

EXECUTIVE

Date: Tuesday 10 February 2015

Time: 5.30 pm

Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sarah Selway, Democratic Services Manager (Committees) on 01392 265275.

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

Membership -

Councillors Edwards (Chair), Denham, Fullam, Hannaford, Leadbetter, Owen, Pearson and Sutton

Agenda

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 consideration of item 13 on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1 and 3 of Part I, Schedule 12A of the Act.

4 **European seven a-side tournament**

Verbal update from the Assistant Director Economy.

5 **General Fund/Housing Revenue Account Estimates and Capital Programme 2015/16**

To consider the report of Assistant Director Finance.

(Pages 5 - 38)

6 **Treasury Management Strategy 2015/16**

To consider the report of Assistant Director Finance.

(Pages 39 - 48)

Scrutiny Committee – Resources considered the report at its meeting on 28 January 2015 and its comments will be reported.

7 **Prudential Code for Capital Finance in Local Authorities (incorporating the Annual Statement of Minimum Revenue Provision)**

To consider the report of Assistant Director Finance.

(Pages 49 - 68)

Scrutiny Committee – Resources considered the report at its meeting on 28 January 2015 and its comments will be reported.

8 **Annual Pay Policy Statement**

To consider the report of the Human Resource Business Manager.

(Pages 69 - 78)

Scrutiny Committee – Resources considered the report at its meeting on 28 January 2015 and its comments will be reported.

9 **Channel Shift Implementation Resources**

To consider the report of Assistant Director Customer Access.

(Pages 79 - 90)

10 **Freedom of the City**

To consider the report of the Corporate Manager Democratic and Civic Support.

(Pages 91 - 94)

11 Managing Organisational Change and Redundancy Policy and Procedure

To consider the report of Corporate Manager Legal Services.

(Pages 95
- 112)

12 Governance and Prioritisation of Community Infrastructure Levy Funding

To consider the report of the Assistant Director City Development.

(Pages
113 - 124)

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

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

13 The Future of the Custom House

To consider the report of the Corporate Manager Property.

(Pages
125 - 128)

Scrutiny Committee – Resources considered the report at its meeting on 28 January 2015 and its comments will be reported.

Date of Next Meeting

The next scheduled meeting of the Executive will be held on **Tuesday 17 March 2015** at 5.30 pm in the Civic Centre.

A statement of the executive decisions taken at this meeting will be produced and published on the Council website as soon as reasonably practicable.

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 Democratic Services Officer (Committees) on (01392) 265115 for further information.

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EXETER CITY COUNCIL

REPORT TO: EXECUTIVE
DATE OF MEETING: 10 FEBRUARY 2015
REPORT TO: COUNCIL
DATE OF MEETING: 24 FEBRUARY 2015

REPORT OF: ASSISTANT DIRECTOR FINANCE
TITLE: GENERAL FUND / HRA ESTIMATES AND CAPITAL PROGRAMME 2015/16

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To approve the General Fund revenue estimates for 2015/16 and to recommend the Band D level of Council Tax for 2015/16. This report also includes the proposed Capital Programme for 2015/16 and future years, and the proposals in respect of the Housing Revenue Account.

2. Recommendations:

2.1 It is recommended that :

2.1.1 the Council's overall spending proposals in respect of both its revenue and capital budgets are approved;

2.1.2 the council tax for each Band be recommended to the Council as set out in section 8.19.3 subject to Devon County Council, OPCC Devon and Cornwall and the Devon and Somerset Fire Authority confirming their Band D levels respectively;

2.1.3 when the actual council tax amounts for Devon County Council and the Devon and Somerset Fire Authority are set then the revised council tax levels be submitted to Council on 24 February 2015 for approval;

2.1.4 Members note the Statement given by the chief finance officer as required under Section 25 of the Local Government Act 2003.

3. Reasons for the recommendation:

3.1 To ensure that the Council is in a position to set a budget and determine the Council Tax for the City of Exeter in line with the statutory timeframe.

4. What are the resource implications including non financial resources

4.1 The report sets out the proposed budgets for 2015/16. Details of the resource implications are set out in section 8.

5. Section 151 Officer comments:

5.1 The proposed budget will achieve the requirement to maintain a minimum balance in excess of £2 million. The Medium Term Financial Plan is reliant on substantial savings being delivered over the next three years in order to maintain and strengthen the Working Balance.

6. What are the legal aspects?

6.1 The Council is required by the Local Government Act 1992 to determine the Council Tax for the following year. In order to do this, a balanced budget is prepared.

7. Monitoring Officer's comments:

7.1 This report raises no issues of concern for the Monitoring Officer.

8. Report Details:

8.1 LOCAL GOVERNMENT FINANCE SETTLEMENT

8.1.1 The Government announced the provisional Local Government Settlement on 18 December 2014. The Council is to receive £6.635 million in 2015/16, which is £11,000 lower than predicted within the Medium Term Financial Plan. At this stage there is no intention to revisit the budgets set and the shortfall can be taken from balances.

8.1.2 Appendix 1 shows as a comparison the formula funding settlement figures for all Devon authorities. 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. The figures show that in comparison with the other Devon Districts the City Council has fared worse in percentage terms of formula funding reduced.

8.1.3 In the grant settlement the Government announced that councils will face an average cut of 1.8% 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 reduced by 3.1% for 2015/16.

8.2 COUNCIL TAX

8.2.1 The Chancellor of the Exchequer has again announced funding for local authorities who decide to freeze council tax next year. If they do, councils, police and fire authorities will stand to receive an equivalent to raising their council tax by one per cent. The Council would receive £51,601 in Council Tax Freeze Grant if it were to freeze Council Tax. In addition, the Government has confirmed the local authority tax referendum threshold will remain at two per cent.

8.3 BUSINESS RATES POOL

8.3.1 Local Authorities in Devon (with the exception of South Hams DC) have agreed to form a Business Rates pool for a third year. The benefits of the pool are that any additional growth within Devon is shared between the Council's in Devon rather than a levy being paid over to Central Government. However there are risks that where a Council's Business Rates income falls below their safety net, then it is the responsibility of the members of the pool to make payments to them rather than Central Government. The budget allows for a small gain from pooling and in total along with growth in Business Rates there is a budget of £561,000.

8.4 KEY ASSUMPTIONS

8.4.1 An overall allowance of £258,000 has been allowed for inflation. The inflationary increases allowed in the budget are:

Pay award	1.0%
Pay – Increments	0.5%
Electricity	3.0%
Gas	2.8%
Oil	4.0%
Water	0.0%
Insurance	3.0%
Rates	2.8%
Fuel	5.0%
General Inflation	0.0%
Income (excluding Car Parks)	2.5%

8.4.2 General inflation has again been held at zero; however where there are contracts in place, inflation at around RPI has been added.

8.4.3 In respect of interest rates, next year's budget reflects the likelihood that whilst base rate may remain low, it is likely that the cost of borrowing will increase and the Council may begin to take out borrowing over a longer timeframe as a result.

8.5 FURTHER ISSUES TO BE CONSIDERED

8.5.1 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
- New Homes Bonus
- Future spending pressures and review of the medium term financial planning process
- The level of reserves and balances

8.6 EQUALITY IMPACT ASSESSMENT

8.6.1 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.

8.7 NEW HOMES BONUS

8.7.1 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 has no longer been the case since 2013/14 with funding for the scheme being 'top-sliced' from mainstream grant funding. There is real uncertainty about whether the New Homes Bonus will continue following the General Election in May and therefore no assumptions have been made about New Homes Bonus for the years after 2015/16.

8.7.2 To date the Council has received New Homes Bonus of £0.389 million in 2011/12, £1.323 million in 2012/13, £2.205 million in 2013/14, £2.778 million in 2014/15 and will receive a further £3.529 million in 2015/16. Council has approved a revised allocation that sets out how the New Homes Bonus funding should be used from 2014/15 onwards. Based upon this revision the allocation is set out in the table below:-

Year	Top Slice (revenue) £000's	Community Projects £000's	Ward Grants £000's	Major Infrastructure / Debt Finance £000's	Specific Projects £000's	Total £000's
2011/12	-	-		-	389	389
2012/13	120	361		601	241	1,323
2013/14	120	250	36	1,757	42	2,205
2014/15	120	250	36	2,372	-	2,778
2015/16	120	250	36	3,123	-	3,529
Total	480	1,111	108	7,853	672	10,224

8.8 REVISED MEDIUM TERM REVENUE PLAN (APPENDIX 3)

8.8.1 An updated Medium Term Financial Plan (MTFP) is set out in Appendix 3. There have been a number of changes to the financial plan since it was reported in December after additional spending pressures were identified either during the budget setting process or through announcements made during late December. The MTFP currently indicates that additional savings required over the next two years (2016/17 – 2017/18) total £3,033,000. The additional savings over the medium term are set out in the table below:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Savings required	0	(2,500)	(533)	0

8.8.2 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 after 2015/16 including localisation of business rates, 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 have to be met from further savings.

8.9 BALANCES AND RESERVES

- 8.9.1 The Council's current policy is such that the minimum level of the General Fund Balance will remain above £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 £2.892 million as at 31 March 2015, equivalent to 21.4% 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 a low point of £2.522 million by the end of 2015/16.
- 8.9.2 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2015/16 includes a net transfer to earmarked reserves of £1,607,980. This is broken down as shown below:-

Transfer (from)/ to reserves:

	2015/16 £'000
Transfers to Reserves	
New Homes Bonus	<u>3,529</u>
	3,529
Transfers from Reserves	
New Homes Bonus	(1,193)
NNDR Deficit reserve	<u>(728)</u>
	(1,921)

8.10 REVENUE ESTIMATES 2015/16 (APPENDIX 4)

- 8.10.1 The Council's revenue estimates for next year have been considered during the previous cycle of Scrutiny Committee meetings in time for this final budget report to the Executive on 10 February 2015. In total, Service Committee Expenditure for 2015/16 is £12,526,710 which is £467,460 higher than the current year.
- 8.10.2 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 £150,000 for net borrowing in respect of the overall cash balances, £1,571,000 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 2015/16 is planned to be £11,956,980, a decrease of £1,515,718 compared to 2014/15.

8.11 COUNCIL TAX BUDGET REQUIREMENT 2015/16

- 8.11.1 When all the Government Grant funding is taken into account the resultant net expenditure to be financed from council tax is £4,760,790 (as indicated in Appendix 4), an increase of £191,092 compared to 2014/15.
- 8.11.2 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 2015/16. For next year it is estimated that the collection fund will have a surplus (£67,782), which will be used to fund part of the expenditure to be financed from Council Tax.

8.11.3 After taking into account the surplus and the taxbase of 34,750, the proposed band D council tax for 2015/16 will be £135.05, which means that the council tax will increase annually by £2.63 or 1.99%.

8.12 HOUSING REVENUE ACCOUNT (HRA) (APPENDIX 6 & 7)

8.12.1 Since April 2012, the Council's HRA is expected to be self-financing. Thus all income collected locally from rents, service charges and other sources are kept at a local level to deliver housing services to tenants and to maintain the housing stock.

8.12.2 The main features of self-financing are:

- The HRA is framed by the Local Government and Housing Act 1989. This Act created the ring-fence and the structure within which the HRA operates and covers the detailed operation of the HRA, including the credits (income) and debits (expenditure) which make up the account.
- The Government have put a limit on the amount of borrowing the authority can have for the purposes of the HRA, called the 'debt cap'. For Exeter City Council, the debt cap is £57,882,413.
- The Chancellor's Autumn Statement announced that the cap limiting the amount councils can borrow will be increased by £150m in both 2015-16 and 2016-17. This allocation will be subject to a competitive bidding process with local authorities submitting proposals to build new homes using the additional borrowing facility.
- Local authorities are expected to maintain a long term housing business plan for financial and service planning, monitoring progress and managing risk.

8.12.3 In the 2013 Spending Round, the Government announced a new social housing rent policy to apply for ten years from 2015/16 to 2024/25. Under the new policy, rents in the social sector should increase by Consumer Price Index inflation (CPI) + 1 percent annually.

For 2015/16 this represents an increase of 2.2% (CPI + 1%), which will result in an average increase £1.65 per week, over 52 weeks, per property.

8.12.4 In April 2012 the Council signed up to the Right to Buy Retention agreement with the Department for Local Government and Communities. Under the agreement the Council has committed to reinvesting Right to Buy receipts in the provision of replacement homes and agreed to match fund the investment within a 3 year time-frame.

To date, the Council has retained £2.5m in Right to Buy receipts which needs to be spent on new affordable housing. This will be fulfilled by the development of new social housing at Newport Road, Bennett Square, Brookway and Rennes House car park as part of COB Wave II.

8.13 CAPITAL PROGRAMME RESOURCES (APPENDIX 8)

- 8.13.1 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.
- 8.13.2 The available capital resources for General Fund and Housing for 2015/16 are £12.363 million. An estimated spend of £4.813 million is required in respect of the General Fund and £11.537 million for the HRA. The total spend on capital will be £16.350 million of which £3.987 million will have to be funded from borrowing. Appendix 8 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 in the future.

8.14 GENERAL FUND CAPITAL PROGRAMME (APPENDIX 9)

- 8.14.1 The proposed capital programme is set out in Appendix 9. The programme for 2015/16 totals £4.813 million. 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 purpose to which it is considered the scheme contributes the most.

8.15 HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME (APPENDIX 10)

- 8.15.1 For 2015/16 the medium term financial strategy provides for a HRA capital programme of £11.537 million. This is funded from:
- Major Repairs Allowance £3.660 million
 - Revenue Contributions to Capital £5.772 million
 - Capital Receipts £0.500 million
 - Commuted Sums £1.605 million

8.16 RISK ASSESSMENT

- 8.16.1 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.

- 8.16.2 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 Strategic Management and Members on any key issues
 - Regular budget monitoring 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

8.16.3 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.

8.17 **STATEMENT OF THE ROBUSTNESS OF ESTIMATES AND ADEQUACY OF RESERVES**

8.17.1 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.

8.17.2 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 2015/16 that have been prepared are both robust and achievable.

8.17.3 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 £2.892 million as at 31 March 2015, equivalent to 21.4% of Exeter's net revenue budget. The Council's current medium-term financial plan indicates that the General Fund Balance will be reduced to a low point of £2.522 million by the end of 2015/16.

8.17.4 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

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

<u>Earmarked</u>	31/03/2014 £'000	31/03/2015 £'000	31/03/2016 £'000
Total Earmarked Reserves	6,440	8,122	9,730
<u>Non-Earmarked</u>			
General Fund Balance	3,365	2,892	2,522

8.18 PRECEPTS

8.18.1 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 19th, 6th and 20th February respectively. The precepts will be tabled at the Council meeting for approval.

8.18.2

	2014/15	2015/16	Change	
	£	£	£	%
Devon County Council	1,138.59			
OPCC Devon and Cornwall	166.16			
Devon and Somerset Fire Authority	76.89			
Total Precept	1,381.64			

8.19 FINAL POSITION – TO BE TABLED AT COUNCIL

8.19.1 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 2015/16 of £x,xxx.xx per Band D property.

8.19.2 This is an overall increase of £xx.xx (x.xx%) on the amount of £1,514.06 levied for 2014/15.

8.19.3 The detailed figures are: -

Band	Exeter £	DCC £	Police £	Fire £	Total £
A	90.03				
B	105.04				
C	120.04				
D	135.05				
E	165.06				
F	195.07				
G	225.08				
H	270.10				

9. How does the decision contribute to the Council's Corporate Plan?

9.1 The budget underpins the Corporate Plan by determining the amount of funds available to the Council to deliver its priorities.

10. What risks are there and how can they be reduced?

10.1 The key risks are set out in section 8.16 above

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, Economy safety and the environment?

