



Exeter City Council

To the Chair and Members
of the Executive

Please ask for: Rowena Whiter

Direct Dial: 01392 265110

Email: rowena.whiter@exeter.gov.uk

Our ref:

Your ref:

A meeting of the **EXECUTIVE** will be held in the Rennes Room, Civic Centre, Paris Street, Exeter at **5.30 pm** on **TUESDAY 5 FEBRUARY 2013** to consider the following business. If you have an enquiry regarding any items on this agenda, please contact Rowena Whiter, Member Services Manager on **Exeter 265110**.

Entry to the Civic Centre can be gained through the Customer Service Centre, Paris Street.

Pages

A G E N D A

Part I: Items suggested for discussion with the press and public present

1 **APOLOGIES**

To receive apologies for absence from Committee members.

2 **DECLARATIONS OF INTEREST**

Councillors are reminded of the need to declare any disclosable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion of the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

3 **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985 -
EXCLUSION OF PRESS AND PUBLIC**

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of item 11 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of the Act.

Office of Corporate Manager Democratic & Civic Support

Civic Centre, Paris Street, Exeter, EX1 1JN

Tel: 01392 277888

Fax: 01392 265593

www.exeter.gov.uk

- | | |
|---|--|
| 4 | <p style="text-align: center;"><u>GENERAL FUND REVENUE ESTIMATES AND CAPITAL PROGRAMME</u>
<u>2013/14</u></p> <p>To consider the report of the Assistant Director Finance. 1 - 32</p> <p>Scrutiny Committee – Resources considered the proposed estimates and capital programme at their meeting on 23 January 2013 and their comments will be reported.</p> <p style="text-align: center;">(Report circulated)</p> |
| 5 | <p style="text-align: center;"><u>TREASURY MANAGEMENT STRATEGY 2013/14</u></p> <p>To consider the report of the Assistant Director Finance. 33 - 42</p> <p>Scrutiny Committee – Resources considered the report at their meeting on 23 January 2013 and their comments will be reported.</p> <p style="text-align: center;">(Report circulated)</p> |
| 6 | <p style="text-align: center;"><u>THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES</u></p> <p>To consider the report of the Assistant Director Finance. 43 - 62</p> <p style="text-align: center;">(Report circulated)</p> |
| 7 | <p style="text-align: center;"><u>AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT</u></p> <p>To consider the report of the Assistant Director City Development. 63 - 86</p> <p style="text-align: center;">(Report circulated)</p> |
| 8 | <p style="text-align: center;"><u>AUTHORISED SIGNATORIES FOR COUNCIL AND JOINTLY FUNDED AFFORDABLE HOUSING SCHEMES</u></p> <p>To consider the report of the Assistant Director Housing and Contracts. 87 - 88</p> <p style="text-align: center;">(Report circulated)</p> |
| 9 | <p style="text-align: center;"><u>MEMBERS' ALLOWANCES 2013/14</u></p> <p>To consider the report of the Corporate Manager Democratic and Civic Support. 89 - 98</p> <p style="text-align: center;">(Report circulated)</p> |

10

VARIATION OF DECISION ON PARKING TARIFFS

To consider the report of the Assistant Director Public Realm.

99 - 100

(Report to follow)

11

PROGRESSION TO DEVELOPING A FULL BUSINESS CASE FOR AN ICT SHARED SERVICE

To consider the report of the Strategic Director.

101 - 102

(Report circulated)

Part II: Items suggested for discussion with the press and public excluded

No representations have been received in respect of the following item in accordance with the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

12

COUNCIL OWN BUILD AFFORDABLE HOUSING PROGRAMME - WAVE TWO

To consider the report of the Assistant Director Housing and Contracts seeking approval to Wave Two of the Council Own Build affordable housing programme.

103 - 108

(Report circulated to Members)

DATE OF NEXT MEETING

The next scheduled meeting of the Executive will be held on **Tuesday 19 March 2013** at 5.30 pm in the Civic Centre.

A statement of the executive decisions taken at this meeting will be produced and made available as soon as reasonably practicable after the meeting. It may be inspected on application to the Customer Service Centre at the Civic Centre or by direct request to the Member Services Manager on 01392 265110. Minutes of the meeting will also be published on the Council's web site as soon as possible.

Membership -

Councillors Edwards (Chair), Denham, Fullam, Hannaford, Mrs Henson, Martin, Sheldon and Sutton

Find out more about Exeter City Council services by looking at our web site <http://www.exeter.gov.uk>. This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Member Services Officer on (01392) 265115 for further information.

Individual reports on this agenda can be produced in large print on request to Member Services on 01392 265111.

This page is intentionally left blank

EXETER CITY COUNCIL

EXECUTIVE
5 FEBRUARY 2013

COUNCIL
26 FEBRUARY 2013

GENERAL FUND REVENUE ESTIMATES AND CAPITAL PROGRAMME 2013/14

1. PURPOSE OF THE REPORT

- 1.1 To approve the General Fund revenue estimates for 2013/14 and to recommend the Band D level of Council Tax for 2013/14. This report also includes the proposed Capital Programme for 2013/14 and future years, and a note of the proposals in respect of the Housing Revenue Account.

2. BACKGROUND

- 2.1 At its meeting of 4 December 2012, the Executive approved a budget strategy based upon key assumptions including the likely level of available resources and identified spending pressures. This strategy, including the revised medium term financial plan, indicated that the Council needed to reduce its revenue budget by about £2.9 million over the next four years.
- 2.2 Next year will see significant changes affecting Council finances being introduced by Government. These include the following:
- Local Government Resources Review including Local Business Rate Retention
 - Pooling Arrangements for Business Rates
 - Welfare Reforms and localising support for Council Tax Benefit
 - Technical Reforms to Council Tax
- 2.3 The Government has now announced the final two-year local government finance settlement covering 2013/14 and 2014/15. For Exeter the guideline figures are as follows:
- Formula Funding 2013/14 £7,811,885 (decrease 5.4% against 2012/13 'adjusted' formula funding)

The final settlement now indicates that in overall cash terms 2013/14 formula funding will decrease by £445,922 against the 2012/13 'adjusted' formula funding amount of £8,257,807.

3. LOCAL GOVERNMENT RESOURCE REVIEW INCLUDING LOCALISATION OF BUSINESS RATES

- 3.1 The localisation of Business Rates is intended to provide incentives for local authorities to drive economic growth, as local authorities will be able to retain a share of any growth that is generated in Business Rates revenue in their areas, as opposed to the current system where all Business Rates revenues go to central Government for distribution.
- 3.2 Under the new proposals the overall level of funding to each authority from Central Government for 2013/14 reflects the amount which would have been receivable from Formula Grant (i.e. grant and share of redistributed business rates) had there been no change to the system.

3.3 This is achieved by first splitting the business rates collected in the following proportions:

50% - to Central Government
9% - to Devon County Council
1% - to the Fire Authority
40% - to be retained by Exeter City Council (the District's Business Rates Baseline)

3.4 Whilst there will be some local authorities that earn more in business rates than they used to receive from the current formula grant, there will be others who earn less. The Government takes account of this by introducing a system using "top-ups" and "tariffs". In overall terms however there is no new money for this finance system; it is a redistribution of the current monies allocated to Local Government but on a different basis.

3.5 Going forward however, the new system does allow local authorities to keep part of any increase in growth in their business rates base. The element of growth retained by each local authority has now been set at 50%. This will enable more business rates growth to be retained locally than was previously forecast.

4. POOLING ARRANGEMENTS FOR BUSINESS RATES

4.1 All the Devon Authorities have been jointly working together and have determined that based on early release of data it would be beneficial to form a Business Rates Pool for Devon. It is expected that pooling will offer the Devon authorities an opportunity to retain more of the business rates generated in their areas, due to the way in which the new process will operate. A proposal for a Devonwide Pool signed off by each relevant s151 officer and Chief Executive was submitted to Government by 9 November deadline.

4.2 The Government allowed local authorities a further chance to withdraw from pooling arrangements as long as a decision was made within 28 days of the draft report being published. The deadline of 15 January has now passed and the Council's section 151 officer (Assistant Director Finance) in consultation with the Leader has recommended that Exeter remains within the proposed Business Rates Pool for Devon.

4.3 The medium term financial plan has assumed an additional amount of £100,000 next year arising from pooling and localisation of business rates, increasing in subsequent years. At this stage this is a prudent forecast which will only become more certain in future months when the full impact of the new business rates scheme can be more accurately determined.

5. WELFARE REFORM INCLUDING LOCALISING SUPPORT FOR COUNCIL TAX

5.1 With the introduction of the Welfare Reform Bill, the Government plans that local authorities will no longer be responsible for the administration of Housing Benefit payments. Benefits payments will form part of the Universal Credit proposals amalgamating a number of welfare payments into one system administered directly by the Department for Works and Pensions (DWP). It is currently proposed to be introduced in October 2013 with a lengthy period of implementation and customers rolling into the system at different stages. This clearly brings with it uncertainties for customers, Council staff and financial uncertainty in understanding clearly the role the Council will play in the future. There is a risk in the calculations to be used by Government to reduce funding to reflect the stopping of this responsibility that the Council could be left disadvantaged.

5.2 As part of the Welfare Reform and linked with the Local Government Finance Act, the Government are Localising Support for Council Tax. This has been the subject to a separate report to Executive on 20 November 2012. The proposals are that the Council will become responsible for assisting those on low incomes to help meet their Council Tax liability, not

only in terms of administrating a scheme but actually setting the scheme details locally. The financial risks associated with this relate to how the Council will be financially reimbursed for the payments made under the scheme and the cost of administration. Under the current system, Council Tax Benefit payments are reimbursed directly to the Council based on actual cost. The new system will instead be based upon an annual allocation and not linked to actual costs thereby giving significant risk to local authorities on potential costs incurred. The Governments financial target of introducing this change is to reduce overall expenditure by 10%, thereby putting local authorities into a difficult position of having to reduce benefits/discounts to those on low incomes compared with the current scheme.

6. TECHNICAL REFORMS TO COUNCIL TAX

6.1 The Government is introducing a number of technical reforms to Council Tax from April 2013. The reforms give billing authorities more flexibility on some of the discounts that can be granted which will provide the opportunity to generate additional income. This flexibility relates to:

- Second Homes
- Empty Properties
- Properties undergoing or requiring structural works

6.2 The reforms were considered as part of a separate report to Executive on 20 November which considered the reforms in more detail. Following approval the reforms will raise an additional £374,000 in council tax revenue of which £33,000 will be directly attributable to the City Council.

7. KEY ASSUMPTIONS

7.1 In order to produce the Council's medium financial plan and annual revenue budget a number of factors have to be taken into consideration. Economic factors outside of our control such as inflation, interest rates, and economic growth etc. can have a huge impact upon the council's overall financial position. Consequently it is necessary to make a number of assumptions on such issues so that a meaningful financial plan can be produced.

7.2 With regard to inflation the following assumptions have been made with regard to the revenue budget for 2013/14:

• Pay Award	1.0%
• Pay – Increments	0.5%
• Electricity	8.0%
• Gas	20.0%
• Oil	12.0%
• Water	5.1%
• Insurance	3.0%
• Rates	2.0%
• Fuel	6.0%
• General Inflation	0.0% - see para 3.4 below
• Income (excluding car parks)	2.5%

7.3 As a means of finding efficiency savings many non-pay budgets will again not be fully increased for inflation. There will be some exceptions to this in particular where there are ongoing contractual arrangements in place and where the Council has to meet the full price increase e.g. insurance and fuel. Recently released figures show that the rate of Consumer Prices Index (CPI) inflation in the UK remained unchanged at 2.7% during December. Retail

Prices Index (RPI) inflation, which includes housing costs, edged up slightly to 3.1% during December, up from 3.0% in November.

7.4 With regard to interest rates the Bank of England has continued to put the base rate of interest on hold at only 0.5% since March 2009. Most analysts are predicting that interest are likely to remain at their historically low levels in the short term with perhaps only a modest increase towards the end of the next financial year. The low levels of interest rates affect the City Council in different ways. On the negative side the Council has to assume low investment returns on cash deposits. Conversely, on the positive side, the low interest rates currently prevailing means that the cost of short term borrowing remains low. This is particularly important to the City Council now that it has to make use of borrowing in order to fund a significant part of its capital programme.

8. LOCAL GOVERNMENT FINANCE SETTLEMENT 2013/14

8.1 As indicated above the final settlement provides local authorities with their funding allocations for the next two years. The City Council's provisional formula funding settlement for 2013/14 is £7.812 million and this represents an overall cash decrease of £0.446 million (5.4%) compared to the current year 'adjusted' formula funding of £8.258 million.

8.2 Appendix 1 shows as a comparison the formula funding settlement figures for all Devon authorities covering the current spending review period up to 2013/14. The final settlement figures will be announced later this month but at this stage it is not expected that they will be significantly different from the provisional announcement. They appear to show that in comparison with most other Devon Districts the City Council has fared slightly better in percentage terms of formula funding reduced.

8.3 In the grant settlement the Government announced that councils will face an average cut of 1.7% based upon council's 'revenue spending power'. Revenue spending power" is a definition used by the Government, which encompasses an individual authority's:

- Council Tax Requirement;
- Formula Grant;
- New Homes Bonus
- Other Grants; and
- NHS funding for social care (not applicable for district councils).

Appendix 2 shows a comparison of Devon authorities using this definition of revenue spending power. Using this measure Exeter's revenue spending power has increased by 2.3% for 2013/14, which compares favourably both nationally and with the other Devon authorities. This is primarily due to this Council's success in generating additional New Homes Bonus funding.

9. MONITORING OF REVENUE SAVINGS – 2012/13

9.1 The revenue budget for the current financial year incorporated proposed savings of £1 million. These savings are monitored during the year as part of the stewardship process and the most recent revenue budget overview report to Executive in December indicated that the Council is on track to deliver those savings.

10. FURTHER ISSUES TO BE CONSIDERED

10.1 Before the Council can finalise its revenue budget for next year there are a number of issues that require further consideration as follows: -

- Equality Impact Assessment
- Central Government advice on the level of Council Tax
- New Homes Bonus
- Future spending pressures and review of the medium term financial planning process
- The level of reserves and balances

11. EQUALITY IMPACT ASSESSMENT

11.1 Equality Impact Assessments (EQIA) form part of the Council's decision making process and are a tool to help the Council identify what effect or possible effects its work may have on different groups of people. All local authorities have a legal responsibility to assess their policies and functions, and to set out how they will monitor any possible negative impact on equality target groups. The Council needs to consider the impact on equalities of all new and reviewed Council strategies, policies, projects, services or functions, budget decisions and restructures. By anticipating the consequences of its actions on equality groups the Council can make sure that, as far as possible, any negative consequences are eliminated, minimised or counterbalanced by other measures, and opportunities for promoting equality are maximised. As part of this process any revenue savings proposals are assessed for any potential equality issues and EQIA's are undertaken as appropriate with the results available on the council's web site. An EQIA has previously been undertaken for both the Council's senior management restructure and organisational review process.

12. COUNCIL TAX

12.1 On 8 October 2012, the Chancellor of the Exchequer announced an extra £450 million fund for local authorities who decide to freeze council tax next year. If they do, councils, police and fire authorities will stand to receive £225 million of funding in both financial years 2013/14 and 2014/15, equivalent to raising their 2012/13 council tax by one per cent.

12.2 As part of the Local Government Finance settlement the Secretary of State has also announced the council tax referendum principles he proposes to set. He has proposed that a two per cent referendum principle will apply for all local authorities, Police and Fire and Rescue Authorities. This means that if an authority wishes to raise their relevant basic amount of council tax in 2013/14 by more than two per cent, they will have to arrange for a referendum to give the local electorate the opportunity to approve or veto the increase. The result of a referendum will be binding. However importantly there are some exceptions to the 2 per cent excessiveness principle, covering shire district councils, Fire and Rescue Authorities and Police Authorities whose 2012/13 own Band D council tax is in the lower quartile for their category of authority. For these authorities a referendum need only be held where the increase in the relevant basic amount of council tax for 2013/14 is more than 2 per cent and there is a cash increase of more than £5 in the relevant basic amount.

12.3 Exeter is identified as an authority that falls into the lower quartile and could therefore increase its council tax next year by up to £5 before a referendum would be triggered. The band D council tax for Exeter is currently £124.84 and an increase of £5 per year equates to an increase of 4.0%. An increase of £5 per annum will increase council tax revenue by £170,000.

12.4 The Budget Strategy presented to Executive in December had assumed that council tax would increase by 2%. However taking into account the revised referendum threshold and the Council's current low level of council tax it has now been assumed that a band D council tax for the City Council can increase by £5 per annum for 2013/14.

13. NEW HOMES BONUS

13.1 The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. The scheme provides local authorities with a New Homes Bonus grant, equal to the national average for the council tax band on each additional property and paid for the following six years as an unringfenced grant. There is also an enhancement for affordable homes. Whereas previously DCLG has allocated additional funding for the scheme in 2011/12 and 2012/13, this is no longer the case from 2013/14 onwards with funding for the scheme being 'top-sliced' from mainstream grant funding.

