

CORPORATE SERVICES SCRUTINY COMMITTEE

Date: Thursday 26 January 2017

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 Mark Devin, Democratic Services Officer on 01392 265477.

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

Membership -

Councillors Sheldon (Chair), Warwick (Deputy Chair), Ashwood, Baldwin, Hannan, Harvey, Holland, Lamb, Musgrave and Robson

Agenda

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

1 Apologies

To receive apologies for absence from Committee members.

2 Minutes

To sign the minutes of the meeting held on 24 November 2016

3 Declarations of Interests

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.

4 **Local Government (Access to Information) Act 1985 - Exclusion of Press and Public**

It is considered that the Committee would be unlikely to exclude the press and public during consideration of the items on this agenda, but if it should wish to do so, the following resolution should be passed:-

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting of the particular item(s) on the grounds that it (they) involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs of Part I of Schedule 12A of the Act.

5 **Questions from the Public under Standing Order 19**

Details of questions should be notified to the Corporate Manager Democratic and Civic Support at least three working days prior to the meeting. Further information and a copy of the procedure are available from Democratic Services (Committees) (Tel: 01392 265115) and also on the Council web site - www.exeter.gov.uk/decisions.

6 **Questions from Members of the Council under Standing Order 20**

To receive questions from Members of the Council to appropriate Portfolio Holders.

7 **Portfolio Holders Update**

Reports of Portfolio Holders - Half Yearly Updates.

(Pages 5 -
14)

ITEMS FOR CONSIDERATION BY THE EXECUTIVE

8 **Energy Strategy**

To consider the report of the Corporate Manager Energy.

(Pages 15
- 40)

9 **Annual Pay Policy Statement**

To consider the report of the Corporate Manger Legal Services/Transactional Services Manager.

(Pages 41
- 50)

10 **Revenue Budget Proposals 2017/18**

To consider the report of the Assistant Director Finance.

(Pages 51

11 **Capital Programme Statement 2017/18 - 2019/20**

To consider the report of the Assistant Director Finance.

(Pages 67
- 80)

12 **Treasury Management 2017/18**

To consider the report of the Assistant Director Finance.

(Pages 81
- 90)

13 **Prudential Code for Capital Finance in Local Authorities/incorporating the Annual Statement of Minimum Revenue Position**

To consider the report of the Assistant Director Finance.

(Pages 91
- 110)

ITEMS FOR DISCUSSION

14 **Estimates/Fees and Charges**

To consider the report of the Assistant Director Finance.

(Pages
111 - 122)

Date of Next Meeting

The next scheduled meeting of the Corporate Services Scrutiny Committee will be held on **Thursday** 23 March 2017 at 5.30 pm in the Civic Centre.

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) 265107 for further information.

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CORPORATE SERVICES SCRUTINY COMMITTEE

26 January 2017

Portfolio Holder Priorities 2016/17 – Half Year report

Half year updates against priorities for all Portfolio Holders are included within this report.

Members will note that some Portfolio Holders report to a different scrutiny committee and are unable to take questions at all committees.

2016/17 Leader of the Council: Councillor Peter Edwards

	Priority	Update
PH1	Work with partners in the Heart of the South West on a devolution deal that meets the needs of Exeter	No appetite from Government to progress Devolution Deal with Heart of South West. Proposal is to pause work on combined authority and to create a combined committee to produce productivity plan. Indication is timetable for this work is slipping. Following visit of Secretary of State to Exeter I did ask him whether he would be prepared to consider a different proposal. He confirmed he would and since then both the Leader of Plymouth and I have explored an alternative approach. This was set out in my response to Councillor Leadbetter at Council on 13 December 2016.
PH2	Set up a new vehicle for delivering housing and commercial schemes	Outline business case being written. Detailed business case being prepared.
PH3	Introduce a pan-council performance framework	Training on system set-up took place on 4/5 October and InPhase workshops on 12-14 December to start building an on-line Exeter performance framework.

2016/17 Portfolio Holder for Support Services: Councillor Ollie Pearson

	Priority	Update
PH4	Produce and implement a digital customer platform and maximise opportunities for shifting customers to digital services	Technical work is currently taking place by Strata and the Business Improvement Officer to prepare for the first services to go live in Feb 17.
PH5	Introduce a new communication and marketing strategy	On 13 December 2016 Council agreed to appoint a Director of Communication and Marketing. A draft strategy has been prepared for implementation.
PH6	Oversee prioritisation of the council's IT requirements and effective and efficient delivery by Strata Solutions	Regular monthly meetings now taking place.
PH7	Take forward the Asset Management Plan	Approach determined. Early work will be on commercial acquisitions and community transfer.
PH8	Introduce new procurement arrangements	Following Executive, the AD Finance is able to proceed to the first consultation stage of the Council's Organisational Change Policy for the restructure of the Procurement Function.

2016/17 Portfolio Holder for Customer Access: Councillor Emma Morse

	Priority	Update
PH9	Investigate and deliver more cost effective and responsive temporary accommodation to meet housing needs	A temporary accommodation report is due to be presented to Executive in February 2017.
PH10	Implement the action plan for the Homelessness Strategy	A venue has been identified for Safe Sleep which will commence mid-December until March 2017. The Members Steering Group has met to review progress in the Strategy. The Council has worked with partners to develop two bids for funding to Government to support delivery of actions in the Strategy. The bids have been submitted and we expect to hear the outcome before the end of the year.
PH11	Ensure the City Council is taking an active role in development and monitoring the priorities of Integrated Care Exeter and CoLab	The ICE Executive and the Council's Transformation Board have agreed to the development of a full Business Case for consideration in January 2017, outlining a proposed new model for working with Homeless and Vulnerably Housed residents. Progress on the other workstreams is monitored by the ICE Executive which includes the Assistant Director Customer Access and reported to the Exeter Health & Wellbeing Board.
PH12	Consult on and implement the new Local Council Tax Support Scheme for 2017/18	Draft scheme was considered by Executive 8 November and agreed at Council on 13 December. The proposals generally reflect the steer given by the Leaders at the Devon Local Government Steering Group.
PH13	Work with partners to support the development of money management skills	The current EMAP contract delivered by CAB and HomeMaker will end in March 17. As part of our funded partnership agreement with the DWP, we are able to offer some money management support to customers in receipt of Universal Credit. There has been no indication of other funding available from the Council. The Portfolio Holder and officers have met with Plough & Share following a previous exploratory meeting with them. A report will be prepared for the 10 January Executive and 21 February Council proposing how the Council might work with Plough & Share to deliver on Members' Council resolution regarding an alternative to pay day lenders which will also offer some basic money management skills to members of the credit union.
PH14	Ensure that the impact of Welfare Reform on	Ongoing. The draft Exceptional Hardship Policy was part of the Local Council Tax

	Priority	Update
	residents and the Council is identified and mitigated where possible	Support Scheme agreed by Council on 13 December. Members also agreed at the meeting, the Council's Discretionary Housing Payments Policy.
PH15	Continue to focus on the recovery of funds due to the Council, based on principles of understanding customers' ability to pay	With the restructure finally concluded, we have increased resources to maximise our collection whilst working to develop sustainable solutions with residents. There remains the need for support for staff in change management around the new expectations and ways of working.

2016/17 Portfolio Holder for Housing Revenue Account: Councillor Keith Owen

	Priority	Update
PH16	Set up a HRA Management Board	Once the detail on this has been agreed, a report will go to Scrutiny and Executive Committees. It is hoped that this will be soon.
PH17	Maximise value from contractors	Regular contract management meetings with principal contractors are now in place, performance is being closely scrutinised and challenged, and changes are being made to IT systems to improve the effectiveness of service delivery. Further proposed changes to the operating model will be presented to Members later in 2017.
PH18	Ensure that the efficiency and effectiveness of the housing function matches, or aims to match that of best-in-class providers	Externally benchmarked performance data is being produced and reviewed on a quarterly basis, which forms the basis for targeted management intervention. Specific areas of focus at present are improving the resolution of cases of anti-social behaviour in Council properties, greater emphasis on challenging contractor performance, and reducing levels of sickness absence.
PH19	Propose and consult on a new model for supporting residents of our older persons' accommodation	Final business case approved by Executive in November 2016. Work now underway to implement the new model with effect from 1 April 2017.
PH20	Undertake a comprehensive survey of our housing stock in order to understand future investment requirements and inform budget planning	Out to tender via a procurement framework. Survey of 60% of housing stock scheduled to commence in February 2017 with a completion date of 30 June. An interim stock condition report should be available by 30 April 2017.

