IPSWICH
BOROUGH COUNCIL

FINANCIAL STRATEGIES AND MEDIUM TERM FINANCIAL PLAN 2012/13 ONWARDS

CONTENTS

FOREWORD

The 2012/13 budget process has built upon some of the improvements to the Council's budget process in recent years.

The new administration has acted to further improve the process, by introducing three new components:

- The budget process has been made more inclusive. This has been achieved by providing an opportunity for all the cross party Portfolio Holder Working Groups to discuss and prioritise ideas. The Strategic Overview and Scrutiny Committee were also involved in scrutinising the process and also the recommendations from the working groups. The importance of this role was recognised by the attendance of the Leader and the Finance Portfolio Holder to answer any questions.

- Residents and businesses have been consulted simultaneously on the draft Corporate Plan and potential levels of Council Tax.

- The main focus of consideration of the General Fund budget has been on "savings" in recent years, with little consideration of refocusing resources to meet the objectives of the corporate plan. This has been addressed by the consideration of service "investment" proposals along with savings.

Looking towards the future, plans are already underway to incorporate Zero Based Budgeting into next years business planning process.

The 2012/13 budget process has been carried out against a background of economic and regulatory uncertainty, which is covered in more detail within this document. Despite these challenges, the budget for 2012/13 onwards has still been able to support the ambition of the administration to support our local residents and economy principally by:

- Not increasing Council Tax;
- Making new investments in affordable housing and bringing disused houses back into use;
- Introducing a £1.5m Jobs and Skills Investment Fund to support employment; and
- Introducing a £2m Economic Development Fund to enable support to the local economy through opportunity purchases.

Finance Portfolio Holder Head of Financial Services

Section 1

Finance Strategy

The corporate finance strategy should address five main areas;

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

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

Current Financial Position

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

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

The Comprehensive Spending Review 2010 (CSR10) reduced the level of formula grant to lower tier authorities by an average of 28% over the period of the review. Ipswich suffered a reduction in grant of 24.7% for the first two years of the review, but was still able to set a balanced budget for 2011/12. The achievement of this budget has been monitored during the year against expenditure profiles and no significant variations are anticipated.

This history of strong financial management gives a strong foundation to base the revised MTFP for 2012/13 onwards upon.

Future aims of the organisation

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

The Council has identified six main themes for 2012/13 and has refocused resources to pursue these themes:

- **A Stronger Ipswich Economy**
- **A Safer and Healthier Ipswich**
- **Keeping Ipswich Moving**

- **Quality Housing for All**
- **A Greener Ipswich**
- **A more Enjoyable Ipswich**

In the MTFP a significant level of funding has been identified to help “kick-start” the Ipswich economy including:

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

This has been achieved without increasing Council Tax or reducing front-line services.

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

How to provide the funding to meet these aims

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

<u>General Fund</u>

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

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

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

- **Maintain and enhance where necessary the current level of front-line services provided to the residents of Ipswich;**
- **Maintain the Council’s part of the council tax at the lowest level possible consistent with maintaining the level of service desired by Ipswich residents;**
- **Maximise other income sources, including fees and charges, without impacting upon vulnerable service users.**

<u>Housing Revenue Account</u>

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

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

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

Capital Programme

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

Financial risks inherent in the strategy

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

Financial Theme	Risk	Risk Category	Mitigation
Council Tax	Collection rate variance	3-C	Robust monitoring of council tax income drivers
Income	Income level variance	3-C	Robust budgetary control framework
Revenue Expenditure	Over/underspends	2-D	Robust budgetary control framework
Changes in National funding framework	Financing level variance	2-B	Robust resource monitoring and associated spending controls
Capital Expenditure	Over/underspends	2-D	Robust budgetary control framework
Capital Financing	Financing level variance	2-C	Robust resource monitoring and associated spending controls
Treasury Management	Investment return variance	2-C	Monitoring within Treasury Management Strategy parameters
Partnership Funding	Engagement/Financing level variance	2-D	Partnership governance and monitoring arrangements

Note: for risk category definitions see page 22

Budget monitoring and control management

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

Key elements of Financial Performance Management are:-

General Fund & Housing Revenue Account revenue budgets

Dedicated monthly meeting of Corporate Management Team to review financial performance;
High level dashboard of financial indicators produced monthly;
Comprehensive national and local Performance Indicators, covering key corporate and service level activity;
Robust budgetary control process including sign off by Heads of Service;
Robust Medium Term Financial Planning process;
Annual review of rents, fees and charges;
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 Sub-Committee;
External Audit and inspection.

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

Equality and Diversity Issues

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

Although each element in the action plan should be the subject of an individual screening. This overall finance strategy has been the subject of an initial screening which concluded that a full assessment was not required to be undertaken. This conclusion was reached on the understanding that the action plan items would be subject to individual screenings.

Action Plan

The action plan reflects the aspirations of the Finance Strategy towards improving financial management and processes, with the aim of ensuring that they reflect as a minimum current best practice.

	Action Plan									
	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
1	Embed Suffolk Wide e-procurement process and systems	L	On-line contracts register completed. All tenders completed on e-tendering system. Convergence of contract standing orders and tendering processes (M)	Full compliance achieved	Group Manager-Financial Services	Externally funded	Successful implementation of necessary process changes to achieve value for money targets	2-D	System live and in use Procurement staff and wider “virtual” procurement team trained on system Contracts Register largely complete	Exploit system capabilities Drive to progress joint procurement activity.
2	Implement Zero Based Budgeting on a four year cycle	L	Autumn 2012 (M)	Detailed procedures completed	Head of Finance	Existing	Services fail to align budgets to service requirements. Zero Based Budgeting process adopted does not reflect availability of resources to implement.	3-C	Development process in place. Scheduled for discussion by joint CMT/HoST meeting	Review implementation and refine process
3	Replace Procurement Card Management System	L	System replacement (S)	Completion of implementation. User training. Increased usage of GPC	Resources Team Manager	Existing	Inability to process GPC payments	2-D	System acquired. Implementation in progress	Implement scanning module to ensure all VAT recovered

	Action Plan									
	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
4	Review & update financial strategy & internal financial controls regularly.	L	Review undertaken (S – Ongoing)	Review undertaken	Head of Finance	N/A	Inappropriate or ineffective controls. Risk reduced by regular review	2-D	Financial Strategy and internal financial controls annual review completed	Ongoing
5	Continue to develop key financial indicators to ensure accurate and comprehensive performance management	L	Gap analysis & new indicators developed to cover gaps (S – Ongoing)	All key financial activity covered by appropriate indicators	Head of Finance	N/A	Appropriate indicators & corporate ownership risks mitigated by consultation	3-E	Inclusion of key finance indicators in monthly corporate dashboard & the Budget report	Ongoing
6	Review/develop financial governance framework to meet Council's modernised way of working	L	Appropriate improvements implemented across Council (S)	No significant unexpected variances at financial year end	Head of Finance	N/A	Consistent process adopted Council-wide. Risk reduced by Leads championing and embedding new process	2-D	Comprehensive MTFP framework established	Ongoing

Action Plan

	Proposed Action	Enabling (E) Leading (L)	Milestones/ Timescales (S,M,L)	Performance Measurement	Lead	Funding in place	Risk	Risk Category	Progress	Further Action
7	Devise and timetable budget preparation process for 2013/14	L	Guidance and timetable published by 31 March (S)	Guidance and timetable in place	Head of Finance	Existing	Process not adopted by organisation	3-E	Development process in place.	Review compliance and update annually
8	Develop internal processes to meet increasing requirements of external audit and inspection processes	L	Identify future requirements, & developed action plan to address (S – Ongoing)	Activity completed & kept under review	Internal Audit Partnership Manager	Assess when requirements established	Failure to meet increasing requirements. This risk is mitigated by early identification and action plans to deliver changes	2-D	Audit Committee established and training provided. Code of Corporate Governance complying with CIPFA best practice introduced	Review compliance and update annually
9	Continuous improvement of Internal Audit service	L	Self assessment of performance, Code of Conduct and documentation (S)	Assessment complete and action plan produced	Internal Audit Partnership Manager	N/A	Ineffective internal audit function	3-E	Good progress on Audit plan. First annual self assessment presented to Audit Committee	Development ongoing

Section 2

Medium Term Financial Plan - Overview

Introduction

The Medium Term Financial Plan produced last year was described as "being the most challenging in recent years", this year the Council continues to operate in challenging economic circumstances.

The Council has had a change of Administration during the year and this Plan reflects the changes that it wishes to make to the previous Plan and how resources will be refocused to meet the new Administration's ambitions.

The Plan builds upon the commitment of councillors and officers to build on the transformational change programme of recent years, pursue increased efficiencies and maintain front line services.

The proposals in this plan are underpinned by a comprehensive appraisal of strategic and operational risks, including taking account of the Council's strategic risk register.

Resource reallocation

The Council allocates resources by reference to the six strategic themes set out in the Corporate Plan:

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

This has been achieved as part of the Business Planning Process by requiring Heads of Service to propose investment and savings options relating to their Service Groups. These options were then considered by the Portfolio Holder Working Groups, which included non-administration Councillors. These groups classified the options as supported, reserve list or rejected. The detailed process and outcome is detailed under the heading of "The 2012/13 Budget Process" later in this section of the plan.

National Context

The preparation of the Medium Term Financial Plan for 2012/13 onwards has been challenging due to the high number of uncertainties, not least the future funding of local government. The key uncertainties are identified below:-

Localisation of Business rates

The Government intends to implement new arrangements for redistributing Business Rates from 2013/14, however the mechanism to do so has not yet been agreed. There is no intention to localise the setting of business rates.

However, Nick Clegg at the LGA conference on 29th June 2011 gave the following assurances:

1. "We will localise the retention of business rates. No ifs, no buts, no maybes.You currently control less than half your budget. With rate retention, it could become 80 per cent or more."

2. "I guarantee any new system will be fair. More deprived areas will not lose out. From the start, no authority will receive less funding when the new arrangements are introduced than they would have done previously."

3. "Will introduce Tax Increment Financing. Freedom to borrow against business rate income helping to unlock the development potential of their areas and increase Councils' income."

Whilst this clearly emphasises the Coalition Government's policy, there is unlikely to be any immediate change to the amount of resources available when the new system is introduced, rather the impact of this change will be felt in the medium to longer term.

Formula Grant

The levels of Formula Grant for 2012/13 announced in the Comprehensive Spending Review (CSR10), have been confirmed by the Government aiding budget setting for that year.

The level of grant to be received has been confirmed as a base reduction of 8.6%, there has been no further clarification on the level of grant for 2013/14 or 2014/15.

Inflation

The level of RPI and CPI has exceeded 5% which was well in excess of Treasury targets. The Office of Budget Responsibility (OBR) has as a result revised its future forecasts for inflation and growth. Inflation is predicted to average 2.3% for the next three years.

Interest Rates

The Bank of England base rate has been maintained at the rate of 0.5% with little prospect of increasing before 2013. As a result, investment income continues to be constrained by historically low interest rates and a shortage of credit worthy partners to transact with.

Council Tax Reduction Grant

The government has made a further Council Tax Freeze Grant, equivalent to a 2.5% Council Tax increase, available for 2012/13 to authorities which do not increase their Council Tax.

This is in addition to the grant payable in respect of the 2011/12 council tax freeze, however unlike last years grant, this grant is only payable for one year. It therefore carries with it a pressure to increase Council Tax by in excess of 2.5% in 2013/14.

Housing Finance Review

The government has implemented plans to replace the existing Housing Subsidy system, under these plans the Council will have to borrow £99.6m and pay this over to central government. The financing costs of the loan will replace the negative housing subsidy paid to the government. This will enable the Council to take control of strategic decisions regarding its housing stock and potentially increase the level of housing stock.