13.2 To date the Council has received New Homes Bonus of £389,165 in 2011/12, £1,322,664 in 2012/13 and provisionally notified that it will receive a further £2.205 million in 2013/14. The Executive has recently approved a revised allocation that sets out how the New Homes Bonus funding should be used from 2013/14 onwards. Based upon this revision and using future estimates of New Homes Bonus funding the allocation is set out in the table below:-

Year	Top Slice £000's	Community Projects £000's	Major Infrastructure £000's	Unallocated £000's	Total £000's
2011/12	-	-	-	389	389
2012/13	120	361	601	241	1,323
2013/14	120	250	1,418	417	2,205
2014/15	120	250	1,937	547	2,854
2015/16	120	250	2,456	677	3,503
2016/17	120	250	2,975	806	4,151
2017/18	120	250	3,183	858	4,411
Total	720	1,611	12,570	3,935	18,836

14. FUTURE SPENDING PRESSURES AND REVIEW OF THE MEDIUM TERM FINANCIAL PLANNING PROCESS

14.1 The Council has a medium term financial strategy that forms an integral part of its formal financial planning processes. The key elements of this strategy form part of the overall Budget Strategy that is approved by Council each year. As a brief reminder the Medium Term Financial Strategy contains the following key points:

- It sets out a 5 year revenue financial plan (covering the period to 2016/17)
- It identifies the likely level of grant support from the government
- Sets out the likely level of future council tax increases
- Identifies future service cost variations
- Identifies level of future investment income and costs of borrowing
- Takes into account the revenue consequences of the Capital Programme
- Identifies the future amount of efficiency savings/cost reductions required for a balanced budget

- 14.2 An updated medium term financial plan (MTFP) covering the period 2012/13 to 2016/17 is attached in Appendix 3.
- 14.3 Although the Council is required to approve an annual revenue budget it does also need to take into account future spending pressures and the likely level of available resources covered by its medium term financial plan. The latest forecast MTFP currently indicates that in addition to the savings proposed for next year the Council will need to reduce its revenue budget by a further £727,000 in 2014/15, £836,000 in 2015/16 and by a further £885,000 in 2016/17. The result of all these reductions is **a cumulative reduction of £2.448 million over the following three years** as shown in the table below:-

Year	Required Savings £000
2014/15	727
2015/16	836
2016/17	885
Total	2,448

- 14.4 Looking to the longer term there are a number of uncertainties and factors that could affect the future financial position. These include: the amount of grant support from central government including localisation of business rates and the new pooling arrangements, the level of future years' pension contributions, potential costs arising from the review of service plans, the cost of any new statutory functions, and additional borrowing and revenue costs in respect of any new capital programme commitments. Any additional revenue costs that are not currently identified within the medium term financial plan will now have to be met from further savings.

15. BALANCES AND RESERVES

- 15.1 The Council's current policy is such that the minimum level of the General Fund Balance will now be £2 million. This is considered a sufficient level taking into account the potential level of financial risk facing the Council in the medium term. The latest estimated position of the General Fund Balance is that it will be £3.476 million as at 31 March 2013, equivalent to 25.3% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 3) indicates that the General Fund Balance will be reduced to the minimum recommended level of £2 million by the end of 2016/17.
- 15.2 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2013/14 includes a net transfer to earmarked reserves of £2,443,000. This is broken down as shown below:-

Transfer (from)/ to reserves:

	£
New Homes Bonus	2,205,000
Restructuring	<u>238,000</u>
	2,443,000

16. ASSET IMPROVEMENT AND MAINTENANCE (AIM)

- 16.1 The General Fund budget for 2013/14 includes an overall allowance of £1,420,120 for AIM expenditure in order to maintain and service the Council's non-housing properties. Of this amount £1,316,120 will be allocated to meet on-going revenue commitments and £104,000 for high priority service requirements.

17. REVENUE ESTIMATES 2013/14 (APPENDIX 4)

- 17.1 In total, Service Committee Expenditure for 2013/14 is £11,786,320 which is £1,790,630 less than the current year. A summarised breakdown of this decrease is shown below: -

	£000's
Service Committee Expenditure 2012/13	13,580
Net Inflation Allocation	272
Increase in service costs	124
Revenue Savings	<u>(2,190)</u>
Service Committee Expenditure 2013/14	11,786

- 17.2 In addition there are other items to take into account referred to as 'below the line' as they do not form part of the individual service controllable budgets. These include an estimate of £140,000 for net borrowing in respect of the overall cash balances, £1,358,000 towards meeting the borrowing costs of the Council's capital programme, and new homes bonus grant and transfers in respect of balances and reserves. The Council's total General Fund Expenditure budget requirement for 2013/14 is planned to be £13,522,406, a decrease of £234,746 (1.7%) compared to 2012/13.

18. COUNCIL TAX BUDGET REQUIREMENT 2013/14 (APPENDIX 5)

- 18.1 When all the Government Grant funding is taken into account the resultant net expenditure to be financed from council tax is £4,391,189 (as indicated in Appendix 4), a decrease of £365,403 (7.7%) compared to 2012/13. The reason for the decrease is due to the replacement of council tax benefit by the new localised council tax support scheme.
- 18.2 Each year the Council must estimate the likely surplus or deficit position on its Collection Fund and any such amounts must be taken into account when determining the band D Council Tax amount for 2013/14. For next year it is estimated that the collection fund will break even resulting in neither a surplus or deficit position.
- 18.3 As indicated above it is proposed that the net expenditure to be funded by council tax for 2013/14 is £4,391,189. When the tax base of 33,820 divides this amount, the proposed band D council tax for 2013/14 will be £129.84, which means that the council tax will increase annually by £5.

19. HOUSING REVENUE ACCOUNT (HRA)

- 19.1 In April 2012 the Government introduced self-financing to the Housing Revenue Account following the end of the subsidy system. Self-financing is intended to put all local authority landlords in the position where they can support their own stock from their own income. Thus all income collected locally from rents, service charges and other sources will be kept at a local level to deliver housing services to tenants and to maintain housing stock.
- 19.2 The main features of self-financing are:
- The HRA continues to be framed by the Local Government and Housing Act 1989, which covers the detailed operation of the HRA; the structure and ring-fenced nature of the account therefore remain in place.

- The Government have set a Council Housing Borrowing Limit for each local authority (the cap). The cap is calculated as the authority's one-off debt settlement payment plus the debt associated with new build schemes built under contract with the Homes and Communities Agency. This equates to a debt cap of £57.882m for the Council and currently prevents the HRA from taking on any additional borrowing.
- Local authorities are expected to maintain a long term business plan for housing for financial and service planning, monitoring progress and managing risk.

19.3 Rent convergence with the housing association sector is expected to be achieved by 2015/16, in accordance with the Government's social rent policy. Rents in respect of council dwellings have therefore been calculated by applying an annual inflationary increase of 3.1% plus a convergence factor to reflect the number of years to rental convergence. It is anticipated that the average annual rent increase for 2013/14 will be 6%, which is £4.05 per week over 52 weeks.

19.4 In April 2012 the Government raised the cap on Right to Buy (RTB) discounts to £75,000 and confirmed that receipts from the additional sales this would generate need to be used to fund replacement stock on a one-for-one basis. Each local housing authority is able to retain the additional RTB receipts, providing it can demonstrate that it has spent a sufficient amount on replacement homes within 3 years and have entered into an agreement with the Department for Communities and Local Government for the provision of replacement homes. Exeter City Council entered into an agreement with DCLG on 27 June 2012 and is therefore able to retain the additional RTB receipts for local reinvestment

20. CAPITAL PROGRAMME RESOURCES (APPENDIX 6)

20.1 In previous years the annual capital programme has been financed from Government allocated grants together with money from the Council's own capital receipts and capital reserves. However the funding from these sources has now reduced and as a result the Council has to use borrowing instead to fund a significant part of its proposed capital programme. This also has an ongoing impact on the Council's revenue budget. The Council must ensure that any borrowing decisions remain affordable and to this end, has to adopt a number of prudential indicators, which are set out in the Prudential Code for Capital Finance in Local Authorities developed by CIPFA. A separate report to this meeting of the Executive sets out the Council's Prudential Indicators for approval by members.

20.2 The available capital resources for General Fund and Housing for 2013/14 are £10.645 million. An estimated spend of £2.236 million is required in respect of the General Fund and £9.090 million for the HRA. The total spend on capital will be £11.326 million of which £1.946 million will have to be funded from borrowing. Appendix 6 sets out the forecast use of the resources available for the General Fund and the Housing Revenue Account and the likely amounts of borrowing that will be necessary to fund the capital programme.

21. GENERAL FUND CAPITAL PROGRAMME (APPENDIX 7)

21.1 The proposed capital programme is set out in Appendix 7. The new / previously approved schemes total £3.194 million in 2013/14. The capital programme has been set out in line with the Council's current purposes, in order to demonstrate how the Council's capital priorities help to contribute towards their achievement. Although a number of schemes contribute to the achievement of more than one purpose, they have been placed under the objective to which it is considered the scheme contributes the most.

22. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME (APPENDIX 9)

22.1 For 2013/14 the medium term financial strategy provides for a HRA capital programme of £9.090 million. This is funded from:

- Major Repairs Allowance £2.605 million
- Revenue Contributions to Capital £5.959 million
- Capital Receipts £0.526 million

23. RISK ASSESSMENT

23.1 It has already been mentioned above in this report that our financial forecasts are based on a number of assumptions including the level of inflation, interest rates, income levels, support from the Government and general prevailing economic conditions. In addition there are a number of uncertainties that could affect the financial position either now or in the future. These include the level of future years' pension contributions, potential costs arising from the review of service plans, and the cost of any new statutory functions.

23.2 Although the Council faces risks from the assumptions and uncertainties outlined above these have been mitigated by the following:

- Adopting a prudent approach to financial forecasting which involves obtaining information from external professional sources
- Continuous monitoring and review of the key factors together with regular reports to Members on any key issues
- Regular stewardship meetings with budget managers to ensure that budget pressures are identified at the earliest opportunity
- The adoption of robust financial management arrangements including option appraisal, risk assessment and financial monitoring
- Retaining a prudent level of reserves and balances

23.3 As part of the general budget-setting process the Council needs to also consider the risks inherent in the budgets set and the adequacy of the measures put in place to manage the potential risks.

24. STATEMENT OF THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES

24.1 There is a requirement under Section 25 of the Local Government Act 2003 that requires the chief finance officer of a local authority to formally report to its members on the robustness of the estimates and the adequacy of its reserves when it is considering its budget and council tax.

24.2 I have already outlined above in this report the key assumptions that have been made in the budget proposals for next year including an assessment of the risks and mitigating factors. As the chief finance officer for this Council I therefore consider that the budget estimates for 2013/14 that have been prepared are both robust and achievable.

24.3 The Council's current policy is such that the minimum level of the General Fund Balance will be £2 million. This is considered a sufficient level taking into account the potential level of financial risk facing the Council in the medium term. The latest estimated position of the

General Fund Balance is that it will be £3.476 million as at 31 March 2013, equivalent to 23.1% of Exeter's net revenue budget. The Council's current medium-term financial plan indicates that the General Fund Balance will be reduced to the minimum recommended level of £2 million by the end of 2016/17.

24.4 The Council's financial strategy recognises the need to maintain a General Fund Balance to provide stability for both medium and longer term planning and to provide a contingency against unforeseen events. In setting this minimum amount of £2 million the following have been taken into account: -

- The size of the authority
- The volatility of some income and expenditure budgets
- The risks faced by the Council with regard to funding unforeseen events
- The financial risks inherent in partnerships, outsourcing deals and as accountable body for external funding

24.5 The Council's estimated revenue Reserves are as follows: -

	31/03/2012 £'000	31/03/2013 £'000	31/03/2014 £'000
<u>Earmarked</u>			
Total Earmarked Reserves	1,892	2,658	4,731
<u>Non-Earmarked</u>			
General Fund Balance	4,285	3,476	3,476

25. PRECEPTS

25.1 Devon County Council, the Office of the Police and Crime Commissioner Devon and Cornwall (OPCC Devon and Cornwall) and the Devon and Somerset Fire Authority will all precept separately upon the council tax payers in Exeter. The County Council, OPCC Devon and Cornwall and Fire Authority will meet on the 21st, 8th and 18th February respectively. The recommendations are:

	2012/13	2013/14	Change	
	£	£	£	%
Devon County Council	1,116.36	x,xxx.xx	xx.xx	x.xx
OPCC Devon and Cornwall	159.73	xxx.xx	x.xx	x.xx
Devon and Somerset Fire Authority	73.92	xx.xx	x.xx	x.xx
Total Precept	1,350.01	x,xxx.xx	xx.xx	x.xx

26. FINAL POSITION

- 26.1 Based upon the recommendations above the aggregate requirements of Exeter City Council, Devon County Council, OPCC Devon and Cornwall and the Devon and Somerset Fire Authority will result in a council tax for the City of Exeter for 2013/14 of £x,xxx.xx per Band D property.
- 26.2 This is an overall increase of £xx.xx (x.xx%) on the amount of £1,474.85 levied for 2012/13.
- 26.3 The detailed figures are: -

Band	Exeter £	DCC £	Police £	Fire £	Total £
A	86.56				
B	100.99				
C	115.41				
D	129.84				
E	158.69				
F	187.55				
G	216.40				
H	259.68				

27. RECOMMENDATIONS

It is recommended that:

- 27.1 the Council's overall spending proposals in respect of both its revenue and capital budgets are approved;
- 27.2 the council tax for each Band be recommended to the Council as set out in section 26.3, subject to Devon County Council, OPCC Devon and Cornwall and the Devon and Somerset Fire Authority confirming their Band D levels respectively;
- 27.3 when the actual council tax amounts for Devon County Council, Devon and Cornwall Police Authority, and the Devon and Somerset Fire Authority are set then the revised council tax levels be submitted to Council on 26 February 2013 for approval;
- 27.4 Members note the Statement given by the chief finance officer as required under Section 25 of the Local Government Act 2003.

ASSISTANT DIRECTOR FINANCE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None

FORMULA GRANT DECREASES - DEVON AUTHORITIES

Authority	Adjusted Grant 2010/11 £m	Adjusted Grant 2011/12 £m	Yearly Decrease %	Grant 2012/13 £m	Yearly Decrease %	Grant 2013/14 £m	Yearly Decrease %	Grant Decrease 2010/11 - 2013/14 £m	%
Devon	211.585	184.056	-13.0%	158.320	-14.0%	152.262	-3.8%	-59.323	-28.0%
Plymouth	123.813	111.734	-9.8%	99.916	-10.6%	97.373	-2.5%	-26.440	-21.4%
Torbay	70.108	62.111	-11.4%	55.309	-11.0%	53.038	-4.1%	-17.070	-24.3%
East Devon	7.031	5.908	-16.0%	5.232	-11.4%	4.741	-9.4%	-2.290	-32.6%
Exeter	10.690	9.235	-13.6%	8.258	-10.6%	7.812	-5.4%	-2.878	-26.9%
Mid Devon	5.689	4.795	-15.7%	4.169	-13.1%	4.015	-3.7%	-1.674	-29.4%
North Devon	7.630	6.509	-14.7%	5.715	-12.2%	5.374	-6.0%	-2.256	-29.6%
South Hams	4.956	4.166	-15.9%	3.649	-12.4%	3.384	-7.3%	-1.572	-31.7%
Teignbridge	8.703	7.417	-14.8%	6.512	-12.2%	6.030	-7.4%	-2.673	-30.7%
Torrington	6.064	5.238	-13.6%	4.651	-11.2%	4.457	-4.2%	-1.607	-26.5%
West Devon	4.044	3.409	-15.7%	2.975	-12.7%	2.901	-2.5%	-1.143	-28.3%

This page is intentionally left blank

REVENUE SPENDING POWER CHANGES - DEVON AUTHORITIES

Authority	Revenue Spending Power 2012/13 £m	Revenue Spending Power 2013/14 £m	Revenue Spending Power Change £m	%
Devon	582.336	570.260	-12.076	-2.1%
Plymouth Torbay	236.609 141.806	232.167 138.505	-4.442 -3.301	-1.9% -2.3%
East Devon Exeter	14.287 15.707	14.111 16.074	-0.176 0.367	-1.2% 2.3%
Mid Devon	10.669	10.781	0.112	1.0%
North Devon	13.296	12.982	-0.314	-2.4%
South Hams	10.593	10.582	-0.011	-0.1%
Teignbridge	16.503	16.322	-0.181	-1.1%
Torrige	9.634	9.720	0.086	0.9%
West Devon	8.725	8.828	0.103	1.2%

This page is intentionally left blank

MEDIUM TERM REVENUE PLAN (2012/13 - 2016/17)

	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000
Resources					
Central Government Support	8,258	7,812	6,694	6,342	5,903
Extra grant to compensate for council tax freeze	237	118	118	0	0
Council Tax Support Grant		598	598	598	598
Homelessness Grant	505	503	503	503	503
New Homes Bonus	1,323	2,205	2,854	3,503	4,152
Pooling of Business Rates		100	200	250	300
Council Tax - £5 pa 2013/14 and 2.0% following years	4,757	4,391	4,513	4,637	4,767
Likely resources	15,080	15,727	15,480	15,833	16,223
Expenditure					
Service expenditure					
Committee expenditure base budget	13,361	13,580	11,786	11,402	10,866
Inflation	421	272	300	300	300
Potential increase in service costs	846	124	43	0	0
Voluntary Redundancies					
Supplementary Budgets and AIM Carry Forward	14,628	13,976	12,129	11,702	11,166
Net Interest	138	140	240	260	270
Forecast Committee Underspend	(258)				
Repayment of capital borrowing	1,107	1,358	1,594	1,754	1,836
New Homes Bonus - Capacity Building	120	120	120	120	120
New Homes Bonus - Community Schemes	361	250	250	250	250
New Homes Bonus - Major Infrastructure	601	1,418	1,937	2,456	2,976
New Homes Bonus - Unallocated	241	417	547	677	806
Other funding	17,013	17,679	16,817	17,219	17,424
Contribution to/ (from) earmarked reserves	(76)	238	0	0	0
Contribution to/ (from) balances - Other	(809)	0	(610)	(550)	(316)
	(885)	238	(610)	(550)	(316)
Annual savings achieved	(1,048)	(2,190)	(727)	(836)	(885)
Annual savings required					(2,448)
Total Net Budget	15,080	15,727	15,480	15,833	16,223
Opening General Fund Balance	4,285	3,476	3,476	2,866	2,316
Closing General Fund Balance	3,476	3,476	2,866	2,316	2,000
Balance as a percentage of budget	23.1%	22.1%	18.5%	14.6%	12.3%

