Capital Programme 2019-2022

This appendix includes the Capital Strategy which sets the context for how the Capital Programme for 2019-22 has been developed. There is a programme for each directorate and information on the schemes included in this programme. The Minimum Revenue provision policy explains how the Council will repay the debt it incurs to fund the capital programme. The Treasury Management Strategy outlines how the Treasury management function will operate for the coming financial year. The Investment Strategy is a new requirement for this year and looks at the Council's non-treasury investment explaining the purpose of these and governance around these investments.

The capital strategy, Treasury Management Strategy and the Investment Strategy are all compiled in line with the requirements of the 2017 CIPFA Prudential code and 2017 Treasury Management Code.

Contents

1. Capital Strategy

Introduction

1.1 The strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of Council services and sets out how the associated risk is managed and the implications for future financial sustainability. It looks at short, medium and long-term objectives and sets the governance framework to ensure the capital programme provides best value for the residents of Suffolk.

Corporate Objectives for Capital and the Development of the Capital Programme

1.2 All capital expenditure will be assessed against the following criteria to ensure that the Council has utilised its limited resources for maximum affect.

- Operational and statutory need – Does the spend ensure that equipment and buildings remain operational? Is it a legal requirement, for example infrastructure such as roads and bridges?

- Improved service delivery – Does it improve existing service delivery?

- Corporate objectives and transformation - Is it in line with corporate objectives and transformation outcomes? Does it drive a change in service delivery?

- Politics - Does it support a political priority?

- Financial - Does it deliver a saving? Does it prevent future revenue costs?

1.3 The Corporate Priorities provide a strategic foundation for the capital strategy and capital programme. The Council is ultimately responsible for approving the Capital Strategy, Treasury Management Strategy and capital programme.

1.4 The Capital Strategy Group (CSG) was established in July 2018. It is chaired by the Deputy Chief Executive, and attendees include the Head of Finance and officers involved in capital from all directorates. The initial role of the Capital Strategy Group was to review the current capital programme to ensure it is aligned to the Council’s priorities. The role of the group on an ongoing basis is to assess new capital bids to develop a proposed capital programme for the next three years.

1.5 The assessment of new capital bids involves two stages to ensure that a thorough evaluation is completed. The first stage involves assessing a one-page summary of the capital scheme against the agreed criteria set out above. If the group decide it meets these, is a priority and it is feasible then the service is required to produce a detailed business case and financial assessment. The financial assessment includes looking at the implications of the cost of the project increasing and funding not being received. If the Capital Strategy group believes the second stage finance case is financially viable it is put forward for inclusion in the capital programme.

1.6 The capital financing strategy will continue to limit new borrowing only to those schemes which are either invest-to-save schemes or where it is essential to the delivery of the Administration's key priorities.

Process for Managing the Capital Programme

1.7 Throughout the year the Cabinet receives quarterly monitoring reports which include variations to the programme for approval. Senior officer teams exist within directorates to monitor the delivery of the directorate capital programme. Directorate management teams must consider and recommend all additions and variations to their directorate capital programme before being agreed by the Capital Strategy Group and then by Cabinet via the quarterly finance report.

1.8 Commissioning and procuring for capital schemes will comply with the requirements set out in the Council's constitution, financial regulations and contracts standing orders. The capital programme is subject to internal and external audit.

Definition of Capital expenditure

1.9 Capital expenditure is defined as expenditure on non-current assets, such as property and vehicles, or the enhancement of existing assets that will be operational for more than one year. In Local Government this includes expenditure on assets owned by other bodies, and loans and grants to other bodies enabling them to buy assets. The Council charges everything that meets the capital definition to capital expenditure in-year, however only assets that exceed de-minimus levels are then recognised as new assets on the asset register. The Council also uses average asset lives for certain asset classes to calculate items such as Minimum Revenue Provision (MRP), which is the method used to repay the principal element of borrowing. These can be seen in Table 1 below:

Table 1: Average asset lives

Capital Asset type	Minimum level for new asset recognition	Average Asset Life (Years)
Land and Buildings	£20,000	32yrs Buildings (50yrs Land)
Vehicles, Plant and Equipment	£6,000	5yrs (Vehicles 7yrs)
IT Assets	No minimum	3yrs (software 5yrs)
Highways Infrastructure	No minimum	40yrs
Enhancements to existing assets	No minimum	Dependant on asset type

Link to Asset Planning

1.10 Capital investment decisions reflect the Council Strategic Priorities. Schemes to be added to the capital programme will be subject to a gateway process run by the Capital Strategy Group, prioritised according to availability of resources, scheme specific funding and factors such as legal obligations, health and safety considerations and the longer-term impact on the Council's financial position.

1.11 The corporate property remit includes achieving the full potential for the Council's land and property portfolio through pro-active estate management and effective planning in terms of acquisitions and property/land disposals. A full appraisal is conducted of any surplus assets as to its future need and use, and ensuring any future benefits are maximised.

1.12 The Council currently has the following assets recognised on its asset register. This does not include any assets fully depreciated: see table 2 below.

1.13 Non-operational assets include former school sites and development land that are not used by the Council as part of operations and are not due to be sold in the next year.

Table 2: Assets held as at 31/3/2018

Asset Type	Net Book Value (£m)
Asset Under Construction	7.533
Car park	2.298
Children's Centre	22.370
Children's Home	4.334
Clinic	2.777
Community Asset	0.420
Community Centre	26.915
County Farm Estates	46.184
Depot	3.749
Equipment	21.881
Fire Station	38.235
Group Home	0.532
Infrastructure	578.289
Land	1.905
Library	20.787
Non Operational	43.067
Office	48.806
Other	4.711
Park and Ride	5.462
Pre-school	9.494
Records Office	4.317
Residential Centre	1.807
Respite	1.668
School	407.832
Sports Centre	3.100
Vehicle	4.504
Waste Facility	161.662
Total	**1,474.637**

Heritage Assets

Asset Type	Net Book Value (£m)
Statue	0.800
Mill	0.039
Total	**0.839**

Intangible Assets

Asset Type	Net Book Value (£m)
Software	2.361
Total	**2.361**

Assets Held for Sale

Asset Type	Net Book Value (£m)
County Farm Asset	2.138
Former School Asset	1.551
Land	0.388
Office	0.475
Total	**4.552**

1.14 Assets held by the Council are revalued regularly to ensure that their carrying amount is not materially different from their current value, and as a minimum are revalued every five years. Currently all valuations are conducted by Concertus except where specialist valuations of assets are required such as County Farms or the Energy from Waste Facility. In these circumstances a procurement exercise is conducted to find a valuer with sufficient specialist knowledge each time a valuation is required.

Asset Disposals

1.15 When a capital asset is no longer needed, it may be sold so that the proceeds, known as capital receipts, can be spent on new assets or to repay debt. The Council is currently permitted to spend capital receipts on service transformation projects until 2021-22, although the Council has not made use of this flexibility to date and has no plans to do so in 2019-20.

1.16 All capital receipts are held centrally to finance capital expenditure. Table 3 shows the targeted level of capital receipts for the next three years. The Capital Strategy Group take account of this forecast when developing the capital programme as it impacts on how much the Council needs to borrow to finance capital spend.

Table 3: Capital receipts generated

	2017/18 actual £m	2018/19 target £m	2019/20 target £m	2020/21 target £m	2021/22 target £m
Capital receipts	10.5	7.0	7.0	5.0	5.0

Risk Appetite

1.17 This section considers the Council's risk appetite with regard to its capital investments and commercial activities, i.e. the amount of risk that the Council is prepared to accept, tolerate, or be exposed to at any point in time. It is important to note that risk will always exist in some measure and cannot be removed in its entirety.

1.18 A risk review is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the risk management strategies that the Council has in place.

1.19 Subject to careful due diligence, the Council may consider a moderately higher level of risk for strategic initiatives, where there is a direct gain to the Council's revenues or the ability to deliver its statutory duties more effectively and efficiently.

1.20 Table 4 details some risks inherent with capital projects and associated financing:

Table 4: Risks

Risk	Detail	Risk appetite of Council
Treasury Management	Security and Liquidity of investments must take precedence over the rate of return. The Council ensures there are sufficient balances available in its bank account or overnight Money Market funds to finance capital expenditure invoices as necessary.	Low
Project risk	There is a risk that projects will not be completed on time, within budget or to the appropriate standard.	Medium
Valuation Risk	A fall in asset value due to unforeseen market conditions could have an inverse effect on the Council's accounts	Medium
Reputational Risk	Projects undertaken by the Council are subject to public and member scrutiny due to the use of tax payer's money and public interest.	Low

Revenue Budget implications from Capital Investments

1.21 Capital expenditure for the Council is financed through a variety of sources, typically:

- Receipts from the sale of capital assets
- Capital grants
- External contributions such as S106 or Community Infrastructure Levy
- The use of reserves or from revenue budget contributions

1.22 Any capital expenditure not financed by the above will need to be funded by borrowing. Existing Council debt is therefore the consequence of historical capital expenditure. The Council can temporarily utilise other resources in lieu of external borrowing to fund capital expenditure. This is referred to as internal borrowing.