2016/17 Portfolio Holder for Place: Councillor Rob Hannaford

	Priority	Update
PH21	Work with Devon & Cornwall Police to provide extra police officers in Exeter	Discussions with Police about the potential for co-location at Civic Centre ongoing. Existing collaboration being strengthened through the work of the CSP, AVENTE, StAG, ASBAT and linked structures.
PH22	Develop and implement a strategy that provides public reassurance and reduces the root causes of ASB	December meeting to align ASB Strategy & Housing ASB Policy. Four open public meetings for local residents and businesses regarding a revised PSPO carried out 1 st week December.
PH23	Improve the recycling rate	Report and presentation to Scrutiny Place detailing challenges and planned actions delivered 10 October 16. The recycling rate is static at just under 34% and is unlikely to change much until we make a substantial change in collection methodology such as introducing a food waste collection. However, the good news is that our residual rate is falling (down 5.6%) compared with a UK average of an increase of 0.6 % - this will keep us in the top 10% of well-performing councils in terms of waste produced per household.
PH24	Improve cleansing of the city centre (to achieve A grade in the city centre and B grade elsewhere)	The Clean Streets Strategy was adopted in September. Performance standards A-D for litter, detritus and weed growth have been introduced. A routine performance reporting system is being established for SMT. A business case for organisational change is being presented to January Executive. The business case for mechanisation is being prepared for February Executive.
PH25	Complete the business case for doorstep food waste collections and introduce it as soon as possible	Eunomia (waste management consultants) modelling collection options, with preliminary draft report anticipated mid-December.

2016/17 Portfolio Holder for Economy: Councillor Rosie Denham

	Priority	Update
PH26	Lead the Council's work with Exeter City Futures, including exploring how new technology can help to tackle congestion, achieve energy independence and progress a smart city agenda, including digital technology infrastructure	<p>Exeter City Futures (ECF) launched their 'Crowdicity' platform engaging with specialists and the public to explore ideas around issues; workshops on 7 December included Council staff/managers, and some external partners. 10 'challenges' have been identified and uploaded to the Crowdicity platform for anyone to vote on, with a view to narrowing this down in late January and putting the selected challenges on the accelerator programme for entrepreneurs and businesses to offer solutions.</p> <p>Developing HNDU work programme having secured some grant funding from BEIS.</p> <p>Data sharing project starting in December.</p> <p>Transport Strategy meeting scheduled for January with the Council, ECF and Devon County Council.</p>
PH27	Support the Innovation Exeter project with the University and others to develop the knowledge economy to create more graduate and higher-paid jobs	<p>Executive have approved setting up the Joint Committee. Awaiting other partner authorities to take reports to their Cabinet/Executive. Detailed proposals for major Climate Science Institute and Centre for Data Science progressing. New Data Analytics qualification being promoted. Proposals for enhanced support activities for new and existing business being pursued. A growth & productivity strategy for all four Local Authority's has been finalised and is due to be presented to Place Scrutiny Committee in January 2017.</p>
PH28	Work with local residents and businesses to explore ideas for future investment in South Street and the wider West Quarter, including options for a new city-centre performance venue	<p>The New Exeter Venue Advisory Group has met twice.</p> <p>Area group convening in January 2017.</p>
PH29	Conclude the review of governance arrangements for the RAMM	<p>Following further consideration of the external consultant's report, the Senior Officer/Member Working Group decided not to pursue transfer to trust at this stage, instead to maintain the museum within the local authority framework.</p>

2016/17 Portfolio Holder for City Development: Councillor Rachel Sutton

	Priority	Update
PH30	Progress the publication of a new development plan and address securing a future five year housing supply (working with the Leader)	Member steering group established and met. Report to Executive in January on timetable, resources and governance. The proposal is for a Greater Exeter strategic plan including Teignbridge, East Devon, Mid Devon and Exeter. The aim is for adoption in 2020.
PH31	Sit as Chair of Planning Committee	Completed
PH32	Establish governance arrangements for the CIL and an infrastructure fund for the 3 authorities	Exeter Community Forum 'Grass Roots Grants Programme' has now launched with round one open for bids until 2 January 2017.
PH33	Meet government targets for time taken to determining planning applications	Government has recently published performance targets for October 2014 to September 2016 of 50% for major applications and 65% for non-major. The Council has achieved these (61.3% and 67.7%). Higher targets of 60% and 70% will be set for October 2015- September 2017. The Council's performance is 61.1% and 75.5% at half way stage. Performance should improve if vacant posts can be filled.

2016/17 Portfolio Holder for Communities and Culture: Councillor Paul Bull

	Priority	Update
PH34	Oversee implementation of the community strategy	<p>Launch of Grass Roots Grants programme in October 2016. First deadline 2 January 2017.</p> <p>Community Builders (CB) programme launch 13 December. Invitation to community groups to work together on proposals for CB role for their neighbourhood.</p>
PH35	Explore how Asset Based Community Development (ABCD) can be introduced across the council and in key services	Ongoing work with different departments in Council to support greater community engagement. This includes Parks, Open Spaces and Community Safety teams.
PH36	Work with partners to improve the health and wellbeing of Exeter's communities	<p>Launch of Community Builder programme linking ICE/Wellbeing Exeter funded Social prescribing/community resilience programme with Exeter Community Forum/NHB funded initiatives.</p> <p>Ongoing support for Exeter Health & Wellbeing Board, new development of Strategy for Exeter Food network and plans for launch of Sugar Smart City in New Year.</p>
PH37	Implement the council's Equality and Diversity Policy	A draft implementation plan is being drawn up with Portfolio Holder which will set out priority areas for action, timescales, resources etc.
PH38	Renew Exeter's Fairtrade City status and seek additional partners and new support for this initiative	Fairtrade city status has been renewed. The Fairtrade Foundation was particularly impressed with our engagement with schools through the organisation of the conference for Fairtrade Fortnight.

2016/17 Portfolio Holder for Sport and Health and Wellbeing: Councillor Phil Bialyk

	Priority	Update
PH39	Take forward the St Sidwell's Point and bus station developments, including procurement of operators	<p>Planning permission granted.</p> <p>Tendering period ongoing.</p> <p>Tender return period extended to 20 Jan 2017.</p> <p>Control Point 6 – Main contractor approval scheduled 9 February 2017.</p>
PH40a	Improve cycle routes – Assist Exeter Cycling Campaign to produce a manual of good design for cycle routes	Initial discussions with Exeter Cycling Campaign regarding the production of a manual of good design.
PH40b	Provide more cycle parking around St Sidwell's Point	Initial discussions with Exeter Cycling Campaign and DCC to establish numbers and locations.
PH41	Sign off and help implement the City Sports Strategy	Visit to Sheffield for best practice planned for January 2017. Sport England Strategic Director meeting with Portfolio holder early January to discuss.
PH42	Continue working with partners to make Exeter the most active city in the South West by 2018	<p>Positive progress with Get Active Exeter (GAE) being made. Awaiting latest output figures, but very good gender balance of participants to date. GAE is working alongside the Greater Exeter Sports Board on a series of exciting programmes which will run throughout 2017, beginning with a launch of a 'This Girl Can' project to encourage women & girls into Sport & Physical activity. A particular focus will be given to traditionally hard to engage inactive families, targeting busy adults. This will be achieved via community focus groups, activity in the workplace and collaborative working with local delivery partners.</p> <p>Winter Citizen article focus on risks of sedentary behaviour, and encouraging citizens to introduce more breaks between sitting for long periods at work and home. This ties in with the Devon Public Health campaign to combat sedentary behaviour.</p>
PH43	Progress a solution for management of the Exe Estuary Harbour, canal and waterways	A report on the Management of Exeter's Waterways will be presented to Place Scrutiny and February Executive.

REPORT TO SCRUTINY – CORPORATE SERVICES

Date of Meeting: 26 January 2017

Report of: Corporate Manager Property

Title: Energy Strategy and Action Plan 2017-2022 - An Energy Neutral Council

Is this a Key Decision?

No

Is this an Executive or Council Function?

Executive

1. What is the report about?

The report provides an Energy Strategy supported by a wide-ranging Action Plan. The Strategy for the City's Corporate Estate builds on the work of the Renewables and Energy Efficiency Programme and the ambition to be an Energy Neutral Council. This is the Council's first stand-alone Energy Strategy, and one that aims to deliver a sustainable and energy efficient estate, to protect against future energy risks, and to share such benefits with others.