This page is intentionally left blank

2013/14 GENERAL FUND ESTIMATES

	2012/13 BUDGET £	2013/14 BUDGET £	CHANGE £	%
Scrutiny - Community	13,552,090	13,108,610	(443,480)	
Scrutiny - Economy	(2,537,130)	(3,909,720)	(1,372,590)	
Scrutiny - Resources	6,094,780	5,717,220	(377,560)	
Senior Management Restructure	(500,000)	0	500,000	
Vacancy Management	0	(100,000)	(100,000)	
Less Notional Capital Charges	(3,029,790)	(3,029,790)	0	
SERVICE ESTIMATES TOTAL	13,579,950	11,786,320	(1,793,630)	-13.2%
Net Interest	150,000	140,000	(10,000)	
Minimum Revenue Provision	1,076,000	1,358,000	282,000	
SERVICE ESTIMATES NET EXPENDITURE	14,805,950	13,284,320	(1,521,630)	-10.3%
New Homes Bonus	(1,322,665)	(2,204,830)	(882,165)	
Transfer to/(from) working balance	(923,198)	0	923,198	
Transfer to/(from) earmarked reserves	1,197,065	2,442,916	1,245,851	
GENERAL FUND EXPENDITURE	13,757,152	13,522,406	(234,746)	(1.7)%
Formula Funding	(8,257,807)	(7,811,885)	445,922	(5.4)%
Pooling of Business Rates	0	(100,000)	(100,000)	
Homelessness Grant	(505,470)	(502,618)	2,852	
Council Tax Support Grant	0	(598,294)	(598,294)	
Council Tax Freeze Grant	(237,283)	(118,420)	118,863	
COUNCIL TAX NET EXPENDITURE	4,756,592	4,391,189	(365,403)	(7.7)%

This page is intentionally left blank

**EXETER CITY COUNCIL
2013/14 COUNCIL TAX - SUMMARY**

	2012/13	2013/14
Council Tax Base	38,241	33,820
	Total Expenditure £	Total Expenditure £
General Fund Budget	4,756,592	4,391,189
	Band D Council Tax £	Band D Council Tax £
Collection Fund (Council Tax) Deficit	17,415	0
	124.38	129.84
	0.46	0.00
TOTAL	4,774,007	4,391,189
	124.84	129.84

This page is intentionally left blank

GENERAL FUND	2013-14 £	2014-15	2015-16	Future Years £	TOTAL £
CAPITAL RESOURCES AVAILABLE					
Usable Receipts Brought Forward					0
GF capital receipts					0
GF capital receipts from the Canal Basin Redevelopment					0
Revenue Contributions to Capital Outlay	290,000	290,000	290,000	290,000	1,160,000
Disabled Facility Grant					0
Regional Housing Capital Grant					0
Heritage Lottery Fund					0
Other - Grants/External Funding/Reserves/S106					0
Total Resources Available	290,000	290,000	290,000	290,000	1,160,000
GENERAL FUND CAPITAL PROGRAMME					
Capital Programme	744,830	601,000	551,000	551,000	2,447,830
Proposed New Bids	2,449,000	4,420,000	700,000	650,000	8,219,000
Total General Fund	3,193,830	5,021,000	1,251,000	1,201,000	10,666,830

ESTIMATED SPEND IN YEAR **2,235,681** **4,472,849** **2,382,000** **1,576,300** **10,666,830**

UNCOMMITTED CAPITAL RESOURCES:					
Capital Receipts Brought Forward	0	0	0	0	0
Resources in Year	290,000	290,000	290,000	290,000	1,160,000
Less Estimated Spend in Year	(2,235,681)	(4,472,849)	(2,382,000)	(1,576,300)	(10,666,830)
Borrowing Requirement	1,945,681	4,182,849	2,092,000	1,286,300	9,506,830
Uncommitted Capital Receipts	0	0	0	0	0

This page is intentionally left blank

HOUSING REVENUE ACCOUNT	2012-13 £	2013-14 £	2014-15 £	2015-16 £	TOTAL £
CAPITAL RESOURCES AVAILABLE					
Usable Receipts Brought Forward					448,163
Major Repairs Reserve Brought Forward					3,149,400
Other HRA Sales	338,291	0	0	0	338,291
RTB sales	124,000	145,612	163,294	163,294	596,200
Major Repairs Reserve	3,666,050	2,186,900	2,186,900	2,186,900	10,226,750
Revenue Contributions to Capital	4,466,100	5,037,484	5,437,810	3,492,972	18,434,366
External contributions from utility company	100,440	0	0	0	100,440
Committed sums	40,000	0	0	0	40,000
Total Resources available	8,734,881	7,369,996	7,788,004	5,843,166	33,333,610
CAPITAL PROGRAMME					
HRA Capital Programme	9,347,174	9,090,030	8,363,830	5,395,520	32,196,554
Total Housing Revenue Account	9,347,174	9,090,030	8,363,830	5,395,520	32,196,554
UNCOMMITTED CAPITAL RESOURCES:					
Usable Receipts Brought Forward	448,163	380,504	526,116	689,410	448,163
Major Repairs Reserve Brought Forward	3,149,400	2,604,766	739,120	0	3,149,400
Resources in Year	8,734,881	7,369,996	7,788,004	5,843,166	29,736,047
Less Estimated Spend	(9,347,174)	(9,090,030)	(8,363,830)	(5,395,520)	(32,196,554)
Uncommitted Capital Resources	2,985,270	1,265,236	689,410	1,137,056	1,137,056
WORKING BALANCE RESOURCES:					
Balance Brought Forward	5,764,422	5,869,622	7,581,782	8,958,410	5,764,422
HRA Balance Transfer - Surplus/(Deficit)	105,200	1,712,160	1,376,628	4,422,341	7,616,329
Balance Carried Forward	5,869,622	7,581,782	8,958,410	13,380,751	13,380,751
Balance Resolved to be Retained	(2,500,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
	3,369,622	4,581,782	5,958,410	10,380,751	10,380,751
TOTAL AVAILABLE CAPITAL RESOURCES	6,354,892	5,847,018	6,647,820	11,517,807	11,517,807

This page is intentionally left blank

GENERAL FUND - CAPITAL PROGRAMME 2013/14 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2013/14 £	2014/15 £	2015/16 £	Future Years £	Funding
HELP ME FIND SOMEWHERE SUITABLE TO LIVE					
Disabled Facilities Grants	290,000	290,000	290,000	290,000	External Grant
Warm Up Exeter/PLEA scheme	100,000 #	100,000 #	100,000 #	100,000 #	Borrowing
Renovation Grants	50,000	50,000	50,000 #	50,000 #	Borrowing
Private Sector Renewal Scheme	143,830				Borrowing
Wessex Loan Scheme	0	100,000 #	100,000 #		Borrowing
Sub Total - Help me find somewhere suitable to live	583,830	540,000	540,000	440,000	
PROVIDE GREAT THINGS FOR ME TO SEE DO AND VISIT					
Play Area Refurbishments	80,000 #	120,000 #			Section 106 £181,650 and borrowing
Sports Facilities Refurbishment	50,000 #	50,000 #	50,000 #	100,000 #	Borrowing
Replacement of Running Track at Exeter Arena	750,000 #				Borrowing
New Swimming Pool and Leisure Centre				tbc	Borrowing and New Homes Bonus
Sub Total - Provide great things for me to see do and visit	880,000	170,000	50,000	100,000	
OTHER					
Vehicle Replacement Programme	450,000 #	400,000 #	400,000 #	400,000 #	Borrowing
Sub Total - Other	450,000	400,000	400,000	400,000	
TOTAL COMMUNITY CAPITAL PROGRAMME	1,913,830	1,110,000	990,000	940,000	

GENERAL FUND - CAPITAL PROGRAMME 2013/14 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2013/14 £	2014/15 £	2015/16 £	Future Years £	Funding
IMPROVE THE ENVIRONMENT AND MY NEIGHBOURHOOD					
Northbrook flood Alleviation Scheme	200,000 #	300,000 #			Borrowing
Contribution towards major flood prevention works		3,000,000 #			Borrowing
Purchase of Land	280,000 #				New Homes Bonus
Sub Total - Improve the env. and my neighbourhood	480,000	3,300,000	0	0	
MAINTAIN THE ASSETS OF OUR CITY					
Topsham Lock Leak	35,000 #				Borrowing
Verney House - Window Replacement	60,000 #				Borrowing
Sub Total - Maintain the assets of our city	95,000	0	0	0	
OTHER					
Replacement of car park pay and display machines	230,000 #				Borrowing but self financing within 2 years
Sub Total - Other	230,000	0	0	0	
TOTAL ECONOMY CAPITAL PROGRAMME	805,000	3,300,000	0	0	

GENERAL FUND - CAPITAL PROGRAMME 2013/14 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2013/14 £	2014/15 £	2015/16 £	Future Years £	Funding
MAINTAIN THE ASSETS OF OUR CITY					
Guildhall - Recovering and insulating of roof		350,000 #			Borrowing
Sub Total - Maintain the assets of our city	0	350,000	0	0	
OTHER					
Server and Storage Strategy	32,000 #				Borrowing
PC & Mobile Devices Replacement Programme	60,000 #				Borrowing
Corporate Network Infrastructure	22,000 #				Borrowing
Invest to save opportunities	100,000 #				Borrowing but self financing
Capitalised Staff Costs	261,000	261,000	261,000	261,000	Borrowing
Sub Total - Other	475,000	261,000	261,000	261,000	
TOTAL RESOURCES CAPITAL PROGRAMME	475,000	611,000	261,000	261,000	
TOTAL CAPITAL PROGRAMME	3,193,830	5,021,000	1,251,000	1,201,000	
New Bids #	2,449,000	4,420,000	700,000	650,000	
Pre-Approved	744,830	601,000	551,000	551,000	
TOTAL CAPITAL PROGRAMME	3,193,830	5,021,000	1,251,000	1,201,000	

This page is intentionally left blank

HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2013/14 AND FUTURE YEARS

SCHEMES LISTED WITHIN KEY STRATEGIC THEMES		2012-13 B/FWD £	2013-14 £	2013-14 Total £	2014-15 £	2015-16 £	Total £
HOUSING IN THE CITY							
1	Adaptations		600,000	600,000	600,000	600,000	1,800,000
2	Bathroom Replacements		1,030,000	1,030,000	1,060,000	600,000	2,690,000
3	Boiler Replacement Programme		260,000	260,000	260,000	260,000	780,000
4	Central Heating		240,000	240,000	240,000	240,000	720,000
5	Communal Areas	50,000	100,000	150,000	100,000	100,000	350,000
6	Door Entry System Installation		10,000	10,000	10,000	10,000	30,000
7	Electrical Rewires Programmed		460,000	460,000	447,800	447,800	1,355,600
8	Energy Conservation	80,000	30,000	110,000	30,000	30,000	170,000
9	Environmental Improvements		41,000	41,000	25,000	25,000	91,000
10	Fees		389,030	389,030	389,030	300,720	1,078,780
11	Fire Alarms at Sheltered Sites	80,000	-	80,000	-	-	80,000
12	Flood Prevention Works		10,000	10,000	-	-	10,000
13	Fire Prevention Work		200,000	200,000	200,000	200,000	600,000
14	Kitchen Replacements		2,400,000	2,400,000	2,470,000	900,000	5,770,000
15	LAINGS Refurbishments		370,000	370,000	600,000	600,000	1,570,000
16	Other works		50,000	50,000	50,000	50,000	150,000
17	Programmed Reroofing		300,000	300,000	252,000	252,000	804,000
18	Property Entrance Improvements		20,000	20,000	-	-	20,000
19	Rendering of Council Dwellings		260,000	260,000	260,000	260,000	780,000
20	Rennes House Scooter Store		15,000	15,000	-	-	15,000
21	Rennes House Structural Works		1,000,000	1,000,000	850,000	-	1,850,000
22	Replacement Concrete Canopies		25,000	25,000	-	-	25,000
23	Repointing	30,000	20,000	50,000	20,000	20,000	90,000
24	Smoke Detector Replacements		200,000	200,000	-	-	200,000
25	Social Housing Acquisitions		500,000	500,000	500,000	500,000	1,500,000
26	Structural Repairs	20,000	-	20,000	-	-	20,000
27	Council Own Build - Land Purchase	300,000	-	300,000	-	-	300,000
Total HRA Capital Programme		560,000	8,530,030	9,090,030	8,363,830	5,395,520	22,849,380

This page is intentionally left blank

EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 23 JANUARY 2013

EXECUTIVE 5 FEBRUARY 2013

COUNCIL 26 FEBRUARY 2013

TREASURY MANAGEMENT STRATEGY REPORT 2013/14

1. PURPOSE OF THE REPORT

- 1.1 To seek adoption by the Council of the Treasury Management Strategy Report, incorporating the Annual Investment Strategy 2013/14, as required under section 15(1)(a) of the Local Government Act 2003.

2. BACKGROUND

- 2.1 In February 2011 the Council adopted the *CIPFA Treasury Management in the Public Services: Code of Practice*, which requires the Council to approve a treasury management strategy before the start of each financial year. In November 2011, CIPFA updated the guidance and require the adopted clauses from 2009 to be updated and re-approved.
- 2.2 In addition, the Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

3. CHANGES TO THE STRATEGY

- 3.1 The main change to the Strategy is to seek approval to increase the amount of money that can be held with UK banks. Over recent times, UK banks have been downgraded along with many international financial institutions. All, with the exception of HSBC and Standard Chartered (both F1+), are graded at F1 short term. In line with our Strategy we are only able to deposit £1 million with each Group of Banks (Lloyds TSB Group, Barclays, Nationwide and Royal Bank of Scotland). This has meant we are unable to actively manage our cashflow and invest surplus funds in Banks, thus we have used the Debt Management Office for short term investments at a rate of 0.25%. As a result it would be helpful to allow investments of £3 million to be undertaken on a short term basis (up to 3 months) or in a call account with the four banking groups listed above. We will continue with our policy of not using foreign owned banks under F1+ for investment purposes.

4. RISKS INVOLVED

- 4.1 The economic conditions remain tough and it is important to maintain a hold on the number of counterparties the Council will use. However, there is very little scope in the current strategy to invest any money with UK Banks so an increase in the limit, but not the number of Counterparties would assist the Council in generating additional income, whilst maintaining tight control on the organisations used.

5. CONCLUSIONS

- 5.1 The Strategy continues to limit the types of institution that the Council will lend money to, in order to minimise risk.

6. RECOMMENDATIONS

- 6.1 That Scrutiny and Executive support and Executive recommend to Council the adoption of the new Treasury Management Strategy and delegations contained therein.

ASSISTANT DIRECTOR FINANCE

Local Government (Access to Information) Act 1985 (as amended) Background Papers used in compiling this report:

1. Treasury Management Strategy

EXETER CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2013/14

1. Introduction

- 1.1 The Council's strategy is based on the requirements of the DCLG's Guidance on Local Government Investments ("Guidance") and CIPFA's Treasury Management in Public Services: Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code").

2. Economic Context

- 2.1 Despite some positive economic growth data towards the end of 2012, the overall uncertainty over the economic outlook persists. Consumer Price Inflation has fallen closer to the Bank of England's 2% target, although it is expected to be affected by volatility in energy and commodity prices throughout 2013.
- 2.2 Having voted to increase quantitative easing by £50bn in July, the Bank's Monetary Policy Committee is waiting to assess the effectiveness of the Funding for Lending Scheme that started in August. Further easing remains a distinct possibility, although there is a developing consensus that it is becoming less effective.
- 2.3 The US Federal Reserve has responded to the slowdown in growth and employment with large scale asset purchases of \$40bn a month until the outlook for the labour market improves substantially. The US public finance 'fiscal cliff' nevertheless remains a serious risk unless a political solution is reached soon.
- 2.4 Interest rate forecasts
The Council's treasury management adviser, Arlingclose, believes that it could be 2016 before official UK interest rates rise. The US Federal Reserve has signalled it will keep interest rates "at exceptionally low levels" until at least 2015. Together with the UK's safe haven status, the minimal prospect of short-term rate rises means that gilt yields are expected to remain near their current lows.

2.5 *Arlingclose central interest rate forecast – November 2012*

	Bank Rate	3 month LIBID	12 month LIBID	20-year gilt yield*
Current	0.50	0.40	1.09	2.71
Q4 2012	0.50	0.55	1.10	2.80
Q1 2013	0.50	0.55	1.10	2.80
Q2 2013	0.50	0.60	1.25	2.80
Q3 2013	0.50	0.60	1.25	2.80
Q4 2013	0.50	0.60	1.25	2.80
H1 2014	0.50	0.70	1.40	2.90
H2 2014	0.50	0.75	1.40	2.90
H1 2015	0.50	0.75	1.40	3.00
H2 2015	0.50	0.75	1.40	3.00

* The Council can currently borrow from the PWLB at 1% above gilt yields

2.6 *HM Treasury Survey of Forecasts - November 2012*

	Average annual Bank Rate %			
	2013	2014	2015	2016
Highest	0.60	1.60	2.80	3.60
Average	0.50	0.65	1.30	1.80

3. Current and Expected Treasury Portfolios

3.1 Current portfolio

The Council's treasury portfolio as at 31st December 2012 was as follows.