11.1 Not applicable.

12. Are there any other options?

12.1 Not applicable.

Dave Hodgson, Assistant Director Finance

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

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FORMULA GRANT DECREASES - DEVON AUTHORITIES

Authority	Grant	Grant	Yearly Decrease %	Grant	Yearly Decrease %	Grant Decrease 2013/14 - 2015/16	
	2013/14 £m	2014/15 £m		2015/16 £m		£m	%
Devon	224.467	207.599	(7.5%)	178.918	(13.8%)	(45.549)	(20.3%)
Plymouth	127.561	114.307	(10.4%)	96.900	(15.2%)	(30.661)	(24.0%)
Torbay	71.157	64.299	(9.6%)	54.973	(14.5%)	(16.184)	(22.7%)
East Devon	5.833	5.140	(11.9%)	4.437	(13.7%)	(1.396)	(23.9%)
Exeter	9.031	7.832	(13.3%)	6.635	(15.3%)	(2.396)	(26.5%)
Mid Devon	4.839	4.286	(11.4%)	3.713	(13.4%)	(1.126)	(23.3%)
North Devon	6.540	5.742	(12.2%)	4.931	(14.1%)	(1.609)	(24.6%)
South Hams	4.217	3.696	(12.4%)	3.156	(14.6%)	(1.061)	(25.2%)
Teignbridge	7.421	6.491	(12.5%)	5.558	(14.4%)	(1.863)	(25.1%)
Torrige	5.206	4.584	(11.9%)	3.906	(14.8%)	(1.300)	(25.0%)
West Devon	3.604	3.168	(12.1%)	2.711	(14.4%)	(0.893)	(24.8%)

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REVENUE SPENDING POWER CHANGES - DEVON AUTHORITIES

Authority	Revenue Spending Power 2014/15	Revenue Spending Power 2015/16	Revenue Spending Power Change	
	£m (adjusted)	£m	£m	%
Devon	572.583	575.325	2.742	0.5%
Plymouth	231.584	223.982	(7.602)	(3.3%)
Torbay	136.166	132.045	(4.121)	(3.0%)
East Devon	14.190	14.577	0.387	2.7%
Exeter	16.072	15.566	(0.506)	(3.1%)
Mid Devon	10.948	10.665	(0.283)	(2.6%)
North Devon	12.245	11.620	(0.625)	(5.1%)
South Hams	10.736	10.509	(0.227)	(2.1%)
Teignbridge	15.944	15.943	(0.001)	(0.0%)
Torridge	9.427	9.026	(0.401)	(4.3%)
West Devon	8.612	8.357	(0.255)	(3.0%)

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MEDIUM TERM REVENUE PLAN (2013/14 - 2018/19)

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	
Resources							
Revenue Support Grant	5,364	4,049	2,887	2,091	1,399	1,132	
Business Rates Income (assumed by Government)	3,582	3,678	3,748	3,827	3,938	4,072	
Business Rates growth / pooling benefit	1,788	1,093	1,289	1,259	1,294	1,337	
Extra grant to compensate for council tax freeze	118	118	0	0	0	0	
Council Tax - £5 pa 2013/14 and 2.0% following years	4,391	4,570	4,761	4,823	4,956	5,092	
Likely resources	15,243	13,508	12,685	12,000	11,587	11,633	
Expenditure							
Service expenditure							
Committee expenditure base budget	13,580	11,796	12,069	12,527	9,900	9,547	
Inflation	272	358	258	300	300	300	
Potential increase in service costs	134	1,380	1,577	(191)	76	(364)	
Budgeted reductions	(2,190)	(1,465)					
	11,796	12,069	13,904	12,636	10,276	9,483	
Supplementary Budgets and AIM Carry Forward	462	402					
Net Interest	(13)	100	150	715	657	490	
Deficit on Business Rates Collection Fund	0	1,215	728	0	0	0	
Forecast Committee movements	350	(41)					
Repayment of capital borrowing	1,437	1,332	1,571	1,577	1,744	1,898	
	14,032	15,077	16,353	14,928	12,677	11,871	
Other funding							
Contribution to/ (from) earmarked reserves	1,204	(1,096)	(1,921)	(620)	(620)	(120)	
Contribution to/ (from) balances - Other	7	(473)	(370)	428	259	19	
	1,211	(1,569)	(2,291)	(192)	(361)	(101)	
Savings identified							
Potential Savings 2015-16			(460)	(130)	(75)	0	
Further savings required			(917)	(106)	(121)	(137)	
				(2,500)	(533)	0	(3,033)
Total Net Budget	15,243	13,508	12,685	12,000	11,587	11,633	

Total additional savings required by 2017/18 **(3,033)**

Opening General Fund Balance	3,358	3,365	2,892	2,522	2,950	3,209
Closing General Fund Balance	3,365	2,892	2,522	2,950	3,209	3,228
Balance as a percentage of budget	22.1%	21.4%	19.9%	24.6%	27.7%	27.7%

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	2014-15 Budget	2015-16 Budget
	£	£
SCRUTINY - COMMUNITY	9,745,370	9,063,180
SCRUTINY - ECONOMY	(464,880)	149,250
SCRUTINY - RESOURCES	5,634,170	6,074,060
less Notional capital charges	(2,855,410)	(2,759,780)
<u>Service Committee Net Expenditure</u>	12,059,250	12,526,710
Net Interest	165,000	150,000
New Homes Bonus	(2,778,000)	(3,528,980)
Minimum Revenue Provision	1,470,000	1,570,730
<u>General Fund Expenditure</u>	10,916,250	10,718,460
Transfer To/(From) Working Balance	58,448	(369,650)
Transfer To/(From) Earmarked Reserves	2,498,000	1,607,980
<u>General Fund Net Expenditure</u>	13,472,698	11,956,790
Formula Grant	(7,715,000)	(6,635,000)
Council Tax Freeze Grant	(118,000)	0
Business Rates Growth	(1,070,000)	(561,000)
<u>Council Tax Net Expenditure</u>	4,569,698	4,760,790
Working Balance	March 2015	March 2016
	2,892,000	2,522,350

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**EXETER CITY COUNCIL
2015/16 COUNCIL TAX - SUMMARY**

APPENDIX 5

	2014/15		2015/16	
Council Tax Base	34,344		34,750	
	Total Expenditure £	Band D Council Tax £	Total Expenditure £	Band D Council Tax £
General Fund Budget	4,569,698	133.06	4,760,790	137.00
Collection Fund (Council Tax) Surplus	(21,866)	(0.64)	(67,782)	(1.95)
TOTAL	4,547,832	132.42	4,693,008	135.05

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2015/16 HRA ESTIMATES

	2014/15 BUDGET £	2015/16 BUDGET £	CHANGE £
Management	3,939,990	4,111,740	171,750
Sundry Land Maintenance	403,040	392,140	(10,900)
Repair & Maintenance Programme	6,542,900	6,419,900	(123,000)
Non-recurring budget - Resolve Damp Ingress	0	2,122,612	2,122,612
HRA SERVICE PROVISION EXPENDITURE	10,885,930	13,046,392	2,160,462
Revenue Contribution to Capital	6,195,200	5,771,930	(423,270)
Capital Charges	2,356,390	2,484,370	127,980
Net Interest	1,935,060	1,936,560	1,500
HRA EXPENDITURE	21,372,580	23,239,252	1,866,672
Rents	(18,900,000)	(19,460,000)	(560,000)
Service Charges	(952,960)	(962,250)	(9,290)
Supporting People Subsidy	(123,000)	0	123,000
Other	(610,070)	(627,820)	(17,750)
HRA NET EXPENDITURE	786,550	2,189,182	1,402,632
Transfer to / (from) HRA Working Balance	(786,550)	(2,189,182)	(1,402,632)
TOTAL NET HRA BUDGET	0	0	0

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MEDIUM TERM REVENUE PLAN - HOUSING REVENUE ACCOUNT (2014/15 - 2017/18)

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	
Resources					
Rents	18,900	19,460	20,044	20,645	Less H031 & H081 rents
Service Charges	953	962	991	1,021	
Supporting People subsidy	131	-	-	-	
Other	621	628	646	666	
Likely resources	20,605	21,050	21,681	22,332	
Expenditure					
HRA expenditure base budget	9,585	10,494	10,924	11,720	
Non-recurring budget - Resolve Damp Ingress		2,123	-	-	
Inflation	-	430	796	682	Inflation on exp only
Supplementary budgets	588	-	-	-	Low maint & damp ingress
Depreciation / amortisation	2,440	2,484	2,484	2,484	
Revenue Contribution to Capital Outlay	6,350	5,772	4,689	2,500	
Net interest	1,935	1,936	1,936	1,936	
	20,898	23,239	20,829	19,322	
Other Funding					
Contribution to / (from) HRA Working Balance	(292)	(2,189)	852	3,009	
Total Net budget	-	-	-	-	
Opening HRA Working Balance	5,963	5,671	3,482	4,333	
Closing HRA Working Balance	5,671	3,482	4,333	7,343	

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GENERAL FUND	2014-15 £	2015-16 £	2016-17 £	2017-18 £	Future Years £	TOTAL £
CAPITAL RESOURCES AVAILABLE						
GF Capital Receipts	602,500	129,500			500,000	1,232,000
Revenue Contributions to Capital Outlay	27,500					27,500
Disabled Facility Grant	305,183	379,000	379,000	379,000	379,000	1,821,183
New Homes Bonus	250,160	268,000	3,000,000	500,000		4,018,160
Community Infrastructure Levy					500,000	500,000
Other - Grants/External Funding/Reserves/S106	546,296	48,820				595,116
Total Resources Available	1,731,639	825,320	3,379,000	879,000	1,379,000	8,193,959
GENERAL FUND CAPITAL PROGRAMME						
Capital Programme	10,848,280	4,337,730	4,888,330	9,109,330	5,750,760	34,934,430
Overspends/(Savings)	(53,670)					(53,670)
Slippage	(474,850)	474,850				0
Total General Fund	10,319,760	4,812,580	4,888,330	9,109,330	5,750,760	34,880,760

UNCOMMITTED CAPITAL RESOURCES:						
Resources in Year	1,731,639	825,320	3,379,000	879,000	1,379,000	8,193,959
Less Estimated Spend in Year	(10,319,760)	(4,812,580)	(4,888,330)	(9,109,330)	(5,750,760)	(34,880,760)
Borrowing Requirement	8,588,121	3,987,260	1,509,330	8,230,330	4,371,760	26,686,801
Uncommitted Capital Receipts	0	0	0	0	0	0

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HOUSING REVENUE ACCOUNT	2014-15 £	2015-16 £	2016-17 £	2017-18 £	TOTAL £
CAPITAL RESOURCES AVAILABLE					
Usable Receipts Brought Forward					2,057,869
Major Repairs Reserve Brought Forward					3,783,728
Other HRA Sales	173,360	0	0	0	173,360
RTB sales	1,250,000	1,000,000	500,000	500,000	3,250,000
Major Repairs Reserve	2,439,780	2,484,370	2,484,370	2,484,370	9,892,890
Revenue Contributions to Capital	6,349,980	5,771,928	4,689,075	2,500,000	19,310,983
External contributions	84,340	0	0	0	84,340
HCA funding	0	0	700,000	700,000	1,400,000
Commuted sums	296,346	1,605,737	1,897,918	0	3,800,001
Total Resources available	10,593,806	10,862,035	10,271,363	6,184,370	43,753,171
CAPITAL PROGRAMME					
HRA Capital Programme	14,824,685	11,537,493	10,017,466	6,860,220	43,239,864
September - Overspends / (Savings)	(594,000)				(594,000)
September - Slippage	(1,507,605)				(1,507,605)
Total Housing Revenue Account	12,723,080	11,537,493	10,017,466	6,860,220	41,138,259
UNCOMMITTED CAPITAL RESOURCES:					
Usable Receipts Brought Forward	2,057,869	898,025	1,397,934	1,397,934	2,057,869
Major Repairs Reserve Brought Forward	3,783,728	2,814,298	1,638,931	1,892,828	3,783,728
Resources in Year	10,593,806	10,862,035	10,271,363	6,184,370	37,911,574
Less Estimated Spend	(12,723,080)	(11,537,493)	(10,017,466)	(6,860,220)	(41,138,259)
Uncommitted Capital Resources	3,712,323	3,036,865	3,290,762	2,614,912	2,614,912
WORKING BALANCE RESOURCES:					
Balance Brought Forward	5,963,219	5,671,123	3,481,941	4,333,711	5,963,219
HRA Balance Transfer - Surplus/(Deficit)	(292,096)	(2,189,182)	851,770	3,008,833	1,379,325
Balance Carried Forward	5,671,123	3,481,941	4,333,711	7,342,544	7,342,544
Balance Resolved to be Retained	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
	2,671,123	481,941	1,333,711	4,342,544	4,342,544
TOTAL AVAILABLE CAPITAL RESOURCES	6,383,446	3,518,806	4,624,473	6,957,456	6,957,456

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GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2015/16 £	2016/17 £	2017/18 £	Future Years £	What the scheme is trying to achieve
COMMUNITY					
KEEP PLACE LOOKING GOOD					
Play Area Refurbishments	48,820				To provide for the refurbishment of the play areas at Station Road, Pinhoe and Crossmead
Rougemont Gardens - Path & Safety Railings	50,000 #				To repair the sinking path by consolidating the path base and resurfacing, and to replace corroded safety railings
Belmont Pleasure Ground - New Path	30,000 #				The existing path has suffered significant root damage from adjacent Plane trees, forming a trip hazard. This scheme will replace the main axis path adjacent to the trees.
Sub Total - Keep Place Looking Good	128,820	0	0	0	
KEEP ME/MY ENVIRONMENT SAFE & HEALTHY					
Vehicle Replacement Programme	403,000	400,000	400,000		To ensure that the Council's vehicles are replaced so that a safe and reliable fleet is maintained
Sub Total - Keep me/my environment safe & healthy	403,000	400,000	400,000	0	
HELP ME FIND SOMEWHERE TO LIVE					
Disabled Facilities Grants	379,000	379,000	379,000	379,000	To meet the legal duty to pay grants to enable disabled people to remain in their homes
Sub Total - Help me find somewhere to live	379,000	379,000	379,000	379,000	
COMMUNITY TOTAL	910,820	779,000	779,000	379,000	

GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2015/16 £	2016/17 £	2017/18 £	Future Years £	What the scheme is trying to achieve
ECONOMY					
KEEP PLACE LOOKING GOOD					
Northbrook Flood Alleviation Scheme	497,980				To provide match funding for the project proposed by the Environment Agency. Will only go ahead subject to match funding being available.
Cathedral Yard - Replace Street Lighting	20,000 #				To remove the existing lighting columns which are regularly damaged by delivery vehicles & improve the visual amenity of the area. The project will also reduce the cost of maintenance and install more energy efficient lighting.
Repair Canal Bank at M5	60,000 #				The Canal Bank at the M5 'overtopped' during storms in February 2014 and is now vulnerable to spring tides. Further deterioration is expected and the threshold above the water level is minimal in places. A breach would severely impact upon the local environment as salt water would enter the freshwater habitat.
Replace Car Park Ticket Machines	200,000 #				To replace the ticket machines in the Guildhall and Mary Arches car parks
Phoenix - Replace Air Conditioning Units	30,000 #				The project is to decommission the chiller units located at first floor level and replace with new units located at ground floor level, to provide additional cabling to enable this and a security cage to prevent vandalism.
Sub Total - Keep place looking good	807,980 0	0	0	0	

GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2015/16 £	2016/17 £	2017/18 £	Future Years £	What the scheme is trying to achieve
PROVIDE GREAT THINGS FOR ME TO SEE & DO					
Sports Facilities Refurbishment	56,430	56,430	56,430	112,860	To undertake replacement of plant and equipment within the leisure management contract.
Sub Total - Provide great things to see & do	56,430	56,430	56,430	112,860	
DELIVER GOOD DEVELOPMENT					
Newtown Community Centre	50,000				These community schemes are all grants awarded from the New Homes
Countess Wear Community Centre (Grant Towards Build)	70,000				
Newcourt Community Association Centre	8,000				
Alphington Village Hall (Repairs & Extension)	50,000				
Newtown Community Centre (2nd Grant)	40,000				
Wear United	50,000				
New Swimming Pool and Leisure Centre		3,000,000	8,000,000	5,000,000	To develop a new leisure complex and swimming pool on part of the bus station site to replace Pyramids
Sub Total - Deliver good development	268,000	3,000,000	8,000,000	5,000,000	
ECONOMY TOTAL	1,132,410	3,056,430	8,056,430	5,112,860	

GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2015/16	2016/17	2017/18	Future	What the scheme is trying to achieve
	£	£	£	Years	
				£	
RESOURCES					
WELL RUN COUNCIL					
Annual Contribution to STRATA	53,900	53,900	53,900	53,900	
STRATA Implementation Costs	30,650				
Customer Contact Platform	145,000	60,000	45,000	30,000	To ensure that services are available online and to allow customers to transact with the Council without having to telephone or visit
Voice Activated Directory	44,800				To provide an efficient and cost effective way of dealing with telephone calls
Invest to Save Opportunities	100,000	100,000			To allow services to invest in assets that will provide an on-going revenue saving
Energy Saving Projects	2,220,000	664,000			The core aim for all projects is to reduce risk to the Council from the rapidly changing energy markets. The projects will address security of supply, mitigate the impact of inevitable increased energy costs, and bring income to the council
Capitalised Staff Costs	175,000	175,000	175,000	175,000	To provide for the cost of certain Council employees, which will be directly involved in the construction or acquisition of assets and qualify as capital expenditure, including engineers and surveyors
Sub Total - Well run council	2,769,350	1,052,900	273,900	258,900	
RESOURCES TOTAL	2,769,350	1,052,900	273,900	258,900	

TOTAL CAPITAL PROGRAMME	4,812,580	4,888,330	9,109,330	5,750,760	
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New Bids #	390,000	0	0	0	
Pre-Approved	4,422,580	4,888,330	9,109,330	5,750,760	
TOTAL CAPITAL PROGRAMME	4,812,580	4,888,330	9,109,330	5,750,760	

HOUSING - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

CAPITAL SCHEME		2014-15 B/FWD £	2015-16 £	2015-16 Total £	2016-17 £	2017-18 £	Total £
INVESTMENT IN EXISTING STOCK							
1	Adaptations		600,000	600,000	600,000	600,000	1,800,000
2	Bathroom Replacements		1,228,800	1,228,800	600,000	600,000	2,428,800
3	Boiler Replacement Programme		160,000	160,000	90,000	90,000	340,000
4	Central Heating		50,500	50,500	52,500	52,500	155,500
5	Common Area Footpath & Wall Improvements	100,000	50,000	150,000	-	-	150,000
6	Communal Area Improvements	40,000	100,000	140,000	100,000	100,000	340,000
7	Door Entry System Installation		10,000	10,000	10,000	10,000	30,000
8	Electrical Rewires	150,000	660,000	810,000	660,000	500,000	1,970,000
9	Energy Conservation		70,000	70,000	30,000	30,000	130,000
10	Environmental Improvements		40,000	40,000	25,000	25,000	90,000
11	Faraday House Roof Replacement		125,000	125,000	-		125,000
12	Fees		40,000	40,000	40,000	40,000	120,000
13	Fire Prevention Work		200,000	200,000	200,000	200,000	600,000
14	Kitchen Replacements		1,348,500	1,348,500	900,000	900,000	3,148,500
15	LAINGS Refurbishments	71,850	360,000	431,850	270,000	270,000	971,850
16	Other works	20,000	50,000	70,000	50,000	50,000	170,000
17	Programmed Reroofing		120,000	120,000	252,000	252,000	624,000
18	Rendering of Council Dwellings		275,000	275,000	275,000	275,000	825,000
19	Rennes House Structural Works	400,000	50,000	450,000	695,000	645,000	1,790,000
20	Replacement Lead Water Mains		20,000	20,000	-	-	20,000
21	Smoke Detector Replacements	150,000	-	150,000	-	-	150,000
22	Soil Vent Pipe Replacement		20,000	20,000	-	-	20,000
23	Structural Repairs	25,000	100,000	125,000	100,000	100,000	325,000
	Sub total - Investment in Existing Stock			6,634,650	4,949,500	4,739,500	16,323,650
PROVISION OF NEW COUNCIL HOMES							
24	Social Housing Acquisitions	571,130	250,000	821,130	250,000	250,000	1,321,130
25	COB Wave 2 - Rennes House Car Park	(1,097,575)	3,074,633	1,977,058	690,773	-	2,667,831
26	COB Wave 2 - Newport Road	498,918	-	498,918	-	-	498,918
27	St Loyes Extracare Scheme		1,605,737	1,605,737	4,127,193	1,870,720	7,603,650
	Sub total - Investment in the Provision of New Homes			4,902,843	5,067,966	2,120,720	12,091,529
Total HRA Capital Programme		929,323	10,608,170	11,537,493	10,017,466	6,860,220	28,415,179

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EXETER CITY COUNCIL

REPORT TO: SCRUTINY COMMITTEE – RESOURCES
EXECUTIVE
COUNCIL

DATE OF MEETING: RESOURCES – 28 JANUARY 2015
EXECUTIVE – 10 FEBRUARY 2015
COUNCIL – 24 FEBRUARY 2015

REPORT OF: ASSISTANT DIRECTOR FINANCE
TITLE: TREASURY MANAGEMENT STRATEGY REPORT 2015/16

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To seek adoption by the Council of the Treasury Management Strategy Report, incorporating the Annual Investment Strategy 2015/16, as required under section 15(1)(a) of the Local Government Act 2003.

2. Recommendations:

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

3. Reasons for the recommendation:

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 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.

4. What are the resource implications including non financial resources

There are no financial or non financial resource implications.

5. Section 151 Officer comments:

Section 8 of the report sets out the key changes to the Strategy and should therefore be the focus for Members. It is proposed to increase some of the amounts that the Council can hold with a particular institution. In particular there is a proposal to increase the amount that can be held in foreign owned banks. In order to allay any concerns, members should note that only the very highest rated banks can be used and it is intended that the use will be for short periods only, up to a maximum of 6 months or in a call account where the Funds can be returned on a daily basis.

6. What are the legal aspects?

In February 2012 the Council adopted the updated *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. Adoption of the Code is required by regulations laid under the Local Government Act 2003.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report Details:

8.1 Key issues to be considered

8.2 This is a statutory Strategy recommended for adoption by full Council. The key issues to be considered are:

- Section 4.3 sets the limits on the value of investments to be held by any one institution and the type of institution that can be used.
- It is proposed to increase the amount the Council can lend to UK owned banks or building societies from £3 million to £4 million.
- It is proposed to increase the amount can be lent to Foreign owned banks that deal in sterling from £2 million to £3 million.
- The changes will allow the Council to access a higher interest rate on the investments, which is generally the case with larger value investments.
- Section 3 sets out the current levels of borrowing and investments, along with the estimated changes and the financial impact for the year on both the General Fund and HRA.
- Sections 5 and 6 set out the planned strategy for the year, which Council must be satisfied meets their objectives and is in line with the level of risk they are comfortable to take.

9. How does the decision contribute to the Council's Corporate Plan?

Treasury Management supports the Council in generating additional funds for investing in Services, whilst minimising the amount of interest paid on borrowings. It does not in itself contribute to the Council's Corporate Plan.

10. What risks are there and how can they be reduced?

The investment limits are designed to reduce risk as far as possible, however with any investments there is a risk of default. The Council minimises this risk by keeping borrowing as low as possible and therefore the amount available for investment low. Investments tend to be in immediate access accounts, or short term (less than three months). The risk of keeping borrowing short term is that rates will rise causing the Council to lock into higher interest rates over the long term.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, Economy safety and the environment?

No impact.

12. Are there any other options?

No.

David Hodgson, Assistant Director Finance

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275

APPENDIX A

EXETER CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2015/16

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 The past year has seen a continued recovery in the UK economy, alongside a significant reduction in inflation below the bank's target of 2%.

2.2 Interest rate forecasts

The Council's treasury management adviser, Arlingclose, believes that it could be September 2015 before official UK interest rates rise.

2.3 *Arlingclose central interest rate forecast – December 2014*

Period	Bank Rate	20-year PWLB rate
Mar 2015	0.50	3.35
June 2015	0.50	3.45
Sept 2015	0.75	3.55
Dec 2015	0.75	3.65
Mar 2016	1.00	3.75
June 2016	1.00	3.80
Sept 2016	1.25	3.85
Dec 2016	1.25	3.90
Mar 2017	1.50	3.95
June 2017	1.50	4.00
Sept 2017	1.75	4.05
Dec 2017	1.75	4.10
Mar 2018	1.75	4.10

* The Council can currently borrow from the PWLB at 0.80% above gilt yields

3. Current and Expected Treasury Portfolios

3.1 Investments

- 3.2 The Council's current investments as at 31st December 2014 was as follows:

UK Owned Banks

Amount	Investment	Interest rate
£3,000,000	Barclays	0.50%

Foreign Owned Banks

Amount	Investment	Interest rate
£2,000,000	Handelsbanken	0.35%

Money Market Funds

Amount	Investment	Interest rate
£1,000,000	Federated Investors	0.38%
£5,000,000	Ignis Asset Management	0.45%

3.3 Borrowings

The Council has reduced its short term borrowing to £10m, long term borrowing remains at £56.884m. Details of the loans are set out below.

Amount	Lender	Interest rate	Date of repayment
£5,000,000	London Borough of Islington	0.65%	12/10/2015
£5,000,000	Police & Crime Commissioner for West Midlands	0.65%	25/02/2016
56,884,000	PWLB	3.48%	28/03/2062

3.4 Expected changes

According to current cash flow forecasts, net borrowing is expected to remain at the current level on 31st March 2015. The future cash flow forecast includes planned borrowing of £4 million as part of the 2015/16 capital programme. The decision of whether to take external long-term borrowing will be made in light of current and forecast interest rates.

3.5 Budget implications

The net budget for interest payments in 2015/16 is £275,000 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 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 the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.

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	£4m each	12 months
Foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1	£3m 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)	£5m each	3 months
UK Central Government	no limit	12 months
UK Local Authorities ³ Upper Tier Lower Tier	£5m each £3m each	12 months 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 £5 million. For an individual bank, the limit is £4 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 2014/15 – 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 minimised. 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), money market funds (Ignis, Blackrock, Federated and CCLA) 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 will hold a balance on its general account to cover any payments due. On occasion, where significant payments are to be made, there may be in excess of £3 million in this account.

6. Borrowing Strategy

6.1 The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31st March 2015 is expected to be £97.2 million, and is forecast to rise to £98.9 million by March 2016 as capital expenditure is incurred.

6.2 The maximum expected long-term borrowing requirement for 2015/16 is:

	£m
Not borrowed in previous years	40.3
Long term borrowing (HRA)	56.9
Forecast increase in CFR	1.7
Loans maturing in 2014/15	0.0
TOTAL	98.9

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 on the General Fund, 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 £10 million, which was taken in two tranches for a period of one year at a rate of 0.65%.

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, the only type of transaction used is the forward deal, which means the Council agrees to borrow funds at a set price for a set period, in advance of the date the loan is actually taken. This is done to ensure the availability of funds at the time that they are needed.

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 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 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.

ASSISTANT DIRECTOR FINANCE
JANUARY 2015

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REPORT TO SCRUTINY COMMITTEE RESOURCES, EXECUTIVE AND COUNCIL

Date of Meeting: Scrutiny Committee Resources - 28 January 2015
Executive - 10 February 2015
Council - 24 February 2015

Report of: Assistant Director Finance

Title: The Prudential Code for Capital Finance in Local Authorities (Incorporating the Annual Statement of Minimum Revenue Provision)

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

To set out the proposed 2015/16 prudential indicators for capital finance for adoption by the Council and set the annual statement of Minimum Revenue Provision (MRP).

2. Recommendations:

It is recommended that Scrutiny Committee – Resources supports and Council approves the adoption of:

- i. The Prudential Indicators set out in Appendix A-C
- ii. The Annual Statement of Minimum Revenue Provision for the Council

3. Reasons for the recommendation:

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.

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.

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.

The Prudential Indicators / MRP report will be incorporated within the Budget Book for approval at the full Council meeting as per the statutory requirement.

4. What are the resource implications including non financial resources

The financial resources required are set out in the body of this report.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the Prudential Indicators for 2015/16 and the annual statement of Minimum Revenue Provision.

6. What are the legal aspects?

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.

7. Monitoring Officer's comments:

The Monitoring Officer has no issues to raise on the content of this report.

8. Report Details:

8.1 PRUDENTIAL INDICATORS

The proposed prudential indicators for the next three years are shown in Appendix A-C.

8.2 Key issues to consider

Appendix C summarises the prudential code indicators for the Council and of particular importance are

- the Capital Financing Requirement - demonstrates the amount that the Council has an underlying need to borrow, regardless of whether that amount has actually been borrowed;
- the Operational Boundary – this sets the amount of borrowing that the Council intends to keep within over the period covered by the indicators;
- The Authorised Limit – the maximum that the section 151 officer is allowed to borrow to cover the Operational Boundary and day to day Cashflow needs. The Council is not allowed to exceed this amount of borrowing without first authorising an increase to the limit.

9. ANNUAL STATEMENT OF MINIMUM REVENUE PROVISION

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".

Minimum Revenue Provision (MRP) is an amount set aside from revenue to meet the repayment of debt principal. It is in effect a replacement for depreciation that you would normally expect to see within a Company's Accounts. 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.

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." 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

Key issue to consider

Section 6 sets out the proposed policy for MRP, which matches the amount set aside against the useful life of the assets. The only exception to this is the writing off of historic debt which is being undertaken over 50 years.

10. MRP OPTIONS

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.

Capital Financing Requirement Method

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

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.

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.

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.

11. Minimum Revenue Provision Policy 2015/16

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 2014/15 is likely to be approximately £97.2m, some of which has financed redundancy payments and other shorter dated expenditure. Therefore MRP for 2015/16 will be calculated based on the capital financing requirement at the end of 2014/15 using the varying periods of repayment. The MRP charge for 2015/16 will be approximately £1.571 million.

12. How does the decision contribute to the Council's Corporate Plan?

The Capital Programme contributes to all of the key purposes, as set out in the Corporate Plan.

13. What risks are there and how can they be reduced?

Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates.

14. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

No impact

15. Are there any other options?

No

David Hodgson, Assistant Director Finance

Local Government (Access to Information) Act 1972 (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

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275

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	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
KEEP PLACE LOOKING GOOD	1,149	3,621	937	0	0
KEEP ME/MY ENVIRONMENT SAFE & HEALTHY	429	397	403	400	400
HELP ME FIND SOMEWHERE TO LIVE	1,042	1,344	379	379	379
WELL RUN COUNCIL	495	2,069	2,769	1,053	274
PROVIDE GREAT THINGS FOR ME TO SEE & DO	52	1,344	56	56	56
DELIVER GOOD DEVELOPMENT	651	544	268	3,000	8,000
HELP ME RUN A SUCCESSFUL BUSINESS	560	1,000	0	0	0
Total General Fund Capital Expenditure	4,377	10,320	4,813	4,888	9,109

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	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Interest payable with respect to short term borrowing	141	150	325	862	707
Interest payable under 'irredeemable' long term liabilities	0	0	0	0	0
Interest and investment income	(61)	(50)	(50)	(50)	(50)
Replacement for Minimum Revenue Provision (England and Wales)	1,327	1,332	1,571	1,577	1,744
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total General Fund Financing Costs	1,407	1,432	1,846	2,389	2,401

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	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Financing costs	1,407	1,432	1,846	2,389	2,401
Net revenue stream (General Fund Expenditure - Budget Book/Financial Strategy)	15,243	12,798	12,520	11,883	11,503
Ratio of financing costs to net revenue stream %	9.2	11.2	14.7	20.1	20.9
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	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Total budgetary requirements for the authority with existing capital programme	12,130	11,883	11,503
Total budgetary requirements for the authority with proposed capital programme	12,520	11,883	11,503
Difference	390	0	0
Incremental Impact on Band D Council Tax	£11.22	£0.00	£0.00

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 2014

	£'000
Estimate of General Fund Capital Financing Requirement 31 March 2013	
Property, Plant and Equipment	118,002
Investment Properties	31,965
Heritage Assets	22,615
Intangible Assets / Other Long term Assets	477
Revaluation Reserve	(57,531)
Capital Adjustment Account	(83,450)
Estimate of General Fund Capital Financing Requirement 31 March 2014	32,078

Estimated General Fund Capital Financing Requirement at 31 March 2015

Estimate of General Fund Capital Financing Requirement 31 March 2014	32,078
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	7,266
Estimate of General Fund Capital Financing Requirement 31 March 2015	39,344

Estimated General Fund Capital Financing Requirement at 31 March 2016

Estimate of General Fund Capital Financing Requirement 31 March 2015	39,344
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	1,689
Estimate of General Fund Capital Financing Requirement 31 March 2016	41,033

Estimated General Fund Capital Financing Requirement at 31 March 2017

Estimate of General Fund Capital Financing Requirement 31 March 2016	41,033
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	5,999
Estimate of General Fund Capital Financing Requirement 31 March 2017	47,032

Estimated General Fund Capital Financing Requirement at 31 March 2018

Estimate of General Fund Capital Financing Requirement 31 March 2017	47,032
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	3,857
Estimate of General Fund Capital Financing Requirement 31 March 2018	50,889

HRA Prudential Indicator Calculations

APPENDIX B

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	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
MAINTAIN OUR PROPERTY ASSETS	6,710	7,562	6,635	4,950	4,740
HELP ME FIND SOMEWHERE TO LIVE	743	5,161	4,903	5,068	2,121
Total HRA Capital Expenditure	7,453	12,723	11,538	10,018	6,861

HRA Financing costs

Description	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Interest payable with respect to short term borrowing	0	0	0	0	0
Interest payable under 'irredeemable' long term liabilities	1,994	1,994	1,994	1,994	1,994
Interest and investment income	(46)	(45)	(45)	(50)	(55)
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	1,948	1,949	1,949	1,944	1,939

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

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	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Financing costs	1,948	1,949	1,949	1,944	1,939
Net revenue stream	18,533	18,624	19,918	20,516	21,131
Ratio of financing costs to net revenue stream %	10.5	10.5	9.8	9.5	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	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Forecast HRA budgetary requirements for the authority with existing HRA capital programme	19,918	20,516	21,131
Forecast HRA budgetary requirements for the authority with proposed HRA capital programme	19,918	20,516	21,131
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 2014

Description	£'000
Property, Plant and Equipment	201,010
Investment Properties	0
Revaluation Reserve	(10,021)
Capital Adjustment Account	(133,107)
Actual HRA Capital Financing Requirement 31 March 2014	57,882

Estimated HRA Capital Financing Requirement at 31 March 2015

Estimate of HRA Capital Financing Requirement 31 March 2014	57,882
Estimate of change in Property, Plant and Equipment	7,453
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	(7,453)
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	12,723
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	(12,723)
Estimate of HRA Capital Financing Requirement 31 March 2016	57,882

Estimated HRA Capital Financing Requirement at 31 March 2017

Estimate of HRA Capital Financing Requirement 31 March 2016	57,882
Estimate of change in Property, Plant and Equipment	11,538
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	(11,538)
Estimate of HRA Capital Financing Requirement 31 March 2017	57,882

Estimated HRA Capital Financing Requirement at 31 March 2018

Estimate of HRA Capital Financing Requirement 31 March 2017	57,882
Estimate of change in Property, Plant and Equipment	10,018
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	(10,018)
Estimate of HRA Capital Financing Requirement 31 March 2018	57,882

PLG 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	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Incremental Impact on Band D Council Tax	£11.22	£0.00	£0.00

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	2015/16 Estimate	2016/17 Estimate	2017/18 Estimate
Incremental Impact on Average Weekly Housing Rents	£0.00	£0.00	£0.00

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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	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Total General Fund Capital Expenditure	4,377	10,320	4,813	4,888	9,109
Total HRA Capital Expenditure	7,453	12,723	11,538	10,018	6,861
Total Actual / Estimates of Capital Expenditure	11,830	23,043	16,351	14,906	15,970

Prudential Indicator Calculations**Total Actual / Estimates of Financing Costs**

Description	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Total General Fund Financing Costs	1,407	1,432	1,846	2,389	2,401
Total HRA Financing Costs	1,948.00	1,949.00	1,949.00	1,944.00	1,939.00
Total Actual / Estimates of Financing Costs	3,355	3,381	3,795	4,333	4,340

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	2013/14 Actual %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %
General Fund Ratio of Financing Costs to Net Revenue Stream	9.2	11.2	14.7	20.1	20.9
HRA Ratio of Financing Costs to Net Revenue Stream	10.5	10.5	9.8	9.5	9.2

Prudential Indicator Calculations**Actual / Estimates of Capital Financing Requirement**

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

Description	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
General Fund Capital Financing Requirement	32,078	39,344	41,033	47,032	50,889
HRA Capital Financing Requirement	57,882	57,882	57,882	57,882	57,882
Total Actual / Estimates of Capital Financing Requirement	89,960	97,226	98,915	104,914	108,771

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	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Borrowing	120,000	125,000	130,000
Other long term liabilities	0	0	0
Authorised Limit	120,000	125,000	130,000

Prudential Indicator Calculations**Operational 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	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Borrowing	110,000	115,000	120,000
Other long term liabilities	0	0	0
Operational Boundary	110,000	115,000	120,000

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	2013/14 Actual £'000
Actual borrowing as at 31 March 2014	74,939
Actual long term liabilities as at 31 March 2014	0
Actual External Debt as at 31 March 2014	74,939

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 2014	89,960
2014/15 Estimated Change in Capital Financing Requirement	
Capital expenditure	23,043
Application of useable capital receipts	(300)
Application of capital grants/contributions	(14,145)
The replacement for MRP	(1,332)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2014/15	7,266
2015/16 Estimated Change in Capital Financing Requirement	
Capital expenditure	16,351
Application of useable capital receipts	(300)
Application of capital grants/contributions	(12,791)
The replacement for MRP	(1,571)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2015/16	1,689

Prudential Indicator Calculations

2016/17 Estimated Change in Capital Financing Requirement	
Capital expenditure	14,906
Application of useable capital receipts	(300)
Application of capital grants/contributions	(7,030)
The replacement for MRP	(1,577)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2016/17	5,999

Capital Financing Requirement:	
Estimated Opening Balance 2013/14	89,960
Estimated Closing Balance 2016/17	104,914
This is an increase over the three years of	14,954

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	2015/16 £'000	2016/17 £'000	2017/18 £'000
Total projected interest payable on borrowing	2,319	2,856	2,701
Total projected interest receivable on investments	(95)	(100)	(105)
Net Interest	2,224	2,756	2,596
Upper limit - fixed rates = 100%	(95)	(100)	(105)
Upper limit - variable rates = 20%	(19)	(20)	(21)

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 31/3/2015
	£'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
31/03/15	0
31/03/16	0
31/03/17	0

REPORT TO: SCRUTINY COMMITTEE – RESOURCES, EXECUTIVE AND COUNCIL

Date of Meeting: Scrutiny Committee Resources – 28 January 2015
Executive – 10 February 2015
Council – 24 February 2015

Report of: Human Resources Business Manager
Title: Annual Pay Policy Statement 2015/16

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To set out the council's annual Pay Policy Statement 2015/16 which must be approved by Full Council each financial year in line with legislation.

2. Recommendations:

It is recommended that Scrutiny Committee Resources notes and Council approves:

- (i) the attached Policy and Appendix be adopted and published in accordance with the legislation.

3. Reasons for the recommendation:

Section 38 (1) of the Localism Act 2011 requires English and Welsh Authorities to produce a statutory Pay Policy Statement each financial year commencing in 2012/13. The Secretary of State for Communities and Local Government issued further guidance in early 2013.

4. What are the resource implications including non financial resources:

There are no new resource implications created as a result of the revisions to the Pay Policy Statement.

5. Section 151 Officer comments:

There are no additional financial implications arising from this report.

6. What are the legal aspects?

Local Authorities are required by Section 38 (1) of the Localism Act 2011 to set out a written statement each financial year in respect of certain policies related to the remuneration of its Officers.

7. Monitoring officer Comments

There are no new implications arising from this report.

8. Report Details:

In line with statutory requirements, the Council's Pay Policy Statement has been reviewed and updated for 2015/16 for approval by full Council prior to publishing on the Council's website.

The revised policy and appendix take into account the following changes:

- The increase in the nationally determined living wage (Spinal Column Point 10) in November 2014 which comes into effect at Exeter City Council on 1 April 2015 (paragraph 3.2)
- Implementation of the nationally agreed 2014/16 pay award for employees on Spinal Column Points 11-52 inclusive which took effect on 1 January 2015 and covers the period to 31 March 2016 (Appendix 1)
- Implementation of the nationally negotiated 2014/16 pay award for Chief Officers and Chief Executives which, subject to national agreement, will take effect retrospectively on 1 January 2015 and covers the period to 31 March 2016 (Appendix 1)

9 How does the decision contribute to the Council's Corporate Plan?

The attached Statement supports a well run Council and our compliance with statute.

10 What risks are there and how can they be reduced?

There are no new implications arising from the recommendations.

11 What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, Economy safety and the environment?

Consideration has been given to the impact upon differing groups and a full assessment is not required.

12 Are there any other options?

No.

Caroline Hall, Human Resources Business Manager

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees), Room 2.3, (01392) 26115

Exeter City Council

Pay Policy Statement 2015/16

1 Purpose and scope of the Policy

- 1.1 Section 38 (1) of the Localism Act 2011 (Part 1, Chapter 8, Sections 38 to 43) requires English and Welsh local authorities to produce a statutory pay policy statement each financial year.
- 1.2 The Act requires that a relevant authority must approve, through Full Council, a pay policy statement for the following financial year and this must set out the authority's policies for the financial year relating to:
- (a) the remuneration of its chief officers, (see Appendix 1)
 - (b) the remuneration of its lowest-paid employees (see Section 4 and Appendix 1), and
 - (c) the relationship between:
 - (i) the remuneration of its chief officers (Section 4 and Appendix 1), and
 - (ii) the remuneration of its employees who are not chief officers (see Section 4 and Appendix 1)
- 1.3 The statement must state:
- (a) the definition of "lowest-paid employees" adopted by the authority for the purposes of the statement, and (see Section 3)
 - (b) the authority's reasons for adopting that definition. (see Section 3)
- 1.4 The statement must include the authority's policies relating to:
- (a) the elements of remuneration for each chief officer, (see Section 2 and 5 and Appendix 1)
 - (b) remuneration of chief officers on recruitment, (see Section 5 and Appendix 1)
 - (c) increases and additions to remuneration for each chief officer, (see Section 5)
 - (d) the use of performance-related pay for chief officers, (see Section 5)
 - (e) the use of bonuses for chief officers, (see Section 5)
 - (f) the approach to the payment of chief officers on their ceasing to hold office under or to be employed by the authority, and (see Section 5)
 - (g) the remuneration of chief officers who return to local authority employment (See Section 5)

- (h) the publication of and access to information relating to remuneration of chief officers. (see Section 6)
- 1.5 This policy also takes into account “Openness and accountability in local pay: Guidance under section 40 of the Localism Act February 2012” and the letter from the Secretary of State to leaders of local authorities and chairs of fire and rescue authorities of 20 February 2013 which advocate:
- (a) Publishing the ratio between the highest paid employee and the median average earnings across an organisation (Section 4, Appendix 1)
 - (b) Explaining the approach to the setting and publication of fees for chief officers in respect of local election duties (Section 5)
 - (c) Setting out the policy for the remuneration of chief officers who return to Local Authority employment where the chief officer was a previously employed chief officer who left with a severance payment and applies to come back as a chief officer under an employment contract or contract for services (Section 5)
 - (d) Setting out the policy in respect of the employment of individuals and Chief Officers in receipt of a Local Government Pension Scheme pension, including pension abatement arrangements (Section 5)
 - (e) Full Council having the opportunity to approve salary packages and the cost of severance packages of £100,000 or more (Section 5)
- 1.6 In the context of managing scarce public resources, remuneration at all levels within the Council needs to be adequate to secure and retain high-quality employees dedicated to the service of the public, but at the same time providing value for money to the residents of Exeter.
- 1.7 Exeter City Council already works within a pay and reward framework which seeks to ensure that its pay and reward processes and procedures facilitate the retention and recruitment of employees with the right skills and capabilities to meet the needs of the Council now and in the future. The framework also takes account of regional and national variations, local market factors and is open and transparent and complies with equal pay legislation.
- 1.8 This Statement complies with the requirements of the Localism Act 2011 and the statutory guidance issued by Communities and Local Government in ‘Openness and accountability in local pay: Guidance under section 40 of the Localism Act’ which was issued on 17 February 2012.

2 Definition of Chief Officers

- 2.1 The posts which are defined as ‘Chief Officers’ for the purposes of this Statement are those scheduled in the Local Government and Housing Act 1989 under sections 4(1), 5(1), 2(6, 7 and 8) together with other members of the councils Strategic & Senior Management Teams. For Exeter City Council this term includes:

- Chief Executive and Growth Director (Head of Paid Service Section 4(1))
- Deputy Chief Executive (Non-Statutory Officer Section 2 (7a))
- Assistant Directors (Non-Statutory Officers Section 2 (7a)) – including the responsibilities of the Section 151 Officer (Statutory Officer Section 2 (6d))
- Corporate Managers (including the responsibilities of the Monitoring Officer (Section 5(1))

2.2 The post of Chief Executive & Growth Director is made on terms and conditions of employment agreed by the Joint National Council for Chief Executives and supplemented by local terms and conditions of employment agreed by Exeter City Council.

2.3 The posts of Deputy Chief Executive, Assistant Director and Corporate Manager are made on the terms and conditions of employment agreed by the Joint National Council for Chief Officers and supplemented by terms and conditions of employment agreed by Exeter City Council.

2.4 With the exception of the Chief Executive and Growth Director and Deputy Chief Executive all Chief Officer posts as defined in this Statement are subject to job evaluation using HAY. The remuneration of the Council's Chief Officers is set out in Appendix 1.

3 Definition & Remuneration of Lowest Paid

3.1 All posts which are not designated as Chief Officers in accordance with this Statement, and with the exception of apprentice roles, are subject to job evaluation using the National Joint Council for Local Government Services National Agreement on Pay and Conditions of Service.

3.2 The Council has adapted the National Local Government Pay Scale to include locally agreed spinal column points. With effect from 1 January 2014, the Council adopted the Living Wage as its minimum spinal column point, and the Living Wage of £7.85 / hour from 1 April 2015 equates to Grade 1 of the Council's pay scale. The Living Wage is determined nationally in or around November each year. The Council applies any uplift to the living wage from 1 April in the year following the increase.

3.3 The Council therefore defines its lowest paid employees as those on Grade 1 of the Council's pay scale. The Council has adopted this definition as it can be easily understood.

3.4 The Council has 14 grades (excluding Apprentice) on its existing pay scale for employees not designated as Chief Officer in this Statement. With the exception of Grade 1, each Grade provides for incremental progression of between 1 and 3 scale points subject to satisfactory service. Increments are applied on the 1 April each year (or on the 6 month anniversary of the employee's appointment if the appointment falls between October and March inclusive, with subsequent increments applying from 1 April each year) until the postholder reaches the maximum of the grade.

4 Relationship between Remuneration

- 4.1 The Hutton Review of Fair Pay in the Public Sector outlined that the most appropriate metric for pay dispersion is the multiple of Chief Executive to median earnings. Whilst not a requirement of this Statement, tracking this multiple as recommended in the Code of Recommended Practice for Local Authorities on Data Transparency will ensure public service organisations are accountable for the relationship between the pay of their executives and the wider workforce.
- 4.2 The Council also publishes as part of this Statement the relationship between its Chief Executive and lowest paid employee. Both of these pay multiples are set out in Appendix 1.
- 4.3 Through this policy the pay multiple of the Chief Executive and Growth Director will be monitored annually. Should the multiplier between the annual salary paid to a full time employee on the lowest spinal column point and the annual full time salary payable to the Chief Executive and Growth Director be greater than 10, this will be reported to full Council for consideration.

5 Chief Officer Remuneration

- 5.1 The Joint Negotiating Committee has previously emphasised that ‘it is good governance that local authorities can demonstrate that decisions on pay and reward packages for chief executives and chief officers have been made in an open and accountable way.’
- 5.2 Salaries for chief officers operate on the basis of fixed pay points and are therefore not subject to a salary scale providing for incremental progression. New appointments will be made to the appropriate pay point in force at the time of the appointment. These fixed pay points will be agreed through an accountable and transparent process. Salary levels will be consistent with similar organisations which aim to pay according to median salaries. There will be due regard to balance the need to ensure value for money but enable Exeter City Council to recruit and retain high quality chief officers in the context of national, regional and local labour markets.
- 5.3 In determining any future changes to the remuneration package for appointments to Chief Officer posts as defined in this Statement, the Leader of the Council will take independent pay advice. The Leader will then, in consultation with the Chief Executive and Growth Director, except in relation to the pay of the Chief Executive and Growth Director, make recommendations which will be subject to the approval of full Council.
- 5.4 The Leader of the Council, in consultation with the Chief Executive and Growth Director, except in relation to the remuneration package of the Chief Executive and Growth Director, may recommend to full Council changes to the

remuneration package following an annual review. Any changes to the remuneration packages will be subject to full Council approval.

- 5.5 Salary increases for Chief Officers defined in this Statement in relation to cost of living will be made in line with increases agreed by the Joint National Council's for Chief Officers and Chief Executives as appropriate.
- 5.6 At present, there are no additional payments made to chief officers in relation to performance related pay or the use of bonuses.
- 5.7 Any termination payments to chief officers on ceasing office will comply with Exeter City Council's Organisational Change and Local Government Pension Scheme Employer Discretions Policies which are subject to the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006, as amended and in force at the time. All such payments are equally applicable to all employees. The Employer Discretions Policy and severance payments (which include redundancy / efficiency compensation, pension strain and pay in lieu of notice) in excess of £100,000 are subject to approval at Full Council. No additional payments will be made to Chief Officers without express approval by Full Council.
- 5.8 A chief officer appointment (under an employment contract or contract for services) will not be offered to any former chief officer in receipt of a severance payment, except in circumstances where they left employment as a result of being made redundant from their previous Chief Officer role, without the approval of Full Council.
- 5.9 Exeter City Council will not enter into employment or service contracts with any persons in receipt of a local government pension within 12 months of the termination date of their previous employment without the approval of Full Council. Employees of the Council who are also in receipt of a local government pension may have their pension abated in accordance with legislation / policy as enacted / determined by the relevant pension administrator.
- 5.10 The Council's Policy on Market Supplements applies to all posts at the Council, including Chief Officers. Evidence based market supplements will be subject to periodic review to ensure they continue to be justifiable. No Chief Officer is currently in receipt of a Market Supplement.
- 5.11 Additional payments are made by Central Government to officers (including the Returning Officer) carrying out additional duties at Parliamentary, European and other national elections and referendums. These payments are set nationally and are not within the scope of this Statement. Payments to the Returning Officer and other officials for duties in relation to City Council elections are linked proportionately to these national rates.

6 Transparency & Publication of Data

- 6.1 This Statement aims to ensure that the process for setting pay at a senior level is transparent fair and consistent. This policy will be reviewed annually to track the relationship of chief officer pay with the rest of the workforce.
- 6.2 The Council will publish its Pay Policy Statement on the Exeter City Council website alongside information related to the Council's management structure. Further information relating to the remuneration of Chief Officers is published in the Council's annual Statement of Accounts.

7 Equality Impact Considerations

- 7.1 The principles of equal pay are integral to this policy and applied consistently within the pay and reward frameworks adopted by Exeter City Council. The definition of Equal Pay is:
- Like work where the woman and the man are doing the same job
 - Work rated as equivalent where the 2 jobs are different but have been evaluated by the employer's job evaluation scheme at the same level/grade
 - Work of equal value where the jobs are different but an argument is made that both jobs should be regarded as being of equal value or worth.

8 Related Policies/Strategies, Procedures and Legislation

- 8.1 Exeter City Council pay and reward policies and procedures are operated within the framework of JNC and NJC terms as nationally negotiated and agreed and supplemented by local agreements. The Council applies the national framework for job evaluation and works within equality and equal pay legislation in order to apply all pay related issues in a fair, consistent and transparent way.
- 8.2 Key policies/procedures/strategies and legislation include:
- Exeter City Council Pay and Reward Policies, frameworks and local agreements
 - Equal Pay Legislation
 - Equality Act 2010
 - Localism Act 2011
 - Openness and accountability in local pay: Guidance under section 40 of the Localism Act February 2012
 - Local Government Act 1972
 - Local Government & Housing Act 1989

1. Levels and elements of remuneration for each chief officer role as at April 2015

Post title	Full time Remuneration
Chief Executive and Growth Director	£110,000
Deputy Chief Executive	£88,000
Assistant Director x 7	£64,000
Corporate Manager x 4	£56,000

2. The FT remuneration of the lowest paid employee

Post title	Full time Remuneration
Solo Sweeper/MRF Operative	£15,145

3. The multiplier of the remuneration of the chief officer based upon taxable earnings:

Post Title	Full time Remuneration
Annual median pay of all employees	£20,001
Pay multiple of Chief Executive and Growth Director to median	5.50
Pay multiple of Chief Executive and Growth Director to lowest paid FT employee	7.26

1. Levels and elements of remuneration for each chief officer role as at April 2015

Post title	Full time Remuneration
Chief Executive and Growth Director	£110,000
Deputy Chief Executive	£89,760
Assistant Director x 7	£65,280
Corporate Manager x 4	£57,120

2. The FT remuneration of the lowest paid employee

Post title	Full time Remuneration
Solo Sweeper/MRF Operative	£15,145

3. The multiplier of the remuneration of the chief officer based upon taxable earnings:

Post Title	Full time Remuneration
Annual median pay of all employees	£20,001
Pay multiple of Chief Executive and Growth Director to median	5.50
Pay multiple of Chief Executive and Growth Director to lowest paid FT employee	7.26

REPORT TO: EXECUTIVE
Date of Meeting: 10 February 2015
Report of: Assistant Director Customer Access
Title: **Implementation of the Council's Channel Shift Programme**

Is this a Key Decision?

No

Is this an Executive or Council Function? Executive

1. What is the report about?

The Council has agreed to implement a Channel Shift Programme which is the first step in developing our Digital offer. The funding proposal agreed by Council in December included the costs for recruiting two staff. This equates to an increase in the establishment of one post and therefore agreement is being sought from Executive.

2. Recommendations:

- i. That Executive agrees to replace the existing temporary Customer Access Officer post and the permanent Process Redesign Officer with the post of Business Improvement Lead and Business Improvement Analyst. The Job Descriptions and Person Specification are included at Appendix A to this report.
- ii. That Executive notes that, should the recommendation above be agreed, the two staff currently employed will be out at Risk and recruitment commenced once there is a revised Organisational Change Policy in place.
- iii. That Executive notes that the full Implementation Plan for the Channel Shift Programme will be considered by the Channel Shift Board and presented at a future Executive meeting as will the draft Digital Strategy.

3. Reasons for the recommendation:

- i. To implement the Council's agreed Channel Shift Programme
- ii. To drive business improvement across the Council and promote digital delivery
- iii. To develop a Digital Strategy for the Council.

4. What are the resource implications including non financial resources.

The two proposed posts will be subject to Job Evaluation but the sum has been set aside from the funds agreed by Council to fund these two posts based on estimated grades. There will also be a call on officers from the services being considered for digital delivery in order to work on process redesign.

5. Section 151 Officer comments:

The funding for these posts was agreed by Council in December and has been added to the budgets for 2015-16.

6. What are the legal aspects?

The Recruitment will be undertaken with due regard to the Council's Organisational Change Policy.

7. Monitoring Officer's comments:

None

8. Report details:

i) It is proposed that the most effective way of implementing the Channel Shift Programme would be to create a Business Improvement Team consisting of 2 FTE (Business Improvement Lead and Business Improvement Analyst). These roles would be necessary for the period of procurement and implementation but after the initial stages they will be important for continuous development of service delivery to manage the relationships between stakeholders and to support embedding business improvement ideals and skills within other service areas.

ii) The skills required of the Business Improvement Lead are to be a customer focused lead for effective and sustainable change and to communicate effectively with all levels of the organisation. To manage the project planning process and facilitate decision making to ensure that progress is being made on all tasks. They will need to understand strategic and operational requirements and to challenge and engage with services to improve their online offering by redesigning processes; to innovate working practices and identify future working models.

iii) The Business Improvement Analyst will support the implementation programme by delivering business process redesign, and ensuring efficient, customer focussed, operational use of IT to improve the customer experience. They will engage with and challenge services to redesign the customer journey; research best practice and to ensure that all opportunities for efficiency and effectiveness in the customer experience are maximised.

iv) There will also be an expectation that the Council will look to work with East Devon and Teignbridge on channel shift projects and the two Business Improvement roles will be key to sharing and learning with the other authorities in order to progress Exeter City Council's digital strategy.

v) Other expertise will be required in order to fully support the programme. These skills will be in ICT, web design, Communications and Customer Service but these will be fulfilled by using a mixture of commissioning (ICT), secondment (Customer Services) or by pulling in resources as required (web/Communications).

9. How does the decision contribute to the Council's Corporate Plan?

Enhancing the way that customers can access our services is a key aspect of the Council's Corporate Plan.

The successful implementation of the Council's Channel Shift Programme will help to gain efficiencies in services delivery and reserve the use of face to face interactions with

residents for those with complex needs. These posts are integral to successful implementation.

10. What risks are there and how can they be reduced?

There is no specific risk in increasing the establishment by one post.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

There is no impact.

12. Are there any other options?

The Strategic Management considered the option of redeploying existing staff to work on the development and implementation of the Council's Channel Shift Programme. However it was determined that there was insufficient capacity and expertise amongst services. The Business Case was developed using a temporary resource but this situation is not sustainable.

Bindu Arjoon
Assistant Director Customer Access

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

Background papers used in compiling this report:-

The Business Case for Channel Shift as approved by Council on 16 December 2014.

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

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EXETER CITY COUNCIL

Exeter City Council

Person Specification

JOB TITLE : Business Improvement Lead

GRADE : tbc

POST NO :

SERVICE : Customer Access

UNIT : Business Improvement

<u>SELECTION CRITERIA</u>	<u>ESSENTIAL</u> ✓	<u>DESIRABLE</u> ✓	<u>CATEGORY</u>
<u>QUALIFICATIONS</u> A degree-level qualification in a relevant discipline or proven equivalent capabilities in critical thinking, evaluating the strengths and weaknesses of competing arguments and articulating solutions.	✓		C/I
Some evidence of continuous professional Development	✓		C/I
<u>EXPERIENCE/KNOWLEDGE SKILLS</u> Ideally at least five years experience in a significant customer focussed management role	✓		A/I
A clear understanding of the pressures currently facing local authorities and the key factors driving these pressures	✓		I
Proven ability of leading successful cultural change in a frontline service	✓		A/I
Proven experience of managing and planning substantial and complex budgets	✓		A/I
Proven experience of delivering a tangible service improvement within the context of budget constraints	✓		A/I
Demonstrable communications, presentational and relationship-building skills consistent with the need to put across, seek support for new initiative or courses of action	✓		I

<p>A clear understanding of the links between Customer focus and channels of delivery, as well as the ability to make this connection in planning and making decisions on appropriate service delivery for customers</p>	<p>✓</p>		<p>A/I</p>
<p>Proven experience of managing & developing a team of staff engaged in high profile frontline service delivery</p>	<p>✓</p>		<p>A/I</p>
<p>The ability to work collaboratively and proactively across organisational boundaries and maintain an awareness of, and learn from, good and innovative practice elsewhere</p>	<p>✓</p>		<p>A/I</p>
<p>An established network of contact within other authorities</p>		<p>✓</p>	<p>I</p>
<p>Experience of working closely with elected members</p>		<p>✓</p>	<p>I</p>
<p><u>SPECIAL REQUIREMENTS/ATTITUDE</u> A high level of personal resilience in order to challenge prevailing attitudes to effect change in working practices and acceptance of new ways of working. Significant influencing ability in order to persuade staff at all levels of the benefits of a customer focussed channel shift programme</p>	<p>✓</p>		<p>I</p>
<p><u>OTHER</u></p>			

COMPLETED BY: Bindu Arjoon, Assistant Director Customer Access

DATE: January 2015

Job Description

JOB TITLE	:	Business Improvement Lead
GRADE	:	Subject to JE process
POST NO	:	?
SERVICE	:	Office of Assistant Director Customer Access
UNIT	:	Business Improvement Team
REPORTS TO	:	Assistant Director Customer Access
RESPONSIBLE FOR	:	Business Improvement Team
LIAISON WITH	:	All services, customers, Members, external consultants and suppliers, other local authorities

PURPOSE OF JOB

- To lead and develop a strategic approach for the council to define, design & deliver a Channel Shift program in support of wider organisational change and the digital agenda
- To ensure that Council Services are delivered in on Customer need, to reduce waste and provide a high quality, efficient service, whatever the channel of delivery
- To develop the Council's Digital Strategy.
- To provide effective leadership to all staff working with Customers, promoting a 'can do' culture and strong focus on effective budget and performance management

MAIN ACTIVITIES

1. Report to the Council's Strategic Management Team and the Channel Shift Programme Board on progress on the delivery of the Councils Channel Shift programme, clearly identifying barriers to progress and recommending appropriate action.
2. Ensure the efficient management and reporting on expenditure against the agreed funding for the Council's Channel Shift Programme.
3. Lead and facilitate sessions with service areas to identify: current ways of working and options for future working models, working with managers to ensure positive engagement with staff at all levels.

4. Work with Senior Managers to influence business drivers to enable them to build channel shift and digital delivery into strategic plans.
5. To establish cross-Council forums and protocols for business process reviews
6. Develop and maintain productive working relationships with managers across all services. To challenge current practices and identify best practice to maximise benefits to customers.
7. Ensure effective communication with all staff to promote service redesign that has a focus on digital delivery opportunities, thus maximising the use of appropriate technology. Coach and mentor staff in order to agree key tasks, delivery timelines and work alongside teams to pace delivery.
8. Specify and commission specialist technical resources to deliver technical solutions to improve business processes to optimise service delivery and management information to support operational delivery and strategic decision making.
9. Manage relationships with suppliers and negotiate to ensure that the Council secures best value for money.
10. To collate performance management information relating to the use of various channels and work with services to identify remedial action where required.
11. To develop and promote the use of a suite of continuous improvement tools and techniques: to promote efficiency and effectiveness in working practices.
12. Work with ICT to keep updated on emergent technology to identify and demonstrate opportunities for continuous improvement and integration possibilities to services and managers.
13. Work with the council's support services to develop and implement an internal and external communications plan.
14. Lead on work to identify those residents at risk of Digital Exclusion and work with Council services, ICT and the community & voluntary sector to identify strategies for ensuring access to services.
15. To represent the Council at local and national user groups where it benefits the organization to maintain those contacts.
16. Any other duties commensurate with the role as specified by the Assistant director Customer Access.

DATE LAST UPDATED: January 2015

Job Description

JOB TITLE	:	Business Improvement Analyst
GRADE	:	Subject to JE process
POST NO	:	?
SERVICE	:	Office of Assistant Director Customer Access
UNIT	:	Business Improvement Team
REPORTS TO	:	Business Improvement Lead
RESPONSIBLE FOR	:	
LIAISON WITH	:	All services, customers, Members, external consultants, other local authorities

PURPOSE OF JOB

- To support the implementation of the council's ongoing Channel Shift Programmes
- To actively engage with Council services to redesign the customer journey processes, including the adoption of self-service and web based interactions
- To identify universal businesses processes wherever practicable, across the organisation, and develop proposals of where the use of shared services would benefit the Council.

MAIN ACTIVITIES

1. To undertake research into the service areas to understand the current operating model and any forthcoming changes that may impact on process redesign.
2. To research best practice to ensure all opportunities for efficiency, effectiveness and customer experience are maximised when redesigning business processes.
3. Develop and maintain close working relationships with teams across all directorates.
4. Ensure that proposed changes are monitored, measured and implemented with clear quality control.
5. To facilitate meetings and workshops across the council as required with working groups to assist in the identification of failure demand and potential revisions to

current working practices.

6. To prepare any, guidance notes and policies and procedures required to support the business process change.
7. To use customer insight data to actively promote the opportunities for managing and shaping demand.
8. To provide support for Managers and Staff to ensure continuous improvement of processes in service areas. Monitor the effectiveness of any changes made to business processes.
9. To develop strategies with services to introduce effective use of ICT systems and information, ensuring that processes are clearly led by customers need and maximise take up.
10. Improve data integrity by working with services to ensure that customers' addresses and other information is accurate and consistent across all departments' databases or IT systems.
11. Identify solutions for providing Management Information through existing and new systems, using automated reports where possible.
12. Responsibility for communication on issues related to data security, data protection and validating customers' identities online.
13. Any further duties commensurate with the role as advised by the Business Improvement Lead or Assistant Director Customer Access.

DATE LAST UPDATED: January 2015

Person Specification

JOB TITLE : Business Improvement Analyst

GRADE : tbc

POST NO :

SERVICE : Customer Access

UNIT : Business Improvement

<u>SELECTION CRITERIA</u>	<u>ESSENTIAL</u> ✓	<u>DESIRABLE</u> ✓	<u>CATEGORY</u>
<u>QUALIFICATIONS</u>			
Educated to A level standard or have equivalent experience	✓		C/I
Evidence of continuous professional Development	✓		C/I
<u>EXPERIENCE/KNOWLEDGE SKILLS</u>			
Demonstrable experience in a significant customer focussed management role ideally 3 years	✓		A/I
A clear understanding of the challenges currently facing local authorities and the key factors driving these pressures		✓	I
Experience of supporting business change in a frontline service (s)	✓		A/I
Demonstrable communications, presentational and relationship-building skills consistent with the need to seek support for new initiative or course of action	✓		I
A clear understanding of the links between Customer focus and channels of delivery, as well as the ability to make this connection in planning and development proposals for appropriate service delivery for customers	✓		A/I
Sound analytical skills	✓		A/I
Ability to prioritise own workload	✓		A/I

Well developed IT Skills, experience of Microsoft Office and ability to use complex IT systems, including the ability to work with IT analysts on developing customer focussed business rules	✓		A/I
Proven experience in working collaboratively and proactively across organisational boundaries	✓		I
Experience of using innovating approaches in business improvement and redesign techniques.		✓	A/I
Experience of effective and measured business process redesign	✓		A/I
Project management experience		✓	A/I
<u>SPECIAL REQUIREMENTS/ATTITUDE</u> A high level of personal resilience in order to challenge prevailing attitudes to effect positive change in working practices and acceptance of new ways of working.	✓		I
Demonstrable experience of influencing managers and staff to persuade them of the benefits of a customer focussed channel shift programme		✓	I
<u>OTHER</u>			

COMPLETED BY: Bindu Arjoon, Assistant Director Customer Access

DATE: January 2015

REPORT TO Executive

Date of Meeting: 10 February 2015

Report of: Corporate Manager, Democratic & Civic Support

Title: FREEDOM OF THE CITY

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 This report details a proposal to set criteria against which future nominations for Freedom of the City can be judged.

2. Recommendations:

2.1 That the following criteria be adopted against which future nominations for Freedom of the City of Exeter

- For those who have extraordinarily served the community over a number of years (minimum of 20 years) in a voluntary or professional capacity;
- For those who have achieved national, international or world recognition for excellence in their particular field of expertise (be it business, entrepreneurial, sport, or any other area);
- For those who have promoted Exeter during their career so as to significantly raise the profile of the City on a national, international or world basis;
- For those who have via a particularly extraordinary act, or series of acts, put the safety or well being of themselves secondary to those of others.

2.2 That provision be made for the withdrawal of this award in line with the Council's adopted scheme for the enrolment of Honorary Aldermen.

3. Reasons for the recommendation:

3.1 Section 249 of the Local Government Act 1972, gives Councils the power to grant "Freedom of the City" to any individual who it feels has given eminent service to the City. To this end, an Extraordinary meeting of the full Council must be convened to specifically consider this matter, with two thirds of those present, voting in favour.

3.2 Members will recall that at an Extraordinary meeting of the Council held on 15 October 2014, the Freedom of the City was granted to Mrs Yolonda

Henson, Mrs Jo Pavey and Mr Liam Tancock.

3.3 It is also suggested that so as to maintain the dignity associated with the award of such an honour, a set of criteria be drawn up against which future nominations can be considered.

4. What are the resource implications including non financial resources.

4.1 Other than a small cost in preparing a suitable ceremonial scroll and hosting a small reception, there are no resource implications.

5. Section 151 Officer comments:

5.1 There are no significant financial implications contained within this report.

6. What are the legal aspects?

6.1 The provisions for the award of Freeman of the City are contained within Section 249 of the Local Government Act 1974.

7. Monitoring Officer's comments:

7.1 This report raises no issues for the Monitoring Officer.

8. Report details:

8.1 The position of Freeman of the City of Exeter has been awarded since 1266 for a variety of reasons. Originally, many paid a fine to the City to take up the honour, whilst others provided work for an apprentice; and others have been awarded the honour for various acts of local or national importance (for example, the Captain of HMS Exeter which was involved in the Battle of the River Plate in 1939, was given the Freedom of the City).

8.2 Recently, the Council has awarded the honour to those who have served the City in a public role (former Member of Parliament Sir John Hannam; David Morrish, Mrs Saxon Spence and as mentioned above, Mrs Yolonda Henson), although as mentioned above, two local prominent athletes were also recently awarded the honour, due to their promotion of Exeter to a much wider audience.

8.3 These days, the majority of applications for Freeman of the City have been on an hereditary basis, as the Council allows a relative of a previous Freeman to apply to take up that honour by proving their lineage.

8.4 Officers have undertaken some research with other Councils who still admit Freemen, and concluded that there are no hard and fast rules as to the grounds for nomination, with the award being made to whomever it sees fit.

8.5 The consideration of setting some criteria against which nominations may be judged is particularly pertinent now considering the recent on-line petition which received 89 signatures requesting the Council to consider giving the honour to Chris Martin of Coldplay. This e-petition was backed up by a world-wide social media campaign which received over 2,000 supporters. In correspondence with Mr Martin, he raised the point that whilst honoured to having been put forward for such an award, he did

not, at this time, feel he had done sufficient for the City to warrant its award. It is therefore suggested that this be put on hold until such time as to when Mr Martin feels he is in a better position to be considered for the award.

- 8.6 As part of the process in drawing up this report, all members of the Council were asked to comment on the appropriateness of the proposed criteria. Five councillors took up this opportunity, two of whom indicated their satisfaction with what being proposed; two suggesting that the previous suggestion of at least 15 years of community service was not significant enough with one suggesting it should be a minimum of 20 years and the other suggesting a minimum of 25 years; one suggesting that a provision be included for the removal of the award if the individual brought the position or Council into disrepute; and one other suggesting that all future Freemanships be given on a life time basis and would not be eligible for passing to future generations.
- 8.7 Bearing in mind the above comments, the community service qualification has been extended to be a minimum of 20 years.
- 8.8 The suggestion of the removal of the award is consistent with the approach recently taken for the position of Honorary Alderman, where the following was adopted:-

“It shall be competent for the Council in any other particular case to withdraw the title of Honorary Alderman and the attached rights and privileges. Such withdrawal of the title shall be by way of formal motion to a meeting of the full Council, (the summons to which contains special notice that such withdrawal is proposed and the reason therefore) and subsequent resolution of the Council passed by not less than two thirds of the Members present and voting thereon at the meeting of the Council. On the passing of such resolution, the Corporate Manager, Democratic & Civic Support shall delete the name of the person concerned from the list of Honorary Alderman and advise that person accordingly.”

It is therefore considered appropriate to also include this provision in the criteria.

- 8.9 Finally, the suggestion as to making the award of the honour similar to that of a life peerage, would be a break from the current convention where anyone who can prove their lineage to a forebear have been awarded such a position, can apply for the position in their own right. This has happened on three occasions in the last 12 years. Whilst accepting that with the possibility of more Freemanships being awarded now if these new criteria are adopted, and therefore there may be a greater call for hereditary Freemanships in the future, it is not felt that these occasions will be any more frequent than in the more recent past.
- 8.6 It is therefore considered that the following criteria should be established against which future nominations should be considered:-
- For those who have extraordinarily served the community over a number of years (minimum of 20 years) in a voluntary or professional capacity;
 - For those who have achieved national, international or world recognition for excellence in their particular field of expertise (be it business, entrepreneurial, sport, or any other area);
 - For those who have promoted Exeter during their career so as to significantly raise the profile of the City on a national, international or world basis;

- For those who have via a particularly extraordinary act, or series of acts, put the safety or well being of themselves secondary to those of others

8.7 It is felt that these criteria cover all eventualities for nominations. It is further proposed that nominations should be submitted on an application form, together with a citation from the proposer as to why they feel the nominee should be put forward. Any such nominations would be considered by the Corporate Manager, Democratic & Civic Support in conjunction with the Group Leaders, with any nominations then being submitted to the Executive and Council for due consideration.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 Consideration of widening the remit for nominations for the Freedom of the City will help promote the City as a regional capital and one which supports those who support and promote the City as such.

10. What risks are there and how can they be reduced?

10.1 There are no risks associated with the proposals.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1 Consideration of widening the remit of nominations for the Freedom of the City will encourage nominations from all aspects of City life. The approval of criteria against which such nominations will be considered, will ensure that all nominations are treated equally and judged appropriately.

12. Are there any other options?

12.1 Continue with the existing scheme where nominations rarely come forward other than in respect of public service.

**John Street
Corporate Manager, Democratic & Civic Support**

**Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-**

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

REPORT TO: EXECUTIVE AND COUNCIL
Date of Meeting: Executive – 10 February 2015
Council – 24 February 2015
Report of: Mark Parkinson, Deputy Chief Executive
Title: Managing Organisational Change and Redundancy Policy and Procedure

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To implement a new policy for the effective and timely management of organisational change and redundancies at the Council.

2. Recommendations:

- i. Executive recommend and Council approve the implementation of the Managing Organisational Change and Redundancy Policy and Procedure appended to this report effect from 1 March 2015.
- ii. Delegated authority be given to the Deputy Chief Executive in consultation with the Leader of the Council to amend the policy where necessary.

3. Reasons for the recommendation:

In a climate of continued major financial restraint and changing expectations of local government it is vital that the Council has a clear and consistently understood / applied policy and procedure for managing changes to the Council's establishment (addition, deletion or replacement of posts) the relocation of services, fundamental changes to roles and responsibilities or redundancies.

4. What are the resource implications including non financial resources:

There are no new resource implications arising from this report.

5. Section 151 Officer comments:

There are no additional financial implications contained within the report.

6. What are the legal aspects?

The Council will from, time to time, need to review and revise its organisational and staffing structures to meet future challenges and opportunities. This policy sets out clearly the Council's approach and procedure to be followed.

7. Monitoring officer Comments

This report raises no issues of concern to the Monitoring officer.

8. Report Details:

8.1 Background

The Council's existing Managing Organisational Change Policy is overdue a review, and in partnership with the recognised Trades Unions the opportunity has been taken to revisit these provisions to remove ambiguity and ensure alignment as far as practicable with the ACAS guidance.

Key changes to existing arrangements as a result of the policy document attached as an appendix to this report are:

- Clarification of the process for instigating consultation and for 'approving' proposals for change at Executive Committee prior to implementation
- Clearly describe processes for implementing changes (dealing with 'slotting' (previously 'assimilation') redeployment and redundancy)
- Clarification of the approaches in the case of a 'restructure' as opposed to the cessation of a service or deletion of posts.

In all other respects the provisions are broadly similar to the Council's existing arrangements and legally compliant.

The implementation of this new policy will not impact on the way the Council calculates redundancy compensation payments nor on the Council's existing pay protection or redeployment provisions.

9 How does the decision contribute to the Council's Corporate Plan?

The decision will support the delivery of a Well Managed Council, and assist in managing employees, trade unions and management expectations associated with making significant changes to the Council's establishment.

10 What risks are there and how can they be reduced?

Whilst there remains ambiguity regarding the procedures to follow in the case of making significant changes to staffing structures, the Council remains at risk of damaging morale and increased potential for employment tribunal applications challenging redundancy dismissals.

11 What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, Economy safety and the environment?

The decision will help to ensure that change at the Council is managed in an equitable, fair and transparent way whilst attempting to mitigate the impact on morale and employee wellbeing.

12 Are there any other options?

No.

Mark Parkinson, Deputy Chief Executive

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees), Room 2.3, (01392) 26115

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**MANAGEMENT OF ORGANISATIONAL CHANGE /
REDUNDANCY
POLICY AND PROCEDURE**

Contents

1. Purpose and Scope
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6. Implementation of proposals
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8. Basic redundancy process (not involving restructures)
9. Notice of redundancy
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1. Purpose and Scope

- 1.1 The Council recognises that it will, from time to time, need to review and revise its organisational and staffing structures to meet future challenges and opportunities. The purpose of this Policy is to set out the Council's approach to managing the human resources implications of Organisational Change.
- 1.2 Organisational Change takes place when the service or provision of services is altered from the existing establishment and where this impacts on the Council's staffing requirements in respect of that service. This may include the addition, deletion or replacement of posts, relocation of services, fundamental changes to roles and responsibilities and redundancy.
- 1.3 The Council's aim is to ensure that on such occasions, all employees affected will be treated fairly and consistently at a time of change and uncertainty.
- 1.4 This policy is compliant with relevant legislation and utilises as far as is practicable Advisory Conciliation and Arbitration Service (ACAS) best practice. It has been developed in consultation with the recognised trade union(s).
- 1.5 This policy applies to all employees. This Policy applies to employees only and therefore does not apply to Contractors, Agency staff (save to the extent that specific protection is provided under the Agency Workers Regulations 2010) or Casual Workers.
- 1.6 Managers using this policy will maintain fairness and consistency of treatment and will avoid discrimination in according with the Council's Equality and Dignity at Work Policies. In this policy `manager` refers to Service Managers and Service Leads, Corporate Managers, Assistant Directors, the Deputy Chief Executive, the Chief Executive and Growth Director.
- 1.7 The Council will engage in timely and meaningful consultation with the trade union(s) and affected employees. Employees and trade union representatives are expected to engage in any Organisational Change process in a constructive and timely way.

2. Key Principles

- 2.1 The key principles of managing organisational change are:
 - A fair, transparent and equitable process for considering and implementing organisational change.
 - Any process or decision-making will be objective and meet the Council's Equality and Diversity principles.

- All proposals for major change will be subject to timely consultation with both employees and the recognised trade union(s) to ensure that meaningful dialogue can take place in a reasonable timeframe.
- Compulsory redundancies will be avoided where possible but this will be balanced against the Council's need to retain employees with the skills and experience necessary to best meet future service requirements.
- Where compulsory redundancies are necessary, the Council will aim to handle these in a fair, timely and sympathetic manner.
- Employees will be treated as individuals with consideration being given to their personal and employment circumstances.
- All employees have the right to be accompanied at consultation meetings by a trade union representative or a work colleague.
- All employees selected for redundancy have the right to appeal against any decision to dismiss and should use the appeals mechanism contained within this policy.

3. The Organisational Change Process (involving restructures)

3.1 In general, a restructure occurs where there is a reorganising of the management, operational or other structures of a department, often to make it more suitable for current and future business needs or service delivery requirements and/or for the purpose of efficiency or costs-saving.

3.2 There are two stages to any restructure:

1. The approval process for the organisational change/restructure (during which there will be consultation with the Trade Unions and employees who may be affected by the restructure).
2. The implementation process once final approval has been given.

4. Approval Process

4.1 The manager will, in consultation with Human Resources, prepare a draft business case in respect of the proposed restructure. It is the content of the draft business case which will be ultimately shared with the trade union(s) and employees for consultation purposes. Wherever possible, the draft business case should contain the information set out at paragraph 4.6 below.

4.2 The draft business case will be placed before the Council's Executive for preliminary approval before it is shared/discussed with the trade unions and/or employees. For the avoidance of doubt, the draft business case will not be

pre-scrutinised prior to being submitted to the Executive. If preliminary approval is given, the manager will then undertake formal consultation on the draft business case.

- 4.3 The business case will remain a draft business case until the consultation process has been completed and the trade unions and affected employees have had the opportunity to comment on the proposals and management have considered those comments and provided a response.
- 4.4 Following such consultation, the manager will present a final business case to the Council's Executive. The final business case will set out all the information contained in paragraph 4.6 below and will make it clear whether and to what extent it differs from the draft business case. It will also contain information as to whether agreement was reached with the trade unions/employees during consultation, and where agreement was not reached will set out the representations made, the responses given by management and the reasons for those responses.
- 4.5 In the event that the Executive approves the restructure, implementation will take place as set out in paragraph 6 below.
- 4.6 The draft and final business case should contain the following information:
 - An explanation of the current structure in the department including existing structure charts.
 - The reasons why a change from the current structure is considered necessary or desirable.
 - An explanation of the proposed new structure, including new structure charts.
 - The reasons/rationale for the selecting the proposed new structure.
 - The total number of employees in the current structure, with a breakdown of the roles/grades and number of employees in each role.
 - The total number of employees in the proposed new structure, with a breakdown of the roles/grades and the number of employees in each role. Where new roles have not yet been graded for job evaluation purposes, the anticipated grades will be provided.
 - The roles/numbers of employees to be placed at risk of redundancy.
 - The proposals for slotting-in and/or ring fencing of at risk employees and consideration for alternative roles.
 - Selection pools, methods and criteria.
 - Any proposals for minimising redundancies, including consideration for alternative roles outside the ring fence.
 - Method and timescales in respect of consultation and implementation.
 - The financial savings (if any) likely to result from the proposed restructure.

- The estimated costs of the restructure (including potential redundancy costs) and the timescale within which these are likely to be cancelled out by any savings.
- Copies of job descriptions and person specifications for both existing and proposed new roles. If the job descriptions and person specifications for new roles have not yet been finalised, draft documents will be provided.
- An Equality Impact Assessment.

5. Initial Consultation with Trade Unions and Employees

5.1 Following receipt of preliminary approval for the proposed restructure from the Executive, the relevant manager, in conjunction with HR, will promptly commence a reasonable period of consultation with the trade unions(s) and affected employees. At this stage, the consultation will relate to the restructure itself and the proposals for implementation, rather than the position of individual employees.

5.2 Where the following thresholds apply, initial consultation shall last for at least as long as the minimum period required by law. Managers should always take advice from Human Resources as to whether these thresholds are likely to be met:

- a) If 20 or more employees within one establishment may be dismissed as redundant (voluntarily or otherwise) over a period of 90 days or less, consultation will begin at least 30 days before the first dismissal takes effect.
- b) If 100 or more employees within one establishment may be dismissed as redundant (voluntarily or otherwise) over a period of 90 days or less, consultation will begin at least 45 days before the first dismissal takes effect.

Managers should always take advice from Human Resources as to the meaning of establishment.

5.3 Consultation at this stage must be more than an information-giving exercise and will include consultation about mitigating the consequences of the proposed redundancies and ways of avoiding or reducing the number of employees made compulsorily redundant. The aim will be to seek agreement where possible and where this is not possible, the manager will provide reasons for the Council's position.

6. Implementation of proposals

- 6.1 Upon the Executive approving the final business case, all affected employees will formally be placed at risk of redundancy.
- 6.2 Following receipt of such Executive approval, the trade union(s) and affected employees will be notified of that decision, of the fact that affected employees are at risk of redundancy and of the arrangements for implementation. Copies of job descriptions and person specifications for all roles in the new structure will be made available.
- 6.3 An employee will be slotted-in to a role in the new structure in the following circumstances:
 - There is at least an 80% match in the job roles and person specifications;
 - The roles are no more than one grade apart; and
 - There is only one matching employee for each new role.
- 6.4 Where slotting-in applies, the employee will be offered an automatic transfer to the new role without having to make any application or undergo any selection exercise.
- 6.5 For the purpose of the matching exercise, where an employee has been in an interim post, including a secondment, immediately prior to the restructure, the comparison will be between their original substantive post and the new post, except where the interim post has been in existence and filled by the employee for a period of one year or longer.
- 6.6 An employee who is offered an automatic transfer to a new role by way of the slotting-in process and who unreasonably refuses to accept such a post will lose their entitlement to a redundancy payment.
- 6.7 All affected employees who are not slotted-in to a new role will be placed into a ring-fence for any remaining roles in the new structure. No further applications will be sought until the applications of the ring-fenced employees have been considered.
- 6.8 Ring-fenced employees will normally be required to make an application for any roles for which they wish to be considered and any candidate who meets the essential criteria for the post will be invited to participate in a selection exercise.
- 6.9 The selection exercise (which would have been set out in the business case) will normally involve at least two methods of testing the candidates, one of which may be a formal interview.

- 6.10 Prior to the selection exercise taking place, candidates will be informed in writing of the selection methods and the criteria to be applied. Employees may request support to prepare for the selection process. Any such request must be made in a timely way and the manager will ensure that support is provided where this is reasonably practicable.
- 6.11 In the event that there is only one application for a new post, the candidate will be offered the role if they are able to demonstrate that they have the necessary skills and experience to fulfil the role or are likely to do so with reasonable re-training.
- 6.12 In the event that there is more than one application for a new post, the candidate who is best able to demonstrate that they have the necessary skills and experience to fulfil the role or is likely to do so with reasonable re-training will be offered the role. If the first choice candidate declines to accept the role, it will be offered to the next candidate down in the scoring exercise, provided that the next candidate has shown that they are suitable for appointment using the criteria set out in paragraph 6.11 above. If no candidate is able to meet the necessary standard for appointment, the role will be opened up for recruitment in the usual way.
- 6.13 Any candidate who is unsuccessful in obtaining a role in the new structure will be considered for Council-wide redeployment in accordance with the Council's Redeployment arrangements.
- 6.14 At any stage of the process, an employee may be required to complete a skills assessment/application form. This will be used to determine whether suitable employment opportunities may exist for the employee, either in the Department or across the Council. An employee who unreasonably refuses an offer of suitable alternative employment will lose their right to a redundancy payment.

7. Individual Consultation

- 7.1 Individual consultation is concerned with the impact of the restructure on individual employees. This process will normally commence once final approval has been given to the proposed restructure by the Executive. There will normally be three consultation meetings although the number of meetings may be amended to suit the circumstances.
- 7.2 The first consultation meeting may be a group meeting or a meeting with the individual employee, at which details of the new structure and the arrangements for implementation will be communicated and discussed. Where there is a possibility of the employee being slotted-in to a new role, the

details of the new post will be provided (to include the relevant job description and person specification) as well as information as to how and when the matching exercise will be carried out.

- 7.3 All affected employees will be provided with copies of job descriptions and person specifications relating to any role for which they may wish to consider making an application (whether or not slotting-in to any post may apply) and will also be provided with information as to the selection methods, selection criteria and the proposed timetable for implementation.
- 7.4 The second consultation meeting will usually take place once a matching exercise has been carried out for slotting-in purposes and applications for alternative roles in the new structure have been considered. From this stage, consultation is likely to be dealt with on a purely individual basis.
- 7.5 Where the employee has been placed into a post in the new structure (whether through slotting-in or as a result of a selection exercise), the Council will confirm that they are no longer at risk of redundancy, written confirmation of the new post will be provided and arrangements will be made for discussions to take place as to any immediate training requirements.
- 7.6 Where the employee has not secured a post in the new structure, the Council will confirm that the employee remains at risk of redundancy. There will be consideration of any proposals for mitigating the impact of the restructure on the particular employee as well as an explanation of the Council-wide redeployment process. The employee will be given the opportunity to identify any potential redeployment opportunities that may be available across the Council and to put forward applications for such posts.
- 7.7 If the employee is appointed to a new role by way of Council-wide redeployment, the Council will confirm that they are no longer at risk of redundancy, written confirmation of the new post will be provided and arrangements will be made for discussions to take place as to any immediate training needs.
- 7.8 Where the employee has not secured a post by way of Council-wide redeployment, there will usually be a third consultation meeting. If it appears at that time that redundancy cannot be avoided, the employee will usually be given notice of termination of employment by reason of redundancy. The employee will also be provided with an estimate of their redundancy benefits.
- 7.9 The employee has the right to request further individual consultation meetings at any time prior to notice being issued by making a request in writing to the manager or to HR, stating the reason why a further meeting is needed. The Council will then endeavour to arrange a further meeting as soon as reasonably practicable.

7.10 At every stage of the individual consultation process, the employee has the right to be accompanied by a trade union representative or a work colleague of their choice.

8. Basic Redundancy process (not involving restructures).

8.1 On some occasions, the Council will wish to make redundancies other than in the context of a restructure, for example where there is a straightforward budget cut or a cessation of work leading to posts being deleted without being replaced by alternative posts or a reduction in the number of employees in a particular post.

8.2 In such circumstances, a business case will be prepared and submitted to the Executive for approval. This will set out the following:

- The background and reasons for the proposed redundancies.
- An explanation of why the proposed redundancies are considered necessary.
- The rationale for the choice and number of posts proposed to be made redundant.
- The financial savings (if any) likely to result from the redundancies.
- The estimated costs of the redundancies and timescale within which these are likely to be cancelled out by any savings.
- The proposed selection pools (if any).
- Where no selection pool is appropriate, an explanation of why this is the case (eg there is only one post-holder and that post is to be deleted).
- The method of selecting employees for redundancy, including the proposed criteria and assessment method(s).
- Proposals in respect of seeking to mitigate the effects of the redundancies/minimise the number of compulsory redundancies.
- Proposals for consultation with the trade union(s) and/or affected employees.
- Proposed timetable for implementation.

8.3 The process for consulting with employees and the unions will be as set out in paragraphs 5 and paragraph 7 of this policy (amended as appropriate to the circumstances) unless the trade unions agree to a shorter process.

8.4 Selection will be based on one of two potential methods:

a) Method 1 is a traditional matrix-based selection approach under which at risk employees will be selected according to set criteria, the choice and

weightings of which will be part of the consultation process and will be confirmed to the employees prior to the selection exercise being carried out.

b) Method 2 is a recruitment-based selection approach under which at risk employees will apply for any remaining posts and the strongest candidates selected, based on selection methods, criteria and weightings which will be subject to consultation and confirmed to employees prior to the selection exercise being carried out.

- 8.5 The Council would generally expect to use Method 1 but may, subject to consultation, choose method 2 as being the most appropriate way to undertake selection for redundancy.
- 8.6 In either case, the Council will endeavour to ensure that the selection processes are objective and fair to all candidates and are evidence-based.
- 8.7 Where there is a simple deletion of a role without the creation of potential alternative roles, and there is only one employee per post in the role that is at risk of redundancy, there is usually no requirement to undertake a redundancy selection exercise.
- 8.8 At any stage of the process, an employee may be required to complete a skills assessment/application form. This will be used to determine whether suitable employment opportunities may exist for the employee, either in the Department or across the Council. An employee who unreasonably refuses an offer of suitable alternative employment will lose their right to a redundancy payment.

9. Notice of Redundancy

- 9.1 Notice of termination of employment by reason of compulsory redundancy will not normally be issued until the third consultation meeting unless there are exceptional circumstances.
- 9.2 The employee will be issued with verbal notification in the first instance. This will be confirmed in writing within 7 days of the verbal notification and will include a statement of the applicable redundancy benefits, reference to the Modification Order, details of the arrangements for further consideration of redeployment during the notice period and information as to the right to appeal.

10. Appeals

- 10.1 The employee has the right to appeal against the decision to issue them with notice of termination of employment.
- 10.2 Any appeal must be in writing and received by the employer no later than seven days after written notice of termination of employment was given.
- 10.3 The employee may appeal against the decision to dismiss, or in relation to any part of the process leading to that decision.
- 10.4 Appeals will be conducted in accordance with the Council's usual appeals procedures.
- 10.5 The decision on appeal will be final, subject to continuing efforts being made to redeploy the employee during the notice period.
- 10.6 For the avoidance of doubt, the Grievance Policy will not apply to any concerns arising from a redundancy process. Any such concerns should be raised as part of the consultation processes and/or by way of appeal.

11. Trial Periods

- 11.1 Where an employee is offered an alternative role in the department or by way of Council-wide redeployment and the provisions of the new contract differ from their existing contract, they will be entitled to a trial period of 4 weeks in accordance with their statutory rights. In the event that it is felt that a longer trial period is necessary, this must be agreed in writing prior to the trial period commencing and a number of other conditions must be met. In such a case, advice should be sought from Human Resources.

12. Pay protection arrangements

- 12.1 In the event the employee is offered alternative employment at a grade lower than their original grade, the Council's pay protection arrangements as set out in the Council's Pay Protection policy will apply.

13. Methods of avoiding compulsory redundancy

- 13.1 The Council will always give consideration to ways of minimising compulsory redundancies. Depending on the circumstances, this may involve:
 - Limiting recruitment

- Natural wastage
- Reducing or eliminating the need for casual, temporary or agency workers
- Voluntary redundancy
- Voluntary reductions in working hours
- Redeployment and the provision of reasonable training where appropriate.

13.2 An application for voluntary redundancy may be made by any at-risk employee at any time within the timescales stipulated by the Council.

13.3 The applicant will be provided with a statement of the benefits that would apply in the event the application is accepted.

13.4 The decision whether to accept an application for voluntary redundancy will take into account the aim of limiting the number of compulsory redundancies as well as the following factors:

- The impact on the Council of the loss of the individual's experience and skills and/or its ability to deliver its services.
- The overall cost of the voluntary redundancy, including costs relating to redundancy payments and/or any early retirement provided this can be objectively justified.

14. **Employees with additional protection**

14.1 In the case of employees who have a disability as defined in the Equality Act 2010, it may be necessary for the Council to take additional steps, including a consideration of reasonable adjustments in relation to potential alternative roles and to selection exercises. In such cases, managers should always seek advice from Human Resources.

14.2 Employees who are at risk of redundancy whilst on maternity leave have additional protection in terms of consideration for alternative roles. Managers should always seek advice from Human Resources.

15. **Absent employees**

15.1 Where an employee is absent from work during the period when they are at risk of redundancy, whether by reason of sickness or otherwise, the Council will endeavour to ensure that they nonetheless have the opportunity to engage in the consultation process. This may include, for example, holding consultation meetings off-site or dealing with the matter through correspondence or by way

of telephone discussions. In such cases, managers should always seek advice from Human Resources.

16. Time off work

- 16.1 An employee who has been continuously employed for at least two years and who is under notice of redundancy is entitled to reasonable time off work with pay to look for new employment or to make arrangements for training for future employment.

17. Notifications to the Department for Business, Innovation and Skills (BIS).

- 18.1 The Council is required by law to inform the Department for Business, Innovation and Skills (BIS) if it is proposing to make more than 20 employees redundant at one establishment within a 90 day period. An `establishment` is the site at which the employees are assigned to work. The notification must be completed at least 30 days in advance of the first dismissal and at least 45 days in advance where it is proposed to make 100 or more employees redundant. Human Resources will undertake the necessary notifications.

18. Review

- 18.1 This policy will be reviewed regularly in consultation with the trade union(s), taking into account changes to any relevant legislation, ACAS Guidelines and best practice.

REPORT TO EXECUTIVE

Date of Meeting: 10 February 2015

Report of: Assistant Director City Development

Title: Governance and Prioritisation of Community Infrastructure Levy Funding

1. What is the report about?

1.1 This report provides an update on the Community Infrastructure Levy and sets out proposals for the future use and governance of receipts.

2. Recommendations:

2.1 To agree the prioritisation of CIL income (total assumed at £25 million) as set out in the table below and in sections 11, 12 and 17.

Purpose	Approximate Amount		Description
Administration	5%	£1.25m	Costs of administrating receipt and expenditure of CIL.
Neighbourhood Funding	15%	£3.75m	Developing and implementing a community- level strategy for addressing the demands of development.
European Site Mitigation	8%	£2m	Mitigating the recreational impacts arising from new development on European protected habitats.
City Centre Major Infrastructure	32%	£8m	Dedicated to city centre leisure, transport and public realm projects unless alternative contributions can be secured. Priority will be given in the early years to the city centre above other major infrastructure
Other major Infrastructure to include roads and schools	40%	£10m	Expected after 2019/20.

2.2 To agree to the formation of an Exeter only Major Infrastructure Panel with the flexibility to determine the final allocation of funding from CIL to major schemes and leverage funding from other sources as outlined in sections 13 to 16.

2.3 To support the Council Leader meeting with counterparts at Teignbridge and East Devon District Councils and Devon County Council with a view to exploring the establishment of a joint cross boundary Major Infrastructure Panel.

2.4 To agree the terms of reference set out paragraph 13.1 and delegate authority to implement an agreed infrastructure Business Plan to the Assistant Director City Development.

2.5 To delegate to the Assistant Director City Development authority to confirm final neighbourhood funding arrangements in the St James neighbourhood area.

3. Reasons for Recommendation:

- 3.1 The proposals are intended to help facilitate sustainable development growth and Exeter's continued vitality through CIL investment.

4. What are the resource implications including non financial resources?

- 4.1 The report relates to the use of around £25 million that the Council can expect to receive for the purposes of accommodating development growth to 2026. Resource implications of a proposed Major Infrastructure Panel are outlined at section 16.

5. Section 151 Officer comments:

- 5.1 The Section 151 Officer notes the proposals and will work with the Assistant Director City Development to ensure that CIL contributions are clearly identifiable to ensure transparent information is available.

6. What are the legal aspects?

- 6.1 This report is not concerned with legal matters associated with collecting CIL. The main legal considerations are therefore considered to relate to constituting a new (potentially joint) committee and contracting works to be funded through the Levy. Depending on the Executive resolution and discussions with neighbouring authorities, a separate report will consider the details associated with forming and operating the proposed Major Infrastructure Panel.

7. Monitoring Officer Comments:

- 7.1 The Council must ensure that the Major Infrastructure Panel has in place, a clear and transparent policy to determine how the final allocation of funding from CIL to major infrastructure will be determined.

8. How does the decision contribute to the Council's Corporate Plan?

- 8.1 Successful deployment of CIL is integral to multiple strands of the Corporate Plan including:
- Supporting business and economic growth;
 - Sharing the benefits of growth; and
 - A green and healthy city

9. Background

- 9.1 The Council has introduced a Community Infrastructure Levy. The Levy is expected to raise around £25m in the period to 2026, which can be used to fund a wide range of projects so long as they support development growth. This will build up over time but early income will particularly depend on the development programmes for

Morrisons and IKEA. To date less than £100,000 has been received. The table at appendix 1 profiles projected income.

- 9.2 CIL can be used to fund infrastructure that supports development growth. It cannot be used to resolve existing problems or deficiencies. Exeter's 'Regulation 123 List' identifies infrastructure that could be delivered through CIL and can no longer be funded through section 106 agreements.
- 9.3 The Exeter Infrastructure Delivery Plan accompanies the Core Strategy. This identifies a range of critical and essential infrastructure improvements which will be required at different times over the duration of the plan period. Their cost is estimated at more than three times the amount expected to be raised through CIL.
- 9.4 Already, a significant proportion of CIL income (estimated) needs to be set aside for specific purposes:
 - a) 15% (£3.75m) neighbourhood funding (see section 17)
 - b) 5% (£1.25m) CIL administration
 - c) Approximately 8% (£2m) for European habitat mitigation
- 9.5 Allocating a portion of CIL income for European habitat mitigation relates to a legal requirement. The principles involved were approved by Executive in October 2014 and per dwelling amounts (£343 to £749, depending on location) will be dedicated towards mitigation project.
- 9.6 On the basis of the current CIL system and current charging rates it is therefore estimated that by 2026 approximately **£18 million** will come forward for the Council to discretionally apply to strategic infrastructure projects and supporting development growth.

Neighbouring Authorities

- 9.7 Teignbridge District Council introduced CIL last year but East Devon does not yet have an approved Charging Schedule. Collectively contributing CIL income to delivery of sub-regional infrastructure improvements would require agreement to be reached on a cross boundary basis.
- 9.8 Teignbridge expects to raise around £50 million to 2033, with £16 million coming from SW Exeter (of which £4m will be passed to Exminster Parish Council). East Devon anticipates £30 million of CIL receipts and that Cranbrook could raise £13 million depending on the timing of future planning permissions there (relative to CIL adoption).

10. Historic S106, Affordable Housing and County Functions

- 10.1 Neighbouring authorities can expect to raise additional funds through CIL principally because of affordable housing policy differences. On the edge of Exeter, both Teignbridge and East Devon are promoting 25% affordable housing and accepting

the affordable rent product, which releases greater development value than Exeter's 35% and social rent focussed policy.

