underlying items that it contained. A brought-forward budget gap is calculated by taking the previous year's MTFP and adding back in savings schemes that have not yet been delivered (as at Quarter Two 2019/20, reported to Executive E/19/14), extrapolated forwards for a fourth year.

Table Six: General Fund Revenue Budget Gap Brought Forward 2020/21 to 2023/24

£m	2020/21	2021/22	2022/23	2023/24	Total
Budget Gap per 19/20 MTFP	2.133	1.530	0.978	1.069	**5.710**
Outstanding 'Big Ticket' savings	1.779	2.329	2.579	2.579	**9.266**
Budget Gap brought-forward	**3.912**	**3.859**	**3.557**	**3.648**	**14.976**

3.22 Assumptions made in the budget regarding inflation are also reviewed and updated, along with items reported in Quarterly Budget Monitoring reports. These items are then extrapolated forward for the 'new' fourth year and added to the 'Budget Gap brought forward' (from Table Five) to create a starting gap position. The 'Starting Gap Position' totals £23.096m between 2020/21 and 2023/24 and is set out in Table Seven below.

Table Seven: General Fund Revenue Budget Gap 2020/21 to 2023/24

£m	2020/21	2021/22	2022/23	2023/24	Total
Budget Gap brought-forward	3.912	3.859	3.557	3.648	**14.976**
Impact of Changes in Settlement (Table 5)	0.296	1.751	2.299	2.007	**6.353**
Inflation Adjustment	0.004	0.008	0.011	0.000	**0.023**
Council Tax Surplus	-0.180	0.000	0.000	0.000	**-0.180**
Correct Pension Liability Assumptions	-0.100	-0.100	-0.100	-0.100	**-0.400**
Adjust Employer Pension Contributions	-0.192	-0.384	-0.576	-0.576	**-1.728**
Adjust Assumed Pay Uplift to 2.5%	0.113	0.225	0.338	0.450	**1.125**
Adjust Assumed Council Tax Base	-0.025	0.013	0.052	0.090	**0.130**
Assumed Fees & Charges Yield Uplift	0.357	0.543	0.678	0.878	**2.456**
Qtr One Budget Monitoring (E/19/29)	0.033	0.008	0.008	0.008	**0.057**
Qtr Two Budget Monitoring (E/19/44)	0.071	0.071	0.071	0.071	**0.284**
Starting Gap Position	**4.288**	**5.995**	**6.338**	**6.476**	**23.096**

3.23 The budget gap includes the cost associated with providing services that Ipswich taxpayers may expect other statutory bodies to fund (or fund more of), for example Greenways, Active Suffolk, bus subsidies, the provision of brown bins, the provision of CCTV across the town, routine cutting of grass verges, the management of certain types of anti-social behaviour or nuisance parking.

3.24 An initial assessment would suggest that the following services / costs are provided / borne by Ipswich Borough Council where – either – the public may expect other bodies to fund – and / or – where the Borough Council has stepped into fund services where other bodies have withdrawn their funding.

Table Eight: Cost to IBC of providing services relating to other authorities

Service	**Cost per annum (£)**
Brown bins*	0.125
Bus Service 37 (Shuttle Bus)	0.013
Bus Subsidies	0.120
CCTV	0.583
Grass verge cutting	0.345
Greenways	0.014
Public Protection	0.113
Tenancy Services	0.136
Total	**1.449**

*cost of maintaining free service – this excludes any income that might have been received (and retained by the Borough Council) in the event that charging had been introduced

3.25 IBC's pension fund is now considered to be fully funded following an actuarial review from Hymans Robertson – this is an improvement from the previous position three years ago where the fund had a slight deficit being 91% funded.

3.26 Should IBC reduce its employer's contribution rate by 1% in each of the next three years, it would maintain 90% certainty of being able to meet its commitments in the various scenarios that have been tested. For 'stable' employers such as IBC, it is recommended that the pension fund aim to be able to fully cover pension commitments in 67% of scenarios. The reduction in costs resulting from this change in contribution rates has been assumed in Table Seven above.

3.27 The Fees & Charges yield has been assumed in previous budgets to grow by 2% per annum. Given wider economic uncertainty, the assumed yield growth has been reduced such that budgets are frozen for 2020/21 and 1% growth assumed thereafter. Service areas continue to have flexibility to set prices as they determine appropriate, taking into account the commercial environment they operate in.

3.28 In addition to the items shown in Table Seven, during the course of 2019/20 a series of new pressures have emerged which have an impact on the forecast for the period covered by the MTFP. The most significant items are summarised in Table Nine.

Table Nine: Cost Pressures affecting 2020/21 to 2023/24

£m	**Note**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Additional Waste Collection Round	1	0.111	0.113	0.115	0.117	**0.456**
Increased Fuel Costs	2	0.026	0.026	0.026	0.026	**0.104**
IT Security Advisor	3	0.037	0.037	0.037	0.037	**0.148**
Total of items listed above		**0.174**	**0.176**	**0.178**	**0.180**	**0.708**

3.29 More positively, during the course of 2019/20 certain items that improve the budget position have been identified - these are summarised in Table Ten. These include actions being proactively taken to reduce the budget gap.

Table Ten: Improvements to Budget Position affecting 2020/21 to 2023/24

£m	**Note**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Additional Commitments Provision	4	-0.050	-0.050	-0.050	-0.050	**-0.200**
Angle Budget	5	-0.030	-0.030	-0.030	-0.030	**-0.120**
Area Committee Budgets	6	-0.016	-0.016	-0.016	-0.016	**-0.064**
Community Grants	7	0.000	-0.010	-0.010	-0.010	**-0.030**
Conservation Grants	8	-0.018	-0.018	-0.018	-0.018	**-0.072**
Car Park Income	9	-0.125	-0.150	-0.150	-0.150	**-0.575**
Grass Verge Cutting	10	0.000	-0.054	-0.054	-0.054	**-0.162**
Rates Income (SPSL)	11	-0.500	-0.500	-0.500	-0.500	**-2.000**
Total of items listed above		**-0.739**	**-0.828**	**-0.828**	**-0.828**	**-3.223**

3.30 Bearing in mind the materiality of the items listed in Table Nine and Table Ten above, it is appropriate to provide a brief commentary for each;

1. There has been an ongoing increase of residual waste each year. This is due to the housing expansion of the borough and an annual increase of residual waste from existing households. This increased residual waste has now reached the level of 3,000 tonnes per annum at which an additional round is required. This additional round will ensure we maintain an effective collection service for our residents and provide some capacity for future housing growth.

2. Fuel costs continue to rise and due to the size and scale of the Council's fleet, this has resulted in a material cost pressure. Mitigating actions have been taken to manage the budget pressure relating to fuel – for example the fleet replacement programme, which has seen £3m committed to date on updating the Council's fleet, and the purchase of Electrical vehicles and installation of charging points. The fleet replacement programme is also expected to deliver significant savings against the maintenance budget.

3. An Internal Audit review identified a need for an urgent resource to ensure Cyber Security compliance. The costs in 2019/20 were funded by corporate reserve, but the ongoing costs need to be funded within the base budget.

4. A base level of Additional Commitments provision was budgeted at £0.250m in the 2019/20 MTFP – this has been reviewed and slightly reduced for the 2020/21 budget.

5. Reducing Angle budget – rather than continuing to deliver copies of the Angle door-to-door, it is proposed to distribute printed copies of the Angle via IBC locations from April 2020 instead (and therefore far fewer copies would need to be printed), which would generate a net saving of approximately £30,000 each year.

6. Funding is available to make positive improvements within each of the five Area Committee areas. Area Committees award funding to projects in local neighbourhoods to improve the life of residents and tackle local issues in the area. To manage the budget gap, it is proposed that ward budgets each be reduced by £1,000 each year, totalling a saving of £16,000 per annum (i.e. down from £6,000 per ward per annum to £5,000).

7. Each year the Council provides revenue support to a range of voluntary and community organisations in line with the criteria set out in its Voluntary and Community Sector Grants Policy. It is proposed to reduce the Community Grants budget by £0.010m per annum from 2021/22. This will leave an annual budget of £0.365m.

8. Section 57 of the Planning (Listed Building and Conservation Areas) Act 1990 provides that local authorities can contribute to the expenses incurred in the repair or maintenance of listed buildings and buildings of historic and architectural interest. Previously IBC has operated a £18,000 budget on a non-statutory basis aimed at helping owners meet the cost of high-level repairs and the reinstatement of historic and architectural detailing. It is proposed to remove this allocation from the Council's base budget.

9. It is estimated that the car park income budget can be increased from its current base-level.

10. Cutting highway verges is the responsibility of Suffolk County Council, who significantly reduced the number of cuts that they provide from three cuts each year to a single cut. IBC stepped in to cover the reduction in verge cutting and incurred a budget pressure doing so. IBC currently fund seven grass verge cuts each year. This is no longer sustainable, and it is proposed to reduce the number of IBC funded cuts by one per year, which is forecast to deliver a saving of £0.054m per annum from 2021/22.

11. Ipswich Borough Council is part of a local Suffolk wide Business Rates pool and effectively contributes money to the Suffolk Public Sector Leaders pooled budget. This is then spent on initiatives across the county. It is now considered that IBC should be able to access more of this to help

fund initiatives in the town and should therefore factor this into its budget position more formally.

3.31 This gives a 'Total Gap Position' of £20.582m between 2020/21 and 2023/24 as set out in Table Eleven below:

Table Eleven: Total Budgetary Gap Position 2020/21 to 2023/24

£m	2020/21	2021/22	2022/23	2023/24	Total
Starting Gap Position	4.288	5.995	6.338	6.476	**23.097**
Cost Pressures Arising	0.174	0.176	0.178	0.180	**0.708**
Improvements to Budget Position	-0.739	-0.828	-0.828	-0.828	**-3.223**
Total Gap Position before Growth & Capital	**3.723**	**5.343**	**5.688**	**5.828**	**20.582**

3.32 There are – as always – a significant series of assumptions that under-pin all these calculations. Some of these are:

- Council Tax = 2% in all years (as per last years' MTFP assumption);
- Salary costs to be uplifted by an average of 2.5% per annum;
- County Business Rates pool continues (although with IBC accessing more of it - see note 11 above);
- Fees & Charges yield frozen in 2020/21, growing by 1% thereafter (see paragraph 3.26 above);

3.33 Proposals for growth are set out below. The only spending commitment proposed for 2020/21 is to fund – via core budgets rather than Area Committee budgets - the continuation of the Bus Service Four on Sundays and Bank Holidays.

3.34 Otherwise, to assist in closing the budget gap, the remaining unallocated growth budget in 2020/21 is proposed to be given up altogether, and future allocations reduced to £0.100m per annum.

Table Twelve: Proposed Changes to Unallocated Growth Budget 2020/21 to 2023/24

£m	2020/21	2021/22	2022/23	2023/24	Total
Growth Budget per 19/20 MTFP	**0.150**	**0.300**	**0.450**	**0.450**	**1.350**
Fund Bus Service 4 Sundays & Bank Holidays	-0.011	-0.011	-0.011	-0.011	**-0.044**
Remaining Unallocated Growth Budget	**0.139**	**0.289**	**0.439**	**0.439**	**1.306**
Remove Unallocated Growth 2020/21	-0.139	-0.139	-0.139	-0.139	**-0.556**
Set Growth to 100k per annum	0.000	-0.050	-0.100	0.000	**-0.150**
Total Changes to Growth Budget	**-0.139**	**-0.189**	**-0.239**	**-0.139**	**-0.706**
Remaining Unallocated Growth Budget	**0.000**	**0.100**	**0.200**	**0.300**	**0.600**

3.35 Proposals for the General Fund capital programme are set out in paragraphs 3.63 to 3.73 below and in more detail in Section Six of this document. Assuming the capital programme is implemented as proposed below, further revenue charges will be incurred. These have been offset in the early years of the forecast by slippage on the programme, and the change to revenue charges is a cumulative £0.687m credit as shown in Table Thirteen.

Table Thirteen: Additional Revenue Costs from Capital Items 2020/21 to 2023/24

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Additional Revenue Charges from Capital	-0.689	-0.619	0.153	0.468	**-0.687**

3.36 Most of the capital programme is assumed to be funded by debt, usually financed by the Public Works Loan Board (PWLB). PWLB lending is offered at a fixed margin above the Government's cost of borrowing, as measured by gilt yields.

3.37 On 9 October 2019, HM Treasury announced that the margin on debt would be increased by 1% (i.e. from approximately 1.2% to 2.2% for a ten-year annuity loan). This has also had a significant impact on the cost of financing the capital programme (totalling £1.978m as shown Table Five above). Should the MPC opt to reduce the base rate (as discussed at paragraphs 1.5 and 1.6 above), this would mitigate part of the cost increase.

3.38 Adding these last two tables to Table Eleven provides a final cumulative gap position of £19.188m between 2020/21 and 2023/24 as shown in Table Fourteen.

Table Fourteen: Final Budget Gap Position 2020/21 to 2023/24

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Total Gap Position before Growth & Capital	3.723	5.343	5.688	5.828	**20.582**
Additional Revenue Costs from Growth	-0.139	-0.189	-0.239	-0.139	**-0.706**
Additional Revenue Charges from Capital	-0.689	-0.619	0.153	0.468	**-0.687**
Total Budget Gap Position	**2.895**	**4.535**	**5.602**	**6.157**	**19.189**

3.39 Clearly this sets a significant financial challenge. In meeting this challenge the administration has retained the same three targets that it applied within the 2019/20 MTFP;

i) Reserves should be available to cover a fifth year, taking into account the £2m minimum balance required – (i.e. to be more than £2m plus the value from point (ii) below);

ii) Gap in the final year of the forecast to be less than £1m; and

iii) All savings to be fully identified.

3.40 As with any MTFP there are risks associated with it and this year there are two significant items, namely:

i) The implications and uncertainty of Brexit;

ii) The detail within the anticipated future year's finance settlements and the forthcoming Comprehensive Spending Review.

3.41 Neither of these issues are solely specific to Ipswich and it isn't possible to quantify the impact at this stage. However, they will continue to be monitored.

3.42 It is intended to address the Final Gap Position in two ways:

i) The continuation of the 'Big Ticket' Item savings programme (see paragraphs 3.43 to 3.53 below); and

ii) Use of reserves (as at Quarter Two 2019/20 the Council is forecasting to have £6.625m of useable reserves at 31 March 2020, taking into account the £2m minimum balance requirement, as reported in the 'Quarter Two 2019/20 Financial Management & Control: Corporate Budget Monitoring report' presented to Executive, E/19/44).

3.43 The 'Big Ticket' approach to savings was first introduced in the 2015/16 financial year, having been 'flagged' as the planned strategy in the previous MTFP. Prior to 2015/16 the Council savings programme had been a mix of 'salami' slicing (i.e. the same % reduction for every service) and / or detailed individual savings ideas.

3.44 Since 2015/16 the 'Big Ticket' approach has resulted in extensive savings that – by the end of 'Quarter Two' (30th September 2019) - had resulted in base savings of £5.605m within the Council's budget as shown in Table Fifteen.