	Principal Amount £m	Interest Rate %
Investments - maturing 2012/13	0.0	
- maturing 2013/14	0.0	
- maturing later	0.0	
Total Investments	0.0	
Debt - maturing 2012/13	0.0	-
- maturing 2013/14	5.0	0.55%
- maturing later	56.9	3.48%
Total Debt	61.9	0.55 – 3.48%
Net Debt	61.9	

3.2 Expected changes

According to current cash flow forecasts, net borrowing is expected to increase by £5 million by 31st March 2013. The future cash flow forecast includes planned borrowing of £4.4 million as part of the 2013/14 capital programme. The decision of whether to take external long-term borrowing will be made in light of current and forecast interest rates.

3.3 Budget implications

The net budget for interest payments in 2013/14 is £139,000 in respect of the General Fund. The HRA covers the interest costs relating to the long term borrowing of £56.9 million. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

4. Investment Strategy

4.1 The Council holds small surplus funds, which represent income received in advance of expenditure plus balances and reserves held. Much of the Council's cash has been used to reduce the amount of debt taken on during the current financial year. Both the CIPFA Code and the CLG Guidance require to 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**.

4.2 Specified Investments

Specified investments are those expected to offer relatively high security and liquidity, and can be entered into with the minimum of formalities. The CLG Guidance defines specified investments as those:

- denominated in pounds sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

4.3 The Council defines the following as being of "high credit quality" for making specified investments, subject to the monetary and time limits shown.

In-house investment	Monetary limit ¹	Time limit
UK owned banks and building societies holding short-term credit ratings no lower than F1+ and P-1	£3m each	12 months
Foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1	£2m each	6 months
UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1	£3m each	3 months
Money market funds ² and similar pooled vehicles holding the highest possible credit ratings (AAA)	£3m each	3 months
UK Central Government	no limit	12 months
UK Local Authorities ³	£3m each	12 months

¹ banks within the same group ownership are treated as one bank for limit purposes

² as defined in the Local Authorities (Capital Finance and Accounting) Regulations 2003

³ as defined in the Local Government Act 2003

4.4 The maximum that will be lent to any one organisation (other than the UK Government) will be £3 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

4.5 Non specified Investments

- No non specified investments will be made by the Council.

4.6 Foreign countries

Investments in foreign countries will be limited to those that hold a AAA or AA+ sovereign credit rating from all three major credit rating agencies, and to a maximum of £3 million per country. Only banks that are domiciled in the UK but are owned in another country will be used and need to meet the rating criteria of and will count against the limit for both countries. There is no limit on investments in the UK.

4.7 Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated 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.

4.8 Credit ratings

The Council uses credit ratings from two main rating agencies Fitch Ratings Ltd and Moody's Investors Service to assess the risk of loss of investments. The lowest available credit rating will be used to determine credit quality.

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

- no new investments will be made,
- any existing investments that can be recalled at no cost will be recalled, and
- full consideration will be given to the recall of any other existing investments

Where a credit rating agency announces that it is actively reviewing an organisation's credit ratings with a view to downgrading it so that it is likely to fall below the above criteria, then no further investments will be made until the outcome of the review is announced.

4.9 Other information on the security of investments

Full regard will be given to other available information on the credit quality of banks and building societies, including credit default swap prices, financial statements and rating agency reports. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the above criteria.

4.10 Investment instruments

Investments may be made using any of the following instruments:

- interest paying bank accounts
- fixed term deposits
- call or notice deposits (where the Council can demand repayment)
- certificates of deposit
- treasury bills and gilts issued by the UK Government
- bonds issued by multilateral development banks
- shares in money market funds

5. Planned investment strategy for 2013/14 – In-house

- 5.1 The cash flow forecast will be used to divide surplus funds into three categories:
- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
 - Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
 - Long-term – cash not required to meet cash flows, and used primarily to generate investment income.
- 5.2 The Council's in-house managed funds are based on the likely cash-flow position and rarely exceed three months. Investments will be made to ensure that cash flow is protected and borrowing is not required. However, on occasion, money has been invested for a longer period up to 364 days. These are funds which are not required for day-to-day cash management purposes.
- 5.3 The Council will seek to utilise its call accounts (which are linked to base rate) and use short-dated deposits up to 3 months to ensure liquidity of assets for day-to-day cashflow. Although these are essentially cash, a monetary limit in line with the banks credit rating is retained on the accounts. The Council will also make use of the Government's Debt Management Office to ensure the highest possible security for cash. Additionally, the Council's bankers, the Co-operative Bank, operate a Public Sector Reserve Account, which automatically sweeps excess funds from our general bank account into one paying a higher interest rate. There is no limit on the account, with interest varying depending on the amount in the account. However, the credit rating of the Co-operative Bank no longer meets our lending criteria and therefore only minimal funds are kept in this account, where possible.

6. Borrowing Strategy

- 6.1 The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31st March 2013 is expected to be £89.4 million, and is forecast to rise to £93.8 million by March 2014 as capital expenditure is incurred.
- 6.2 The maximum expected long-term borrowing requirement for 2013/14 is:

	£m
Not borrowed in previous years	32.5
Long term borrowing	56.9
Forecast increase in CFR	4.4
Loans maturing in 2011/12	0.0
TOTAL	93.8

- 6.3 The Council made a one-off payment on 28 March 2012, to buy itself out of the HRA subsidy system. The final settlement figure of £56.884 million was confirmed in February 2012. The amount was borrowed from the Public Works Loans Board over a 50 year period and is repayable on maturity at the end of the loan term. The interest rate was 3.48% fixed for the term of the loan.
- 6.4 However, to reduce risk and minimise cost, it has been decided to defer borrowing until later years, and to reduce the size of the Council's investment balance instead.
- 6.5 In addition, the Council will borrow for short periods of time (normally up to one year) to cover cash flow shortages. Currently the Council has outstanding borrowing of £5 million, which was taken for a period of one year at 0.55%.

6.6 Sources of borrowing

The approved sources of long-term and short-term borrowing will be:

- Public Works Loan Board
- any institution approved for investments above
- any other bank or building society on the Financial Services Authority list.

6.7 Debt instruments

Loans will be arranged by one of the following debt instruments:

- fixed term loans at fixed or variable rates of interest
- lender's option borrower's option (LOBO) loans.

As an alternative to borrowing loans, the Council may also finance capital expenditure and incur long-term liabilities by means of:

- leases
- Private Finance Initiative.

6.8 Borrowing strategy to be followed

With short-term interest rates currently much lower than long-term rates, it continues to be more cost effective in the short-term to not borrow and reduce the level of investments held instead. However, with long-term rates forecast to rise in the coming years, any such short-term savings will need to be balanced against potential longer-term costs.

7. Policy on Use of Financial Derivatives

7.1 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).

7.2 The Localism Bill 2011 includes a general power competence that removes the uncertain legal position over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.

7.3 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 taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.4 Derivative counterparties

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.

7.5 In reality, whilst the Council is required to include the above policy, it is highly unlikely that the Council will engage in such activity.

8. Treasury Management Prudential Indicators

- 8.1 The Council sets each year, in February, prudential indicators for Treasury Management, to ensure that proper control of borrowing and investing is maintained. These indicators can be found in the Council's budget book.

9. Other Matters

- 9.1 The draft revised CLG Investment Guidance also requires the Council to approve the following matters each year as part of the investment strategy:

9.2 Investment consultants

The Council contracts with Arlingclose, who have taken over Sterling Consultancy Services to provide advice and information relating to its investment and borrowing activities. However, responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,
- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of the advisory service is monitored by the Assistant Director Finance.

9.3 Investment training

The needs of the Council's treasury management staff for training in investment management are assessed annually as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change. Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

9.4 Investment of money borrowed in advance of need

The Council may, from time to time, borrow in advance of spending need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit. The maximum periods between borrowing and expenditure is expected to be two years, although the Council does not link particular loans with particular items of expenditure.

10. Investment Reports

- 10.1 At the end of the financial year, the Council will prepare a report on its investment activity as part of its Annual Treasury Report. Progress will also be reported after six months of the financial year.

This page is intentionally left blank

EXETER CITY COUNCIL

EXECUTIVE
5 FEBRUARY 2013

COUNCIL
26 FEBRUARY 2013

THE PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES (INCORPORATING THE ANNUAL STATEMENT OF MINIMUM REVENUE PROVISION)

1. PURPOSE OF THE REPORT

- 1.1 To set out the proposed 2013/14 prudential indicators for capital finance for adoption by the Council and set the annual statement of Minimum Revenue Provision (MRP).

2. BACKGROUND

- 2.1 With effect from 1 April 2004, the Government abolished the capital finance legislation in Part 4 of the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance) Regulations 1997 (Statutory Instrument 1997/319) and replaced it with a new Prudential system based on self regulation. This means that Councils are free to borrow for capital investment where the borrowing is affordable.
- 2.2 The Prudential Code was revised slightly during 2012. The “net debt and the capital financing requirement” has been amended to “gross debt and the capital financing requirement” and the proportion of net debt to gross debt indicator introduced last year has been withdrawn as it does not work.
- 2.3 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. The Regulations require Full Council to approve an Annual Statement of Minimum Revenue Provision which is the amount set aside from revenue for the repayment of debt principal relating to the General Fund only. The Housing Revenue Account remains exempt from making Minimum Revenue Provision although it can make voluntary set asides if it wishes.
- 2.4 The Prudential Indicators / MRP report will be incorporated within the Budget Book for approval at the full Council meeting as per the statutory requirement.

3. PRUDENTIAL INDICATORS

- 3.1 The proposed prudential indicators for the next three years are shown in Appendix A-C.
- 3.2 There are a few changes to the indicators from last year, updating the capital programme and the impact on the Council Tax of newly approved schemes. The council has continued to borrow during 2012/13 and this is also reflected in the Authorised Limit of the Council and the Operational Boundary. This will be sufficient to manage the capital programme and any daily borrowing requirements. Borrowing remains limited by the reduction in the level of investments held by the Council.

4. ANNUAL STATEMENT OF MINIMUM REVENUE PROVISION

- 4.1 The Regulations require that "a local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent".
- 4.2 Minimum Revenue Provision (MRP) is an amount set aside from revenue to meet the repayment of debt principal. Under the old Regulations this was 4% of principal outstanding for the General Fund and no requirement to set aside MRP in the Housing Revenue Account. In local government accounting depreciation is charged and then reversed out so it does not affect the level of Council Tax, however MRP is charged to the General Fund and therefore does affect levels of Council Tax.
- 4.3 The Secretary of State for Communities and Local Government has issued guidance under section 21(1A) of the Local Government Act 2003. This states that "the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant."
- 4.4 The guidance notes detail five options which the Secretary of State considers prudent. These are described in section 4 below:
- (a) Regulatory Method;
 - (b) Capital Financing Requirement Method;
 - (c) Asset Life (Equal Instalment) Method;
 - (d) Asset Life (Annuity) Method; and
 - (e) Depreciation Method

5. MRP OPTIONS

5.1 Regulatory Method

MRP is equal to the amount determined in accordance with the former regulations 28 and 29 of the 2003 Regulations as if they had not been revoked. In effect this is 4% of the debt principal outstanding.

5.2 Capital Financing Requirement Method

MRP is equal to 4% of the non-housing Capital Financing Requirement, which is a Prudential Indicator.

5.3 Asset Life (Equal Instalment) Method

Where capital expenditure on an asset is financed wholly or partly by borrowing then MRP is determined by reference to the life of the asset and an equal amount charged in each year.

5.4 Asset Life (Annuity) Method

MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing.

5.5 Depreciation Method

MRP is equal to the provision required in accordance with depreciation accounting in respect of the asset, including any amount of impairment chargeable to the Income and Expenditure Account. As standard depreciation rules are used where an asset is part financed by loan, e.g. 50% loan, 50% Capital Receipt, then the full 100% depreciation charge on the asset is required to be charged as MRP. MRP is required to be charged annually until the cumulative amount of the provision is equal to the original expenditure financed by borrowing. Should the asset be disposed of then the charge needs to continue as if the asset had not been disposed of unless the debt is repaid.

6. Minimum Revenue Provision Policy 2013/14

- 6.1 The Council's MRP policy is to match borrowing against specific capital investment and adopt the Asset Life (Equal Instalment) Method for MRP. In this way the funding for the asset will be paid off over the useful life of that asset. This will ensure that loans are repaid over the asset life thus freeing financial resources for investment in other schemes or in asset renewal. It is also simple to operate and gives certainty in each year as to the level of charge for principal. The other advantage is that it makes business cases and scheme appraisals easier to compile. As a general rule the Council will seek to borrow over the same period of the asset life up to a maximum of 50 years in line with the Regulations. The total capital financing requirement at the end of 2012/13 is likely to be approximately £90.4m, some of which has financed redundancy payments and other shorter dated expenditure. Therefore MRP for 2013/14 will be calculated based on the capital financing requirement at the end of 2012/13 and will be calculated using the varying periods of repayment. The MRP charge for 2013/14 will be approximately £1.358 million.

4. RECOMMENDATION

- 4.1 That the Executive recommend to Council the adoption of:
- The Prudential Indicators set out in Appendix A–C.
 - The Annual Statement of Minimum Revenue Provision for the Council.

ASSISTANT DIRECTOR - FINANCE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

1. The Prudential Code for Capital Finance in Local Authorities
2. The Prudential Code Guidance Notes

This page is intentionally left blank

General Fund Prudential Indicator Calculations

The purpose of the prudential indicators is to demonstrate that the Council's financial plans meet the statutory requirement to be affordable, prudent and sustainable.

General Fund Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

Strategic Theme	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
OTHER	1,042	691	1,155	661	661
PROVIDE GREAT THINGS FOR ME TO SEE DO AND VISIT	3,849	3,362	880	170	50
MAINTAIN THE ASSETS OF OUR CITY	0	0	95	350	0
HELP ME FIND SOMEWHERE SUITABLE TO LIVE	786	2,750	584	540	540
IMPROVE THE ENVIRONMENT AND MY NEIGHBOURHOOD	481	1,194	480	3,300	0
Safe City	1	2	0	0	0
A Learning City	1	1	0	0	0
Prosperous City	170	860	0	0	0
Accessible City	374	1,187	0	0	0
Electronic City	223	312	0	0	0
Healthy and Active City	358	302	0	0	0
Total General Fund Capital Expenditure	7,285	10,661	3,194	5,021	1,251

General Fund Financing costs

The figures for the actual financing costs will be taken from the Council's financial statements using the definition of financing costs specified in the Prudential Code. Estimates for the current and future years should be calculated in a manner consistent with this definition.

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Interest payable with respect to short term borrowing	120	75	140	150	200
Interest payable under 'irredeemable' long term liabilities	0	0	0	0	0
Interest and investment income	(45)	0	0	0	0
Replacement for Minimum Revenue Provision (England and Wales)	920	1,107	1,358	1,533	1,584
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total General Fund Financing Costs	995	1,182	1,498	1,683	1,784

General Fund Estimates of the ratio of financing costs to net revenue stream

The net revenue stream is the estimate of the amounts to be met from government grants and local taxpayers. An important theme of the Code is transparency. For this reason the authority's calculation of the net revenue stream should be consistent with the figure that can be identified in the Income and Expenditure Account for 'Net Operating Expenditure'.

When the Council is 'debt-free' the ratio of financing costs to net revenue stream will be negative. This reflects the fact that for 'debt-free' authorities, the negative financing costs are making a contribution to the Income and Expenditure Account.

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Financing costs	995	1,182	1,498	1,683	1,784
Net revenue stream (General Fund Expenditure - Budget Book/Financial Strategy)	14,135	15,080	15,727	15,480	15,833
Ratio of financing costs to net revenue stream %	7.0	7.8	9.5	10.9	11.3
Negative for a debt free authority	%	%	%	%	%

Estimates of the incremental impact of capital investment decisions on the Council Tax

A fundamental constraint on capital investment by a local authority is its scope to afford its financial implications. For local authorities it is ultimately determined by a judgement about acceptable council tax levels.

This prudential indicator shows the potential impact of the capital investment decisions on the Council Tax.

Description	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Total budgetary requirements for the authority with existing capital programme	15,411	15,295	15,732
Total budgetary requirements for the authority with proposed capital programme	15,727	15,480	15,833
Difference	316	185	101
Incremental Impact on Band D Council Tax	£9.34	£5.44	£2.96

General Fund Capital Financing Requirement

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

Actual General Fund Capital Financing Requirement at 31 March 2012

	£'000
Estimate of General Fund Capital Financing Requirement 31 March 2011	100,401
Property, Plant and Equipment	42,093
Investment Properties	22,436
Heritage Assets	1,561
Intangible Assets / Other Long term Assets	(58,023)
Revaluation Reserve	(79,847)
Capital Adjustment Account	28,621
Estimate of General Fund Capital Financing Requirement 31 March 2012	28,621

Estimated General Fund Capital Financing Requirement at 31 March 2013

Estimate of General Fund Capital Financing Requirement 31 March 2012	28,621
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	3,939
Estimate of General Fund Capital Financing Requirement 31 March 2013	32,560

Estimated General Fund Capital Financing Requirement at 31 March 2014

Estimate of General Fund Capital Financing Requirement 31 March 2013	32,560
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	4,380
Estimate of General Fund Capital Financing Requirement 31 March 2014	36,940

Estimated General Fund Capital Financing Requirement at 31 March 2015

Estimate of General Fund Capital Financing Requirement 31 March 2014	36,940
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	2,902
Estimate of General Fund Capital Financing Requirement 31 March 2015	39,842

Estimated General Fund Capital Financing Requirement at 31 March 2016

Estimate of General Fund Capital Financing Requirement 31 March 2015	39,842
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	508
Estimate of General Fund Capital Financing Requirement 31 March 2016	40,350

HRA Prudential Indicator Calculations

Local authorities that have a Housing Revenue Account (HRA) are required to prepare separate calculations for their HRA and non-HRA elements.