1.23 In approving the inclusion of schemes and projects within the capital programme, the Council ensures all of the capital and investment plans are affordable, prudent and sustainable. In doing so the Council will take into account the arrangements for the repayment of debt, through a prudent MRP policy in line with MRP guidance produced by the Ministry of Housing, Communities and Local Government.

1.24 The capital financing charges and any additional running costs arising from capital investment decisions are incorporated within the annual budget and medium-term financial strategy. This enables members to consider the consequences of capital investment alongside other competing priorities for revenue funding.

1.25 As part of the appraisal process, and at the discretion of the Head of Finance (S151 Officer), the financing costs of borrowing may be charged to directorate budgets. Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years could extend for up to 50 years into the future. This is because the cost of financing the debt to fund the capital scheme is profiled over the lifetime of the asset.

Knowledge and Skills for Assessing and Managing Projects

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

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

1.28 Internal and external training is offered to members to ensure they have up to date knowledge and expertise to understand and challenge capital and treasury decisions taken by the Head of Finance (S151 Officer).

2. Capital Programme 2019-22

2.1 The following section contains details of the Capital programme by directorate with a brief explanation of each scheme. Where possible full project costs are included within the programme to show the full financial implications of the scheme. The Council is being asked to approve the budget for all schemes starting in 2019-20.

2.2 Certain schemes are included on a rolling basis and link into longer-term service or asset plans. For these schemes a value will not show in the approvals up to 2018-19 column.

2.3 It is planned that a longer-term capital budget (up to 10 years) will be developed in the future to allow for better financial planning and for Treasury management purposes.

2.4 **Table 1** shows the capital grant settlements for 2019-22. The table only shows the grants received in year, so will not reconcile back to the summary programme which includes grants carried forward from previous years to be used in 2019-20.

2.5 **Table 2** shows a summary of the capital programme and **Table 3** shows how it is financed. This is also shown in **Chart 1**. **Tables 4-13** show the capital projects by directorate and for which projects the Council will borrow. The tables include both previously approved and new schemes. The previously approved schemes include re-profiled budgets, where budgets are expected to be carried forward from 2018-19 and any additional funding required in subsequent years to complete.

Table 1: Capital Settlement 2019-22 (Grants)

	Grant Approvals 2019-20 £m	Grant Approvals 2020-21 £m	Grant Approvals 2021-22 £m
Grants:			
Department for Culture, Media & Sport	6.3	2.5	
Schools Devolved Formula Grant	1.0	1.0	0.8
Disabilities Facilities Grant	5.7	TBC	TBC
Dept for Transport	15.3	38.4	13.0
Heritage Lottery Funding	6.6		
Schools Maintenance	6.8	6.2	5.3
Schools Basic Need	3.7	5.0	4.5
Integrated Transport	3.2	3.2	3.2
Highways Capital Maintenance	21.2	21.2	21.2
National Productivity Fund	2.6		
Housing Infrastructure fund	6.8	6.8	6.8
Total Government Support	**79.3**	**81.7**	**54.9**

Table 2 Summary of the Capital Programme 2019-2022

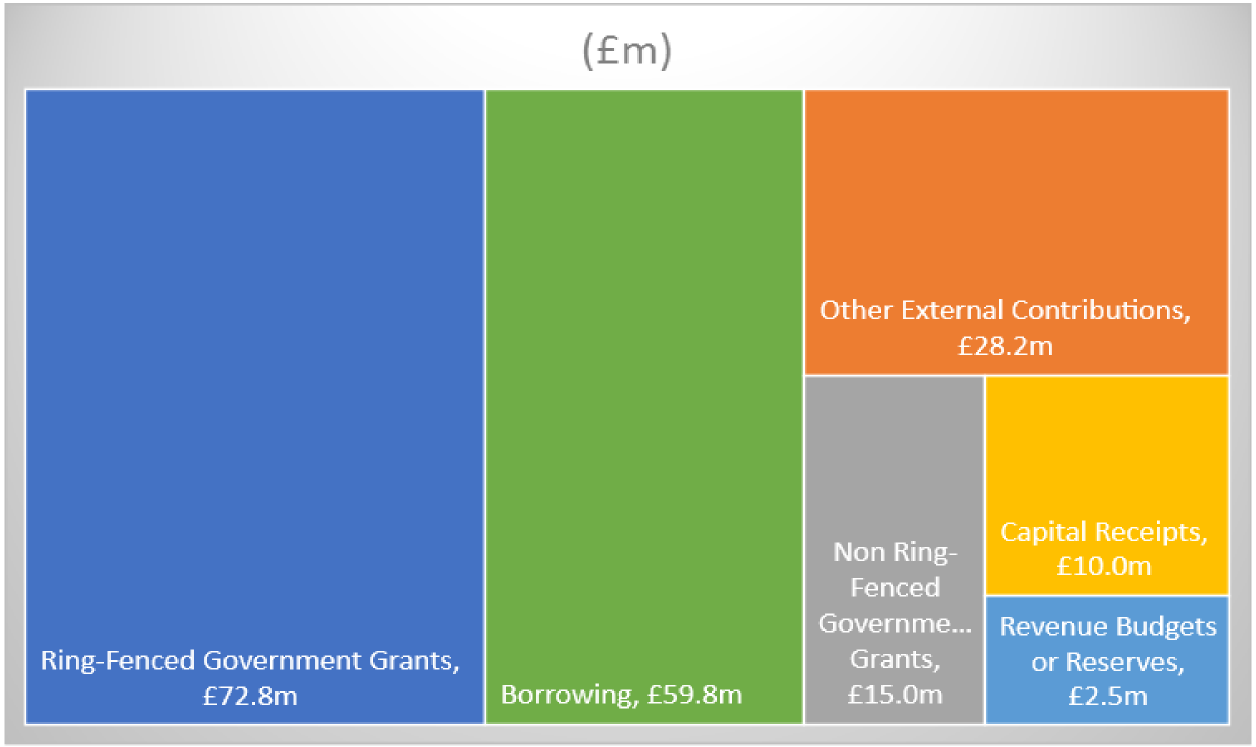
	Approvals up to 2018-19	2019-20	2020-21	2021-22	2022-23 Onwards	**Total scheme costs**
	£'000	£'000	£'000	£'000		**£'000**
Programme by service:						
Adult & Community Services	14,980	7,099	-	-	-	**22,079**
Health, Wellbeing and Children's Services	5,595	48,866	36,044	49,029	13,145	**152,679**
Fire, Rescue and Public Safety	3,830	9,926	672	1,025	-	**15,453**
Growth, Highways & Infrastructure	37,206	88,834	84,037	44,266	22,660	**277,003**
Corporate Services	34,627	33,529	22,918	6,870	-	**97,944**
	96,238	**188,254**	**143,671**	**101,190**	**35,805**	**565,158**
Consisting of:						
Schemes in progress	84,649	92,731	62,592	14,940	15,878	**270,790**
New schemes for approval	11,589	95,523	81,079	86,250	19,927	**294,368**
	96,238	**188,254**	**143,671**	**101,190**	**35,805**	**565,158**
Funded by						
Ring-fenced Government Grants	18,813	72,794	73,111	45,083	11,486	**221,287**
Other Contributions	17,285	28,227	18,622	29,059	8,602	**101,795**
Non Ring-fenced Grants	2,507	14,982	11,135	9,800	-	**38,424**
Capital Receipts	10,460	9,977	9,870	7,670	-	**37,977**
Revenue	16,073	2,456	25	25	25	**18,604**
Borrowing	31,100	59,818	30,908	9,553	15,692	**147,071**
	96,238	**188,254**	**143,671**	**101,190**	**35,805**	**565,158**