Table Fifteen: Cumulative Big Ticket savings delivered to date as at Quarter Two 2019/20

£m	**To Q2 19/20**
Returns from Arms-Length Companies	0.515
Voluntary Severance/ Redundancy	0.581
Customer Access & Agile Working	0.610
Investment Management	0.476
Service Efficiencies & Income	3.423
Total delivery	**5.605**

3.45 A careful review has been undertaken and it is recommended that the Strategy should be continued, with new schemes added to the existing 'Big Ticket' programme. This strategy – and the numbers associated with it – are considered to be challenging but realistic.

3.46 It is important to note that encouraging progress has been made in delivering base savings during Quarter Three 2019/20, and the final 'Big Ticket' targets will be updated to take account of the latest information.

Table Sixteen: Recommended Big Ticket Programme 2020/21 to 2023/24

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Return from Arms-Length Companies	0.650	0.950	1.250	1.500	**4.350**
Voluntary Severance/Redundancy	0.100	0.100	0.100	0.100	**0.400**
Customer Access & Agile Working	0.200	0.250	0.300	0.300	**1.050**
Investment Management	0.250	0.450	0.600	0.700	**2.000**
Service Efficiencies & Income	1.300	1.900	2.150	2.400	**7.750**
Total	**2.500**	**3.650**	**4.400**	**5.000**	**15.550**

3.47 Investment in the Council's Arms-Length Companies has generated on average over £2m per annum of additional income for the Council since 2018/19, of which £0.5m has contributed to the Big Ticket programme. It is proposed to continue with this strategy, investing to generate additional income as opportunities arise. This is reflected in the Capital Programme set out in the Medium Term Financial Plan.

3.48 In 2019/20 the Council's Arms-Length Companies are forecast to deliver net income totalling £2.743m. The Big Ticket programme set out above requires the Arms-Length Companies to deliver income totalling £14.073m across the period 2020/21 to 2023/24 as shown in Table Seventeen below.

Table Seventeen: Forecast Arms-Length Company Returns 2020/21 to 2023/24

£m	***2019/20***	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Interest Payable Q2 19/20	*4.138*	4.082	4.041	3.999	3.954	**16.076**
New Investment	*0.062*	0.190	0.190	0.190	0.031	**0.601**
Total Interest Payable	***4.200***	**4.272**	**4.231**	**4.189**	**3.985**	**16.677**
Cost of Debt	*1.807*	1.780	1.753	1.725	1.696	**6.954**
Net Interest Payable	***2.393***	**2.492**	**2.478**	**2.464**	**2.289**	**9.723**
Dividend Payable	*0.350*	0.000	0.000	0.000	0.000	**0.000**
New Big Ticket Targets	*0.000*	0.650	0.950	1.250	1.500	**4.350**
Total Income Target	***2.743***	**3.142**	**3.428**	**3.714**	**3.789**	**14.073**

3.49 The Council offers opportunities for employees to apply for Early Retirement, Voluntary Redundancy or Voluntary Severance and this provides a mechanism for reviewing the budgeted establishment.

3.50 'Customer Access & Agile Working' covers delivery of the Customer Access Strategy, phase two of the 'Agile' programme resulting from the introduction of new unified communications systems and business process reviews.

3.51 'Investment Management' covers a range of investment related activities in particular generating increased rental income from the Council's property assets, the council's investments and treasury management strategies.

3.52 ‘Service Efficiencies & Income’ covers a range of service-based efficiencies that will be derived through procurement, overhead reviews, income generation and cost reductions.

3.53 It is recognised that the Big Ticket review has led to an uplift in the total target and that the main area of uplift is to the ‘Service Efficiencies and Income’ category. Quite a few changes have already been identified that should enable these targets to be met, for instance

(i) A review has been undertaken of the Housing Revenue Account to General Fund recharges;
(ii) Asset management (i.e. property income) possibilities have been re-assessed;
(iii) Civil Parking Enforcement changes should increase income to fund bus subsidy budgets as agreed by Executive (E/19/21); and
(iv) Further zero-based budgeting work in the medium term should result in further savings across the Council.

3.54 To fund the remaining budget gap, it has been concluded that for 2020/21 the annual increase in Council Tax should be 1.99%. This is consistent with the underlying budget assumptions applied when pulling together the medium-term forecast.

3.55 Factors that support this proposal are:

i) The actual tax increase is in line with the Government assumption that Local Authorities will increase council tax by 2% in the financial year 2020/21.

ii) It is less than the expected % increases adopted by the other precepting organisations in Ipswich – Suffolk County Council, who are both anticipated to increase their respective elements by a total of 3.98%, and the Suffolk Police and Crime Commissioner, who have confirmed a 4.69% increase.

iii) It amounts to an increase of 10.74p per week for the average (Band B) Council Tax payer in Ipswich compared to an expected 76.79p for Suffolk County Council and confirmed 14.90p for Suffolk Police and Crime Commissioner. The equivalent increase for a Band B Ipswich Borough Council tax payer in 2018/19 was 15.71p.

3.56 As stated above, the recommended 1.99% increase contrasts with the expected increases for Suffolk County Council and the Suffolk Police and Crime Commissioner. This is shown in Table Eighteen below.

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

	2019/20	**2020/21**	**Proposed Increase (£)**	**Per Week (p)**	**%**
Ipswich Borough Council	281.68	287.28	5.60	10.74	**1.99**
Suffolk County Council*	1,004.99	1,045.03	40.04	76.79	**3.98**
Police & Crime Commissioner	165.48	173.25	7.77	14.90	**4.69**
Total	**1,452.15**	**1,505.56**	**53.41**	**102.43**	**3.68**

*Full details not yet confirmed

3.57 Bringing this all together results in £3.639m of reserves being required to deliver financial balance as shown in Table Nineteen below (compared to £5.714m of reserves being required to achieve financial balanced in the 2019/20 MTFP).

Table Nineteen: Reserves required to achieve financial balance

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Final Gap Position	**2.895**	**4.535**	**5.602**	**6.157**	**19.189**
Proposed Big Ticket Targets	-2.500	-3.650	-4.400	-5.000	**-15.550**
Reserves to Achieve Balance	**0.395**	**0.885**	**1.202**	**1.157**	**3.639**
Opening Usable Balances	6.625	6.230	5.345	4.143	
Usable Balance Carried Forward	*6.230*	*5.345*	*4.143*	*2.986*	

3.58 This means that – in relation to the aspirations set out in paragraph 3.39 – two of the relevant targets are being achieved as follows:

i) At the end of the fourth year there are forecast to be £2.986m of useable reserves (aside of the £2.000m minimum balance); and

ii) There are no ‘unidentified savings’ within the budget.

3.59 However, the base gap at the end of the fourth year is forecast to be £1.157m, which is slightly higher than the £1m target set by the administration. This is in line with the pressure forecast to arise as a consequence of the forthcoming Local Government Finance Settlement, as shown in Table Five above.

3.60 In recent years the Council has ensured that there are adequate resources to ensure that our savings / investment plans can be delivered via a Corporate Service Reserve and the Transformation / Invest to Save fund. These “pots” will require topping up using one off savings generated during the remainder of 2019/20.

3.61 The Council has committed to produce a bi-annual report of its carbon reduction schemes. This will include assessing the impacts of the above investments. The next bi-annual report is due by end of 2020 and will be referred to within the 2021/22 budget papers.

3.62 The list below shows investments made since 2018/19 (i.e. those that will be assessed during the next bi-annual report). This list just relates to the General Fund.

Table Twenty: Investments made in carbon reduction schemes

General Fund Scheme	**Investment £m**
19 Tower St Power System Improvement	0.229
Corn Exchange Heaters	0.009
Crown Pools Calorifiers	0.035
East Villa Boiler Replacement	0.103
EV Charging points (1)	0.115
FIND new roof	0.180
Fleet Replacement Programme	1.533
Grafton House BMS Upgrade	0.024
IP City Air Conditioning	0.009
Loan to Ipswich Buses for improved fleet	0.494
New Wolsey Theatre Roof	0.331
Ransomes LED Floodlighting	0.009
Whitton Sport Centre heating	0.046
Total	**3.117**

(1) nb this figure doesn't include costs associated with installing EV charging point at the Borough Council's public car parks since those costs were bound up within larger contracts.

The Capital Programme

3.63 The 2020/21 to 2023/24 Capital Programme is set out in Section Six of this document.

3.64 The Capital Programme was last reported to Executive within the Quarter Two Budget Monitoring report (on 7 January 2020, reference E/19/44).

3.65 In the first two Quarters of 2019/20 a total of £5.457m of capital schemes have been added to the capital programme in 2019/20 in the quarterly monitoring reports.

Table Twenty-One: General Fund Capital Additions 2019/20

Scheme	Description	2019/20 £m
Capitalised Repairs – Grafton House	Revenue contribution to capital outlay (from the Green Travel Plan for Electric Vehicle charging points)	0.040
Various IBC outstations	For the provision of Electric Vehicle charging points	0.050
Ipswich Buses Ltd	Loan to Council Company	0.494
HRA – various 'Maintaining Property' schemes	Revenue contribution to capital outlay (to cover additional recharge costs)	0.082
86-98 Princes Street (former Avanti Autos site)	Demolition of buildings and establishment of a temporary surface car park	0.210
Raeburn Road Infrastructure	To improve the site and facilitate an increase in rental income	0.350
Grafton House improvements	Lift improvements	0.165
Pond Hall Farm	To protect and secure site	0.100
Parks Improvements	Chantry park pond de-silting	0.120
Sidegate lane (East Villa)	Additional costs to complete scheme, including boiler replacement and alarm installation (4)	0.251
Tooks (GF)	Recognising the GF element of the development as reported in E/18/16 and E/18/55	3.595
	Total	**5.457**

3.66 The proposed additions to the Capital Programme for the 2020/21 MTFP are summarised in Table Twenty-Two.

Table Twenty-Two: Capital Additions 2020/21 to 2023/24

£m	**Note**	**Expenditure 2020/21**	**Expenditure 2021/22 Onwards**	**Total Capital Expenditure**
Alexandra Park Improvements	12	0.150	0.000	**0.150**
Buildings at Risk	13	0.070	0.130	**0.200**
Corn Exchange Improvements	14	0.140	0.000	**0.140**
Fleet Replacement	15	0.000	2.200	**2.200**
Non-operational asset management	16	0.165	1.455	**1.620**
Open spaces repair budget	17	0.240	0.340	**0.580**
Play Areas	18	0.000	0.300	**0.300**
Orwell Country Park	19	0.250	0.250	**0.500**
Carbon Neutrality	20	0.100	0.300	**0.400**
Total Capital Additions		**1.115**	**4.975**	**6.090**

3.67 In summary, the items proposed to be added to the Capital Programme in the 2020/21 MTFP are;

12. The play area at Alexandra Park was installed approximately 18 years ago. The bank has now started to slip into the play area and the actual equipment is now beyond economical repair. A new play area will be created with inclusive play equipment installed on a level piece of ground and wet-pour surfacing to tackle Anti-Social Behaviour issues with clear sight lines, returning the old play area to grass.

13. IBC proposes to step in and carry out emergency works through a single contract to protect historic assets. Works specified should be the minimum to protect the historic fabric of the buildings. Costs should be reclaimable from property owners, providing a funding stream, but for prudence this has not been assumed in the MTFP.

14. It is recognised that improvements to the Corn Exchange sound system and seating would improve the customer experience and the viability of both the venue and the wider town centre (if the venue were to be used more). It is possible that the new 'Towns Fund' may enable more extensive improvements to the building and the locality around it.

15. It is proposed to extend the existing Fleet Replacement scheme. The 2021/22 spend could be front-loaded to manage the risk of further potential increases in financing costs and would provide a further opportunity to deliver savings against the maintenance budget, maintain service reliability and reduce NOx emissions from the Council's fleet. It is estimated that the replacement vehicles will produce 33% less NOx emissions than the current vehicles, significantly reducing the impact the Council's fleet has on the local environment and delivering a measurable reduction in the Council's carbon footprint.

16. Projects are required to be delivered across the Council's investment estate to improve financial returns. Works will be completed where properties are vacant or are not let on a full-maintenance lease and include EPC surveys across the estate, building surveys and associated works.

17. Various open spaces sites around the Borough require work to be completed, including a replacement fencing programme and improvements to Alderman Road recreation ground canal water flows.

18. It is proposed to allocate a rolling budget for improvement works to the Borough's play areas to continue to deliver enhanced/updated play areas across IBC following the success of the works at Bourne, St Augustine's and Maple Parks.

19. It is proposed to allocate a £0.500m capital budget across two financial years to complete works at Orwell Country Park, to include the infrastructure required to facilitate the extension of Orwell Country Park, improvements to the Coastal Path and ecological enhancements in order to generate a revenue stream in future years and accord with local plan requirements.

20. Following the declaration of a Climate Emergency by Executive (E/19/13), the council has completed actions to deliver the commitment made to achieve carbon neutrality by 2030. This doubles the budget for these works to £0.200m per annum. This will complement works and commitments made to date such as the Green Travel Plan, investments in photo-voltaic cells on our sports centres (etc), LED lighting installation, swimming pool covers, Electric Vehicle charging provision at Crown Car Park, our ongoing Fleet Replacement Programme and maintenance works across our housing stock.

3.68 In addition to these items, the other main expected changes to the Capital Programme within the last 12 months are the 'Loans to Council companies' (i.e. mainly Ipswich Borough Assets). Any further requests for loans will be considered in light of the Council's Constitution and reported to Executive at the appropriate time e.g. within the usual 'Quarterly Monitoring' reports to Executive.

3.69 The capital programme also continues to include key commitments made within last year's MTFP. Within the General Fund these include development of the Sproughton Road site, delivery of the new Headway Centre and the new GP surgery in North West Ipswich.

3.70 As in previous years, the Capital Programme also includes a provision each year for 'Capitalised Repairs', which is proposed at £0.520m in 2020/21.

3.71 The Capital Programme is also set out in detail at Section Six, along with the Capital Strategy. The programme has been updated based on latest information on resources available.

3.72 The Capital programmes for the General Fund and Housing Revenue Account are set out in summary form below:

Table Twenty-Three: General Fund Capital Programme Funding Sources 2020/21 to 2023/24

General Fund	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**54,301**	**41,324**	**25,484**	**25,793**
Financed By:-				
Capital Receipts	0	0	0	0
External Funding	813	813	800	800
Borrowing	53,226	40,511	24,684	24,993
RCCO's	262	0	0	0
Total Funding	**54,301**	**41,324**	**25,484**	**25,793**

Table Twenty-Four: HRA Capital Programme Funding Sources 2020/21 to 2023/24

HRA	**2020/21**	**2021/22**	**2022/23**	**2023/24**
	£000's	**£000's**	**£000's**	**£000's**
Expenditure	**38,772**	**24,808**	**24,475**	**24,248**
Financed By:-				
Capital Receipts	15,282	3,920	3,920	3,920
External Funding	0	0	0	0
Borrowing	0	0	0	0
RCCO's	23,490	20,889	20,555	20,328
Total Funding	**38,772**	**24,809**	**24,475**	**24,248**

3.73 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 as set out in Section 7 below.