HRA Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Help me find somewhere suitable to live	62,723	9,038	9,090	8,364	5,396
Total HRA Capital Expenditure	62,723	9,038	9,090	8,364	5,396

HRA Financing costs

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Interest payable with respect to short term borrowing	0	0	0	0	0
Interest payable under 'irredeemable' long term liabilities	31	1,989	1,989	1,989	1,991
Interest and investment income	(51)	(31)	(75)	(75)	(150)
Voluntary Revenue Provision (England and Wales)	0	0	0	0	0
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total HRA Financing Costs	(20)	1,958	1,914	1,914	1,841

HRA Estimates of the ratio of financing costs to net revenue stream

APPENDIX B

For the Housing Revenue Account the net revenue stream, for the purposes of the Code, is the amount to be met from housing subsidy and rent income.

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Financing costs	(20)	1,958	1,914	1,914	1,841
Net revenue stream	16,673	17,087	18,149	19,056	20,009
Ratio of financing costs to net revenue stream %	(0.1)	11.5	10.5	10.0	9.2
Negative for a debt free authority	%	%	%	%	%

Estimates of the incremental impact of capital investment decisions on the Housing Rents

A fundamental constraint on HRA capital investment by a local authority is its scope to afford its financial implications. For local authorities it is ultimately determined by a judgement about acceptable rent levels.

This prudential indicator shows the potential impact of the HRA capital investment decisions on the average weekly rent.

Description	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Forecast HRA budgetary requirements for the authority with existing HRA capital programme	18,149	19,056	20,009
Forecast HRA budgetary requirements for the authority with proposed HRA capital programme	18,149	19,056	20,009
Difference	0	0	0
Incremental Impact on average weekly housing rents	£0.00	£0.00	£0.00

HRA Capital Financing Requirement

APPENDIX B

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

Actual HRA Capital Financing Requirement at 31 March 2012

Description	£'000
Property, Plant and Equipment	191,167
Investment Properties	0
Revaluation Reserve	0
Capital Adjustment Account	(133,285)
Actual HRA Capital Financing Requirement 31 March 2012	57,882

Estimated HRA Capital Financing Requirement at 31 March 2013

Estimate of HRA Capital Financing Requirement 31 March 2012	57,882
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	0
Estimate of HRA Capital Financing Requirement 31 March 2013	57,882

Estimated HRA Capital Financing Requirement at 31 March 2014

Estimate of HRA Capital Financing Requirement 31 March 2013	57,882
Estimate of change in Property, Plant and Equipment	9,038
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(9,038)
Estimate of HRA Capital Financing Requirement 31 March 2014	57,882

Estimated HRA Capital Financing Requirement at 31 March 2015

APPENDIX B

Estimate of HRA Capital Financing Requirement 31 March 2014	57,882
Estimate of change in Property, Plant and Equipment	9,090
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(9,090)
Estimate of HRA Capital Financing Requirement 31 March 2015	57,882

Estimated HRA Capital Financing Requirement at 31 March 2016

Estimate of HRA Capital Financing Requirement 31 March 2015	57,882
Estimate of change in Property, Plant and Equipment	8,364
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(8,364)
Estimate of HRA Capital Financing Requirement 31 March 2016	57,882

TU
09
05
04

CLG Limit on indebtedness

The limit on indebtedness for the HRA is £57.882 m

Prudential Indicator CalculationsPRUDENTIAL INDICATORS OF AFFORDABILITYEstimates of Incremental Impact of Capital Investments Decisions on the Council Tax

This prudential indicator shows the potential impact of the capital investment decisions on the Council Tax.

Description	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Incremental Impact on Band D Council Tax	£9.34	£5.44	£2.96

Estimates of Incremental Impact of Capital Investments Decisions on the Housing Rents

This prudential indicator shows the potential impact of the HRA capital investment decisions on the average weekly rent.

Description	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Incremental Impact on Average Weekly Housing Rents	£0.00	£0.00	£0.00

Total Actual / Estimates of Capital Expenditure

The prudential indicator for capital expenditure should be based upon a capital programme that takes into account the Council's asset management and capital investment strategies.

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Total General Fund Capital Expenditure	7,285	10,661	3,194	5,021	1,251
Total HRA Capital Expenditure	62,723	9,038	9,090	8,364	5,396
Total Actual / Estimates of Capital Expenditure	70,008	19,699	12,284	13,385	6,647

APPENDIX C

Prudential Indicator Calculations

Total Actual / Estimates of Financing Costs

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Total General Fund Financing Costs	995	1,182	1,498	1,683	1,784
Total HRA Financing Costs	(20)	1,958.00	1,914.00	1,914.00	1,841.00
Total Actual / Estimates of Financing Costs	975	3,140	3,412	3,597	3,625

Actual / Estimates of Ratio of Financing Costs to Net Revenue Stream

The net revenue stream is the estimate of the amounts to be met from government grants and local taxpayers, and for the Housing Revenue Account, is the estimate of the amounts to be met from housing subsidy and rent income.

Since the Council is 'debt-free' the ratio of financing costs to net revenue stream will be negative. This reflects the fact that for 'debt-free' authorities, the negative financing costs are making a contribution to the consolidated revenue account.

Description	2011/12 Actual %	2012/13 Estimate %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %
General Fund Ratio of Financing Costs to Net Revenue Stream	7.0	7.8	9.5	10.9	11.3
HRA Ratio of Financing Costs to Net Revenue Stream	(0.1)	11.5	10.5	10.0	9.2

Prudential Indicator CalculationsActual / Estimates of Capital Financing Requirement

The Capital Financing Requirement will reflect the Council's underlying need to finance capital expenditure.

Description	2011/12 Actual £'000	2012/13 Estimate £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
General Fund Capital Financing Requirement	28,621	32,560	36,940	39,842	40,350
HRA Capital Financing Requirement	57,882	57,882	57,882	57,882	57,882
Total Actual / Estimates of Capital Financing Requirement	86,503	90,442	94,822	97,724	98,232

Authorised Limit

In England and Wales the prudential indicator for the Authorised Limit for external debt for the current year is the statutory limit determined under Section 3 (1) of the Local Government Act 2003: 'A local authority shall determine and keep under review how much money it can afford to borrow'

The Authorised Limit should not be set so high that it would never in any possible circumstances be breached. It should reflect a level of borrowing which, while not desired, could be afforded but may not be sustainable. The Authorised Limit must therefore be set to establish the outer boundary of the Council's borrowing, based on a realistic assessment of the risks.

Description	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Borrowing	120,000	130,000	140,000
Other long term liabilities	0	0	0
Authorised Limit	120,000	130,000	140,000

Prudential Indicator CalculationsOperational Boundary

The Operational Boundary is the focus of day-to-day treasury management activity within the authority. It is a means by which the authority manages its external debt to ensure that it remains within the self-imposed Authorised Limit. The Operational Boundary may be breached temporarily on occasions due to variations in cashflow. However, a sustained or regular trend above the Operational Boundary would be significant and should lead to further investigation.

Description	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000
Borrowing	110,000	120,000	130,000
Other long term liabilities	0	0	0
Operational Boundary	110,000	120,000	130,000

Actual External Debt

The prudential indicator for actual external debt will not be directly comparable to the authorised limit and operational boundary, since the actual external debt will reflect the actual position at one point in time.

Description	2011/12 Actual £'000
Actual borrowing as at 31 March 2011	64,934
Actual long term liabilities as at 31 March 2011	0
Actual External Debt as at 31 March 2011	64,934

Prudential Indicator Calculations
PRUDENTIAL INDICATORS OF PRUDENCE

Gross Debt and Capital Financing Requirement

The Code makes it necessary, if a financial strategy is to be prudent, that it is one in which in the medium term gross debt is only used for capital purposes. In the Code this requirement is to be demonstrated through a comparison of gross debt with the Capital Financing Requirement.

Description	£'000
Total Capital Financing Requirement at 31 March 2012	86,503

2012/13 Estimated Change in Capital Financing Requirement	
Capital expenditure	19,699
Application of useable capital receipts	(300)
Application of capital grants/contributions	(14,353)
The replacement for MRP	(1,107)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2012/13	3,939

2013/14 Estimated Change in Capital Financing Requirement	
Capital expenditure	12,284
Application of useable capital receipts	(300)
Application of capital grants/contributions	(6,246)
The replacement for MRP	(1,358)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2013/14	4,380

Prudential Indicator Calculations

2014/15 Estimated Change in Capital Financing Requirement	
Capital expenditure	13,385
Application of useable capital receipts	(300)
Application of capital grants/contributions	(8,650)
The replacement for MRP	(1,533)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2014/15	2,902

Capital Financing Requirement:	
Estimated Opening Balance 2011/12	86,503
Estimated Closing Balance 20114/15	97,724
This is an increase over the three years of	11,221

Prudential Indicators for Treasury Management

The first prudential indicator for treasury management is not a numerical indicator, but a statement of good practice:

'The Council adopts the 2011 edition of the CIPFA Code of Practice for Treasury Management in the Public Services' Adopted by the Council 7 February 2012 (Executive Committee)

Prudential Indicator Calculations

Operational Boundaries to Exposure to Interest Rate Risks

Interest rate risk management is a top priority for local authority management. The setting of upper limits has the effect of setting ranges within which the Council will limit its exposure to both fixed and variable interest rate movements.

Description	2013/14 £'000	2014/15 £'000	2015/16 £'000
Total projected interest payable on borrowing	2,129	2,139	2,191
Total projected interest receivable on investments	(75)	(75)	(150)
Net Interest	2,054	2,064	2,041
Upper limit - fixed rates = 100%	(75)	(75)	(150)
Upper limit - variable rates = 20%	(15)	(15)	(30)

This means that the Head of Treasury Services will manage fixed interest rate exposure within the range 0% to 100% and variable interest rate exposure within the range 0% to 20%

Operational Boundary to the Exposure Inherent in the Maturity Structure of Borrowings

This indicator is designed to be a control over the Council having a large concentration of fixed rate debt needing to be replaced at times of uncertainty over interest rates. The indicator is, in effect, a limit on longer term interest rate exposure and is set for the forthcoming year.

The analysis of borrowing by maturity used in the Code uses the same periods as that required in the local authority SORP.

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

Period	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	20%	0%
24 months and within 5 years	20%	0%
5 years and within 10 years	20%	0%
10 years and above	100%	0%

Prudential Indicator Calculations

Principal Sums Invested for Periods Longer than 364 Days

The purpose of the prudential limit for principal sums invested for periods longer than 364 days is for the Council to contain its exposure to the possibility of loss that might arise as a result of having to seek early repayment or redemption of principal sums invested.

Description	At 31/3/2013 £'000
Longer-term investments	0
Less - Held for operational purposes	0
Current Assets - Investments	0
Current Assets - Cash and at Bank	0
Total available for investment longer term	0

Limits to be placed on investments to final maturities beyond year end:	£'000
31/03/13	0
31/03/14	0
31/03/15	0

EXETER CITY COUNCIL
PLANNING MEMBER WORKING GROUP
5 FEBRUARY 2013

EXECUTIVE
5 FEBRUARY 2013

AFFORDABLE HOUSING SUPPLEMENTARY PLANNING DOCUMENT

1 PURPOSE OF REPORT

- 1.1 To report the outcome of public consultation on a draft Affordable Housing Supplementary Planning Document (SPD), prepared to amplify affordable housing policy contained in the Exeter Core Strategy. Also to agree the Council's proposed responses to representations and to adopt an amended document.
- 1.2 The SPD includes a proposed approach to the viability of housing developments in the current economic climate.

2 BACKGROUND

- 2.1 The SPD, if adopted, will have an important role in amplifying Policy CP7 of the Exeter Core Strategy (adopted in February 2012), which is the Council strategic planning policy on affordable housing.
- 2.2 To comply with European Union regulations, the Council is required to assess whether or not the SPD is likely to have significant environmental effects and, consequently, whether it needs to be subject to a full Sustainability Appraisal/Strategic Environment Assessment. The results of the assessment must be published in an Initial Screening Statement and sent to three statutory consultees (English Heritage, the Environment Agency and Natural England). The Initial Screening Statement concludes that the SPD will have no significant environmental effects.
- 2.3 To comply with the Council's own policies, the SPD must also be subject to an Equalities Impact Assessment (EQIA). The EQIA concludes that the SPD will have numerous positive and no negative equalities impacts.
- 2.4 Public consultation on the draft SPD and EQIA took place between 4 October and 16 November 2012. Consultation with the statutory consultees on the EQIA took place during the same period. Eighteen responses to the public consultation were received, all in respect of the draft SPD. Responses to each of the representations are set out in Appendix B of the Consultation Statement. None of the representations have resulted in significant changes being made to the SPD.

3 CONTENT OF THE SPD

- 3.1 The proposed final version of the SPD and the Consultation Statement accompany this report as Appendices 1 and 2 respectively. The EQIA and Initial Screening Statement (Appendices 3 and 4) are available in the Members' Room.

- 3.2 Core Strategy Policy CP7 allows for the consideration of economic viability when negotiating for the provision of affordable housing. In the current economic climate, housing schemes coming forward in Exeter are generally proving unable to deliver 35% affordable housing. This is supported by the evidence base prepared for the Council's draft Community Infrastructure Levy (CIL). In addition, smaller housing schemes that have historically represented an important source of new housing in Exeter are, in many cases, currently being rendered unviable by the strictures of Policy CP7. To address these issues, the proposed SPD states that the Council will:
- accept that there is presently no need to prove lack of viability on schemes of between 3 and 14 dwellings, where not part of a wider development; and
 - accept the provision of 25% (or more) affordable housing without having recourse to a development appraisal, where an offer is otherwise acceptable.
- 3.3 The proposed SPD advises that this approach will be taken for a period of 3 years from adoption of the Council's Community Infrastructure Levy (CIL), which is imminent. To encourage applicants to implement their planning permissions swiftly, and thereby deliver much needed housing in Exeter, the proposed SPD also states that consents will be time limited to a period of 2 years.
- 3.4 In addition, the draft SPD:
- sets out the types of housing development which will be subject to affordable housing policy. This includes schemes for people receiving care or support and non-self contained dwellings (e.g. HMOs), but excludes purpose-built student accommodation (paragraphs 3.2-3.3);
 - sets out a standard affordable housing mix that will be sought on each scheme (paragraphs 3.11);
 - clarifies the Council's policy on wheelchair accessible housing -10% of the affordable housing element of a development scheme should be wheelchair accessible and designed to meet the needs of households on the Council's Housing Register (paragraph 3.15-3.16);
 - provides guidance on the design and distribution of affordable housing, with reference to the Council's Residential Design Guide SPD (paragraphs 3.17-3.18);
 - advises that in order to promote mixed and well balanced communities, affordable housing should be provided on the development site, unless there are exceptional reasons to justify commuted provision. If so, the Council's priority is for off-site provision, followed by off-site purchase and then a financial contribution (paragraphs 3.20-3.25). Appendix 3 of the draft SPD contains a formula for calculating financial contributions; and
 - describes how the affordable housing provided will be managed, how occupancy will be controlled and how the Council will ensure that the affordable homes remain affordable in perpetuity (Section 4).
- 3.5 The proposed SPD has been produced in consultation with Housing Services.

4 ADVICE SOUGHT/RECOMMENDATION

4.1 That Planning Member Working Group:

- (i) Support adoption of the amended Affordable Housing Supplementary Planning Document at Appendix 1; and
- (ii) Supports the proposed Consultation Statement at Appendix 2, including the proposed responses to representations made on the draft SPD.

4.2 That Executive:

- (i) Adopts the amended Affordable Housing Supplementary Planning Document at Appendix 1; and
- (ii) Agrees the proposed Consultation Statement at Appendix 2, including the proposed responses to representations made on the draft SPD.

**RICHARD SHORT
ASSISTANT DIRECTOR CITY DEVELOPMENT**

This page is intentionally left blank

Affordable Housing Supplementary Planning Document

February 2013

DRAFT



Exeter City Council

www.exeter.gov.uk

Exeter Local Development Framework

1.0 INTRODUCTION

Purpose of the Supplementary Planning Document

- 1.1 It is important that everyone living in Exeter has the opportunity of a decent and affordable home. One of the nine themes of the Sustainable Community Strategy¹ is 'a *City with homes for everyone*', reflecting the Council's commitment to helping local people who cannot afford to buy or rent a home on the open market in Exeter.
- 1.2 Where there is an assessed need for affordable housing, the Government allows local authorities to deliver affordable homes by requiring developers to provide them within new housing schemes. Policy CP7 of the *Core Strategy*² sets out the Council's approach towards achieving this.
- 1.3 This SPD provides more detailed guidance on how Policy CP7 will be implemented, in order to deliver affordable homes and to help promote mixed and sustainable communities. The SPD forms part of the Exeter Local Development Framework and is a material consideration in the determination of planning applications. Its contents will need to be taken into consideration from the earliest stages of the development process, including in the purchase of sites and the negotiation and preparation of residential schemes.
- 1.4 Applicants for planning permission are expected to consider the overall cost of development, including affordable housing provision, prior to negotiating the purchase of land or an option. The Council wishes to avoid situations where developers purchase land without taking the requirement to provide affordable housing into account. Developers should not expect that the requirement will be waived where this has not been accounted for in the land purchase price.