2. Recommendations:

That Scrutiny Committee recommend that Executive approve the Energy Strategy and Action Plan. To achieve the outcomes identified in the Strategy, projects will be progressed through the Renewables and Energy Efficiency Programme, using the existing approval process.

3. Reasons for the recommendation:

The Council has identified the need for a coherent Energy Strategy for its estate as part of its aspiration to become an Energy Neutral Council.

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

The Energy Strategy will be delivered by the Energy Team, made up of two full-time posts and this level of resource continues to be supported.

Development of the Action Plan, forward planning and further feasibility work, in addition to the day to day energy management operation (monitoring and control), may require further support when the new programme and/or large projects commence. This will be subject to further reports if required.

5. Section 151 Officer Comments:

Funding remains allocated in the capital programme for projects which can demonstrate that they benefit the Council both financially and in energy savings. Any projects coming forward are checked for financial viability although any significant projects may require further Council approval if there are insufficient funds to progress.

6. What are the legal aspects?

No

7. Monitoring Officer Comments:

No concerns

8. Report details:

See the attached Energy Strategy and Action Plan.

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

The delivery of the Strategy aligns with specific priorities contained in the Corporate Plan, to reduce operating costs, support Exeter's Community and to grow the local economy.

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

The Strategy covers a five year period to attain carbon reductions and renewable generation targets, a benefit of which is energy security. Being energy secure will provide the Council with a consistent, reliable and affordable energy supply.

There are investment risks associated with renewable technologies. Officers are aware of these issues and will manage risk appropriately when investment decisions are made.

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?

The reduction in the City Council's carbon footprint does go some way to improving, or at least mitigating, the adverse impacts of energy use on the environment.

12. Are there any other options?

The Action Plan will be delivered through the Renewables and Energy Efficiency Programme. This is set up so that the Energy Team is constantly considering alternative approaches and other avenues of investment in this area.

Michael Carson
Corporate Manager Property

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

Background papers used in compiling this report:

None

Contact for enquires:
Democratic Services (Committees)
Room 2.3



A Strategy for Energy Neutrality

Exeter is an evolving City, with opportunities offered by new technologies, and partnerships working to make energy independence through low carbon heat and electricity a reality.

In 2015 the City Council successfully completed year two of an innovative renewables and energy efficiency programme. The programme for the Council's corporate estate brought with it significant savings, leading the way forward to a low carbon and energy efficient Council. This Strategy will build on the success of work completed to date, to deliver a sustainable and energy efficient corporate estate; to protect against future energy risks; and to share such benefits and opportunities with others.

The Energy Strategy consists of three key priorities, all of which are supported by a wide ranging Action Plan. If successfully implemented, the City Council will attain the benchmarks set and move another step closer to energy neutrality. Whilst this is a huge challenge, it is one that can be achieved through long term commitment, investment and partnership.

Foreword

The way we generate and use energy in our homes and businesses is changing rapidly. Emerging technologies are predicted to change the way energy is used and supplied, helping us to dramatically reduce the amount of energy we need, removing reliance on imported fossil fuels, and providing the potential for more affordable and local energy sources.

This strategy will allow Exeter City Council to identify and grasp the opportunities available and address the challenges presented. Building on the substantial achievements we have already gained, by further reducing energy consumption across our estate and increasing renewable generation, we will work towards our commitment to become an energy neutral Council and an energy independent City.

Cllr Rosie Denham

Portfolio Holder Economy & Culture

Cllr Ollie Pearson

Portfolio Holder Support Services

Introduction

This is Exeter City Council's first stand-alone Energy Strategy, one that contains both significant and attainable objectives. As a large consumer of resources Exeter City Council recognises how its role as a community leader, service provider and estate manager will impact upon the natural environment.

ENERGY STRATEGY 2017-2022

AN ENERGY NEUTRAL COUNCIL

The City Council has tested the water over the last five years with a number of different projects, and to demonstrate its confidence, in November 2015 signed a declaration by some sixty British cities that they would rely wholly on Green Energy by 2050, part of a world-wide initiative by 500 mayors to achieve the same goal.

Grasping the opportunities open to it, the Council will lead the way in delivering Energy Neutrality to remove reliance on energy imported to the region and to take advantage of smarter local, green energy. City wide a similar aspiration will require rapidly scaled up district heating with combined heat and power (CHP) technologies, renewable energy derived through solar and hydro, major expansion of an embryonic housing energy efficient retrofit programme, whilst at the same time exploiting the expected advances in the field of energy storage.

This Strategy invests in the future of the City and puts a low carbon Exeter at the heart of all decisions. As home to the Met Office's HQ, with the largest concentration of climate specialists in the world, it is perhaps not surprising that Exeter is carving out a reputation as a City which is leading the way.

Purpose of the Strategy

Our City continues to face major challenges and risks relating to both the supply and demand for energy. By recognising those risks the Council is able to create opportunities with the potential to bring real benefit for our local and wider community.

The Strategy sets out three priorities supported by an Action Plan that provides a wide range of objectives achievable through implementation of both major and minor projects. The Action Plan embraces identified viable opportunities needed to successfully achieve each objective, including emerging technologies of the future. Over the next five years the Action Plan will act as a route map to deliver the key priorities set out in this Strategy, and achieve long term economic and environmental benefit.

Furthermore, the Strategy addresses specific priorities contained in the Council's Corporate Plan. These include a commitment to reduce operating costs, support Exeter's Community and to grow the local economy.

Key Issues

The Council's aspiration for Energy Neutrality can be achieved by two means, to reduce consumption across the Corporate Estate and to generate renewable energy equal to what is consumed. The Renewables and Energy Saving Programme forms an essential cornerstone to achieving this ambition. This has been responsible for significant savings as well as new income streams.

The Energy Strategy and Action Plan builds on this growing momentum and track record for delivering successful energy saving projects, however the Council now faces a number of key issues, listed below. The Strategy aims to address these issues, mitigate future risks and maximise potential opportunities.

1. Affordability

The benefits of a sustainable property asset, cutting energy use and generating renewable energy are clear, but the real challenge will be to ensure future projects provide value for money and generate a reasonable return on investment.

Affording best use of public funds and using a business led approach to energy saving projects, has to date been successfully achieved. However, with vast reductions to government subsidies for renewable technologies, especially in the Solar PV Feed In Tariff (FIT) and Renewable Heat Incentive (RHI), financing future energy saving schemes will be challenging. Longer paybacks, grant funding, alternative finance models, additional income streams and partnerships will all need to be considered.

New rationale will therefore be sought to support projects that have the same positive impact on energy reduction, but are unable to generate significant income/savings to cover investment costs.

2. Energy Security

Energy Neutrality relies upon having a consistent, reliable and affordable energy supply. One increasing threat to the security of the UK energy supply is caused by an old and inadequate infrastructure. That same infrastructure is also key to achieving an alternative renewable supply, and overcoming:

- Grid restrictions as a consequence of an energy infrastructure which is old and inadequate. The sudden increase in renewables has resulted in significant problems for energy supply. This is very relevant in the South West where grid restrictions will remain in place for years to come until solutions/upgrade works are carried out by the District Operator.
- Affordability and development of battery storage. This technology is very much a key element for future energy supply, particularly for renewable energy, but is not yet fully developed or commercially viable.
- Industry regulations are stringent and limit innovation for local generation networks. However a government review of current regulation may assist innovative development in this field.

A modernised electricity grid is needed to support the transition to a low-carbon future that will bring with it the use of local energy on a local scale. Investment in grid infrastructure will provide an expanse of renewable generation that can be effectively stored and used when we need it most. Various trials are already in place for local renewable generation, with capability to store energy when there is insufficient grid capacity to export, but to supply energy at times of capacity and high demand.

3. Environmental Sustainability

Energy affordability is a key component of wellbeing and economic growth. In 2015/16 the City Council estate used a total of 11,500,000 kW hours of energy, with a total energy spend of over one million pounds. The increased cost and volatility of energy prices will impact on the cost of delivering Council services and proportion of the budget allocated to energy will increase.

Carbon taxes also have an impact on the cost of energy and as policy leads to high carbon energy becoming more expensive, then generation or procurement of low carbon energy becomes a greater priority.

Exeter City Council is committed to responsible management of energy and will continue to drive forward change in order to support the aims of the strategy. The importance of controlling our energy consumption and how best to use generated energy is key. An effective Energy Management Team to both manage energy for the estate, and deliver renewable and energy saving projects remains a priority for the City Council.