House Bedrooms	Average Floor Area	CIL per market dwelling at £80m ²	Affordable Housing SPD Contribution per market dwelling
2	83m ²	£6,640	£66,631
3	91m ²	£7,280	£71,918
4	103m ²	£8,240	£79,849

Table 1 – CIL and affordable housing costs per dwelling

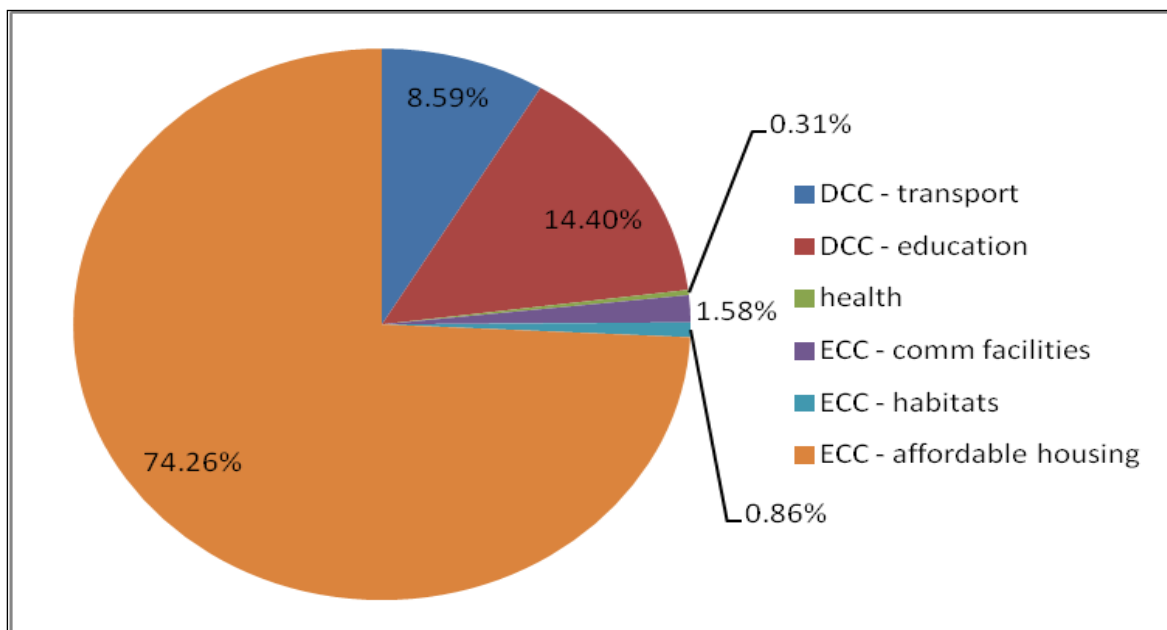


Chart 1 – makeup of 2012/13 s106 agreements

10.2 Whilst very considerable Section 106 obligations relating to affordable housing have been secured on a consistent basis, tests of whether other obligations would be strictly 'necessary' or 'directly related' to a site's impacts have historically limited the amount of funding that could be secured for other City Council functions.

10.3 CIL now gives the Council greater flexibility when setting infrastructure priorities. There is no need to navigating the various Section 106 tests but with those flexibilities come new responsibilities. In particular, whilst Education and Transport investments have historically benefitted from significant Section 106 funds (around 85% of non-affordable housing contributions), it may now be reasonable to rebalance the use of CIL.

10.4 The Council's Infrastructure Delivery Plan was compiled in collaboration with the County Council and other infrastructure providers and identifies infrastructure priorities and their costs. It forms one important starting point when setting out how the Council will apply CIL receipts to strategic infrastructure projects.

11. Funding Schools and Transport

11.1 Devon County Council is the local education and transport authority. The County Council provides infrastructure and services that the Infrastructure Delivery Plan identifies as critical to delivering the City's Development Plan. Nevertheless, given the scarcity of CIL funding relative to forecast infrastructure costs, there is a need to treat Levy income as a 'fund of last resort' and make the best use of other sources of funding. The following paragraphs set out proposals for apportioning CIL income to the County Council's education and transport functions.

New School Places

11.2 The Infrastructure Delivery Plan identifies critical infrastructure investments in school places with a value of £43 million that will be required to provide sufficient school places in Exeter accommodate the levels of new development proposed through the Core Strategy. This is much more than CIL will raise in its entirety. However, various other sources of funding are available:

Central Government funding is available for new school places and the Minister of State for schools has confirmed that there is sufficient funding to provide the school places needed to 2015 (Minister of State for Schools, July 2013) . It is reasonable to assume that similar arrangements will be in place thereafter.

Existing Section 106 contributions and commitments in Exeter already amount to around £17 million.

11.3 A 2013 National Audit Office report explains that in 2010 the Department for Education had assumed that 20% of the costs of new school places should be met through local contributions. The same report confirms that in 2012/13 the national average 'local contribution' was 34%. The £17 million already secured through section 106 agreements is equivalent to almost 40% of the new school place costs identified through the Infrastructure Delivery Plan.

11.4 It is not therefore considered necessary for the City Council to ordinarily set aside CIL contributions for construction of new schools or expansion of existing facilities. Instead it is recommended that any CIL investment in school projects should be made on a project-specific basis. It may be, for example, that some CIL money should be considered for school development projects where investment would leverage additional benefits (such as access to sport or other community space).

Transport Infrastructure

11.5 There has been significant success in delivering transport infrastructure around Exeter in recent years. Improvements at M5 Junction 29, for example, benefitted from significant Department for Transport funding. More recently a number of projects have been awarded funding from sources including:

- a) Regional Growth Fund
- b) Pinch Points
- c) Growth Deal
- d) Local Sustainable Transport Fund

- 11.6 Local match funding is often required for a project to be considered for many of these sources of funding. To be eligible for funding through the first Growth Deal, for example, the Local Transport Board set out a requirement for at least a 10% local contribution.
- 11.7 Outstanding schemes considered critical to delivery of the Development Plan are estimated to cost £22 million. Of these at least £10 million is attributable to final design and delivery of a new bus and coach station and public realm improvements, alongside additional costs of delivering a new leisure centre. The continued investment in Exeter city centre is fundamental to the health and vitality of the area. The city centre has been the engine of the local economy and it faces a number of challenges in the years ahead not least from increased competition from the internet and demand for out of centre retailing.
- 11.8 The City Council's Vision for the City Centre is set out in the document 'A City Centre Vision for a Green Capital'. It is considered appropriate that the Council should prioritise early receipts of future CIL income (excluding administrative, neighbourhood funding and habitat mitigation portions) for city centre projects. This could involve the repayment of forward funding to help smooth any infrastructure timing/CIL income imbalances.
- 11.9 Having safeguarded these monies however, it is also proposed that work should continue with the County Council, Local Enterprise Partnership and other partners on the case for providing transport scheme match funding. It may be that CIL income can help to secure investment in other important transport infrastructure schemes that will enable the development growth proposed for the Exeter area.

12. Apportioning Strategic CIL Income

- 12.1 It is proposed that the same principles set out at 11.9 should also apply to other non-transport infrastructure projects. In the following circumstances, it is recommended that the Council should consider making CIL funds available for alternative infrastructure projects:
- a) It can be demonstrated that a CIL contribution will help to deliver projects that are integral to sustainable development growth around Exeter (guided by the Infrastructure Delivery Plan);
 - b) Partners are able to help secure an equivalent reinvestment into city centre projects; and
 - c) Money is available from the prioritised £8 million and the profile of investment and reimbursement will not undermine the city centre schemes for which it is safeguarded.
- 12.2 Taking these proposals into account, the net value of CIL to 2026 is expected to be a minimum of £10 million but the first elements of this are unlikely to come forward until at least 2019/20. A review of the existing Infrastructure Delivery Plan should have been undertaken before then and it would be inappropriate to specify a purpose for the money at this stage.

12.3 Nevertheless, it is proposed that the governance arrangements and investment framework approach proposed at section 13 should apply to all strategic CIL income when final decisions are being made on money allocation. This includes final approval of expenditure on safeguarded city centre projects.

13. Governance

13.1 It is recommended that an Exeter City Council Major Infrastructure Panel is established to determine the final allocation of funding from CIL to major schemes. The terms of reference should include the following;

Terms of Reference

1. The Council (in discussion with external infrastructure providers) will maintain and update the Exeter Infrastructure Delivery Plan, which sets out the investments needed to support development proposed through the Exeter Core Strategy.
2. All parties continue to demonstrate the cost and level of priority that should be attached to IDP items, including outlining the implications for Core Strategy delivery of not investing.
3. Project appraisals are prepared to support funding proposals using a prescribed form, which identifies:
 - a. Overall costs
 - b. Other available funding
 - c. Project phases and their costs
 - d. Need/benefits/outcomes (including reinvestment income generated)
 - e. Risks and mitigation
4. Council officers work with infrastructure providers to verify project appraisals, with the assistance of independent experts (such as quantity surveyors) where necessary such that where funding is agreed this is with regard to the competitive price of provision.
5. The Panel formulates and agrees by consensus an annual Business Plan within the context of a 5 year Investment Framework. The Plan and Framework can involve 'banking' money for use in future years.
6. Authority is delegated to the Assistant Director City Development (in consultation with the Portfolio Holder for City Development) for implementation of the Business Plan.
7. The Panel prioritises investments where they represent value for money in respect of enabling housing or employment development; or where they would result in facilities that are needed to accommodate development growth.

8. Potential barriers to the delivery of major infrastructure projects should be identified and addressed.
9. The Panel oversees the finalisation of funding agreements, particularly where these involve commitments to make future funding available or where repayment clauses are involved (perhaps in relation to other project funding sources subsequently becoming available).
10. The Panel maintains an overview of other potential funding streams and initiatives including for example Growth Deal.
11. The Panel reports directly to Executive and comprises Leader, Portfolio Holder for City Development, Chair of Planning Committee and a representative for the other political groups.

14. Major Infrastructure Panel Arrangements

- 14.1 It is proposed that the Panel is solely comprised of Exeter City Councillors but there is clearly an opportunity to invite representatives of statutory agencies and infrastructure providers to individual meetings for advice and to be able to scrutinise project appraisals and wider investment plans. It is proposed that the Panel should make decisions by consensus. It will be important to keep the private sector firmly engaged in this process in order to help breed the confidence to invest. There are pre-established forums with the development industry that provide a mechanism for achieving this and which could be timed to take place shortly before Panel meetings.
- 14.2 It is proposed that the Panel will operate as an Executive sub-committee and will be the subject of open to public scrutiny arrangements in accordance with the Local Government Act 1972 and associated Regulations. The size and composition of the Panel will be addressed through a subsequent report to Executive.

Cross Boundary working

- 14.3 Whilst an Exeter only Panel is proposed at this stage, the Panel could alternatively form across administrative boundaries in an arrangement to prioritise CIL receipts with Teignbridge and/or (in time) East Devon District Councils. The Homes and Communities Agency are leading on a project that will look to address the issues associated with joint working and intend to provide recommendations in the coming months.
- 14.4 In the case of cross-boundary collaboration, the Major Infrastructure Panel could form as a joint committee with decisions made by consensus for the benefit of the whole growth area. This would align with the proposed arrangements for European site mitigation set out in the October 2014 report to Executive and it may be that the two functions (and potentially other cross boundary decisions) could be addressed by a single committee. It is considered reasonable that membership of the joint committee should incorporate single Member representation from each authority and associated scrutiny arrangements.

14.5 One of the key issues that all authorities may wish to consider when determining whether to form a joint Panel will be the financial stake that each authority makes available to final Panel decisions.

Should it be:

1. All of an authority's uncommitted CIL income?
2. CIL collected from developments that have a direct relationship with required cross-boundary infrastructure?
3. Some other portion?

14.6 Consideration should be given as to whether Devon County Council should have a seat and decision making stake on the panel as a key infrastructure provider and partner. It is proposed that the Council Leader meets with counterparts at East Devon District, Teignbridge District and Devon County Councils to investigate the prospect of forming a cross-boundary Panel.

15. Forward Funding

15.1 With a 5 year Investment Framework in place, delivery partners will be able to commit to forward funding projects with an undertaking that the Panel will direct future funds to them. It may be that some investment commitments are not taken forward. In these cases and to maintain the Investment Framework time horizon, it will be necessary for the Panel to complete an annual review. The review process would not ordinarily challenge investments that have commitment but would respond to changes in circumstances (including development activity) and set priorities for future years.

16. Capacity and Support

16.1 Final arrangements for resourcing and supporting the Major Infrastructure Panel will need to be subject to further consideration and, as with the arrangements for European site mitigation, it would be appropriate for a further report to be presented to Executive and Council. Nevertheless it is considered that final arrangements should adhere to the following principles.

16.2 Alongside recommendations that the Major Infrastructure Panel should formally update its Business Plan on an annual basis, quarterly meetings are proposed. These meetings of the Panel will provide an opportunity to present an accurate position on what Levy monies have been collected and spent as well as advising on strategy and progress with individual projects. Infrastructure Delivery Planning will need to continue on an ongoing basis with a clear emphasis on ensuring that projects continue to move forward to an investment ready position.

16.3 The Levy regulations provide for up to 5% of collected revenues to be used to support administration. Infrastructure Panel support could be provided through the

City Development Service (presumed to revolve with counterparts in the case of any cross-boundary arrangement). The successful introduction and administration of the Levy (including managing receipts and contracting works) will require a corporate approach across various departments of the Council including City Development, Legal Services and Finance Services.

17. Local Communities

17.1 Government CIL guidance expects the council to engage local communities on the use of at least 15% of Levy receipts. Over the plan period, that should equate to around £3.75 million. The only restriction on the use of this money is that it should be spent on 'addressing the demands that development places on an area'. The guidance explains that neighbourhoods surrounding new development should be consulted on how to spend the money but 'neighbourhoods' are not defined and engagement methods are to be determined by the Council.

17.2 Various approaches are available to the Council and the fundamental questions are:

- a) Should the whole city be treated as one community or should CIL receipts be apportioned to the wards in which development comes forward?
- b) Should the Council invite bids for funding or engage more broadly on community priorities?
- c) How frequently should the process of allocating 'neighbourhood funding' be undertaken?

17.3 One option would be for the Council to encourage bids and make decisions on the basis of already established and implemented New Homes Bonus Local Infrastructure Fund arrangements. There can be no guarantee that NHB funding will continue and therefore such an approach would see CIL replacing NHB as the source of funding.

17.4 Another would be to virtually distribute 15% of CIL receipts on the basis of ward-by-ward income. However, each approach is susceptible to distortions. For example, the development of an IKEA store at the very north of Topsham Ward would generate around £450,000 of neighbourhood funding but if there was a requirement to invest within the ward none of the money would be available to residents in St Loye's and other surrounding wards where the demands of that development will surely also materialise.

Recommended approach

17.5 It is recommended that the City Council adopts a bottom up approach with positive engagement. Working to a 5-year time horizon, this would take the form of a strategy setting out what investments or ongoing programmes would best address the demands of new development and when.

17.6 'Neighbourhood funding' monies could be directed to appointing an outside community mediator to facilitate the strategy. Community groups met so far have

undertaken to engage other groups across the city to form first points of contact when work on the strategy progresses. The Alphington Village Forum has already completed a piece of work aimed at identifying local area priorities, which include improving existing community buildings. The Forum may be in a position to feed in their findings and share lessons learned as the strategy develops.

- 17.7 As a bottom-up piece of work it is intended that the groups will collectively appoint an outside consultant. It will be in their interest to ensure value for money as the costs of preparing a strategy will impinge on resources available for the projects identified. As no CIL has yet been received there is currently no CIL available to fund any commission but receipts can be expected as a result of recent housing and student accommodation planning permissions and there is a case for forming the relationships and inviting tenders at an early stage.
- 17.8 It will be the Council that actually pays for any engagement and strategy work undertaken and normal tender procedures will need to be adhered to. If a strategy that is generally endorsed across the city is not forthcoming within a year of receiving the first CIL monies, it is proposed that the Council should revert to bidding arrangements similar to those that have previously applied to the New Homes Bonus Local Infrastructure Fund as above.

St James Neighbourhood Area

- 17.9 Government guidance indicates that the local community in St James should be engaged on the use of 25% of CIL generated by new developments in the Neighbourhood Plan area. The per capita value to St James residents of evenly spreading 15% of city-wide CIL income would be around twice that of only retaining 25% of projected receipts from the neighbourhood area. Whilst this might weigh in favour of St James forming part of the city-wide approach set out above, it is recommended that final neighbourhood funding arrangements there should be agreed in consultation with the Neighbourhood Forum. It is not considered that either decision would seriously undermine that proposals set out above.

Assistant Director City Development

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Appendix 1: Forecast CIL income

	2014/15	15/16	16/17	17/18	18/19	19/20
Annual	£163,335	£654,336	£1,369,737	£2,170,538	£2,345,019	£5,913,460
Cumulative	£163,335	£817,671	£2,187,408	£4,357,946	£6,702,965	£12,616,425
	20/21	21/22	22/23	23/24	24/25	25/26
Annual	£2,915,661	£1,759,702	£1,071,743	£716,064	£1,661,425	£4,029,506
Cumulative	£15,532,086	£17,291,788	£18,363,531	£19,079,595	£20,741,020	£24,770,526

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

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