The Policy Context

- 1.5 Government policy on planning for affordable housing is set out in paragraphs 47 and 50 of the *National Planning Policy Framework (NPPF)*³. Annex 2 of the *NPPF* defines affordable housing as comprising social rented, affordable rented and intermediate housing (see Appendix 1 of this SPD for more detail). For the purposes of planning policy, the *Core Strategy* and this SPD use the *NPPF*'s definition of affordable housing.
- 1.6 Policy CP7 of the *Core Strategy* reflects the provisions of the *NPPF* at a local level and is set out below:

Policy CP7: On sites capable of providing 3 or more additional dwellings (irrespective of the number of dwellings proposed) 35% of the total housing provision should be made available as affordable housing for households whose housing needs are not met by the market. At least 70% of the affordable housing should be provided as social rented housing. The overall percentage of affordable housing and the tenure split will be subject to considerations of viability and feasibility. Where it is not possible for viability reasons to provide the full requirement of social rented housing, affordable rent provision would be considered, let as far as possible at social rented levels. The remaining balance of the affordable housing should be delivered as intermediate affordable housing.

¹ *Exeter Vision*, Exeter Vision Partnership. www.exeter.gov.uk/visionstrategy

² *Core Strategy (adopted February 2012)*, Exeter City Council (2012). www.exeter.gov.uk/corestrategy

³ *National Planning Policy Framework (2012)*, Department for Communities and Local Government. <http://www.communities.gov.uk/publications/planningandbuilding/nppf>

2.0 AFFORDABLE HOUSING NEED IN EXETER

Strategic Housing Market Assessment

- 2.1 In 2007, Exeter City Council and neighbouring authorities⁴ commissioned a *Strategic Housing Market Assessment (SHMA)*⁵ to assess the need for both market and affordable housing across the Exeter and Torbay Strategic Housing Market Area. An update to the *SHMA* was produced in 2010, specifically for Exeter (*2010 SHMA*)⁶.
- 2.2 To meet housing needs in Exeter between 2010 and 2015, the *2010 SHMA* identifies a requirement for 5,294 additional dwellings to be provided, of which 3,165 dwellings (nearly 60%) should be affordable. This demonstrates a significant need for affordable housing in the City. Of the 3,165 affordable dwellings, the *2010 SHMA* concludes that around 70% need to be provided as social rented housing.

Housing Register

- 2.3 The Council's Housing Register provides more detail about the level of affordable housing need experienced by households in Exeter. The Housing Register currently shows a high overall requirement for small affordable dwellings. However, the Register also shows that larger households tend to have a more acute degree of affordable housing need.

⁴ Devon County Council, East Devon District Council, Mid Devon District Council, Teignbridge District Council, Torbay Council and Dartmoor National Park Authority.

⁵ *Exeter & Torbay Strategic Housing Market Assessment (2007)*, ORS.

⁶ *Exeter Strategic Housing Market Assessment (2010)*, ORS.

3.0 AFFORDABLE HOUSING PLANNING POLICY

3.1 The following section explains in more detail how Policy CP7 will be applied. Appendix 2 summarises the process as an ordered series of questions that the planning officer and applicant will need to address when considering/preparing a proposed scheme of development.

Applying the policy

3.2 The requirement to provide affordable housing will apply to all proposals for residential development, including:

- new build, conversions and mixed use schemes;
- phased developments where the threshold of 3 dwellings will be exceeded by cumulative totals;
- developments by Registered Providers (RPs);
- schemes providing housing for people receiving care or support, including supported housing developments;
- schemes involving non-self contained dwellings and the sharing of amenities, including houses in multiple occupation.

3.3 Proposals for, and limited to, purpose built student accommodation will not be subject to affordable housing requirements.

Amount of affordable housing

3.4 Policy CP7 sets out the Council's intention to negotiate 35% affordable housing on all sites capable of providing 3 or more new dwellings (net), subject to considerations of viability and feasibility. In light of these considerations and informed by the Council's CIL evidence base and other market indicators, for the present the Council will:

- accept that there is presently no need to prove lack of viability on schemes of between 3 and 14 dwellings, where not part of a wider development; and
- accept the provision of 25% (or more) affordable housing without having recourse to a development appraisal, where an offer is otherwise acceptable.

3.5 In these cases, the commencement period for planning permission will usually be restricted to 2 years. If all units on schemes of between 15 and 24 units, and at least 25⁷ of units on all other schemes, are not occupied within 3 years of the issue of planning permission, the Council will require the affordable housing provision to be reassessed to reflect prevailing market conditions.

3.6 This approach will only be taken until three years from adoption of the CIL.

3.7 In some cases, the percentage of affordable housing required will not equate to a whole number of dwellings⁸. In order to make up the balance, the Council will require a financial contribution to provide 'part' of an affordable home, based on the formula provided in Appendix 3. A worked example is provided in the same Appendix ('Worked Example 1').

3.8 Where the Council considers that the number of new dwellings proposed is inappropriate for the site area or the building to be converted, a revised scheme will be negotiated at the

⁷ Based on an assumed annual completion rate of 25 dwellings per development site in the first year, as advised by the SHLAA Panel and set out in the *Methodology for SHLAAs: Exeter Housing Market Area (August 2011)*.

⁸ For example, 25% of a 90 dwelling scheme equates to 22.5 affordable homes. In addition to 22 affordable homes, the Council would seek a financial contribution equivalent to half (0.5) of an affordable home.

more appropriate density. This may alter the affordable housing requirement under Policy CP7.

Tenure Mix

- 3.9 As set out in paragraph 2.2 above, the *2010 SHMA* shows that around 70% of households in need of affordable homes can only afford social rented housing provided by RPs or the Council. On each qualifying site the Council will therefore expect at least 70% of the the 25 % affordable housing requirement to be social rented housing. The remaining balance of the affordable housing should be provided as intermediate affordable housing.
- 3.10 If the applicant can demonstrate that this balance is not viable, the Council will require 25% affordable housing with an element affordable rent as part of the mix. The affordable rented units should be let as near as possible, to social rent levels.

Size Mix

- 3.11 The Council will require the following mix of new affordable housing on each development site, rounded to the nearest whole number of units. The mix is based on the findings of the *2010 SHMA* and the Housing Register:

1 bed :	15%
2 bed :	59%
3 bed :	14%
4 bed :	7%
5 bed :	5%

- 3.12 'Worked Example 1' in Appendix 3 sets out how the mix would apply to a scheme with an affordable housing requirement of 5 dwellings.
- 3.13 To help meet the need for family affordable housing identified on the Housing Register, on any one development site, the Council will require at least half of the 2 bed affordable homes to be in the form of houses with gardens.

Supported and Wheelchair Accessible Housing

- 3.14 The supporting text to Policy CP7 states that the affordable housing mix should include specialist housing, where there is an evidenced need. Where an evidenced need exists, the Council may therefore seek an element of affordable specialist / supported housing in its negotiations. For example, the Council's Older Person's Housing Strategy identifies a need for affordable supported housing for older people in the City.
- 3.15 The Council's Housing Register demonstrates that there is also a clear need in the City for affordable housing that is wheelchair accessible. To help meet this need, on qualifying sites, 10% of the affordable housing should be wheelchair accessible.
- 3.16 The exact type and size of wheelchair accessible housing will be negotiated in more detail during pre-application discussions. Wheelchair accessible housing should be built in accordance with the Council's Wheelchair Accessible Housing Design Standards 2011⁹.

Distribution and Design

- 3.17 Affordable housing should conform to the design standards normally required by funding bodies (e.g. the Homes and Communities Agency (HCA)) in order to qualify for grant.

⁹ *Exeter Wheelchair Accessible Housing Design Standards 2011*, (2011), Exeter City Council.
www.exeter.gov.uk/index.aspx?articleid=12340

These standards may be higher than those applicable to market housing, reflecting the needs of the occupants and the implications of the difference in tenure.

- 3.18 Innovative design of affordable homes and their environment will be encouraged, within the context of overall planning policies. To promote inclusive communities, it should not be possible to ascertain the difference between market and affordable housing in any one scheme - the affordable housing must integrate seamlessly into the layout of the development. To help create more varied patterns of house types and ownership in the City, the affordable housing should be distributed amongst the market housing in clusters of no more than 10 units.

Timing of provision

- 3.19 The timing of the delivery of affordable housing is a key issue in securing mixed and balanced communities. This is particularly important on larger schemes, where poor timing can result in isolated pockets of development and cause problems with infrastructure delivery, leading in the short term to a poor living environment for new residents. On all development schemes, the affordable housing must be completed proportionately with the market housing.

Commuted provision

- 3.20 Where affordable housing is required under Policy CP7, the Council will expect it to be provided on the development site.
- 3.21 Commuted provision will only be agreed in exceptional circumstances and at the Council's discretion, in the following order of priority:

Off-site provision

- 3.22 The first priority will be to seek provision on an alternative site in Exeter. For the duration of the approach set out in paragraphs 3.4 to 3.6 above, the 25% affordable housing target will be applied across both sites to ensure a pro-rata contribution. However, it is unlikely that the Council will accept a proposal that results in an inappropriate mix of tenures or excessive dominance of affordable housing within a particular location.
- 3.23 The Council must also be satisfied that there is a suitable and available alternative site to accommodate the affordable housing. The site should be identified by the applicant during pre-application discussions and either:
- already have planning permission for housing, in which case the Council will need to be satisfied that the site can, in principle, accommodate the off-site provision; or
 - be acceptable to the Council for housing in principle. In this case, the site will need to be the subject of a concurrent planning application. The two planning permissions will be tied together by means of a Section 106 Agreement, to ensure delivery of the affordable housing.

Off-site purchase

- 3.24 If the applicant is unable to provide the affordable housing off-site, as a second priority they may buy dwellings of an equivalent number and size on the open market for use as affordable housing. The dwellings should be in a location agreed by the Council at the pre-application stage and have the potential to meet all required standards. The applicant will be required to sell each dwelling to the Council or one of the Council preferred RPs for £1.

Financial contribution

- 3.25 Finally, the Council may agree to the provision of affordable housing by way of a financial contribution, calculated using the formula set out in Appendix 3 of this SPD. For the duration of the approach referred to in paragraphs 3.4 to 3.6 above, the 25% financial contribution will be calculated on the basis that the proposed dwellings on the application site represent 75% of the total number of dwellings to be provided. A worked example of the calculation is provided in Appendix 3 ('Worked Example 2'). The contribution will be spent on the provision of affordable housing in the City.

Section 106 Agreement

- 3.26 On qualifying sites, the Council will require a draft Section 106 Agreement to secure the affordable housing to be included as part of the planning application. The application will be refused if the Section 106 Agreement is not signed within a certain period of time (usually within 3 to 6 months of the application being considered by Planning Committee).
- 3.27 The Planning Solicitor (see Appendix 4 for contact details) will be pleased to supply a draft agreement to the applicant once the relevant details have been provisionally agreed. A specimen agreement and sample clauses are displayed on the Council website at www.exeter.gov.uk/planningobligations, but note that these are liable to change from time to time. Further details of the matters likely to be covered by the Agreement are also contained in Appendix 5.

4.0 MANAGEMENT AND OCCUPANCY

Management

- 4.1 The Council's preference is for affordable housing to be transferred to either the Council's Housing Department or an RP, once it has been built. It will then be managed as affordable housing in accordance with HCA guidelines. A list of the Council's preferred RPs is provided at Appendix 4.
- 4.2 In certain circumstances, developers may choose to retain ownership of the affordable housing and manage it directly. In such cases, the Council will ensure that appropriate management arrangements are in place.

Control of occupancy

- 4.3 The Council will ensure that occupancy of affordable housing provided under Policy CP7 is restricted to eligible households in housing need. The eligibility of any household will be based firstly on its ability to afford suitable market housing and secondly on its level of housing need relative to other households. To assess this and to fulfil its statutory obligations, the Council jointly operates the Devon Home Choice (DHC) choice-based letting system, which not only allows for the registration of need and waiting time, but also gives applicants greater opportunity to choose which home they live in when they reach the front of the waiting list.
- 4.4 All RPs in Exeter contribute to the costs of running Devon Home Choice. If an applicant wishes to let or sell affordable homes without involving an RP, the Council will ensure that they are available to successive occupiers nominated by the Council through DHC. The applicant will be required to bear a fair share of the running costs of the DHC scheme.

Affordability

- 4.5 Before granting planning permission, the Council will need to be satisfied that rental levels, service charges and shared ownership costs will be affordable both initially and in the long term to occupants.
- 4.6 For social rented housing, rents should be in line with the HCA calculation for 'target rents', as set out in the HCA's latest Capital Funding Guide¹⁰. Increases should be limited annually according to the HCA's requirements on annual rent and service charge increases.
- 4.7 Affordable rented housing is not subject to the national rent regime, but requires a rent no greater than 80% of the local market rent. This figure will be net of service charges and based on the Royal Institute of Chartered Surveyors' approved valuation methods. A guidance note can be found on the Tenant Service Authority website¹¹.
- 4.8 Outgoings on intermediate low cost home ownership should in no case exceed the average market rent for comparable properties. The mortgage element of the outgoings should be assessed on the basis that there is a 30 year repayment mortgage at standard variable rates (i.e. ignoring any introductory discounts). Any rents payable on low cost home ownership homes will be dependent upon the viability of an individual site, but should not

¹⁰ E.g. *Affordable Housing capital funding guide 2012-13 (2012)*, Homes and Communities Agency. http://www.homesandcommunities.co.uk/cfg?page_id=&page=1

¹¹ *Rents, rent differentials and service charges for private registered providers 2012-13 (2011)*, Tenant Services Authority. <http://www.tenantservicesauthority.org/server/show/ConWebDoc.21665>. The Tenant Services Authority is no longer functional, but the guidance note is still relevant.

exceed 2.75% of the retained equity. This is to ensure that as much income as possible is available to occupants to pay off mortgage costs.

- 4.9 For intermediate rented housing, rents should be set at 80% of Local Housing Allowance Rates. In every case, rents must fall within any relevant ceiling set within the Housing Benefit system (e.g. Local Reference Rents or Local Housing Allowance).
- 4.10 Schemes should be designed to ensure that service charges applicable to any affordable housing are kept as low as reasonably possible. Failure to take affordability issues into account within the scheme design could be grounds for refusing planning permission. In any event, service charges should not exceed the maximum amount an eligible household would be entitled to claim under the housing benefit regulations in force at the time.

Perpetuity

- 4.11 In accordance with the *NPPF* definition of affordable housing, the Council will ensure that affordable homes delivered under Policy CP7 either remain available at affordable rents/prices in perpetuity, or their value is recycled to provide other forms of affordable housing to meet an identified local need.
- 4.12 All money received as a result of occupants purchasing either their property (e.g. through the 'right to acquire') or a further equity share (e.g. through 'staircasing') will, subject to any statutory restrictions, be used to provide affordable housing within the City. If dwellings that have benefitted from City Council housing grant are purchased, the grant should be paid back to the Council's Housing Department. Recovered HCA grant must either be paid back to the Agency or recycled to provide affordable housing in the same market area, in accordance with the HCA's guidance on recycled capital grant funding¹².

¹² *Affordable Housing Capital Funding Guide 2012-13 (2012)*, Homes and Communities Agency. http://www.homesandcommunities.co.uk/cfg?page_id=&page=1

APPENDIX 1

(Para refs. 1.5, 3.9-3.10, 4.6-4.9)

WHAT IS AFFORDABLE HOUSING?

The following text is extracted from Annex 2 of the *NPPF*.

Affordable housing: *Social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision*

Social rented housing is owned by local authorities and private registered providers (as defined in Section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency.

Affordable rented housing is let by local authorities or private registered providers of social housing to households who are not eligible for social rented housing. Affordable rent is subject to rent controls that require a rent of no more than 80% of the local market rent (including service charges, where applicable).

Intermediate housing is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria in the Affordable Housing definition above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing.

Homes that do not meet the above definition of affordable housing, such as 'low cost market housing', may not be considered as affordable housing for planning purposes.

APPENDIX 2

Affordable Housing Policy made simple: 10 Questions to ask.

1. Is the policy applicable to this proposal? (paras 3.2-3.3)
2. How much affordable housing is required? (paras 3.4-3.8)
 - a. What happens when the affordable housing requirement does not equate to a whole unit? (para. 3.7, Appendix 3)
3. What is the required tenure? (para 3.9-3.10)
4. What mix of affordable housing is required? (paras 3.11-3.13)
5. Is there a requirement for any specialist affordable housing (paras 3.14-3.16)
6. What are the design requirements for affordable housing? (paras 3.17 – 3.18)
7. When is the affordable housing required to be developed? (para 3.19)
8. Is there an exceptional reason to justify commuted provision of the affordable housing? (para. 3.21). If the answer to this question is yes then:
 - a. Firstly, can the affordable housing be provided on an alternative site? (paras 3.22–3.23);
 - b. Secondly, can the affordable housing be provided via off-site purchase? (para 3.24)
 - c. Finally, can the affordable housing be provided via a financial contribution? (para 3.25, Appendix 3)
9. Who will manage the affordable housing? (para. 4.1–4.4, Appendix 5)
10. Will the affordable homes 'be affordable'? (paras 4.5-4.10)
 - a. Will services charges be affordable? (para 4.10)

In addition to the above questions which the Planning officer will need to clarify, the developer may want to know the answer to the following questions.

11. What is affordable housing? (Appendix 1)
12. What is the Council's policy basis for requiring affordable housing? (para 1.5-1.6)
13. What is a wheelchair accessible unit? (para 3.14-3.15 and ref. 10)
14. What is the legal mechanism for securing the affordable housing? (para 3.25-3.26, Appendix 5)
15. Who will occupy the affordable housing? (para 4.3 – 4.4)
16. What rent can I charge? (paras 4.5-4.10)
17. Do I need to provide the affordable housing in perpetuity? (paras 4.11-4.12)

APPENDIX 3

(Para refs 3.7, 3.11-3.12, 3.25)

CALCULATING FINANCIAL CONTRIBUTIONS

Financial contributions sought by the Council in lieu of the provision of affordable housing will be calculated based on a per dwelling sum of £121,509.67. The table below shows how the sum has been calculated.

