APPENDIX 1

IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2021/22 ONWARDS

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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, Reserves and Provisions Policy, the Capital Strategy & Capital Programme, the Investment Strategy and the Treasury Management Strategy & Prudential Code.

1.2 During the 2020/21 financial year the annual MTFP (C/19/19) was supplemented by two updates in July (C/20/02) and November (C/20/08) that set out the Council's response to the financial impact of the Coronavirus pandemic became clear.

1.3 This MTFP continues to adopt a four-year planning timescale. The plan outlines the impact of the 2021/22 Local Government Finance Settlement on Ipswich Borough Council and provides an update on progress with the identification of planned savings by means of a Transformation Programme involving the delivery of a "Big Ticket" programme. This programme continues to form a key part of the strategy to meet the identified budget gap up to 2024/25.

1.4 There are some new elements in the 2021/22 MTFP following publication of the provisional settlement by the Ministry for Housing, Communities and Local Government (MHCLG). These are covered in detail below.

1.5 It is important to note that the final finance settlement announced by MHCLG only applies to 2021/22 and no further information has been provided regarding subsequent years, so assumptions have had to be made regarding funding levels in 2022/23, 2023/24 and 2024/25.

National Context

1.6 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.

1.7 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. The most recent Economic and Fiscal Outlook document was published in November 2020[1].

1.8 The following paragraphs are taken from the OBR's November 2020 Economic and Fiscal Outlook 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. Impact of Coronavirus (para. 1.4; p.5)

"In our central forecast, the combined impact of the virus on the economy and the Government's fiscal policy response pushes the deficit this year to £394 billion (19 per cent of GDP), its highest level since 1944-45, and debt to 105 per cent of GDP, its highest level since 1959-60 (Chart 1.1). Borrowing falls back to around £102 billion (3.9 per cent of GDP) by 2025-26, but even on the loosest conventional definition of balancing the books, a fiscal adjustment of £27 billion (1 per cent of GDP) would be required to match day-to-day spending to receipts by the end of the five-year forecast period."

ii. Medium term outlook for GDP (para. 2.31; p.42)

"Beyond next spring, our central forecast assumes strong quarterly growth rates through 2021, consistent with public health restrictions being eased further and an effective vaccine becoming widely available in the second half of the year (Table 2.3). Thereafter, the pace of growth moderates, with the economy regaining its pre-virus peak by late 2022."

iii. Consumer Price Index (CPI) forecast (para. 2.75; p.60)

"With only a modest degree of spare capacity assumed in the short term, we assume that CPI inflation rises back to target as the recovery continues, oil prices rebound and temporary policy measures are withdrawn (Chart 2.24). Once inflation is back to target, we continue to assume that the MPC will be successful in setting policy so as to keep it there over the medium term."

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

"The recently announced extensions to the CJRS, SEISS and various business support measures both delay and attenuate the rise in

[1] Available at: https://obr.uk/efo/economic-and-fiscal-outlook-november-2020/

unemployment. Under our central forecast, unemployment peaks at 7.5 per cent in the second quarter of 2021. The CJRS extension is expected to result in the peak in unemployment occurring two quarters later and at a lower level than would have occurred in its absence. The CJRS extension, along with other new measures, are expected to lower the level of unemployment in the second quarter of 2021 by around 300,000 compared to what would have happened in their absence. The unemployment rate rises to just a little over 5 per cent in our upside scenario as the economy has all but returned to normal by the time the CJRS closes. But it rises to 11 per cent in our downside scenario as the third wave strikes next winter."

1.9 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 annual change in GDP over the period covered by the Medium Term Financial Plan has changed significantly since the March 2019 OBR forecast as a direct consequence of the coronavirus pandemic.

Table One: OBR Gross Domestic Product forecast 2020– 2023

	2020	**2021**	**2022**	**2023**
GDP Forecast as at November 2020	-11.3	5.5	6.6	2.3
GDP Forecast as at March 2019	1.4	1.6	1.6	1.6

1.10 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 2020 – 2023

	2020	**2021**	**2022**	**2023**
CPI Forecast as at November 2020	0.8	1.2	1.6	1.7
CPI Forecast as at March 2019	1.9	2.0	2.0	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 2020/21 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. The budget has been updated twice during 2020/21 - at Council meetings in July (C/20/02) and November (C/20/08).

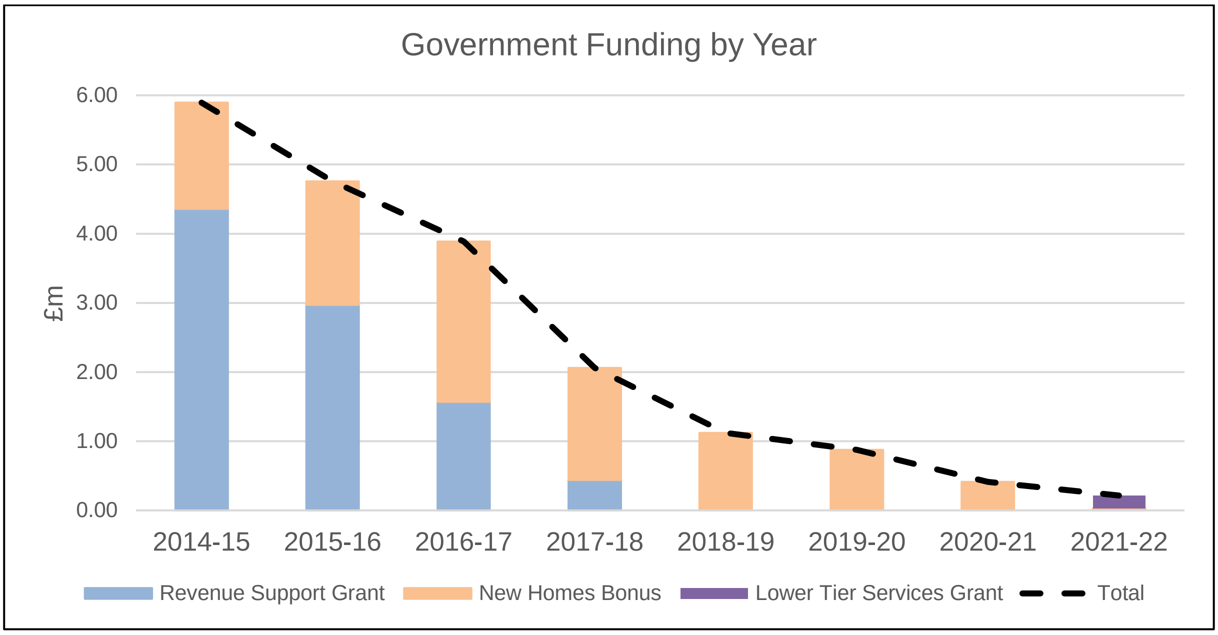
2.4 Future central government funding consists primarily of Retained Business Rates, termed "Settlement Funding Assessment". The Government has announced that 2021/22 will have a one-year settlement, as was the case for 2020/21. The overall funding position is broadly in line with the amount received in 2020/21.

2.5 For 2021/22 a new 'Lower Tier Services' Grant has been announced that benefits the Borough Council – this effectively offsets the reduction in the amount of New Homes Bonus grant due to be received.

2.6 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. This advice has been followed within this MTFP.

2.7 The change in Government funding by year since 2014/15 is shown at Chart One below.

Chart One: New Homes Bonus and Revenue Support Grant 2014/15 to 2021/22



2.8 A new multi-year Local Government Finance settlement is now expected in Autumn 2021 alongside funding reform, both of which are expected to take effect from the 2022/23 financial year.

2.9 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 2022/23, considering external advice.

2.10 Against this background Ipswich was still able to set a balanced budget for 2020/21. However, as stated above at Paragraph 2.3, the severe financial challenge imposed by the Coronavirus pandemic meant that two updates to the MTFP were required in July 2020 (C/20/02) and November 2020 (C/20/08).

2.11 This financial rigour and the actions taken to manage the base financial position during 2020/21 gives a strong foundation upon which to base the revised MTFP for 2021/22 onwards.

Future aims of the organisation

2.12 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.

2.13 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

2.14 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

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

<u>General Fund</u>

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

2.17 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 Council Tax Reduction 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.

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

Housing Revenue Account

2.19 The Housing Revenue Account (HRA) 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.

2.20 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

2.21 The Capital Strategy establishes the framework for investment in service infrastructure to facilitate the achievement of the Council's priorities mentioned earlier. More information is set out at Section Six of this document.

Financial risks inherent in the strategy

2.22 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.
Government Support	Coronavirus pandemic continues into 2021 with no further Government support	2-3	Prudent budgeting, ongoing risk assessment, monitoring arrangements

Budget monitoring and control management

2.23 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.

2.24 Key elements of Financial Performance Management are:-

General Fund & Housing Revenue Account revenue budgets

- 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;
- Quarterly Budget Monitoring Reports to Executive;
- Robust Medium Term Financial Planning process;
- Robust financial reporting and scrutiny of financial performance, including production of the Statement of Accounts.

Treasury Management

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

Collection of taxes and other debts

- Comprehensive Performance Indicators;
- Customer Surveys.

Internal Audit

- Audit Plan and Internal Audit reviews;
- Comprehensive Performance Indicators;
- Audit & Governance Committee;
- External Audit and inspection.

The Prudential Indicators

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

Equality and Diversity Issues

2.25 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.

2.26 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 Council agrees the final accounts for the previous financial year once they have been audited.

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 2020/21 MTFP (agreed at Council on 19 February 2020, C/19/19) 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) An increase in Council Tax in 2020/21 of 1.99%

3.4 The 2020/21 MTFP was supplemented by two updates agreed at council on 29 July 2020 (C/20/02) and 18 November 2020 (C/20/08) in response to the significant challenge posed by the Coronavirus pandemic. The seriousness of the financial challenge posed by the pandemic meant that some of the principles set out at paragraph 3.3 were dispensed with.

3.5 As much of the difficult decisions have already been taken in the two MTFP Updates agreed by Council – e.g. in terms of service changes and the use of reserves - this report focusses, primarily, on the impact of the Government's 2021/22 Local Government Finance Settlement and the 2020 Comprehensive Spending Review.

3.6 The new plan 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 2024/25 for the first time.

3.7 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 adopted in March 2017 and 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

3.8 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.

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

i. Summary of the financial changes agreed within the two MTFP updates in July 2020 and November 2020;
ii. Council achievements in 2020/21 in response to the Coronavirus pandemic
iii. Council achievements in 2020/21 that weren’t directly related to the Coronavirus pandemic
iv. 2021/22 Local Government Finance Settlement
v. 2020 Comprehensive Spending Review
vi. The General Fund Revenue budget
vii. Longer-term budget strategy

Summary of the financial updates to 2020/21 MTFP in July and November 2020

3.10 The Council’s forecast net outturn in 2020/21 is £29.0m (per the November 2020 MTFP Update C/20/08) compared to £25.1m actual outturn in 2010/11 (approximately £29.6m when adjusted for inflation).

3.11 Each month in the 2020/21 financial year, the government asked all councils to complete a financial return estimating the predicted financial impact of the Coronavirus pandemic. This includes a combination of additional expenditure and lost income.

3.12 The updates to the MTFP agreed by Council in July (C/20/02) and November (C/20/08) identified a total net increased cost to the Council of managing the Coronavirus pandemic net of government support totalling £4.400m in 2020/21 and £3.893m in 2021/22 (and £8.785m - in total – cumulatively over the four years up to and including 2023/24).

Table Four: Identified Financial Impact of Coronavirus Pandemic 2020/21 to 2023/24

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Impact of Covid-19	10.234	5.393	0.295	0.197	**16.119**
Fairer Funding Review	0.000	-1.000	0.000	0.000	**-1.000**
Government Support	-5.834	-0.500	0.000	0.000	**-6.334**
Total Financial Impact of Covid-19	**4.400**	**3.893**	**0.295**	**0.197**	**8.785**

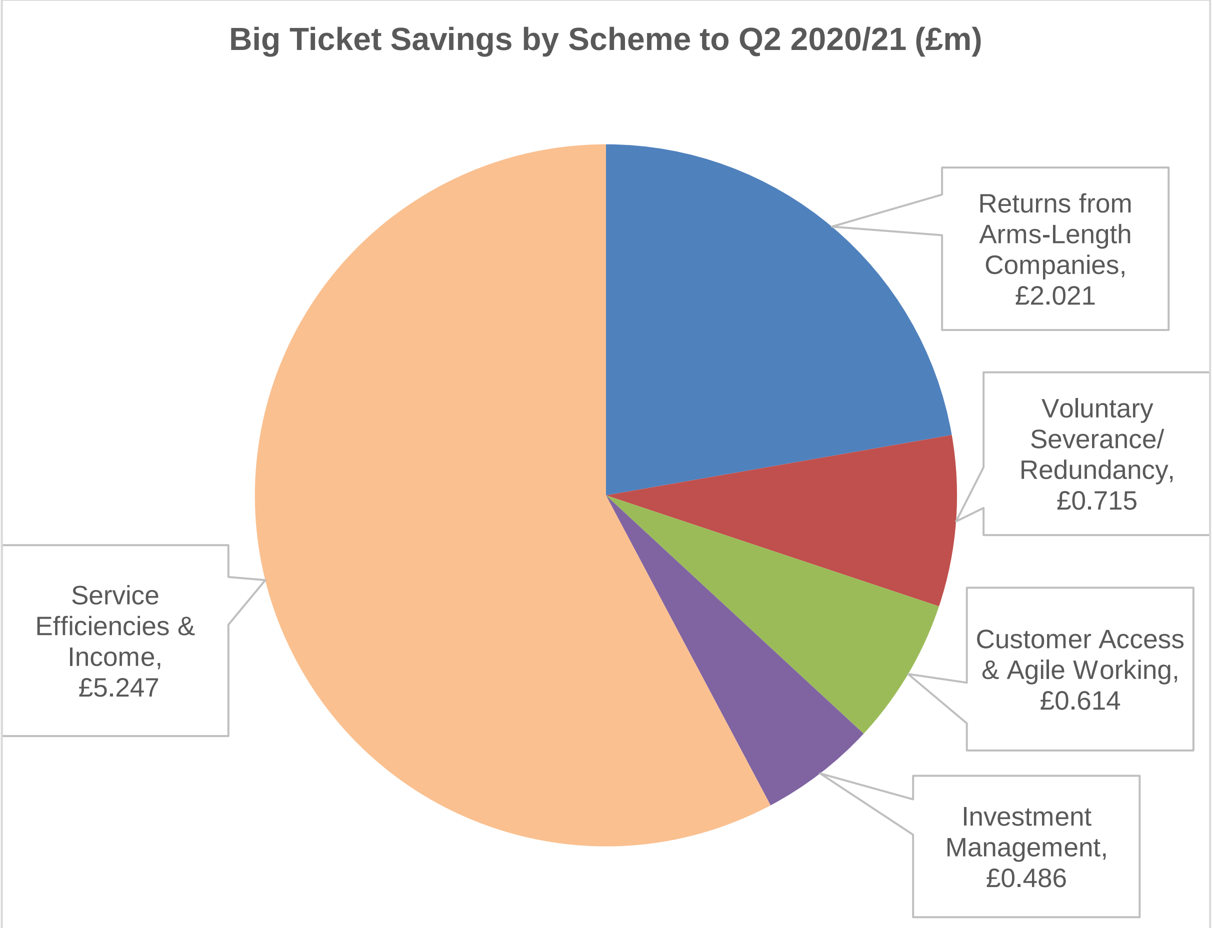
3.13 In the updates to the MTFP agreed by Council in July and November, actions were agreed that significantly reduced the forecast deficit in 2020/21 from £4.420m to £2.820.