The Long-Term Budget Strategy

3.74 Ipswich Borough Council has taken a robust long-term budget strategy for a number of years – a strategy that, whilst evolving over time, aims to minimise the impact of changes in Central Government funding on the future level of IBC service provision.

3.75 However, the recent financial settlements and announcements from government mean that uncertainty, and the challenge faced by IBC, is significantly greater than has historically been the case.

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

i) Advocacy to support the principle of local retention of business rates;

ii) Additional work on planning, delivery and financing of the capital programme;

iii) Continued delivery of the Big Ticket programme across the Medium Term;

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

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

Chief Finance Officer's Statement

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

3.78 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.

3.79 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.

3.80 Assessments of financial risks associated with the 2020/21 to 2023/24 budgets are shown below. These risks are taken account of in setting the level of reserves.

Table Twenty-Five: Financial Risk Assessment 2020/21 – 2023/24

Risk Description	Consequence of risk	Risk controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk, if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate
Accuracy of estimates	Unable to deliver services within financial provision	Incorporate current economic predictions. Service Group based budget process. Revenue & capital programme set together. All known future changes included in budget.	2	2	Sign-off of detailed budgets by Heads of Service.
Adequacy of reserves/ balances/bad debt provision	Possible impact on service provision	Risk Management assessment, insurance policy	1	2	Regular monitoring
Significant variances due to poor budgetary control	Unable to deliver services within financial provision	Monthly Budgetary Control process	2	2	Quarterly reporting to Executive based on monthly exception reporting
Long term unsustainable/ imprudent financial planning	Intervention by Secretary of State	Medium term financial planning, Prudential Indicator framework	1	1	Regular monitoring
Partnership/ Joint Working – poor control/ definition resulting in financial liability	Non delivery of agreed outcomes	Clear & concise contractual arrangements	2	3	Monitoring by Joint Committees
Corporate projects – predicting financial implications	Overspends or non delivery	Corporate projects managed using Prince 2 based methodology	2	2	Regular monitoring
Changing goals/ expectations	Uncertainty over service delivery	Corporate Plan, Strategic framework	1	2	Clear communication
Failure of “Approved Organisation for Investment”	Potential loss of investment	Reviewed Treasury Management Strategy	3	2	Daily monitoring of investment counterparties

Risk Description	Consequence of risk	Risk controls	Probability of risk occurring taking account of controls (scale 1- almost impossible 6 - very high)	Impact of risk, if it occurred taking account of actions (scale 1- negligible; 4 – catastrophic)	Actions to mitigate
Poor Corporate Governance/ financial control	Lack of control	New Corporate Governance, Audit review, Standing Orders	1	1	Regular reporting & monitoring
Changes in proper accounting practice	Statement of accounts not approved by external audit	The Council adheres to the latest Statement of Recommended Practice	1	2	Training and liaison with External audit
Unexpected changes in demographic/ service expectations due to the current economic situation	Services under or over provided	Officers actively monitor potential future changes	2	2	Monitoring information used to predict future requirements

Specific Risks

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

Table Twenty-Six: Specific Risks Identified

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

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

Adequacy of Working Balance and Reserves

3.82 The Council complies with the requirements of Local Authority Accounting Bulletin 77 (November 2008) on the establishment and maintenance of local authority reserves and balances. The guidance represents good financial management and should be followed as a matter of course.

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

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

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

GENERAL FUND AND COUNCIL TAX REQUIREMENT

3.86 In determining the Council Tax Requirement for 2020/21, councillors and officers have refocused resources on investing in the Council's priorities.

3.87 There is a special levy for the East Suffolk Internal Drainage Board issued on Ipswich Borough Council under the Internal Drainage Boards (Finance) Regulations 1990.

3.88 From 1st April 1990, in addition to raising revenue by means of drainage rents, the boards raised revenue by means of special levies issued to charging authorities and is included within the Council's budget requirement for areas wholly or partly included in the Board's respective districts.

3.89 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.

3.90 Ipswich's Collection Fund shows a net surplus of £180,000. 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.

3.91 The Provisional Settlement for 2020/21 was announced on 20 December 2019 at £4,357,232. These figures are reflected in the summary below:

Table Twenty-Seven: Council Tax Requirement 2020/21

£m	**2019/20**	**2020/21**
Budget Requirement	18,255,434	18,886,496
Settlement Funding Adjustment	-4,287,376	-4,357,232
Collection Fund Adjustment	-89,000	-180,000
To be financed through Council Tax	**13,879,058**	**14,349,264**

3.92 As the Council has a Council Tax Requirement for 2020/21 of £14,349,264, which equates to the gap between government funding and the net cost of services, the Council's element of the Ipswich charge for a Band B property (the 'average' in Ipswich) in comparison with 2019/20 will be:

Table Twenty-Eight: Proposed Change in Band B Council Tax 2020/21

Proposed Change in Band B Council Tax	**2019/20 £ : p**	**2020/21 £ : p**	**% Change**
IBC Charge	281.68	287.28	1.99

3.93 The Council Tax requirement for Ipswich has been assumed in the four-year forecast. This is shown by year in Table Twenty-Nine below:

Table Twenty-Nine: Forecast Council Tax Requirement 2020/21 to 2023/24

	2020/21	**2021/22**	**2022/23**	**2023/24**
Council Tax Requirement	£14,349,264	£14,766,660	£15,194,990	£15,634,520

3.94 The Council Tax charge for Ipswich Borough Council at each of the property bands, compared with 2019/20 is shown in Table Thirty below. The total number of dwellings by band across Suffolk districts is shown for reference.

Table Thirty: Proposed Council Tax Levels by Band 2020/21

Band	**2019/20**	**2020/21**	**Change**	**Weekly increase**	**Dwellings**				
	Tax (£ : p)	**Tax (£ : p)**	**%**		**Ipswich**			***Total Suffolk***	
					Number	**%**		***Number***	***%***
A	241.44	246.24	1.99%	£0.09	19,116	31.3		*69,079*	*20.0*
B	281.68	287.28	1.99%	£0.11	22,928	37.5		*105,535*	*30.6*
C	321.92	328.32	1.99%	£0.12	11,201	18.3		*68,412*	*19.8*
D	362.16	369.36	1.99%	£0.14	4,365	7.1		*48,692*	*14.1*
E	442.64	451.44	1.99%	£0.17	2,295	3.7		*29,993*	*8.7*
F	523.12	533.52	1.99%	£0.20	917			*14,335*	
G	603.60	615.60	1.99%	£0.23	362	2.1		*8,524*	*6.8*
H	724.32	738.72	1.99%	£0.28	20			*742*	

3.95 Last year's Medium Term Financial Plan set balanced proposals for the four years from 2019/20 to 2022/23 and assumed a 2% Council Tax increase provision being made for this year.

3.96 Central Government has set an annual 'referendum' level of 2% which, if proposed to be exceeded, would mean that the relevant Council would have to undertake a referendum to obtain support for any rise above that level. The increase proposed is within the level which would require a referendum.

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

3.98 Suffolk County Council have not confirmed their increase at the time of writing, but it is assumed that they will set an overall 3.98% increase in council tax in their 2020/21 budget papers, which is made up of a 1.98% increase in Council Tax and a 2% increase in the Adult Social Care Precept.

3.99 On 31 January 2020, the Suffolk Police and Crime Commissioner confirmed a £9.99 increase in precept for a Band D property in 2020/21 (this equates to a 4.69% increase in the precept).

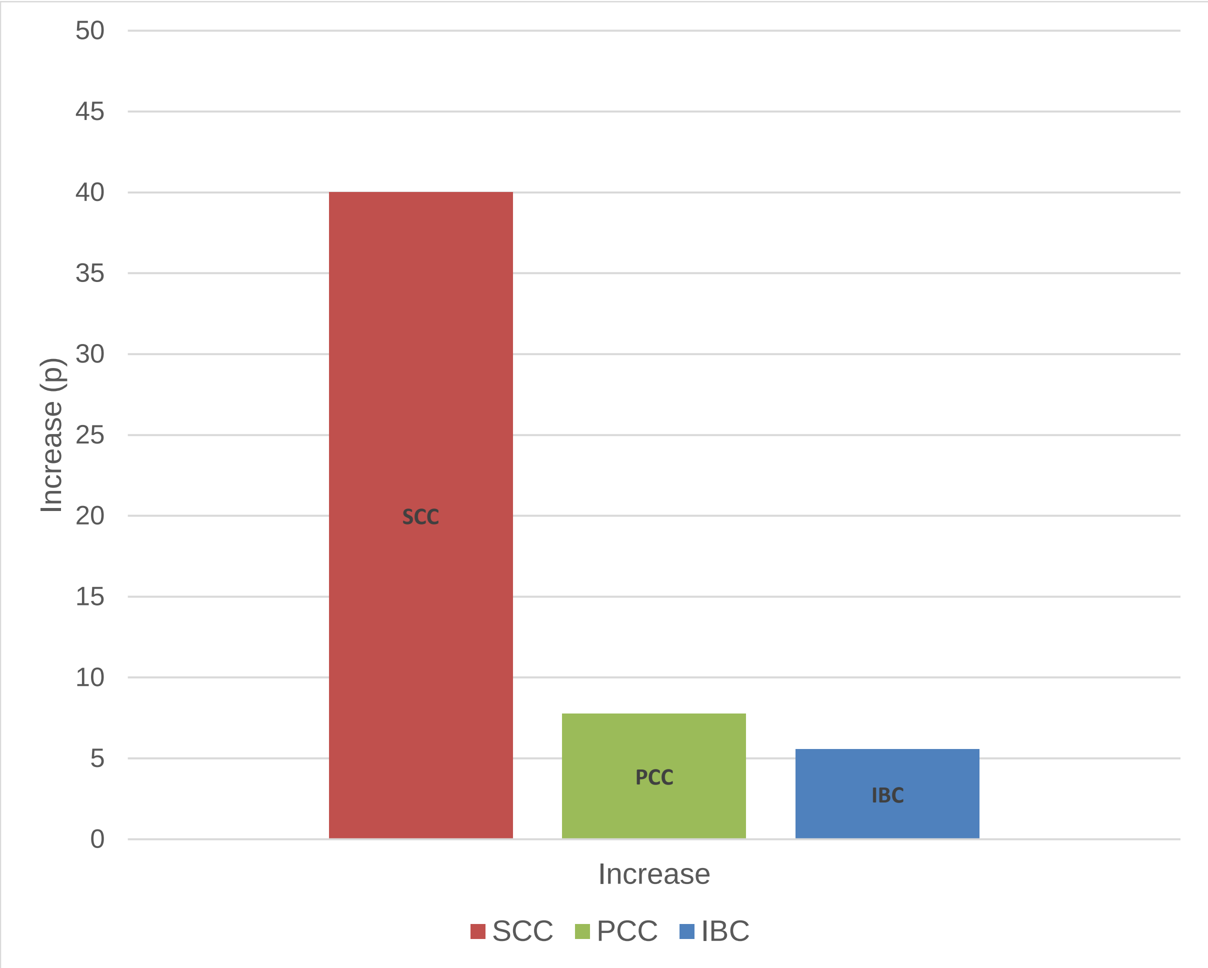
3.100 Factoring the changes announced by the Police and Crime Commissioner and proposed by Suffolk County Council, the overall Council Tax position for Ipswich Borough Council will be as shown in Table Thirty-One below.

Table Thirty-One: Proposed Council Tax Levels by Authority 2020/21

	IBC 19/20	SCC 19/20	PCC 19/20	**Total 19/20**	IBC 20/21	SCC 20/21	PCC 20/21	**Total 20/21**	*Total Increase*
Band A	241.44	861.42	141.84	**1,244.70**	246.24	895.74	148.50	**1,290.48**	*45.78*
Band B	281.68	1,004.99	165.48	**1,452.15**	287.28	1,045.03	173.25	**1,505.56**	*53.41*
Band C	321.92	1,148.56	189.12	**1,659.60**	328.32	1,194.32	198.00	**1,720.64**	*61.04*
Band D	362.16	1,292.13	212.76	**1,867.05**	369.36	1,343.61	222.75	**1,935.72**	*68.67*
Band E	442.64	1,579.27	260.04	**2,281.95**	451.44	1,642.19	272.25	**2,365.88**	*83.93*
Band F	523.12	1,866.41	307.32	**2,696.85**	533.52	1,940.77	321.75	**2,796.04**	*99.19*
Band G	603.60	2,153.55	354.60	**3,111.75**	615.60	2,239.35	371.25	**3,226.20**	*114.45*
Band H	724.32	2,584.26	425.52	**3,734.10**	738.72	2,687.22	445.50	**3,871.44**	*137.34*

3.101 The chart below shows the proportion of the increase in 2020/21 by authority:

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



3.102 A taxpayer in a Band B property receiving full Council Tax Relief will see an increase in their annual bill of £2.67, of which 28p will relate to the Ipswich Borough Council element.

Table Thirty-Two: Council Tax Increase by Precepting Authority with Full Relief

	2018/19	2019/20	Increase	Per Week
Ipswich Borough Council	£14.08	£14.36	£0.28	0.54p
Suffolk County Council	£50.25	£52.25	£2.00	3.84p
Police & Crime Commissioner	£8.27	£8.66	£0.39	0.74p
Total	**£72.60**	**£75.27**	**£2.67**	**5.12p**

Housing Revenue Account (HRA)

3.103 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.

3.104 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.

3.105 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 £2m is required

Section 3
General Fund MTFP

GENERAL FUND REVENUE FORECAST 2019/20 TO 2023/24

DESCRIPTION	2019/20 ORIGINAL BUDGET £	2019/20 DRAFT APPROX O/T £	2020/21 FORECAST £	2021/22 FORECAST £	2022/23 FORECAST £	2023/24 FORECAST £
SERVICE EXPENDITURE						
Employees	27,810,900	28,905,320	29,726,210	30,188,820	30,681,340	31,400,830
Premises	6,186,660	5,988,890	5,990,220	5,988,020	6,039,830	6,092,690
Transport	2,009,810	2,080,810	1,947,790	2,204,060	2,204,060	2,204,060
Supplies & Services	13,403,440	15,510,930	13,441,630	13,442,010	13,462,540	13,477,360
Agency & Contracted Services	968,750	981,250	1,000,750	1,012,750	1,044,750	1,044,750
Transfer Payments	53,684,150	53,684,150	53,684,150	53,684,150	53,684,150	53,684,150
Central & Departmental Support	1,133,400	963,410	987,840	1,012,540	1,037,850	1,063,800
TOTAL SERVICE EXPENDITURE	105,197,110	108,114,760	106,778,590	107,532,350	108,154,520	108,967,640
SERVICE INCOME						
Government Grants	54,510,530Cr	55,890,610Cr	54,519,580Cr	54,593,620Cr	54,445,530Cr	54,445,530Cr
Other Grants,Contributions Etc	6,261,050Cr	6,455,340Cr	6,576,190Cr	6,736,510Cr	6,875,630Cr	7,018,220Cr
Sales	770,810Cr	770,810Cr	790,090Cr	809,840Cr	830,090Cr	850,840Cr
Fees & Charges	17,457,030Cr	17,588,330Cr	17,854,420Cr	18,046,970Cr	18,263,090Cr	18,411,060Cr
Rents	3,931,720Cr	3,372,310Cr	4,212,200Cr	4,411,200Cr	4,411,200Cr	4,411,200Cr
TOTAL SERVICE INCOME	82,931,140Cr	84,077,400Cr	83,952,480Cr	84,598,140Cr	84,825,540Cr	85,136,850Cr
NET SERVICE EXPENDITURE	22,265,970	24,037,360	22,826,110	22,934,210	23,328,980	23,830,790

GENERAL FUND REVENUE FORECAST 2019/20 TO 2023/24

DESCRIPTION	2019/20 ORIGINAL BUDGET £	2019/20 DRAFT APPROX O/T £	2020/21 FORECAST £	2021/22 FORECAST £	2022/23 FORECAST £	2023/24 FORECAST £
NET SERVICE EXPENDITURE	22,265,970	24,037,360	22,826,110	22,934,210	23,328,980	23,830,790
Contingencies etc:						
Additional commitments	1,093,990	777,060	703,280	905,990	1,066,020	1,223,020
Transformation Invest to Save Fund	0	925,210	0	0	0	0
General Service Contingency	0	516,960	0	0	0	0
Big Ticket Savings	1,520,000Cr	836,770Cr	2,500,000Cr	3,650,000Cr	4,400,000Cr	5,000,000Cr
Transitional Vacancy Savings	0	0	780,000Cr	780,000Cr	780,000Cr	780,000Cr
Interest on balances etc	399,130	395,920	368,360	343,240	398,310	454,530
External interest etc	334,680Cr	347,000Cr	356,500Cr	371,000Cr	453,500Cr	522,000Cr
Dividends	0	350,000Cr	0	0	0	0
Loan repayments/Investment income from IBC companies	4,135,450Cr	4,114,620Cr	4,081,730Cr	4,041,040Cr	3,998,560Cr	3,954,230Cr
Capital financing costs	4,225,100	4,097,840	5,354,000	5,847,750	6,617,550	6,882,680
Net Expenditure	21,994,060	25,101,960	21,533,520	21,189,150	21,778,800	22,134,790
Revenue Support Grant	0	0	0	0	0	0
Business Rates Baseline	4,287,000Cr	4,287,000Cr	4,357,000Cr	3,488,000Cr	3,488,000Cr	3,488,000Cr
Retained Business Rates	1,150,000Cr	974,000Cr	1,591,000Cr	1,599,000Cr	1,599,000Cr	1,599,000Cr
Enterprize Zone Income	230,000Cr	132,000Cr	153,000Cr	153,000Cr	153,000Cr	153,000Cr
Collection Fund surplus(cr)/deficit 31st March (net)	89,000Cr	89,000Cr	180,000Cr	0	0	0
New Homes Bonus Scheme	774,000Cr	774,000Cr	398,000Cr	29,000Cr	4,000Cr	0
Transfer to/from (cr) reserves	512,340Cr	3,645,830Cr	109,930Cr	268,890Cr	137,690Cr	103,510Cr
Use of (cr) / contribution to GF revenue balance	1,072,660Cr	1,321,070Cr	395,330Cr	884,600Cr	1,202,120Cr	1,156,760Cr
Unfunded Balance	0	0	0	0	0	0
COUNCIL TAX REQUIREMENT	13,879,060	13,879,060	14,349,260	14,766,660	15,194,990	15,634,520

GF REVENUE BALANCE						
Balance b/fwd 1st April	9,101,870Cr	9,946,330Cr	8,625,260Cr	8,229,930Cr	7,345,330Cr	6,143,210Cr
Surplus(Cr)/deficit for year	1,072,660	1,321,070	395,330	884,600	1,202,120	1,156,760
Balance c/fwd 31st March	8,029,210Cr	8,625,260Cr	8,229,930Cr	7,345,330Cr	6,143,210Cr	4,986,450Cr

General Fund Budgets 2020/21 - Service Group Analysis

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

Service Grouping	**2020/21 Controllable Budget £**
Chief Executive/Chief Operating Officer	1,886,340
Culture and Environment	7,127,960
Development	6,960
Finance and Revenues	3,349,840
Housing and Community	4,930,090
People and Governance	2,396,350
Sports and Programmes	3,128,570
NET SERVICE EXPENDITURE	22,826,110

Porftfolio Holder Grouping	**2020/21 Controllable Budget £**
Leader - Property & Development	328,230
Deputy Leader - Sport & Culture	3,128,570
Communities	1,529,420
Planning & Museums	2,338,660
Environment & Climate Change	5,786,570
Housing & Health	2,119,410
Community Protection	2,810,680
Resources	4,676,470
Town Centre	108,100
NET SERVICE EXPENDITURE	22,826,110

Leader - Property & Development

Service Area	**2020/21 Controllable Budget £**
Corporate Management Team	1,103,340
Chief Executive	
Economic Development	323,300
Major Capital Schemes	727,850
-	
Property Services	
Broomhill Pool	2,950
Corporate Properties	-1,967,040
Grafton House	-59,910
IP-City Centre	-245,510
Property Services Management	443,250
Total	328,230

Deputy Leader - Sport & Culture

Service Area	**2020/21 Controllable Budget £**
Corporate Support	
Borough Council Elections	94,050
Design Services	18,050
Health and Safety	87,320
Marketing	371,340
Performance and Projects	338,640
Printing Section	-55,920
Registration of Electors	195,110
Sports and Leisure	
Profiles Gyms	33,410
Sports and Leisure Development	385,190
Sports Centres	794,530
Swimming Pools	866,850
Total	3,128,570

Communities

Service Area	2020/21 Controllable Budget £
Human Resources	459,700
Legal and Democratic Services	
Councillors' Services	229,360
Councillors' Costs	362,380
Democratic and Business Support	85,500
Legal Services	317,330
Local Land Charges	-47,640
Mayoral Services	122,790
Total	1,529,420

Planning & Museums

Service Area	2020/21 Controllable Budget £
Museums	1,233,290
Planning and Development	
Caps System Costs	49,270
Community/Environmental Improvements	41,740
Conservation of Historic Buildings	13,600
Development Services Support	177,230
Drainage	36,000
Historic Churches	62,410
Planning and Development	369,570
Planning Policy	190,710
Building Control	164,840
Total	2,338,660

Environment & Climate Change

Service Area	2020/21 Controllable Budget £
Parks and Cemeteries	
Allotments	21,010
Cemeteries and Crematorium	-744,040
Parks	1,573,690
Public Conveniences	63,800
Rangers	551,380
Verge Maintenance	344,740
-	
Waste and Fleet	
Cleansing Services	1,564,760
Recycling	361,050
Refuse Collection	1,363,620
Waste and Fleet Management	577,840
Waste Education and Promotion	108,720
Total	5,786,570

Housing & Health

Service Area	2020/21 Controllable Budget £
Housing Advice	
Assistance To Voluntary Bodies	5,770
Bed and Breakfast Costs	129,640
Contributions To Housing Revenue Account	216,640
Homelessness	383,230
Hostels	-25,760
Housing Options	1,110,750
Other Private Sector Accommodation Costs	18,850
Supervision and Management	280,290
Total	2,119,410

Community Protection	
Service Area	**2020/21 Controllable Budget £**
Community Support	
Area Committees	81,850
Community Engagement	194,510
Community Grants	393,390
Community Safety	228,690
Emergency Planning	72,360
Emergency Services Centre - CCTV	582,830
Emergency Services Centre - HEARS	-161,150
Public Protection	
Animal Welfare	34,190
Environmental Protection	522,590
Food Safety	263,610
Hackney Carriage and Private Hire Vehicles	-46,520
Housing Business Support Unit	24,600
Improvement Grants	21,060
Licensing and Enforcement	-10,780
M3 System Costs	5,000
Occupational Health	133,580
Port Health	22,750
Private Sector Housing Services	296,020
Waste Enforcement	152,100
Total	2,810,680

Resources

Service Area	2020/21 Controllable Budget £
Audit Partnership	149,690
Financial Services	
Corporate Management Direct Costs	250,320
Financial Services	1,056,970
Housing and Council Tax Benefit Administration	1,335,340
Unapportionable Central Overheads	707,210
ICT	1,176,940
Total	4,676,470

Town Centre

Service Area	2020/21 Controllable Budget £
Commercial Development	
Corn Exchange	87,120
Cultural Development	201,620
Enterprise Projects (inc market)	31,590
Entertainments Box Office	-115,590
Entertainments Management	576,390
Events and Festivals	307,800
Regent Theatre	-77,820
Shopmobility	11,210
Customer Services	
Bus Route Subsidies - General	121,450
Customer Services Centre	691,520
Footway Lighting	72,200
IBC Car Parks	-1,955,400
Residents Parking Schemes	-168,880
Street Names and Seats	20,000
Town Centre Pedestrian Areas	49,930
Transportation	94,120
Visitor Experience	160,840
Total	108,100

Section 4

The Housing Revenue Account

4.1 The Council owns around 7,843 general needs and sheltered properties. 43 properties have been sold during the current year under the ‘right-to-buy’ scheme as at 31/12/19. For the budget it has been assumed a base 70 sales per annum.

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

4.3 To date the Programme has delivered 157 homes at Bader Close and schemes at Ainslie Rd, Widgeon Close, Whitton Church Lane, Coltsfoot Avenue, Ulster Avenue and Cauldwell Hall Road.

4.4 60 homes are currently being built at Old Norwich Road (former Tooks Bakery site) through the general development agreement with Handford Homes, with planning applications in place for a further forty homes and more sites in the pipeline. A programme of future schemes has been developed to ensure a steady supply of new homes.

4.5 The HRA Business Plan and assumptions have been updated. The rollout of universal credit to householders from April 2018 will have a cumulative effect as numbers affected grow. It should be noted that the full impact of universal credit once it is fully implemented is not yet known but could be significant in the longer term (around 2023). Provision has been made to mitigate this as far as possible.

4.6 The July 2015 Budget introduced a significant change in the way annual rent increases are determined. Prior to then, the Government had published guidance that social rents should increase by the Consumer Price Index (CPI) plus one percent. However, the Welfare Reform and Work Bill introduced a 1% reduction to all social housing basic rents from April 2016 to March 2020. From April 2020 the rent rise will revert back to the original CPI plus one percent formula.

4.7 The Housing and Planning Act 2016 introduced a number of significant changes that may impact on the forecast and as such need to be monitored.

4.8 The contingency of £0.100m per annum had been assumed to cover potential loss of rent following sale of high-value homes. This has now been removed.

4.9 The financial impacts of further changes, like fixed term tenancies, or implementation of Universal Credit & Welfare Reform changes would need to be funded initially from reserves.

4.10 A £0.100m per annum contingency has been set up to cover any potential effects of Brexit and fluctuations in the exchange rate. This is likely to affect fuel prices and the cost of certain stores items.

4.11 A contingency has been set for the potential effects of the Sheltered Housing Review. This includes £0.940m to cover any revenue costs of refurbishment of the Sheltered Schemes.

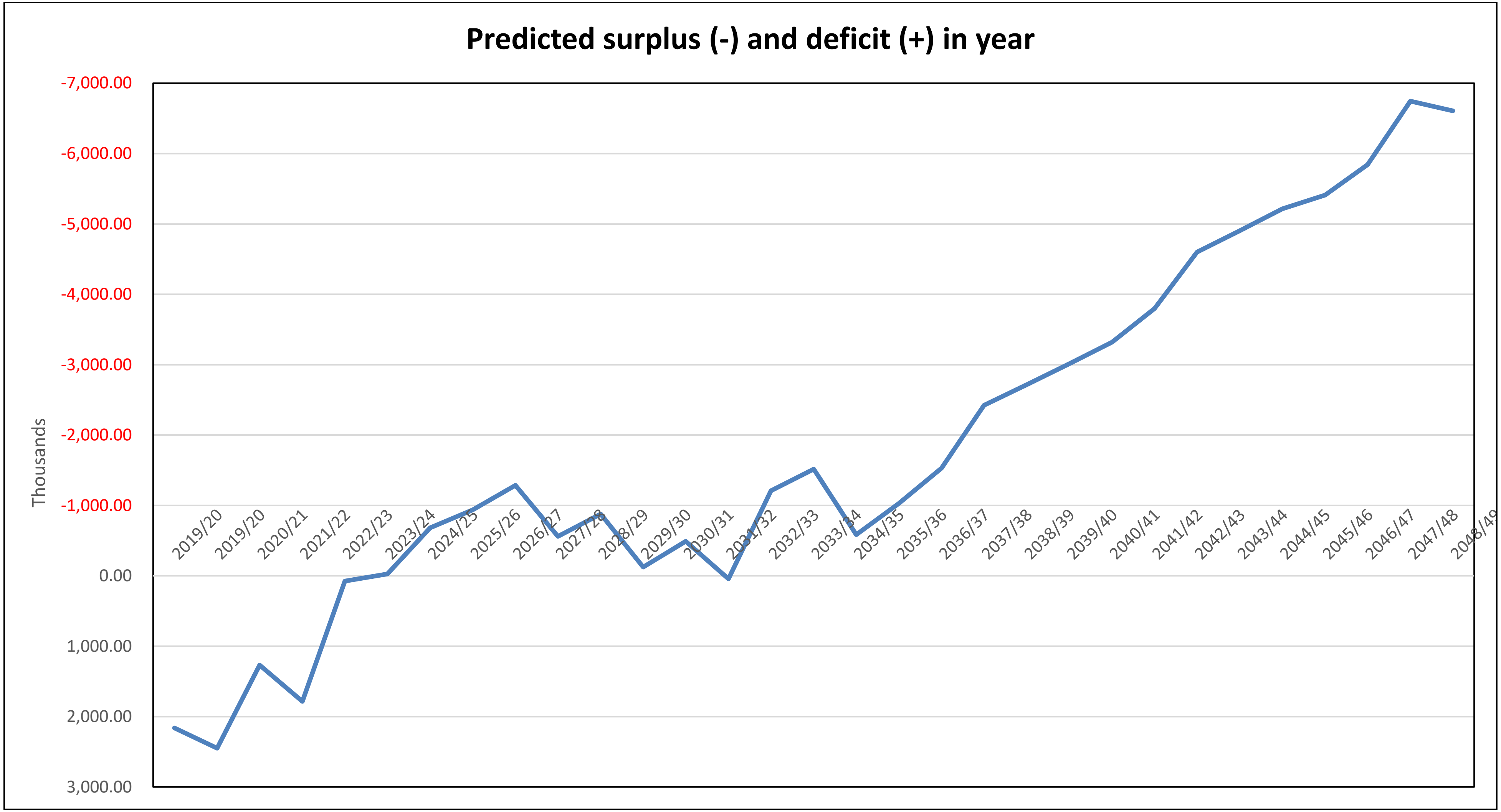
4.12 A revised savings target of £0.105m pa has been retained for future zero based budgeting & business process reviews.

4.13 Other minor contingencies exist to cover risks /opportunities identified in the 30-year Forecast. These can be seen in the HRA Forecast shown at the end of this section.

4.14 The HRA Business Plan assumes current service levels are maintained throughout the 30 years. Various assumptions have been made as discussed above which will be monitored and updated as and when any more relevant information is available. These will be reported quarterly to Executive and Audit & Governance Committee via the budget monitoring report.

4.15 The HRA Business Plan has been amended for the estimated impact of the past rent reductions and other known changes. Chart Four shows the surplus (-) and deficit (+) predicted for each future year. Year 1 is 2020/21.

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



4.16 As with the General Fund, the HRA forecast has been updated to include new items arising in 2020/21. These are listed in Table Thirty-Three below.

Table Thirty-Three: HRA Revenue Budget Items Arising 2020/21 to 2023/24

£m	**Note**	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Leaseholder Management	21	0.080	0.080	0.080	0.080	**0.320**
Leaseholder Management Income		-0.305	-0.270	-0.220	-0.220	**-1.015**
IHMS Property Purchase Module	22	0.021	0.002	0.002	0.002	**0.027**
Tenant Engagement Research	23	0.025	0.000	0.000	0.000	**0.025**
Total of items listed above		**-0.179**	**-0.188**	**-0.138**	**-0.138**	**-0.643**

21. Leaseholder management and consultation is technically complex. It covers maintaining leaseholder contact database, queries, complaints, annual service charges (e.g. utilities, grounds maintenance, caretaker service), planned and responsive repairs. It is proposed to establish a Leaseholder Management team comprising of two officers to manage the relationship with housing leaseholders and develop processes. It is anticipated that this will be funded through improved cost recovery.

22. The property purchase module allows the managing of the Right to Buy process from within IHMS and can be made available online through Housing online. This will allow electronic online submission of RTB applications and document upload, with the process being managed from within IHMS and paper flow being through Information@Work.

23. The Council has a Tenant Participation policy which in line with recommendations and current practice should be a strategy with an evolving action plan that can monitor and record achievements through its life. Best practice states that we need to complete an independent survey and research to provide the direction of the strategy which would be aligned with IBC and tenant priorities.

4.17 The HRA Capital Programme has also been updated to include the items listed in Table Thirty-Four.

Table Thirty-Four: HRA Capital Additions 2020/21 to 2023/24

£m	Note	Expenditure 2020/21	Expenditure 2021/22 Onwards	Total Capital Expenditure
Communal Area Rewires	24	0.646	1.028	**1.674**
Communal TV System upgrades	25	0.165	0.000	**0.165**
PV Panels	26	0.355	1.812	**2.167**
Insulation in Council Homes	27	0.176	1.034	**1.210**
Sheltered Scheme Lift Upgrades	28	0.095	0.301	**0.396**
70 London Road	29	0.051	0.000	**0.051**
Total Capital Additions		**1.488**	**4.175**	**5.663**

24. Recent testing of communal areas in general needs blocks of flats and sheltered schemes identified upgrading works that are required over the next five years. This also provides an opportunity to deliver better energy efficient lighting for tenants and reduced electricity usage and cost for the Council by use of new energy efficient fittings.

25. Most of IBC's larger communal buildings (greater than six flats) have an Integrated Reception Systems (IRS). This IRS collects the broadcast signals from terrestrial (analogue & digital) and satellite transmitters, as well as FM radio and Digital Audio Broadcasts (DAB). All of these signals are distributed to each flat and allows the resident access to all available TV channels, including both analogue and digital terrestrial, and digital satellite. The Integrated Reception Systems (IRS) currently installed are intended to allow access to multiple services including Freestat TV, DAB & FM radio and older Sky and other satellite services. IBC will upgrade the IRS on our larger communal buildings to allow our tenants to continue to have access to Sky services.

26. To help tackle climate change and reduce carbon emissions a project to install Solar PV systems to all houses and bungalows that are going to be re-roofed as part of the planned maintenance programme over the next five years. This would help minimize the cost of installation by making use of the access scaffolding needed for re-roofing.

27. Around 724 solid wall and partial solid wall hard to heat homes have benefited from installation of external wall insulation with assistance of various funding schemes since 2012 including CESP, Green Deal Cashback and ECO funding. The works not only improve the thermal efficiency and reduce carbon emissions of these homes but also improve weatherproofing, sound resistance, fills cracks and gaps in brickwork or render, increases the life of the walls by protecting the brickwork and reduces condensation on internal walls, reduces defects and future repair costs, as well as, help tenants save money on their heating bills. There are residual 41 homes situated on the Rushmere and Racecourse estates that were not eligible for any of the previous funding,

because they already had insulation installed in the narrow cavity walls. This provides some insulation but not to the standards of other homes with wider insulated cavities or with external wall insulation. These homes will have insulation upgraded to the higher standard.

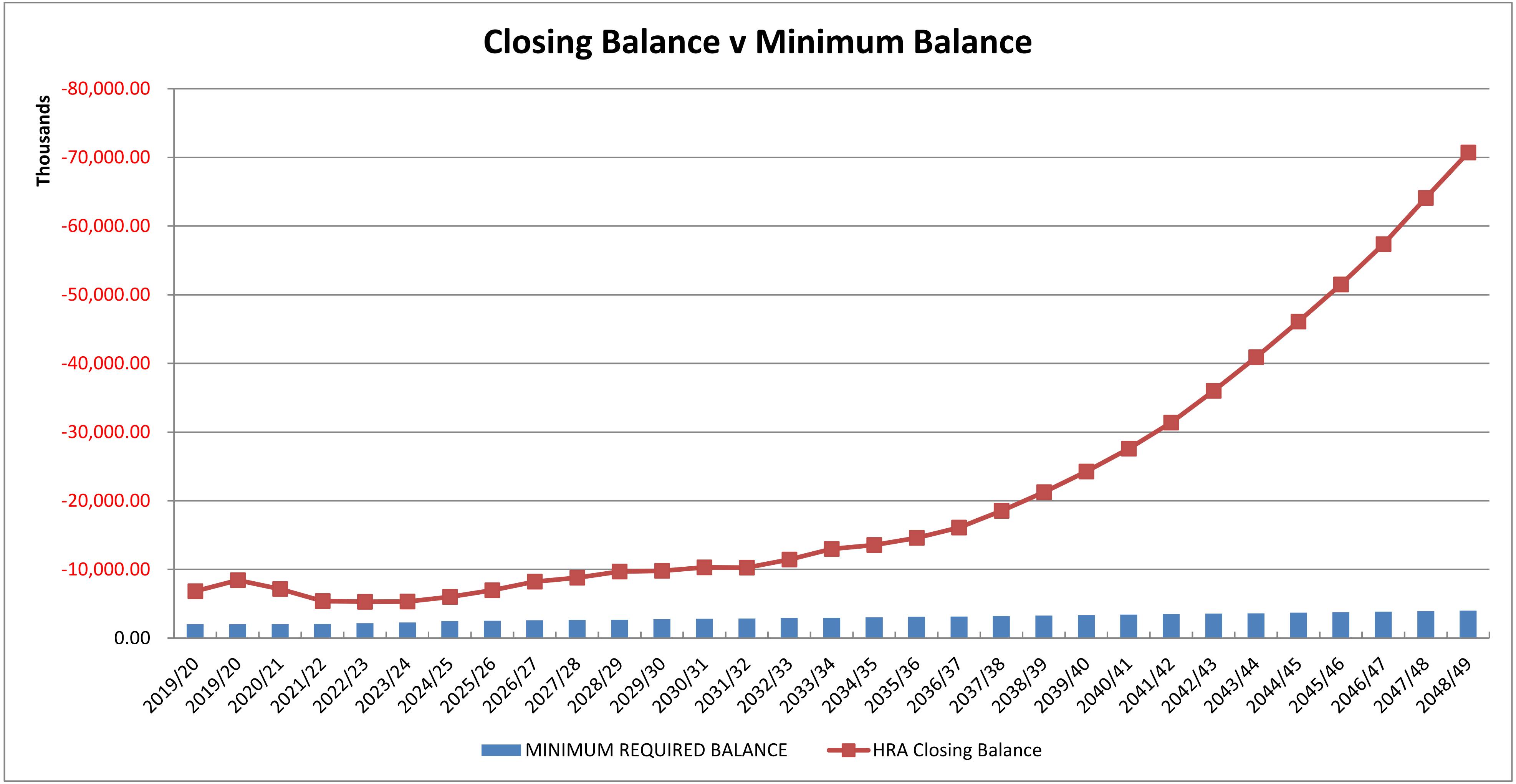
28. There are a range of passenger and stair lifts located in their sheltered schemes. These lifts have been installed to assist residents and visitors in accessing the various floors within the buildings. For most locations a combination of both passenger lift and stair lifts have been installed. Several of the existing lifts have aged equipment (greater than 20 years). This would entail a five-year replacement programme.

29. The council owns a property at 70 London Road – this is the cost of converting the property back into use as social housing.

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

4.19 The graph below shows the forecast position of the closing HRA balance v the Minimum balance that demonstrates the viability of the 30-year Plan. *(note 2019/20 is shown twice, reflecting the original and latest forecast positions for the current financial year)*

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



HOUSING REVENUE ACCOUNT FORECAST 2019/20 TO 2048/49

2018/19 OUT-TURN £		2019/20 ORIGINAL BUDGET £	*Year 1* 2019/20 FORECAST £	*Year 2* 2020/21 FORECAST £	*Year 3* 2021/22 FORECAST £	*Year 4* 2022/23 FORECAST £	*Year 5* 2023/24 FORECAST £
	EXPENDITURE						
	MANAGEMENT & MAINTENANCE						
4,793,837	Supervision & Management General	4,879,660	4,793,430	4,891,790	4,966,270	5,041,450	5,349,990
2,568,225	Supervision & Management Special	2,418,020	2,572,010	2,603,240	2,649,100	2,695,720	2,860,700
0	Superannuation Backfunding	222,000	222,000	252,150	252,150	252,150	252,150
4,371,185	Responsive Repairs	4,340,370	4,520,480	4,861,420	4,925,060	4,988,810	5,138,470
1,346,655	Special/Contract Repairs	1,487,260	1,502,240	1,444,360	1,468,910	1,493,890	1,523,770
609,007	Planned Maintenance	945,920	1,860,170	925,260	1,368,130	1,391,390	1,391,390
13,688,908	**MANAGEMENT & MAINTENANCE TOTAL**	**14,293,230**	**15,470,330**	**14,978,220**	**15,629,620**	**15,863,410**	**16,516,470**
	CAPITAL FINANCING COSTS						
34,513	**Debt Management Expenses**	29,220	28,510	26,480	24,520	22,320	22,320
2,879,713	**Debt Principal - repayment**	2,906,910	2,906,910	2,939,530	2,967,030	2,921,690	2,962,190
3,653,596	**Debt Interest payable and similar charges**	3,593,570	3,593,340	3,514,580	3,433,420	3,351,150	3,267,750
5,188,979	**Depreciation**	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490
886,065	**Impairment of Assets**	0	0	0	0	0	0
0	**Deferred Charges (REFCUS)**	0	0	0	0	0	0
12,642,865	**TOTAL CAPITAL FINANCING COSTS**	**10,755,190**	**10,754,250**	**10,706,080**	**10,650,460**	**10,520,650**	**10,477,750**
0	**RENT REBATES SUBSIDY LIMITATION**	**0**	**0**	**0**	**0**	**0**	**0**
135,708	**PROVISION FOR BAD DEBTS**	543,200	543,200	301,670	311,930	322,540	332,220
134,120	**Non Distributed Costs**	136,810	136,810	140,230	145,900	148,810	151,790
20,539	**HRA Share of Apprentice Levy**	0	20,540	21,050	21,050	21,050	21,050
26,622,141	**TOTAL EXPENDITURE**	**25,728,430**	**26,925,130**	**26,147,250**	**26,758,960**	**26,876,460**	**27,499,280**
	INCOME						
	RENTAL & CHARGES FOR SERVICES/FACILITIES						
33,122,663Cr	**Rents**	33,610,410Cr	33,217,410Cr	33,867,760Cr	34,882,720Cr	35,930,560Cr	37,007,160Cr
607,532Cr	**Commercial**	530,020Cr	928,420Cr	702,220Cr	613,930Cr	613,930Cr	613,930Cr
96,548Cr	**Garages**	134,520Cr	134,520Cr	139,090Cr	143,820Cr	148,710Cr	153,770Cr
437,254Cr	**Shops**	399,620Cr	417,800Cr	417,800Cr	417,800Cr	417,800Cr	417,800Cr
1,030,177Cr	**Service Charges**	1,034,740Cr	920,530Cr	1,003,980Cr	1,024,060Cr	1,044,540Cr	1,065,430Cr
13,344Cr	**Electricity FIT income**	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr
35,307,517Cr	**RENTS/CHARGES FOR SERVICES TOTAL**	**35,724,530Cr**	**35,633,900Cr**	**36,146,070Cr**	**37,097,550Cr**	**38,170,760Cr**	**39,273,310Cr**
207,220Cr	**G.F. RECHARGE**	**211,360Cr**	**211,360Cr**	216,640Cr	220,970Cr	225,390Cr	229,900Cr
35,514,737Cr	**TOTAL INCOME**	**35,935,890Cr**	**35,845,260Cr**	**36,362,710Cr**	**37,318,520Cr**	**38,396,150Cr**	**39,503,210Cr**
8,892,596Cr	**NET COST OF SERVICES**	**10,207,460Cr**	**8,920,130Cr**	**10,215,460Cr**	**10,559,560Cr**	**11,519,690Cr**	**12,003,930Cr**

HOUSING REVENUE ACCOUNT FORECAST 2019/20 TO 2048/49

2018/19 OUT-TURN £		2019/20 ORIGINAL BUDGET £	*Year 1* 2019/20 FORECAST £	*Year 2* 2020/21 FORECAST £	*Year 3* 2021/22 FORECAST £	*Year 4* 2022/23 FORECAST £	*Year 5* 2023/24 FORECAST £
8,892,596Cr	**NET COST OF SERVICES**	10,207,460Cr	8,920,130Cr	10,215,460Cr	10,559,560Cr	11,519,690Cr	12,003,930Cr
	Summary/Contingency items						
0	Items t/f from previous to current year	0	0	0	0	0	0
0	RTB Sales estimated effect	316,760	0	283,380	635,540	844,170	1,043,960
0	New Build estimated effect	0	0	28,290Cr	89,720Cr	209,020Cr	299,030Cr
661,910Cr	reversal of pension benefits & Employers	0	0	0	0	0	0
100,000	Inflation/£/Brexit contingency	100,000	100,000	100,000	100,000	100,000	100,000
0	Incentive Schemes Contingency	40,000	40,000	40,000	40,000	40,000	40,000
0	HRA Cost Pressures Arising net	0	0	179,000Cr	188,000Cr	138,000Cr	138,000Cr
0	Pay Assimilation/Uplift	280,000	0	0	0	0	0
0	Contingency for Sheltered Review	1,051,410	0	0	0	0	0
	Trans to/from Sheltered Reserve		940,000	0	0	0	0
0	Recharges/rescheduling	123,410	15,000	100,000	100,000	100,000	100,000
20,091Cr	Trans to/from IT Dev Reserve		0	0	0	0	0
1,029,000	Budget c/fwd from prev to curr yr	0	1,029,000Cr	0	0	0	0
59,170	Misc Contribns to Reserves	0		28,440Cr	11,560Cr	0	0
133,300Cr	New Homes Bonus	110,470Cr	110,470Cr	13,810Cr	0	0	0
0	Zero based Budgeting savings target	80,000Cr	80,000Cr	80,000Cr	80,000Cr	80,000Cr	80,000Cr
0	Customer Access Strategy - savings target	25,280Cr	25,280Cr	25,280Cr	25,280Cr	25,280Cr	25,280Cr
0	Transitional Vacancy savings to find	300,000Cr	42,860Cr	300,000Cr	300,000Cr	300,000Cr	300,000Cr
6,187,321Cr	Reverse All Depreciation & Deferred charges	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr
7,364,890	Transfer to Major Repairs Reserve	8,981,800	8,981,800	9,777,600	9,719,880	9,995,350	9,966,130
	Projects not yet approved			1,487,130	2,186,680	987,900	1,000,410
280,122Cr	Interest/investments (net)	429,300Cr	395,920Cr	368,360Cr	343,240Cr	398,300Cr	200,000Cr
	CIVICA Upgrade Efficiency Savings	0	0	24,260Cr	229,440Cr	238,440Cr	238,440Cr
7,622,280Cr	**NET OPERATING EXPENDITURE**	4,600,960Cr	4,868,690Cr	3,816,620Cr	3,386,530Cr	5,183,140Cr	5,376,010Cr
6,815,160	RCCO's	6,762,640	7,318,490	5,085,000	5,171,450	5,259,360	5,348,770
807,120Cr	**(SURPLUS)/DEFICIT in year**	2,161,680	2,449,800	1,268,380	1,784,920	76,220	27,240Cr
	Use of surplus for budget c/fwd						
	NET (SURPLUS)/DEFICIT in year	2,161,680	2,449,800	1,268,380	1,784,920	76,220	27,240Cr
10,075,105Cr	HRA Balance b/f 1st April	8,992,923Cr	10,882,225Cr	8,432,425Cr	7,164,045Cr	5,379,125Cr	5,302,905Cr
10,882,225Cr	HRA Balance c/f 31st March	6,831,243Cr	8,432,425Cr	7,164,045Cr	5,379,125Cr	5,302,905Cr	5,330,145Cr
	MINIMUM REQUIRED BALANCE	2,040,000Cr	2,040,000Cr	2,040,000Cr	2,080,800Cr	2,164,864Cr	2,297,354Cr

Section 5

RESERVES AND PROVISIONS POLICY

5.1 The Council complies with the requirements of the Local Authority Accounting Bulletin 77 (November 2008) on the establishment and maintenance of local authority provisions, reserves and balances. Compliance with current bulletins is recommended in the CIPFA 2003 Statement of the Role of the Finance Director in Local Government.

5.2 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992, require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There is no statutory minimum level of reserves that must be held.

5.3 Reserves can be held for three main purposes;

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

5.4 It is the responsibility of the Section 151 Officer to recommend the level of reserves and put in place protocols for their establishment and use.

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

i) there is a present obligation as a result of a past event;
ii) it is probable that the obligation will arise;
iii) the amount of the obligation can be estimated.

Reserves held by Ipswich Borough Council

<u>General Fund</u>

Working Balance

5.6 The level of the General Working Balance to be held by the Council is determined by consideration of strategic, operational and financial risks.

5.7 The determination of the level of reserves to be held is influenced by cash flow requirements, budget assumptions e.g. inflation, interest rates, planned efficiency savings and the availability of other funds together with an assessment of the financial standing and management of the authority e.g. track record in budget management and strength of financial reporting procedures.

5.8 The opportunity cost of maintaining a minimum General Fund working balance of £2m, is contrasted with the cost of running services such as Domestic Refuse Collection, Parks and Open Spaces or the Emergency Services Centre which are all comparable in cost. The level of reserves held is also influenced by the "opportunity cost" of holding these funds, which could otherwise be used for other purposes, for example to reduce the level of Council Tax or increase the overall level of services provided.

5.9 The benefits of investment income accrued on reserves held, to the overall budget, is also a consideration in arriving at the level of reserves to be held.

5.10 Consideration of the current economic climate, in particular reduced income levels and the possible impact on cash flow has led to a decision to retain a General Fund Working Balance of £2m.

Ipswich Buses Ltd – Debenture Loan

5.11 The Transport Realisation Account represents the initial investment in Ipswich Buses, less the write down of accumulated losses (no further losses are anticipated).

Insurance Reserve

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

Repair and Renewal

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

NNDR Equalisation Fund

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

Revenue Grants/Contributions

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

Housing Revenue Account

Working Balance

5.16 The HRA Working Balance is maintained to provide a contingency for dealing with potentially significant variances that could arise due to changes associated with the HRA business plan. As a result, the minimum working balance is kept at £2m to ensure the sustainability of the plan.

Repair and Renewal

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

Miscellaneous

5.18 Miscellaneous Housing Reserves include sums set aside for replacement of Housing computer systems, implementation of the "Ipswich Standard" and Supporting People. The sums put aside are based upon known future requirements.

Provisions held by Ipswich Borough Council

General Fund

Insurance Provision

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

Bad Debts

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

Housing Revenue Account

Bad Debts

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

Schedule of Working Balances, Reserves and Provisions

Reserves	Balance 31-Mar-19 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-20 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-21 £'000	Balance 31-Mar-22 £'000	Balance 31-Mar-23 £'000	Balance 31-Mar-24 £'000
General Fund:										
Working Balance	9,946Cr	0	1,321	8,625Cr	0	395	8,230Cr	7,346Cr	6,143Cr	4,987Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr	252Cr
Insurance Reserve	898Cr	0	0	898Cr	0	0	898Cr	898Cr	898Cr	898Cr
Service Based Reserves	5,087Cr	0	2,946	2,141Cr	8Cr	28	2,121Cr	2,175Cr	2,105Cr	2,039Cr
Repair and Renewal	488Cr	11Cr	4	495Cr	11Cr	4	502Cr	509Cr	520Cr	531Cr
Business Rates Reserve	3,839Cr	0	381	3,458Cr	0	0	3,458Cr	3,218Cr	3,218Cr	3,218Cr
Legacies	88Cr	0	0	88Cr	0	0	88Cr	88Cr	88Cr	88Cr
Revenue Grants Reserve	1,303Cr	0	156	1,147Cr	0	96	1,051Cr	962Cr	884Cr	836Cr
Section 106 Grants	697Cr	0	0	697Cr	0	0	697Cr	697Cr	697Cr	697Cr
Total	**22,598Cr**	**11Cr**	**4,808**	**17,801Cr**	**19Cr**	**523**	**17,297Cr**	**16,145Cr**	**14,805Cr**	**13,546Cr**
Housing Revenue Account:										
Working Balance	10,882Cr	0	2,450	8,432Cr	0	1,268	7,164Cr	5,379Cr	5,303Cr	5,330Cr
Repair and Renewal	500Cr	0	0	500Cr	0	0	500Cr	500Cr	500Cr	500Cr
Sheltered Scheme Reserve	100Cr	940Cr	0	1,040Cr	0	0	1,040Cr	1,040Cr	1,040Cr	1,040Cr
IT Reserves	40Cr	0	28	12Cr	0	12	0	0	0	0
HRA Insurance Reserve	232Cr	0	0	232Cr	0	0	232Cr	232Cr	232Cr	232Cr
Service Reserves	1,621Cr	0	0	1,621Cr	0	0	1,621Cr	1,621Cr	1,621Cr	1,621Cr
Abortive New Build	300Cr	0	0	300Cr	0	0	300Cr	300Cr	300Cr	300Cr
Total	**13,675Cr**	**940Cr**	**2,478**	**12,137Cr**	**0**	**1,280**	**10,857Cr**	**9,072Cr**	**8,996Cr**	**9,023Cr**
Capital:										
General Fund										
Usable Capital Receipts	0	8,888Cr	8,888	0	0	0	0	0	0	0
Capital Financing	847Cr	40Cr	625	262Cr	0	262	0	0	0	0
Housing Revenue Account										
Usable Capital Receipts	19,573Cr	3,921Cr	11,830	11,664Cr	3,920Cr	13,694	1,890Cr	1,213Cr	0	0
Capital Financing	31,371Cr	16,300Cr	8,379	39,292Cr	16,350Cr	25,077	30,565Cr	27,430Cr	24,331Cr	20,319Cr
Total	**51,791Cr**	**29,149Cr**	**29,722**	**51,218Cr**	**20,270Cr**	**39,033**	**32,455Cr**	**28,643Cr**	**24,331Cr**	**20,319Cr**

Schedule of Working Balances, Reserves and Provisions ctd

Provisions	Balance 31-Mar-19 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-20 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-21 £'000	Balance 31-Mar-22 £'000	Balance 31-Mar-23 £'000	Balance 31-Mar-24 £'000
General Fund:										
Insurance Provision	583Cr	200Cr	200	583Cr	200Cr	200	583Cr	583Cr	583Cr	583Cr
Provision for Bad Debts	2,480Cr	100Cr	100	2,480Cr	100Cr	100	2,480Cr	2,480Cr	2,480Cr	2,480Cr
Total	**3,063Cr**	**300Cr**	**300**	**3,063Cr**	**300Cr**	**300**	**3,063Cr**	**3,063Cr**	**3,063Cr**	**3,063Cr**
Housing Revenue Account:										
Provision for Bad Debts	582Cr	100Cr	100	582Cr	100Cr	100	582Cr	582Cr	582Cr	582Cr
Total	**582Cr**	**100Cr**	**100**	**582Cr**	**100Cr**	**100**	**582Cr**	**582Cr**	**582Cr**	**582Cr**
Grand Total	**91,709Cr**	**30,500Cr**	**37,408**	**84,801Cr**	**20,689Cr**	**41,236**	**64,254Cr**	**57,505Cr**	**51,777Cr**	**46,533Cr**

Section 6

CAPITAL STRATEGY / PROGRAMME

Introduction

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

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

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

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

Key Areas of Capital Expenditure

6.4 The capital strategy supports delivery of the Council's Corporate Plan and objectives. The Corporate Plan includes the core aims of;

- A stronger Ipswich Economy
- A High Quality and Sustainable Environment
- An enjoyable place to live, work and study
- A Healthy Community
- Quality Homes for All
- Safe Communities
- An Efficient and Effective Council

6.5 The Medium Term Financial Plan sets out the capital programme and funding requirements over the medium term. In particular, there are three main areas of focus over the medium term;

- Building 1,000 homes in a decade;
- Investing in and developing Ipswich's town centre;
- Financing the Council's arm-length companies to support the revenue budget

6.6 In relation to the 2020/21 (and onwards) capital programme, key highlights include:

- Further developing arms-length companies
- Increasing and maintaining housing stock

- Bringing forward the replacement of some of the Council’s older vehicle fleet
- Non-Operational Asset Management
- Open Spaces Repairs

6.7 The Medium Term Financial Plan also includes the future financing costs (i.e. the cost of the debt incurred to pay for capital assets) and maintenance costs associated with the capital programme.

6.8 Investment in the Council’s arms-length companies is an integral element of the Big Ticket programme and has provided significant revenue benefits to the General Fund.

6.9 For prudence, the capital programme included in this MTFP assumes that investment in companies will be 100% financed by borrowing, but where possible the Council will use alternative sources of financing or deliver an equivalent level of return without needing to borrow (for example through dividend income).

Funding Capital Expenditure

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

Government Grants – These are contributions received from Government bodies. They are normally attributable to specific schemes or programmes.

External Funding - These are contributions received from any other bodies e.g. developers, 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 scheme and funding is automatically added to the capital programme.

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

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

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

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

Current Situation

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

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

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

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

- It has been past practice to “fully fund” the Capital Programme, however this practice when combined with the need for extensive borrowing and significant slippage has resulted in large year-end underspends relating to financing charges. In response to this an amended protocol has been adopted which does not finance contingency or “self-financing” projects until funds are actually required.

Performance Framework Overview

6.13 The Council has adopted Best Practice to coordinate:-

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

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

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

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

- Milestones
- Asset Management
- Responsible Officer

6.16 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.

6.17 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.

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

Performance Measures and Monitoring

6.19 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;
- Delivery against each capital scheme is reviewed on a monthly basis at Capital Working Group, chaired by the Chief Executive;
- Capital Programme monitoring is done on a quarterly basis through Heads of Service 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 quarterly basis.

6.20 For all HRA schemes where improvements are made to tenant's dwellings, the tenant is invited to complete a satisfaction survey, with an end of year review carried out to enable continuous improvement.

Risk & Governance

6.21 The Council has a robust approach to managing financial risk. This is set out in full in the Financial Standing Orders and the accompanying Financial Rules.

6.22 The Audit and Governance Committee is responsible for reviewing the Council's Risk Management strategy and for reviewing the effectiveness of risk management. The Chief Finance Officer is responsible for ensuring that proper insurance exists where appropriate.

6.23 The Head of Internal Audit is responsible for advising on effective systems of internal control. These arrangements need to ensure compliance with applicable statutes and regulations, and other relevant statements of best practice. They should ensure that public funds are properly safeguarded and used economically, efficiently, and in accordance with the statutory and other authorities that govern their use.

6.24 The Chief Finance Officer is responsible for ensuring that a Capital Programme is prepared on an annual basis for consideration by the Executive before submission to the Council.

6.25 Each capital scheme has a clearly identified project manager responsible for delivery of the scheme within the delegated budget.

6.26 In order for a scheme to be added to the capital programme, approval must be given by Executive. Heads of Service are responsible for ensuring that a detailed business case is prepared for each project within their respective service area.

6.27 The Chief Finance Officer is responsible for providing appropriate financial information to enable budgets to be monitored effectively. The Chief Financial Officer must monitor and control expenditure and income against budget allocations and report to the Executive on the overall position on a regular basis.

6.28 Expenditure and delivery of each Capital Project is monitored on a monthly basis through Capital Working Group, chaired by the Chief Executive, and reported to Executive as part of the Quarterly Budget Monitoring Report. This report is also presented to Audit & Governance Committee.

Capital Procurement

6.29 Procurement rules are set out by the Contract Standing Orders. These form part of the constitution, and are routinely monitored to ensure they are kept relevant.

6.30 All tenders with an aggregate spend in excess of £100,000 require approval from Executive before contracts can be awarded – this will affect most capital projects.

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

6.32 All procurements meeting OJEU thresholds (which for 2020/21 are £189,330 for Goods & Services; £4,773,252 for works) are managed through Procurement Board following a gateway process. This ensures that the procurement exercise is of a high process, following due process throughout and delivering best value.

6.33 All major contracts are detailed in the Council's contract register, and contracts due for renewal and forthcoming tenders are listed within the Procurement Pipeline document which is monitored by the Procurement Board.

6.34 Procurement frameworks are used where possible to expedite the procurement process. This still requires a detailed specification and evaluation process to be in place during the procurement.

Developing Knowledge and Skills

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

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

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

Detailed Capital Programme and Funding Sources

6.38 The detailed capital programme and the sources of funding are presented below for consideration;

Group	Capital Project Description	Councillor	2019/20 Latest Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
Maintaining Properties	Planned Maintenance Programme_Capital	Cllr Macdonald	865,970	2,922,370	3,900,870	3,991,080	4,062,360
Maintaining Properties	Kitchen and Bathroom Refurbishments	Cllr Macdonald	857,840	1,052,050	1,055,870	1,072,240	1,091,380
Maintaining Properties	Better Use of Stock	Cllr Macdonald	22,270	0	0	0	0
Maintaining Properties	Communal Areas refurbishments	Cllr Macdonald	279,170	203,310	228,600	259,730	264,360
Maintaining Properties	Neighbourhood and Community Improvements	Cllr Macdonald	507,020	400,940	442,720	465,350	472,930
Maintaining Properties	Asbestos Removal	Cllr Macdonald	123,350	117,370	123,600	128,210	133,180
Maintaining Properties	Central Heating (Affordable Warmth)	Cllr Macdonald	1,902,310	1,970,770	1,695,810	1,649,800	1,588,700
Maintaining Properties	Insulation/Ventilation	Cllr Macdonald	108,730	121,610	122,060	123,950	126,170
Maintaining Properties	Rewires Programme inc Voids	Cllr Macdonald	752,460	918,440	870,770	986,500	866,360
Maintaining Properties	Electrical Sub Mains	Cllr Macdonald	825,430	881,530	0	0	0
Maintaining Properties	Sheltered Imps/Lifts/Boilers	Cllr Macdonald	325,980	306,270	340,230	345,500	351,760
Maintaining Properties	Disabled Adaptations	Cllr Macdonald	844,810	851,790	939,350	972,990	1,008,930
Maintaining Properties	Cumberland Towers upgrade	Cllr Macdonald	37,510	0	0	0	0
Maintaining Properties	Upgrade bay window wall & roof insulation	Cllr Macdonald	624,070	0	0	0	0
Maintaining Properties	Communal Area Rewires	Cllr Macdonald	0	645,800	467,600	277,610	282,390
Maintaining Properties	Communal TV System upgrades	Cllr Macdonald	0	164,750	0	0	0
Maintaining Properties	PV Panels	Cllr Macdonald	0	355,210	593,930	604,040	614,300
Maintaining Properties	Insulation in Council Homes	Cllr Macdonald	0	175,940	1,034,000	0	0
Maintaining Properties	IBC Lifts	Cllr Macdonald	0	94,580	91,150	106,250	103,720
Maintaining Properties	70 London Road	Cllr Macdonald	0	50,850	0	0	0
	Maintaining Properties		**8,076,920**	**11,233,580**	**11,906,560**	**10,983,250**	**10,966,540**
House Building	Ravenswood UVW	Cllr Macdonald	250,000	1,000,000	10,000,000	5,741,000	259,000
House Building	Tooks	Cllr Macdonald	5,852,260	995,000	104,000	0	0
House Building	Increased Housing Provision (indictative - subject to HRA resources)	Cllr Macdonald	0	15,505,000	106,000	7,262,000	13,000,000
House Building	Widgeon Close	Cllr Macdonald	41,000	0	0	0	0
House Building	Buy Backs	Cllr Macdonald	2,200,000	2,200,000	0	0	0
House Building	79 Cauldwell Hall Road demolition & new build	Cllr Macdonald	1,228,230	51,000	0	0	0
House Building	Housing Acquisitions	Cllr Macdonald	1,818,420	3,600,000	0	0	0
House Building	I.H.P. Grimwade Street	Cllr Macdonald	200,000	2,500,000	300,000	0	0
House Building	IHP Small Sites Coltsfoot Road	Cllr Macdonald	50,000	549,000	54,000	8,000	0
House Building	IHP Small Sites Sheldrake Drive	Cllr Macdonald	60,000	100,000	1,091,000	450,000	23,000
House Building	IHP Small Sites Mallard Way	Cllr Macdonald	50,000	220,000	907,000	16,000	0
House Building	IHP Small Sites Emmanuel Close	Cllr Macdonald	30,000	492,000	340,000	11,000	0
House Building	IHP Small Sites Halton Crescent	Cllr Macdonald	50,000	295,000	0	4,000	0
	House Building		**11,829,910**	**27,507,000**	**12,902,000**	**13,492,000**	**13,282,000**
IT - HRA	Civica Upgrade	Cllr Macdonald	302,100	31,150	0	0	0
	Housing Revenue Account Total		**20,208,930**	**38,771,730**	**24,808,560**	**24,475,250**	**24,248,540**

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2019/20 AND FUTURE YEARS

	USABLE CAPITAL RECEIPTS	RESTRICTED CAPITAL RECEIPTS NEW BUILD ONLY	RESTRICTED CAPITAL RECEIPTS ALLOWABLE DEBT	EXTERNAL FUNDING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY (NEW BUILD)	TOTAL
2019/20								
Resources at 31.03.2019	6,390,430	7,084,726	6,097,973	0	0	1,581,362	29,790,200	50,944,690
Capital Receipts forecast to be received during 2019/20	230,791	2,385,926	1,303,767	0	0	0	0	3,920,484
Resources in the year	0	0	0	0	0	8,981,800	7,318,490	16,300,290
Use of Resources	1,211,000	3,217,170	7,401,740	0	0	8,379,020	0	20,208,930
Balance at year end	**5,410,221**	**6,253,482**	**0**	**0**	**0**	**2,184,142**	**37,108,690**	**50,956,534**
2020/21								
Resources at 31.03.2020	5,410,221	6,253,482	0	0	0	2,184,142	37,108,690	50,956,534
Capital Receipts forecast to be received during 2020/21	230,779	2,385,926	1,303,000	0	0	0	0	3,919,705
Resources in the year	0	0	0	0	0	11,264,730	5,085,000	16,349,730
Use of Resources	5,641,000	6,750,000	1,303,000	0	0	11,264,730	13,813,000	38,771,730
Balance at year end	**0**	**1,889,408**	**0**	**0**	**0**	**2,184,142**	**28,380,690**	**32,454,239**
2021/22								
Resources at 31.03.2021	0	1,889,408	0	0	0	2,184,142	28,380,690	32,454,239
Capital Receipts forecast to be received during 2021/22	230,000	2,385,926	1,304,000	0	0	0	0	3,919,926
Resources in the year	0	0	0	0	0	11,906,560	5,171,450	17,078,010
Use of Resources	230,000	3,062,000	1,304,000	0	0	11,906,560	8,306,000	24,808,560
Balance at year end	**0**	**1,213,334**	**0**	**0**	**0**	**2,184,142**	**25,246,140**	**28,643,615**
2022/23								
Resources at 31.03.2022	0	1,213,334	0	0	0	2,184,142	25,246,140	28,643,615
Capital Receipts forecast to be received during 2022/23	230,600	2,385,666	1,304,000	0	0	0	0	3,920,266
Resources in the year	0	0	0	0	0	10,983,250	5,259,360	16,242,610
Use of Resources	230,600	3,599,000	1,304,000	0	0	10,983,250	8,358,400	24,475,250
Balance at year end	**0**	**0**	**0**	**0**	**0**	**2,184,142**	**22,147,100**	**24,331,241**
2023/24								
Resources at 31.03.2023	0	0	0	0	0	2,184,142	22,147,100	24,331,241
Capital Receipts forecast to be received during 2023/24	231,000	2,386,000	1,304,000	0	0	0	0	3,921,000
Resources in the year	0	0	0	0	0	10,966,540	5,348,770	16,315,310
Use of Resources	231,000	2,386,000	1,304,000	0	0	10,966,540	9,361,000	24,248,540
Balance at year end	**0**	**0**	**0**	**0**	**0**	**2,184,142**	**18,134,870**	**20,319,011**

Capital Project Description	Councillor	2019/20 Latest Budget	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget
Capitalised Repairs	Cllr Ellesmere	827,330	1,066,000	630,000	500,000	500,000
Climate Change	Cllr P Smart	0	200,000	200,000	200,000	200,000
Disabled Facilities Grants	Cllr Macdonald	1,908,374	800,000	800,000	800,000	800,000
Improvement Grants	Cllr Macdonald	200,000	100,000	100,000	100,000	100,000
Cap. IT Dev. - Equipment	Cllr M Cook	233,660	250,000	230,000	230,000	230,000
Cap. IT Dev. - Website/back office integration	Cllr M Cook	21,210	0	0	0	0
Finance System	Cllr M Cook	243,706	0	0	0	0
Unified Communications Project	Cllr M Cook	425,360	0	0	0	0
Play Area Equipment	Cllr P Smart	643,730	100,000	100,000	100,000	100,000
Opportunity Purchase/Infrastructure	Cllr Ellesmere	1,645,110	1,000,000	1,000,000	1,000,000	1,000,000
Waterfront Sites	Cllr Ellesmere	200,000	400,000	712,000	0	0
Walnut Tree Farm Land Purchase	Cllr Ellesmere	3,420,490	0	2,580,000	0	0
Resurfacing Car Parks	Cllr Barber	120,000	68,000	100,000	100,000	100,000
Town Centre Public Realm Improvements	Cllr Jones	0	1,800,000	1,000,000	0	0
Buildings at Risk	Cllr Ellesmere	0	70,000	130,000	0	0
Non-Operational Asset Management	Cllr Ellesmere	0	165,000	750,000	430,000	275,000
Open Spaces Repairs Budget	Cllr P Smart	0	240,000	140,000	100,000	100,000
General Fund - Annual Core Investments		**9,888,970**	**6,259,000**	**8,472,000**	**3,560,000**	**3,405,000**
Chantry HLF Bid	Cllr P Smart	20,000	60,000	200,000	1,220,000	0
Parks Improvements	Cllr P Smart	120,000	0	0	0	0
Tooks GF	Cllr Macdonald	3,595,000	0	0	0	0
Museum Project	Cllr Jones	175,000	500,000	2,514,000	0	0
Crown Pools Roof Repair	Cllr Rudkin	150,000	100,000	0	0	0
Ipswich Flood Defence Payback	Cllr P Smart	1,000,000	1,000,000	1,000,000	600,000	0
Crown St Multi Storey Car Park	Cllr Ellesmere	696,020	0	0	0	0
Car Park Ticket Machines	Cllr Barber	10,080	0	0	0	0
Economic Development	Cllr Ellesmere	0	500,000	0	0	0
Cornhill Regeneration	Cllr Barber	201,940	0	0	0	0
Regent Theatre Customer Improvements	Cllr Barber	300,000	300,000	370,000	0	0
Broomhill Pool	Cllr Rudkin	68,000	1,000,000	432,000	0	0
St Peters Dock Public Realm	Cllr Jones	50,000	0	0	0	0
Ipswich Arts School Roof Replacement	Cllr Jones	50,000	340,000	0	0	0
Public Realm Arras Square	Cllr Jones	75,000	125,000	0	0	0
Eastern Gateway	Cllr Ellesmere	5,105,000	8,012,000	4,015,000	2,781,000	388,000
NW (Tooks) GP Surgery	Cllr Ellesmere	99,900	2,000,000	4,000,000	443,000	0
Princes St Area Multi Storey car park	Cllr Ellesmere	100,000	4,000,000	2,500,000	380,000	0
Upper Barclay Street Car Park	Cllr Barber	360,940	0	0	0	0
214 Sidegate Lane	Cllr Macdonald	856,280	0	0	0	0
Raeburn Road Infrastructure Works	Cllr Ellesmere	350,000	0	0	0	0
EV Points Various Outstations	Cllr P Smart	50,000	0	0	0	0
Headway Centre	Cllr Ellesmere	200,000	4,300,000	750,000	300,000	0
86-98 Princes Street (former Avanti Auto)	Cllr Ellesmere	210,000	0	0	0	0
Community Improvements in Priory Heath and Westgate	Cllr Ross	200,000	0	0	0	0
CCTV Replacement System	Cllr Barber	403,420	0	0	0	0
HEARS System Upgrade	Cllr Barber	8,790	0	0	0	0
Cemetery - Phase 2a	Cllr P Smart	60,000	0	0	0	0
Carbon Management Prog Invest to Save - unallocated	Cllr P Smart	60,000	75,000	61,000	0	0
1 Cornhill	Cllr Ellesmere	523,270	0	0	0	0
Pond Hall Farm	Cllr Ellesmere	117,690	250,000	150,000	100,000	0
Corn Exchange Improvements	Cllr Ellesmere	0	140,000	0	0	0
Alexandra Park Play Area	Cllr P Smart	0	150,000	0	0	0
General Fund - Major Capital Projects		**15,216,330**	**22,852,000**	**15,992,000**	**5,824,000**	**388,000**
Empty Homes Strategy	Cllr MacDonald	823,550	0	0	0	0
Property Acquisition	Cllr MacDonald	250,000	0	0	0	0
Former Tooks Bakery Site transfer of residential land	Cllr Ellesmere	1,000,000	0	0	0	0
Priory Heath Improvements	Cllr Ross	60,000	30,000	0	0	0
Sports Schemes	Cllr Rudkin	100,000	100,000	100,000	100,000	0
FIND Gainsborough Sports Centre	Cllr Rudkin	210,000	0	0	0	0
Fleet Replacement	Cllr P Smart	2,500,000	1,500,000	1,200,000	500,000	500,000
Responses to Gang & Youth Violence	Cllr Ross	60,000	60,000	60,000	0	0
Variable Message Signing	Cllr Barber	249,120	0	0	0	0
Transit site for Travellers	Cllr MacDonald	100,000	0	0	0	0
Contingency - additional Commitments	Cllr M Cook	470,000	500,000	500,000	500,000	500,000
General Fund - Contingency & Other Items		**5,822,670**	**2,190,000**	**1,860,000**	**1,100,000**	**1,000,000**
General Fund Total (Excluding Loans to Council Companies)		**30,927,970**	**31,301,000**	**26,324,000**	**10,484,000**	**4,793,000**
Ipswich Buses Loan	Cllr M Cook	494,000	0	0	0	0
IBA Loans (indicative)	Cllr M Cook	0	23,000,000	15,000,000	15,000,000	21,000,000
		494,000	**23,000,000**	**15,000,000**	**15,000,000**	**21,000,000**
TOTAL CAPITAL PROGRAMME		**51,630,900**	**93,072,730**	**66,132,560**	**49,959,250**	**50,041,540**

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2019/20 AND FUTURE YEARS

	EXTERNAL FUNDING	CAPITAL RECEIPTS	REVENUE CONTRIBS TO CAPITAL OUTLAY	BORROWING	TOTAL
2019/20					
Resources at 31.03.2019	1,604,862	0	847,523	0	2,452,385
Capital Receipts forecast to be received during 2019/20	0	8,888,250	0	0	8,888,250
Resources in the year	1,061,517	0	40,000	19,242,120	20,343,637
Use of Resources	2,666,379	8,888,250	625,221	19,242,120	31,421,970
Balance at year end	0	0	262,302	0	262,302
2020/21					
Resources at 31.03.2020	0	0	262,302	0	262,302
Capital Receipts forecast to be received during 2020/21	0	0	0	0	0
Resources in the year	812,500		0	53,226,198	54,038,698
Use of Resources	812,500	0	262,302	53,226,198	54,301,000
Balance at year end	0	0	0	0	0
2021/22					
Resources at 31.03.2021	0	0	0	0	0
Capital Receipts forecast to be received during 2021/22	0	0	0	0	0
Resources in the year	812,500	0	0	40,511,500	41,324,000
Use of Resources	812,500	0	0	40,511,500	41,324,000
Balance at year end	0	0	0	0	0
2022/23					
Resources at 31.03.2022	0	0	0	0	0
Capital Receipts forecast to be received during 2022/23	0	0	0	0	0
Resources in the year	800,000	0	0	24,684,000	25,484,000
Use of Resources	800,000	0	0	24,684,000	25,484,000
Balance at year end	0	0	0	0	0
2023/24					
Resources at 31.03.2023	0	0	0	0	0
Capital Receipts forecast to be received during 2023/24	0	0	0	0	0
Resources in the year	800,000	0	0	24,993,000	25,793,000
Use of Resources	800,000	0	0	24,993,000	25,793,000
Balance at year end	0	0	0	0	0

Section 7

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2020/21

Introduction

7.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. 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.

7.2 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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

7.3 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

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

7.5 The Council's treasury activities are strictly regulated by statutory requirements in The CIPFA Code of Practice on Treasury Management 2017 and The CIPFA Prudential Code 2017.

7.6 Consideration has also been given to the following documents in compiling the Treasury Management strategy: CIPFA Treasury Management in the Public Service Guidance Notes 2018, CIPFA Statement on 17/10/2018 on borrowing in advance of need and investments in commercial properties, CIPFA Bulletin 02 Treasury and Capital Management Update October 2018, Statutory investment guidance where it has been updated in 2018 and Statutory MRP guidance where it has been updated in 2018.

7.7 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. Under the Council's constitution, all of these reports will be presented to Council for consideration.

TREASURY MANAGEMENT STRATEGY

7.8 Table Thirty-Five below shows the Council's treasury portfolio position as at 31 December 2019.

Table Thirty-Five: Treasury Portfolio Position as at 31 December 2019

	General Fund	HRA	Overall
Borrowing			
PWLB Maturity	£57.500m	£34.150m	£91.650m
PWLB Annuity	£34.020m	£30.480m	£64.500m
PWLB EIP	£0m	£28.412m	£28.412m
Market loans	£3.600m	£9.000m	£12.600m
Total Borrowing	**£95.120m**	**£102.042m**	**£197.162m**
Investments			
Fixed Term Investments			£21.020m
Instant Access Accounts			£1.000m
Money Market Funds			£3.220m
Notice Accounts			£12.000m
Inter Group Loans			£91.778m
Total Investments			**£129.018m**

Borrowing Strategy

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

7.10 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.

7.11 However, borrowing conditions have changed over the past few months and this is expected to continue into 2020, with new lenders coming to the local authority market following the increase in Public Works Loan Board (PWLB) rates.

7.12 Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances;

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

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

7.13 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.

7.14 Interest rates across the board are at historic low levels and over the coming year are not expected to significantly increase much, with the base rate not expected to increase until 2021 at the earliest.

7.15 If the Council were to borrow any long-term debt during 2020/21, the current expectation is that the interest rate will probably vary between 2.4% - 3.6%, depending on the periods borrowed for and the type of loans taken out. The table below gives the estimated interest rates for future periods based on an agreement being reached on Brexit between the UK and the EU.

Table Thirty-Six: Estimated Interest Rates for Future Periods

	Bank Rate (%)	PWLB Borrowing Rates (%)		
		10 year	25 year	50 year
March 2020	0.75%	2.70%	3.30%	3.20%
March 2021	0.75%	2.90%	3.60%	3.50%
March 2022	1.00%	3.20%	3.90%	3.80%
March 2023	1.25%	3.50%	4.10%	4.00%

7.16 In the event of an orderly Brexit non-agreement exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

7.17 If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

7.18 Historically, the Council has borrowed most of its funding via the PWLB. However on the 9 October 2019 the PWLB increased the rate on any new loans by 1%. This has therefore opened up the market to other lenders and potentially the Municipal Bonds Agency and all options will be examined when considering the funding needs of the Council. However, the lead-in times to borrow long term funding from counterparties other than the PWLB is longer, and this factor will need to be taken into account when long term funding decisions are made.

7.19 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.

7.20 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.

7.21 The Council have signed up as one of the founding members of this scheme. To date the Municipal Bonds Agency have not made any loans, but following the increase in PWLB borrowing rates, the agency is looking to arrange its first bond issues during the first half of 2020. 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.

7.22 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. Rescheduling of our current PWLB debt is unlikely to occur as the 1% increase in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates. 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).

7.23 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.

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

INVESTMENT STRATEGY

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

7.26 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.

7.27 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.

7.28 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, Link Asset Services, banks' ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

7.29 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.

7.30 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.

7.31 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.

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

7.33 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.

7.34 There are several operational issues Councillors will need to consider when agreeing the Counterparty list for 2020/21 and these are detailed below.

7.35 The Council currently have an instant access account and four Money Market Funds (MMF's) which are used to manage the Council's working capital and ensure the Council always has funds to meet its liabilities. These types of investments are very secure and gives the Council instant access to funds when required.

7.36 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.

7.37 The table below shows the rates available from five different investment categories. It also shows there are different levels of security with the five investments, all of which are very good. The rates shown below are currently the best on offer based on a one-year investment with base rates at 0.75%.

Table Thirty-Seven: Rates Available by Investment Counterparty Type

Investment Counterparty	**Interest Rate**	**Security**
Government Debt Management Account	0.56%	The government guarantees this money is returned.
Gilts	0.50%	Money Invested with Government, so it will be returned. These can be traded, but if traded you might have to settle at a loss.
Local Authorities	0.90%	Even though most local authorities are not credit rated, they have regular cash flows and we would expect any investments to be returned on time. Any default would increase their future borrowing costs. This is a growing area of activity for local authorities
Major UK Clearing Bank	1.00%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.
UK Building Society (Best available rate from top 5 Building Society)	0.85%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.

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

Year	Expected Returns
2019/20	0.75%
2020/21	0.75%
2021/22	1.00%
2022/23	1.25%

7.39 The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £35m could range from £175,000 to £350,000. The difference equates to a Band D Equivalent of £4.57. Investment returns are an important income source and help keep Council Tax levels down and are a key part of the Finance Strategy. From an operational point of view, the Council would spread investments over a number of different counterparties and categories.

7.40 The maximum period for an investment in the government's debt management account is six months. The longer an investment can be made for, the more certainty there is on the Council's budget in terms of investment income.

7.41 There is a clear operational difficulty even with the introduction of the banking stress tests. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty 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.

7.42 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.

7.43 Because of the change in accounting standards for 2018/19 under IFRS 9, the Council will consider the implications of investment instruments, which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund.

7.44 In November 2018, MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1/4/2018. The Council do not have any pooled investments at present.

7.45 The Council are evaluating Property Funds as an opportunity for investment. These will come under the scope IFRS9 and will be covered by the override until 31/3/2023. However, the Council's investments in its arms-length companies may come under the scope of IFRS9 and we are monitoring the effect of this.

7.46 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.

7.47 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 2020/21, 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.

7.48 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.

7.49 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.

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

7.51 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 is considered before dealing.

7.52 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.

7.53 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.

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

7.55 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Council will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered) will be considered for investment purposes. The Council will look to place investments with the ring-fenced part of the bank.

7.56 MIFID II requirements came into effect from 3 January 2018 and the Council has opted up to professional status with all relevant counterparties and bodies.

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

Category 1 (Government Debt Management Account) - The Government has a debt management account and guarantees all deposits. However investments can only be for a maximum of 6 months and the interest rates payable are very low. The maximum amount to be invested is £60m with an overall maximum exposure for this category of £60m. The reason for the high limit is that if other counterparties are removed from our counterparty list and there are other uncertainties in the market this should be the safest place for the Council to place its investments. Also, if market conditions deteriorated sharply the Council would want the ability to potentially place all investments here.

Category 2 (Local Authorities) - Even though 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. This market is increasing and the time span for investments and interest rates have been increasing. The time limit for investments in local authorities is 2 years and the maximum amount to be invested in any one local authority is £5m. The overall maximum exposure for this category would be £50m. Before investing in local authorities other information will be sought, such as short term borrowing exposure and potential financial difficulties.

Category 3 (Major UK Financial Institutions) - This category is for major UK financial institutions and also includes the one part-nationalised UK bank, The Royal Bank of Scotland, who will be used so long as they meet the rating criteria or remain part nationalised. Before undertaking investments, the Council will use generally available market information, and UK banks and Building Societies, which have the following ratings from at least one of the three rating agencies (Fitch, Moody's, and Standard and Poors).

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

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

Category 4 (Money Market Funds (MMF's) - MMF's are for managing short-term cash balances only and offer instant access to funds. They are AAA rated products and interest rates are less volatile than base rates. There are two types of MMF's, one that invests in money market instruments that have been in existence for several years with the other being money market funds that invest in Government backed securities. To date the returns on investments in the money market instruments have performed better than the government backed securities (due to respective security levels). One of the characteristics to note is that investments can be made in Government securities and financial institutions outside the UK as long as they are sterling denominated. The use of MMF's eases the pressure on the Council's instant access account and gives us more flexibility. As from 21 July 2018, there was a choice of three structural options for all currently existing MMFs as at that date to choose to migrate to by 21.1.19 – these were CNAV (Constant Net Asset Value), LVNAV (Low Volatility Net Asset Value), or VNAV (Variable Net Asset Value). Our existing MMF's will all fall into the LVNAV category but will use all categories if relevant. The overall maximum exposure for this category would be £30m, with a maximum of £7m in any one fund.

Category 5 (Other UK Financial Institutions) - The Council will use UK banks and Building Societies who do not meet the credit ratings criteria of the financial institutions in category 3, if they meet certain credit ratings criteria.

The time limit for investments in institutions falling in category 5 is 365 days and the maximum amount to be invested in any one group is £6m. As a minimum, financial institutions in this category would need to have credit ratings from at least one credit ratings agency. Other available market information would also be 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, which have the following ratings from at least two of the three rating agencies (Fitch, Moody's, and Standard and Poors).

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

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

Category 7 (Property Funds) – These are long term investments and are designed to generate an enhanced return over 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. Many local authorities have invested in Property funds over the past few years. Before any investments are placed, due diligence would be undertaken.

Investments in property funds can have potential financial implications for the General Fund under IFRS9 regulations that are applicable from 1 April 2018, although the Government has introduced a mandatory statutory override for local authorities until 31 March 2023. Local authorities will still need to disclose the unrealised fair value movements in a separate unusable reserve over this period.

There would be no time limit for investments in institutions in category 7 and the overall maximum exposure for this category would be £10m, with a maximum of £5m in any one fund.

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

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

Non-Specified Investments – Non-specified investments are any other type of investment. These would include investments in categories 2, 3, 5, 6, and 7.

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

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

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

7.59 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.

7.60 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.

7.61 After considering the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2020/21.

7.62 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.75% Bank Rate continuing until 2021. There is a clear operational difficulty arising from the current Brexit situation. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty credit-worthiness suggests shorter dated investments would provide better security.

7.63 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.

7.64 Examples of these restrictions would be the greater use of the Government Debt Management Account, Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

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

7.66 The Council uses Link Asset Services 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

7.67 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.

7.68 The aim of the code is to allow Councillors to be informed of the impact of capital investment decisions on the overall Council budget. These are set out below and need to be considered as a whole.

7.69 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.

Table Thirty-Nine: Estimated Capital Expenditure by Year 2019/20 to 2022/23

Year	General Fund	HRA	Overall
2019/20 Estimate	£31.522m	£20.209m	£51.731m
2020/21 Estimate	£54.401m	£38.772m	£93.173m
2021/22 Estimate	£41.324m	£24.809m	£66.133m
2022/23 Estimate	£25.484m	£24.475m	£49.959m

7.70 The Council's Capital Financing Requirement (CFR) is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need.

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

Table Forty: Estimated Minimum Revenue Provision Charge by Year

Year	General Fund	HRA	Overall
2019/20 Estimate	£150.394m	£113.068m	£263.462m
2020/21 Estimate	£200.177m	£110.129m	£310.306m
2021/22 Estimate	£236.378m	£107.162m	£343.540m
2022/23 Estimate	£255.806m	£104.240m	£360.046m

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

7.73 It is recommended that Council approve the following MRP Statement:

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

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

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

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

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

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

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

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

7.74 The Council must set prudential limits for its total gross debt which should not, except in the short term, exceed the total of the CFR in the preceding year, plus the estimates of any additional CFR for 2020/21 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.

7.75 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.

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

7.77 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 statutory limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limit for 2020/21 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. The operational boundary is also used as an indicator that the authorised limit for future years could need increasing.

Year	Authorised Limit	Operational Boundary
2019/20 Actual	£350m	£320m
2020/21 Proposed	£350m	£320m
2021/22 Estimate	£380m	£350m
2022/23 Estimate	£400m	£370m

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

Year	Fixed Rate	Variable Rate
2019/20	100%	50%
2020/21	100%	50%
2021/22	100%	50%
2022/23	100%	50%

7.79 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%

7.80 Authorities are able to invest for longer than 365 days and can be advantageous if higher rates are available. However, it would be unwise to lend a disproportionate amount of cash for too long a period, therefore it is proposed to limit the investments that are deposited as follows;

Year	2019/20	2020/21	2021/22	2022/23
Limit	£30m	£30m	£30m	£30m

Approved Organisations for Investment 2020/21

	Lending Limit £Million
CATEGORY 1 - Government Debt Management Account	**60**
CATEGORY 2 - Local Authorities (£5m per authority)	**50**
CATEGORY 3 - UK Financial Institutions	
Barclays Bank UK PLC (Ring Fenced Bank (RFB))	**15**
Goldman Sachs International Bank	**15**
HSBC (RFB)	**15**
Nationwide Building Society	**15**
Lloyds Banking Group (RFB) - Bank of Scotland PLC (RFB) - Lloyds Bank PLC (RFB)	**15**
Santander UK PLC	**15**
Standard Chartered Bank	**15**
Sumitomo Mitsui Banking Corporation Europe Ltd	**15**
The Royal Bank of Scotland (RFB) - National Westminster Bank (RFB) - The Royal Bank of Scotland (RFB)	**15**
CATEGORY 3 - Maximum Exposure	**80**
CATEGORY 4 - Money Market Funds (£7m per Fund)	**30**
CATEGORY 5 - UK Financial Institutions that do not meet the criteria of Category 3	
Coventry Building Society	**3**
Handlesbanken PLC	**3**
Leeds Building Society	**3**
Skipton Building Society	**3**
Yorkshire Building Society	**3**
CATEGORY 5 - Maximum Exposure	**25**

Approved Organisations for Investment 2020/21 Continued

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

Approved Organisations for Investment 2019/20 Continued

	Lending Limit £Million
Sweden	
Skandinaviska Enskida Banken	5
Svenska Handelsbanken	5
Swedbank	5
Switzerland	
Credit Suisse	5
UBS	5
USA	
Bank of America	5
Bank of New York Mellon	5
JP Morgan Chase Bank	5
Wells Fargo Bank	5
CATEGORY 6 - Maximum Exposure	25
CATEGORY 7 – Property Funds (£5m per Fund)	10