	A Average Size m2	B Typical Build Costs m2	C Average Plot Value	D Sub Total ((AxB)+C)		E Mix (para 3.10)	F Sub Total (DxE)	G Financial Contribution per dwelling (Sum of F)
1 Bed Flat	55	£1,247	£22,217	£90,802		15%	£13,620.30	£121,509.67
2 Bed Flat	72	£1,247	£22,217	£112,001	£118,860	59%	£70,127.40	
2 Bed House	83	£1,247	£22,217	£125,718				
3 Bed House	91	£1,247	£22,217	£135,694		14%	£18,997.16	
4 Bed House	103	£1,247	£22,217	£150,658		7%	£10,546.06	
5 Bed House	114	£1,247	£22,217	£164,375		5%	£8,218.75	

The Breakdown

Average Size – These are average sizes (+10% for communal space for flats) taken from the *Residential Design Guide SPD*, page 60.

Typical Build Costs – Based on the analysis of a number of schemes taken from BCIS online and co-ordinated by a local Chartered Quantity Surveyors practice. The schemes are typical estate type housing schemes in similar city locations to Exeter. The figure of £1,247 per m2 is an average of the schemes investigated and includes building works, external works, preliminaries and design fees.

Plot Value – An average per acre figure derived from recent land sales in and around Exeter during 2011-2012, as investigated by an external development consultant. This per acre figures is then divided by an average density figure of 26.5 dwellings per acre, based on the mid point of per acre densities listed in the Strategic Housing Land Availability Assessment Methodology (August 2011)¹³. – 12 to 41 = mid point of 26.5. Detail in table below.

¹³ ETHMA Authorities, *Methodology for SHLAAs: Exeter Housing Market Area (August 2011)*.

Build costs are index linked to BCIS online, which is updated quarterly. The Council will accordingly update the financial contribution set out above on a quarterly basis. Applicants are advised to ascertain the current sum from the Council during pre-application discussions.

WORKED EXAMPLES

1. A developer proposes to build 22 dwellings, resulting in an affordable housing requirement of 5.5 dwellings (22 x 25%).

The Council requires provision of 5 affordable homes, plus a financial contribution to provide 0.5 of a dwelling.

The size mix of the 5 affordable homes would be calculated as follows:

- 5 x 15% = 0.75 1 bed dwellings, rounded up to 1 dwelling
- 5 x 59% = 2.95 2 bed dwellings, rounded up to 3 dwellings
- 5 x 14% = 0.7 3 bed dwellings, rounded up to 1 dwelling
- 5 x 7% = 0.35 4 bed dwellings, rounded down to 0 dwellings
- 5 x 5% = 0.25 5 dwellings, rounded down to 0 dwellings

The financial contribution would be calculated as follows: $0.5 \times \pounds 121,509.67 = \pounds 60,754.84$

2. A developer proposes to build 40 dwellings on an application site. There are exceptional reasons why the affordable housing requirement cannot be provided on site. Off-site provision and off-site purchase are not possible. Therefore, a financial contribution towards the provision of affordable housing elsewhere in the City is required.

The 25% financial contribution is calculated on the basis that 40 dwellings represent 75% of the total number of dwellings to be built.

- 40 dwellings = 75% of the total number of dwellings required
- $(40 \text{ dwellings} / 75) \times 25 = 13.3 \text{ dwellings}$
- $13.3 \times \pounds 121,509.67 = \pounds 1,616,078.60$

A financial contribution of $\pounds 1,616,078.60$ towards affordable housing provision is therefore required.

APPENDIX 4

(Para ref 3.27)

CONTACT DETAILS

City Development

TEL: 01392 265223

FAX: 01392 265431

CITYDEVELOPMENT@exeter.gov.uk

Planning Solicitor

TEL: 01392 265236

FAX: 01392 265431

matthew.page@exeter.gov.uk

Housing Development Team

TEL: 01392 265685

FAX: 01392 265859

Website: www.exeter.gov.uk

Address:

Exeter City Council

Civic Centre

Paris Street

Exeter

EX1 1NN

DRAFT

APPENDIX 5

(Para ref 3.27)

SECTION 106 AGREEMENT – MODEL HEADS OF TERMS

- A The Section 106 Agreement will contain some or all of these terms, subject to site by site negotiations:
- define the amount of affordable housing or, in the case of full permission, specify specific units and detail the breakdown between different tenures and amount of wheelchair accessible housing, all in accordance with Policy CP7;
 - require the affordable housing to comprise a mixture of dwelling types in accordance with the latest SHMA and housing register data, to be integrated with and indistinguishable from market housing;
 - set a timescale for the affordable housing to be provided, usually that it shall be available for occupation by the time a percentage of the market housing is available;
 - include a mechanism for selecting an RP, unless another approach has been agreed;
 - limit the rent and outgoings which can be charged to occupants and the price at which an initial share can be sold under a shared ownership arrangement;
 - include a mechanism for limiting and selecting the occupants of the affordable housing, which will require supplementary agreements to be entered into as follows:
 - where the Council provides grant aid, the RP or other provider will be required to enter into a nomination agreement;
 - in the case of a provider that is not an RP, or in other special cases (e.g. an unusually large grant payment), the Council will require additional security for repayment of grant on disposal of the land;
 - where the provider is not an RP, the S106 Agreement will include provisions governing letting and management arrangements.
 - provide for the housing to remain affordable in perpetuity, subject to:
 - any statutory right to acquire, buy or 'staircase';
 - a mortgagee in possession clause, where the affordable housing is transferred to an RP.
- B The applicant will be required to pay the Council's reasonable legal costs in connection with the Agreement. The Council's costs in connection with any related Agreement (e.g. a nomination agreement) shall be paid by the applicant, RP or other provider, depending upon which of those parties is involved in negotiating the terms of that Agreement.
- C Where the Council has refused an application which, if allowed, would have been subject to a requirement for affordable housing, it will endeavour to negotiate a Section 106 Agreement on a 'without prejudice' basis, to take effect in the event that an appeal is allowed.
- D In the case of an outline application, the Section 106 Agreement will require the applicant to agree with the Assistant Director of Housing and Contracts (in practice, delegated to the Housing Development Manager), prior to the commencement of development, the physical locations, type, layout and tenure of the affordable dwellings.
- E The agreement will require the applicant to notify the Assistant Director of Housing and Contracts of the anticipated date(s) when the affordable housing will be available for occupation, a specified period(s) in advance.
- F Section 106 Agreements will include mechanisms to record when key stages are reached in the development and requirements are triggered.

- G The Council will use its enforcement powers if a Section 106 Agreement is not complied with. In addition, the fact that a development is taking place despite non-compliance with a Section 106 Agreement will be included as a standard response to searches from prospective purchasers.

DRAFT

APPENDIX 6

(Para ref 4.1)

LIST OF PREFERRED REGISTERED PROVIDERS (RPs)

- Affinity Sutton
- Cornerstone
- Magna
- Aster
- Devon and Cornwall Housing
- Home Group
- YMCA
- Sovereign
- Guinness
- Sanctuary
- Spectrum

The above RPS and Exeter City Council form the Exeter Homes Housing Partnership. The partnership works together to maximise the delivery of good quality affordable homes, deliver innovative development opportunities that meet local housing priorities and create sustainable communities in the City of Exeter.

GLOSSARY

Affordability

A measure of whether housing may be afforded by certain groups of households.

Affordable Rent

This refers to rented housing let by RPs of social housing to households who are eligible for social rented housing. Affordable Rent is not subject to the national rent regime, but is subject to other rent controls that require rent of no more than 80 per cent of the local market rent.

Affordable housing

Affordable housing includes social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.

Homes and Communities Agency (HCA)

The non-departmental public body that funds new affordable housing in England.

Intermediate affordable housing

Housing at prices and rents above those of social rent, but below market prices or rents. It can include shared equity products (e.g. New Build HomeBuy), other low cost homes and intermediate rent, but does not include affordable rented housing.

Local Development Framework

The name for the portfolio of Local Development Documents (LDDs) that provide the planning policy framework for a local authority area. It comprises of the Core Strategy, Development Plan Documents (DPDs), Supplementary Planning Documents (SPDs), a Statement of Community Involvement (SCI), the Local Development Scheme (LDS) and Monitoring Reports.

Market housing

Private housing for rent or for sale, where the price is set in the open market.

National Planning Policy Framework (NPPF)

Sets out the Government's planning policies for England and how these are expected to be applied.

Registered Provider (RP)

An independent, registered, non-profit making organisation to build, improve and manage affordable housing for sale or rent. An RP must be registered with and regulated by the current government regulating authority.

Section 106 Agreement

Planning obligations are agreements entered into between the Council and developers, usually in conjunction with the granting of planning permission. Planning obligations apply to land, binding it and whoever owns it. They are made using powers under section 106 of the Town and Country Planning Act 1990, which is why they are also called "section 106 agreements".

Social Rented Housing

Rented housing owned and managed by local authorities and RPs, for which guideline target rents are determined through the national rent regime. It may also include rented housing owned or managed by other persons and provided under the same rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency as a condition of grant.

Strategic Housing Land Availability Assessment (SHLAA)

An assessment of sites across a local authority area, to determine whether or not they have the potential to be developed for housing. Production of a SHLAA by the local authority is a requirement of the NPPF.

Strategic Housing Market Assessment (SHMA)

A cross-boundary study of the operation of a Housing Market Area. Planning Policy Guidance Note 3: Housing, which has been superseded by the NPPF, required local authorities to prepare SHMA as part of the evidence base to inform LDFs and the development of planning and housing policy.

Supplementary Planning Documents (SPD)

These provide amplification in respect of policies in the LDF Core Strategy and other DPDs. They are not subject to independent examination.

Sustainable Communities Strategy

A document prepared by a Local Strategic Partnership - a collection of organisations and representatives working voluntarily to represent key interests in an area's economy, society and environment. The Strategy should set out a sustainable 'vision' for an area and highlight measures to achieve it.

DRAFT

This page is intentionally left blank

EXETER CITY COUNCIL

EXECUTIVE
5 FEBRUARY 2013

AUTHORISED SIGNATORIES FOR COUNCIL AND JOINTLY FUNDED AFFORDABLE HOUSING SCHEMES INVOLVING THE HOMES AND COMMUNITIES AGENCY'S INVESTMENT MANAGEMENT SYSTEM

1 PURPOSE OF THE REPORT

- 1.1 To agree signatories to enable the Council to administer, validate, authorise and allow the payment of Other Public Subsidy (OPS), Recycled Capital Grant Fund (RCGF), Social Housing Grant (SHG) and Affordable Rent Tenancy Grants (ARTG) to Registered Social Landlords (RSLs), Registered Providers (RPs) and developers through the Homes and Communities Agency's (HCA's) online Investment Management System (IMS).

2 BACKGROUND

- 2.1 Where the Council is funding or supporting the provision of affordable housing through a housing association (RSL or RP) or developer, either by way of capital funding or free or discounted land/property, it is sometimes required to validate schemes and authorise expenditure via the Homes and Communities Agency's Investment Management Computer System (IMS). Signatories, renewable on an annual basis, are needed for these purposes. The signatories were last approved for the period 2012/13 at Executive on 7 February 2012. Due to changes in staffing, new signatories should be approved for this financial year and the next financial year 2013/2014.
- 2.2 The IMS system also requires an authorised security administrator able to designate users. Proof of the Council's agreement to this is needed for audit reasons by the Homes and Community Agency.
- 2.3 A resolution by the Council is therefore needed.
- 2.4 The IMS system is also an essential tool for monitoring expenditure and progress on affordable housing schemes in the city.

3 PROPOSAL

- 3.1 That the Council appoint signatories to authorise and validate claims from RSLs, RPs and developers for the use of OPS, RCGF, SHG and ARTG payments during the financial year 2013/14 and for the remainder of 2012/13 and agree an authorised administrator for IMS and arrangements for facilitating monitoring.

4 RESOURCE IMPLICATIONS

- 4.1 If the Council does not validate and approve claims, as required, schemes may not proceed and/or it may find itself liable to meet the costs from its reserves.

5 RECOMMENDED

- 1) that the following officers be designated as authorised signatories for the purposes set out in paragraphs 1 and 2 and that the Homes and Communities Agency be informed:

All Financial Grant Claims	Assistant Director Finance (A Stark) or Corporate Finance Manager (D Hodgson) Hsg Development Manager (E Osmundsen) Senior Hsg Development Officer (C Massey)
----------------------------	--

Scheme-work Approvals	Assistant Director Housing and Contracts Hsg Development Manager (E Osmundsen), Senior Hsg Development Officer (C Massey) or Hsg Development Officer (G Stenning or K Plumb)
-----------------------	---

Monitoring	As per scheme-work approvals plus Strategy and Development Assistants (D Brownlie and N Suckley)
------------	--

- (2) that the Housing Development Manager (E Osmundsen) and the Senior Housing Development Officer (C Massey) be designated as Systems and Security Administrators for these purposes on the IMS Computer System.

ASSISTANT DIRECTOR OF HOUSING AND CONTRACTS

COMMUNITY & ENVIRONMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

None

EXETER CITY COUNCIL

EXECUTIVE
5 FEBRUARY 2013

COUNCIL
26 FEBRUARY 2013

MEMBERS' ALLOWANCES 2013/14

1 PURPOSE OF REPORT

- 1.1 To consider the report and recommendations of the City Council's Independent Remuneration Panel in relation to Members' Allowances for 2013/14.

2 BACKGROUND

- 2.1 The Local Authorities (Members' Allowances) (England) Regulations 2001 and 2003 require Councils to establish and maintain an Independent Remuneration Panel to provide the local authority with advice on its scheme of Members' Allowances and recommend the amounts to be paid. The 2003 Regulations permit members' allowances schemes to make provision for an annual adjustment of allowances by reference to a previously agreed index.
- 2.2 The Panel, comprising four representatives drawn from the business and voluntary sector, met on the 17 January 2013. In developing the Panel's recommendations for the 2013/14 Allowance Scheme, Councillors were invited to submit any comments on general and specific aspects of the allowances scheme for consideration by the Panel.
- 2.3 The Panel's report is attached at Appendix 1. As for previous years, in arriving at its recommendations, the Panel reflected on the principles and methodology set out in the report of the independent adviser on Members' Allowances submitted to the Council in March 2001. In 2004, this Council, on the recommendation of the Independent Remuneration Panel, agreed that the index in accordance with which the allowances should be adjusted in future years would be the annual local government staff pay award for the previous year. For information, the Basic and Special Responsibility Allowances have been frozen at 2008/09 levels.
- 2.4 No agreement had been made in respect of the annual local government staff pay award offered by the Employers' side for 2012/13, however the Panel members recommended that a 1% increase be made in the level of Councillors' allowances for 2013/14.
- 2.5 As required by the Regulations, a notice was published in a local newspaper setting out the Panel's recommendations and notifying the public that copies of the report were available for inspection at the Civic Centre and on the Council's web site.

3 RECOMMENDATIONS OF THE INDEPENDENT REMUNERATION PANEL

- 3.1 The Independent Remuneration Panel has made the following recommendations to Council in respect of Members' Allowances for 2013/14 that:-
- (1) the basic structure and principles of the current Members' Allowances scheme be retained for 2013/14;

- (2) the principle that any Member qualifying for more than one Special Responsibility Allowance is paid the higher allowance only, should be retained;
- (3) the Councillors' Basic and Special Responsibility Allowances including the Lord Mayor and Deputy Lord Mayor's Expenses Allowances should continue to be linked and updated in line with the Local Government Employers (LGE) staff pay award for the previous year. However for 2013/14 only, the level of these allowances should attract a 1% rise;
- (4) the Travel and Subsistence allowances provisions for staff continue to apply to Exeter City Councillors, where appropriate;
- (5) the existing payment of £7.50 per month contribution toward broadband (one payment per household) be retained;
- (6) the current Dependants' Carers' Allowance scheme is maintained and that the level of allowance, currently £6.19 per hour, continues to be linked to and updated in line with the minimum wage, however the allowance should include an uplift of the standard rate of tax (increasing the hourly rate to £7.43 per hour for 2013/14); and
- (7) the Panel considered that a sum of £50 be paid to the Independent Persons affiliated to Standards Committee for up to four hours work, and £100 for four hours and over, payable to each of the two Independent Persons (up to a maximum of £500 per person in any one year.)

4. FINANCIAL IMPLICATIONS

- 4.1 The budget for the scheme of allowances in 2013/14 totals £258,470 and that sum has been included in the estimates for 2013/14, subject to approval by Council on 26 February 2013. The Scheme recommended by the Panel for 2013/14 is attached at Appendix 2 to this report.

5. RECOMMENDED:-

- (1) That the Independent Remuneration Panel's recommendations as set in paragraph 3 above are considered and a recommendation made to Council regarding the Scheme.

CORPORATE MANAGER DEMOCRATIC AND CIVIC SUPPORT

23 January 2013

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

Report of the Independent Adviser on Members' Allowances, March 2001

EXETER CITY COUNCIL

Report of the Independent Remuneration Panel on Councillors' Allowances for 2013/14 17 January 2013

1 Introduction

- 1.1 The Independent Remuneration Panel met to consider Exeter City Council's Members' Allowances scheme for 2013/14. The Panel membership comprises:-

Derek Phillips – business/public sector representative (appointed as Chair of the Panel)

Peter Lacey - business sector representative

Hazel Craddock - voluntary sector representative

Nigel Hillier – business sector representative

- 1.2 John Street (Corporate Manager Democratic and Civic Support) and Sharon Sissons (Member Services Officer) provided the Panel with general advice and support.