Table Five: Impact of Actions Taken by Council in response to Coronavirus

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Capital Review	0.000	-0.262	-0.254	-0.241	**-0.757**
In-Year Budget Reductions	-0.600	0.000	0.000	0.000	**-0.600**
New Savings Identified	-0.200	-1.090	-1.130	-1.130	**-3.550**
Unidentified Savings	-0.800	-0.250	-0.150	-0.400	**-1.600**
Re-Profiling of Reserves	0.000	0.500	-0.400	-0.100	**0.000**
Use of Earmarked Reserves	0.000	-1.000	-0.300	-0.200	**-1.500**
Sum of actions agreed by Council	**-1.600**	**-2.102**	**-2.234**	**-2.071**	**-8.007**
Revised Deficit Nov 2020 (C/20/08)	2.820	3.528	0.165	0.201	6.714
Deficit Without Actions Taken	**4.420**	**5.630**	**2.399**	**2.272**	**14.721**

3.14 The ‘Big Ticket’ transformation programme, discussed more fully below, has delivered a total of £9.083m of savings to the base budget from when the Big Ticket programme was introduced in 2015/16 to the end of Quarter Two 2020/21, broken down by scheme as shown in Chart Two:

Chart Two: Total Big Ticket Delivery by Scheme to Quarter Two 2020/21



Council achievements in 2020/21 in response to the Coronavirus pandemic

1) 1,026 food parcels delivered to vulnerable people during lockdown;

2) Granted a three-month rent holiday in 2020 for community and voluntary sector tenants occupying council-owned property;

3) Delivered the Ipswich part of the Home, But Not Alone that enabled residents in need to ask for our help during the lockdowns – and pro-actively contacted all residents on the national 'shielding' list to check on their welfare and needs. Between April 2020 and December 2020, the Council answered 2,013 Home, But Not Alone calls;

4) Brought in a new target to pay suppliers within seven days to help their cashflow. As an example, in May 2020, 95% of invoices were paid within seven days. This compares with a norm of about 45% paid that used to be paid in seven days (i.e. prior to the adoption of the new seven-day target);

5) We assisted key workers in the NHS and social care sector by allowing them to park for free in all Borough Council pay & display car parks, on-street pay & display bays and on-street bays in Residents' Parking Zones;

6) We allowed resident permit holders to use some of our off-street carparks free of charge to ensure they had secure parking and roads were kept clear for emergency vehicles and bin crews;

7) Bereavement services staff offered extended hours to support a 50% increase in the number of cremations and introduced web-streaming to enable friends and family to attend virtually while sensitively managing the demands of social distancing at funeral services;

8) Reliable household waste collection service continued throughout lockdown despite an increase of 1,258 tonnes (approximately 10%) of residual waste being put in bins at home - a feat recognised through receiving the Lord Lieutenant of Suffolk Award for Outstanding Service to the community during the pandemic;

9) Following the need to suspend brown bin collections in the first Coronavirus wave due to the need to prioritise resources the service was the first in the county to recommence - with additional resources deployed to enable us to collect twice the usual amount of material over the first two weeks;

10) Ipswich Museum won a Kids in Museums award for producing 2,500 Activity packs for disadvantaged families during the lockdown;

11) Over 60,000 people have viewed and participated in our online fitness classes during lockdown periods;

12) The Regent has delivered online shows and talks to keep people entertained during lockdown;

13) 100% of major, 96% of minor, and 98% of householder planning applications were issued within time throughout the pandemic;

14) Democratic services successfully delivered public meetings online once legislative approval had been given;

15) Worked with the Royal British Legion to enable a socially distanced Remembrance Service to go ahead in Christchurch Park with live broadcast support from the BBC;

16) Worked closely with market traders to ensure the safe operation of Ipswich Market through numerous changes in restrictions;

17) Ipswich Museum and Christchurch Mansion were among the first museums to safely re-open in the UK after the first lockdown;

18) Worked closely with partners to safely re-open the town centre after the first lockdown. As part of our support to the town centre economy, the Council:

    a. opened the Limelight Bar toilets in the Corn Exchange for general public use in June / July - total usage over the 3-week period the toilets were open was 3,408 people;

b. Made Crown Street Carpark free for nearly 3 weeks when it re-opened in June 2020;

c. Worked with Ipswich Central on the 'Ipswich: Together We Can' campaign (including prominent signage); and,

d. worked with Ipswich Central, Suffolk County Council and Suffolk Constabulary to close Upper Brook Street to traffic at peak times to support pedestrian and cycling use and social distancing.

19) Area Committees awarded £62,721.06 to 17 community based projects to help Ipswich recover from the effects of coronavirus;

20) Acted quickly to provide refunds (and pause memberships) in 'Sport' and at the Regent Theatre (etc);

21) Supported over 2,000 Ipswich based businesses with grants amounting to over £31m (in addition to administering a significant business rate relief scheme for 2020/21); and

22) Issued 20 weekly 'Coronavirus Updates' and six monthly updates keeping people informed as to the Coronavirus related activities of the Council (and where relevant partners) since March 2020.

Council achievements in 2020/21 that weren't directly related to the Coronavirus pandemic

3.15 Alongside managing the impact of the Coronavirus pandemic, the Council has delivered a range of achievements during 2020/21 including:

1) Occupation of the first phases of 60 new homes (delivered via Handford Homes) on the former Tooks bakery site (41 of which will be new Council Houses);

2) Work commenced (via Handford Homes) on a further 40 new homes on a number of smaller sites including Grimwade Street;

3) Helped 177 homeless households move to permanent accommodation;

4) Completed lease to allow SELIG Trust to open a permanent night shelter at 1 Civic Drive and provided funding to pay for additional Covid-related costs;

5) Successful bid for new units of move-on accommodation for people who have been sleeping rough;

6) LDH (La Doria) and Amazon warehouses opened at Eastern Gateway bringing hundreds of new jobs to Ipswich;

7) Solar panels installed to 56 council houses to tie in with the Council's re-roofing and carbon reduction programmes;

8) 120 new A-rated boilers fitted as part of the Council's central heating installation and replacement programme;

9) 1,205 new trees planted by the Borough Council;

10) New play areas completed at Dumbarton Road Rec and Christchurch Park and work commenced on a new play area in Alexandra Park;

11) Bourne Park was awarded a Green Flag Award for the first time, alongside Christchurch which has now won 13 flags in succession and Holywells which has chalked up 10 in a row;

12) New community litter picking groups supported with equipment from the communities' fund;

13) 13 community groups awarded £120,664 for projects to improve life for young people through the Seeds for Change fund;

14) Funded four programmes aimed at young people not in education or training that have successfully transitioned a number of individuals into full time education or employment;

15) Completed environmental improvements to help alleviate anti-social behaviour and improve neighbourhoods at locations including: Bell Close, Ulster Avenue, Jasmine Close, Mountbatten Court and Hawthorn Drive;

16) Permanent CCTV has been installed at the Sirdar / Surrey Road junction along with CCTV talking cameras that have the ability to play pre-recorded messages;

17) 11 landlords and HMO managers successfully taken to court for offences including failure to licence an HMO and failure to comply with the HMO management regulations offences leading to total fines of £75,800 and costs awarded to the Council of £33,553;

18) Launched 'Housing Online' enabling tenants to manage their rent accounts online 24/7 – 750 Tenants have now signed up;

19) 18 tenants moved into smaller accommodation using the Tenant Incentive Scheme;

20) Secured the continuation of Service 4 on Sundays with award of contract to Ipswich Buses;

21) Museum From Home webpage launched with more than 4,000 items accessible online;

22) Building Control team won awards in the annual Local Authority Building Control awards for the Wine Rack and Cauldwell Hall Road developments;

23) The Council is now providing building control services for Ipswich Hospital;

24) Worked with the BBC on filming an episode of Antiques Roadshow in Christchurch Park in a socially distanced manner that presented Ipswich positively to a national audience;

25) Completed renovation work on the Old Post Office safeguarding a landmark heritage asset for the town;

26) Completed clearance work at the new waterfront HQ for Gecko Theatre Company;

27) The Local Plan was submitted to the Secretary of State on time in June and staff participated remotely in the Inspectors hearings in December;

28) Provided mobility scooter stores at Reydon House, Walton House and Dundee House;

29) Adopted a Climate Change Strategy and Action Plan that will direct the initial work in progressing towards the activities of the Council being carbon neutral by 2030;

30) Successfully implemented Civil Parking Enforcement in parts of Babergh and Mid Suffolk Districts. As a consequence, the Council will receive income from Cromwell Square car park;

31) Opened a new car park at Upper Orwell Street (North) charging competitive rates with 52 spaces, plus three for disabled motorists, four motorcycle bays and free-to-use Electric Vehicle charging; and,

32) Achievements within the Council's wholly owned companies include:

- IPSERV achieved Living Wage Foundation accreditation;

- Handford Homes completing its first homes (see point 1 above) for the Council and for private rent (via Handford Lettings);

- Despite the pandemic, Ipswich Buses continues to run 95% of the bus services it was originally providing prior to the Covid-19 outbreak and thereby providing essential bus services to support communities and key workers.

- Deichman secured as a new tenant for the former Burtons & Dorothy Perkins store on the Cornhill; and

- Ipswich Borough Assets delivered an increased level of income to the council now totalling £3.2m for a full financial year.

2021/22 Local Government Finance Settlement

3.16 The Government has announced that for 2021/22 there will be a one-year financial settlement for Local Government (as had been the case in 2020/21). No information has been provided about future years. However, the Council has responsibly sought advice from external advisors about the likely scope of the impact of the expected future settlement.

3.17 The Local Government Finance Settlement for 2021/22 was confirmed on 4 February 2021. Key elements included: -

(a) The Baseline Funding Level (i.e. the amount of Business Rates that Ipswich Borough Council gets to keep) has been frozen in cash terms. This is slightly worse than had been assumed in the November MTFP Update and the financial impact is reflected in Table Seven below.

(b) The Council Tax cap threshold relevant to Ipswich Borough Council has been retained at 2% in 2021/22. 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 2020/21 MTFP that the Council would increase Council Tax by 2% each year from 2021/22 to 2023/24.

(c) New Homes Bonus to apply in 2021/22 with no legacy payments applicable – before 2020/21 New Homes Bonus payments had been made for four years.

(d) A one-off ‘Lower Tier Services’ Grant to be allocated to authorities providing ‘lower-tier’ services. This was allocated to authorities on a pro rata basis with a formula ensuring no authority suffered a reduction in overall Core Spending Power from 2020/21.

3.18 Following these changes, the Council’s funding position for 2021/22 is now as shown in Table Six below (2020/21 is shown for comparative purposes). Overall, IBC’s funding position has increased slightly from 2020/21 to 2021/22.

3.19 This is due to the fact that the Government is assuming that there will be a predicted increase of funding from Council Tax offsetting the reductions in central government related funding. (The government calculations assume that the Council will increase council tax by the full amount allowed – i.e. 2%).

Table Six: Core Spending Power from 2021/22 Local Government Settlement

Key Information	***2020/21 £m***	**2021/22 £m**	**Change %**
Revenue Support Grant	*0.00*	0.00	0.0%
Council Tax	*14.35*	14.81	3.2%
Retained Business Rates	*4.53*	4.58	1.1%
New Homes Bonus	*0.41*	0.03	-92.9%
Lower Tier Services Grant	*0.00*	0.18	n/a
Total	***19.29***	**19.61**	**1.6%**

3.20 In 2010/11, IBC received £11.91m 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 2021/22 settlement would have totalled £14.629m (before Council Tax) rather than £4.79m before Council Tax as detailed in Table Six above (i.e. the sum of Retained Business Rates and Government Grant).

3.21 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.

3.22 New Homes Bonus is one of the areas of Government funding where there continues to be greatest uncertainty, with a consultation expected in 2021. The MTFP outlined below assumes that IBC will receive no New Homes Bonus from 2022/23 other than allocations already announced (i.e. legacy payments from previous years).

3.23 In the absence of other information being provided from the Government, the MTFP continues to assume that from 2022/23 IBC's resources will reduce by £1m per annum as a consequence of the 'Fairer Funding' review.

3.24 Table Seven shows the impact of the provisional Local Government Financial Settlement on the base budget. The budget had assumed that the Business Rates baseline would increase, but MHCLG have confirmed that this will not be the case. This government decision represents a reduction in income against previous assumptions. However, this is offset by the newly announced Lower Tier Services Grant.

Table Seven: Impact of Local Government Finance Settlement on MTFP

£m	**2021/22**	**2021/22**	**2022/23**	**2023/24**	**Total**
Business Rates Baseline	0.131	0.000	0.000	0.000	**0.131**
Lower Tier Services Grant	-0.186	0.000	0.000	0.000	**-0.186**
Total Impact of Finance Settlement	**-0.055**	**0.000**	**0.000**	**0.000**	**-0.055**

2020 Comprehensive Spending Review

3.25 The Comprehensive Spending Review (CSR) was presented to the House of Commons by the Chancellor of the Exchequer on Wednesday 25 November with a detailed set of documents published on the Government's website[2].

3.26 An additional £3bn of government funding for Local Authorities for pressures related to the Covid-19 pandemic was announced for 2021/22.

3.27 Based on the published information and assuming the same 'Relative Needs Formula' is used in 2021/22 as in 2020/21, Ipswich Borough Council's share of grant for Covid-19 expenditure pressures would be £0.861m rather than the £0.500m assumed.

3.28 The government has committed to funding 75% of irrecoverable tax losses from 2020/21 – based on forecast losses this would equate to £0.341m of grant which is expected to be received in three tranches (consistent with accounting treatment of tax losses).

3.29 The Government has extended the Sales, Fees and Charges losses compensation scheme for a further quarter to the end of June 2021 (the scheme was previously due to close at the end of March 2021). The total amount of funding set aside for this is unclear but based on the other published information it can be inferred that there isn't much of an allocation set aside. Initial analysis based on forecast losses from quarter four of 2020/21 would suggest grant of £0.571m would be available for Ipswich Borough Council.

3.30 Ipswich Borough Council have also been indicatively allocated £0.383m of Local Council Tax Support Grant. MHCLG has confirmed that this grant is to support councils in meeting the extra costs of Councils' Local Council Tax Support schemes in 2021/22 due to higher unemployment.

3.31 Alongside the Comprehensive Spending Review, HM Treasury also published the results of its consultation into the Public Works Loan Board lending terms on 25 November.

3.32 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.

3.33 The new lending terms prevent borrowing from PWLB to finance investments primarily for yield. If any authority intended to buy investment assets primarily for yield within the next three years that authority would not be able to access PWLB lending for any scheme irrespective of whether that scheme was related to investment for yield or not.

3.34 The new lending terms also resulted in a 1% reduction in interest rate for new loans which has delivered financial savings against assumed financing costs.

[2] https://www.gov.uk/government/publications/spending-review-2020-documents

Table Eight: Forecast Impact of 2020 Comprehensive Spending Review on MTFP

£m	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
Covid-19 Expenditure Pressure Grant	-0.861	0.000	0.000	0.000	**-0.861**
Fund Irrecoverable Tax Losses	-0.114	-0.114	-0.114	0.000	**-0.342**
Local Council Support Grant	-0.383	0.000	0.000	0.000	**-0.383**
Sales, Fees & Charges Reimbursement	-0.571	0.000	0.000	0.000	**-0.571**
Government Support Already Assumed	0.500	0.000	0.000	0.000	**0.500**
Reduced PWLB Rates	-0.120	-0.194	-0.201	-0.193	**-0.708**
Total Impact of 2020 CSR on MTFP	**-1.549**	**-0.308**	**-0.315**	**-0.193**	**-2.365**

The General Fund Revenue Budget

3.35 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 MTFP position (i.e. at November 2020) and adding back in savings schemes that have not yet been delivered (as at November 2020/21), extrapolated forwards for a fourth year.

Table Nine: General Fund Revenue Budget Gap Brought Forward 2021/22 to 2024/25

£m	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
Use of Balances Nov 2020 (C/20/08)	**3.528**	**0.165**	**0.201**	**0.201**	**4.095**
Big Ticket Programme	-1.032	-1.701	-2.410	-2.410	**-7.553**
Transitional Vacancy Savings	-1.030	-1.030	-1.030	-1.030	**-4.120**
Unidentified Savings	-0.250	-0.150	-0.400	-0.400	**-1.200**
Total Savings	**-2.312**	**-2.881**	**-3.840**	**-3.840**	**-12.873**
Budget Gap Before Savings	**5.840**	**3.046**	**4.041**	**4.041**	**16.968**

3.36 Taking into account the impact of the Local Government Finance Settlement and the Comprehensive Spending Review as listed in Tables Seven and Eight, the budget gap before savings reduces to £4.236m in 2021/22.

Table Ten: General Fund Revenue Budget Gap 2021/22 to 2024/25

£m	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
Budget Gap Before Savings (T9)	**5.840**	**3.046**	**4.041**	**4.041**	**16.968**
Local Government Finance Settlement (T7)	-0.055	0.000	0.000	0.000	**-0.055**
Comprehensive Spending Review (T8)	-1.549	-0.308	-0.315	-0.193	**-2.365**
Updated Budget Gap Before Savings	**4.236**	**2.738**	**3.726**	**3.848**	**14.548**

3.37 There are – as always – a significant series of assumptions that under-pin all these calculations. Assumptions made in the budget regarding inflation and emerging pressures are also reviewed and updated.

3.38 These items are then extrapolated forward for the 'new' fourth year and added to the 'Budget Gap Before Savings' (from Table Ten) to create a starting gap position, which totals £16.626m between 2021/22 and 2024/25 and is set out in Table Eleven below.

Table Eleven: General Fund Revenue Budget Gap 2021/22 to 2024/25

£m	2021/22	2022/23	2023/24	2024/25	Total
Updated Budget Gap Before Savings (T10)	**4.236**	**2.738**	**3.726**	**3.848**	**14.548**
i) Pay Uplift	-0.337	-0.314	-0.296	0.339	**-0.608**
ii) Non-Pay Inflation	0.000	0.000	0.000	0.111	**0.111**
iii) Sales, Fees & Charges Yield Growth	0.026	0.206	0.235	0.113	**0.580**
iv) Capital Financing Costs	-0.150	-0.150	-0.150	-0.150	**-0.600**
v) Council Tax Collection Rate	0.073	0.000	0.000	0.000	**0.073**
vi) 2020/21 Council Tax Deficit	0.101	0.077	0.076	0.000	**0.254**
vii) SPSL Rates Contribution	0.500	0.500	0.500	0.500	**2.000**
viii) Council Tax Base	0.028	0.192	0.224	-0.196	**0.248**
ix) VMS Revenue Costs (E/18/39)	0.005	0.005	0.005	0.005	**0.020**
Reserves Re-profiling	-0.500	0.400	0.100	0.000	**0.000**
Starting Gap Position 2021/22 - 2024/25	**3.982**	**3.654**	**4.420**	**4.570**	**16.626**

i) The Comprehensive Spending Review set out details of a one-year pause in public sector pay increases, with a £250 pay award for those staff earning less than £24,000 per annum. Annual Local Government pay increases are negotiated separately to this – but it is considered reasonable to assume that the Local Government salaries will not increase by 2.5% in 2021/22 as had been assumed in the 2020/21 MTFP. Instead 1% has been assumed for 2021/22, with 2.5% thereafter. This results in a saving to the General Fund against the brought forward budget.

ii) A small contingency is provided for each year in the forecast to cover unavoidable non-pay inflation costs. It is expected that pro-active procurement will avoid the need for this contingency to be used, but it is prudent to make allowance for inflationary pressures given economic uncertainty as set out by the OBR in their November outlook.

iii) The Fees & Charges yield has been assumed in previous budgets to grow by 1% per annum. The November MTFP updated assumed that income would significantly reduce as a consequence of the economic impact of the pandemic, but income was forecast to grow again from 2022/23. Given the forecast impact of the Coronavirus pandemic on the Sales, Fees and Charges income yield, and the challenges that are likely to remain around re-establishing income at previous levels in a number of key areas (such as car parking), this MTFP also now removes growth from the 2022/23 base budget.

iv) The capital financing budget has been reviewed and savings have arisen against the budgeted programme above the level assumed in the July 2020 MTFP Update report.

v) The collection rate for Council Tax is currently running at 98.45% which is less than the 99% assumed within the budget. This has created an underlying budget pressure. The assumed collection rate in the budget is reduced from 99% (2020/21) to 98.5% (2021/22) to use a more prudent assumption in the budget, reverting back to 99% from 2022/23.

vi) The updates to the MTFP approved by Council in July 2020 and November 2020 made allowance for a council tax deficit in 2020/21 which will affect the budgets for the following three years. This assumption needs to be updated taking into account the latest information available. This is expected to be funded in part from the funding announced within the Comprehensive Spending Review.

vii) 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 budget assumes that the pool will continue across the Medium Term. The 2020/21 MTFP assumed that £0.500m of Business Rates funding would be returned from Suffolk Public Sector Leaders to the Borough Council annually. Reduced business rates income to the pool means that it would be prudent to remove this from the base budget at this time. However, one year's funding is expected to be 'returned' to IBC to cover the 2020/21 element assumed within the 2020/21 MTFP.

viii) The Council Tax Base has been reviewed and needs to be reduced slightly as the budget had assumed growth in the tax base. This is offset by additional growth in 2023/24.

ix) The business case for investment in Variable Messaging Signage in the town centre will result in small additional revenue costs being incurred – now that the capital investment is definitely taking place these revenue costs need to be budgeted for.

3.39 It is proposed to make an allowance for Unallocated Growth in 2024/25 (at the same level as already budgeted for up to 2023/24), but no spending commitments have been identified against the Growth budget in this MTFP.

Table Twelve: Proposed Changes to Unallocated Growth Budget 2021/22 to 2024/25

£m	2021/22	2022/23	2023/24	2024/25	Total
Growth Budget per 20/21 MTFP	**0.100**	**0.200**	**0.300**	**0.300**	**0.900**
Set Growth to 100k per annum	0.000	0.000	0.000	0.100	**0.100**
Remaining Unallocated Growth Budget	**0.100**	**0.200**	**0.300**	**0.400**	**1.000**

3.40 In recent years the Council has ensured that there are adequate resources to ensure that our savings / investment plans can be delivered via the Transformation / Invest to Save fund. This fund will require topping up – in previous years this has been achieved through one-off savings but such savings are not available for this purpose in 2020/21 – and it is proposed that £0.500m is allocated for this purpose within the MTFP instead.

3.41 The 2021/22 to 2024/25 Capital Programme is set out in Section Six of this document. Some of the existing planned spend for 2020/21 is now forecast to be spent in 2021/22 which generates some one-off savings in the financing budget. In addition, the following items are proposed to be added to the Capital Programme;

Table Thirteen: Proposed Additions to Capital Programme 2021/22 to 2023/24

£m	**2021/22**	**2021/22**	**2022/23**	**2023/24**
i) Air Quality Action Plan (Enhanced Delivery)	0.100	0.100	0.100	0.100
ii) Maintenance of Historic Churches (IHCT)	0.100	0.100	0.100	0.100
iii) Landseer Park BMX Track	0.040	0.000	0.000	0.000
iv) New Depot	5.000	0.500	0.000	0.000
Total Budget Gap Position	**5.240**	**0.700**	**0.200**	**0.200**

(i) The Council has an Air Quality Action Plan which contains measures aimed at addressing exceedances of NO_2 in Air Quality Management Areas located in the Town. To support delivery of the Air Quality Action Plan, the Council is proposing to commit spending £0.100m each year on measures to enhance air quality in the Town.

(ii) The Council is proposing to commit £0.100m each year to the Ipswich Historic Churches Trust for maintenance works at the former Ipswich churches that the Trust leases from the Borough Council.

(iii) It is proposed to make a £40k contribution towards the proposed BMX Track at Landseer Park to support use of one of our public spaces, support the development of a sport and provide opportunities for Ipswich residents.

(iv) The lease on the current depot at Hadleigh Road Industrial Estate is coming to an end and it is proposed that the Council set aside money to invest in purchasing a site for a new depot.

3.42 Adding the increase to the unallocated growth budget at Table 12, the Invest-to-Save funding referred to at paragraph 3.39 and the capital additions in Table 13 to the MTFP will result in a total cumulative budget gap of £18.064m before savings.

Table Fourteen: Final Budget Gap Position 2021/22 to 2023/24

£m	**2021/22**	**2021/22**	**2022/23**	**2023/24**	**Total**
Starting Gap Position (T11)	3.982	3.654	4.420	4.570	**16.626**
Additional Costs from Growth (T12)	0.000	0.000	0.000	0.100	**0.100**
Invest-to-Save Fund	0.500	0.000	0.000	0.000	**0.500**
Changes to Capital Programme (T13)	-0.141	0.295	0.336	0.348	**0.838**
Total Budget Gap Position	**4.341**	**3.949**	**4.756**	**5.018**	**18.064**

3.43 It is intended to address the Final Gap Position in five ways – the actions already taken by the Council in 2020/21 means that the challenge is considered to be manageable through a continuation of the existing strategy:

I. The continuation of the 'Big Ticket' Item savings programme;
II. Transitional Vacancy savings;
III. Unidentified savings;
IV. Use of earmarked reserves;
V. Use of General Fund balances.

3.44 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.

3.45 Since 2015/16 the 'Big Ticket' approach has resulted in extensive savings that by the end of November 2020 had resulted in base savings of £9.083m within the Council's budget as shown in Table Fifteen below.

Table Fifteen: Cumulative Big Ticket savings delivered to 30 November 2020

£m	**To Q2 20/21**
Returns from Arms-Length Companies	2.021
Voluntary Severance/ Redundancy	0.715
Customer Access & Agile Working	0.614
Investment Management	0.486
Service Efficiencies & Income	5.247
Total delivery	**9.083**

3.46 A careful review has been undertaken and it is recommended that the Strategy should be continued. This strategy – and the numbers associated with it – are considered to be challenging but realistic.

3.47 It is important to note that encouraging progress has been made in delivering base savings during Quarter Three 2020/21, and the final 'Big Ticket' targets will be updated to take account of the latest information.

Table Sixteen: Recommended Big Ticket Programme 2021/22 to 2024/25

£m	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
Return from Arms-Length Companies	0.000	0.250	0.500	0.500	**1.250**
Voluntary Severance/Redundancy	0.000	0.000	0.050	0.100	**0.150**
Customer Access & Agile Working	0.250	0.300	0.300	0.300	**1.150**
Investment Management	0.150	0.200	0.225	0.225	**0.800**
Service Efficiencies & Income	0.750	1.000	1.200	1.250	**4.200**
Total	**1.150**	**1.750**	**2.275**	**2.375**	**7.550**

3.48 Table Seventeen shows the equivalent targets from the 2020/21 Medium Term Financial Plan (C/19/19) for context. The targets outlined in Table Sixteen are lower in each year of the MTFP when compared to the equivalent year in the 2020/21 MTFP. This is because savings were brought forward to manage the budget pressures arising from the Coronavirus pandemic.

3.49 The Big Ticket programme includes £1.250m of returns from Arms-Length Companies in the period 2021/22 to 2024/25. As a consequence of the change in PWLB lending terms mentioned above and for sake of prudence, this MTFP removes any additional investment from the 2021/22 budget.

Table Seventeen: Big Ticket Programme 2020/21 to 2023/24 per 2020/21 MTFP

£m	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**Total**
Return from Arms-Length Companies	0.650	0.950	1.250	1.500	**4.568**
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**

3.50 The council budgets for 'Transitional Vacancy' savings – that is the non-recurrent revenue savings generated by posts being held vacant. The savings target is calculated based on the current budgeted establishment and the actual level of savings observed.

3.51 It is reasonable to continue assume that the Council will have to manage a proportion of unidentified savings as was the case in the November 2020 MTFP Update. The savings assumed in this budget are considered achievable by the Council's Corporate Management Team without there being a detrimental impact on services or staff.

3.52 The Council has long maintained an earmarked reserve to address any deficits in business rates receipts. Such deficits are often referred to within quarterly financial monitoring reports. In the November MTFP Update, £1.5m of the Business Rates reserve was committed to cover predicted losses. It is proposed to commit a further £1.129m of the Business Rates Reserve to cover expected losses.

3.53 To fund the remaining budget gap, it has been concluded that for 2021/22 the annual increase in Council Tax should be 2.00%. This is consistent with the underlying budget assumptions applied when pulling together the medium-term forecast. It is also consistent with the Government's expectations for our Council Tax increase level.

3.54 Other 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 2.00% in the financial year 2021/22.

ii) It is less than the expected percentage increases adopted by the other precepting organisations in Ipswich – Suffolk County Council, who have confirmed an increase of both of their respective elements by a total of 3.99%, and the Suffolk Police and Crime Commissioner, who has confirmed a 6.7% increase.

iii) It amounts to an increase of 11.01p per week for the average (Band B) Council Taxpayer in Ipswich compared to 79.88p for Suffolk County Council and 22.28p for the Suffolk Police and Crime Commissioner. The equivalent increase for a Band B Ipswich Borough Council Taxpayer in 2020/21 was 10.74p.

iv) For an average (Band B) Council Taxpayer in Ipswich on maximum Council Tax Support, the annual increase would be 29 pence.

3.55 As stated above, the recommended 2.00% 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

	2021/22	**2021/22**	**Proposed Increase (£)**	**Per Week (p)**	**%**
Ipswich Borough Council	287.28	293.02	5.74	11.01	**2.00**
Suffolk County Council	1,045.03	1,086.68	41.65	79.88	**3.99**
Police & Crime Commissioner	173.25	184.87	11.62	22.28	**6.71**
Total	**1,505.56**	**1,564.57**	**59.01**	**113.17**	**3.92**

3.56 Bringing this all together results in £3.866m of reserves being required to deliver financial balance as shown in Table Nineteen below (compared to £3.639m of reserves being required to achieve financial balanced in the 2020/21 MTFP approved by Council in February 2020 (C/19/19)).

3.57 The budget gap at the end of 2024/25 is £0.998m, and there is forecast to be £0.079m of reserves available which could be used to fund a deficit in 2025/26.

Table Nineteen: Reserves required to achieve financial balance

£m	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**Total**
Total Budget Gap Position	**4.341**	**3.949**	**4.756**	**5.018**	**18.064**
Proposed Big Ticket Targets	-1.150	-1.750	-2.275	-2.375	**-7.550**
Transitional Vacancy Savings	-1.040	-1.066	-1.093	-1.120	**-4.319**
Unidentified Savings	-0.250	-0.150	-0.400	-0.400	**-1.200**
Additional Earmarked Reserves	-0.101	-0.577	-0.326	-0.125	**-1.129**
Reserves to Achieve Balance	**1.800**	**0.406**	**0.662**	**0.998**	**3.866**
Opening Usable Balances	3.945	2.145	1.740	1.078	
Usable Balance Carried Forward	*2.145*	*1.740*	*1.078*	*0.079*	

The Long-Term Budget Strategy

3.58 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.

3.59 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.

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

i) Advocacy to support a good long-term local government finance settlement is in place long before the 2022/23 Medium Term Financial Plan needs to be set;

ii) Advocacy to support the principle of local retention of business rates and retaining or improving funding from central government;

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

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

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

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

Chief Finance Officer's Statement

3.61 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.

3.62 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.

3.63 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.

3.64 Assessments of financial risks associated with the 2021/22 to 2024/25 budgets are shown below. These risks are taken account of in setting the level of reserves.

Table Twenty: Financial Risk Assessment 2021/22 – 2024/25

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

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
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
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	2	3	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

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

Table Twenty-One: 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.
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

3.66 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.

3.67 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.

3.68 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.

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

GENERAL FUND AND COUNCIL TAX REQUIREMENT

3.70 In determining the Council Tax Requirement for 2021/22, councillors and officers have refocused resources on investing in the Council's priorities.

3.71 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.

3.72 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.

3.73 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.

3.74 Ipswich's Collection Fund shows a net deficit of £104,000. 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.

3.75 The Local Government Financial Settlement for Ipswich Borough Council for 2021/22 was confirmed on 4 February 2021 at £4,357,232. These figures are reflected in the summary below:

Table Twenty-Two: Council Tax Requirement 2021/22

£m	**2020/21**	**2021/22**
Budget Requirement	18,886,496	18,721,922
Settlement Funding Adjustment	-4,357,232	-4,357,232
Collection Fund Adjustment	-180,000	104,000
To be financed through Council Tax	**14,349,264**	**14,468,690**

3.76 As the Council has a Council Tax Requirement for 2021/22 of £14,468,690, 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 2020/21 will be:

Table Twenty-Three: Proposed Change in Band B Council Tax 2021/22

Proposed Change in Band B Council Tax	**2020/21 £ : p**	**2021/22 £ : p**	**% Change**
IBC Charge	287.28	293.02	2.00

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

Table Twenty-Four: Forecast Council Tax Requirement 2021/22 to 2024/25

	2021/22	**2022/23**	**2023/24**	**2024/25**
Council Tax Requirement	£14,468,690	£14,855,760	£15,311,800	£15,732,600

3.78 The Council Tax charge for Ipswich Borough Council at each of the property bands, compared with 2020/21 is shown in Table Twenty-Five below. The total number of dwellings by band across Suffolk districts is shown for reference.

Table Twenty-Five: Proposed Council Tax Levels by Band 2021/22

Band	**2020/21**	**2021/22**	**Change**	**Weekly increase**	**Dwellings**				
	Tax (£ : p)	**Tax (£ : p)**	**%**		**Ipswich**			***Total Suffolk***	
					Number	**%**		***Number***	***%***
A	246.24	251.16	2.00%	£0.09	19,138	31.1		*69,079*	*20.0*
B	287.28	293.02	2.00%	£0.11	23,040	37.4		*106,115*	*30.4*
C	328.32	334.88	2.00%	£0.13	11,306	18.4		*69,220*	*19.9*
D	369.36	376.74	2.00%	£0.14	4,415	7.2		*49,161*	*14.1*
E	451.44	460.46	2.00%	£0.17	2,314	3.8		*30,375*	*8.7*
F	533.52	544.18	2.00%	£0.20	930			*14,548*	
G	615.60	627.90	2.00%	£0.24	365	2.1		*8,614*	*6.9*
H	738.72	753.48	2.00%	£0.28	20			*752*	

3.79 Last year's Medium Term Financial Plan set balanced proposals for the four years from 2020/21 to 2023/24 and assumed a 2% Council Tax increase provision being made for this year.

3.80 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.

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

3.82 Suffolk County Council have confirmed their increase at an overall 3.99% increase in council tax in their 2021/22 budget papers, which is made up of a 1.99% increase in Council Tax and a 2.00% increase in the Adult Social Care Precept.

3.83 On 29 January 2021, the Suffolk Police and Crime Commissioner confirmed a £14.94 increase in precept for a Band D property in 2021/22 (this is the maximum allowable increase and equates to a 6.7% increase in the precept).

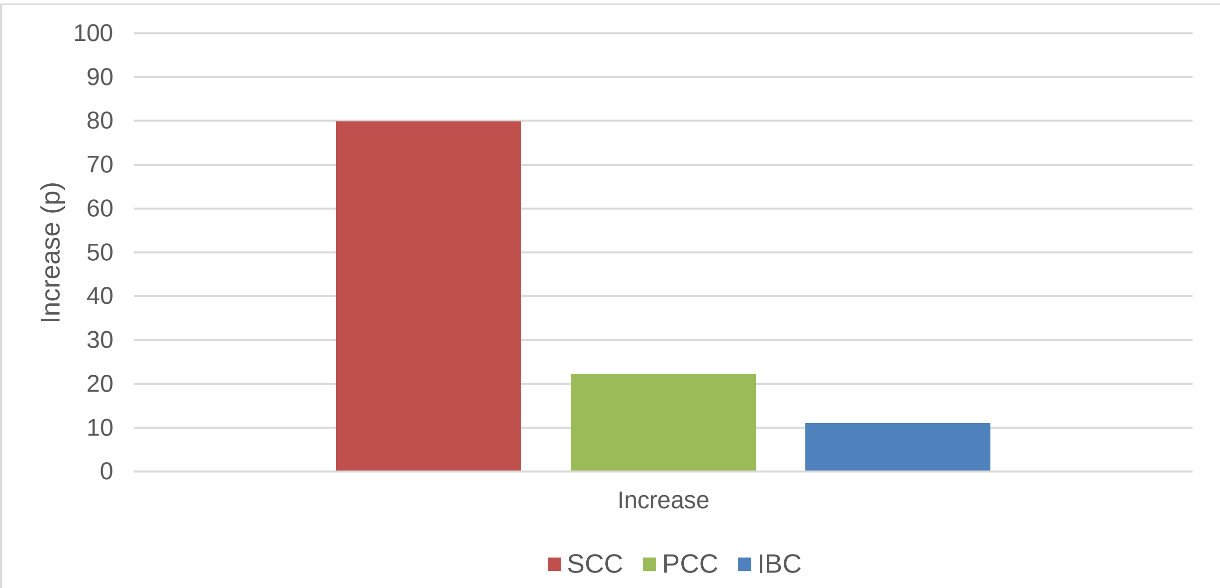
3.84 Factoring the changes announced by the Police and Crime Commissioner and proposed by Suffolk County Council, the overall Council Tax position for Ipswich Borough Council will be as shown in Table Twenty-Six below.

Table Twenty-Six: Proposed Council Tax Levels by Authority 2021/22

	IBC 20/21	SCC 20/21	PCC 20/21	**Total 20/21**	IBC 21/22	SCC 21/22	PCC 21/22	**Total 21/22**	*Total Increase*
Band A	246.24	895.74	148.50	**1,290.48**	251.16	931.44	158.46	**1,341.06**	*50.58*
Band B	287.28	1,045.03	173.25	**1,505.56**	293.02	1086.68	184.87	**1,564.57**	*59.01*
Band C	328.32	1,194.32	198.00	**1,720.64**	334.88	1241.92	211.28	**1,788.08**	*67.44*
Band D	369.36	1,343.61	222.75	**1,935.72**	376.74	1,397.16	237.69	**2,011.59**	*75.87*
Band E	451.44	1,642.19	272.25	**2,365.88**	460.46	1,707.64	290.51	**2,458.61**	*92.73*
Band F	533.52	1,940.77	321.75	**2,796.04**	544.18	2,018.12	343.33	**2,905.63**	*109.59*
Band G	615.60	2,239.35	371.25	**3,226.20**	627.90	2,328.60	396.15	**3,352.65**	*126.45*
Band H	738.72	2,687.22	445.50	**3,871.44**	753.48	2,794.32	475.38	**4,023.18**	*151.74*

3.85 The chart below shows the weekly increase in Council Tax for a Band B property in 2021/22 by authority:

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



3.86 A taxpayer in a Band B property receiving full Council Tax Relief will see an increase in their annual bill of £2.95, of which 29p will relate to the Ipswich Borough Council element.

Table Twenty-Seven: Council Tax Increase by Precepting Authority with Full Relief

	2020/21	**2021/22**	**Increase**	**Per Week**
Ipswich Borough Council	£14.36	£14.65	£0.29	0.55p
Suffolk County Council	£52.25	£54.33	£2.08	3.99p
Police & Crime Commissioner	£8.66	£9.24	£0.58	1.11p
Total	**£75.27**	**£78.22**	**£2.95**	**5.66p**

Housing Revenue Account (HRA)

3.87 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.

3.88 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.

3.89 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 2020/21 TO 2024/25

DESCRIPTION	2020/21 ORIGINAL BUDGET £	2020/21 DRAFT APPROX O/T £	2021/22 FORECAST £	2022/23 FORECAST £	2023/24 FORECAST £	2024/25 FORECAST £
SERVICE EXPENDITURE						
Employees	29,726,210	29,603,040	29,515,270	30,045,350	30,782,770	31,482,940
Premises	5,990,220	6,187,810	6,078,670	6,128,800	6,181,200	6,234,640
Transport	1,947,790	2,037,440	2,281,440	2,281,440	2,281,440	2,268,260
Supplies & Services	13,441,630	14,974,925	12,540,490	12,539,730	12,573,020	12,653,260
Agency & Contracted Services	1,000,750	900,750	1,021,560	1,073,880	1,093,880	1,113,880
Transfer Payments	53,684,150	33,342,720	33,342,720	33,342,720	33,342,720	33,342,720
Central & Departmental Support	987,840	917,840	927,020	950,200	973,960	998,310
TOTAL SERVICE EXPENDITURE	106,778,590	87,964,525	85,707,170	86,362,120	87,228,990	88,094,010
SERVICE INCOME						
Government Grants	54,519,580Cr	42,203,990Cr	34,752,190Cr	34,104,100Cr	34,104,100Cr	34,104,100Cr
Other Grants,Contributions Etc	6,576,190Cr	7,528,895Cr	6,232,000Cr	6,369,590Cr	6,510,620Cr	6,604,990Cr
Sales	790,090Cr	208,880Cr	752,350Cr	752,350Cr	759,870Cr	767,470Cr
Fees & Charges	17,854,420Cr	9,690,990Cr	18,100,200Cr	18,169,720Cr	18,300,960Cr	18,415,230Cr
Rents	4,212,200Cr	3,712,620Cr	4,361,520Cr	4,362,220Cr	4,362,220Cr	4,362,220Cr
TOTAL SERVICE INCOME	83,952,480Cr	63,345,375Cr	64,198,260Cr	63,757,980Cr	64,037,770Cr	64,254,010Cr
NET SERVICE EXPENDITURE	22,826,110	24,619,150	21,508,910	22,604,140	23,191,220	23,840,000

GENERAL FUND REVENUE FORECAST 2020/21 TO 2024/25

DESCRIPTION	2020/21 ORIGINAL BUDGET £	2020/21 DRAFT APPROX O/T £	2021/22 FORECAST £	2022/23 FORECAST £	2023/24 FORECAST £	2024/25 FORECAST £
NET SERVICE EXPENDITURE	22,826,110	24,619,150	21,508,910	22,604,140	23,191,220	23,840,000
Contingencies etc:						
Additional commitments	703,280	561,700	539,000	699,000	859,000	1,020,000
Transformation Invest to Save Fund	0	646,400	510,000	0	0	0
General Service Contingency	0	778,440	0	0	0	0
Covid-19 Costs	0	0	5,000,000	0	0	0
Covid-19 Funding	0	0	1,046,000Cr	114,000Cr	114,000Cr	0
Big Ticket Savings	2,500,000Cr	0	1,150,000Cr	1,750,000Cr	2,275,000Cr	2,375,000Cr
Transitional Vacancy Savings	780,000Cr	0	1,040,000Cr	1,066,000Cr	1,093,000Cr	1,120,000Cr
Unidentified Savings	0	0	250,000Cr	150,000Cr	400,000Cr	400,000Cr
Interest on balances etc	368,360	224,590	44,550	98,950	91,360	91,360
External interest etc	356,500Cr	96,000Cr	79,000Cr	128,500Cr	126,000Cr	126,000Cr
Dividends	0	0	0	0	0	0
Loan repayments/Investment income from IBC companies	4,081,730Cr	5,598,850Cr	5,649,650Cr	5,607,070Cr	5,379,150Cr	5,298,660Cr
Capital financing costs	5,354,000	4,989,720	5,357,120	6,356,520	6,513,160	6,367,670
Net Expenditure	21,533,520	26,125,150	23,744,930	20,943,040	21,267,590	21,999,370
Revenue Support Grant	0	0	0	0	0	0
Lower Tier Funding	0	0	186,000Cr	0	0	0
Council Tax Support Funding	0	0	383,000Cr	0	0	0
Business Rates Baseline	4,357,000Cr	4,357,000Cr	4,357,000Cr	3,488,000Cr	3,488,000Cr	3,488,000Cr
Retained Business Rates	1,591,000Cr	1,410,000Cr	1,099,000Cr	1,099,000Cr	1,099,000Cr	1,099,000Cr
Enterprize Zone Income	153,000Cr	153,000Cr	153,000Cr	153,000Cr	153,000Cr	153,000Cr
Collection Fund surplus(cr)/deficit 31st March (net)	180,000Cr	180,000Cr	104,000	80,000	80,000	0
New Homes Bonus Scheme	398,000Cr	398,000Cr	29,000Cr	4,000Cr	0	0
Transfer to/from (cr) reserves	109,930Cr	2,458,100Cr	1,372,890Cr	1,017,690Cr	633,510Cr	528,510Cr
Use of (cr) / contribution to GF revenue balance	395,330Cr	2,819,790Cr	1,800,350Cr	405,590Cr	662,280Cr	998,260Cr
Unfunded Balance	0	0	0	0	0	0
COUNCIL TAX REQUIREMENT	14,349,260	14,349,260	14,468,690	14,855,760	15,311,800	15,732,600

GF REVENUE BALANCE						
Balance b/fwd 1st April	8,625,260Cr	8,765,580Cr	5,945,790Cr	4,145,440Cr	3,739,850Cr	3,077,570Cr
Surplus(Cr)/deficit for year	395,330	2,819,790	1,800,350	405,590	662,280	998,260
Balance c/fwd 31st March	8,229,930Cr	5,945,790Cr	4,145,440Cr	3,739,850Cr	3,077,570Cr	2,079,310Cr

General Fund Budgets 2021/22 - 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	**2021/22 Controllable Budget £**
Chief Executive/Chief Operating Officer	1,547,590
Culture and Environment	6,847,530
Development	-27,200
Finance and Revenues	2,690,450
Housing and Community	4,966,000
People and Governance	2,505,390
Sports and Programmes	2,979,130
NET SERVICE EXPENDITURE	21,508,910

Portfolio Holder	**2021/22 Controllable Budget £**
Leader - Property & Development	-112,580
Deputy Leader - Sport & Culture	2,979,130
Communities	1,598,300
Planning & Museums	2,405,950
Environment & Climate Change	6,085,180
Housing & Health	2,124,440
Community Protection	2,841,560
Resources	4,085,380
Town Centre	-498,450
NET SERVICE EXPENDITURE	21,508,910

Leader - Property & Development

Service Area	**2021/22 Controllable Budget £**
Corporate Management Team	738,290
Chief Executive	
Economic Development	321,480
Major Capital Schemes	741,540
-	
Property Services	
Corporate Properties	-2,134,370
Grafton House	-5,860
IP-City Centre	-237,890
Property Services Management	464,230
Total	-112,580

Deputy Leader - Sport & Culture

Service Area	**2021/22 Controllable Budget £**
Corporate Support	
Borough Council Elections	20,640
Design Services	23,400
Health and Safety	89,550
Marketing	384,130
Performance and Projects	163,850
Printing Section	-55,390
Registration of Electors	200,900
Sports and Leisure	
Sports and Leisure Development	401,300
Sports Centres	837,030
Swimming Pools	913,720
Total	2,979,130

Communities

Service Area	**2021/22 Controllable Budget £**
Human Resources	487,820
Legal and Democratic Services	
Councillors' Services	256,100
Councillors' Costs	382,620
Democratic and Business Support	67,080
Legal Services	331,760
Local Land Charges	-46,030
Mayoral Services	118,950
Total	1,598,300

Planning & Museums

Service Area	**2021/22 Controllable Budget £**
Museums	1,260,800
Planning and Development	
Caps System Costs	50,260
Community/Environmental Improvements	41,740
Conservation of Historic Buildings	13,600
Development Services Support	119,800
Drainage	38,240
Historic Churches	62,440
Planning and Development	395,320
Planning Policy	180,710
Building Control	243,040
Total	2,405,950

Environment & Climate Change

Service Area	2021/22 Controllable Budget £
<u>Parks and Cemeteries</u>	
Allotments	40,410
Cemeteries and Crematorium	-701,910
Parks	1,413,990
Public Conveniences	89,110
Rangers	577,810
Verge Maintenance	285,740
<u>Waste and Fleet</u>	
Cleansing Services	1,653,430
Recycling	430,840
Refuse Collection	1,629,320
Waste and Fleet Management	601,070
Waste Education and Promotion	64,730
Total	6,083,180

Housing & Health

Service Area	2021/22 Controllable Budget £
<u>Housing Advice</u>	
Assistance to Voluntary Bodies	5,770
Bed and Breakfast Costs	129,640
Contributions to Housing Revenue Account	218,810
Homelessness	412,540
Hostels	-25,560
Housing Options	1,152,000
Other Private Sector Accommodation Costs	18,850
Supervision and Management	212,390
Total	2,124,440

Community Protection

Service Area	2021/22 Controllable Budget £
Community Support	
Area Committees	81,850
Community Engagement	203,930
Community Grants	384,280
Community Safety	201,150
Emergency Planning	69,540
Emergency Services Centre - CCTV	610,190
Emergency Services Centre - HEARS	-148,180
Public Protection	
Animal Welfare	18,850
Environmental Protection	528,620
Food Safety	258,610
Hackney Carriage and Private Hire Vehicles	-77,860
Housing Business Support Unit	-12,040
Improvement Grants	-6,000
Licensing and Enforcement	-31,450
M3 System Costs	5,100
Occupational Health	274,370
Port Health	19,560
Private Sector Housing Services	323,770
Waste Enforcement	137,270
Total	2,841,560

Resources

Service Area	**2021/22 Controllable Budget £**
Audit Partnership	161,960
Financial Services	
Corporate Management Direct Costs	280,140
Financial Services	1,079,980
Housing and Council Tax Benefit Administration	1,698,230
Contributions to Central Overheads	-367,900
ICT	1,232,970
Total	4,085,380

Town Centre

Service Area	**2021/22 Controllable Budget £**
Commercial Development	
Corn Exchange	89,660
Cultural Development	201,620
Enterprise Projects (inc market)	36,390
Entertainments Box Office	-112,020
Entertainments Management	239,090
Events and Festivals	314,480
Regent Theatre	-49,030
Shopmobility	11,230
Customer Services	
Bus Route Subsidies - General	121,450
Customer Services Centre	696,820
Footway Lighting	67,130
IBC Car Parks	-2,106,990
Residents Parking Schemes	-170,110
Street Names and Seats	20,000
Town Centre Pedestrian Areas	42,970
Transportation	91,490
Visitor Experience	7,370
Total	-498,450

Section 4

The Housing Revenue Account

4.1 The Council owns 7,884 general needs and sheltered properties. 26 properties have been sold during the current year under the 'right-to-buy' scheme as at 31/12/20. 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 (the former Tooks Bakery site) through the general development agreement with Handford Homes and further homes are planned across the town (e.g. at Grimwade Street).

4.5 The Council has gained Homes England funding for some of these homes, and a requirement of the funding is that the properties are to be at 'Affordable Rent' levels i.e. up to 80% of Market Rent value. This will mean for the first time the Council will be charging rents calculated differently to the normal 'Council House' rent setting criteria. A programme of future schemes at affordable rent has been developed to ensure a steady supply of new homes. As a result, in future, the HRA will offer a mix of social and affordable tenure homes.

4.6 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.

4.7 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 reverted back to the original CPI plus one percent formula and this will again be applied to rents from April 2021.

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

4.9 The financial impacts of further 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.

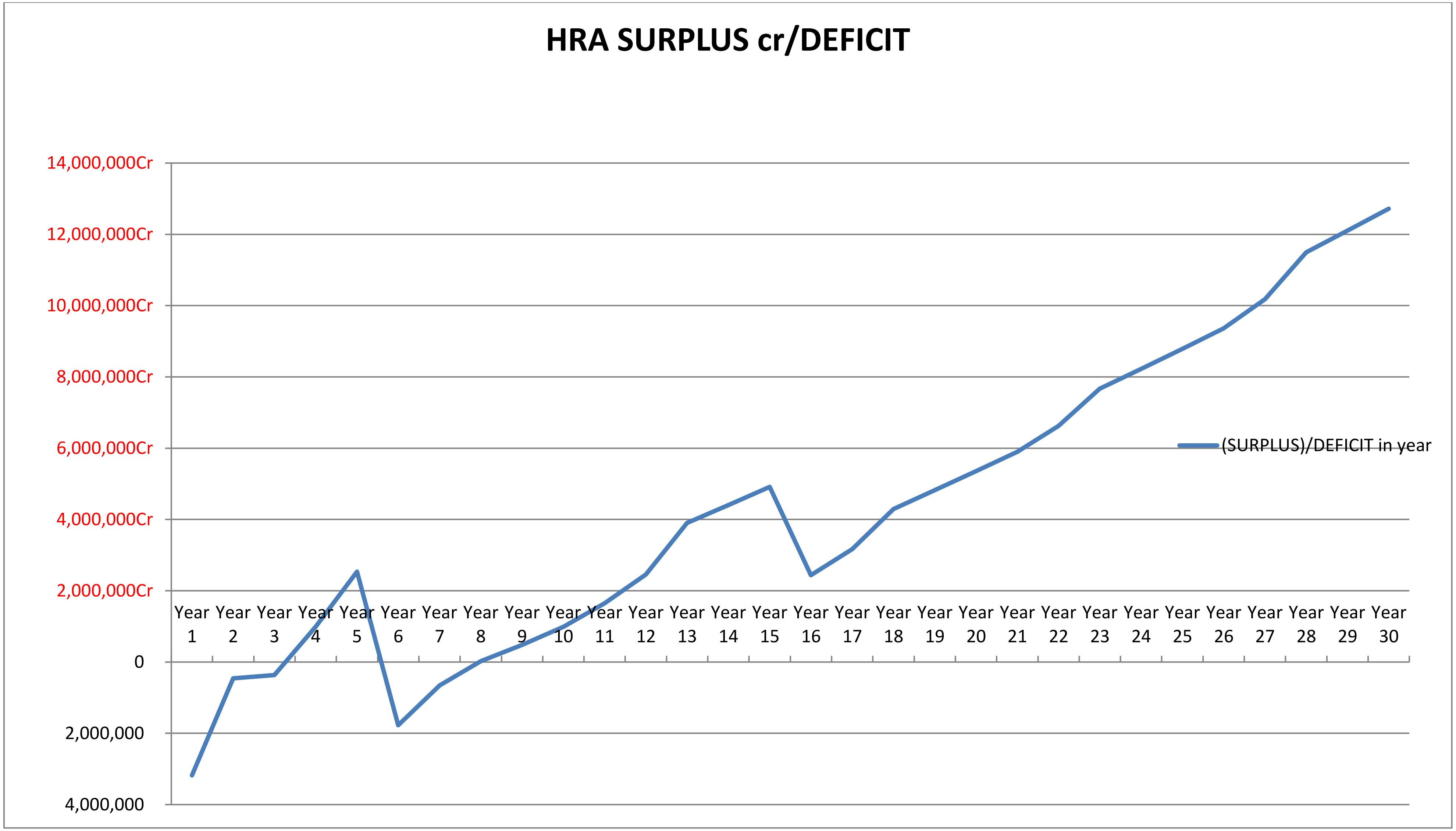
4.12 A revised savings target of £0.105m pa has been retained for future zero based budgeting & business process reviews.

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 2021/22.

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

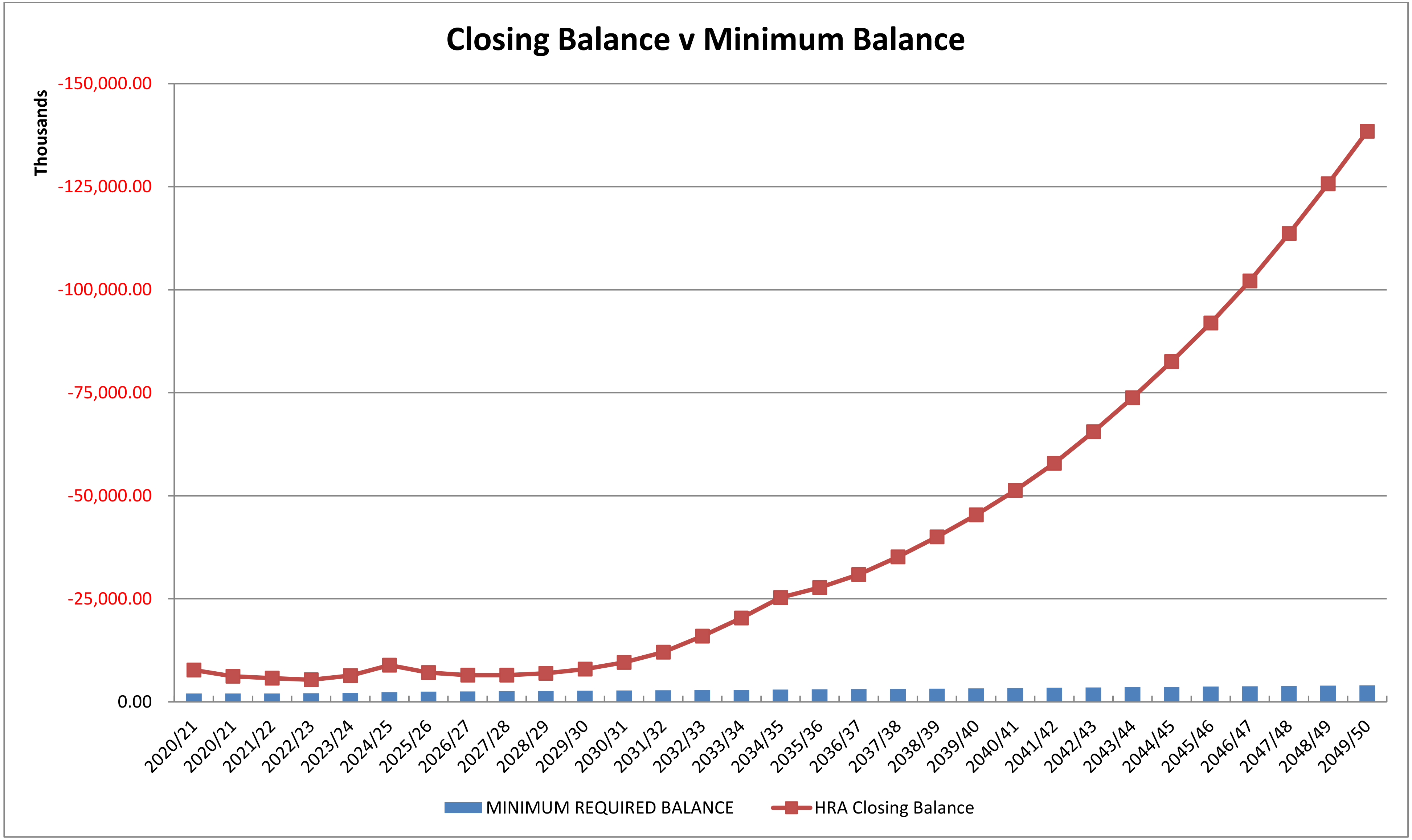


4.16 There are no emerging budget pressures included in the revised forecast for 2021/22.

4.17 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.

4.18 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 2020/21 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 2020/21 TO 2049/50

2019/20 OUT TURN £			2020/21 ORIGINAL BUDGET £	Year 1 2020/21 FORECAST £	Year 2 2021/22 FORECAST £	Year 3 2022/23 FORECAST £	Year 4 2023/24 FORECAST £
		EXPENDITURE					
		MANAGEMENT & MAINTENANCE					
5,106,491	1	Supervision & Management General	4,891,790	5,391,560	5,267,290	5,332,823	5,423,538
2,722,976	2	Supervision & Management Special	2,603,240	2,687,970	2,737,790	2,778,078	2,825,335
8	3	Superannuation Backfunding	252,150	0	0	0	0
4,934,241	4	Responsive Repairs	4,861,420	5,256,310	4,912,490	4,977,147	5,061,812
1,418,444	5	Special/Contract Repairs	1,444,360	1,498,360	1,444,360	1,468,914	1,493,902
150,503	6	Planned Maintenance	925,260	947,260	1,345,490	1,368,363	1,391,640
14,332,663		**MANAGEMENT & MAINTENANCE TOTAL**	**14,978,220**	**15,781,460**	**15,707,420**	**15,925,325**	**16,196,228**
		CAPITAL FINANCING COSTS					
26,924	7	**Debt Management Expenses**	26,480	26,480	24,520	22,320	22,320
2,906,941	8	**Debt Principal - repayment**	2,939,530	2,939,530	2,967,030	2,921,690	2,962,190
		New Build Borrowing Repayment		0	0	0	0
3,594,171	9	**Debt Interest payable and similar charges**	3,514,580	3,514,580	3,433,420	3,351,150	3,267,750
5,188,077	10	**Depreciation**	4,225,490	4,225,490	4,225,490	4,225,490	4,225,490
3,875,544	11	**Impairment of Assets**	0	0	0	0	0
0	12	**Deferred Charges (REFCUS)**	0	0	0	0	0
15,591,656		**TOTAL CAPITAL FINANCING COSTS**	**10,706,080**	**10,706,080**	**10,650,460**	**10,520,650**	**10,477,750**
0	13	**RENT REBATES SUBSIDY LIMITATION**	0	0	0	0	0
195,411	14	**PROVISION FOR BAD DEBTS**	301,670	421,670	311,930	322,540	322,540
138,140	15	**HRA share of Corporate Democratic Core**	140,230	140,230	141,630	141,630	141,630
19,073	152	**HRA Share of Apprentice Levy**	21,050	21,050	21,260	21,260	21,260
30,276,943		**TOTAL EXPENDITURE**	**26,147,250**	**27,070,490**	**26,832,700**	**26,931,405**	**27,159,408**
		INCOME					
		RENTAL & CHARGES FOR SERVICES/FACILITIES					
33,123,856Cr	16	**Rents**	33,867,760Cr	32,939,760Cr	33,634,750Cr	34,138,860Cr	34,651,050Cr
983,322Cr	19	**Commercial**	702,220Cr	694,200Cr	613,930Cr	613,930Cr	613,930Cr
3,578Cr	18	**Ground Rent**	3,590Cr	3,590Cr	3,660Cr	3,730Cr	3,800Cr
90,450Cr	20	**Garages**	139,090Cr	139,090Cr	141,455Cr	143,859Cr	146,305Cr
398,870Cr	22	**Shops**	417,800Cr	415,300Cr	417,800Cr	417,800Cr	417,800Cr
910,659Cr	17	**Service Charges**	1,000,390Cr	1,000,390Cr	1,020,400Cr	1,040,810Cr	1,061,630Cr
12,102Cr	23	**Electricity FIT income**	15,220Cr	15,220Cr	15,220Cr	15,220Cr	15,220Cr
35,522,836Cr		**RENTS/CHARGES FOR SERVICES TOTAL**	**36,146,070Cr**	**35,207,550Cr**	**35,847,215Cr**	**36,374,209Cr**	**36,909,735Cr**
211,360Cr	24	G.F. RECHARGE	216,640Cr	216,640Cr	216,640Cr	220,973Cr	225,392Cr
35,734,196Cr		**TOTAL INCOME**	**36,362,710Cr**	**35,424,190Cr**	**36,063,855Cr**	**36,595,182Cr**	**37,135,127Cr**
5,457,254Cr		**NET COST OF SERVICES**	**10,215,460Cr**	**8,353,700Cr**	**9,231,155Cr**	**9,663,777Cr**	**9,975,719Cr**

HOUSING REVENUE ACCOUNT FORECAST 2020/21 TO 2049/50

2019/20 OUT-TURN			2020/21 ORIGINAL BUDGET	Year 1 2020/21 FORECAST	Year 2 2021/22 FORECAST	Year 3 2022/23 FORECAST	Year 4 2023/24 FORECAST
£			£	£	£	£	£
5,457,254Cr		**NET COST OF SERVICES**	**10,215,460Cr**	**8,353,700Cr**	**9,231,155Cr**	**9,663,777Cr**	**9,975,719Cr**
		Summary/Contingency items					
0	44	RTB Sales estimated effect	255,090	90	290,436	490,960	686,430
		New Build estimated effect	0	0	305,780Cr	503,890Cr	857,020Cr
709,560Cr	27	Pensions interest costs , expected returns &	0	0	0	0	0
0	38	Inflation/£/Brexit contingency	100,000	58,880	100,000	100,000	100,000
0	46	Incentive Schemes Contingency	40,000	40,000	40,000	40,000	40,000
0	55	HRA Cost Pressures Arising net	179,000Cr	239,850Cr	270,000Cr	220,000Cr	220,000Cr
0	43	Contingency for Sheltered Review	0		1,000,000	1,000,000	1,000,000
0	CN	Carbon Neutrality	0	0	0	0	0
0	47	Recharges/rescheduling	100,000	0	198,170	248,170	248,170
1,029,000Cr	34	Budget c/fwd from prev to curr yr	0	0	0	0	0
2,059,880	29	Misc Contribns to Reserves	28,440Cr	127,440Cr	11,560Cr	0	0
110,470Cr	28	New Homes Bonus	13,810Cr	13,810Cr	0	0	0
0	49	Zero based Budgeting savings target	80,000Cr	80,000Cr	80,000Cr	80,000Cr	80,000Cr
0	32	Customer Access Strategy - savings target	25,280Cr	25,280Cr	25,280Cr	25,280Cr	25,280Cr
0	50	CIVICA Upgrade Efficiency Savings	24,260Cr	35,270Cr	153,130Cr	162,410Cr	162,410Cr
0	54	Staffing	0	0	309,000	109,000	9,000
0	33	Transitional Vacancy savings to find	300,000Cr	410Cr	300,000Cr	300,000Cr	300,000Cr
9,165,916Cr	25	Reverse All Depreciation & Deferred charges	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr	4,341,830Cr
8,981,800	26	Transfer to Major Repairs Reserve	11,264,730	11,264,730	12,279,764	12,755,910	11,954,406
367,055Cr	36	Interest/investments (net)	368,360Cr	51,360Cr	38,680Cr	82,910Cr	71,940Cr
5,797,575Cr		**NET OPERATING EXPENDITURE**	**3,816,620Cr**	**1,905,250Cr**	**540,045Cr**	**636,057Cr**	**1,996,193Cr**
7,318,490	51	**New Build RCCO**	**5,085,000**	**5,085,000**	**1,000,000**	**1,000,000**	**1,000,000**
1,520,915		**(SURPLUS)/DEFICIT in year**	**1,268,380**	**3,179,750**	**459,955**	**363,943**	**996,193Cr**
		Use of surplus for budget c/fwd					
1,520,915	52	**NET (SURPLUS)/DEFICIT in year**	**1,268,380**	**3,179,750**	**459,955**	**363,943**	**996,193Cr**
10,882,225Cr		**HRA Balance b/f 1st April**	**8,992,923Cr**	**9,361,310Cr**	**6,181,560Cr**	**5,721,605Cr**	**5,357,662Cr**
9,361,310Cr		**HRA Balance c/f 31st March**	**7,724,543Cr**	**6,181,560Cr**	**5,721,605Cr**	**5,357,662Cr**	**6,353,855Cr**
		MINIMUM REQUIRED BALANCE	**2,040,000Cr**	**2,040,000Cr**	**2,040,000Cr**	**2,080,800Cr**	**2,164,864Cr**

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.

5.9 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.

5.10 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.

5.11 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

5.12 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

5.13 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

5.14 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

5.15 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

5.16 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

5.17 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

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

Miscellaneous

5.19 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

5.20 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

5.21 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

5.22 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-20 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-21 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-22 £'000	Balance 31-Mar-23 £'000	Balance 31-Mar-24 £'000	Balance 31-Mar-25 £'000
General Fund:										
Working Balance	8,766Cr	0	2,820	5,946Cr	0	1,800	4,146Cr	3,740Cr	3,078Cr	2,079Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr	252Cr
Insurance Reserve	816Cr	0	0	816Cr	0	0	816Cr	816Cr	816Cr	816Cr
Service Based Reserves	4,737Cr	187Cr	2,358	2,566Cr	82Cr	28	2,620Cr	2,550Cr	2,484Cr	2,418Cr
Repair and Renewal	515Cr	10Cr	131	394Cr	10Cr	4	400Cr	411Cr	422Cr	433Cr
Business Rates Reserve	3,963Cr	264Cr	338	3,889Cr	0	1,344	2,545Cr	1,665Cr	1,135Cr	710Cr
Legacies	88Cr	0	1	87Cr	0	0	87Cr	87Cr	87Cr	87Cr
Revenue Grants Reserve	1,359Cr	0	97	1,262Cr	0	89	1,173Cr	1,095Cr	1,047Cr	999Cr
Section 106 Grants	672Cr	162Cr	0	834Cr	0	0	834Cr	834Cr	834Cr	834Cr
Total	**21,168Cr**	**623Cr**	**5,745**	**16,046Cr**	**92Cr**	**3,265**	**12,873Cr**	**11,450Cr**	**10,155Cr**	**8,628Cr**
Housing Revenue Account:										
Working Balance	9,361Cr	0	3,180	6,181Cr	0	460	5,721Cr	5,358Cr	6,354Cr	8,887Cr
Repair and Renewal	1,500Cr	0	0	1,500Cr	0	0	1,500Cr	1,500Cr	1,500Cr	1,500Cr
Sheltered Scheme Reserve	1,040Cr	0	62	978Cr	0	0	978Cr	978Cr	978Cr	978Cr
IT Reserves	40Cr	0	28	12Cr	0	12	0	0	0	0
HRA Insurance Reserve	315Cr	0	0	315Cr	0	0	315Cr	315Cr	315Cr	315Cr
Service Reserves	629Cr	0	37	592Cr	0	0	592Cr	592Cr	592Cr	592Cr
Abortive New Build	300Cr	0	0	300Cr	0	0	300Cr	300Cr	300Cr	300Cr
Total	**13,185Cr**	**0**	**3,307**	**9,878Cr**	**0**	**472**	**9,406Cr**	**9,043Cr**	**10,039Cr**	**12,572Cr**
Capital:										
General Fund										
Usable Capital Receipts	0	796Cr	796	0	0	0	0	0	0	0
Capital Financing	370Cr	126Cr	346	150Cr	0	150	0	0	0	0
Housing Revenue Account										
Usable Capital Receipts	15,219Cr	4,029Cr	8,004	11,244Cr	4,584Cr	4,033	11,795Cr	12,120Cr	5,871Cr	2,080Cr
Capital Financing	40,455Cr	5,085Cr	5,486	40,054Cr	1,000Cr	10,117	30,937Cr	26,572Cr	13,206Cr	1,382Cr
Total	**56,044Cr**	**10,036Cr**	**14,632**	**51,448Cr**	**5,584Cr**	**14,300**	**42,732Cr**	**38,692Cr**	**19,077Cr**	**3,462Cr**

Schedule of Working Balances, Reserves and Provisions ctd

Provisions	Balance 31-Mar-20 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-21 £'000	Transfers In £'000	Transfers Out £'000	Balance 31-Mar-22 £'000	Balance 31-Mar-23 £'000	Balance 31-Mar-24 £'000	Balance 31-Mar-25 £'000
General Fund:										
Insurance Provision	709Cr	200Cr	200	709Cr	200Cr	200	709Cr	709Cr	709Cr	709Cr
Provision for Bad Debts	2,002Cr	100Cr	100	2,002Cr	100Cr	100	2,002Cr	2,002Cr	2,002Cr	2,002Cr
Total	**2,711Cr**	**300Cr**	**300**	**2,711Cr**	**300Cr**	**300**	**2,711Cr**	**2,711Cr**	**2,711Cr**	**2,711Cr**
Housing Revenue Account:										
Provision for Bad Debts	728Cr	100Cr	100	728Cr	100Cr	100	728Cr	728Cr	728Cr	728Cr
Total	**728Cr**	**100Cr**	**100**	**728Cr**	**100Cr**	**100**	**728Cr**	**728Cr**	**728Cr**	**728Cr**
Grand Total	**93,836Cr**	**11,059Cr**	**24,084**	**80,811Cr**	**6,076Cr**	**18,437**	**68,450Cr**	**62,624Cr**	**42,710Cr**	**28,101Cr**

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, Investment Strategy, 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 two main areas of focus over the medium term in this MTFP;

- Building 1,000 homes in a decade;
- Investing in and developing Ipswich's town centre;

6.6 In relation to the 2021/22 (and onwards) capital programme, key highlights include:

- Increasing and maintaining housing stock
- Bringing forward the replacement of some of the Council's older vehicle fleet
- Investing in the Waterfront
- Developing a multi-storey carpark on Portman Road.
- Further developing the Eastern Gateway site.

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 For prudence, the capital programme included in this MTFP assumes that any 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

6.9 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 recently confirmed changes to Public Works Loan Board rates, this funding source will be looked at again.

Current Situation

6.10 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.

6.11 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 required.

- Changes to PWLB lending arrangements prevent the Council from using PWLB loans to buy commercial assets primarily for yield. The PWLB will not lend to a local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

Performance Framework Overview

6.12 The Council has adopted Best Practice to coordinate:-

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

6.13 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.

6.14 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

6.15 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.

6.16 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.

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

Performance Measures and Monitoring

6.18 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 Head of Sport and Programmes;

- 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.

6.19 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

6.20 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.

6.21 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.

6.22 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.

6.23 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.

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

6.25 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.

6.26 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.

6.27 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

6.28 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.

6.29 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.

6.30 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.

6.31 Following the UK's departure from the European Union, the Official Journal of the European Union (OJEU) was replaced by the Find a Tender service (FTS). This was set out in Procurement Policy Note 08/20.

6.32 All procurements meeting FTS thresholds (which for 2021/22 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;

HRA Capital Programme

Capital Project Description	Councillor	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Communal Area Rewires	Cllr Macdonald	0	124,430	570,970	524,000	528,340
Communal TV System upgrades	Cllr Macdonald	0	67,140	103,810	0	0
PV Panels	Cllr Macdonald	423,010	852,940	670,000	681,070	411,390
IBC Lifts	Cllr Macdonald	74,960	103,010	637,870	116,500	0
70 London Road	Cllr Macdonald	0	52,730	0	0	0
Planned Maintenance	Cllr Macdonald	1,443,120	3,523,660	3,726,970	3,911,480	4,177,360
Kitchen and Bathroom Refurbishments	Cllr Macdonald	744,300	1,637,340	1,189,340	1,210,010	1,255,350
Better Use of Stock	Cllr Macdonald	23,850	0	0	0	0
Communal Areas refurbishments	Cllr Macdonald	166,720	251,720	288,090	293,100	177,200
Neighbourhood and Community Improvements	Cllr Macdonald	142,910	377,390	516,180	635,200	429,240
Asbestos Removal	Cllr Macdonald	163,270	155,540	155,720	156,140	158,500
Central Heating (Affordable Warmth)	Cllr Macdonald	1,606,220	2,065,970	1,610,840	1,615,160	0
Insulation/Ventilation	Cllr Macdonald	35,720	817,540	137,490	139,880	623,530
Rewires Programme inc Voids	Cllr Macdonald	546,110	1,143,870	1,082,360	1,085,250	0
Electrical Sub Mains	Cllr Macdonald	348,010	549,590	525,710	0	0
Sheltered Imps/Lifts/Boilers	Cllr Macdonald	309,630	374,640	461,310	468,030	0
Disabled Adaptations	Cllr Macdonald	1,156,480	1,034,360	1,079,250	1,118,590	1,137,740
Maintaining Properties		**7,184,310**	**13,131,870**	**12,755,910**	**11,954,410**	**8,898,650**
Increased Housing Provision (indicative - subject to HRA resources)	Cllr Macdonald	0	0	0	15,500,000	16,400,000
Ulster Avenue	Cllr Macdonald	1,590	0	0	0	0
Ainslie Road	Cllr Macdonald	-3,040	0	0	0	0
Bader Close	Cllr Macdonald	-6,400	0	0	0	0
Ravenswood UVW	Cllr Macdonald	1,543,540	323,880	2,200,000	2,500,000	1,600,000
Tooks	Cllr Macdonald	2,848,650	336,140	0	0	0
Widgeon Close	Cllr Macdonald	4,770	0	0	0	0
Buy Backs	Cllr Macdonald	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
79 Cauldwell Hall Road demolition & new build	Cllr Macdonald	15,150	0	0	0	0
Housing Acquisitions	Cllr Macdonald	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
I.H.P. Grimwade Street	Cllr Macdonald	1,324,250	2,279,160	81,660	0	0
IHP Small Sites Coltsfoot Road	Cllr Macdonald	250,230	501,370	17,920	0	0
IHP Small Sites Sheldrake Drive	Cllr Macdonald	667,270	1,336,980	47,800	0	0
IHP Small Sites Mallard Way	Cllr Macdonald	500,450	1,002,740	35,850	0	0
IHP Small Sites Emmanuel Close	Cllr Macdonald	500,450	1,002,740	35,850	0	0
IHP Small Sites Halton Crescent	Cllr Macdonald	83,410	167,120	5,970	0	0
House Building		**14,930,320**	**14,150,130**	**9,625,050**	**25,200,000**	**25,200,000**
Civica Upgrade	Cllr Macdonald	217,570	0	0	0	0
Property Acquisition	Cllr Macdonald	425,000	0	0	0	0
Housing Revenue Account Total		**22,757,200**	**27,282,000**	**22,380,960**	**37,154,410**	**34,098,650**

FUNDING OF HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME FOR 2020/21 AND FUTURE YEARS

	USABLE CAPITAL RECEIPTS	RESTRICTED CAPITAL RECEIPTS NEW BUILD ONLY	RESTRICTED CAPITAL RECEIPTS ALLOWABLE DEBT	TOTAL CAPITAL RECEIPTS	EXTERNAL FUNDING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY (NEW BUILD)	TOTAL
2020/21									
Resources at 31.03.2020	6,727,070	6,963,070	1,528,590	15,218,730	0	0	0	40,454,800	55,673,530
Resources forecast to be received during 2020/21	344,340	2,335,120	1,349,550	4,029,010	1,440,000	0	12,279,760	5,085,000	22,833,770
Resources available in year	**7,071,410**	**9,298,190**	**2,878,140**	**19,247,740**	**1,440,000**	**0**	**12,279,760**	**45,539,800**	**78,507,300**
Use of Resources	2,724,840	2,401,280	2,878,140	8,004,260	1,440,000	0	7,826,880	5,486,060	22,757,200
Balance at year end	**4,346,570**	**6,896,910**	**0**	**11,243,480**	**0**	**0**	**4,452,880**	**40,053,740**	**55,750,100**
2021/22									
Resources at 31.03.2021	4,346,570	6,896,910	0	11,243,480	852,110	0	4,452,880	40,053,740	56,602,210
Resources forecast to be received during 2021/22	344,340	2,689,560	1,551,010	4,584,910	0	0	12,279,760	1,000,000	17,864,670
Resources available in year	**4,690,910**	**9,586,470**	**1,551,010**	**15,828,390**	**852,110**	**0**	**16,732,640**	**41,053,740**	**74,466,880**
Use of Recources	1,204,280	1,278,000	1,551,010	4,033,290	852,110	0	12,279,760	10,116,840	27,282,000
Balance at year end	**3,486,630**	**8,308,470**	**0**	**11,795,100**	**0**	**0**	**4,452,880**	**30,936,900**	**47,184,880**
2022/23									
Resources at 31.03.2022	3,486,630	8,308,470	0	11,795,100	0	0	4,452,880	30,936,900	47,184,880
Resources forecast to be received during 2022/23	344,340	2,689,560	1,551,010	4,584,910	0	0	12,755,910	1,000,000	18,340,820
Resources available in year	**3,830,970**	**10,998,030**	**1,551,010**	**16,380,010**	**0**	**0**	**17,208,790**	**31,936,900**	**65,525,700**
Use of Recources	968,990	1,740,000	1,551,010	4,260,000	0	0	12,755,910	5,365,050	22,380,960
Balance at year end	**2,861,980**	**9,258,030**	**0**	**12,120,010**	**0**	**0**	**4,452,880**	**26,571,850**	**43,144,740**
2023/24									
Resources at 31.03.2023	2,861,980	9,258,030	0	12,120,010	0	0	4,452,880	26,571,850	43,144,740
Resources forecast to be received during 2023/24	344,340	2,689,560	1,551,010	4,584,910	0	0	11,954,410	1,000,000	17,539,320
Resources available in year	**3,206,320**	**11,947,590**	**1,551,010**	**16,704,920**	**0**	**0**	**16,407,290**	**27,571,850**	**60,684,060**
Use of Recources	2,803,390	6,480,000	1,551,010	10,834,400	0	0	11,954,410	14,365,600	37,154,410
Balance at year end	**402,930**	**5,467,590**	**0**	**5,870,520**	**0**	**0**	**4,452,880**	**13,206,250**	**23,529,650**
2024/25									
Resources at 31.03.2024	402,930	5,467,590	0	5,870,520	0	0	4,452,880	13,206,250	23,529,650
Resources forecast to be received during 2024/25	344,340	2,689,560	1,551,010	4,584,910	0	4,000,000	8,898,650	1,000,000	18,483,560
Resources available in year	**747,270**	**8,157,150**	**1,551,010**	**10,455,430**	**0**	**4,000,000**	**13,351,530**	**14,206,250**	**42,013,210**
Use of Recources	344,340	6,480,000	1,551,010	8,375,350	0	4,000,000	8,898,650	12,824,650	34,098,650
Balance at year end	**402,930**	**1,677,150**	**0**	**2,080,080**	**0**	**0**	**4,452,880**	**1,381,600**	**7,914,560**

General Fund Capital Programme

Group	Capital Project Description	Councillor	2020/21 Budget	2021/22 Budget	2022/23 Budget	2023/24 Budget	2024/25 Budget
Capitalised Repairs	Capitalised Repairs	Cllr Ellesmere	930,600	897,000	500,000	500,000	500,000
Disabled Facilities Grants	Disabled Facilities Grants	Cllr Macdonald	517,860	1,200,000	1,500,000	1,600,000	1,500,000
Improvement Grants	Improvement Grants	Cllr Macdonald	70,000	100,000	100,000	100,000	100,000
IT	Cap. IT Dev. - Development of website/integration of back office to CRM	Cllr M Cook	21,210	0	0	0	0
IT	Cap. IT Dev. - Equipment	Cllr M Cook	293,510	230,000	230,000	230,000	230,000
IT	Unified Communications Project	Cllr M Cook	9,720	0	0	0	0
Play Areas	Play Areas	Cllr P Smart	426,240	50,000	100,000	100,000	0
Property Purchases	Ashfield Land Purchase and development	Cllr Ellesmere	1,239,240	0	0	0	0
Property Purchases	Opportunity Purchase/Infrastructure	Cllr Ellesmere	500,000	500,000	500,000	500,000	500,000
Air Quality	Air Quality Action Plan (Enhanced Delivery)	Cllr P Smart	0	100,000	100,000	100,000	100,000
Resurfacing Car Parks	Resurfacing Car Parks	Cllr Barber	0	100,000	100,000	100,000	0
	General Fund - Annual Core Investments		**4,008,380**	**3,177,000**	**3,130,000**	**3,230,000**	**2,930,000**
Major Capital Projects	Walnut Tree Farm Land Purchase	Cllr Ellesmere	0	750,000	0	0	0
Major Capital Projects	Town Centre Public Realm Improvements	Cllr Jones	0	1,250,000	750,000	500,000	0
Major Capital Projects	1 Cornhill	Cllr Ellesmere	643,330	0	0	0	0
Major Capital Projects	214 Sidegate Lane	Cllr Macdonald	32,470	0	0	0	0
Major Capital Projects	86-98 Princes Street (former Avanti Auto)	Cllr Ellesmere	182,300	0	0	0	0
Major Capital Projects	Waterfront Sites General	Cllr Ellesmere	467,930	712,000	0	0	0
Major Capital Projects	Climate Change	Cllr P Smart	200,000	200,000	200,000	200,000	200,000
Major Capital Projects	Open Spaces Repairs	Cllr Ellesmere	115,000	265,000	100,000	100,000	0
Major Capital Projects	Buildings At Risk	Cllr Ellesmere	70,000	130,000	0	0	0
Major Capital Projects	Broomhill Pool	Cllr Rudkin	676,500	790,000	0	0	0
Major Capital Projects	Car Park Ticket Machines	Cllr Barber	35,000	0	0	0	0
Major Capital Projects	Carbon Management Prog Invest to Save - unallocated	Cllr P Smart	135,000	61,000	0	0	0
Major Capital Projects	CCTV Replacement System	Cllr Barber	258,650	0	0	0	0
Major Capital Projects	Chantry Park Entrance (road) improvements	Cllr P Smart	100,000	0	0	0	0
Major Capital Projects	Chantry HLF Bid	Cllr P Smart	75,930	100,000	100,000	1,220,000	0
Major Capital Projects	Community Improvements in Priory Heath and Westgate	Cllr Ross	90,000	90,000	90,000	0	0
Major Capital Projects	Corn Exchange Improvements	Cllr Barber	140,000	0	0	0	0
Major Capital Projects	Cornhill Regeneration	Cllr Barber	197,410	0	0	0	0
Major Capital Projects	Crown Pools Roof Repair	Cllr Rudkin	100,000	150,000	0	0	0
Major Capital Projects	Crown St Multi Storey Car Park	Cllr Ellesmere	295,900	0	0	0	0
Major Capital Projects	Economic Development	Cllr Ellesmere	0	250,000	250,000	0	0
Major Capital Projects	EV Points Various Outstations	Cllr P Smart	2,930	0	0	0	0
Major Capital Projects	HEARS System Upgrade	Cllr Barber	8,790	0	0	0	0
Major Capital Projects	Ipswich Arts School Roof Replacement	Cllr Jones	50,000	338,320	0	0	0
Major Capital Projects	Ipswich Flood Defence Payback	Cllr P Smart	1,000,000	1,000,000	600,000	0	0
Major Capital Projects	Maintenance of Churches (IHCT)	Cllr P Smart	0	100,000	100,000	100,000	100,000
Major Capital Projects	Museum Project	Cllr Jones	671,780	2,514,000	0	0	0
Major Capital Projects	Parks Improvements	Cllr P Smart	117,090	0	0	0	0
Major Capital Projects	Public Realm Arras Square	Cllr Jones	153,670	0	0	0	0
Major Capital Projects	Raeburn Road Infrastructure Works	Cllr Ellesmere	240,760	0	0	0	0
Major Capital Projects	Regent Theatre Improvements	Cllr Barber	0	500,000	439,720	0	0
Major Capital Projects	Eastern Gateway	Cllr Ellesmere	3,500,000	6,500,000	3,500,000	3,000,000	0
Major Capital Projects	Non-Operational Asset Management	Cllr Ellesmere	50,000	965,000	430,000	275,000	0
Major Capital Projects	NW (Tooks) GP Surgery	Cllr Ellesmere	0	2,029,240	4,000,000	443,000	0
Major Capital Projects	Headway Centre	Cllr Ellesmere	0	5,000,000	550,000	0	0
Major Capital Projects	Landseer Park Contribution	Cllr P Smart	0	40,000	0	0	0
Major Capital Projects	Property Acquisition	Cllr Ellesmere	0	5,000,000	500,000	0	0
Major Capital Projects	Princes St Area Multi Storey car park	Cllr Ellesmere	250,000	5,750,000	4,000,000	0	0
Major Capital Projects	St Peters Dock Public Realm	Cllr Jones	8,210	0	0	0	0
Major Capital Projects	The Drift	Cllr Macdonald	600,000	0	0	0	0
Major Capital Projects	Tooks Gen Fund	Cllr Macdonald	2,383,850	0	0	0	0
Major Capital Projects	Upper Barclay Street Car Park	Cllr Barber	80,300	0	0	0	0
	General Fund - Major Capital Projects		**12,932,800**	**34,484,560**	**15,609,720**	**5,838,000**	**300,000**
Any Other Items	CPO Empty Homes	Cllr MacDonald	408,840	0	0	0	0
Any Other Items	CPO 514 Bramford Road	Cllr MacDonald	138,400	0	0	0	0
Any Other Items	CPO 77 Norwich Road	Cllr Ellesmere	247,960	0	0	0	0
Any Other Items	FIND Gainsborough Sports Centre	Cllr Rudkin	33,680	0	0	0	0
Any Other Items	Fleet Replacement	Cllr P Smart	2,301,070	1,200,000	500,000	500,000	500,000
Any Other Items	Pond Hall Farm	Cllr Ellesmere	150,000	220,000	130,000	0	0
Any Other Items	Sports Schemes	Cllr Rudkin	100,000	100,000	100,000	0	0
Any Other Items	Transit Site for Travellers	Cllr MacDonald	0	100,000	0	0	0
Any Other Items	Variable Message Signing	Cllr Barber	200,000	50,000	0	0	0
Contingency	Contingency - Additional Commitments	Cllr M Cook	400,000	400,000	400,000	400,000	400,000
	General Fund - Contingency & Other Items		**3,979,950**	**2,070,000**	**1,130,000**	**900,000**	**900,000**
	General Fund Total (Excluding Loans to Council Companies)		**20,921,130**	**39,731,560**	**19,869,720**	**9,968,000**	**4,130,000**
Loans to Council Companies	Loans to Council Companies	Cllr M Cook	31,180,000	0	0	0	0
	TOTAL CAPITAL PROGRAMME		**74,433,330**	**67,013,560**	**42,250,680**	**47,122,410**	**38,228,650**

FUNDING OF GENERAL FUND CAPITAL PROGRAMME FOR 2020/21 AND FUTURE YEARS

	EXTERNAL FUNDING	CAPITAL RECEIPTS	REVENUE CONTRIBS TO CAPITAL OUTLAY	BORROWING	TOTAL
2020/21					
Resources at 31.03.2020	2,147,670	0	369,910	0	2,517,580
Resources forecast to be received during 2020/21	2,527,590	796,080	126,240	49,656,270	53,106,180
Resources available in year	**4,675,260**	**796,080**	**496,150**	**49,656,270**	**55,623,760**
Use of Resources	1,302,630	796,080	346,150	49,656,270	52,101,130
Balance at year end	**3,372,630**	**0**	**150,000**	**0**	**3,522,630**
2021/22					
Resources at 31.03.2021	3,372,630	0	150,000	0	3,522,630
Resources forecast to be received during 2021/22	939,870	0	0	38,369,060	39,308,930
Resources available in year	**4,312,500**	**0**	**150,000**	**38,369,060**	**42,831,560**
Use of Resources	1,212,500	0	150,000	38,369,060	39,731,560
Balance at year end	**3,100,000**	**0**	**0**	**0**	**3,100,000**
2022/23					
Resources at 31.03.2022	3,100,000	0	0	0	3,100,000
Resources forecast to be received during 2022/23	900,000	0	0	18,369,720	19,269,720
Resources available in year	**4,000,000**	**0**	**0**	**18,369,720**	**22,369,720**
Use of Resources	1,500,000	0	0	18,369,720	19,869,720
Balance at year end	**2,500,000**	**0**	**0**	**0**	**2,500,000**
2023/24					
Resources at 31.03.2023	2,500,000	0	0	0	2,500,000
Resources forecast to be received during 2023/24	800,000	0	0	8,368,000	9,168,000
Resources available in year	**3,300,000**	**0**	**0**	**8,368,000**	**11,668,000**
Use of Resources	1,600,000	0	0	8,368,000	9,968,000
Balance at year end	**1,700,000**	**0**	**0**	**0**	**1,700,000**
2024/25					
Resources at 31.03.2024	1,700,000	0	0	0	1,700,000
Resources forecast to be received during 2024/25	800,000	0	0	2,630,000	3,430,000
Resources available in year	**2,500,000**	**0**	**0**	**2,630,000**	**5,130,000**
Use of Resources	1,500,000	0	0	2,630,000	4,130,000
Balance at year end	**1,000,000**	**0**	**0**	**0**	**1,000,000**

Section 7

2021/22 INVESTMENT STRATEGY

Introduction

7.1 The Council's Investment Strategy, Capital Strategy and Treasury Management Strategy are all compiled in accordance with the requirements of 2017 CIPFA Prudential Code and the 2017 Treasury Management Code.

7.2 The Council's 'Investment Strategy' is a new element of the 'Medium Term Financial Plan and Financial Strategies' document this year and draws together information that has historically been contained in various Council documents. The intention, going forward, is that it will be updated each year alongside the MTFP.

7.3 The definition of an investment covers all of the financial assets of a Local Authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit. The term does not include pension funds or trust fund investments, which are subject to separate regulatory regimes.

7.4 There are three main types of investment made by the council, each of which are discussed in turn below;

a. Treasury Management Investments
b. Investments made to support service objectives
c. Investing in Council-owned companies

7.5 The Council will typically prioritise security first, then liquidity and finally yield when choosing where and how to invest any surplus cash. Non-financial considerations will also be taken into account in any investment decision made by the Council.

7.6 The Council will not borrow more than or in advance of its needs to profit from investment of the extra sums being borrowed under any circumstances. On exceptional occasions it may be the case that circumstances change after borrowing has been arranged which could result in the Council having more cash than anticipated for a short period.

7.7 The Council's underlying strategy is to hold investments to maturity, in order to collect contractual cash flows, rather than trade in the underlying instruments.

7.8 The Council regularly takes advice from its external financial advisors and the Council will take appropriate advice from specialists before any decision is taken to invest in new types of investment.

7.9 Historically the Council has borrowed most of its financing from the Public Works Loan Board (PWLB). HM Treasury have completed a consultation into lending terms offered by PWLB and announced the outcome on 26 November 2020 alongside a 100bps (1%) reduction in borrowing rate.

7.10 In summary, the changes to the lending arrangements for PWLB loans (published in the UK Debt Management Office Circular 162) prevent Local Authorities from using PWLB loans to buy commercial assets primarily for yield.

7.11 Local Authorities are required to submit high level capital plans for three years when accessing PWLB lending and the Section 151 Officer is required to confirm that there is no intention to but investment assets primarily for yield at any point during that three-year period.

7.12 The PWLB will not lend to a local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

Treasury Management Investments

7.13 The Council typically receives its cash income (e.g. from taxes and grants) in advance of when it is required operationally to pay for its expenditure in cash (e.g. through payroll and invoices). The Council also holds cash reserves to manage financial uncertainty and future requirements. The Council's cash position is managed on a daily basis by the Finance team.

7.14 These day-to-day activities and the timing of borrowing decisions can lead to a cash surplus which can be invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA).

7.15 The contribution that these investments make to the objectives of the Council is to support effective Treasury Management activities. The Council's policies and its plan for 2021-22 for Treasury Management investments are covered in the 'Treasury Management Strategy' in Section 8 of this document.

7.16 The Council will not ordinarily invest in financial investments not covered by the Treasury Management strategy. Should the Section 151 Officer determine that a suitable opportunity for such an investment has arisen, Executive will be asked for their approval before the Council proceeds.

7.17 This will require a business case for the investment setting out the benefits and risks of the investment, the maximum term permitted and a limit for the sum of cash to be invested. Any such case should include a summary of the advice received from the Council's external financial advisors.

Investments Made to Support Service Objectives

7.18 The council may occasionally spend money on capital schemes which support wider service objectives – for example the economic development of Ipswich town centre - rather than narrowly focussing on generating yield. It is important to note that in these cases the security and liquidity of taxpayers' money will remain key considerations and must be addressed by the business case for a scheme prior to that scheme proceeding.

7.19 This could include, but is not limited to, considering the credit rating of the creditor receiving Council monies, the Balance Sheet and financial statements of any external party involved in transactions, or an independent assessment of the sector in which the monies are being invested.

7.20 The business case for any such capital scheme will be considered in accordance with the Financial Standing Orders prior to proceeding. Part of the case to be considered will be the wider benefits of investing the money and the consequence on the revenue budget of investing the money.

7.21 It is important that the timescale for the repayment of the money invested in such a scheme is proportionate to the nature of the scheme. It is a minimum requirement that an investment should generate sufficient revenue income each year to cover the capital charges incurred through investing the money including Minimum Revenue Provision associated with the scheme.

7.22 Any schemes will be listed and clearly named on the capital programme reported to Executive and Audit & Governance committees each quarter within Budget Monitoring reports.

Investing in Council-owned Companies

7.23 The generation of revenue from lending to the Council's wholly-owned arms-length companies has been an integral part of the Big Ticket programme, discussed in Section 3 of this document.

7.24 It is recognised that however profitable this lending may be, it must remain proportionate to the size of the service expenditure budgets approved within the MTFP.

7.25 Likewise, any borrowing undertaken by the Council must be proportionate to the Council's total authorised borrowing limit as set out and approved in the Treasury Management Strategy.

7.26 All lending to Council-owned companies is approved by the Council's Section 151 Officer with the agreement of the Leader of the Council and the Portfolio Holder for Resources.

7.27 All investment in Council-owned companies will be undertaken on the basis of a signed loan agreement setting out as a minimum the sum to be borrowed, the rate at which interest will accrue, the frequency of repayments and a repayment schedule. This loan agreement must be signed by the Section 151 Officer and the company's Finance Director before proceeding. It is on this basis that investment in Council-owned companies will ordinarily be considered to be solely payments of principal and interest (SPPI).

7.28 Lending will only be offered to Council-owned companies at terms commercially available to the companies elsewhere.

7.29 Where the Council borrows money to finance lending to Council-owned companies, it must be at the best available terms and for a repayment period no longer than that of the loan being made to the company. The council will require a minimum of five working days' notice from the company.

7.30 Borrowing undertaken by the Council to finance lending to Council-owned companies will ordinarily be repaid on an annuity basis, unless there are sound financial reasons for different repayment terms being agreed, irrespective of the terms being agreed with the Council-owned company.

7.31 No borrowing will be undertaken by the Council without a signed loan agreement being in place.

7.32 Although the Council-owned companies may opt to undertake their own assessment of the commercial opportunities available to them it is important that the Council undertakes its own assessment of the risks associated with any investment prior to lending any money. This may include an independent assessment of the sector in which the investment is being made or the wider economic outlook and any sector-specific risks that need to be considered and mitigated.

Investment Indicators

7.33 The following quantitative indicators have been set to allow councillors and the public to assess the Council's total risk exposure as a result of its investment decisions. They take into account the types of investment made by the council.

Investment Indicator One: Total exposure to investment losses

£m	**2020/21 (Q2 actual)**	**2021/22 (forecast)**
Total Amount Invested	162.638	157.190

Investment Indicator Two: Proportion of investments funded by borrowing

£m	**2020/21 (actual)**	**2021/22 (forecast)**
Total Amount Invested	162.638	157.190
Funded by Borrowing	109.364	107.120
%	*67.3%*	*68.1%*

Investment Indicator Three: Amount lent to Council-Owned Companies as a multiple of net Service Expenditure

£m	**2020/21 (forecast)**	**2021/22 (planned)**	**2022/23 (planned)**	**2023/24 (planned)**
Lending to Companies	124.616	119.629	118.601	117.181
Total Net Service Expenditure	21.509	22.604	23.191	23.840
Multiple of Expenditure	*5.8*	*5.3*	*5.1*	*4.9*

Investment Indicator Four: Net Contribution made by non-Treasury Management Investments to Revenue budget

£m	**2020/21 (forecast)**	**2021/22 (planned)**
Contribution by non-TM Investments	3.189	3.246

Investment Indicator Five: % of Authorised Limit for External Debt used for Company Lending

	2020/21 (actual)	**2021/22 (forecast)**	**2022/23 (planned**	**2023/24 (planned)**
Lending to Companies	109.394	107.120	104.797	102.423
Authorised Limit	350	350	380	400
% of Limit Used	31.3%	30.6%	27.6%	25.6%

Investment Indicator Six: % of Big Ticket Programme relating to Investment Strategy

	2020/21 (actual)	**2021/22 (forecast)**	**2022/23 (planned**	**2023/24 (planned)**
Investment Return Schemes	0.900	1.400	1.850	2.200
Total Big Ticket Programme	2.500	3.650	4.400	5.000
% of Big Ticket Schemes	36.0%	38.4%	42.0%	44.0%

Credit Risk Model

7.34 The Council reports on all investments in accordance with the CIPFA Code of Practice on Local Authority Accounting, which is published annually and is based on International Financial Reporting Standards (IFRS).

7.35 IFRS 9, ‘Financial Instruments’, was published by the International Accounting Standards Board in July 2014. This was primarily in response to the banking crisis of 2008 and requires expected credit losses to be recognised in financial accounts when they can be reasonably forecasted rather when they are incurred.

7.36 Where lending is consistent with a basic lending model – i.e. solely payments of principal and interest – it is held at fair value on the Council’s Balance Sheet. This is consistent with all other long-term receivables held by the Council.

7.37 The Council recognises that financial assets bear a risk that future cash flows might not take place because the counterparty could default on their obligation. The Council therefore recognises expected credit losses on all its financial assets held at amortised cost, either on a 12-month or lifetime basis.

7.38 Where credit risk has increased significantly since an instrument was initially recognised, losses are assessed across the lifetime of the asset. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Developing Capacity, Skills and Culture

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

7.40 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.

7.41 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.

7.42 The Finance team provide weekly reports on Investments and Borrowing held by the Council to the Head of Finance and Revenues.

7.43 Formal written reports are presented twice yearly to Council and the Audit and Governance Committee on the financial position of the Council in relation to investment and treasury matters.

Section 8

THE TREASURY MANAGEMENT STRATEGY AND PRUDENTIAL CODE FOR 2021/22

8.1 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. The Treasury Management function has two major roles in relation to this requirement;

(i) Arranging capital financing and borrowing
(ii) Cash planning and investments

8.2 The first major role of the Treasury Management function 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

8.3 The second main role of the Council's Treasury Management function is to ensure that the Council's cash flow is adequately planned, with cash being available when it is required. 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.

8.4 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.

8.5 The contribution that the Treasury Management function makes to the Council 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.

8.6 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.

8.7 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.

8.8 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.

8.9 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;
- MHCLG Local Government Finance Settlement 2021/22
- 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 Minimum Revenue Provision guidance updated in 2018.
- Statutory guidance on Local Government Investments updated in 2018; and
- Lending arrangements for Public Works Loan Board loans provided by HM Treasury as set out in United Kingdom Debt Management Office Circular 162.

Capital Financing and Borrowing

8.10 New Public Works Loan Board lending arrangements were applied with effect from 26th November 2020 and are set out in UK Debt Management Office Circular 162. In summary;

- The changes prevent Local Authorities from using PWLB loans to buy commercial assets primarily for yield.
- As a condition to access PWLB, local authorities are asked to submit high level descriptions of capital spending for three years.
- The Section 151 Officer of a Local Authority is required to confirm that there will be no intention to buy investment assets primarily for yield any time across the three-year period.
- The PWLB will not lend to a local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB.

8.11 This report is the first of three reports that are 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 these reports will be presented to Council for consideration.

8.12 The Council has adopted a two debt-pool approach, one for the Housing Revenue Account (HRA) and one for the General Fund.

8.13 Table Twenty-Eight below shows the Council's treasury portfolio position as at 30 September 2020.

Table Twenty-Eight: Treasury Portfolio Position as at 30 September 2020

	General Fund	HRA	Overall
Borrowing			
PWLB Maturity	£57.500m	£34.150m	£91.650m
PWLB Annuity	£66.045m	£29.464m	£95.510m
PWLB EIP	£0m	£27.306m	£27.306m
Market loans	£2.600m	£9.000m	£11.600m
Total Borrowing	**£126.145**	**£99.921m**	**£226.066m**
Investments			
Fixed Term Investments			£11.002m
Instant Access Accounts			£0.980m
Money Market Funds			£10.000m
Notice Accounts			£15.555m
Inter Group Loans			£125.101m
Total Investments			**£162.638m**

8.14 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.

8.15 Borrowing conditions have changed following the changes to the PWLB lending arrangements being implemented on 26 November 2020 and this might lead to new lenders entering the market for lending to Local Authorities. Consequently, changes to the Councils Investment Strategy may need to be considered over the medium-term.

8.16 Against this background and the risks within the economic forecast, caution will continue to be adopted with the 2021/22 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances;

- if it was considered 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 a long-term recession or of risks of deflation, then long term borrowings could be postponed, and short term borrowing could be undertaken.

- if it was considered that there was a significant risk of a much sharper rise in long- and short-term rates than is currently forecast, for example 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.

8.17 If interest rates are expected to increase sharply and a borrowing need has been identified, the Council may 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.

8.18 Interest rates are currently at historically low levels and over the coming year are not expected to significantly increase, with the Bank of England base rate not forecast to increase.

8.19 If the Council were to borrow any long-term debt during 2021/22, the current expectation is that the interest rate will probably vary between 1.0% - 1.5%, depending on the periods borrowed for and the type of loans taken out.

Table Twenty-Nine: Estimated Interest Rates for Future Periods

	Bank Rate (%)	PWLB Borrowing Rates (%)		
		10 year	25 year	50 year
March 2021	0.10%	1.10%	1.50%	1.30%
March 2022	0.10%	1.20%	1.60%	1.40%
March 2023	0.10%	1.30%	1.70%	1.50%
March 2024	0.10%	1.30%	1.80%	1.60%

8.20 Historically, the Council has borrowed most of its funding via the PWLB. On 26 November 2020, HM Treasury announced changes to lending arrangements (see para 8.10), which also included a rate reduction of 100bps (i.e. 1%), making continued use of the PWLB a favourable option for traditional Local Government borrowing, e.g. to finance house building.

8.21 With the other changes introduced the Local Government market may now appeal to other lenders 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.

8.22 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.

8.23 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 potentially significant sums against budget plans.

8.24 Ipswich Borough Council have signed up as one of the founding members of this scheme. As short-term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short-term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment.

8.25 Rescheduling of the Council's current PWLB debt portfolio is unlikely to occur as the 1% reduction in PWLB rates only applied to new borrowing rates and not to premature debt repayment rates. The reasons for any debt rescheduling to take place will include:

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

8.26 If the Council needs to borrow for any short-term cash flow situations, there is a variety 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.

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

Investments

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

8.29 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.

8.30 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.

8.31 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 agency. 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.

8.32 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.

8.33 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.

8.34 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.

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

8.36 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.

8.37 There are several operational issues Councillors will need to consider when agreeing the Counterparty list for 2021/22 and these are detailed below.

8.38 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.

8.39 The security and return of investments is the Council's biggest priority, especially given the current economic circumstances. As a general rule, the more security an investment has, the lower the interest rate is.

8.40 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: Rates Available by Investment Counterparty Type

Investment Counterparty	Interest Rate	Security
Government Debt Management Account	0.01%	The Government guarantees this money is returned.
Gilts	0.25%	Money invested with the Government, so it will be returned. These can be traded, but if traded you might have to settle at a loss. Currently cash would have to be invested for an extended period of time to generate positive returns.
Local Authorities	0.01%	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	0.10%	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)	0.05%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits.

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

Table Thirty-One: Expected Investment Returns 2021/22 to 2024/25

Year	Expected Returns
2021/22	0.25%
2022/23	0.25%
2023/24	0.50%
2024/25	1.00%

8.42 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 £87,500 to £350,000. The difference equates to a Band D Equivalent of £6.84.

8.43 Investment returns are an important income source to help keep Council Tax levels down and therefore 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 to manage exposure to risk.

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

8.45 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 becomes a drag on performance.

8.46 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.

8.47 The Council will consider the implications of investment instruments, with regard to Internal Financial Reporting Standard 9 ('Financial 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.

8.48 In November 2018, MHCLG announced a statutory override to delay implementation of IFRS 9 for five years backdated to commence from 1 April 2018 to allow English local authorities time to adjust their portfolio of all pooled investments. The Council do not have any pooled investments at present.

8.49 The Council is evaluating Property Funds as an opportunity for investment. These will come under the scope of IFRS9 and will be covered by the statutory override until 31 March 2023. The accounting treatment of the Council's investments in its arms-length companies may come under the scope of IFRS9 and this is being monitored.

8.50 The management of the Council's counterparty list is delegated to the Section 151 Officer. It is the duty of the Section 151 Officer to act within the confines of this counterparty 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 they consider that 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.

8.51 The Council's full counterparty list for investments and the limits for each 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 2021/22, 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.

8.52 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.

8.53 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. These criteria select which counterparties the Council will choose rather than defining what its investments are.

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

8.55 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.

8.56 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.

8.57 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), were required, by UK law, to separate core retail banking services from their investment and international banking activities from 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.

8.58 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.

8.59 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.

8.60 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.

8.61 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)

8.62 The Government has a debt management account and guarantees all deposits. However, investments can only be for a maximum of six months and the interest rates payable are very low.

8.63 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)

8.64 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.

8.65 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.

8.66 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)

8.67 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 providing as they meet the rating criteria or remain part-nationalised.

8.68 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 Poor's).

Table Thirty-Two: Required Credit Ratings for Category 3 Investments

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

8.69 The maximum time limit for investments in institutions falling in Category 3 is two 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. The overall maximum exposure for this category would be £80m.

8.70 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.

8.71 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))

8.72 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. The use of MMF's eases the pressure on the Council's instant access account and provides flexibility.

8.73 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.

8.74 To date the returns on investments in the money market instruments have performed better than the government backed securities (due to respective security levels).

8.75 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.

8.76 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)

8.77 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.

8.78 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. The overall maximum exposure for this category would be £25m.

8.79 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.

8.80 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 considered.

Category 6 (Foreign Financial Institutions)

8.81 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 Poor's).

Table Thirty-Three: Required Credit Ratings for Category 6 Investments

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

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

Category 7 (Property Funds)

8.83 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.

8.84 Investments in property funds can have potential financial implications for the General Fund under IFRS 9 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.

8.85 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.

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

Specified Investments

8.87 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

8.88 Non-specified investments are any other type of investment. These would include investments in Categories 2, 3, 5, 6, and 7.

8.89 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). Table Thirty-Three takes account of the level of security and the number of institutions within the category.

8.90 The potential exposure is the maximum amount that the Council could invest, if the Council invested the maximum amount with each counterparty in a category. The maximum exposure is the highest level of exposure the Council would have within any category of investments.

8.91 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-Four: 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	20	180	80	Max 2 years
Category 4	4	7.5	30	30	Instant Access
Category 5	5	6	15	25	Max 365 Days
Category 6	25	5	36	25	Max 365 Days
Category 7	4	5	20	10	Unlimited

8.92 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.

8.93 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.

8.94 After considering the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2021/22.

8.95 Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.10% Bank Rate continuing until 2022. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty credit-worthiness suggests shorter dated investments would provide better security.

8.96 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.

8.97 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' market conditions. Similarly, the time periods for investments will be restricted.

8.98 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.

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

8.100 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.

8.101 The Council 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

8.102 The CIPFA Prudential Code also requires Councils to consider and set indicators for the next three years as part of their Medium Term Financial Planning. These indicators should be monitored during the year and must be reviewed annually.

8.103 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.

8.104 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-Five: Estimated Capital Expenditure by Year 2020/21 to 2023/24 (£m)

Year	General Fund	HRA	Overall
2020/21 Forecast	£50.369m	£22.850m	£73.219m
2021/22 Estimate	£40.732m	£26.738m	£67.470m
2022/23 Estimate	£19.870m	£20.256m	£40.126m
2023/24 Estimate	£9.968m	£37.348m	£47.316m

8.105 The Council's Capital Financing Requirement (CFR) is set out at Table Thirty-Six and is essentially the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. The CFR is therefore an indication of the Council's underlying borrowing need.

Table Thirty-Six: Estimated Capital Financing Requirement by Year (£m)

Year	**General Fund**	**HRA**	**Overall**
2020/21 Forecast	£182.875m	£112.854m	£295.729m
2021/22 Estimate	£228.568m	£109.887m	£338.455m
2022/23 Estimate	£248.127m	£106.965m	£355.092m
2023/24 Estimate	£269.319m	£104.003m	£373.323m

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

8.107 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.

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

i) For capital expenditure incurred before 1 April 2008 or which in subsequent periods is Supported Capital Expenditure, the MRP policy will be:

- ***Existing practice** - MRP will follow the existing practice outlined 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.

ii) 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.

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

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

8.109 Table Thirty-Seven shows the estimated MRP charge by year taking into account the impact of the proposed MRP statement.

Table Thirty-Seven: Estimated Minimum Revenue Provision Charge by Year

Year	General Fund	HRA	Loans Made	Total
2020/21 Forecast	£2.513m	£2.940m	£0.969m	£6.422m
2021/22 Estimate	£3.091m	£2.967m	£6.115m	£12.173m
2022/23 Estimate	£3.606m	£2.922m	£2.394m	£8.922m
2023/24 Estimate	£3.884m	£2.962m	£3.342m	£10.188m

8.110 It is important to note that the MRP charged on principle lent to third parties is matched by income received so there is no net charge to the accounts. The MRP estimates shown reflect the expected repayment of principle in each year.

8.111 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 2021/22 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.

8.112 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.

8.113 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.

8.114 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

8.115 This represents a statutory limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limits for 2021/22 and future years take account of the future plans of the Council.

The Operational Boundary for External Debt

8.116 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.

Table Thirty-Eight: Proposed Authorised Limit and Operational Boundary by Year

Year	Authorised Limit	Operational Boundary
2020/21 Actual	£350m	£320m
2021/22 Proposed	£350m	£320m
2022/23 Estimate	£380m	£350m
2023/24 Estimate	£400m	£370m

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

Table Thirty-Nine: Proposed Authorised Limit and Operational Boundary by Year

Year	Fixed Rate	Variable Rate
2020/21 Actual	100%	50%
2021/22 Proposed	100%	50%
2022/23 Estimate	100%	50%
2023/24 Estimate	100%	50%

8.118 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 medium-term;

Table Forty: Proposed Upper and Lower Borrowing Limits

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%

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

Table Forty-One: Proposed Deposit Limits

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

Approved Organisations for Investment 2021/22

	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))	**20**
Goldman Sachs International Bank	**20**
HSBC (RFB)	**20**
Nationwide Building Society	**20**
Lloyds Banking Group (RFB) - Bank of Scotland PLC (RFB) - Lloyds Bank PLC (RFB)	**20**
Santander UK PLC	**20**
Standard Chartered Bank	**20**
Sumitomo Mitsui Banking Corporation Europe Ltd	**20**
The Royal Bank of Scotland (RFB) - National Westminster Bank (RFB) - The Royal Bank of Scotland (RFB)	**20**
CATEGORY 3 - Maximum Exposure	**80**
CATEGORY 4 - Money Market Funds (maximum £7.50m per Fund)	**30**
CATEGORY 5 - UK Financial Institutions that do not meet the criteria of Category 3	
Coventry Building Society	**3**
Handelsbanken PLC	**3**
Leeds Building Society	**3**
Skipton Building Society	**3**
Yorkshire Building Society	**3**
CATEGORY 5 - Maximum Exposure	**25**

Approved Organisations for Investment 2021/22 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 2020/21 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