Utilities

The continuing impacts of the “Arab Spring” and the current uncertainties regarding oil supply through the Straits of Hormuz have added to the upwards pressures on the cost of utilities such as gas and electricity. The cost of which is predicted to rise by 25% annually throughout the period of the Medium Term Financial Plan.

New Homes Bonus

The New Homes Bonus Scheme was introduced in 2011 to reward those councils which had an increase in the number of homes in the preceding year. The future funding arrangements for the New Homes Bonus cause concern as from 2013/14 the Government intends to finance the scheme by top slicing the national Formula Grant pool.

Workforce

As part of his autumn statement the Chancellor announced a cap on public sector pay rises of 1% for 2013/14 and 2014/15.

Localism Act

This has recently been enacted and the financial implications have not yet been identified.

Local Context

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

Inflation

- General
  There has been no general inflation factor included in the budget process for a number of years. The current level of inflation has prompted the inclusion of a general inflation factor (2.3%) in the budget.

- Workforce
  The budget proposals include provision for a pay award of 2% in 2013/14 and 2014/15.

- Fees and Charges
  Fees and charges have been increased by 3% for 2012/13.

New Homes Bonus

The level of New Homes Bonus to be received in 2012/13 is £180,000 greater than anticipated due to more homes coming into use than expected. The level of new bonus anticipated in 2013/14 and 2014/15 has been reduced by 50% due to the uncertainties in the funding of the scheme and the reduced number of new homes coming into use.

Single Status Harmonisation

It is anticipated that Single Status Harmonisation will be implemented during 2012 with no additional costs beyond those previously allowed for.

Utilities

The anticipated increase in the cost of utilities has been off-set by an anticipated reduction in usage of 10% facilitated by the use of automatic meter reading (AMR).

Reserves

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

Capital Financing

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

The 2012/13 Budget Process

The 2012/13 budget process has built on some of the improvements that have been made in recent years. These recent supported improvements include the continuation of 'bottom-line' budgeting and the introduction last year of the requirement for Heads of Service to identify possible budget savings of twice the identified gap to enable choices to be made by Councillors.

The new administration has further improved the process by the introduction of three additional components:

- Greater inclusion of all councillors through the opening up of the budget process and discussions - via the use of portfolio holder Working Groups to discuss and prioritise ideas - and also, thereafter, the publication of all relevant documentation for Overview and Scrutiny Committee at its meeting on 8th December 2011 and the attendance at that meeting of the Leader and the Finance Portfolio Holder to answer any questions;

- For the first time this year, combined public consultation has taken place with residents and businesses (etc) on the Council's potential council tax levels alongside consultation on a draft Corporate Plan – this has helped reinforce the vital link between the two documents and processes;

- In recent years the Council general fund revenue budget process has primarily focused on 'savings' with little consideration or approval of possible growth items. This year the administration has encouraged growth proposals to be put forward in recognition of the fact that further investment in services can result in improved services and / or be economically advantageous.

Next year the intention is to continue these improvements by introducing a four year cycle incorporating Zero Based Budgeting in the first year and incremental budgeting thereafter – as set out in Executive report E/11/26 on 13th September 2011. In addition, as part of that process, it is intended to ensure that all the Working Groups will be fully engaged in that process.

Consultation has also taken place with staff and Unison.

The Budget Shortfall

Within the 13th September 2011 Executive Committee report referred to above, there was a predicted budget gap for 2012/13 of £996,000. That included provision for £400,000 of as yet unallocated growth – giving a net gap before the 2012/13 budget has been decided of £596,000.

Since that report, as is normal within the Council's budget process, the gap has changed as a consequence of changes either to known factors and updated figures (e.g. announcement of actual government grant levels rather than use of predicted figures) and/or further refinements of assumptions (e.g. around inflation rates). The net gap (before any investment / growth proposals and savings proposals that form part of this budget) is now at £623,000. The main changes from the September Executive are:

- Announcement of one year council tax freeze grant;
- Reduction of anticipated level of council tax base;
- Higher level of New Homes Bonus grant than expected;
- Funding of capital programme.

The Medium Term Financial Plan also contains a range of other 'assumptions' that impact on the shortfall figure (this year and future years). These include:

- An allowance for a 2.3% (i.e. OBR inflation estimate) Council Tax increase for 2013/14 and 2014/15.
- An allowance for general inflation on supplies and services of 2.3%.
- Provision for utilities inflation of 25%, which has been offset by anticipated reductions in usage of 10% from implementing automatic meter reading;
- No provision for a staff pay award in 2012/13 followed by provision of 2% in the next two years, to reflect the likely upward pressure for pay increases;
- A 3% increase in the Council's Fees and Charges for increases during 2012/13;
- Provision for additional borrowing costs to support the capital programme

Executive Committee in March 2011 decided to implement increased parking charges for staff parking from 1st April 2012. Bearing in mind the fact that the budget does not make provision for a staff pay award in 2012/13 it is considered that it would be appropriate, particularly when bearing in mind the current level of inflation, to further defer the introduction of this increase until 1st April 2013.

End of Year Position and Use of Service Reserves

Following effective financial management and monitoring it is predicted that the year end position for the 2011/12 budget will be an 'under-spend' of at least £750,000. As a consequence of this and the level of reserves held by individual services and the rules attached to these Service Reserves, it is proposed that £516,000 of the proposed growth will be funded by this under-spend in 2012 / 13 (i.e. one year only).

Achievements During 2011/12

In considering proposals for the 2012/13 budget – the first to be put forward by the new Labour administration at the Council – it is worth reflecting briefly on what has been achieved during 2011/12. This reflection has helped inform the growth/investment and savings proposals set out in the following paragraphs.

In summary key achievements include:

- Saving Kiln Meadow from development;
- Merging our Print and Design Unit with Suffolk New College (now located in a new unit at Grafton House);
- Completing the reorganisation of Grafton House to let the top floor to SmartestEnergy;
- The introduction of Area Committees;
- Introduction of the 'Tickets for Troops' scheme to provide free tickets at council entertainment venues for armed forces personnel and their families;
- Introducing plans to bring empty park lodges back into use;
- Support for the successful Business Improvement District - BID II – ballot;
- Cheaper car parking at Crown Street;
- Securing a Green Flag for Holywells Park and securing a Development Grant of £182,580 to work up a Round Two submission to the Heritage Lottery Fund for the Park restoration project;
- Adoption of the Core Strategy of the Local Development Framework to guide development and growth in the town;
- The opening of the Little Waitrose at the Corn Exchange and agreement for a major Waitrose and John Lewis At Home development at the former Crane site on Nacton Road;
- Helping to attract the Doctor Who: Crash of the Elysium and National and European Cyclo-cross to the town for 2012;
- Staging the successful Maritime Festival, Ip-Art, SkyRide and the Tour of Britain in 2011;
- Reversing the previous administrations proposal to out-source Whitton Sports Centre and the HEARS service.

Investment / Growth and Savings Proposals

The details of the Investment / Growth and Savings Proposals that form part of this budget are summarised below. Largely these follow the advice of the cross party Working Groups (that was then put to Overview and Scrutiny Committee).

The administration is recommending that the Council's focus for 2012/13 in budgetary terms support the delivery of facets connected with Theme 1 of the (draft) Corporate Plan: A Stronger Ipswich Economy and Theme 4: Quality Housing for All. As examples, and in relation to these two themes, the budget includes proposals for:

<u>Theme 1: A Stronger Ipswich Economy:</u>

- The establishment of a £1.5 million Jobs and Skills Investment Fund. If agreed, it is planned to table a report at the March Executive setting out how this Fund would work but it would focus on three components – (i) up-front and one-off investment in initiatives that will support jobs and skills issues in 2012/13 (ii) initiatives that would look to provide a return and enable the creation of a revolving fund and (iii) initiatives that the Council would support over a number of years;

- A £2 million fund providing scope to purchase land for investment purposes to support the local economy in the short-term and the Council's ability to fund its capital programme in the longer term by taking advantage of current low land values and the potential for land to increase in value over time;

- A new 'Kick Starting Development' programme to provide services and infrastructure to sites (e.g. IP8 and the Ravenswood Employment land) to increase the attractiveness and value of sites as the Council takes them to the market. It is intended that this be a revolving fund with increased receipts recycled back into the programme;

- Inclusion within the base budget of the investment in the jointly funded inward investment post with Ipswich Central (which to-date was only a temporary arrangement);

- Support for increased marketing of Ipswich and investment in tourism related initiatives;

- Investment to help the Council, community groups and businesses attract funding to support projects in Ipswich;

- Investment in new Christmas Lights for the town centre;

- Support for the completion of the WayFinder project;

- Improved street cleaning in the town centre on Sundays;

- Introduction of a bursary scheme to encourage local people to go to university.

Theme 4: Quality Housing for All

- Use of the predicted surpluses in the Housing Revenue Account to establish a £5 million a year programme for the provision of new affordable housing – primarily via the construction of new Council Houses;

- £1 million towards a revolving fund targeted at bringing empty homes back into use;

- Reintroduction of renovation grants to support improvements to the standard of homes in the private sector;

- Maintenance of the Disabled Facilities Grant at £413,000 a year to enable improvements and adaptations to homes to meet people's needs to enable them to continue to live – and / or have appropriate facilities - in their current premises.

In addition, whilst the budget clearly prioritises the above two themes, support is being provided for the other four themes of the (draft) Corporate Plan. An example for each of these themes is set out below:

Theme 2: A Safer and Healthier Ipswich

- The budget proposals include growth to part fund programmes where funding has been cut by the government to Community Safety Partnerships and Strategic Partnerships. These programmes include the Family Intervention Project, the Senior Parenting Practitioner Post and Best Bar None. The County Council has been asked to match our budget proposals which would enable all of these valuable projects to be maintained;

Theme 3: Keeping Ipswich Moving

- An additional £140,000 has been allocated to support public transport in the town which will help enhance and / or maintain the range and attractiveness of bus services in the town;

Theme 5: A Greener Ipswich

- Installation of photo-voltaic panels on a number of the Council's operational properties;

Theme 6: A more Enjoyable Ipswich

- Summer 2012 will inevitably have a sporting focus and a one-off fund has been allocated to support Olympic and Paralympic related initiatives and Crown Pools will re-open following the completion of the refurbishment works there.

In total the general fund revenue investment proposals set out in section 3 of the Medium Term Financial Plan amount to £847,000 of growth in 2012/13 and £1,014,000 in subsequent years.

In terms of the savings proposals contained within the budget, these are set in section 3 of the Medium Term Financial Plan and amount to £1,470,000 in 2012/13 and £1,493,000 in subsequent years. As examples the largest (in financial terms) savings on the proposed list are:

- £100,000 from over-achievement of savings targets within the general fund part of the housing service;

- £80,000 from the sports service efficiency improvements;

- £50,000 from leasing out part of the Corn Exchange;

- £50,000 from proactively seeking external work within grounds maintenance as an income generator;

- £50,000 from reviewing emergency services centre staffing levels;
- £150,000 from the sub-lease of the 5th floor of Grafton House;
- £75,000 from the highways services trading account;
- £175,00 from reduced employee related costs across IBC; and
- £100,000 from opportunity led restructures.

It is considered that the savings proposals being put forward will have minimal impact on front-line services and are in keeping with the (draft) Corporate Plan Goal that we will constantly seek to improve the efficiency of the Council, with savings used to protect and improve services and to keep down council tax.

It should also be noted though that the savings proposals include some savings in staff costs, however redundancies will be minimal. Even in those circumstances where Human Resources Committee agree to disestablish posts with potential redundancy consequences the Council's Organisational Change Management Policy and the redeployment opportunities it allows for will be used to help mitigate any potential consequences for individuals.

The savings and investment proposals above and detailed in section 3 of the MTFP been incorporated into the service group budget allocations as set out in section 3 of the MTFP, with the exception of the general savings targets (the final 2 bullet points above) which have been attributed to the Corporate Management Team.

Future Challenges

The Medium Term Financial Plan identifies a need for a net savings programme of £2,000,000 and £2,452,260 in 2013/14 and 2014/15 respectively.

It is important to note that these two figures are not cumulative. In other words, if the savings programme for 2013/14 was made completely of savings that would then be made every year thereafter, then the gap in 2014/15 would be reduced to £452,260. Alternatively if all the savings in 2013/14 were to be one-off savings that wouldn't flow through to future years budgets then the gap in 2014/15 would be the full £2,452,260.

Whilst reasonable assumptions about income and expenditure levels have been made to produce these figures there remain a number of uncertainties that could have an impact on these figures. These uncertainties include:

- Potential continued impact of the country's economic challenges on Council income from customers;
- Changes to various benefits and the introduction of Universal Credit – both in terms of direct impact on the Council's income streams and workforce and also because of the potential impact on local residents and the potential impact on demand for Council services (housing, homelessness, advice etc);

- Levels of core government grant for 2013/14 and beyond. Indications are that the 4 year Comprehensive Spending Review covering 2011/12 to 2014/15 – which had resulted in the front loading of reductions in local government grant to the first two years of that period – is being reviewed and it is likely that grants will be (a) reduced further than anticipated; (b) top sliced to fund specific government programmes such as the New Homes Bonus; and / or (c) reduced further in the years beyond 2014/15; and

- The consequences of other changes being proposed locally - e.g. by the County Council and / or the Police Authority. Over recent years changes to Supporting People funding introduced by the County Council have negatively impacted on local services and this Council's financial position. Further changes with negative impacts to services and / or finances are anticipated associated with, to name but three, the community and voluntary sector, the highways agency and community safety funding.

In relation to the first of the above bullet points, the Council will keep the financial position under regular review and will report the in-year position to Executive Committee on a quarterly basis. For instance in recent years, adjustments have been made, in year, via supplementary estimates to a number of budgets. In particular, maintaining car parking income levels remains a challenging area, and in the last few months planning fee income has been lower than anticipated. These are likely to remain as significant income generation issues in the current economic climate.

To minimise the potential budgetary and service impacts in future years, the Council has followed a policy of maintaining its financial reserves at a reasonable level for two reasons – firstly to enable it to mitigate the impacts of external economic influences and secondly to ensure it has enough money to cover all reasonable cash flow fluctuation issues. The "excess" level of reserves has been used over the three-year period of the MTFP to smooth the impact of reduced funding bringing reserves down to £2.0m by 2014/15.

Proposed Council Tax Level

The proposed budget would see no change to the Ipswich Borough Council council tax level for 2012/13. In real terms, with inflation at between 4 and 5% this means a significant real terms reduction for Ipswich residents. Unlike last year when all authorities in Suffolk (including the Police Authority) froze or slightly reduced Council tax it is understood that for 2012/13 a number of the authorities in the County will be increasing their Council tax levels by at least 3%. It appears likely that for the 2nd year running Ipswich Borough will set the lowest Council Tax percent change in Suffolk.

Consideration was given to reducing the Council tax levels but the budget shortfalls identified for future years in the MTFP, the uncertainties associated with the future challenges set out above, the desire to invest in the town and our services to support local residents and the local economy and the fact that the government's council tax freeze grant is a one-off one-year grant meant that any reduction would have seriously imperilled the Council's future financial position.

The impact of a 1% cut in Council Tax would be about 6p per week for the 'average' household in Ipswich. It is not felt that such a benefit is significant enough to justify the impact that this would have on future service provision and the pressure it would put on for higher Council tax increases in future years. In addition, in any event, because of possible increases in Police Authority precept levels the Council tax for Ipswich residents is likely to rise by a small amount overall irrespective of whether the Council were to go for maintaining current levels (as proposed) or a small reduction.

Furthermore, whilst the current administration's (draft) Corporate Plan does not make any specific commitments on council tax levels other than to use any savings to protect and improve services and to *keep down council tax,* the proposal within this budget ensures the Council, under the new Labour administration, remains on-track (and indeed well ahead of) the previous administration's 'overarching objective' in their Corporate Plan agreed last year that *Ipswich Borough council tax will be lower in real terms in 2015 than it was in 2010*. In 2012/13 the Ipswich Borough Council Council Tax level will be 8.2% lower in real terms than it was in 2010.

Chief Finance Officer's Statement

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

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

The calculations of estimates making up the General Fund Council Tax requirement of £12,825,150 for 2012/13 have been based on principles set out above. This Plan delivers a financially balanced budget for 2012/13.

The calculations of estimates making up the Housing Revenue Account for 2012/13 have been based on principles set out above. This Plan delivers a financially balanced budget for 2012/13.

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

Sections 28 and 29 of the 1988 Act require Councillors to review the budget from time to time during the year and consider the impact of any overspends on the forecast reserves position. Reports on budget variances are presented quarterly to the Executive during the year, and any action needed to maintain the General Fund and Housing Revenue Account Budgets is taken by Executive.

Assessments of financial risks associated with the 2012 to 2015 budgets are shown below. These risks are taken account of in setting the level of reserves.

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
	1- Catastrophic 4 – Negligible	A – Very likely F – Almost impossible	
Accuracy of estimates	2	D	Incorporate current economic predictions. Service Group based budget process. Revenue & capital programme set together. All known future changes included in budget. Sign-off of detailed budgets by Heads of Service.
Adequacy of reserves/balances/bad debt provision	1	E	Risk Management assessment, insurance policy
Significant variances due to poor budgetary control	2	E	Budgetary control process Quarterly reporting to Executive based on monthly exception reporting
Long term unsustainable/imprudent financial planning	1	E	Medium term financial planning, Prudential Indicator framework and regular monitoring
Partnership/Joint Working – poor control/definition resulting in financial liability	3	E	IBC retains control of resources unless partnership contract exists
Corporate projects – predicting financial implications	2	E	Corporate projects managed using Prince 2 based methodology
Changing goals/expectations	2	E	Corporate Plan, Strategic framework

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
Failure of "Approved Organisation for Investment"	2	C	Reviewed Treasury Management Strategy Daily monitoring of investment counterparties
Poor Corporate Governance/financial control	2	E	New Corporate Governance, Audit review, Standing Orders
Changes in proper accounting practice	3	C	The Council adheres to the latest Statement of Recommended Practice
Unexpected changes in demographic/service expectations due to the current economic situation	2	E	Officers actively monitor potential future changes
Future changes in legislation and financial environment	2	E	Officers actively monitor potential future changes

Specific Risks

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

Risk	**Impact of risk, if it occurred (Scale of 1-4)**	**Probability of risk occurring (Scale A-F)**	**What is the Council doing (or what has it done) to avoid the risk or reduce it effect?**
Capital Predicted capital receipts may not materialise, capital programme could be curtailed or funding revised	2	B	Continual review of market conditions.
HRA Failure to pursue the most efficient method of financing the new Housing Regime	2	C	Professional advice taken, Housing Business plan revised.

Adequacy of Working Balance and Reserves

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

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

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

The Reserves and Provisions Policy is included as section 5 of the Medium Term Financial Plan.

GENERAL FUND AND COUNCIL TAX REQUIREMENT

In determining the Council Tax Requirement for 2012/13, councillors and officers have refocused resources on investing in the Council's priorities, whilst not increasing Council Tax.

There is a special levy for the East Suffolk Internal Drainage Board issued on Ipswich Borough Council under the Internal Drainage Boards (Finance) Regulations 1990. From 1st April 1990, in addition to raising revenue by means of drainage rents, the boards raised revenue by means of special levies issued to charging authorities and is included within the Council's budget requirement for areas wholly or partly included in the Board's respective districts. The levy for 2012/13 is £31,744.

The Government requires billing authorities to review their Council Tax Collection Funds and to estimate the likely surplus or deficit after allowing for all likely receivable income and additional needs for write offs beyond those actually provided for. Any estimated surplus or deficit must be taken into account in calculating basic amounts of tax.

Ipswich's Collection Fund shows a net deficit of £48,030. Any money recovered is credited to the Collection Fund, but the actual cost of recovery has to be charged to the General Fund and therefore falls within the Budget.

The Final Settlement for 2012/13 was announced on 31 January 2012 at £7,521,750. These figures are reflected in the summary below:

	2011/12 £	**2012/13 £**
Budget Requirement	**21,139,870**	**21,635,200**
Formula Grant Allocation	**-7,823,250**	**-7,521,750**
Council Tax Reduction Grant 11/12	**-319,000**	**0**
Council Tax Freeze Grant 12/13	**0**	**-323,490**
Collection Fund Adjustment	**-181,760**	**48,030**
To be financed from Council Tax	**-12,815,860**	**-12,825,150**

Assuming the Council has a Council Tax requirement for 2012/13 of £12,825,150 the Borough Council's element of the Ipswich charge for a Band D property in comparison with 2011/12 would be:

Potential Change in Band D Council Tax	**2011/12 £ p**	**2012/13 £ p**	**% Change**
IBC Charge before Collection Fund Adjustment	314.08	308.53	-1.76
Less Collection Fund Adjustment	-4.39	1.16	
IBC Charge after Collection Fund Adjustment	**309.69**	**309.69**	**0.00**

It follows from the above that the tax (for Ipswich Borough Council) at each of the property bands, compared with 2011/12, would be as follows:

Band	**2011/12**	**2012/13**	**Change**
	Tax (£ p)	**Tax (£ p)**	**%**
A	206.46	206.46	0.00
B	240.87	240.87	0.00
C	275.28	275.28	0.00
D	309.69	309.69	0.00
E	378.51	378.51	0.00
F	447.33	447.33	0.00
G	516.15	516.15	0.00
H	619.38	619.38	0.00

Precepts

Suffolk County Council have determined their precept and the Suffolk Police Authority is scheduled to determine their precept for 2012/13 on 20th February. **The Suffolk Police Authority precept figure is indicative at this stage.** Any changes following this meeting will be formally reported to the Council meeting and draft calculations for the total council tax figure will be recommended by the Head of Finance.

Precepting Authority	Precept £	Band D £ p
Suffolk County Council	**46,649,607**	**1,126.53**
Suffolk Police Authority	**6,905,946**	**166.77**

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

Precepting	Valuation	2011/12	2012/13	Change	Change
Authority	**Band**	**£ p**	**£ p**	**£ p**	**%**
	A	751.02	751.02	0	0
	B	876.19	876.19	0	0
Suffolk	**C**	1,001.36	1,001.36	0	0
County	**D**	1,126.53	1,126.53	0	0
Council	**E**	1,376.87	1,376.87	0	0
	F	1,627.21	1,627.21	0	0
	G	1,877.55	1,877.55	0	0
	H	2,253.06	2,253.06	0	0

Precepting	Valuation	2011/12	2012/13	Change	Change
Authority	**Band**	**£ p**	**£ p**	**£ p**	**%**
	A	107.16	111.18	+4.02	+3.75
	B	125.02	129.71	+4.69	+3.75
Suffolk	**C**	142.88	148.24	+5.36	+3.75
Police	**D**	160.74	166.77	+6.03	+3.75
Authority	**E**	196.46	203.83	+7.37	+3.75
	F	232.18	240.89	+8.71	+3.75
	G	267.90	277.95	+10.05	+3.75
	H	321.48	333.54	+12.06	+3.75

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

Valuation Band	2011/12 £ p	2012/13 £ p	Change £ p	Change %
A	1,064.64	1,068.66	+4.02	+0.38
B	1,242.08	1,246.77	+4.69	+0.38
C	1,419.52	1,424.88	+5.36	+0.38
D	1,596.96	1,602.99	+6.03	+0.38
E	1,951.84	1,959.21	+7.37	+0.38
F	2,306.72	2,315.43	+8.71	+0.38
G	2,661.60	2,671.65	+10.05	+0.38
H	3,193.92	3,205.98	+12.06	+0.38

Housing Revenue Account (HRA)

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

The HRA estimates have been prepared in accordance with the requirements of Part VI and Schedule 4 of the Local Government and Housing Act 1989.

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

The Localism Act 2011 introduced a self-financing system from 1st April 2012. This returns the Council housing stock to local management and ceases the annual payment to the Government previously required by the National Subsidy System. Each Council has received an individual allocation of the National Housing Debt. For Ipswich, this will require a one off debt allocation (£99.6m) financed through borrowing. This replaces the previous subsidy system. In return for this one off debt we will be able to keep all of our income, set our priorities for investment and expenditure for the physical care and improvement of the housing stock and surrounding environment to ensure we are able to meet the needs of our tenants.

Under the Government Rent Restructuring formula the rent rise for 2012/13 would be 7.2%. This would keep us in line to meet the current rent convergence date of 2015/16. As we are now have greater freedom albeit within the constraints of a viable 30-year financial plan the HRA can set a lower rent if it wants to. The approved rent increase for 2012/13 is 5.6% (agreed at Council in January 2012).

Capital Programme

The Capital Strategy is set out at Section 6.

The Capital Programme is set out in detail at Section 6. The programme has been updated based on latest information on resources available. In summary the Capital programme is:

	2011/12	2012/13	2013/14
	£000's	£000's	£000's
Expenditure	**118,826**	**23,420**	**19,083**
Financed By:-			
Capital Receipts	3,446	3,686	2,155
External Funding	1,881	922	641
Prudential Borrowing	2,300	600	50
Borrowing	100,070	4,225	3,115
Major Repairs Allowance	5,242	8,082	8,083
RCCO's	5,887	5,905	5,039
Total Funding	**118,826**	**23,420**	**19,083**

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

Section 3
General Fund MTFP

GENERAL FUND REVENUE FORECAST 2011/12 TO 2014/15

2010/11 OUT-TURN £	DESCRIPTION	2011/12 ORIGINAL BUDGET £	2011/12 DRAFT APPROX O/T £	2012/13 FORECAST £	2013/14 FORECAST £	2014/15 FORECAST £
22,160,337	NET SERVICE EXPENDITURE	20,144,300	20,786,670	21,066,620	21,598,110	22,489,350
	Contingencies etc:					
0	Additional commitments	1,060,500	261,370	749,000	1,561,000	2,161,000
0	Invest to Save	45,460	260,230	59,700	59,700	7,370
0	Savings Programme 2013/14	0	0	0	2,000,000Cr	2,000,000Cr
	Savings Programme 2014/15	0	0	0	0	452,260Cr
0	Service Reserves	0	1,360,690	0	0	0
0	Interest on balances etc	19,590	9,790	29,370	50,000	75,000
637,638	External interest etc	253,090Cr	278,590Cr	196,830Cr	103,220Cr	96,680Cr
2,539,811	Capital financing costs	1,515,040	1,525,610	1,628,530	2,045,310	2,409,270
25,337,786	Net Expenditure	22,531,800	23,925,770	23,336,390	23,210,900	24,593,050
1,510,365Cr	Revenue support grant	1,847,210Cr	1,847,210Cr	143,030Cr	139,880Cr	139,880Cr
10,401,298Cr	Non-domestic rates	5,976,040Cr	5,976,040Cr	7,055,090Cr	6,899,880Cr	6,899,880Cr
23,484Cr	Collection Fund surplus(cr)/deficit 31st March (net)	181,760Cr	181,760Cr	48,030	0	0
0	Council Tax Freeze Grant	319,000Cr	323,630Cr	647,120Cr	323,630Cr	323,630Cr
0	New Homes Bonus Scheme	0	416,290Cr	1,012,840Cr	1,229,130Cr	1,445,420Cr
2,506,036Cr	Transfer to/from (cr) reserves	3,110	655,910Cr	1,506,130Cr	28,430	20,500
1,864,137	Use of (cr) / contribution to GF revenue balance	1,395,040Cr	1,709,070Cr	195,060Cr	1,495,000Cr	2,318,030Cr
0	Unfunded Balance	0	0	0	0	0
12,760,740	COUNCIL TAX REQUIREMENT	12,815,860	12,815,860	12,825,150	13,151,810	13,486,710
	GF REVENUE BALANCE					
5,853,018Cr	Balance b/fwd 1st April	4,649,660Cr	7,717,160Cr	6,008,090Cr	5,813,030Cr	4,318,030Cr
1,864,137Cr	Surplus(Cr)/deficit for year	1,395,040	1,709,070	195,060	1,495,000	2,318,030
7,717,155Cr	Balance c/fwd 31st March	3,254,620Cr	6,008,090Cr	5,813,030Cr	4,318,030Cr	2,000,000Cr

GENERAL FUND REVENUE FORECAST 2011/12 TO 2014/15

2010/11 OUT-TURN £	DESCRIPTION	2011/12 ORIGINAL BUDGET £	2011/12 DRAFT APPROX O/T £	2012/13 FORECAST £	2013/14 FORECAST £	2014/15 FORECAST £
	SERVICE EXPENDITURE					
28,918,279	Employees	27,486,800	26,583,550	26,159,620	26,069,480	26,867,070
5,297,082	Premises	5,237,480	5,698,680	5,395,870	5,637,090	5,881,240
1,737,648	Transport	2,365,850	2,321,030	2,250,230	2,318,280	2,374,320
15,467,674	Supplies & Services	14,709,600	18,452,860	16,938,580	16,824,760	17,267,020
4,010,196	Agency & Contracted Services	966,080	879,080	867,060	887,000	907,400
59,985,788	Transfer Payments	56,983,280	59,454,390	56,983,280	56,983,280	56,983,280
1,473,706	Central & Departmental Support	1,009,950	1,008,810	572,350	944,730	973,070
0	Capital Financing	1,840	1,840	1,840	1,880	1,920
116,890,373	TOTAL SERVICE EXPENDITURE	108,760,880	114,400,240	109,168,830	109,666,500	111,255,320
	SERVICE INCOME					
62,376,580Cr	Government Grants	58,364,450Cr	61,135,780Cr	58,190,600Cr	58,136,600Cr	58,085,300Cr
6,564,967Cr	Other Grants,Contributions Etc	6,601,640Cr	7,687,310Cr	7,177,000Cr	6,413,750Cr	6,539,660Cr
570,146Cr	Sales	600,640Cr	509,170Cr	515,560Cr	532,040Cr	548,000Cr
22,319,626Cr	Fees & Charges	19,091,780Cr	21,228,290Cr	19,493,010Cr	20,241,210Cr	20,844,470Cr
2,896,646Cr	Rents	2,424,320Cr	3,051,270Cr	2,724,290Cr	2,743,040Cr	2,746,790Cr
2,071Cr	Interest	1,750Cr	1,750Cr	1,750Cr	1,750Cr	1,750Cr
94,730,036Cr	TOTAL SERVICE INCOME	87,084,580Cr	93,613,570Cr	88,102,210Cr	88,068,390Cr	88,765,970Cr
22,160,337	NET SERVICE EXPENDITURE	21,676,300	20,786,670	21,066,620	21,598,110	22,489,350
0	NET EFFECT OF SAVINGS PROGRAMME 2011/12 to 2012/13	2,000,000Cr	0	0	0	0
0	2011/12 GROWTH	468,000	0	0	0	0
22,160,337	REVISED NET SERVICE EXPENDITURE	20,144,300	20,786,670	21,066,620	21,598,110	22,489,350

General Fund Budgets 2012/13 - Service Group Analysis

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

Service Grouping	2012/13 Controllable Budget £
Corporate Management Team	687,250
Finance	4,694,540
Legal and Democratic Services	710,040
Corporate Development	1,629,070
Planning, Transport and Regeneration	-2,764,570
Environmental Services	5,993,330
Housing	1,568,120
Community	2,767,920
Culture & Leisure	5,419,550
Communications and Design	361,370
NET SERVICE EXPENDITURE	21,066,620

General Fund Budget 2012/13 - Service Group Analysis

Corporate Management Team

Service Area	**2012/13 Controllable Budget £**
Corporate Management Team	401,080
Performance and Projects	163,910
Mayoral Services	122,260
Total	687,250

Finance

Service Area	**2012/13 Controllable Budget £**
Housing & Council Tax Benefit Administration	1,443,710
Financial Services	1,029,630
Head of Finance	13,830
Internal Audit Summary	145,240
Corporate Management Direct Costs	301,300
Unapportionable Central Overheads	1,695,540
Nndr Discretionary Rate Relief	65,290
Total	4,694,540

General Fund Budget 2012/13 - Service Group Analysis

Legal and Democratic Services

Service Area	**2012/13 Controllable Budget £**
Cemeteries and Crematorium Summary	-514,740
Councillors' Services	222,430
Legal Services	293,960
Democratic and Business Support	235,510
Head of Legal & Democratic Services	21,390
Licensing and Enforcement Unit	36,190
Registration of Electors	67,000
Borough Council Elections	121,760
Councillors' Costs	339,570
Democratic Representation and Management (DRM)	-113,030
	710,040

Corporate Development

Service Area	**2012/13 Controllable Budget £**
Human Resources Summary	467,620
Head of Corporate Development	22,980
Health and Safety	87,650
Information Technology Summary	1,071,260
Central Overheads Susp Summary	-20,440
	1,629,070

General Fund Budget 2012/13 - Service Group Analysis

Planning, Transport and Regeneration Service Area	2012/13 Controllable Budget £
Bus Route Subsidies - General	43,550
Bus Network Support - General	9,620
Hackney Carriage and Private Hire Vehicles	-68,820
Footway Lighting	77,110
Street Names and Seats	20,460
Verges - Maintenance	-73,360
Town Centre Pedestrian Areas	1,280
Shopmobility	9,110
Residents Parking Schemes	-147,670
IBC Car Parks Summary	-1,097,040
SCC On-Street Parking	-59,950
Special Parking Areas	-305,030
Corporate Properties	-2,088,860
IP-City Centre	-153,270
Property Services Management	220,010
Head of Planning,Transport & Regeneration	55,490
Transportation	232,130
Drainage Engineering	40,140
Engineering Management and Support	478,470
Highways & Construction	626,340
Planning & Development	-101,120
Planning Policy	173,280
Local Development Framework	202,880
Caps System Costs	45,000
Historic Churches	37,570
Conservation of Historic Buildings	31,600
Conservation & Urban Design	106,740
Local Land Charges	11,350
Miscellaneous Drainage	30,690
Economic Development	379,690
Economic Grants	65,190
Highways Agency - Admin	-942,380
Highways Overheads	519,690
HIghways Maintenance	-1,144,460
Total	-2,764,570

General Fund Budget 2012/13 - Service Group Analysis

Environmental Services

Service Area	2012/13 Controllable Budget £
Environmental Services - Students	23,390
Occupational Health	253,130
Food Safety	214,990
Pollution	286,140
EHO Group Support Services	165,820
Port Health	20,820
Animal Welfare Summary	45,620
Waste Enforcement	69,930
Refuse Summary	-714,680
Waste Education and Promotion	160,480
Environmental Strategy	61,980
Recycling Summary	-187,390
Public Conveniences Summary	62,010
Head of Environmental Services	-36,420
Building and Design	549,320
Admin Buildings	1,041,500
Building Control Summary	93,700
Refuse Collection Summary	2,559,320
Cleansing Services Summary	940,820
Gipping House Summary	382,850
Total	5,993,330