- 1.3 The Panel's deliberations related to the following main areas as required by the Local Authorities (Members' Allowances) (England) Regulations 2003:

- (i) the structure of the scheme and the level of basic allowances
- (ii) special responsibility allowances (including the Lord Mayor's and Deputy Lord Mayor's expenses allowance)
- (iii) updating of allowances
- (iv) pensions
- (v) travel and subsistence allowances
- (vi) the Dependants' Carers' scheme
- (vii) co-optees' allowances (including the new Independent Persons affiliated to the Standards Committee)

2. Methodology and Framework

- 2.1 The current regulations relating to Members' Allowances are set out in The Local Authorities (Members' Allowances) (England) Regulations 2001 and 2003. The Office of the Deputy Prime Minister's Guidance on Consolidated Regulations for Local Authority Allowances was used as a reference for the discussion.

- 2.2 The Panel noted the results of a number of regional surveys of allowances which provided a useful comparator of allowances paid for similar types and sizes of authority. It felt that Exeter City Council remained appropriately placed in terms of the allowances paid to Members within the context of other authorities. However, the Panel was concerned at the growing financial barrier to becoming and remaining a Councillor, although it recognised one of the main motivations was for public service.

- 2.3 The report of the meeting of the Chairs of Independent Remuneration Panels in the region, which highlighted good practice, was also noted.

3. Councillors Responses

- 3.1 Councillors were invited to submit comments on the Members' Allowances scheme for consideration by the Panel. Five Councillors replied and their comments were taken into consideration by the Panel in the course of their review. The comments included proposals for a continuation of the freeze in allowances; and a reduction in the allowance and a suggestion that Councillors should be considered as other lower paid workers in local government. There was universal recognition that their role as a Councillor was likely to mean a financial sacrifice. A comment was also made about the consultation over removing the access for Councillors to the Local Government Pension Scheme, as this could have helped to 'attract potential candidates from across the age range'.

4. Structure of Scheme and Basic Allowances

- 4.1 The formula for calculating allowances was developed in 2001 based on the advice of an independent consultant. This was calculated on an assumed number of days work (4 per month) undertaken by Councillors on Council business, which equated to 32 hours per month. From this was deducted a proportion (one third) of the total number of days to reflect an assumed voluntary element to the work. It was recognised that further survey work should be conducted to obtain more current information and reflect the wide range of duties and workload of Councillors. The Panel considered that alongside this work, some form of performance matrix could be considered to help inform future Review Panel deliberations.
- 4.2 The Panel noted that a review of Scrutiny was currently being undertaken and this may have an impact on future workloads for the role of Chairs of Scrutiny Committees. It was anticipated that this may result in a better alignment of the political and management structure following the Council's Management restructure last year. The overall position should be known in February. Despite the Panel's consideration of a fundamental review of the scheme, it considered that the present structure of the scheme should continue for the forthcoming year on the current basis.

Recommendation 1:

That the basic structure of the current Members' Allowances scheme be retained for 2013/14.

5. Special Responsibility Allowances

- 5.1 The Panel agreed on the need to keep under review the levels of all Special Responsibility Allowances paid by the Council to ensure that they remained reflective of the responsibilities of the positions. With regard to the current year, the Panel considered that the existing structure and level of the Special Responsibility Allowances remained appropriate at present; although a review of Scrutiny is currently being undertaken and may require an amendment of the scheme in the future. The Panel also endorsed the principle that any member qualifying for more than one Special Responsibility Allowance should be paid the higher allowance only.

Recommendation 2:

That the principle that any Member qualifying for more than one Special Responsibility Allowance is paid the higher allowance only, should be retained.

6. Updating of Allowances

- 6.1 Since 2004, the Panel had reviewed the mechanism by which the allowances were updated annually in line with the annual local government staff pay award for the previous year. It considered that this link with the annual staff pay award as opposed to the Retail Price Index or other factor, remained appropriate, and recognised that it reflected wages in the relevant sector as well as being transparent and easily understood. Furthermore, linking the allowances to the local government staff pay settlement agreed in the previous year also ensured that the additional resources would generally be known in good time for the formulation of the budget. However, whilst the Panel still adhered to this principle of assessment, it recommended a departure from that stance for the 2013/14 review.
- 6.2 The Panel discussed at length, the principles established for any increase in Councillors' remuneration. It was fully aware of the serious financial challenges currently facing the Council, which may determine the level of increase for 2013/14.
- 6.3 The Panel recognised the importance of the allowance keeping pace with the cost of living, particularly in wishing to retain and attract new Councillors. It did not wish to disadvantage new Councillors. It was aware that there had been no increase in pay for the majority of staff for 2012/13; however a one off sum of £250 had been paid to the lowest paid workers. An increase in the allowance along these lines had been suggested by one of the Councillors who had submitted comments on the scheme. However, whilst considering this suggestion, the Panel felt that a 1% increase in Basic and Special Responsibility Allowances for 2013/14 was more appropriate.

Recommendation 3:

The Councillors' Basic and Special Responsibility Allowances including the Lord Mayor and Deputy Lord Mayor's Expenses Allowances should continue to be linked and updated in line with the Local Government Employers (LGE) staff pay award for the previous year. However for 2013/14 only, the level of these allowances should attract a 1% rise.

7. Pensions

- 7.1 The Panel welcomed the Council's decision in February 2009 to allow Councillors to join the Local Government Pension Scheme (LGPS), with benefits based on both Basic and Special Responsibility Allowances, and noted that eight Councillors had taken up the opportunity to join the scheme.
- 7.2 The Panel was, however, disappointed to note that the Government had commenced consultation to remove Councillors' access to the local government pension scheme from April 2014. It re-iterated its commitment to the principle of membership of the LGPS having been extended to Councillors. The Panel still supported any measures that might encourage people from across a broad spectrum of the community to consider standing for Council and ultimately further enhance the diversity and quality of Councillors. It was aware of the difficulty already experienced in attracting candidates who would maintain the high calibre of existing Councillors, which it felt the community had the right to expect. The Panel felt that the pensions facility was of particular benefit to Councillors who, for a variety of reasons, had not had the opportunity to build up contributions in other pension schemes, including those whose potential earnings may have been restricted by their Council commitments through loss of earnings or career prospects.

8. Travel, Subsistence and other Allowances

- 8.1 Section 8 of the Local Authorities (Members' Allowances') (England) Regulations 2003 had formalised the provisions relating to the payment of travel and subsistence allowances to Councillors and had specified the particular purposes for which they could be claimed.
- 8.2 The Panel noted that the general principles applying to the receipt of travel, subsistence and other allowances by Councillors were the same as those for staff of the Council. Reasonable expenses incurred in respect of travel outside the City, meals and accommodation will be reimbursed subject to appropriate documentary evidence being produced.

Recommendation 5:

That the travel and subsistence allowances provisions for staff continue to apply to Exeter City Councillors, where appropriate.

9. Broadband

- 9.1 It was noted that Members could claim a sum of £7.50 monthly (one per household) in respect of broadband charges. This allowance commenced when dial-up connection to the internet was more commonly used. Although broadband was increasingly included in a package of other services, the Panel felt that the existing payment represented an appropriate contribution.

Recommendation

That the existing payment of £7.50, per month contribution toward broadband (one payment per household) be retained.

10. Dependants' Carers' Allowance

- 10.1 The Panel noted that Section 7 of the Local Authorities (Members Allowances) (England) Regulations 2003 had formalised the provisions for the payment to Councillors of a Dependants' Carers' Allowance in respect of such expenses of arranging for the care of their children or dependants as are necessarily incurred and had specified the particular purposes for which this could be claimed.
- 10.2 The current Dependants' Carers' Allowance Scheme accorded with the regulations and the Panel considered that this remained a good scheme. The level of the allowance appeared to be in line with that paid by similar authorities and the Panel considered that this should continue to be linked to the minimum wage. However, the Panel noted that in common with other Members' allowances, reimbursements of such claims were taxed in line with HM Customs and Excise regulations. The Panel was therefore concerned that any Councillor making such a claim may be disadvantaged even more, and proposed that any claim made under this Scheme should include an uplift of the standard rate of tax.

Recommendation 6:

That the current Dependants' Carers' Allowance scheme is maintained and that the level of allowance, currently £6.19 per hour, continues to be linked to and updated in line with the minimum wage, however the allowance should include an uplift of the standard rate of tax. (increasing the hourly rate to £7.43 per hour for 2013/14).

11. Co-optees' and Independent Member Allowances

- 11.1 The payment of allowances to co-optees has been formalised by Section 9 of The Local Authorities (Members Allowances) (England) Regulations 2003. The Panel considered this should remain unchanged at a flat rate of £25 per meeting.
- 11.2 On 24 February 2004, Council approved a Special Responsibility Allowance for the Chair of the Standards Committee and a payment of £25 per meeting for the independent members of Standards Committee. Following the implementation of the Localism Act 2011 and the subsequent abolition of the Standards regime on 1 July 2012, the membership of the independent Members ceased. New governance arrangements were introduced and included the need to appoint two 'Independent Persons' affiliated to the City Council's Standards Committee, who could be consulted in relation to any Member complaint. The former independent Members were recruited as the Independent Persons for a transitional period of one year. The process of recruiting new Members with effect from May 2013 will commence shortly. The Panel discussed the most appropriate remuneration.
- 11.3 The Panel considered that a sum, per case, of £50 be paid for up to four hours work and £100 for four hours and over, per case, payable to each Independent Person (up to a maximum of £500 per person in any one year)

Recommendation 7:

The Panel considered that a sum of £50 be paid to the independent Persons affiliated to Standards Committee for up to four hours work, and £100 for four hours and over, payable to each of the two independent Persons (up to a maximum of £500 per person in any one year.)

Derek Phillips (Chair)
The Independent Remuneration Panel for Exeter City Council
23 January 2013

This page is intentionally left blank

EXETER CITY COUNCIL**PROPOSED MEMBERS' ALLOWANCES SCHEME 2013/14**

	2012/13	2013/14*	
	£	£	
Basic Allowance			
Payable to all Councillors	4,430	4,474	
Special Responsibility Allowances**:-			
Leader (basic x 300%)	13,290	13,422	
Other Executive members with portfolios (basic x 150%) (x 5)	6,645	6,711	each
Other Executive members without portfolios (basic x 50%) (x 2)	2,215	2,237	each
Chairs of Scrutiny Committees (basic x 100%) (x 3)	4,430	4,474	each
Chair of Planning Committee (basic x 100%) (x 1)	4,430	4,474	
Chair of Licensing Committee (basic x 50%) (x 1)	2,215	2,237	
Chair of Standards Committee (basic x 25%) (x 1)	1,108	1,119	
* <i>Incorporating a 1% increase proposed by the Independent Remuneration Panel payable with effect from 1 April 2013</i>			
** <i>Any Member qualifying for more than one Special Responsibility Allowance is paid the higher allowance only</i>			
Lord Mayor's Expenses Allowance	4,430	4,474	
Deputy Lord Mayor's Expenses Allowance ***	1,108	1,119	
*** <i>(25% of Lord Mayor's Expenses Allowance)</i>			

Dependants' Carers' Allowance

An allowance in line with the minimum wage (£6.19 per hour) plus an uplift of the standard rate of tax, increasing the hourly rate to £7.43 per hour for 2013/14, is payable to Councillors whilst on "approved duties", in accordance with the agreed scheme (please see over)

January 2013

Exeter City Council

Dependants' Carers' Allowance Scheme

An allowance of up to £7.43 per hour (pro rata for part of an hour), representing the minimum wage (£6.19 per hour in 2013/14) plus an uplift of the standard rate of tax, may be claimed in respect of expenses incurred by a Councillor when a carer for a dependant has been engaged to enable a councillor to carry out an approved duty.

A carer will be any responsible person who does not normally live with the councillor as part of that councillor's family.

An allowance will be payable if the dependant being cared for:

- is a child under the age of 14
- is an elderly person; or
- has a recognised physical or mental disability

who normally lives with the councillor as part of that councillor's family and should not be left unsupervised.

Qualifying duties are defined as meetings of the Council, its Committees and Sub-Committees, training events, briefings and such other duties as are specified by the relevant regulations*.

For meetings or duties within the Council's boundaries, the allowance will be paid for the duration of the meeting or otherwise approved duty plus an allowance for up to one hour's total travelling time before and after the meeting.

The actual cost of care will be reimbursed, up to a maximum of £7.43 per hour.

This allowance will be updated annually in line with the minimum wage and an additional uplift of the standard rate of tax.

**Payment of allowance will be made under the powers of Section 100 of the Local Government Act 2000 and Section 7 of Part 2 of the Local Authorities (Members Allowances) (England) Regulations 2003.*

January 2013

EXETER CITY COUNCIL

EXECUTIVE
05 FEBRUARY 2013

VARIATION OF DECISION ON PARKING TARIFFS

1.0 PURPOSE OF REPORT

- 1.1 To seek Members' agreement to a minor variation in the changes to parking tariff proposals previously agreed by Executive on 20 November 2012.

2.0 BACKGROUND

- 2.1 At its meeting on 20 November 2012, Executive agreed a number of changes to tariff bands and the designation of a small number of car parks (and consequently the availability of commuter season tickets in these car parks) based on the recommendations of the all party Scrutiny Task and Finish Group. These are attached at Annex A for Members' reference. As always, implementation of these changes was subject to the consideration of any objections by the Strategic Director in consultation with the Leader of the Council and Portfolio Holder for Sustainable Development and Transport.
- 2.2 Approximately 225 objections were received against the proposals, the majority of these concerning the removal of the eligibility for commuter season tickets in Howell Road and Magdalen Road car parks as a result of their redesignation as short stay car parks.
- 2.3 In view of the representations arguing for affordable workplace parking close to the city centre, and in light of the Corporate Plan priority to 'grow business and create jobs', the Strategic Director, Leader and Portfolio Holder were persuaded by the case to vary the original proposals to continue to allow the use of season tickets in Howell Road and Magdalen Road car parks, on Mondays to Fridays only, but to proceed with all the other tariff changes and reclassifications of car parks as agreed by Executive on 20 November 2012. As a consequence, this proposal needs to be referred back to Executive for formal resolution. As a further consequence, it has not been possible to proceed with the implementation of the other changes as the decision in relation to season tickets is an integral part of the overall proposals. A further decision is therefore required from Executive in order to implement slightly revised proposals from those originally approved.

3.0 FINANCIAL IMPLICATIONS

- 3.1 It is not clear what the financial implications of continuing to allow the use of season tickets in two short stay car parks will be. However, as reported to Members in November, parking revenues for 2012/13 are currently in excess of the profiled budget.

4.0 RECOMMENDATION

4.1 It is recommended that

- (i) approval be given to the use of commuter season tickets, on Mondays to Fridays only, in Howell Road and Magdalen Road car parks; and
- (ii) the implementation of these changes to the City of Exeter (Civil Enforcement Off Street Parking Places) Order 2012, including the changes resolved by Executive on 20 November 2012, be made by way of an amendment to the existing Order. The Amendment Order therefore be advertised, made and sealed to come into force on 4 March 2013.

ROGER COOMBES
ASSISTANT DIRECTOR PUBLIC REALM

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

EXETER CITY COUNCIL

EXECUTIVE 5 FEBRUARY 2013

PROGRESSION TO DEVELOPING A FULL BUSINESS CASE FOR AN ICT SHARED SERVICE

1.0 PURPOSE OF REPORT

- 1.1 To seek Members' agreement to progress to a full business case in respect of the creation of a local authorities' owned company to provide shared ICT services.

2.0 BACKGROUND

- 2.1 Over the past few months, preliminary work with East Devon, Plymouth City, Teignbridge and Exeter City Council has been progressing to examine the potential benefits of delivering ICT services via a shared facility. The intention is that the service would be based around the concept of a "company" structure, rather than the more traditional shared service facility, and would be wholly owned via a share allocation by the founder members. The current proposed structure envisages each Council having a single vote, thereby negating the potential impact of the largest Council having the largest voice.
- 2.2 A draft high level business case has been constructed that suggests that savings of approximately 20% may be deliverable in the long term (year 8 onwards). This projected saving is based around initial data analysis in respect of the 4 Councils current operating costs and must be perceived more as indicative, rather than a fully detailed proposal. However even at this early stage it would appear that there may be value in the Council continuing to work with the other 3 Councils to construct a full detailed business case. The aim of the detailed business case would be to further validate both costs and potential benefits, in order that members will have substantial data upon which to base a decision to progress to implementation, or not.
- 2.3 Until now any costs associated with this work have been absorbed within existing budget allocations. These costs have been staff time rather than a direct financial contribution. However to progress to the next stage, including the production of a detailed business case, external advice will be required to support its construction.
- 2.4 The current project plan is that the detailed business case will be completed and ready for member scrutiny in late summer.

3.0 FINANCIAL IMPLICATIONS

- 3.1 The total direct cost estimate for the 4 councils to progress to the full business case stage is estimated to be £85k. It has been proposed that each council contributes to this cost in proportion to their total ICT spend. The cost to Exeter City Council would be in the region of £13k. It is suggested that this is increased to £20k to allow for a suitable contingency going forward.

- 3.2 However this reflects only the direct cost element and does not include staff time within the ICT service that will need to be redirected to support this initiative. ICT staff are presently reviewing their current work programme to identify areas of conflict and therefore potential delays in the implementation of ICT Capital Projects. There will also be an impact on the ICT service's ability to engage in supporting the Council's Systems Review work which has been done to date.

4.0 RECOMMENDATION

4.1 It is recommended that

- (i) approval be given to progress to the next stage of the project; the construction of a detailed business setting out detailed costs and benefits associated with a shared service facility; and
- (ii) the approval of £20k (inclusive of contingency) to progress this work.

**MARK PARKINSON
STRATEGIC DIRECTOR**

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank