

**COMMITTEE:** COUNCIL                      REF NO: C/20/02  
**DATE:** 29 JULY 2020  
**SUBJECT:** UPDATE OF THE MEDIUM-TERM  
FINANCIAL PLAN 2020/21 TO 2023/24  
(INCLUDING BUDGET 2020/21)

**PORTFOLIO HOLDERS:** COUNCILLOR DAVID ELLESMERE  
AND COUNCILLOR MARTIN COOK

**HEAD OF SERVICE:** JOHN CHANCE

***Short description of report content and the decision requested:***

This report considers the financial impact of Coronavirus on the Council and recommends that the General Fund part of the Council's Medium-Term Financial Plan (MTFP) be updated to ensure the long-term viability of the Council's financial position.

The report was considered at Executive on 14<sup>th</sup> July 2020. Executive decided to recommend to Full Council a number of changes to the MTFP, and specifically to:

- (i) The Capital Programme;
- (ii) Big Ticket Savings Targets;
- (iii) Operational Areas budgets for 2020/21; and
- (iv) Use of Reserves.

The changes proposed should, when combined with further anticipated funding from Government, result in the Council's finances being viable throughout the 4 years of the MTFP (to March 2024).

***Ward(s) affected:***

All

***List of Appendices included in this report:***

- 1 General Fund Revenue Forecast (pages 44 and 45 of the Appendix to the report of February 2020 (C/19/19))
- 2 Summary of the submission by the Council's Section 151 Officer to Government on the impact of Coronavirus on the Council's financial position (June 2020)
- 3 Revised Capital Programme for 2020/21 to 2023/24 (Recommendation 15.1 (ii) (a))
- 4 Reduction in Budgets for Operations Area (and other budget areas) for 2020/21 (Recommendation 15.1 (ii) (b))
- 5 Revised General Fund Revenue Forecast (i.e. updated version of pages 44 and 45 of the Appendix to the report of February 2020 (C/19/19)) (Recommendation 15.1 (ii) (d))
- 6 Letter from Minister of State for Regional Growth and Local Government dated 2<sup>nd</sup> July 2020

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*This report was prepared after consultation with:*

*Internal consultees:*

*Senior Managers Group*

*External consultees:*

*Ipswich Vision Partners*

*The following policies form a context to this report:*

*(all relevant policies must also be referred to in the body of the report)*

*Building a Better Ipswich 2017*

**LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW**

*(papers relied on to write the report but which are not published and do not contain exempt information)*

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| 1. None |
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**OTHER HELPFUL PAPERS**

*(papers which the report author considers might be helpful – this might include published material)*

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| <ol style="list-style-type: none"><li>1. Council Report Reference: C/19/19 from 19 February 2020 entitled: Medium Term Financial Plan 2020/21 (including budget 2020/21)</li><li>2. Executive Report Reference: E/20/01 from 16 June 2020 entitled: Financial Out-Turn Report 2019/20</li><li>3. Executive Report Reference: E/20/08 from 14<sup>th</sup> July 2020 entitled: Update of the Medium-Term Financial Plan 2020/21 to 2023/24 (including budget 2020/21)</li></ol> |
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## **1. Introduction**

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- 1.1 The Council agreed its 4-year Medium Term Financial Plan (MTFP) for 2020 to 2024 in February 2020 (report reference: C/19/19). Since then the Coronavirus pandemic has had a major impact on the Council's financial position. As a consequence, it is considered both appropriate and necessary to report the implications publicly to councillors and to recommend some changes to the Council's MTFP.
- 1.2 This report was considered by Executive at its meeting on 14<sup>th</sup> July 20-2020. Executive resolved to recommend the report to Full Council – and specifically to recommend the changes to the MTFP set out in section 15 of this report.
- 1.3 This report is structured in the following sections:
- Section 2: Summary of Plan agreed in February 2020;
  - Section 3: Summary of the out-turn position from the 2019/20 financial year (as reported to Executive on 16<sup>th</sup> June 2020);
  - Section 4: Summary of the predicted financial impact of Coronavirus on the Council's financial position;
  - Section 5: Proposals to respond to the financial consequences of Coronavirus on the Council's financial position;
  - Section 6: Options Considered
  - Section 7: Chief Financial Officer's Statement
  - Section 8: Consultation
  - Section 9: Risk Management
  - Section 10: Environmental Impact Assessment
  - Section 11: Equalities and Diversity
  - Section 12: Legal Considerations
  - Section 13: Performance Monitoring
  - Section 14: Conclusions; and,
  - Section 15: Recommendations.
- 1.4 The MTFP is normally over 140 pages long (including appendices) and is produced over a 4-month period. This 'MTFP update' has been completed in less than 6 weeks and is deliberately shorter and supported by a limited range of Appendices:
- Appendix 1: General Fund Revenue Forecast (copy of page 45 of the report of February 2020 (C/19/19));
  - Appendix 2: Summary of the submission by the Council's Section 151 Officer to Government on the impact of Coronavirus on the Council's financial position (June 2020);
  - Appendix 3: Revised Capital Programme for 2020/21 to 2023/24 (Recommendation 15.1 (ii) (a));
  - Appendix 4: Reduction in Budgets for Operations Area (and other budget areas) for 2020/21 (Recommendation 15.1 (ii) (b));

Appendix 5: Revised General Fund Revenue Forecast (i.e. updated version of page 45 of the report of February 2020 (C/19/19)) (Recommendation 15.1 (ii) (d)); and

Appendix 6: Letter from Minister of State for Regional Growth and Local Government dated 2<sup>nd</sup> July 2020

- 1.5 For the avoidance of doubt this MTFP update does not include any changes to the Housing Revenue Account or the Council's contributions to the Shared Revenues Partnership or the Colchester and Ipswich Museums Service.
- 1.6 The MTFP also assumes the same percentage increases for Council Tax rises in future years (2% each year) as that set out within the report of February 2020 (C/19/19).
- 1.7 Consultation on this report has been challenging to undertake due to the tight turn-around in its production. An update on responses to the consultation is provided within Section 8 of this report.
- 1.8 The other main factor that may impact on the final version of this report is whether the Government provides more financial support to councils, how much that might be and when it might be announced (and then arrive).
- 1.9 The Council has continued to lobby for further funding – for instance, most recently, the Leader of the Council was a co-signatory to a letter from all the Suffolk council leaders to MPs that was sent on 30<sup>th</sup> June 2020.
- 1.10 As the Executive version of this report was being concluded a further statement and letter was issued by Government on 2<sup>nd</sup> July 2020 (see Appendix 6). This is commented upon within paragraphs 5.14 and 14.7 below. The Government has now provided (16<sup>th</sup> July 2020) some further information and has announced the allocations per council of the additional £500m (Ipswich Borough Council has been allocated £278,009 of the £500m). The Government has not yet (17<sup>th</sup> July 2020) set out how the 'co-payment scheme' related to irrecoverable lost income will work in practice.
- 1.11 A number of changes to the Executive version of this report are incorporated within this Council paper. The proposals / recommendations are not changed. The main changes (other than some editing / formatting changes, this paragraph, amendments related to the fact that this report is for a different meeting and that the Executive version of it has already been debated) can be found at paragraphs 1.8, 1.10, 4.1, 5.10, 5.12, 5.13, 5.22, 8.1, 8.3, 8.4 and 14.7 and Tables 7 to 9. Paragraph 5.12 of the Executive report has been deleted and – effectively – superseded by paragraph 5.13.

## 2. Summary of Plan agreed in February 2020

- 2.1 The MTFP was agreed at Full Council on 19<sup>th</sup> February 2020 (report reference C: 19/19). The existing General Fund Revenue Forecast is included at Appendix 1.
- 2.2 Tables 9 to 12 of the February report explain how the budget was balanced over the 4-year period from April 2020 to March 2024.
- 2.3 The final balancing component of the February budget was set out as Table 17 to that report. The reserves figure opening balance is based on the quarter 2 position (September 2019) and has been updated via the 2019/20 out-turn report (see paragraph 3.3). Table 17 to the February report is repeated below as table 1 to this report:

*Table 1: Reserves required to achieve financial balance (table 17 of Report Reference C/19/19)*

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

- 2.4 In relation to the 'Proposed Big Ticket Targets' referred to in Table 1 above, these were set out in Table 14 of the February 2020 report – repeated below as table 2 to this report:

*Table 2: Big Ticket Programme 2020/21 to 2023/24 (table 14 of Report Reference C/19/19).*

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

- 2.5 The February report also set out three targets that it wished to keep to when meeting the budget challenge in February. These targets were (see paragraph 3.38 of the February report):
- (i) Reserves should be available to cover a fifth year, taking into account the £2m minimum balance required – (i.e. to be more than £2m plus the value from point (ii) below);*
  - ii) Gap in the final year of the forecast to be less than £1m; and*
  - iii) All savings to be fully identified.*
- 2.6 In February, two of the three targets were met ((ii) wasn't met). This was stated at the time to be a reflection of the pressures that were forecast to arise as a consequence of the forthcoming Local Government Finance Settlement.
- 2.7 Since February, the employers offer for local government pay for 2020/21 has increased to 2.75%. This is more than budgeted for – and if it ends up agreed – would be an additional cost – across the 4 years of the MTFP of approximately £0.250m. This is not factored into the figures below as it isn't yet certain.

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### **3. Summary of the out-turn position from the 2019/20 financial year (as reported to Executive on 16<sup>th</sup> June 2020)**

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- 3.1 At the Executive meeting on 16<sup>th</sup> June 2020 Councillors considered a paper entitled: Financial Management and Control: Budget Monitoring – Draft Out-Turn Statement 2019/20 (report reference E/20/01).
- 3.2 The report sets out that £0.307m of budget pressures at the end of the financial year related to Coronavirus and concluded that as a result the Council over-spent its 2019/20 budget by £0.108m (paragraph 3.1 of report E/20/01).
- 3.3 Within 2019/20, the Council received £76,739 from Government to support our response to Coronavirus.
- 3.4 The out-turn report concluded that the £0.108m should be financed via reserves (thereby reducing the amount available to spend by £0.108m) to £8.765m (Table 6 of the report reference E/20/01). When deducting the £2m minimum reserve provision position that the Council has agreed to maintain then this means there is now £6.765m available to be used to support this MTFP update.
- 3.5 In addition to the over-spend of £0.108m, the Out-turn report allowed for £2.286m of revenue carry forwards (paragraph 3.2 and Appendix 5 of report reference E/20/01) and capital programme carry forwards of £18.407m (paragraph 10.3 and Appendix 9 of report reference E/20/01).

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#### 4. Summary of the predicted financial impact of Coronavirus on the Council's financial position

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- 4.1 Each month (April, May and June 2020), the Government has asked all councils to complete a financial return estimating the predicted financial impact of Coronavirus. The Borough Council has done this – by the deadline – on all three occasions. The Government has now announced that there will be a 4<sup>th</sup> financial return submission round. At the time of the publication of this report the return form has not yet been issued by Government although the return deadline has been set for 31<sup>st</sup> July 2020.
- 4.2 The Council has made the headline information from these returns publicly available within the weekly statements that have been issued via the Council web-site ([www.ipswich.gov.uk](http://www.ipswich.gov.uk)).
- 4.3 The latest return was made on 19<sup>th</sup> June 2020. In relation to the general fund budget it made 5 predictions:

*Table 3: Predicted Financial Impact (Full-Year 2020/21) of Coronavirus on Ipswich Borough Council*

	£m
Expenditure	2.746
Lost Savings (classed as expenditure)	1.110
Lost Income	5.841
Council Tax Loss (IBC Share)	0.393
Business Rate Loss (IBC Share)	0.133
<b>Total</b>	<b>£10.223</b>

- 4.4 Appendix 2 provides significantly more detail on each row above as well as setting out some of the assumptions.
- 4.5 Clearly greater confidence can be placed in the actual impacts for April and May 2020 rather than on future impacts. To ensure consistency with the approach being taken for the rest of Suffolk, for the top three rows in the table, the Council assumed within its financial return that the financial impact of the virus would reduce across the course of the rest of the financial year in the following manner:

Quarter 1 – 100% impact  
Quarter 2 – 75% impact  
Quarter 3 – 50% impact  
Quarter 4 – 25% impact



- 4.6 It is almost inevitable that these assumptions will prove to be inaccurate – but it is also vital that the Council makes some assumptions and it seems inevitable that the most significant impact will be over the first three months and that it will taper off during the rest of the financial year. This means that the Council is estimating that 40% of the financial impact of Coronavirus on the Borough Council will have occurred by the end of June.
- 4.7 At the time of writing this report it is too early to say with significant confidence how much additional spending will be needed to support our communities and vulnerable people and how much income will be lost from services (e.g. those, such as car parks, which can be open, and those such as swimming pools, which cannot be opened yet).
- 4.8 Ultimately though it is considered necessary to make in-year adjustments to the Council’s financial plans. To wait much longer wouldn’t provide enough time to react and would endanger the Council’s medium and long-term financial position – probably to the detriment of the Council’s ability to maintain services.
- 4.9 While the Council cannot at this stage begin to estimate the long term and ongoing impact of the pandemic on take up of our income generating services, it is able to predict that council tax income, will be significantly impacted over a number of years. A reduction in the Council Tax base is expected as the number of Council Tax payers qualifying for the Council Tax Reduction Scheme increases and where their liability to pay can be reduced by up to 95%. It is therefore prudent to reflect this reduction within the revised plan along with, to a degree, an impact on collection rates.

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## **5. Proposals to respond to the financial consequences of Coronavirus on the Council’s financial position**

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- 5.1 A 10m+ single year impact to the financial position of the Council is unprecedented – especially when the total budget gap over the 4 years of the current plan reaches nearly £20m (Table 1 above) – i.e. add the two together and the Council needs to save approximately £30m over a 4 year period (i.e. more than double the total annual Council Tax income).
- 5.2 In meeting this challenge it is recommended that the only sensible course of action is to dispense with the Council’s traditional budget targets (set out at paragraph 2.5 above) – this will enable the remaining reserves to be used to support the budget.
- 5.3 It is also recommended that sensible assumptions are made as to the amount of additional funding that should be forthcoming from Government (see Table 9 below).

- 5.4 Whilst it is acknowledged that the Council doesn't need to commit to a 4 year MTFP update (i.e. the law requires this year - and this year alone - to be budgeted for), it is considered that opting for that 'short termist' approach would be very short-sighted and store up huge problems for future years. Therefore, the update set out below does continue with the Council's recent practice of balancing the budget across the 4 years.
- 5.5 The rest of this section is laid out in a step-by-step approach – to achieve that balance - with a simple table followed by some explanatory text.

*Table 4: Estimated additional Financial Gap to the Council's existing MTFP caused by Coronavirus (£m)*

	2020/21	2021/22	2022/23	2023/24	Total £m
Estimated Financial Gap	£10.223	£0.393	£0.295	£0.197	£11.108

- 5.6 Table 4 is an addition of Table 3 and the provision made in years 2021/22 onwards for Council Tax income as explained in paragraph 4.9 above.

*Table 5: Impact of Delay of the Government's Fair Funding Review (£m)*

	2020/21	2021/22	2022/23	2023/24	Total £m
Estimated Financial Gap	£10.223	£0.393	£0.295	£0.197	£11.108
Impact of Fair Funding Delay	0	-£1.000	0	0	-£1.000
New Gap	£10.223	-£0.607	£0.295	£0.197	-£10.108

- 5.7 As a consequence of Coronavirus the Government has delayed the introduction of their Fair Funding Review from 2021/22 to 2022/23. Following external advice (see paragraph 3.20 of February's MTFP report (C/19/19)), the MTFP had assumed this would have resulted in a £1m hit on the Council's position in 2021/22 (and every year thereafter). This hit can now be deferred for a year – resulting in the gap being closed by £1m in 2021/22, though the longer-term impact would remain for the subsequent years of the plan.

*Table 6: Use of remaining useable reserves*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 5)	£10.223	-£0.607	£0.295	£0.197	-£10.108
Use of Remaining Useable Reserves	-£3.126	0	0	0	-£3.126
New Gap	£7.097	-£0.607	£0.295	£0.197	£6.982

5.8 This is probably – for Ipswich Borough Council – the moment of greatest financial challenge since it came into existence in 1974. As a consequence, it would seem implausible to produce a strategy to respond to that challenge that didn't see all the Council's useable reserves being allocated to meet the challenge. Useable reserves is calculated by taking the amount available (£8.765m) and subtracting the minimum reserve (£2m) and the amount already allocated in the current Medium Term Financial Plan (£3.639m). This leaves £3.126 which can be used to reduce the 2020/21 gap as shown in Table 6. This leaves a gap of £7.097m.

5.9 It should be noted that this money can only be used once and that its use now will make future budgets more difficult than was envisaged when the current MTFP was set in February 2020 (C/19/19). This is commented upon further in paragraph 5.25 below.

*Table 7: Use of Coronavirus Grant from Government*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 6)	£7.097	-£0.607	£0.295	£0.197	£6.982
Use of Government Grant	-£1.632	0	0	0	-£1.632
New Gap	£5.465	-£0.607	£0.295	£0.197	£5.350

5.10 The Council has received two grants to support its Coronavirus response – i.e. rather than other funding to pass onto others (e.g. for Discretionary Grants to business or Hardship Funds to households). It has also been notified of a third grant amount. The combined value of the second and third grant is set out in Table 7 above. The first grant was received in 2019/20 and was included within the out-turn report (report reference: E/20/01) and is referred to in paragraph 3.3 above. Furthermore, an allowance of £5,250 has been made by Government (that the Council will draw down) to cover rough sleeping service costs.

*Table 8: Use of Funding from Coronavirus Job Retention Scheme*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 7)	£5.465	-£0.607	£0.295	£0.197	£5.350
Use of Furloughing Funding	-£0.250	0	0	0	-£0.250
New Gap	£5.215	-£0.607	£0.295	£0.197	£5.100

5.11 On 6<sup>th</sup> May 2020, the Chief Executive, following consultation with senior councillors, used his delegations to authorise the Council to take part in the Coronavirus Job Retention Scheme. In total 86 full time equivalent employees have been 'furloughed' – on full pay - and (as at 17<sup>th</sup> July 2020) approximately 81 still are. The national scheme will wind up in the coming months and is already becoming less financially advantageous for employers. The £0.250m is a cautious estimate of the benefit – financially – of the scheme to the Borough Council.

*Table 9: Assumed Additional Government Financial Support*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 8)	£5.215	-£0.607	£0.295	£0.197	£5.100
Assumed Additional Government Grant	-£2.148	0	0	0	-£2.148
New Gap	£3.067	-£0.607	£0.295	£0.197	£2.952

5.12 The Leader of the Council and the Chief Executive have both taken part in many national calls over the last few months and local government finance is a regular topic within them. On a number of occasions Ministers have verbally indicated that local government can expect to be fully reimbursed for expenditure (rather than lost income).

5.13 The letter of 2<sup>nd</sup> July 2020 (Appendix 6) introduced the concept of ‘co-payment’ for lost income. Further details are still awaited on this scheme. The figure in the Table 9 above (£2.148m) is considered to be a prudent assessment of the anticipated value of further Government support. It is still hoped that it will be clearer prior to the Council meeting – this is commented upon further within the conclusions (section 14).

*Table 10: Changes to the Capital Programme (and knock on implications for predicted borrowing levels)*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 9)	£3.067	-£0.607	£0.295	£0.197	£2.952
Reduced Borrowing Costs (Capital Programme)	0	-£0.262	-£0.254	-£0.241	-£0.757
New Gap	£3.067	-£0.869	£0.041	-£0.044	£2.195

5.14 The General Fund part of the Capital Programme has been reviewed and significant changes are proposed. The new version of the Capital Programme is set out in Appendix 3. In total this reduces the programme – across the 4 years of the MTFP – by over £10m. The programme is radically lower this year (by over £16m) and increases thereafter from the previously agreed programme to get to the net position over the 4 years of the MTFP of the £10m+reduction. The borrowing cost reductions set out as savings in Table 10 above are the revenue impacts of these reductions.

5.15 The reduction is made up of a number of changes (some cuts and others moving schemes that it would be difficult to deliver in the short term back in time). Key changes include:

- (i) Reducing the Opportunity Purchases budget by over £3.6m across the 4 years of the MTFP;
- (ii) Spreading anticipated Disabled Facilities Grant spend more evenly over the 4 years;
- (iii) Reassessing the Walnut Tree Farm overage provision timings and thereby saving over £4m in this MTFP – although it should be noted that that money should still be required in Years 5 or 6;
- (iv) Expecting 50% of the public realm improvement budget (over £1.6m) to come from external sources (e.g. the Town Deal);

5.16 The only two projects where it is proposed to increase the budget are: (a) the addition of nearly £30,000 to the car park machine budget so that all our machines can be upgraded to 'contactless' payment capability; and (b) the addition of nearly £19,000 to the Variable Message Signage project to ensure that the Council can provide a comprehensive and high quality scheme. These two investments will help one of the Council's main income streams – car park fees – and the latter one will be positive from an Air Quality perspective in terms of guiding users to car parks with free spaces rather than queues.

5.17 In addition to the additional government funding referenced in 5.12 above, the Government has also allocated £1m of Towns Fund monies for Ipswich. This £1m may be used for schemes which will be completed during the 2020/21 financial year and relate to Ipswich's emerging Towns Fund Proposal. Government has also provided a multi-million pound (£30m+) package to the New Anglia Local Enterprise Partnership (NALEP) for capital projects that can be fully delivered by March 2022. It is thought likely that at least one such scheme will be in Ipswich and led by the Borough Council.

5.18 These two developments are welcome but are challenging in terms of delivery. One way to reduce project delivery times would be to waive contract standing orders for schemes which are going to be funded either directly by government or via NALEP. This will provide for a more flexible but still regulation compliant procurement process. Executive agreed at its meeting on 14<sup>th</sup> July 2020 to waive Contract Standing Orders and delegate to the Chief Executive the decision to utilise such grants in consultation with the Leader of the Council, the Section 151 Officer and the Monitoring Officer where there is a risk of otherwise not being able to deliver the scheme, and thereby resulting in a loss of funding.

*Table 11: In Year Reduction in Operational Area Budgets*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 10)	£3.067	-£0.869	£0.041	-£0.044	£2.195
In Year Reductions in Budgets	-£0.600	0	0	0	-£0.600
New Gap	£2.467	-£0.869	£0.041	-£0.044	£1.595

5.19 The Corporate Management Team has led a review of all Operational Area budgets (as well as the budgets controlled by the Chief Executive and the Chief Operating Officer). This review sought any reduction of expenditure that could realistically be delivered during 2020/21 from that approved in February 2020/21 having regard to the impact of Coronavirus on services and having regard to the significant financial challenges that the Council faces. £600k has been identified (and included in Table 11 above). These savings do not result in service reductions and therefore do not require individual Executive approval (unlike those associated with Table 16 below). Appendix 4 sets out where these savings have been found.

*Table 12: Big Ticket Target Review (Changes)*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 11)	£2.467	-£0.869	£0.041	-£0.044	£1.595
Big Ticket Review (Changes): Voluntary Severance / Redundancy	0	-£0.050	-£0.100	-£0.150	-£0.300
Big Ticket Review (Changes): Investment Management	0	£0.300	£0.400	£0.467	£1.167
Big Ticket Review (Changes): Total	0	£0.250	£0.300	£0.317	£0.867
New Gap	£2.467	-£0.619	£0.341	£0.273	£2.462

*Table 13: New Big Ticket Target*

	2020/21	2021/22	2022/23	2023/24	Total £m
Return from Arms Length Companies	0.650	0.950	1.250	1.500	4.350
Voluntary Severance / Redundancy	0.100	0.150	0.200	0.250	0.700
Customer Access & Agile Working	0.200	0.250	0.300	0.300	1.050
Investment Management	0.250	0.150	0.200	0.233	0.833
Service Efficiencies and Income	1.300	1.900	2.150	2.400	7.750
<i>Sub-total</i>	<i>2.500</i>	<i>3.400</i>	<i>4.100</i>	<i>4.683</i>	<i>14.683</i>

5.20 There are changes proposed to two of the Big-Ticket Targets, as shown in Table 12. Firstly, the target for 'Voluntary Severance / Redundancy' has been increased from £100,000 per annum. This is because a recent application 'window' that was opened for staff to apply for has seen savings accrued in the second year of £150,000. A further 'window' being opened in 2022 should result in the new higher target being hit. However, the Investment Management Target for years 2 to 4 has been reduced to a third of its previous level. This is due to the greater / quicker predicted use of the Council's reserves, the very low level of interest (connected to base rate cuts) being received on investments and the reduced opportunities to achieve greater efficiency gains via property deals. The expected recession is likely to be broad and will also play a part within the local economy in the form of lower yields for the Council e.g. via the Councils enterprise zones – which is another area the Council has budgeted to make additional income from in its February 2020 MTFP (report reference C/19/19). These factors add up to the 'changes' total shown in Table 12.

5.21 This year's Big Ticket Targets have not been reduced. However it is anticipated that some of them won't be hit as a consequence of Coronavirus and the £1.11m provision for 'lost savings' set out in Table 3 is an estimate of the loss associated with a combination of Big Ticket Savings and the separate £780,000 per annum transitional vacancy target contained within Appendix 1. It is considered that fewer people are likely to voluntarily leave the Council for a new job at the moment than would normally be the case – due to the wider state of the economy – and this will provide fewer opportunities to contribute towards this target than would normally be the case.

*Table 14: New Savings Ideas*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 12)	£2.467	-£0.619	£0.341	£0.273	£2.462
New Savings Ideas	-£0.200	-£0.340	-£0.340	-£0.340	-£1.220
New Gap	£2.267	-£0.959	£0.001	-£0.067	£1.242

5.22 In planning to re-open closed services following the Coronavirus restrictions, officers have considered whether any cost reductions can be achieved. This is an ongoing piece of work, but the first stage has identified two sets of decisions. The first – set out in table 15 below – are decisions which senior officers are able to make and are listed in this report as background to the savings being included in this updated MTFP (Table 14). The second – set out in table 16 below – are Executive decisions and were considered by Executive on 14<sup>th</sup> July 2020.

5.23 In both cases, some decisions require consultation with affected employees as they may result in redundancies (though every effort will be made to avoid it through our normal processes). Where this is the case, employee consultation began before the Executive report was published and will be due to complete by the end of July – Executive decisions (delegated to the Chief Operating Officer) will not be implemented until employee consultation is completed and until after Council has discussed this report. Where affected employees are able to identify viable alternative actions that would save the same amount of money, the alternative actions will be delivered instead and reported to Executive in a budget monitoring report.

*Table 15: Savings being made via officer delegated decisions*

<b>Saving</b>	<b>Detail</b>	<b>£</b>
Introduce virtual reception at Grafton House	Switchboard function will be moved to Customer Services and a virtual reception system will be acquired and introduced. Savings will be achieved through vacancy management	30,000
Extending Civil Enforcement hours in parking services to 7 days a week	Changing rotas will enable 7-day operation therefore providing a better service throughout the week. It will also lead to increased income.	35,000
Cancellation of many 2020 events	Cancelled events include: <ul style="list-style-type: none"> <li>▪ Holi Festival</li> <li>▪ Various Family Fun Days</li> <li>▪ Various Cornhill Events</li> <li>▪ Open Air Cinema</li> <li>▪ Global Rhythm</li> <li>▪ Music Day</li> <li>▪ Indian Summer Mela</li> <li>▪ Crafted Classique Sportive</li> <li>▪ Maritime Festival</li> <li>▪ Multicultural Day</li> </ul>	55,000



Table 16: Savings requiring Executive decisions

Saving	Detail	£
Reducing Reception times at Holywells Park	<p>The reception has historically been open 10am to 4pm, 7 days a week. This will be reduced to 7 days a week between noon and 4pm during school holidays only</p> <p>Savings will be achieved through restructure leading to headcount reduction</p>	25,000
Closure of Waterfront Gym	<p>In the ongoing Sports Review, this site has been identified as not being cost effective and there is little that can be done to change this. A closure will save £47,000 per year but requires agreement from the University of Suffolk.</p> <p>Savings will be achieved through vacancy management across the Sport and Leisure service</p>	£47,000
Closure of Tourist Information Centre	<p>Closure of the Tourist Information Centre and provision of online and telephone service, with merchandise being available for sale both at the Town Hall and online and key leaflets etc at other venues across the town including the Museum and Mansion</p> <p>The saving would be delivered through headcount reduction</p>	£160,000
Reduction in opening hours at Crown Car Park	<p>After reviewing usage patterns in 2019 and having regard to impacts of Coronavirus - change to 08:00 to 18:30 Mon to Thu; 08:00 to 23:30 on Fri &amp; Sat; and 8:30 to 18:00 Sun.</p> <p>The nearby William Street Car Park is available 24/7 and the new Upper Orwell Street (North) Car Park will bolster provision around the Regent Theatre.</p> <p>The saving would be delivered through vacancy management</p>	£13,000
Reducing Customer Service Centre Hours and moving Parking Services back office into Customer Service provision	<p>Reduction of Customer Service hours by 12.5 hours per week.</p> <p>Transfer of parking back office processes into customer services Savings will be achieved through business process reengineering and vacancy management</p>	30,000

5.24 The savings in the Tables 15 and 16 will deliver £200,000 savings in 2020/21 and £340,000 each year thereafter as shown in Table 14.

*Table 17: Unidentified Savings*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 14)	£2.267	-£0.959	£0.001	-£0.067	£1.242
Unidentified Savings (In-Year)	-£0.800	0	0	0	-£0.800
Unidentified Savings (Long-term)	0	0	-£0.150	-£0.300	-£0.450
New Gap	£1.467	-£0.959	-£0.149	-£0.367	-£0.008

5.25 Table 14 above sets out the remaining gap after the savings detailed in Tables 15 and 16 are accounted for. This £1.242m gap will be bridged in part through a mix of £800,000 worth of savings that the Corporate Management Team is developing (but are not yet confirmed) in 2020/21 (which will be able to be done within officer delegations). These will be one-offs (i.e. only saving money in 2020/21 and will be unlikely to affect public service levels). Some smaller 'Unidentified Savings' are attributed in subsequent years as shown in Table 17. These will be identified through future MTFPs. The later year 'Unidentified Savings' approach has been used before within the Council's MTFP (the last time being in February 2018 for the 2018/19 budget).

*Table 18: Reprofiling Use of Reserves*

	2020/21	2021/22	2022/23	2023/24	Total £m
End Gap (Table 18)	£1.467	-£0.959	-£0.149	-£0.367	-£0.008
Original Use of Reserves Proposal (Table 1)	£0.395	£0.885	£1.202	£1.157	£3.639
Use of Remaining Reserves (Table 6)	£3.126	0	0	0	£3.126
Update MTFP Use of Reserves (Proposed)	£4.988	£0.426	£0.653	£0.689	£6.756
Year End Useable Reserves	£1.777	£1.851	£0.798	£0.008	

5.26 Table 19 then takes the end position after the whole gap (Table 4) has been covered (Tables 5 to 12 and Tables 14 and 17) and sets out a re-profiled use of reserves to cover the whole period (penultimate row in Table 18). The end position is that the Council predicts it would have £8k (Table 18) remaining in useable reserves after the 4-year period is completed in March 2024 (plus the £2m minimum reserves position).

5.27 £8k is clearly far less than the £2.986m position that was envisaged when the existing MTFP was agreed in February 2020 (report reference C/19/19).

5.28 Back in February, that £2.986m was projected to easily cover the base gap of £1.157m (Table 1). Conversely, the £8k goes nowhere near the base gap now left after the 4<sup>th</sup> year (2023/24) of £0.790m (£1.157 (Table 1) - £0.367 (Table 18)).

5.29 So, even assuming all the new proposals are successfully delivered – there will be many more difficult financial decisions (and probably service cuts) in the future than had previously been envisaged – unless the Government’s next financial settlement (referred to in paragraph 1.6) is far better than assumed within this report.

5.30 An updated version of the General Fund Forecast is set out in Appendix 5.

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## **6. Options Considered**

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6.1 There were four main sets of options considered:

- (i) Whether or not to produce an update to the MTFP at this time: It was concluded, due to the scale of the financial impact, that it was the right thing to do;
- (ii) What allowance / assumptions to make about the possibility of future Government support: The thinking on this is set out at paragraphs 5.12 and 5.13 above;
- (iii) What assumptions to make about the full year financial effect of Coronavirus: These are explained within section 4 above – and are consistent with assumptions made by the other councils in Suffolk; and
- (iv) How to address the significant financial gap: Various options were considered in preparing Tables 6 to 17 in terms of the balance of targets between tables and – in particular, Tables 11, 15 and 16.

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## **7. Chief Finance Officers Statement**

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7.1 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.

7.2 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. Effectively this report fulfils that obligation.

7.3 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.

- 7.4 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 4 above.
- 7.5 Assessments of financial risks associated with the 2020/21 to 2023/24 budgets are shown below – in an updated version of the risk table from the February report (report reference C/19/19). These risks are taken account of in proposals around the use of reserves.

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## **8. Consultations**

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- 8.1 The 2020/21 Medium Term Financial Plan was developed through internal consultation including with staff and Unions (via the Council's Joint Consultative Group) and involvement of both officers and Councillors. Comments on the Executive decision components of this report have been received from Unison.
- 8.2 There has been less opportunity to undertake consultation on this updated version but – as stated at paragraph 1.7 – consultation will take place prior to the report being considered at Council in July and any comments received will be reported to Council. The Executive decisions will also be subject to consultation with affected employees prior to decisions being implemented.
- 8.3 The update to the MTFP was also be the subject of a briefing at the Strategic Overview and Scrutiny Committee that took place on 9<sup>th</sup> July 2020. No proposals were put forward at Overview and Scrutiny Committee for an alternative strategy or any alternative savings (etc) ideas.
- 8.4 This report has been shared with Suffolk County Council, the Police and Crime Commissioner, both Ipswich MPs, Ipswich Central, the Ipswich DMO, New Anglia Local Enterprise Partnership and Suffolk Chamber of Commerce. At the time of writing (INSERT) the only comments received are from the Chair of Visit Ipswich (the town's Destination Marketing Organisation). His comments were:

*“..... Thank you for the opportunity to comment on the proposed budget reductions.*

*In my role as Chair of the DMO (All About Ipswich) going forward we will look to work with IBC in developing high quality on-line information to continue to promote Ipswich as a Visitor Attraction. I am quietly confident we can put together some interesting packages and both create and respond to demand .....*”

- 8.5 Council will be informed of any further comments received from the partners listed in paragraph 8.4 above.

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## **9. Risk Management**

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- 9.1 Paragraphs 2.21, 3.80, 3.81 (and related tables) of the Finance Strategy that formed part of the MTFP in February 2020 (report reference: C/19/19) remain relevant.
- 9.2 The Options section (section 6) of this report – and the choices made in response to each of the four options set out have been guided by the risk assessment of taking or not taking certain routes.
- 9.3 The three greatest risks for the Council were considered to be:
- (a) Not responding in a timely manner to the financial consequences of Coronavirus – this report mitigates that risk;
  - (b) Being over reliant on an assumption that the Government would step in and fund ‘everything’ – this report endeavours to take a realistic assumption on future Government funding; and
  - (c) The challenges of predicting the longer-term financial impact of Coronavirus and in this regard the Council has kept to the same assumptions as other Suffolk councils.
- 9.4 All these risks will be mitigated further by regular monitoring and reporting of the financial position. The report also flags the possibility of another update being required in the autumn.

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## **10. Environmental Impact Assessment**

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- 10.1 The EU Directive on Environmental Impact Assessment (EIA), as amended, requires that a formal assessment – including public consultation – is undertaken for specified types of projects before they can go ahead. Direct and indirect environmental impacts should be identified and quantified. Where these are negative, actions to mitigate these impacts should be identified.
- 10.2 The Medium Term Financial Plan has no direct environmental impacts. Actions arising from the implementation of the plan will be the subject of future committee reports and any potential environmental impacts will be considered within them.
- 10.3 The reductions in the capital programme and the savings within the general fund are likely to result in a reduction in emissions / use of carbon. The carbon management and climate change budgets have not been reduced within this MTFP Update.

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## **11. Equalities and Diversity Implications**

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- 11.1 The provisions of the Equalities Act 2010 requires that local authorities have 'due regard' to the need to eliminate discrimination and promote equality with regard to race, disability and gender and other protected characteristics as well as promote good relations, in particular tackle prejudice and promote understanding.
- 11.2 The law does not prevent Councillors from making difficult decisions or from setting a balanced budget having regard to available resources. The legal requirements themselves do not prevent Councillors from making decisions that may affect one group more than another, but councils must ensure that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community, and where appropriate, that there is objective justification for those actions. Where decisions are found to have a disproportionate impact on a particular group, authorities must consider what actions can be taken to avoid or mitigate the unfair impact.
- 11.3 To assist with the financial decision making process, the Equality and Human Rights commission has issued guidance for public sector decision makers: <https://www.equalityhumanrights.com/en/advice-and-guidance/making-fair-financial-decisions>.
- 11.4 In practice, it means that local authority decision makers must assess decisions which result from a desire to make savings. This means that whilst the figures allocated in the financial plan are indicative of the amount of available finance for specific services and projects, further decisions may be necessary in order to deliver aspects of the plan, and those decisions will need to be screened for impact on groups with protected characteristics. If a potential impact is identified, those further decisions will require proportionate analysis, consultation with those likely to be affected and careful consideration of the impact and any appropriate mitigation measures before those decisions can be taken. As a consequence, the figures in the financial plan may need to be varied during the forthcoming year, if as a result of those individual assessments; further or different measures are needed to ensure compliance with the legal requirements applicable to those decisions.

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## **12. Legal Considerations**

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- 12.1 The main legal considerations are set out in section 7 of this report, which details the responsibilities of the Chief Finance Officer.

12.2 The issues associated with this report are different to those for the annual budget - primarily as this report does not involve any element of Council Tax setting or the Housing Revenue Account. Consequently the provision in Section 106 of the Local Government Finance Act 1992 in relation to barring councillors from taking part in voting where council tax has become payable by the councillor and remains unpaid for at least two months does not apply in relation to this report because it does not involve or affect the level of Council Tax or the arrangements for administering or enforcing the said tax.

12.3 The Constitution establishes the procedure for the annual Budget but is silent on the procedure relating to any "in year" revision of the MTFP. However, the advice of the Monitoring Officer is that the procedure adopted at the Council meeting should follow the same procedure for budget setting including that any amendments to the proposed MTFP should be submitted in advance of Council meeting and there will be a recorded vote.

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### **13. Performance Monitoring**

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13.1 Progress on the updated MTFP will be reported to future meetings of the Executive via the quarterly budget monitoring report.

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### **14. Conclusions**

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14.1 This is a challenging time for local government as a whole and Ipswich Borough Council is no different. Both Government and communities have relied on the resilience and agility of councils to respond to the pandemic. It has been and remains, the biggest peacetime challenge that Ipswich has faced. The financial challenges caused by the pandemic are considerable; the time and opportunity to address them is small. Generally, national evidence suggests that 'shire districts' such as Ipswich Borough have been hit far harder than 'shire counties' in terms of reductions in income as a result of the pandemic.

14.2 The Medium Term Financial Plan adopted by Council in February 2020 included around £20m of savings to be delivered over the period of the four year plan. Coronavirus has added an additional £10m to the first year alone.

14.3 Ipswich Borough Council has a proud history of managing its savings programmes without swathes of service reductions or closures. However, the proposals referred to in this report include, from necessity a range of service reductions and closures such as the proposal to close the Tourist Information Centre.

- 14.4 The MTFP also uses the vast majority of our reserves – leaving just our minimum reserve balance of £2m. This will make future MTFPs more difficult to develop and deliver as reserves will not be available to bridge gaps until ongoing savings can be found. After several years of being self-sufficient this MTFP also includes a reliance on additional coronavirus grants from government. Grants to date and those assumed in this MTFP account for around 35% of the expected financial impact of coronavirus in 2020/21.
- 14.5 If future Government grant assumptions and income generation assumptions included in this MTFP do not come to fruition then it is likely that the Council will need to further revise the MTFP in autumn 2020. This and the new four-year MTFP covering 2021/22 – 2024/25 (to be considered at Council in February 2021) are likely to include further decisions around service reductions and closures.
- 14.6 If, however, future Government grants exceed the expectations set out within Table 9 then the intention would be to allocate any additional funding to reserves to first ensure that the gap at the end of the MTFP (i.e. 'year 5') can be covered (the £0.790m set out in paragraph 5.28) and that any additional money beyond that would be used within the 2021/2022 MTFP (scheduled for Council in February 2021) e.g. to cover in whole or in part the 'unidentified savings' for 2022/23 and 2023/24 set out in Table 17 above.
- 14.7 The Government announcement on 2<sup>nd</sup> July 2020 (Appendix 6) appears good news at headline level in that it appears possible that the Council may be in the territory of paragraph 14.6 rather than 14.5. However, despite the allocation announcement of 16<sup>th</sup> July 2020, the 2<sup>nd</sup> July statement is still open to quite a bit of interpretation and it is still too early to say (as at 17<sup>th</sup> July 2020) what the actual impact for Ipswich Borough Council will be. If there is any further news on the implications of the 2<sup>nd</sup> July 2020 letter then an update on the position will be provided to Council on the 29<sup>th</sup>.



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## **15. Recommendations**

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### **15.1 That Council:**

- i) Notes the financial impact of Coronavirus on the “Council’s Medium Tern Financial Plan 2020/21 to 2023/24”;**
- ii) Approves the MTFP Update and specifically:**
  - (a) approves the revised Capital Programme for 2020/21 and future years (as set out in Appendix 3);**
  - (b) approves the changes to Operations Area budgets for 2020/21 (as set out in Appendix 4);**
  - (c) approves the changes to the Big Ticket targets (as set out in Tables 12 and 13); and**
  - (d) approves the changes to the Council’s plan to use its reserves (as set out within Table 18 and Appendix 5).**