Service Group Analysis

Housing

Service Area	2012/13 Controllable Budget £
Supervision and Management	319,230
Head of Housing Services	180,440
Housing Business Support Unit	32,390
Housing Policy & Resources (GF)	215,270
Housing Options	396,540
Contributions To HRA	186,560
Bed and Breakfast Costs	51,730
Other Private Sector Accommodation Costs	47,060
Assistance to Voluntary Bodies (Gen)	26,120
Improvement Grants	95,390
M3 System Costs	6,310
Private Sector Housing Services	268,140
Building Overheads	477,120
Commercial Contracts Summary	-734,180
Total	1,568,120

Community

Service Area	2012/13 Controllable Budget £
Head of Community Services	375,970
Emergency Planning	56,250
Customer Services Centre	864,630
Customer Services Contact Centre	232,840
Community Development Team	215,840
Emergency Services Centre	389,400
Community Safety	369,190
Community Grants	263,800
	2,767,920

Service Group Analysis

Culture and Leisure

Service Area	2012/13 Controllable Budget £
Leisure Development Manager	45,570
Business Development Manager	85,320
Parks Summary Account	725,810
Rangers	462,220
Allotments	-7,410
Sports Development Unit	33,480
Play Service	7,200
Ipswich Skatepark	630
Classical Music Development	14,050
Cultural Development	244,280
Museum Summary Account	1,065,640
Events	75,290
Corn Exchange Summary	199,070
Entertainments Box Office	4,490
Regent Theatre Summary	168,410
Town Hall	122,700
Head of Cultural Services	74,570
Grounds Mtce Summary Account	1,108,780
Icard Costs	108,460
Sports Centres Summary	733,220
Profiles (All Centres)	-473,940
Swimming Pools Summary	621,710
Total	5,419,550

Communications and Design

Service Area	2012/13 Controllable Budget £
Tourist Information Centre	125,060
Printing Section - Summary	-123,800
Design Services	99,900
Press and Publicity Services	260,210
Total	361,370

General Fund Revenue Investments

Proposed Investment	2012 / 2013 Revenue Cost £'000	Ongoing Annual Revenue Cost £'000
Communities		
Anti Social Behaviour Family Intervention Project	88	88
Parenting work including the Senior Parenting Practitioners post		
Develop Best Bar None project		
Chaotic Lifestyles	50	50
University Bursaries	4	8
Equalities Project Officer post	25	25
Marketing budget for HEARS	20	12
Corporate Development		
Improvements to Office Software (productivity improvements, including hotdesking)	30	30
Culture & Leisure		
Provide contingency budget for Olympic and Paralympic Games 2012	50	0
Environment		
Increase in Repairs and Maintenance funding	50	51
Provisions of a Sunday street cleaning service, especially for Christmas and Major events	9	9
New refuse round 2013/2014	0	150
Increase staffing levels for refuse rounds 2012/13	15	0
Housing		
Allocation of Planned Maintenance to HMC at cost from 2013/14	0	150
Legal & Democratic		
Improve customer facilities at the Cemetery and Crematorium	2	2
Committee management system	6	6
Procurement of e- learning package to improve corporate awareness of FoI and data protection requirements	10	0
Replace licensing software	5	0

General Fund Revenue Investments

Proposed Investment	2012 / 2013 Revenue Cost £'000	Ongoing Annual Revenue Cost £'000
Planning, Transport & Regeneration		
Introduction of Community Infrastructure Levy charging mechanism	50	0
Local Development Framework	75	75
Develop existing role into a Strategic Tourism Officer role	13	13
Tourism marketing budget	10	10
Economic Development initiatives to promote creation of jobs and skills	100	100
Tourism promotional activities	10	10
Inward Investment Officer contribution to Town Centre management	25	25
External Funding Officer and Grant Finder licence	60	60
Support to public transport in the Town	140	140
Totals	847	1,014

GENERAL FUND SAVINGS

Proposed Change of Activity / Saving	2012 / 2013 Revenue Saving £'000	Ongoing Annual Revenue Saving £'000
Communications & Design		
Review of photocopying contract	9	9
Print Unit/Design merger with Suffolk New College	14	13
Communities		
Community Development printing costs	1	1
Review staffing levels and terms and conditions of the Emergency Services Centre (from 2011/12 Savings Programme)	32	32
Review Emergency Service Centre administration arrangements	18	18
Review of Customer Services Centre staffing levels	20	20
Review of Emergency Services Centre staffing levels	50	50
Review of daytime cleaning at the Customer Contact Centre	2	2
Increase Hears income	15	15
Corporate Development		
Review landline phone support/contracts	8	8
Reduction in Corporate Training Budget	3	3
Review network contracts	24	24
Reduction in Ordnance Survey mapping subscriptions	14	14
Reduction in Human Resources printing and publication costs	2	2
Review software maintenance requirements	18	18
Other reductions arising from zero-based review of supplies and services budgets	7	7
Review of mobile phone contracts	5	5
Incorporate duties of vacant H&S Lone Worker post into current H&S Assistant role	9	9
Corporate Management Team		
Strategic Projects restructuring saving (from 2011/12 savings programme)	43	43
Reduced employee related costs across IBC (from 2011/12 savings programme)	175	175
Opportunity led savings or restructures (from 2011/12 savings programme)	100	100

GENERAL FUND SAVINGS continued

Proposed Change of Activity / Saving	2012 / 2013 Revenue Saving £'000	Ongoing Annual Revenue Saving £'000
Culture & Leisure		
Sports service efficiencies and improvements (from 2011/12 savings programme)	80	80
Lease out part of the Corn Exchange (from 2011/12 savings programme)	50	50
Strategic review of the Museum Service (from 2011/12 savings programme)	30	30
Review Entertainments Box Office staffing levels	8	8
Review Entertainments Catering staffing levels	3	3
Review Profiles staffing levels	15	15
Seek external Grounds Maintenance work	50	50
Review of IBC Bowling Greens	20	20
Environmental Services		
Review Environmental Health staffing levels	22	22
Review provision of asbestos advice	9	30
Review Assistant Building Control Officer staffing levels	29	29
Sub-lease floor of Grafton House (from 2011/12 Savings Programme)	150	150
Review charges for bulky waste collections	8	8
Increase the cost of asbestos related collections (still lower than market price)	2	2
Finance		
Review Treasury Management Strategy	20	20
Financial Services restructure (from 2011/12 savings programme)	20	20
Internal Audit restructure/additional income from counter fraud partnership arrangements with Waveney and Suffolk Coastal District Councils (from 2011/12 savings programme)	10	10
Provide insurance administration service for Waveney and Suffolk Coastal District Councils	10	10
Replace current procurement card administration system.	5	5
External Audit costs	14	28
Housing		
Review Assistant QS staffing levels in commercial side of HMC	24	24
Reduction in HMC overtime	5	5
Proportion of housing savings on reduction in M3 software maintenance costs	10	10
Increase in HMO licensing income	5	0
Utilise over achieved base budget savings from previous years savings programmes	100	155

GENERAL FUND SAVINGS continued

Proposed Change of Activity / Saving	2012 / 2013 Revenue Saving £'000	Ongoing Annual Revenue Saving £'000
Legal & Democratic		
Reduction in supplies & services budgets within Licensing	1	1
Review of Crematorium grounds maintenance costs	36	36
Review of Burial Fees	10	19
Planning, Transport & Regeneration		
Charging for Street Names and Numbering service	3	3
Review management arrangements e.g. Ip-City Centre and the market	25	40
Reduction in supplies and services across PTR	15	15
Review property maintenance contract	5	5
Highways & Transport Restructure	16	6
Drainage Engineering Income increase	15	15
Highway Services Trading Account	75	0
Reduction in Parking Services leasing costs	1	1
Totals	1,470	1,493

Section 4

Housing Revenue Account MTFP

HOUSING REVENUE ACCOUNT FORECAST 2011/2012 TO 2014/15

2010/11 OUT-TURN £		2011/12 ORIGINAL BUDGET £	*Year 1* 2011/12 FORECAST £	*Year 2* 2012/13 FORECAST £	*Year 3* 2013/14 FORECAST £	*Year 4* 2014/15 FORECAST £
	EXPENDITURE					
	MANAGEMENT & MAINTENANCE					
4,234,924	Supervision & Management General	3,852,140	3,807,800	3,940,430	3,763,430	3,838,700
1,606,948	Supervision & Management Special	1,914,980	1,922,060	2,222,170	2,122,250	2,164,700
439,228	Superannuation Backfunding	441,130	282,480	282,750	282,750	282,750
3,202,338	Responsive Repairs	3,430,410	3,457,570	3,516,210	3,586,530	3,658,260
1,212,825	Special/Contract Repairs	1,199,950	1,264,950	1,203,900	1,235,100	1,267,060
881,413	Planned Maintenance	1,020,000	1,020,000	1,040,410	1,061,220	1,082,440
11,577,676	**MANAGEMENT & MAINTENANCE TOTAL**	**11,858,610**	**11,754,860**	**12,205,870**	**12,051,280**	**12,293,910**
	CAPITAL FINANCING COSTS					
70,608	**Debt Management Expenses**	62,157	96,985	82,201	84,288	84,940
0	**Debt Principal & Int & rescheduling_old debt**	0	0	1,665,038	1,638,467	1,492,497
0	**Debt Repayment & Interest_new debt**	0	0	5,550,463	5,508,232	5,466,000
4,559,853	**Depreciation**	8,095,120	8,095,120	8,082,501	8,082,501	8,082,501
61,639,907	**Impairment of Assets**	0	0	0	0	0
10,700	**Deferred Charges (REFFCUS)**	0	0	0	0	0
66,281,068	**TOTAL CAPITAL FINANCING COSTS**	**8,157,277**	**8,192,105**	**15,380,203**	**15,313,488**	**15,125,938**
0	**RENT REBATES SUBSIDY LIMITATION**	**0**	**0**	**0**	**0**	**0**
6,518,913	**GOVERNMENT SUBSIDY PAYMENT**	**7,816,470**	**7,897,420**	**0**	**0**	**0**
187,887	**PROVISION FOR BAD DEBTS**	**100,000**	**200,000**	**211,200**	**222,240**	**231,280**
114,820	**HRA share of Corporate Democratic Core and Non Distributed Costs**	**130,930**	**130,930**	**132,240**	**134,880**	**137,580**
84,680,364	**TOTAL EXPENDITURE**	**28,063,287**	**28,175,315**	**27,929,513**	**27,721,888**	**27,788,708**
	INCOME					
	RENT INCOME					
27,473,064Cr	**Rents**	29,127,850Cr	29,210,350Cr	30,779,240Cr	32,327,910Cr	33,561,200Cr
759,141Cr	**Service Charges**	790,000Cr	790,000Cr	834,240Cr	877,860Cr	913,580Cr
556,206Cr	**Commercial**	554,700Cr	554,700Cr	554,700Cr	554,700Cr	554,700Cr
168,354Cr	**Hostels**	173,710Cr	157,710Cr	183,440Cr	193,030Cr	200,880Cr
337,028Cr	**Shops**	330,000Cr	330,000Cr	330,000Cr	330,000Cr	330,000Cr
29,293,793Cr	**RENTS TOTAL**	**30,976,260Cr**	**31,042,760Cr**	**32,681,620Cr**	**34,283,500Cr**	**35,560,360Cr**
181,090Cr	**G.F. RECHARGE**	**184,710Cr**	**184,710Cr**	186,560Cr	190,290Cr	194,100Cr
29,474,883Cr	**TOTAL INCOME**	**31,160,970Cr**	**31,227,470Cr**	**32,868,180Cr**	**34,473,790Cr**	**35,754,460Cr**
55,205,481	**NET COST OF SERVICES**	**3,097,683Cr**	**3,052,155Cr**	**4,938,667Cr**	**6,751,902Cr**	**7,965,752Cr**

HOUSING REVENUE ACCOUNT FORECAST 2011/2012 TO 2014/15

2010/11 OUT-TURN £		2011/12 ORIGINAL BUDGET £	*Year 1* 2011/12 FORECAST £	*Year 2* 2012/13 FORECAST £	*Year 3* 2013/14 FORECAST £	*Year 4* 2014/15 FORECAST £
55,205,481	**NET COST OF SERVICES**	3,097,683Cr	3,052,155Cr	4,938,667Cr	6,751,902Cr	7,965,752Cr
0	Items t/f from previous to current year	0	0	0	0	0
0	Repairs Contingency_emergency repairs	29,320	29,320	0	0	0
0	Single Status & Harmonisation Contingency	100,000	0	150,000	150,000	150,000
0	Supporting People Sheltered Contingency	0	0	200,000	200,000	200,000
0	Target Savings	0	0	0	0	0
0	Transitional Vacancy savings	30,000Cr	24,000Cr	30,000Cr	30,000Cr	30,000Cr
59,631,288Cr	Capital Summary Adjustments	1,447,960Cr	1,628,590Cr	0	0	0
14,152Cr	Interest/investments	23,180Cr	6,330Cr	6,020Cr	5,190Cr	12,300Cr
4,439,959Cr	**NET OPERATING EXPENDITURE**	4,469,503Cr	4,681,755Cr	4,624,687Cr	6,437,092Cr	7,658,052Cr
503,536Cr	Contributions to Provisions/Reserves	0	0	376,350Cr	0	0
5,222,760	RCCO's	4,742,853	4,742,850	5,167,499	5,015,499	5,000,000
279,265	**(SURPLUS)/DEFICIT**	273,350	61,095	166,462	1,421,593Cr	2,658,052Cr
1,545,045Cr	HRA Balance b/f 1st April	806,634Cr	1,265,780Cr	1,204,685Cr	1,038,223Cr	2,459,816Cr
1,265,780Cr	HRA Balance c/f 31st March	533,284Cr	1,204,685Cr	1,038,223Cr	2,459,816Cr	5,117,868Cr
	MINIMUM REQUIRED BALANCE	1,000,000Cr	1,000,000Cr	1,000,000Cr	1,000,000Cr	1,000,000Cr

Agreed Sheltered Scheme Charges:

Charge	**2011/12**	**2012/13**	**Comment**
<u>Service Charge</u>	£19.00	£20.95	Increase due to review of service charge elements (This charge is eligible for Housing Benefit)
Supporting People Charge	£13.00	£6.00	Supporting People (SP) element reduced as per SCC. (SP cover this cost for all tenants in receipt of Housing Benefits)
Water Rate Charge	£3.41	£3.48	Charge needs to cover anticipated costs
Heating Communal Areas Charge 1 Charge 2*	 £1.90 £0.71	 £2.09 £0.78	(This charge is eligible for Housing Benefit) Price rises kept to minimum through energy procurement and usage lowered by proactive energy management – Net result 10% increase
Heating – Individual home Charge 1 –2 rooms with htg 3 – 4 rooms with htg 5/6 rooms with htg 7+ rooms with htg	 £3.41 £5.49 £7.46 £9.43	 £3.75 £6.04 £8.21 £10.37	Price rises kept to minimum through energy procurement and usage lowered by proactive energy management – Net result 10% increase

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

Notes

- Charges are made to cover anticipated budget costs

  Charges are pooled and apply to all schemes (although some schemes have individual heating and therefore pay their gas/electric charges direct)

Garage Rents 2012/13 (per week) all charges to Increase by 5.6% in line with the average Council house inflationary increase (rounded up/down)

Scheme	**2011/12**	**2012/13**	**Change**
Council Tenants Garages			
Vary From	£6.35	£6.71	+ £0.36
To	£8.63	£9.11	+ £0.48
Non Council Tenants*			
Vary from	£6.35 + vat = £7.62	£6.71 + vat = £8.05	+ £0.43
To	£8.63 + vat = £10.36	£9.11 + vat = £10.93	+ £0.57
Other Charges			
Water charge (where applicable)	£1.08	£1.10	+ £0.02
Hardstands			
Vary from	£1.36	£1.44	+ £0.08
To	£1.71	£1.80	+ £0.09

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

District Heating Charges 2012/13 (per week)

	2011/12	**2012/13**	**Change**
Lower rate	£7.50	£8.25	£0.75
Higher rate	£9.00	£9.90	£0.90

Charges vary according to number of rooms with heating.

Section 5

RESERVES AND PROVISIONS POLICY

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

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

Reserves can be held for three main purposes:

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

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

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

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

Reserves held by Ipswich Borough Council

General Fund

Working Balance

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

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

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

Consideration of the current economic climate, in particular reduced income levels and the possible impact on cash flow has led to a decision to retain a General Fund Working Balance of £2 million for 2012/13 onwards.

Ipswich Buses Ltd – Debenture Loan

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

Insurance Reserve

The Insurance Reserve is required to cover the potential liability for excess payments arising from claims below the insurance threshold and uninsured risks. The insurance reserve has been reduced to £732,000 from 2012/13 to reflect claims experience and reduced exposure.

Repair and Renewal

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

Investment Impairment

The Investment Impairment reserve was set up to cover possible losses on the Council's investments in Icelandic Banks. The decision by the Icelandic courts to confirm the preferred creditor status of UK local authorities has meant that a large proportion of the reserve is no longer required.

<u>Housing Revenue Account</u>

Working Balance

The HRA Working Balance is maintained to provide a contingency for dealing with potentially significant variances that could arise due to changes associated with the HRA business plan. As a result, the minimum working balance is increased from £500,000 to £1,000,000 to ensure the sustainability of the plan.

Repair and Renewal

£500,000 of this reserve will be fully utilised by the end of 2012/13 to enable the Ipswich Standard Programme. The balance is held to cover future year's programmes or unforeseen emergency repairs to the Council's housing stock.

Miscellaneous

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

Provisions held by Ipswich Borough Council

General Fund

Insurance Provision

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

Bad Debts

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

Housing Revenue Account

Bad Debts

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

Schedule of Working Balances, Reserves and Provisions

ADEQUACY OF WORKING BALANCE/ RESERVES AND PROVISIONS

Reserves	Balance 31-Mar-11 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-12 £'000	Appropriations £'000	Applications £'000	Balance 31-Mar-13 £'000	Balance 31-Mar-14 £'000	Balance 31-Mar-15 £'000
General Fund:									
Working Balance	7,717Cr	0	1,709	6,008Cr	0	195	5,813Cr	4,318Cr	2,000Cr
Transport Realisation Reserve	252Cr	0	0	252Cr	0	0	252Cr	252Cr	252Cr
Insurance Reserve	1,155Cr	0	423	732Cr	0	0	732Cr	732Cr	732Cr
Repair and Renewal	495Cr	25Cr	17	503Cr	25Cr	31	497Cr	525Cr	546Cr
Investment Impairment	1,683Cr	0	0	1,683Cr	0	1,500	183Cr	183Cr	183Cr
Legacies	127Cr	0	0	127Cr	0	0	127Cr	127Cr	127Cr
Revenue Grants	1,899Cr		240	1,659Cr	0	0	1,659Cr	1,659Cr	1,659Cr
Total	**13,328Cr**	**25Cr**	**2,389**	**10,964Cr**	**25Cr**	**1,726**	**9,263Cr**	**7,796Cr**	**5,499Cr**
Housing Revenue Account:									
Working Balance	1,266Cr		61	1,205Cr	0	167	1,038Cr	2,460Cr	5,118Cr
Repair and Renewal	1,000Cr		500	500Cr	0	0	500Cr	500Cr	500Cr
Miscellaneous	1,041Cr		264	777Cr	0	376	401Cr	389Cr	389Cr
Total	**3,307Cr**	**0**	**825**	**2,482Cr**	**0**	**543**	**1,939Cr**	**3,349Cr**	**6,007Cr**
Capital:									
Usable Capital Receipts	6,420Cr	0	3,446	2,974Cr	770Cr	3,686	58Cr	11Cr	0
Total	**6,420Cr**	**0**	**3,446**	**2,974Cr**	**770Cr**	**3,686**	**58Cr**	**11Cr**	**0**
Provisions									
General Fund:									
Insurance Provision	936Cr	0	0	936Cr	0	0	936Cr	936Cr	936Cr
Provision for Bad Debts	784Cr	0	0	784Cr	0	0	784Cr	784Cr	784Cr
Total	**1,720Cr**	**0**	**0**	**1,720Cr**	**0**	**0**	**1,720Cr**	**1,720Cr**	**1,720Cr**
Housing Revenue Account:									
Provision for Bad Debts	386Cr	200Cr	200	386Cr	211Cr	211	386Cr	386Cr	386Cr
Total	**386Cr**	**200Cr**	**200**	**386Cr**	**211Cr**	**211**	**386Cr**	**386Cr**	**386Cr**
Grand Total	**25,161Cr**	**225Cr**	**6,860**	**18,526Cr**	**1,006Cr**	**6,166**	**13,366Cr**	**13,262Cr**	**13,612Cr**

Section 6

CAPITAL STRATEGY / PROGRAMME

Introduction

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

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

Key Areas of Capital Expenditure

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

New Capital Investments	Objective	2012 / 2013 Capital cost £'000	2013 / 2014 Capital cost £'000
Re-introduction of a renovation grant programme	To reduce non decent homes in the private sector and to assist returning empty properties into use	200	200
Compulsory purchase of Empty Homes	Regeneration / reduction in nuisance, reduced demand on CBL and homelessness provision	500	500
Replacement computerised booking service	Improve customer access and reporting ability	0	100
Uniform IT System	Software upgrade for planning on line service	20	0
Kick Starting Development	To pump prime development sites	150	0
Waterfront Sustainable Transport		90	90
Shopmobility	Replacement Wheelchairs	10	10
Installation of Solar Photovoltaic (PV) panels	Increase the level of renewable energy generated in Ipswich	215	0
Economic Development Fund	To support job creation initiatives	1,500	0
Opportunity Purchases/Infrastructure Improvements	To generate economic activity and replenish IBC landbank	2,000	0
Phase 3 Crown Pools Redevelopment	Improve service offer and improve/maintain income flow	0	1,200
Totals		4,685	2,100

Funding Capital Expenditure

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

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

Supported Capital Expenditure (SCE) - This is Government Approved borrowing to undertake Capital Expenditure. The Government pays for the principal repayments and interest through the Revenue Support Grant. SCE can only be used in the year in which the borrowing approval is received. It is normally scheme specific, except in the case of the Housing Revenue Account (HRA), where we are currently receiving SCE in respect of meeting the Decent Homes standard, and that covers a number of different schemes e.g. Affordable Warmth, Improving Ipswich Homes.

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

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

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

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

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

Current Situation

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

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

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

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

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

<u>Strategic Approach</u>

There are many potential actions which could address the General Fund capital situation which are based on either reducing capital investment levels or increasing funding levels over the next 5 years. A clear approach involving a mix of appropriate actions would facilitate the development of future capital programmes.

It is recommended that the Councils approach to future capital programme resourcing be the subject of a corporate review during 2012. Below are some of the options that could be considered as part of that review:

- Reduce capital expenditure
- Review operational property portfolio
- Review corporate property portfolio
- Generate capital receipts
- Increase borrowing
- Fund appropriate schemes from revenue
- Use of Heads of Service revenue service reserves
- Explore external funding opportunities
- Lease assets
- Innovative scheme delivery

<u>Performance Framework Overview</u>

The Council has adopted Best Practice to coordinate:-

- Service Investment Prioritisation and Planning;
- Project Appraisal and Resourcing Options;

- Capital Programme Performance Monitoring;
- Asset Management.

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

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

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

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

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

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

Performance Measures and Monitoring

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

- Heads of Service are responsible for monitoring individual schemes;
- Online financial information is available to all Heads of Service and Project Managers, including details of any commitments, via the Council's financial reporting system;
- Monthly budget monitoring reports are produced for Heads of Service and Project Managers;

- Capital Programme monitoring is done on a monthly basis through Heads of Service Monthly Monitoring Returns so any additional resources required/surplus resources that are not needed are identified at an early stage;
- Quarterly reports to Executive showing the latest Capital Programme and estimated resources;
- An annual report to Executive detailing the reasons for budget carry forwards, together with explanations for any variances >10% (+/-) of budgeted scheme cost; and
- The capital receipts forecast is updated on a monthly basis.

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

Detailed Capital Programme and Funding Sources

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

CAPITAL PROGRAMME FOR 2011/12 AND FUTURE YEARS

SCHEME	2011/12 £	2012/13 £	2013/14 £
HOUSING REVENUE ACCOUNT			
Housing Reform	99,602,000		
HRA shops	9,612		
Integrated Housing Management System	339,300		
Introduction to choice based lettings	55,360		
Ipswich Standard	10,575,808	8,950,000	8,098,000
Increased Housing Provision (indicative - subject to HRA resources)	0	5,000,000	5,000,000
Leases Funded by Loan	97,770		
HRA TOTAL	**110,679,850**	**13,950,000**	**13,098,000**
GENERAL FUND			
COMMUNITY			
Area Forums	81,294	15,969	
Broomhill Pool			1,000,000
Chantry Nurseries Project (PRG)	68,129		
Community Improvements	214,371	36,020	
Friends of Ipswich Museum (PRG)	69,300		
Ipswich Street Prostitution Strategy	45,000	50,020	
ISCRE New Kitchen (PRG)	5,700		
Locality Funded Schemes	2,350		
LSP Performance Reward Grant	7,293	22,640	
New Wolsey Theatre (PRG)	9,990	1,010	
Shopmobility replacement wheelchairs		10,000	10,000
Waterfront & Walkways CCTV (PRG)	60,000		
ECONOMIC			
Wayfinder Project	444,154	115,000	
Economic Development Fund		1,500,000	
Festive Decorations - Town Centre		100,000	
Housing and Planning Delivery Grant	28,061		
Kick Starting Development		150,000	
Opportunity Purchases/Infrastructure Imps		2,000,000	
Road Improvements	68,248		
HOUSING			
Affordable Housing - Leasing		36,700	
Affordable Housing - Other	180,000	138,363	138,363
CPO Empty Homes		500,000	500,000
Disabled Facilities Grant	514,359	413,000	413,000
Improvement Grants	167,975		
Reintroduction of Renovation Grants		200,000	200,000
ICT			
Cap. IT Dev. - CSC-Call Centre/CRM back off/E Gov	86,079		
Cap. IT Dev. - Development of website/integration of back office to CRM	10,000	90,000	
Cap. IT Dev. - Electronic Doc man system + extension	11,980		
Cap. IT Dev. - Increased use of Electronic Document Storage	10,000	140,000	
Cap. IT Dev. - PC replacement	50,000	60,000	40,000
Cap. IT Dev. - Upgrading PARIS income management	2,599		
Cap. IT Dev. - Virtual Server replacement	50,000	50,000	
CCTV Synectics replacement	51,400		
Cemetery - IT system	19,800		
Replacement of computerised booking service			100,000
SRP New IT Platform	876,500		
Waste PE Grant IT Project	1,453		
MISC			
Athena Hall Car Park P & D machines	10,000		
Leases funded by loan	422,290		

CAPITAL PROGRAMME FOR 2011/12 AND FUTURE YEARS

SCHEME	2011/12 £	2012/13 £	2013/14 £
PROPERTY			
11- 27 Woodbridge Road	252,000		
Capitalised repairs	733,185	519,529	500,000
Cemetery - Phase 2a	22,240		200,000
Corn Exchange - External & Roof Repairs	50,812		
CP33 Ransomes SCC changing facilities		25,000	25,000
Cremator Replacement	688,011	599,528	50,000
M & E installations phase 2		50,000	600,000
M&E Installations Gipping House	21,516		
M&E Installations WAG	248,398	204,744	
Operational Bases for GM Staff	109,183	430,986	
St Lawrence Church	3,515		
Tourist Information Centre (TIC) External Repairs	1,199		
SPORT & CULTURE			
Alexandra Park Fountain	1,432		
Christchurch Park Tennis Courts Refurbishment	71,243	10,000	
Crown Pools Improvements	1,091,187	1,111,018	
Crown Pools Repairs	9,000		
Crown Pools Repairs Contingency	67,274		
Fore Street Pool Improvements	7,400		
Holywells Park Development Grant	36,500	182,580	
IAFDP Crown Pools - Summer 2011	45,100		
IAFDP Orwell Country Park K Barrier gate replacement	7,000		
Museum - HEG Roof Refurbishment	23,935		
Museum - Ipswich Art School	5,000	5,000	
New Wolsey Theatre/High Street Exhibition Gallery	163,304		
Parks Lodges		160,000	
Parks Lottery Bid Christchurch Park	35,010		
Phase 3 Crown Pools Development			1,200,000
Play Facilities	113,386		
Red Rose Chain		7,500	
Regent Repairs	31,000		
Regent Re-roof phase 3 and M&E items		50,000	550,000
Whitton United Heating & Lighting (PRG)	7,000		
SUSTAINABILITY			
Bus Shelters/Bus Stops	67,516	12,285	
Carbon Reduction Programme Invest to Save	247,458	22,650	8,620
Solar PV installation	215,000		
Waste PE Grant Recycling at Flats	790		
Waterfront Sustainable Transport		90,000	90,000
GF TOTAL	**7,943,919**	**9,109,542**	**5,624,983**
CONTINGENCY			
Contingency - additional commitments	202,084	360,000	360,000
CONTINGENCY TOTAL	**202,084**	**360,000**	**360,000**
OVERALL TOTAL PROGRAMME	**118,825,853**	**23,419,542**	**19,082,983**

CAPITAL PROGRAMME FUNDING FOR 2011/12 AND FUTURE YEARS

	CAPITAL RECEIPTS	EXTERNAL FUNDING	PRUDENTIAL BORROWING	BORROWING	MAJOR REPAIRS ALLOWANCE	REVENUE CONTRIBS TO CAPITAL OUTLAY	TOTAL
2011/12							
Resources at 31.03.2011	6,419,589	648,651	0	0	0	1,328,591	8,396,830
Resources in the year	0	1,232,066	2,299,571	100,070,500	5,242,136	5,258,820	114,103,093
Use of Resources	3,445,518	1,880,717	2,299,571	100,070,500	5,242,136	5,887,411	118,825,853
Balance at year end	2,974,071	0	0	0	0	700,000	3,674,071
2012/13							
Resources at 31.03.2012	2,974,071	0	0	0	0	700,000	3,674,071
Capital Receipts forecast to be received during 2011/12	710,083	0	0	0	0	0	710,083
Capital Receipts forecast to be received during 2012/13 *	59,533	0	0	0	0	0	59,533
Resources in the year	0	921,578	599,528	4,225,000	8,082,501	5,205,149	19,033,756
Use of Resources	3,685,786	921,578	599,528	4,225,000	8,082,501	5,905,149	23,419,542
Balance at year end	57,900	0	0	0	0	0	57,901
2013/14							
Resources at 31.03.2013	57,900	0	0	0	0	0	57,901
Capital Receipts forecast to be received during 2012/13	1,456,967	0	0	0	0	0	1,456,967
Capital Receipts forecast to be received during 2013/14 *	651,500	0	0	0	0	0	651,500
Resources in the year	0	641,363	50,000	3,115,000	8,082,501	5,039,119	16,927,983
Use of Resources	2,155,000	641,363	50,000	3,115,000	8,082,501	5,039,119	19,082,983
Balance at year end	11,367	0	0	0	0	0	11,368
Actual Resources	9,297,672	3,443,658	2,949,099	107,410,500	21,407,138	16,831,679	161,339,745
Use of Resources	9,286,304	3,443,658	2,949,099	107,410,500	21,407,138	16,831,679	161,328,378
Deficit(-)/ Surplus of Resources	11,367	0	0	0	0	0	11,368
Capital Receipts forecast to be received during 2013/14 to be used in future years	0						

* In order to balance the programme receipts to be used in the year they are received.

Section 7

THE TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY AND PRUDENTIAL CODE FOR 2012/13

Introduction

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

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

The Council's treasury activities are strictly regulated by statutory requirements and the CIPFA Code of Practice on Treasury Management, which has been adopted by the Council. The CIPFA code of practice was updated in November 2011 and the treasury management strategy in Section 2 reflects the requirements of the revised code.

The CIPFA Prudential Code was also revised in November 2011 and the prudential indicators shown later in this section reflect the revised requirements and show all prudential indicators.

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

One of the major changes under the Localism Act is the abolition of the housing subsidy system. This has a two fold effect on the Council's treasury management activities;-

- The Council will need to borrow £99.602m to come out of the housing subsidy system. This has been financially modelled and will have a financial benefit to the Council over the coming years.
- The housing subsidy system set the rules as to how interest was charged to the HRA and GF. The Council historically had all debt in one debt pool and then allocated the interest costs through a set formula. With effect from 1 April 2012, it is up to local authorities to decide how they split their existing debt between

the HRA and GF. However there are a few key principles the Council needed to take into account before deciding on the best solution for us. The principles are:-

- The underlying principle for the splitting of loans at transition must be that of no detriment to the General Fund.
- Local Authorities are required to deliver a solution that is broadly equitable between the HRA and GF.
- Future charges to the HRA in relation to borrowing are not influenced by GF decisions, giving a greater degree of independence, certainty and control.
- Uninvested balance sheet resources which allow borrowing to be below the CFR, are properly identified between HRA and GF.

Officers in consultation with the Council's treasury management consultants have modelled a number of different options and recommend the best solution is to have two debt pools, one for the HRA and one for GF, and that all the current actual borrowing be allocated to the HRA with effect from 1 April 2012 including the borrowing needed to come out of the housing subsidy system.

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

Treasury Management Strategy

BORROWING STRATEGY

The Council's treasury portfolio position as at 31 March 2011, with forward projections are summarised at Appendix 1. The table shows the actual external borrowing (the treasury management operations), against the notional borrowing requirement, called the Capital Financing Requirement (CFR) which is based on past decisions made by the Council and also incorporates any borrowing assistance that has been supplied by the government. The CFR indicates the level of actual borrowing the Council could be carrying for the level of liabilities it currently has. This table highlights any over or under borrowing.

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

Against this background and the risks within the economic forecast, caution will be adopted with the 2012/13 treasury operations. The Head of Finance will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

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

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

Interest rates across the board are at historic low levels and over the coming year are not expected to increase too much, with the base rate not expected to increase until 2013. If the Council were to borrow any long term debt during 2012/13, the current expectation is that the interest rate will be approximately 5% and most borrowing would be from the Public Works Loan Board (PWLB). If there were opportunities to borrow at better rates in the money markets then these options will be explored.

The requirement for the HRA reform settlement to be made to the CLG on 28 March 2012 will require a separate consideration of a borrowing strategy. The Council will need to have the cash settlement amount of £99.602m available by the 28 March 2012, so separate borrowing solely for this purpose is anticipated. The PWLB are providing loans at interest rates 0.85% lower than the usual PWLB interest rates solely for the settlement requirements. This provides a compelling reason to utilise this borrowing availability. The exact structure of debt to be drawn is currently being considered by officers to ensure it meets the requirements of the HRA business plan and the overall requirements of the Council.

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

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

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

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

INVESTMENT STRATEGY

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

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

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

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

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

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

There are a number of operational issues Councillors will need to take into account when agreeing the Counterparty list for 2012/13 and these are detailed below.

The security and return of investments is the biggest priority, especially given the current economic circumstances. As a general rule the more security an investment has, the lower the interest rate is. The table below shows the rates available from three different investment categories. It also shows there are different levels of security with the three investments all of which are very good. The rates shown below are based on a one-year investment with base rates at 0.50%.

Investment Counterparty	Interest Rate	Security
Government Debt Management Account	0.25%	The government guarantees this money is returned
Major UK Clearing Bank	2.25%	Even though the government has provided guarantee mechanisms for some aspects of these institutions, there is no guarantee covering Local Authority deposits
UK Building Society (Best available rate from top 5 Building Society)	2.50%	If UK Building Societies do get into trouble, past experience shows they are taken over by other Building Societies. However, there is no guarantee this will happen in the future.

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

The effect on Council Tax is another major factor. As can be seen from the interest rate levels, returns on an approximate portfolio of £15m could range from £37,500 to £375,000. The difference is equivalent to a Band D Equivalent of £8.07. Investment returns are an important income source and help keep Council Tax levels down and are a key part of the Finance Strategy. From an operational point of view, the Council would spread investments over a number of different counterparties and categories.

The maximum period for an investment in the government's debt management account is six months and most investments with local authorities are borrower led and are normally for less than one month. The longer an investment can be made for, the more certainty there is on the Council's budget in terms of investment income.

There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty credit-worthiness suggests shorter dated investments would provide better security. In addition, if interest rates rise, the Council would not wish to invest for too long in case the investment return actually became a drag on performance.

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

Credit ratings are still one of the major guides to the financial stability of counterparties on the Council's list and these are managed on a daily basis through updates from the Council's treasury management consultants. All counterparties on the Council's list will be subject to meeting the minimum criteria where applicable before any investments are made.

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

The Council's full counterparty list for investments and the limits has to be agreed by Council. If any institution needs to be added to the list or limits changed upwards, this needs to be agreed at Full Council, so in preparing the counterparty list for 2012/13, the Council needs to reflect the current economic climate, but also needs to have scope within the list to help officers act in the Council's best interests.

The full counterparty list agreed by Council identifies the maximum range and extent of counterparties that can be used. The Head of Finance uses this list to draw up an appropriate operational list for use by officers. This operational counterparty list will be subject to change depending on the economic climate, Government guarantees, mergers and credit rating changes. Changes that are automatically triggered such as credit rating changes will be acted upon immediately. Any other changes would be approved by the Head of Finance in consultation with the Finance Portfolio holder in accordance with the Council's Financial Standing Orders.

The Head of Finance will maintain the full counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. This criteria selects which counterparties the Council will choose rather than defining what its investments are. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

Credit rating information is supplied by our treasury consultants on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change in the short term), rating outlooks (indication of any bias to ratings over the medium term) are provided to officers almost immediately after they occur and this information is considered before dealing. Additional requirements under the Code of Practice now require the Council to supplement credit rating information. Additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps or equity prices) will be applied to compare the relative security of differing investment counterparties.

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

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

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

Category 3 – The UK Government has issued various guarantee mechanisms for UK financial institutions. It was originally opened to only 8 major entities, but was then widened to all who met particular criteria (and are therefore classified Eligible Institutions). Importantly, none of the guarantee mechanisms cover wholesale deposits by Local Authorities. However, they do supply investors with some comfort that while financial markets remain quite illiquid, these entities will have alternative methods to access funding when required. Before undertaking investments the Council will use generally available market information, and UK banks and Building Societies, which have at least the following Fitch, Moody's, and Standard and Poors ratings (where rated):

	Fitch	Moody's	Standard & Poors
Short Term	F1	P1	A1
Long Term	A	A2	A
Viability/ Financial Strength	BB-	C-	N/A
Support	3	N/A	N/A

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

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

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

The time limit for investments in institutions falling in category 5 is 365 days and the maximum amount to be invested in any one group is £4m. As a minimum, financial institutions in this category would need to have credit ratings from at least one credit ratings agency. Other available market information would also be taken into account. For most financial institutions the maximum amount to be invested in any one group will be a lower figure, and some financial institutions will have shorter investment periods. The overall maximum exposure for this category would be £25m.

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

	Fitch	Moody's	Standard & Poors
Short Term	F1+	P1	A1+
Long Term	AA-	Aa2	AA-
Viability/ Financial Strength	BB+	C	N/A
Support	1	N/A	N/A

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

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

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

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

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

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

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

	Number of Institutions in category	Potential Exposure (£m)	Maximum Exposure (£)	Time Limit
Category 1	1	50	50	Max 6 Months
Category 2	5	15	15	Max 365 Days
Category 3	6	60	50	Max 2 years
Category 4	3	15	15	Instant Access
Category 5	5	15	25	Max 365 Days
Category 6	8	32	25	Max 365 Days
Category 7	1	2	2	Max 365 Days

In the normal course of the council's cash flow operations it is expected that both Specified and Non-Specified investments will be utilised for the control of liquidity as both categories allow for short-term investments.

The use of longer-term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded.

After taking into account the above operational issues and the counterparty framework set out the Council expects to follow the following strategy during 2012/13.

Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.5% Bank Rate staying the same during 2012/13. There is a clear operational difficulty arising from the current banking crisis. Ideally investments would be invested longer to secure better returns, however uncertainty over counterparty creditworthiness suggests shorter dated investments would provide better security.

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

Examples of these restrictions would be the greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), Money Market Funds, guaranteed deposit facilities and strongly rated institutions offered support by the UK Government. The credit criteria have been amended to reflect these facilities.

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

PRUDENTIAL INDICATORS

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

The aim of the code is to allow Councillors to be informed of the impact of capital investment decisions on the overall Council budget. The Council must set ten indicators. These are set out below and need to be considered as a whole: the sequence of presentation is not an indication of relative significance.

The Council has to make reasonable estimates of the total of capital expenditure that it plans to incur during the forthcoming financial year and the following two financial years. These have been based on the Capital Programme for that period.

Year	General Fund	HRA	Overall
2010/11 Actual	£5,844,192	£10,946,113	£16,790,305
2011/12 Approved	£8,146,003	£110,679,850	£118,825,853
2012/13 Estimate	£9,469,542	£13,950,000	£23,419,542
2013/14 Estimate	£5,984,983	£13,098,000	£19,082,983

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure, which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision), although it is also allowed to undertake additional voluntary payments.

Year	General Fund	HRA	Overall
2010/11 Actual	£15,215,711	£35,295,315	£50,511,026
2011/12 Approved	£16,261,577	£134,843,138	£151,104,715
2012/13 Estimate	£19,398,788	£132,165,205	£151,563,993
2013/14 Estimate	£20,964,334	£129,510,396	£150,474,730
2014/15 Estimate	£20,058,955	£126,828,545	£146,887,500

The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2012/13 in accordance with the main recommendations contained within the guidance issue by the Secretary of State under section 21(1A) of the Local Government Act 2003. CLG Regulations have been issued which require full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is prudent provision.

It is recommended that Council approve the following MRP Statement

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

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

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

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

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

The Council must estimate the proportion of the revenue budget, which is taken up in financing capital expenditure. The net financing costs are the cost of interest and principal repayments less investment income generated. The HRA percentage increases significantly from 2011/12 due to the significant borrowing required to come out of the housing subsidy system. The GF percentage increases due to the borrowing costs to finance the capital programme.

Year	General Fund	HRA	Overall
2010/11 Actual	4.92%	5.50%	5.21%
2011/12 Approved	6.05%	5.65%	5.84%
2012/13 Estimate	6.93%	28.10%	17.70%
2013/14 Estimate	9.93%	27.51%	18.91%
2014/15 Estimate	11.78%	25.84%	19.00%

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

Year	Council Tax Band D Equivalent	Weekly Housing Rent Levels
2011/12 Estimate	£3.84	£0.00
2012/13 Estimate	£12.19	£0.00
2013/14 Estimate	£23.55	£0.00
2014/15 Estimate	£29.85	£0.00

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

The Council must set prudential limits for its total external debt, gross of investments, separately identifying borrowing from other long-term liabilities. The authorised limit sets a ceiling on external debt, the maximum amount the Council may borrow at any point in time in the year. It has to be set at a level the Council considers is "prudent". The proposed indicator takes account of the capital financing requirement estimated at the start of each year, plus the expected net borrowing requirement for the year.

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

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

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

The Authorised Limit for External Debt – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. The limit for 2012/13 and future year's takes account of the future plans of the Council.

The Operational Boundary for External Debt –This indicator is based on the expected maximum external debt during the course of the year; it is not a limit.

Year	Authorised Limit	Operational Boundary
2011/12 Estimate	£155m	£152m
2012/13 Estimate	£160m	£157m
2013/14 Estimate	£160m	£157m
2014/15 Estimate	£160m	£157m

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

Year	Maximum HRA Indebtedness
2011/12 Estimate	£144m
2012/13 Estimate	£144m
2013/14 Estimate	£144m
2014/15 Estimate	£144m

The Council must place an upper limit on the total amount of net borrowing (borrowing less investment) which is at fixed rates secured against future interest rate movements. These limits represent 100% of the Operational Boundary in each year and aim to ensure a balanced approach.

The Council must place an upper limit on the total amount of net borrowing (borrowing less investment) which is at variable rates subject to interest rate movements. These limits represent 50% of the Operational Boundary in each year.

For the purposes of practicality and clear meaningful reporting it is proposed to have a limit for borrowing and a limit for investments as follows:

Borrowing and Investments – Maximum Limits

Year	Fixed Rate	Variable Rate
2011/12	100%	50%
2012/13	100%	50%
2013/14	100%	50%
2014/15	100%	50%

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

Period	Lower Limit	Upper Limit
Up to 1 Year	0%	50%
1 Year to 2 Years	0%	50%
2 Years to 5 Years	0%	50%
5 Years to 10 Years	0%	75%
10 Years to 20 Years	0%	100%
20 Years to 30 Years	0%	100%
30 Years to 40 Years	0%	100%
40 Years to 50 Years	0%	100%

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

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

APPENDIX 1

	2010/11 Actual £,000's	2011/12 Estimated £,000's	2012/13 Estimated £,000's	2013/14 Estimated £,000's	2014/15 Estimated £,000's
Capital Financing Requirement as at 1 April	50,481	50,511	151,105	151,564	150,475
Supported Capital Expenditure	1,314	0	0	0	0
Finance Leases	29	0	0	0	0
HRA Settlement	0	99,602	0	0	0
Prudential Borrowing	511	2,840	4,852	3,341	1,027
MRP	-1,824	-1,848	-4,393	-4,430	-4,614
Capital Financing Requirement as at 31 March	50,511	151,105	151,564	150,475	146,888
Actual/Estimated Borrowing as at 31 March	28,683	130,982	137,071	137,700	133,547
Finance Leases	1,103	514	154	55	26
Under Borrowing	20,725	19,609	14,339	12,720	13,315
Use of Reserves	20,725	19,609	14,339	12,720	13,315

APPENDIX 2

Approved Organisations for Investment 2012/13

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

Approved Organisations for Investment 2012/13 Continued

-	Lending Limit £Million
CATEGORY 6 - Foreign Financial Institutions	
Canada	
Canadian Imperial Bank of Commerce	**4**
Bank of Montreal	**4**
Bank of Nova Scotia	**4**
Royal Bank of Canada	**4**
Toronto-Dominion Bank	**4**
Germany	
Deutsche Bank	**4**
Netherlands	
ING Bank	**4**
Rabobank	**4**
CATEGORY 6 - Maximum Exposure	**25**
CATEGORY 7 - UK Financial Institutions that do not meet the criteria of Categories 3 and 5	
Ipswich Building Society	**2**