Table 3 Summary of Capital Programme Financing 2019-22

	Scheme Specific Funding		Other Funding				
	Ring-Fenced Government Grants	Other External Contributions	Non Ring-Fenced Government Grants	Capital Receipts	Revenue Budgets or Reserves	Borrowing	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
By service:							
Adult & Community Services	6,171	-	-	25	482	421	**7,099**
Health, Wellbeing and Children's Services	3,140	66,034	35,917	800	117	27,931	**133,939**
Fire Rescue and Public safety	3,191	2,357	-	50	-	6,025	**11,623**
GHI	169,669	2,700	-	-	-	44,768	**217,137**
Corporate Services	8,817	4,817	-	26,642	1,907	21,134	**63,317**
	190,988	**75,908**	**35,917**	**27,517**	**2,506**	**100,279**	**433,115**
Year of expenditure:							
2019-20	72,794	28,227	14,982	9,977	2,456	59,818	**188,254**
2020-21	73,111	18,622	11,135	9,870	25	30,908	**143,671**
2021-22	45,083	29,059	9,800	7,670	25	9,553	**101,190**
Total all schemes	**190,988**	**75,908**	**35,917**	**27,517**	**2,506**	**100,279**	**433,115**

Chart 1

Where the £188.3m Capital Funding is coming from in 2019-20



...and what it is being spent on

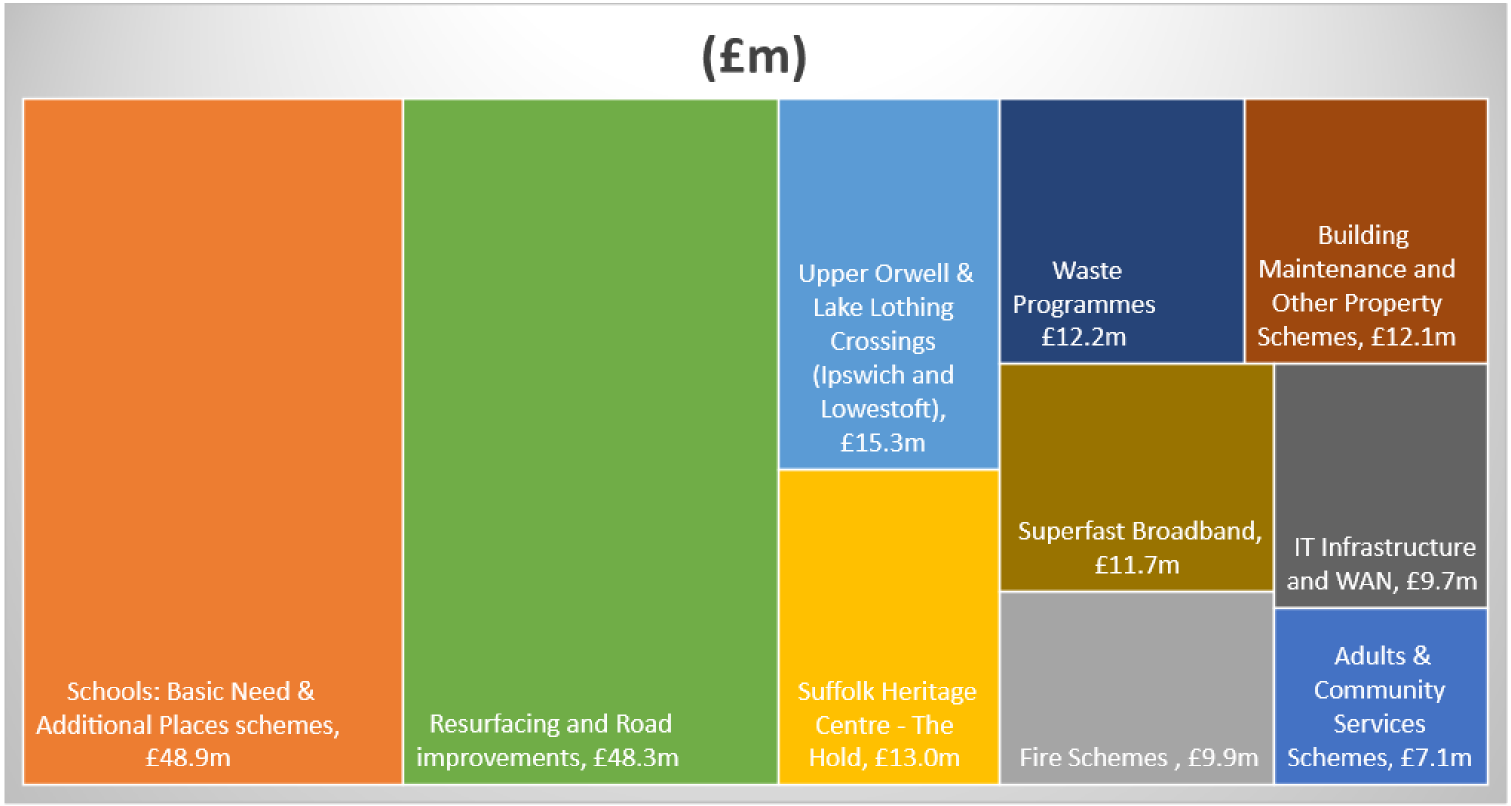


Table 4: Adult and Community Services (ACS) Capital Programme

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
Previous Approved Schemes	£'000	£'000	£'000	£'000	£'000	£'000
Assistive Technology	436	10	-	-	-	446
Reablement	8,775	0	-	-	-	8,775
IT (Liquidlogic)	4,848	396	-	-	-	5,244
Housing	921	112	-	-	-	1,033
Unallocated	-	10	-	-	-	10
Schemes for Approval						
Disabled Facilities Grant	-	6,171	-	-	-	6,171
Construction of 8 new units for people with LD	-	400	-	-	-	400
Total Capital Programme	14,980	7,099	-	-	-	22,079
Financed By						
Ring-Fenced Capital Grants	1,250	6,171	-	-	-	
Other External Contributions	-	-	-	-	-	
Non-Ringfenced Capital Grants	1,357	-	-	-	-	
Capital Receipts	3,598	25	-	-	-	
Revenue Budgets or Reserves	8,775	482	-	-	-	
Borrowing	-	421	-	-	-	
	14,980	7,099	-	-	-	

Table 5 – Borrowing by ACS Scheme

Borrowing by Scheme	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
IT	-	396	-	-	-	396
Housing	-	25	-	-	-	25
Total Borrowing for Capital Programme	-	421	-	-	-	421

- **Details of ACS Schemes**
  - Assistive Technology
    Provision of IT equipment to claimants to enable individuals to maximise their independence to remain at home.
  - Reablement
    Provision of equipment for claimants to enable them to maximise their independence to remain at home.
  - IT (Liquidlogic)
    Development of systems and transformation of service processes. This will be fully funded from borrowing.
  - Housing
    Provision of housing for people with disabilities (learning and physical) and autism. This will be funded from Revenue (£0.5m).
  - Disabled Facilities Grant
    A grant received from central government, payable to district Councils, to support the provision of equipment and adaptations to claimants' homes to enable claimants to maximise their independence and to remain at home.

Table 6: Health, Wellbeing and Children's Services Capital Programme

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
Previous Approved Schemes	£'000	£'000	£'000	£'000	£'000	£'000
Contractually Committed School Schemes	5,335	30,360	11,023	1,940	-	48,658
Schemes for Approval						
Property Maintenance	-	4,500	4,500	4,500	-	13,500
Suitability, Safeguarding and Security	-	1,318	1,663	800	-	3,781
Devolved Formula Capital	-	967	955	817	-	2,739
E-Unit ICT Licence for Supporting Adults	-	96	25	25	25	171
Looked After Children Accomodation	-	70	-	-	-	70
School Schemes Starting in 2019-20	260	11,555	17,723	40,585	13,120	83,243
School Schemes Starting in 2020-21	-	-	155	362	-	517
Special Educational Needs & Disabilities (SEND)		TBC	TBC	TBC	TBC	
Total Capital Programme	5,595	48,866	36,044	49,029	13,145	152,679
Financed By						
Ring-Fenced Capital Grants	46	1,368	955	817	-	
Other External Contributions	4,318	18,503	18,472	29,059	1,981	
Non-Ringfenced Capital Grants	1,150	14,982	11,135	9,800	-	
Capital Receipts	-	-	-	800	-	
Revenue Budgets or Reserves	28	67	25	25	25	
Borrowing	53	13,946	5,457	8,528	11,139	
	5,595	48,866	36,044	49,029	13,145	

Table 7 – Borrowing by Health, Wellbeing and Children's Services Schemes

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Contractually Committed Schemes						
Claydon Primary	-	315	-	-	-	315
Lakenheath New Primary	-	1,897	-	-	-	1,897
The Bridge School, Ipswich - Phase 2	-	8,894	312	-	-	9,206
Sybil Andrews High, Bury st Edmunds - Phase 2 & 3	-	515	644	-	-	1,159
Abbots Green Primary, Bury St Edmunds	6	-	635	-	-	641
Copleston High, Ipswich	-	351	-	-	-	351
Carlton Colville carpark	44	592	-	-	-	636
Pakefield High, Lowestoft - Phase 1	3	249	-	-	-	252
Thurston Primary	-	-	1,381	-	-	1,381
School Schemes Starting in 2019-20						
Chantry High, Ipswich	-	681	1,020	-	-	1,701
St Benedict's Catholic, Bury st Edmunds	-	452	238	-	-	690
Bacton Primary	-	-	1,227	4,182	1,394	6,803
Trimley St Martin Primary	-	-	-	722	1,394	2,116
Brightwell Lakes (Adastral Park) New, Martlesham	-	-	-	3,200	5,000	8,200
Haverhill New Primary	-	-	-	424	1,381	1,805
Woolpit New primary	-	-	-	-	1,362	1,362
Abbots Vale New Primary , Bury St Edmunds	-	-	-	-	608	608
Total Borrowing for Capital Programme	53	13,946	5,457	8,528	11,139	39,123

- **Details of HW&CS School Schemes**

	Up to 2018-19	2019-20	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	Spending by Scheme					
Contractually Committed School Schemes	**5,335**	**30,360**	**11,023**	**1,940**	**0**	**48,658**
Claydon Primary School -Expansion from 420 places to 630	526	2,074	0	0	0	2,600
Lakenheath New Primary - New primary and pre-school	882	7,228	1,670	0	0	9,780
The Bridge School, Ipswich - Secondary phase, including shared facilities with primary campus	443	7,995	1,562	0	0	10,000
Bosmere Primary, Needham Market - Expansion from 210 places to 315	117	1,383	0	0	0	1,500
Brooklands Primary, Brantham - Expansion	5	495	500	500	0	1,500
Whitehouse Primary, Ipswich - Replacement of temporary building with a purpose-built pre-school	104	996	0	0	0	1,100
Barrow Primary, BSE - Expansion to include years 5 and 6	6	894	600	0	0	1,500
Sybil Andrews Academy, BSE - Phase 2 & Phase 3, expansion to 900 places	599	6,139	1,935	0	0	8,673
The Glade Primary, Brandon - Phase 3, final enabling works to permenant building	34	-16	195	0	0	213
Thurston Primary School - Relocation and expansion to accomandate new housing development	160	1,440	4,560	1,440	0	7,600
Copleston High, Ipswich - Improvement Works	2,365	430	0	0	0	2,795
Carlton Colville - Works to school's car park	44	592	0	0	0	636
Pakefield High School - Drainage Works	3	249	0	0	0	252
Lowestoft - St Mary's - New pre-school	47	461	0	0	0	508
School Schemes Starting in 2019-20	**260**	**11,555**	**17,723**	**40,585**	**13,120**	**83,243**
Bramford Primary - Expansion to meet demand from new housing development	0	1,035	765	0	0	1,800
New Social, Emotional and Mental Health (SEMH) School, Ipswich	0	3,969	2,137	0	0	6,106
SEN Provision - to create new places and improve existing facilities	239	623	461	0	0	1,324
Woolpit Area - New school	0	70	1,324	4,213	1,362	6,969
Elmswell Primary School - Expansion to accomandate demand from new housing development	0	0	472	1,100	0	1,572
Stowupland High School - New sixth-form block	0	960	240	0	0	1,200
Abbots Green Primary, BSE - Expansion to meet demand from new housing development	12	1,442	636	0	0	2,090
Trimley St Martin Primary - Relocation and expansion to meet demand from new housing development	4	80	1,310	4,182	1,394	6,969
Beck Row, BSE - Pre-School replacement	0	110	0	0	0	110
Ipswich Garden Suburb New Primary 1 of 3	0	60	1,135	3,584	1,195	5,974
Brightwell Lakes (Adastral Park), Martlesham - New 'all through' school	4	1,246	3,750	15,000	5,000	25,000
Chantry Academy, Ipswich - Expansion by 150 places for September 2021	0	800	1,296	0	0	2,096
Bacton Primary, Stowmarket- Relocation and expansion to meet new demand from housing	1	69	1,324	4,182	1,394	6,969
Haverhill - New Primary	0	69	1,312	4,143	1,381	6,905
St Benedict's, BSE - Amalgamation of school to one site	0	951	238	0	0	1,189
Abbots Vale, BSE New Primary School and pre-school	0	70	1,324	4,182	1,394	6,969
School Schemes Starting in 2020-21	**0**	**0**	**155**	**362**	**0**	**517**
Trinity CEVAP, Stowmarket - Expansion to meet demand from new housing	0	0	155	362	0	517
	5,596	**41,914**	**28,901**	**42,887**	**13,120**	**132,418**

- Property Maintenance
  Allocation of funding given to Vertas to manage conditions work at maintained schools to ensure they can remain operational.

- Suitability, Safeguarding and security
  An allocate to fund emergency build works and repairs to ensure maintained schools remain open and operational.

- Devolved Formula Capital
  Allocation of funding that is passported directly through to schools for them to use as per their school plans.

- E-Unit ICT licence for Supporting Adults
  Funding for a specific licence and associated training to be used by Children's services

- Looked after Children accommodation
  Funding for repairs and refurbishment of a children's home.

- **Schemes under development and not in capital programme**
  - Special Educational Needs & Disabilities (SEND)

    In September 2018 Suffolk County Council Cabinet considered the issues relating to the supply and demand for specialist education placements as set out in the education section of the SEND Sufficiency Plan. This identified a significant undersupply of local specialist education placements across Suffolk to meet both current and projected future increased demand. Work is ongoing to determine the level of capital investment that is needed to ensure that the Council's statutory obligations with regards to these placements can be met in the most cost-effective way. This will then be reviewed by the Capital Strategy group and any recommendations passed for agreement to the Cabinet to be added to the capital programme.

Table 8: Fire Rescue and Public Safety Capital Programme

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Previously Approved Schemes						
Strategic Co-ordinating Centre	60	50	-	-	-	110
						-
Schemes For Approval						-
Operational Equipment	-	600	303	181	-	1,084
Vehicle Renewals	-	778	369	804	-	1,951
ICT Renewals	-	-	-	40	-	40
SFRS Property Improvement	-	850	-	-	-	850
Blue Light Integration Project	3,770	7,648	-	-	-	11,418
Total Capital Programme	3,830	9,926	672	1,025	-	15,453
Financed By						
Ring-Fenced Capital Grants	1,753	3,191	-	-	-	
Other External Contributions	1,715	2,357	-	-	-	
Non-Ringfenced Capital Grants	-	-	-	-	-	
Capital Receipts	60	50	-	-	-	
Revenue Budgets or Reserves	302	-	-	-	-	
Borrowing	-	4,328	672	1,025	-	
	3,830	9,926	672	1,025	-	

Table 9 – Borrowing by Fire, Rescue and Public Safety Scheme.

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Operational Equipment	-	600	303	181	-	1,084
Vehicle Renewals	-	778	369	804	-	1,951
ICT Renewals	-	-	-	40	-	40
SFRS Property Improvement	-	850	-	-	-	850
Blue Light Integration Project	-	2,100	-	-	-	2,100
Total Capital Programme	-	4,328	672	1,025	-	6,025

- **Details of Fire, Rescue and Public Safety Schemes**

    - Operational Equipment
    An established ten-year capital replacement programme ensures the Council replaces existing equipment that is at its end-of-life. The equipment ensures firefighters can respond safely and effectively to the wide range of incidents identified in our Integrated Risk Management Plan

    - Vehicle Renewals
    A fifteen-year fleet renewal programme which ensures that vehicles reaching their end-of-life are replaced. The renewal programme ensures we maintain our current fleet profile in accordance with our fleet strategy.

    - ICT Renewals
    An established ten-year capital replacement programme ensures the Council replaces and updates fire service-specific ICT equipment; this includes alerters, availability systems, mobilising equipment and mobile data terminals, all of which are integral to how the services are provided.

- Property Improvement
  A ten-year capital replacement programme is in place to ensure the Council maintains a fit-for-purpose property portfolio. As well as fire stations, the portfolio includes the training centre at Wattisham airfield and training towers at fire stations and work otherwise out of scope of corporate property maintenance, PFI contract and blue-light collaboration property development.

- Blue Light Integration Programme
  The blue-light property development programme, that is partially funded by a £4.9m Government grant, has delivered 15 fire stations that are now shared with blue-light partners. There are two further major projects currently being developed for Princes St (Ipswich) and Stowmarket. The shared properties bring in an income of approximately £200k each year.

Table 10: Growth, Highways and Infrastructure programme

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Previously Approved Schemes						
Lake Lothing 3rd Crossing, Lowestoft	8,447	15,296	38,390	13,000	15,878	91,011
Upper Orwell Crossing	2,393	TBC	TBC	TBC	TBC	2,393
The Hold	4,636	13,043	231	-	-	17,910
Eye Airfield	1,129	4,085	150	-	-	5,364
Ipswich Radial Corridors	4,292	1,750	-	-	-	6,042
Bury St Edmunds Waste Transfer	9,915	2,726	-	-	-	12,641
Ipswich Waste Transfer	1,665	4,297	500	-	-	6,462
Foxhall Recycling Centre	100	2,400	500	-	-	3,000
Haverhill Recycling Centre	-	750	250	-	-	1,000
Ipswich Recycling Centre Land Purchase	-	1,000	-	-	-	1,000
Stowmarket Recycling Centre Land Purchase	-	1,000	-	-	-	1,000
Schemes For Approval						
HIF Bury St Edmunds	-	3,021	3,021	3,021	3,021	12,084
HIF East Ipswich	-	3,761	3,761	3,761	3,761	15,044
Ipswich Recycling Centre Build	-	-	5,000	-	-	5,000
Stowmarket Recycling Centre Build	-	-	3,500	-	-	3,500
Local Transport Schemes	-	1,996	2,596	2,746	-	7,338
Local Highways Budgets	-	500	500	500	-	1,500
Highways Maintenance - Carriageways	4,629	23,500	17,500	13,800	-	59,429
Highways Maintenance - Footways	-	1,370	1,000	970	-	3,340
Highways Maintenance - Drainage	-	2,055	1,425	1,275	-	4,755
Highways Maintenance - Structures	-	2,280	2,015	1,820	-	6,115
Highways Maintenance - Street Lighting	-	1,825	1,780	1,820	-	5,425
Highways Maintenance - ITS	-	400	400	300	-	1,100
Highways Maintenance - Public Rights of Way	-	450	355	360	-	1,165
Highways Maintenance - Signs & Barrier Maintenance (in	-	135	120	120	-	375
Highways Maintenance - Road Markings	-	244	243	73	-	560
Highways Maintenance - Professional Services	-	950	800	700	-	2,450
Total Capital Programme	37,206	88,834	84,037	44,266	22,660	277,003
Financed By						
Ring-Fenced Capital Grants	3,648	55,747	69,656	44,266	11,486	
Other External Contributions	5,252	2,550	150	-	6,621	
Non-Ringfenced Capital Grants	-	-	-	-	-	
Capital Receipts	300	-	-	-	-	
Revenue Budgets or Reserves	3,365	-	-	-	-	
Borrowing	24,641	30,537	14,231	-	4,553	
	37,206	88,834	84,037	44,266	22,660	

Table 11 – Borrowing for Growth, Highways and Infrastructure by Scheme

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Highways Maintenance - Carriageways	4,629	11,971	4,400	-	-	21,000
Lake Lothing 3rd Crossing, Lowestoft	8,447	-	-	-	4,553	13,000
Upper Orwell Crossing	2,393	TBC	TBC	TBC	TBC	2,393
The Hold	898	5,393	81	-	-	6,372
Ipswich Radial Corridors	-	1,000	-	-	-	1,000
Bury St Edmunds Waste Transfer	8,174	2,726	-	-	-	10,900
Ipswich Waste Transfer	-	4,297	500	-	-	4,797
Foxhall Recycling Centre Expansion	100	2,400	500	-	-	3,000
Haverhill Recycling Centre Expansion	-	750	250	-	-	1,000
Ipswich Recycling Centre Land Purchase	-	1,000	-	-	-	1,000
Stowmarket Recycling Centre Land Purchase	-	1,000	-	-	-	1,000
Ipswich Recycling Centre Build	-	-	5,000	-	-	5,000
Stowmarket Recycling Centre Build	-	-	3,500	-	-	3,500
Total Capital Programme	24,641	30,537	14,231	-	4,553	73,962

- **Details of Growth, Highways and Infrastructure Schemes**
  - Lake Lothing 3rd Crossing, Lowestoft
    To provide a new third crossing over Lake Lothing in Lowestoft. Lowestoft has suffered from traffic congestion over many years and this project will help to improve connectivity and provide additional road network capacity to accommodate and stimulate future growth. This is being partly funded by a Department for Transport (DfT) grant of £71.4m.

- Upper Orwell Crossing
  To provide three crossings in Ipswich, to relieve congestion in Ipswich town centre and on the A14 over the Orwell bridge and to enable the regeneration of the Wet Dock island site. This is being partly funded by a DfT grant of £77.546m. The figures presented are based on the Cabinet paper from 17 May 2016 which identified a total scheme cost of £96.649m.

- The Hold
  To provide a new heritage and archives centre, in partnership with University of Suffolk, which will meet accommodation needs of Suffolk Records Office for the next 20 years and transform public engagement with Suffolk's archival heritage. This is being partly funded by a Heritage Lottery Fund grant of £9.1m

- Eye Airfield
  To provide infrastructure to unlock development in and around Eye airfield. The scheme comprises construction of two roundabouts (off the A140) and a section of link road. This is being partly funded by a DfT grant of £3.4m and £1.5m from New Anglia Local Enterprise Partnership (NALEP).

- Ipswich Radial Corridors
  To provide a number of junction improvements along key arterial routes into Ipswich to ease traffic congestion. This is being partly funded from a 3.5m contribution from NALEP.

- Bury St Edmunds Waste Transfer Station
  To contribute to the construction of the West Suffolk Operational hub, which includes the Bury St Edmunds Waste Transfer station. The West Suffolk Operational hub will provide a more efficient solution to the transport of waste around the County and to the Great Blakenham Energy from Waste facility, along with being able to cope with the anticipated growth in waste from new housing in the Bury St Edmunds area.

- East of Ipswich Waste Transfer Station
  To construct a new waste transfer station in the east of Ipswich. The waste transfer station will provide a more efficient solution to the transport of waste around the County and to the Great Blakenham Energy from Waste facility and provide important waste infrastructure to serve the surrounding area.

- Foxhall Recycling Centre
  To complete a major redevelopment of Suffolk's busiest recycling centre which will result in the necessary site improvements to secure permanent planning permission, accommodate population growth, improve service and encourage re-use and recycling. This is being funded from borrowing.

- Haverhill Recycling Centre
  To complete a major redevelopment of Suffolk's smallest recycling centre (by area) using land adjacent to the existing site owned by Suffolk County Council to more than double the size of the centre to accommodate population growth, improve service and encourage re-use & recycling. This is being funded from borrowing.

- Ipswich Recycling Centre Land Purchase and Build
  To secure land and build a new recycling centre for the relocation of the Ipswich recycling centre which serves Suffolk's largest population centre and an area which is projected to see significant growth. Relocating the centre will result in securing a site which can accommodate growing needs and improve the service offered to site users. This is being funded from borrowing.

- Stowmarket Recycling Centre Land Purchase and Build
  To secure land and build a new recycling centre for the relocation of the Stowmarket recycling centre which serves the rapidly growing town of Stowmarket and a large proportion of central Suffolk. Relocating the centre will result in securing a site which can accommodate the growing need and improve the service offered to site users. This is being funded from borrowing.

- Housing Infrastructure Fund Bury St Edmunds
  To provide infrastructure to unlock land in five strategic sites within the Bury Vision 2031 local plan. This will be fully funded from the Housing Infrastructure Fund

- Housing Infrastructure Fund East Ipswich
  To provide infrastructure to unlock land to enable the delivery of 2,000 houses at Adastral Park. This will be fully funded from the Housing Infrastructure Fund

- <u>Local Transport Schemes</u>
  To complete a number of smaller road improvement schemes to enhance walking, cycling and public transport routes and reduce congestion. This is funded by the Integrated Transport Grant.

Table 12 – Corporate Services programme

Capital Schemes	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
IT Infrastructure	-	2,924	2,370	2,370	-	7,664
Broadband - Super Fast (Scheme II)	18,044	11,733	10,548	-	-	40,325
Digital Transformation	745	403	-	-	-	1,148
Wider Area Network (WAN)	2,930	6,400	2,500	-	-	11,830
Building Maintenance	-	8,232	4,000	4,000	-	16,232
County Farms Estate Maintenance	-	528	500	500	-	1,528
Phoenix Park Industrial Estate - Enterprise Zone	5,832	167	-	-	-	5,999
Mildenhall Hub	1,574	3,112	-	-	-	4,686
Mildenhall West Development	109	0	1,000	-	-	1,109
Eye Library Reprovision	580	30	-	-	-	610
Chilton Woods Development	4,813	0	-	-	-	4,813
North Lowestoft Garden Village	-	-	2,000	-	-	2,000
Total Capital Programme	34,627	33,529	22,918	6,870	-	97,944
Financed By						
Ring-Fenced Capital Grants	12,116	6,317	2,500	-	-	
Other External Contributions	6,000	4,817	-	-	-	
Non-Ringfenced Capital Grants	-	-	-	-	-	
Capital Receipts	6,502	9,902	9,870	6,870	-	
Revenue Budgets or Reserves	3,603	1,907	-	-	-	
Borrowing	6,406	10,586	10,548	-	-	
	34,627	33,529	22,918	6,870	-	

Table 13 – Borrowing for Corporate Services by Scheme

	Up to 2018-19	2019-20 (incl forecast 2018-19 c/f)	2020-21	2021-22	2022-23 Onwards	Total Scheme Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Building Maintenance	-	1,757	-	-	-	1,757
Phoenix Park Industrial Estate - Enterprise Zone	5,832	167	-	-	-	5,999
Mildenhall Hub	574	3,100	-	-	-	3,674
Broadband - Super Fast (Scheme II)	-	2,562	10,548	-	-	13,110
WAN	-	3,000	-	-	-	3,000
Total Borrowing for Capital Programme	6,406	10,586	10,548	-	-	27,540

- **Details of Corporate Services Schemes**

  - IT Infrastructure
    A rolling refresh programme of IT assets, including equipment, software and network kit. This also includes investment in keeping the IT network and systems running efficiently including investment in cyber security. This will be funded from Capital Receipts.

  - Broadband
    A programme to enable 98% of homes and businesses in Suffolk to have access to fibre broadband. This programme is being partly funded by a grant of £3.8m, a BT 'gainshare' contribution of £3.9m, Revenue contribution of £1.4m and £13.1m from borrowing.

  - Digital Transformation - Liquidlogic
    Development of systems and transformation of service processes. This will be funded from Revenue Reserves.

- Wide Area Network (WAN)
  During 2018-19 the Council has commenced the Wide Area Network scheme as it has been awarded £5.9m of funding from the third wave of the Local Full Fibre Networks challenge fund, enabling next-generation full fibre connections to key public buildings. The total programme will cost £11.8m and will be jointly funded by the Council and the Clinical Commission Groups (CCGs). Investment will offer better connectivity for businesses, mobile connectivity improvements and better means of working in partnership with other public sector authorities.

- Building Maintenance Schemes
  Maintenance and improvement schemes to ensure the Council's buildings remain open and operational. Implementation of schemes to avoid cost in terms of ongoing day to day maintenance, including energy efficiency schemes. Also included is an allocation of £1.0m to help prepare small sites for sale each year. In 2019-20 £1.3m for the converting of the former Leiston Middle School site into office and community centre space and preparation of the Saxmundham Street Farm Road and Fromus Centre sites for sale, and £0.3m for the development of Foley House, Newmarket. This is all being funded from capital receipts.

- County Farms Maintenance Schemes
  A programme of expenditure on residential dwellings, agricultural buildings and land to meet statutory landlord compliance and maintenance obligations and ensure that the Council's assets are maintained into the future. This is being funded from capital receipts.

- South Lowestoft Industrial Estate
  Development of a brown-field site to provide 16 industrial units for use as businesses, industrial, storage or distribution purposes. This is being funded by borrowing.

- Mildenhall Hub
  The Hub, being built by Forest Heath District, will provide a new 11-16 secondary school, health centre, police base, public access services and leisure facilities. This is being partly funded by a capital receipt of £1.0m and borrowing of £3.7m.

- Mildenhall West Development
  Development of a major strategic housing and employment site on the west of Mildenhall. This is being funded by capital receipts.

- Eye Library Re-provision
  Final stages of the re-provision of the Eye Library facility, with the expectation that the existing facility will be sold for development. This is being funded by capital receipts.

- Chilton Woods Development
  Development of a major strategic housing site on the outskirts of Sudbury. This is being funded by capital receipts.

- North Lowestoft Garden Village
  A development of land north of Lowestoft which will provide housing, employment, educational and community-based facilities. This is being funded by capital receipts

3. Minimum Revenue Provision Policy

3.1 Where the Council finances capital expenditure by borrowing, it must put aside resources to repay debt in later years. The amount charged to the revenue budget for the repayment of debt is known as the Minimum Revenue Provision (MRP).

3.2 The Local Government Act 2003 requires the Council to have regard to the Ministry of Housing, Communities and Local Government's (MHCLG) guidance on Minimum Revenue Provision most recently issued in 2018. The aim of the guidance is to ensure that debt is repaid over a period in line with which the capital expenditure provides benefits.

3.3 For 2019-20 the policy for calculating the Minimum Revenue Provision is detailed below:

a. For capital expenditure incurred before 1 April 2008, the MRP policy will be to provide an annual sum calculated on an annuity basis on the balance outstanding at 31 March 2008 over 50 years using the average interest rate on outstanding Council loans at 31 March 2015, which was 3.852%.

b. For expenditure since 1 April 2008 the MRP policy will be to repay borrowing within the expected life of the asset being financed. This is in accordance with the "Asset Life" method in the guidance. The repayment profile will follow an annuity repayment method, which is one of the options set out in the guidance.

3.4 For new borrowing, an average asset life for each project will normally be used. There will not be separate MRP schedules for the components of any assets. A standard schedule of asset lives will generally be used, however, advice from appropriate advisers may also be taken into account.

3.5 MRP will commence in the year following the year in which capital expenditure financed from borrowing is incurred, except where an asset is not yet operational, in which case MRP will commence the year after the asset becomes operational. The estimated MRP cost for 2019-20 is £8.6m (£5.6m excluding PFI's).

3.6 For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability. The Council may make additional voluntary debt repayment provision from revenue or capital resources. Any additional repayments will be authorised by the S151 Officer.

3.7 Where loans are made to third-parties for capital purposes, the loan is treated as capital expenditure. The capital receipt received each year for the annual loan repayment will be set aside in order to repay the principal borrowed over the life of the loan. MRP will only be accounted for if an accounting provision has been made for non-repayment of the loan, or there is a high degree of uncertainty regarding the repayment.

4. Treasury Management Strategy Statement and Prudential Indicators

Introduction and external context

4.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council borrows and invests substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

4.2 Investments held for service purposes or for commercial profit are considered in Section E, the Investment Strategy.

Risk and Treasury Management

4.3 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2017 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

4.4 Treasury risks present themselves in many forms, from failure to optimise performance by not taking advantage of opportunities, to managing exposure to changing economic circumstances. The Council seeks to manage its risks regarding credit and counterparty risk, liquidity risk, interest rate risk, refinancing risk, legal and regulatory risk, fraud, error and corruption, contingency management and market risk.

4.5 The risk appetite of the Council is low, with security and liquidity of investments taking precedence over the rate of return. For borrowing, the Council manages the portfolio of debt to minimise refinancing risk.

Economic Background

4.6 The UK's progress negotiating its exit from the European Union, together with its future trading arrangements, will continue to be a major influence on the Council's treasury management strategy for 2019-20.

4.7 In November 2018 the Bank of England's Monetary Policy Committee (MPC) maintained Bank Rates at 0.75%. The November Inflation Report showed that further interest rate increases may be required to bring inflation down to the 2% target over the next year, even though Consumer Price Inflation (CPI) fell back to 2.4% year-on-year in September. At November 2018 CPI was 2.2%.

Credit Outlook

4.8 The big four UK banking groups have now divided their retail and investment banking divisions into separate legal entities under ringfencing legislation. Credit rating agencies have adjusted the ratings of some of these banks with the ringfenced banks generally being better rated than their non-ringfenced counterparts. The Council's banking arrangements have not been impacted by this change and remain with Lloyds Bank ringfenced retail arm.

4.9 The uncertainty caused by protracted negotiations between the UK and EU is weighing on the creditworthiness of any UK or European banks with substantial operations in both jurisdictions.

Interest Rate Forecast

4.10 Following the increase in Bank Rate to 0.75% in August 2018, the Council's treasury management adviser Arlingclose is forecasting two more 0.25% hikes during 2019 to take official UK interest rates to 1.25%. The MPC has maintained expectations for slow and steady rate rises over the forecast horizon. Arlingclose believes that MPC members consider that ultra-low interest rates result in other economic problems, and that higher Bank Rates will be a more effective policy weapon should downside Brexit risks crystallise when rate cuts will be required.

4.11 The UK economic environment remains relatively soft and the economy still faces a challenging outlook as it exits the European Union and Eurozone growth softens. As such, the risk of variance to the interest rate forecast are for rates lower rather than higher to those forecasts.

4.12 Gilt yields and hence long-term borrowing rates have remained at low levels but some upward movement from current levels is expected. 10-year and 20-year gilt yields are forecast to remain around 1.7% and 2.2% respectively over the interest rate forecast horizon, however volatility in rates, arising from both economic and political events is likely to continue.

Local Context

4.13 The Council held £436.1m of borrowing and £45.0 of investments at 31st March 2018. Forecast changes in these sums are shown in the balance sheet analysis in Table 1 below:

Table 1: Balance Sheet Analysis

	31.3.18 Actual £m	31.3.19 Estimate £m	31.3.20 Forecast £m	31.3.21 Forecast £m	31.3.22 Forecast £m
CFR	710.3	732.2	783.4	804.3	793.6
Less: Other debt liabilities [PFI]	60.4	57.6	54.6	51.6	49.1
Borrowing CFR	**649.9**	**674.6**	**728.9**	**752.7**	**744.5**
Less: Long-Term Borrowing	-303.7	-330.3	-325.2	-320.0	-304.9
Less: Short-Term Borrowing*	-132.4	-130.0	-130.0	-130.0	-130.0
Internal borrowing	**213.9**	**214.3**	**273.7**	**302.7**	**309.6**
Less: Reserves available for internal borrowing	-173.8	-146.2	-131.9	-124.0	-118.7
Less: Working capital	-85.1	-85.1	-85.1	-85.1	-85.1
Investments (-) /New borrowing	**-45**	**-16.9**	**56.7**	**93.6**	**105.8**

*External Short-Term Borrowing includes an allowance for a £30m investment balance held for liquidity and strategic purposes.

4.14 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels by utilising our reserves and working capital, referred to as 'internal borrowing'.

4.15 The Council has an increasing CFR due to the repayments of Minimum Revenue Provision being outweighed by the financing of capital spend through borrowing. Planned reductions in usable reserves held by the Council leads to a reduction in the internal borrowing already available and the Council is expected to borrow up to £105.8m over the forecast period.

4.16 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2019-20.

Advisors and Treasury management staff

4.17 Arlingclose provides advice on investment, debt and capital finance issues. The Council considers this advice alongside information from other sources such as banks, media and other local authorities before making decisions.

4.18 The needs of the Council's treasury management staff for training are assessed every three months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Borrowing Strategy

4.19 At the end of November 2018, the Council held £404.0 million of loans, a decrease of £32.1 million from the 2017-18 year-end as part of its strategy for funding previous years' capital programmes. The balance sheet forecast in Table 1 shows that the Council expects to borrow up to

£56.7m in 2019-20. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £732.2 million (See Table 2 below).

4.20 Table 2 shows the estimates of external debt compared to the CFR, Operational Boundary and Authorised Limits.

Table 2: External Debt

External Debt Limits	**31.3.19 Estimate £m**	**31.3.20 Estimate £m**	**31.3.21 Estimate £m**	**31.3.22 Estimate £m**
Capital Financing Requirement	**732.2**	**783.4**	**804.3**	**793.6**
Debt:				
Borrowing	460.3	511.9	543.6	540.7
PFI Liabilities	57.6	54.6	51.6	49.1
Total Debt	**517.9**	**566.5**	**595.2**	**589.8**
Operational Boundary	**650.0**	**700.0**	**700.0**	**700.0**
Authorised Limit	**732.2**	**783.4**	**804.3**	**793.6**

4.21 Borrowing is forecast to rise over the three years by £105.8m which is more than the increase in CFR. This is due to the forecast reduction in internal reserves over the period which are used by the Council in lieu of external borrowing.

4.22 The Operational Boundary is based on the Council's estimate of the most likely scenario for external debt. The Authorised Limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003 and is the maximum amount of debt that the Council can legally owe.

4.23 The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

4.24 Given the reductions to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently lower than long-term rates, it is likely to be more cost effective to either use internal resources, or to borrow short-term instead.

4.25 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2019-20 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

4.26 Alternatively, the Council may arrange forward starting loans during 2019-20, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period and would be used to fund specific projects where the overall cash flow lifecycle of the projects can be forecast with reasonable certainty.

4.27 In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

Sources of borrowing

4.28 The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- Any institution approved for investments (see below)
- Any other bank or building society authorised to operate in the UK
- Any other UK public sector body
- UK public and private sector pension funds (except Suffolk County Council Pension Fund)
- Capital market bond investors

4.29 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- leasing
- hire purchase

4.30 The Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans and bank loans, that may be available at more favourable rates.

4.31 The Council holds £130m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £70m of these LOBOs have options during 2019-20, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will remain limited to £130m.

4.32 The Council hold short-term and variable rate loans, these loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

4.33 The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Treasury Management Strategy

4.34 The Council holds invested funds, representing income received in year in advance of expenditure, plus balances and reserves brought forward from previous years. These are held mainly to provide adequate liquidity for cash flow purposes. In the past 12 months, the Council's investment balance has ranged between £25.8 and £91.2 million, and similar minimum levels are expected to be maintained in the forthcoming year.

4.35 The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

4.36 If the UK enters into a recession in 2019-20, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested. In such an event the Council will seek to minimise exposure by lowering investment balances where possible by using the funds to offset borrowing needs.

4.37 Given the increasing risk and very low returns from short-term unsecured bank investments, the Council aims to diversify into more secure and/or higher yielding asset classes during 2019-20, for any amounts not required to be held for liquidity purposes. Most of the Council's surplus cash is invested in short-term unsecured bank deposits and money market funds.

4.38 Under the new IFRS 9 standard investments can be held in the accounts at either the amortised cost of the investment, or at fair value, which may be higher or lower than the price paid for investments depending on market conditions. This treatment is dependent on how the Council manages its' investments. The Councils' aim is to achieve value from its investments by collecting contractual cashflows, such as dividends and interest, as opposed to trading in the underlying instruments. Therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

4.39 The Council may invest its surplus funds with any of the counterparty types in Table 3, subject to the cash limits and the time limits shown against the party's credit rating.

Table 3: Approved Investment Instruments

<table>
<tr><th>Credit rating</th><th>Banks unsecured</th><th>Banks secured</th><th>Government</th><th>Corporates</th><th>Registered Providers (UK)</th></tr>
<tr><td>UK Govt</td><td rowspan="2"></td><td rowspan="2"></td><td>£200m / 50 years</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>UK Local Authorities</td><td>£20m / 5 years</td></tr>
<tr><td>AAA</td><td rowspan="4">UK: £10m / 13m
Other*: £10m/ 13m</td><td rowspan="6">UK: £200m / 2 y
Other*: £200m/ 4 y</td><td>£200m / 50 years</td><td rowspan="3">£10m / 5 years</td><td rowspan="6">£10m / 5 y</td></tr>
<tr><td>AA+</td><td rowspan="8">n/a</td></tr>
<tr><td>AA</td></tr>
<tr><td>AA-</td><td rowspan="5">n/a</td></tr>
<tr><td>A+</td><td rowspan="2">UK: £10m / 13m
Other*: n/a</td></tr>
<tr><td>A</td></tr>
<tr><td>A-</td><td>UK: £5m / 6m
Other*: n/a</td><td>UK: £50m / 6 m
Other*: £200m/ 4 y</td><td rowspan="2">n/a</td></tr>
<tr><td>None</td><td>UK: n/a
Other*: n/a</td><td>UK: n/a
Other*: n/a</td></tr>
<tr><td colspan="2">Pooled funds and real estate investment trusts</td><td colspan="4">£25 m per fund or trust subject to a maximum 1% of the fund Net Asset Value</td></tr>
</table>

*Foreign Counterparties from a county with a sovereign rating of AAA.
This table should be read in conjunction with the notes below

4.40 **Credit rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be considered.

4.41 **Banks unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

4.42 **Banks secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

4.43 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made up to £200m for up to 50 years.

4.44 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in but are exposed to the risk of the company going insolvent.

4.45 **Registered providers:** Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

4.46 **Pooled funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

4.47 Bond, equity and property funds offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

4.48 **Real estate investment trusts:** Shares in companies that invest mainly in real estate and pay most of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

4.49 **Operational bank accounts:** The Council may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. The Council's current banker Lloyds meets these requirements. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances with Lloyd's will therefore be kept below £25m. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

4.50 **Risk assessment and credit ratings**: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

4.51 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn [on the next working day] will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

4.52 **Other information on the security of investments**: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.

4.53 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned but will protect the principal sum invested.

4.54 **Investment limits**: The Council's revenue reserves, which would be the resources ultimately available to the Council to cover unexpected expenses and losses, including investment losses, are forecast to be £146.2million on 31st March 2019. In order that no more than 20% of available reserves will be put at risk in the case of a single default, the maximum unsecured deposit that will be lent to any one organisation (other than the Central Governments) will be £25 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

	Cash limit
Central Governments	£200m
Any group of organisations under the same ownership	£25m per group
Any group of pooled funds under the same management	£25m per manager
Foreign countries	£30 m per country
Registered providers and registered social landlords	£30m in total
Unsecured investments with building societies	£20m in total
Money market funds	£100m in total
Real estate investment trusts	£20m in total

4.55 The Council uses daily monitoring of cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

Treasury Management Indicators

4.56 The Council measures and manages its exposures to treasury management risks using the following indicators.

4.57 Security: The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target
Portfolio average credit score	5.5

4.58 Liquidity: The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three month period, without additional long term borrowing.

Liquidity risk indicator	Target
Total cash available within 3 months	£30m

4.59 Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limit on Short Term borrowing subject to refinancing at prevailing interest rates will be kept below £110million net of investment balances which can be reinvested at prevailing interest rates.

4.60 Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper limit	Lower limit
Under 12 months	50%	0%
12 months and within 24 months	60%	0%
24 months and within 5 years	75%	0%
5 years and within 10 years	85%	25%
10 years and above	100%	

4.61 Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

4.62 Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2019/20	2020/21	2021/22
Limit on principal invested beyond year end	£90m	£70m	£50m

Related Matters

4.63 The CIPFA Code requires the Council to include the following in its treasury management strategy.

4.64 Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the Localism Act 2011 removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

4.65 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be considered when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

4.66 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

4.67 The Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance believes this to be the most appropriate status.

Financial Implications

4.68 The budget for investment income in 2019-20 is £0.838m. The budget for debt interest paid in 2019-20 is £16.975m. If actual levels of investments and borrowing or interest rates differ from those forecast, the budget will be over or underspent.

4.69 The CIPFA Code does not prescribe any treasury management strategy for local authorities to adopt. The Head of Finance, having consulted the Cabinet Member for Finance, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

5. Investment Strategy

5.1 The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as treasury investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

5.2 This investment strategy is a new report for 2019-20, meeting the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories.

Treasury Management Investments

5.3 The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure. These activities, plus the timing of borrowing decisions, can lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy. The balance of treasury management investments is expected to fluctuate between £10m and £75m during the 2019-20 financial year.

5.4 The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

5.5 The Council's policies and its plan for 2019-20 for treasury management investments are covered in, the treasury management strategy

Service Investments: Loans

5.6 The Council can lend money to its subsidiaries, its local suppliers, charities, housing associations, and residents. It will only do this where the loan furthers the Council's statutory duties, supports public services, or stimulates local economic growth.

5.7 The largest loans were provided to subsidiaries upon their foundation. These enabled those subsidiaries to support the Council in the provision of its services whilst allowing for more significant levels of commercial flexibility.

5.8 The Council also has a limited number of smaller loans for various purposes:

- To education providers to increase capacity and attainment in the region
- To museum trusts to enhance cultural opportunities in the region

- To carers so that vulnerable children may continue to live in a family environment

5.9 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk an assessment is made of the credit worthiness of counterparties, including the use of external credit reports where available, taken along with the potential impact upon the Councils ability to provide its services efficiently. Loans are only granted in exceptional circumstances with the approval of the Cabinet Member for Finance and the Head of Finance, with loans above £0.500m having to be approved by Cabinet.

5.10 The current portfolio of loans (£7m) can be categorised as follow:

- Service loans to local businesses £0.5m
- Service loans to support individual care needs £0.2m
- Unsecured loans to subsidiaries £3.9m
- Secured loans to subsidiaries £2.4m

5.11 Accounting standards require the Council to set aside a loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council's statement of accounts from 2018-19 onwards will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

5.12 Loans are reviewed on a monthly basis for compliance with agreed terms and any defaults investigated and corrective action agreed. This ongoing compliance history will then inform the need for renegotiation of service loan terms, or appropriate recovery action.

Service Investments: Shares

5.13 The Council invests in the shares of its subsidiaries to support local public services and stimulate local economic growth. Shares in trading subsidiaries are held within a group holding company, Suffolk Group Holdings Ltd, which is 100% owned by the Council. The subsidiaries include Vertas Group who provide the Council's facilities management and catering contracts as well as extending these services externally to schools, other Local Authorities, and commercial businesses. The Council also formed Concertus Design and Property Consultants Ltd who provide architectural, valuation, and building project management services to the Council and the wider market.

5.14 It has externalised the provision of back office support to education providers through Schools' Choice Group, part of the Vertas Group of companies, and provided a platform for public services, including the Council itself, to secure reliable provision of short-term personnel contracts through Opus People Solutions Ltd.

5.15 One of the risks of investing in shares is that they could fall in value meaning that the initial outlay may not be recovered. In order to limit this risk the Council has not invested in traded shares and only hold shares in companies it has formed directly. These are all held through Suffolk Group Holdings Ltd to provide a single consistent governance framework for the Council's subsidiaries. The initial cost of the Councils current investments is £102, being £100 share capital in Suffolk Group Holdings and a £2 initial share investment in the Suffolk Norse Group who provide a variety of transport services to the Council.

5.16 Whilst the Council undertakes robust assessment of the market place and other commercial aspects whilst divesting companies, it does not undertake a risk assessment specific to such shareholdings as it does not incur significant cost in relation to the shareholding aspect.

5.17 The Council's direct share investment is limited to its subsidiaries and joint ventures with the intention that they will provide services over the foreseeable future. With this in mind, and with the minimal cost of investment, the Council has not set a maximum period for which such shares should be held. The Council does not have set procedures for ensuring liquidity in the market as it intends to hold the shares indefinitely.

5.18 Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The Council's upper limits on non-specified investments, will therefore continue to be limited by the Councils holdings in subsidiaries and joint ventures and are not expected to be in excess of £0.010m. The Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

5.19 The Council invests in local commercial property with the primary intention of providing opportunities to local businesses and stimulating regeneration and does not currently hold property for investment purposes. The Council's commercial property holdings for economic regeneration consist of two business centres. These are the Orbis building designed to promote 'green' enterprise, and the Phoenix Enterprise Park (both in Lowestoft) built to promote economic development in the local area.

5.20 Although the Council does not hold investment property, should the Council identify a need to invest in such property any decision to invest will be taken on the balance of suitable external advice. Such advice will include property condition and valuation services, financial advisory services and legal services. An assessment will be made of potential depreciation in the UK property market with a focus upon the ongoing viability of the market area that the Council seeks to invest in e.g. warehousing, retail, office property.

Capacity, Skills and Culture

5.21 The Council provides ongoing training to enable officers and members to take informed decisions in relation to investments and commercialisation. This training includes annual workshops provided both by the Councils external treasury advisors Arlingclose and by the Chartered Institute of Public Finance and Accounting (CIPFA).

5.22 The Council subscribes to information services provided by CIPFA including a peer support network and guidance publications which are regularly reviewed. Market updates are provided both weekly, and on an ad-hoc basis, by the Council's treasury advisors, whom the Council also meet quarterly to assess the impact of market and investment issues.

5.23 Training is made available to members, as required, to assist in the understanding of their statutory responsibilities and issues relating to treasury and investment issues.

5.24 The treasury team provide weekly reporting to the Head of Finance and senior finance officers, as well as twice yearly reporting to Audit Committee on the financial position of the Council in relation to investment and treasury matters. Investment and Treasury Strategy policy also forms part of the annual Budget approved by full Council.

Investment Indicators

5.25 The Councils main aim continues to be that investments support the delivery of its services to the people of Suffolk, and so will continue to balance quantitative risk factors against the qualitative improvements or risk avoidances that such investments result in for its service users.

5.26 The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

5.27 The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third-party loans.

Table 1: Total investment exposure

Total investment exposure	**31.03.2018 Actual £m**	**31.03.2019 Forecast £m**	**31.03.2020 Forecast £m**
Treasury management investments	45	30	30
Service investments: Loans	7	7	7
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
TOTAL INVESTMENTS	52	37	37

5.28 Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Table 2: Investments funded by borrowing

Investments funded by borrowing	31.03.2018 Actual £m	31.03.2019 Forecast £m	31.03.2020 Forecast £m
Treasury management investments	0	0	0
Service investments: Loans	1.60	1.50	1.50
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
TOTAL FUNDED BY BORROWING	1.60	1.50	1.50

5.29 **Rate of return received:** This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Table 3: Investment rate of return (net of all costs)

Investments net rate of return	2017/18 Actual	2018/19 Forecast	2019/20 Forecast
Treasury management investments	0.58%	0.95%	1.50%
Service investments: Loans	6.94%	7.85%	7.54%
ALL INVESTMENTS	1.36%	1.79%	2.42%