Priorities and Objectives

The Strategy is based on three priorities, each of which incorporates key objectives. Details of each objective, with solutions and proposed actions/projects are set out in the Energy Action Plan.

This highlights the challenges faced and benefits that can be shared. The focus of this Strategy is the Council's corporate estate nonetheless the work undertaken will also serve to support business and residents to share similar benefits and contribute to a better quality of life for all.

Priority 1 A sustainable corporate estate. To reduce energy consumption, deliver efficiencies, drive down costs and carbon emissions.

Key Objectives

- To fully integrate energy management across all relevant decision making processes, procurement and service provision to reduce energy consumption, costs and carbon emissions.
- To utilise a modern Building Management System with the latest technology to maintain accurate and comprehensive energy and water data to control consumption, support performance reporting and identify energy opportunities for savings.
- To engage with staff and service managers through behaviour projects, to devolve ownership of energy saving tools and encourage accountability.
- To embrace renewables and energy saving technology.
- To regularly review all properties and services.

Priority 2 An Energy Neutral Council. To develop innovation and embrace emerging technologies to provide local, low carbon energy at an affordable energy tariff.

Key Objectives

- To increase energy generation and to export renewable energy to the local grid using local supply networks.
- To provide energy security, to have a constant, affordable energy supply.
- To deliver a commercial approach to generating renewable energy with long term income generation that supports the Council's financial sustainability
- To continue to increase the Council's photovoltaic (PV) estate, to seek out commercially viable schemes with additional income streams through PPA agreements and private wire.
- To overcome grid restraints by embracing technology and expertise within the city, to benefit from the expertise of others, emerging technologies, smart city solutions, and local grid opportunities.
- To develop innovation and solutions, utilising battery storage solutions.
- To pursue alternative funding to assist the Council to financially support energy saving and renewable generation opportunities.

Priority 3 A low carbon City. To promote energy efficiency and renewable opportunities for the community, business and stakeholders.

Key Objectives

- To support local industry and creation of green business within the City, engaging with partners and encouraging investment.
- To encourage electric vehicle technology and support the growth of low carbon vehicles with charging infrastructure, seeking grant funding where available.
- To promote energy efficiency and support community energy projects.
- To assist development of District Heat Networks and available funding.
- To develop/assist housing and commercial retro-fit opportunities.
- To provide businesses with energy efficiency guidance and continue to set a standard for operational sustainability through the Green Accord.
- To work together with Exeter City Futures to realise a City wide ambition to be Energy Independent by 2025.

Work to Date

In 2014 the City Council Renewables and Energy Efficiency Programme began following a decision to invest in the long term sustainability of the building asset, and to derive financial benefit from energy efficiency and renewables. To date successful delivery of the programme has demonstrated significant energy and carbon savings, as well as long term income streams that will continue to support Council services. Currently Exeter

has a solar PV estate of over 2MW, and numerous energy efficiency projects have cut energy consumption by 37% since 2009.

The Renewables and Energy Efficiency Programme includes two pioneering projects, solar canopy arrays on top of Council multi-storey car parks and a 1.5MW roof top PV installation. The car park canopies represent innovation that can be shared and under cover parking providing an improved parking service. The Livestock Centre PV array, thought to be the largest roof mounted PV array in the South West (pictured on the front cover), provided for the installation of a new roof which brought with it a sustainable long term future for the Centre, supporting local jobs and the farming community. Moreover the projects supply electricity to leaseholders in or near to the buildings. As with other Council leasehold properties, power purchase agreements provide for the sale of discounted electricity to the leaseholders, thus supporting local businesses and the voluntary sector.

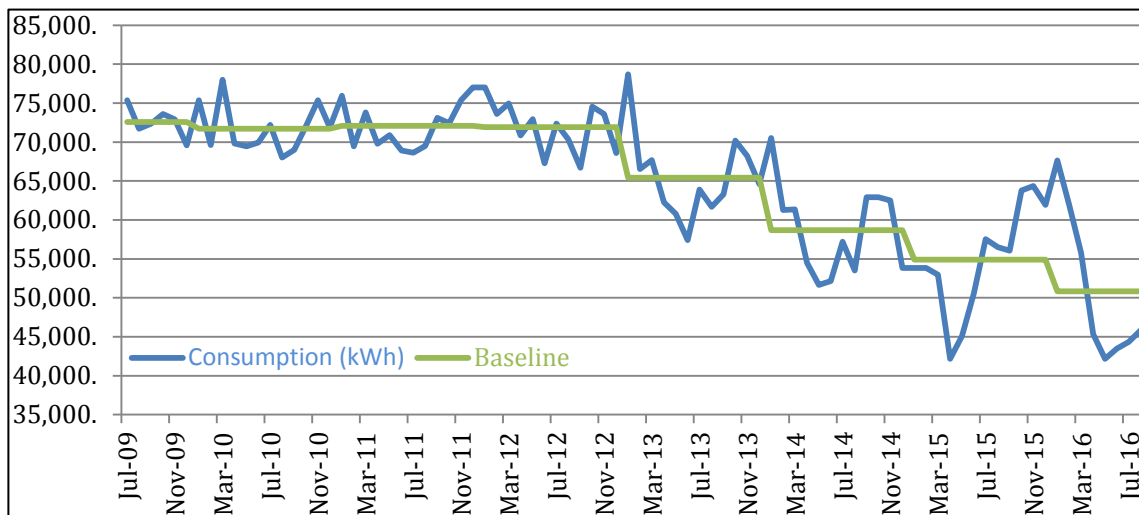


150kw array at Mary Arches Car Park

Energy Efficiency

Energy saving projects are vital to reduce consumption and to make for a sustainable property asset. The quality of outcomes obtained from energy saving projects demonstrate how consumption can be driven down using energy saving technologies such as LED lighting. This is illustrated in the graph overleaf, where a number of projects jointly delivered a significant cut in energy consumption at the Council's Civic Centre Offices.

ENERGY STRATEGY 2017-2022 AN ENERGY NEUTRAL COUNCIL



Civic Centre Electricity Usage

District Heating and the LCTF

The Exeter Low Carbon Task Force (LCTF) was set up in 2011 to co-ordinate a range of low carbon initiatives so that partners could learn from the experience of those organisations leading on particular technologies. LCTF comprises the four local authorities in the greater Exeter area, the University, the Royal Devon and Exeter NHS Trust, the Met Office, the Exeter Chamber of Commerce and EoN.

The flagship project that set the benchmark for later schemes is the new community of Cranbrook. The principal innovation is that the whole of the new community and the adjacent business park (Skypark) is being heated from a Combined Heat and Power (CHP) plant which is operational on the north side of Exeter airport. That plant produces low carbon heat/hot water which is transported to each dwelling via an 80 km network of super insulated pipes. A similar scheme at Monkerton, a new residential development of 2800 dwellings, surrounding the Met Office and serving the Exeter Science Park has also been delivered.

More recently a public sector Energy Company named Dextco, designed to supply homes and businesses with environmentally friendly energy, has been established by a majority of the members of the Low Carbon Task Force. It hopes to develop a new heat hub at the RD&E hospital to distribute heat to customers across the City.

Electric Vehicles

Exeter City Council has its own Electric Vehicle (EV) strategy and encourages the use and ownership of EV as one element of a sustainable transport strategy. 'Park and Plug' a network of public Chargepoints located throughout the City is one very visible manifestation of the Council's low carbon commitment. Having secured grant funding from the Office for Low Emission Vehicles (OLEV) and sponsorship of the charging points the Council has been able to provide free charging for electric vehicle users, with no capital costs to the Council. In addition, over half of the Chargepoints are powered by solar PV.

ENERGY STRATEGY 2017-2022 AN ENERGY NEUTRAL COUNCIL



Publicity for Plug and Park Chargepoints

Implementation

The City Council’s work to date has both reduced its base load energy consumption, cut carbon emissions and demonstrated innovation for all to share.

The Energy Action Plan contains a wide ranging list of actions for delivery of the Energy Strategy over the next five years, with each project will be developed through the Renewables and Energy Efficiency Programme.

All energy related projects and initiatives set out in the Action Plan are underpinned by the three key principles of the Energy Strategy, all seek to:

Strategic Priorities	Outcomes
<p>A Sustainable Corporate Estate</p>	<ul style="list-style-type: none"> • Reduce energy costs • Reduced environmental impact of energy generation, both locally and nationally • Reduced carbon emissions • Improved operational Efficiency • Protection of public services • New income streams • Reduced maintenance costs • Support wellbeing • Energy Security • Shared innovation

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Strategic Priorities	Outcomes
Energy Neutrality	<ul style="list-style-type: none"> • Protection from volatile energy prices • Protection against carbon taxes • Protection of the natural environment /reducing carbon emissions • Reduced energy costs • Support wellbeing • Promote sustainable economic development • Provide commercial viability • Provide energy independence • Supporting new technologies
A Low Carbon City	<ul style="list-style-type: none"> • Community cohesion by active collaboration and engagement with business and communities • Protection of the natural environment /reducing carbon emissions • Reduced energy bills and fuel poverty • Grow local economy • Encourage innovation • Support wellbeing • Provide energy independence

The Action Plan is a living document, to be reviewed annually or sooner if change occurs i.e. government policy, technology, and financial factors. Similarly, projects will be accelerated to ensure opportunities are not missed. Many of the above are measurable outcomes and will be reported with regular action plan updates to Scrutiny Committee on a six-monthly basis.

Key Reduction and Baseline Targets

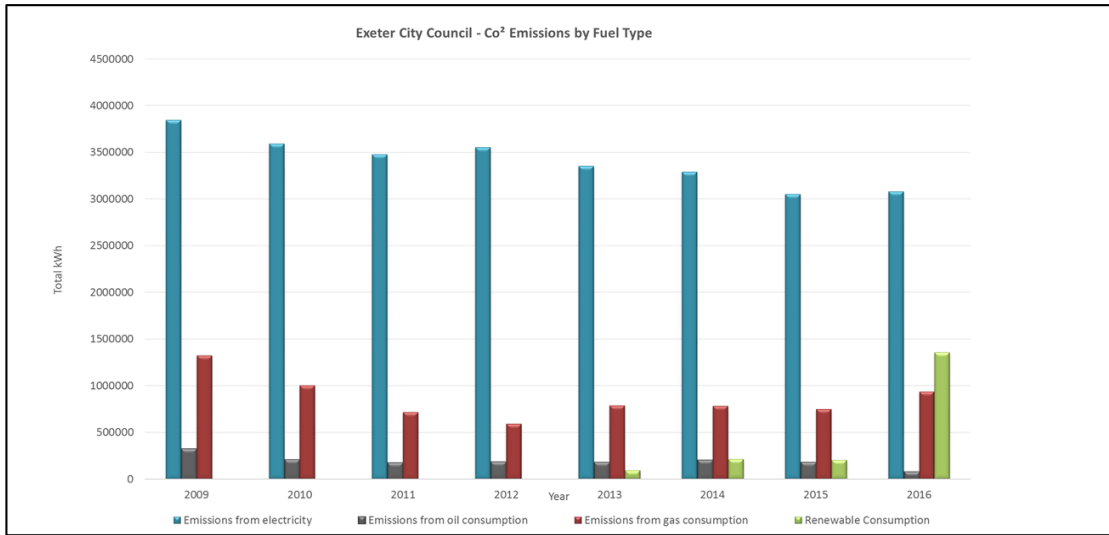
There is widespread global commitment to reduce carbon emissions. Successive UK governments have introduced legislation to drive transition towards a low-carbon economy, including the Carbon Reduction Commitment (CRC) and Climate Change Levy (CCL). Such policies together with UK carbon renewable targets, have incentivised Exeter City Council to set its own carbon reduction targets.

The Energy Strategy demonstrates the Council’s commitment to mitigating the effects of climate change and to invest in its aspiration to be an Energy Neutral Council. The Action Plan is the vehicle that will drive forward innovation, deliver change and enable the Council to surpass national targets. For Exeter’s corporate estate there is a clear ambition for energy neutrality. Separate renewable generation, carbon and energy saving targets are set out in this Strategy.

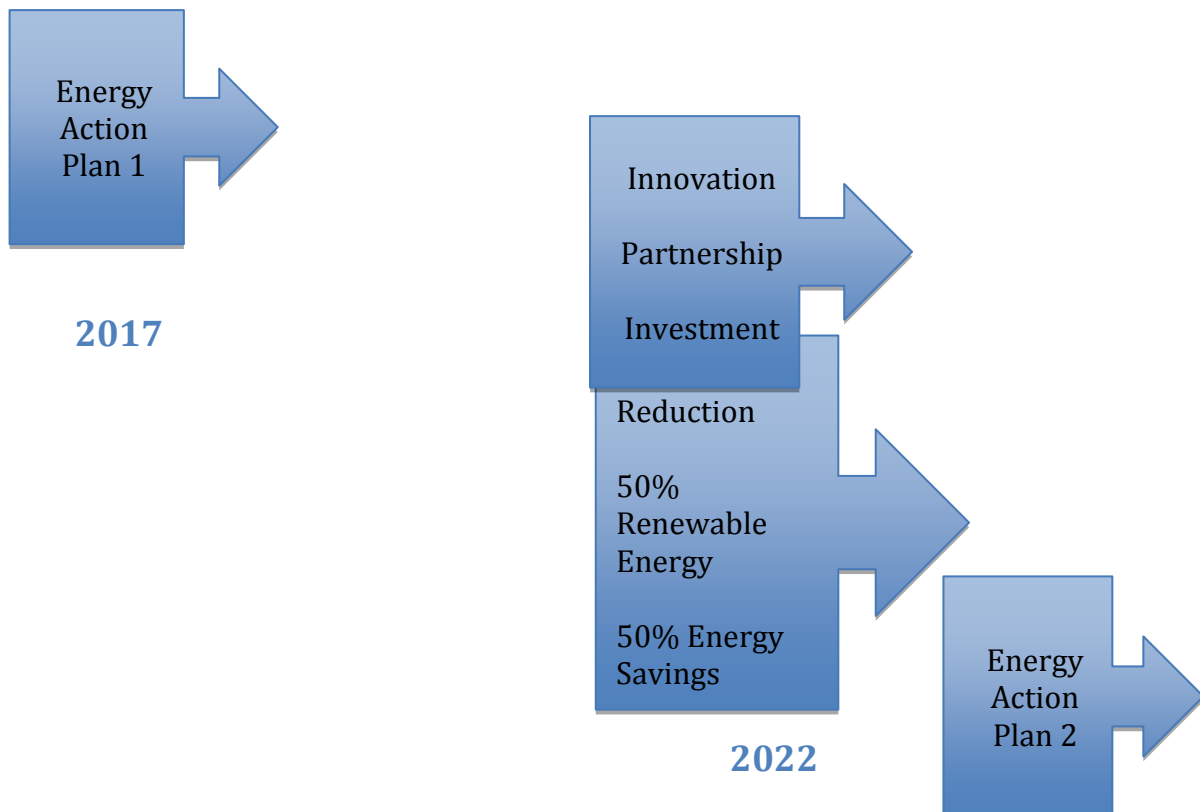
In order to measure the success of the Energy Strategy a baseline for which to monitor

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progress is required. Energy consumption data has to date been collected for what was the Department of Environment Green House Gas Emission returns. The data is the most reliable source available and the City Council will continue to collate this on an annual basis. The council's 2009 baseline can be measured to demonstrate a reduction in CO₂ emissions of 29% (2016) as demonstrated in the graph below. The graph also illustrates the proportion of renewable energy consumed as a result of the recent Solar PV installations.



The Energy Action Plan contains the essential ingredients, which supported through investment and collaboration, will surpass the following targets for carbon reduction and renewable generation, and deliver an Energy Neutral Council.



Monitoring and Review

The Energy Strategy and Action Plan will be reviewed annually by the Energy Officer and Corporate Manager Property and progress will continue to be reported to Scrutiny Committee on a six monthly basis. Reviews will include:

- Updates on progress of the Renewables and Energy Saving Programme.
- Annual monitoring of energy generation, income generation and carbon reduction.
- Annual baseline data collection.
- Reporting on energy industry developments and new opportunities.
- Revisions to the Action Plan.

Conclusion

The Energy Strategy and Action Plan are living documents and if required will be updated. A pro-active hands on approach in delivering the strategy will allow the Energy Team to take advantage of all opportunities, to work with partners and to lead by example.

The impacts of the Strategy are all positive, providing not only benefit to the Council but to the local economy, community and environment.

An Action Plan for an Energy Neutral Council 2017-2022

The Action Plan

This Energy Action Plan sets out opportunities for delivering Exeter City Council's Energy Strategy. It spans a five year period starting in 2017 and will be reviewed annually to take into account progress made, as well as legislative, financial, technical and operational changes.

Document Framework

The three priorities outlined in the strategy are attributed to each action and objective listed below.

- Priority 1 A Sustainable Corporate Estate.** To reduce energy consumption, deliver efficiencies, drive down costs and carbon emissions.
- Priority 2 An Energy Neutral Council.** To develop innovation and embrace emerging technologies to provide local renewable, low carbon energy at an affordable price.
- Priority 3 A Low Carbon City.** To promote energy efficiency and renewable opportunities for the community, business and stakeholders.

Governance and Monitoring

Delivery of the Action Plan will contain:

1. A rolling annual programme of projects through the Renewables and Energy Efficiency Programme.
2. Progress will be monitored and reported on a six monthly basis to Scrutiny Committee.
3. Annual monitoring of energy reduction, renewable energy generated, income streams and carbon savings will be reported to Scrutiny Committee.

**An Action Plan for an Energy Neutral Council
2017-2022**

Strategic Priorities:

Priority 1 Sustainable Corporate Estate

Priority 2 Energy Neutrality

Priority 3 Low carbon City

Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate	<ul style="list-style-type: none"> To continue to evaluate the potential for Solar PV on all Council buildings and land 	<ul style="list-style-type: none"> Energy generation Reduced energy bills Service efficiencies Reduced costs New income streams Carbon reduction Higher building efficiency ratings To promote green technologies 	<ul style="list-style-type: none"> Grid connection opportunities improving, however recent connection offers for key buildings are restricted Withdrawal of FIT tariff reduces financial viability PPA's and private wire offer additional income streams <p>Two major PV opportunities include Leisure Centres and Ground Mounted Solar:</p> <ul style="list-style-type: none"> grid offer received for field site but additional income stream needed to support the business case awaiting Leisure Centre Condition Sites/details of new operator contract 	<ul style="list-style-type: none"> Site visits to meet with WPD Evaluate commercial opportunities Establish potential for private wire, PPA or battery storage Investigate Partnership opportunities with energy providers
P1 Sustainable Corporate Estate P2 Energy Neutrality	<ul style="list-style-type: none"> To embrace benefits of energy storage 	<ul style="list-style-type: none"> Carbon Saving Energy neutrality Energy security reduce reliance on imported energy Maximise use of renewable energy 	<ul style="list-style-type: none"> Demand management technologies are developing quickly Battery storage is soon to be commercially viable To assist in off-loading, providing additional supply during peak periods Smart metering can target key users 	<ul style="list-style-type: none"> Working with various installers to find options that will work at existing Solar PV sites Exploring

**An Action Plan for an Energy Neutral Council
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Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate P2 Energy Neutrality	<ul style="list-style-type: none"> To embrace benefits of energy storage 	<ul style="list-style-type: none"> Remove grid constraints Electricity price savings Income generation /more value for sale at peak times Reduce own usage at peak times and use renewable energy stored to reduce grid charges Charge from and to Electric Vehicles Promote green technologies 	<ul style="list-style-type: none"> Can be combined with air/heat source pump technology 	<ul style="list-style-type: none"> battery storage solutions to make new solar PV projects viable Combined heat pump and battery solutions being investigated
P1 Sustainable Corporate Estate	Utilise Hydro Power	<ul style="list-style-type: none"> Renewable energy generation Service efficiencies Reduced costs New income streams Carbon reduction Higher building efficiency ratings Reduced energy bills To utilise and promote green technologies 	<ul style="list-style-type: none"> grid connection restricted storage or private wire solution needed Could be integrated into Municipal energy supply 	<ul style="list-style-type: none"> To investigate opportunities on River Exe weir

**An Action Plan for an Energy Neutral Council
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Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate	Utilise Solar outdoor lighting	<ul style="list-style-type: none"> • To reduce consumption and costs • Reduce carbon emissions • less maintenance/costs 	To install where feasible <ul style="list-style-type: none"> • Car Parks • Quay area • Cycle path/canal path • Muga sites 	To investigate opportunities on Public Realm Sites
P1 Sustainable Corporate Estate	To install Air and Ground source heat pumps where heating can be supported	<ul style="list-style-type: none"> • Low Carbon heating source • Reduced heating costs • Potential savings/ income from Renewable Heat Incentive (RHI) • To utilise and promote green technologies 	<ul style="list-style-type: none"> • To install where feasible • Potential to work alongside battery storage 	To investigate appropriate sites, leaseholder lets, housing
P1 Sustainable Corporate Estate	Solar Thermal	<ul style="list-style-type: none"> • Low Carbon • Reduced hot water costs • Potential savings/ income from Renewable Heat Incentive (RHI) • To utilise and promote green technologies 	<ul style="list-style-type: none"> • To install where feasible • Potential to work alongside battery storage • Can be incorporated in to EPC project 	To investigate appropriate sites, leaseholder lets, housing

**An Action Plan for an Energy Neutral Council
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Priority	Objective	Benefits	Position	Actions
P2 Energy Neutrality	Local Authority Municipal Energy Company	<ul style="list-style-type: none"> • Energy neutrality • ECC are a trusted organisation • Reasonably priced energy for local people • Can produce and use locally • Low carbon • Greater value for ECC renewable generation • Reduces fuel poverty 	<p>Partnerships available to provide a not-for profit company using renewables and battery storage providing local green energy for local people</p> <p>Smart metering able to target key users</p> <p>Changes to Energy Market Regulations and charges may support</p>	<p>Investigate other models such as Bristol/ Nottingham</p> <p>Develop opportunities with Exeter City Futures, Energy providers and Community Energy groups where appropriate</p>
P1 Sustainable Corporate Estate	Water efficiency measures	<ul style="list-style-type: none"> • Reduced water consumption • Cost savings • Increases sustainability and water dependence • Reduces environmental damage (use of cleaning products/chemicals). • Measurement and better understanding of usage 	<p>Opportunities available include :</p> <ul style="list-style-type: none"> • Rainwater harvesting is applicable • Water saving toilet equipment where able, urinal sleeves and flow monitors • Meter loggers offer accurate consumption data and leak detection • Sensor taps to control water flow and prevent them being left on. 	<ul style="list-style-type: none"> • To Review feasibility of rainwater harvesting for various sites • Civic toilet refurb to include water saving features • Await review of Public Toilets • MRF/ vehicle washdown • Review high use sites

**An Action Plan for an Energy Neutral Council
2017-2022**

Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate	To raise levels of energy efficiency and EPC rating as per new legislation requirement by 2018 for all commercial property lets that fall below an EPC rating of E.	<p>Improve performance of the building fabric, to ensure high standards of energy efficiency are achieved.</p> <ul style="list-style-type: none"> • Energy savings • Reduce carbon • Better quality of letting • Fuel savings for leaseholders/supports SME's • Meets legislative requirements 	<p>Available solutions include :</p> <ul style="list-style-type: none"> • To utilise partnership and funding opportunities such as an Energy Performance Company. • Develop own retrofit scheme for poorly insulated and inefficient builds to set a new rental standard - more attractive for rental /reduced voids / higher rents possible increased income 	<ul style="list-style-type: none"> • Investigating: EPC with other Devon authorities. • Potential for own commercial retrofit project • Liaising with Estates team
P1 Sustainable Corporate Estate	Improve comfort of Civic Centre to reduce heating imbalance due to increased patricians and poor office layouts preventing cross flow ventilation through better control and ability to visibly communicate room temperatures using digital thermostats	<ul style="list-style-type: none"> • To make for a healthy and comfortable working environment. • Cost savings through efficiency • Improved communication /staff awareness • Greatly improved heating control resulting from accurate thermostat data 	<ul style="list-style-type: none"> • Use of Space planning to plan office layouts that suit building temperature and take advantage of the solar gain on the southern side of the building, placing offices south to north to create even office temperatures. 	<ul style="list-style-type: none"> • Programme to replace thermostats with modern digital ones • Improved BMS will provide for higher standard of control and ease of use

**An Action Plan for an Energy Neutral Council
2017-2022**

Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate	Individual Energy Efficiency Audits for all operational Buildings	<ul style="list-style-type: none"> • Energy saved is the cheapest unit of energy • Reduced costs • Reduce carbon • Operational efficiency 	<ul style="list-style-type: none"> • To ensure maximum efficiencies are gained and energy saving practices and technologies are installed where benefit can be derived 	<ul style="list-style-type: none"> • To visit service managers and operational buildings over 2017
P1 Sustainable Corporate Estate	Staff Engagement Project	<ul style="list-style-type: none"> • Energy saved is the cheapest unit of energy • Reduced costs • Reduce carbon • Operational efficiency 	<ul style="list-style-type: none"> • Studies carried out demonstrate reduced running costs • Devolve energy budgets and responsibility for lighting - coordinate with BMS upgrade so to hand over responsibility/controls 	To filter down through service managers.
P1 Sustainable Corporate Estate	Ensure sustainable procurement and use of Energy efficient goods and services	<ul style="list-style-type: none"> • Energy saved is the cheapest unit of energy • Reduced costs • Reduce carbon • Operational efficiency 	<ul style="list-style-type: none"> • To use a checklist to be signed off for all works to ensure energy efficiency is always considered in relation to any building works/ repairs and replacement of equipment, where economically feasible 	To design checklist to be incorporated for all procurement and Housing and Corporate estate works
P1 Sustainable Corporate Estate	LED lighting schemes	<ul style="list-style-type: none"> • Electricity savings of 50% or more • Reduced maintenance costs • Better quality lighting/improved services/working conditions • Carbon savings 	<ul style="list-style-type: none"> • Proven technology with continuous improvement of products • Greater retrofit opportunities • Condition of electrical wiring in some properties requires additional repair work before lighting replacement 	Car Park sites ready to go once building condition survey is complete include : <ul style="list-style-type: none"> • Guildhall Car Park • Princesshay Car Park I & II RAMM to be surveyed

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Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate	Upgrade Building Management System (BMS) to use latest technologies and most advanced software	<ul style="list-style-type: none"> • Better control of all consumption and power down circuits • Energy and cost savings from better control and therefore reduced consumption. • Ability to understand building energy profile so to identify opportunities to change processes and when consumption rises or falls. • Opportunity to manage consumption around the higher priced DUOS and TRIAD time bands providing cost savings • Decentralise controls and on site management of services where appropriate. Staff involvement to encourage ownership, increase communication, and improve morale. 	<p>Efficient use of all building electric sources and total waste avoidance. Potential for substantial financial and carbon savings</p> <p>Combat impact of P272 legislation. Further reduce costs</p> <p>Better facilities provide for social benefit, fosters creativity and innovation of workforce. Energy saving from centralised and efficient kitchen equipment. Storeroom assessment will facilitate better building use.</p>	<ul style="list-style-type: none"> • Investigating most future proof options, having met with various BMS providers. To write business case/ specification • Additional staff resource needed

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Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate P2 Energy Neutrality	Lower hot water return on all heating systems to improve deltaT Reduces heat waste and improves efficiency	<ul style="list-style-type: none"> • Reduces heat waste and improves efficiency • Energy and cost savings • Reduced carbon 	New technologies emerging including a control system developed locally and supported by DECC funding	Building surveys to be carried out by Mini BEMS
P1 Sustainable Corporate Estate	Passive solutions, such as screening windows and ventilation through recycling of air flow, through remote opening of windows - sky lights and doors - to incorporate with space planning.	<ul style="list-style-type: none"> • To make for a comfortable working environment in warm weather • Reduced energy consumption (fans) and provision of a productive working environment • Higher rate of air change/air flow provides for better cooling of office space 	<ul style="list-style-type: none"> • Electro chromatic glazing to be incorporated with window refurbishment • Ability to cool building through outside ventilation by installation of lobby roof light opening system 	<ul style="list-style-type: none"> • Investigate for Civic Centre, and other sites where appropriate
P1 Sustainable Corporate Estate	Reducing energy consumption of IT Server Room cooling process through heat recovery	<ul style="list-style-type: none"> • Significant energy, financial and carbon savings 	Options include : <ul style="list-style-type: none"> • To re-use heat produced from server and pump it into building space • Control cooling at times when energy costs are lower/battery storage option 	To measure consumption and investigate options available

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Priority	Objective	Benefits	Position	Actions
P1 Sustainable Corporate Estate	Centralise kettles and fridges in office areas.	<ul style="list-style-type: none"> • Reduced energy consumption • cost and carbon savings • more productive working environment 	Potential to use empty store rooms to make way for improved kitchen spaces and more social space / Refurbish existing kitchens.	To investigate savings potential and space available/costs
P1 Sustainable Corporate Estate	To introduce paperless electronic billing, through use of EDI files for utilities	<ul style="list-style-type: none"> • Significant savings through reduced admin and billing errors. • savings from reduced use of paper. • Improved consumption data 	<p>We currently use Team Sigma software for billing data. Accounts link enables billing to be sent automatically through electronic files and is used by many authorities.</p> <p>Provides software link and full training, but will require admin support within the energy team.</p>	To obtain costs/business case for savings
P1 Sustainable Corporate Estate	Energy Performance Contract	<ul style="list-style-type: none"> • Significant energy, financial and carbon savings 	<p>Opportunity to use joint Devon LA. Potential to fund energy efficiency measure that require longer Paybacks this could include :</p> <ul style="list-style-type: none"> • Insulation/heat pumps • Leisure Centre retrofit 	Contract will be developed in 2017 jointly with DCC, RD&E and MOD
Priority 3 Low Carbon City P1 Sustainable Corporate Estate	Extend Electric Charging network for fleet and City wide use	<ul style="list-style-type: none"> • Reduced carbon emissions • Fuel cost savings • Promotion of Electric Vehicles 	<ul style="list-style-type: none"> • Utilise funding from the Office for Low Emissions(OLEV) for fleet, staff and visitor use • Sponsorship opportunities • Knowledge of charging infrastructure learnt. • Extensive opportunity to provide on street EV charging throughout City 	<p>2 new ECC sites to be installed</p> <p>Further sponsorship being sort</p> <p>Monitoring OLEV grant funding</p>

**An Action Plan for an Energy Neutral Council
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Priority	Objective	Benefits	Position	Actions
Priority 3 Low carbon City	Develop the Green Accord to drive sustainable business	<ul style="list-style-type: none"> • Support business/staff engagement tool • Measurable reduction in energy, water, waste, travel and procurement practices • Income generation and carbon reduction • Accreditation demonstrating green credential and corporate social responsibility 	Green accreditation scheme run by City Council. Supports many SME's and is a key procurement tool for ensuring businesses operate using same environmental standards	Further funding and support needed to promote.
Priority 3 Low carbon City P1 Sustainable Corporate	City Heat Network	<ul style="list-style-type: none"> • Decarbonised heating supply 	Heat network to be developed in the City Centre and will feed Civic Centre and new Leisure Complex	Assisting in HNDU research bid for low carbon heat with Exeter City Futures

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REPORT TO: CORPORATE SCRUTINY COMMITTEE, EXECUTIVE AND COUNCIL

Date of Meeting: Corporate Scrutiny Committee – 26 January 2017
Executive – 14 February 2017
Council – 21 February 2017

Report of: Corporate Manager- Legal & HR Services
Title: Annual Pay Policy Statement 2017/18

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 2017/18 which must be approved by Full Council each financial year in line with legislation.

2. Recommendations:

It is recommended that Corporate Scrutiny Committee notes and Executive recommends to Council to approve:

- (i) The attached Policy and Appendix be adopted and published in accordance with the legislation.
- (ii) Delegated authority be given to the Corporate Manager - Legal and HR to make necessary amendments to the pay policy statement following any changes in legislation or subsequent increases in pay.

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 and thereafter each subsequent financial year. 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 financial implications arising from adoption of this policy. The salaries are already budgeted for.

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 relating to:

- (a) The remuneration of chief officers
- (b) The remuneration of its lowest paid employees and

- (c) The relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers

7. Monitoring officer Comments

The preparation and publication of the Pay Policy Statement is a statutory obligation described in more detail in paragraph 6 above. As a result, the Monitoring Officer recommends it to Council for approval.

8. Report Details:

In line with statutory requirements, the Council's Pay Policy Statement has been reviewed and updated for 2017/18 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 (Grades 1 and 2) in November 2016 which comes into effect at Exeter City Council on 1 April 2017 (paragraph 3.2)
- Implementation of the nationally agreed pay award for 2017/18 for employees on Spinal Column Points 12-52 inclusive (Appendix 1)
- Implementation of the nationally negotiated 2017/18 pay award for Chief Officers and Chief Executives (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.

Corporate Manager - Legal Services & HR

Originator: David Knight, HR Transactional Services 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 2017/18

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))
- Directors (Non-Statutory Officers Section 2 (7a)) – including the responsibilities of the Section 151 Officer (Statutory Officer Section 2 (6d))
- The Council’s Monitoring Officer.
- Corporate Managers

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, Directors and Corporate Managers 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 £8.45 / hour from 1 April 2017 equates to Grade 1 and Grade 2 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 16 grades (excluding Apprentice) on its existing pay scale for employees not designated as Chief Officer in this Statement. With the exception of Grades 1 and 2, 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.
- 5.8 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.
- 5.9 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.
- 5.10 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.
- 5.11 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.
- 5.12 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 2017

Post title	Full time Remuneration
Chief Executive and Growth Director	£112,211
Deputy Chief Executive	£91,564
Directors x 4 Chief Finance Officer City Solicitor & Head of HR	£65,000 - £80,000
Corporate Manager x 3	£57,691- £62,431

2. The FT remuneration of the lowest paid employee

Post title	Full time Remuneration
P&GS Operative/MRF Operative	£16,302

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	£20,403
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	6.88
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EXETER CITY COUNCIL

REPORT TO: SCRUTINY COMMITTEE - RESOURCES
DATE OF MEETING: 26 JANUARY 2017

REPORT OF: ASSISTANT DIRECTOR FINANCE
TITLE: REVENUE BUDGET PROPOSALS 2017/18

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To outline the strategic framework within which the estimates have been prepared and highlight the issues that will affect the actual setting of the overall level of council tax.
- 1.2 This report also summarises the overall budget position arising from the current cycle of Scrutiny Committee meetings.

2. Recommendations:

- 2.1 That Scrutiny Committee – Resources notes the report and comments accordingly.

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 budget for 2017/18. 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 £3 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 to ensure the Council is able to cope with any issues arising from 100% Business Rate retention.

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 The Monitoring Officer has no issues of concern regarding the report content.

8. Report Details:

8.1 Local Government Provisional Finance Settlement 2017-18

8.1.1 4 year Settlement

During the settlement for 2016-17, the Government offered Local Authorities the opportunity to apply for a 4year agreed settlement subject to producing an efficiency plan. The Council took up this offer and were notified in November that the Government had agreed the Settlement.

8.1.2 The provisional settlement for 2017-18 therefore reflects the figures in the Medium Term Financial Plan.

8.1.3 The draft valuation list for the Business Rates revaluation has been released by the Valuation Office. Exeter's list has risen by 0.97% against a national increase of 9.6%. This means that on average bills in Exeter will reduce. The Government have adjusted the amount that Exeter has to pay over to the Government to ensure that the changes arising from the revaluation are cost neutral.

8.1.4 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 better in percentage terms of formula funding reduced.

8.1.5 Core spending power is a new definition used by the Government, which encompasses an individual authority's:

- Council Tax Requirement including estimates of Council Tax increases and increases in the Taxbase;
- Social Care Precept (not applicable for district councils);
- Formula Grant;
- New Homes Bonus;
- Rural Services Delivery Grant and
- Better Care Fund (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 core spending power reduces by 14.0% over the period.

8.2 COUNCIL TAX

8.2.1 The Government has announced in respect of the local authority tax referendum threshold, that Shire District councils will be allowed increases of less than 2% or up to and including £5, whichever is higher. Upper Tier Authorities may increase their Council Tax by up to three per cent above the threshold as long as the additional income is spent on Adult Social Care. This is on top of the 1.99% increase they may make for other services but can total no more than 6% over the next three years. Exeter's budget strategy for next year assumes that council tax will increase by £5, which, along with the estimated surplus on the collection fund of £87,500 and increase in the taxbase will raise an extra £308,000.

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 fourth year. The benefits of the pool are that any additional growth within Devon is shared between the Councils 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.

8.4 KEY ASSUMPTIONS

An overall allowance of £110,000 has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	1.0%
Pay – Increments	0.5%
Electricity	1.5%
Gas	1.5%
Oil	1.5%
Water	0.0%
Insurance	5.0%
Rates	1.2%
Fuel	0.0%
General Inflation	0.0%
Income (excluding Car Parks)	1.5%

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. The pay award for 2017/18 has been agreed at 1% which has been added to the budgets.

8.4.3 In respect of interest rates, next year's budget reflects the likelihood that whilst base rate may remain low, borrowing for cashflow purposes 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 Government have announced their response to the New Homes Bonus consultation. As members will remember the Government intends to remove £800 million from New Homes Bonus in order to fund Adult Social Care. The Government have therefore reduced the number of years to be paid from 6 years to five years in 2017-18 and will further reduce it to four years from 2018-19. Additionally, no payment will be made on housing growth below 0.4%. This has resulted in Exeter being awarded £3.597 million for 2017-18.

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, £3.529 million in 2015/16, £4.232 million in 2016/17 and provisionally been notified that it will receive a further £3.597 million in 2017/18. A new methodology for distributing New Homes Bonus is being proposed for this financial year and has the following impact:-

Year	Top Slice (revenue)	Community Projects	Major Projects /Debt Reduction	Unused / Projects	Revenue	Total
	£000's	£000's	£000's	£000's	£000's	£000's
2011/12	-	-	-	389	-	389
2012/13	120	361	601	241	-	1,323
2013/14	120	286	1,757	42	-	2,205
2014/15	120	286	2,372	-	-	2,778
2015/16	120	286	3,123	-	-	3,529
2016/17	120	189	2,000	923	1,000	4,232
2017/18	125	189	1,000	1,283	1,000	3,597
Total	725	1,597	10,853	2,878	2,000	18,053

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. The MTFP currently indicates that no additional savings are required over the next four years (2016/17 – 2019/20), although some of the savings identified are currently being analysed to ensure that they are achievable.
- 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: 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 / reduced income streams that are not currently identified within the medium term financial plan will have to be met from further savings. Further ahead, the move to 100% Business Rate retention by Local Government as a whole provides further uncertainty over future funding levels.

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 £3 million. As the Council faces greater uncertainty in the medium term over funding it is prudent to hold reserve levels at a higher rate to offset sudden losses of income. The latest estimated position of the General Fund Balance is that it will be £3.596 million as at 31 March 2018, equivalent to 23.3% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 3) indicates that the General Fund Balance will increase to £6.474 million by the end of 2020/21.
- 8.9.2 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2017/18 includes a net transfer to earmarked reserves of £769,000. This is broken down as shown below:-

Transfer (from)/ to reserves:

	2017/18 £'000
Transfers to Reserves	
New Homes Bonus	<u>3,597</u>
	3,597
Transfers from Reserves	
New Homes Bonus	(2,664)
Events	(100)
Sports	(56)
Vehicle Licensing	<u>(8)</u>
	(2,828)

8.10 REVENUE ESTIMATES 2017/18 (APPENDIX 4)

- 8.10.1 The Council's revenue estimates for next year are being considered during the current cycle of Scrutiny Committee meetings for the final budget report to the Executive on 14 February 2017. In total, Service Committee Expenditure for 2016/17 is £12,852,260 which is £303,970 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, £1,764,028 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 £11,864,809, a reduction of £325,785 compared to 2016/17.

8.11 COUNCIL TAX BUDGET REQUIREMENT 2017/18

- 8.11.1 As stated above, the Government is setting the referendum trigger for District Councils at above £5 or 2%, whichever is higher. The budget has been set on the basis of a £5 increase, although this is ultimately a Member decision. It should be noted that in the Government spending calculations, they have assumed that all District Councils will raise their Council Tax by £5 and have set the spending reductions accordingly.
- 8.11.2 When all the Government Grant funding is taken into account the resultant net expenditure to be financed from council tax is £5,337,809 (as indicated in Appendix 4), an increase of £308,173 compared to 2016/17.
- 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 (£87,504), 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 36,197, the proposed band D council tax for 2016/17 is £145.05, which means that the council tax would increase annually by £5.00 or 3.57%. An increase of 1.99% would reduce the Council Tax requirement by £80,111, which would have to be taken from reserves.

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 revolve around ensuring that the Council has sufficient funds to both meet the financial plans set out in the report and to protect itself against any unexpected expenditure that occurs. The risk is mitigated by ensuring that there are sufficient reserves held to offset unexpected expenditure needs. Regular monitoring is undertaken and reported to both the Strategic Management Team and Members.

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

(01392) 265275

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FORMULA GRANT DECREASES - DEVON AUTHORITIES

Authority	Grant	Grant	Yearly Decrease %	Grant	Yearly Decrease %	Grant Decrease 2015/16 - 2017/18	
	2015/16 £m	2016/17 £m		2017/18 £m		£m	%
Devon	178.918	151.644	(15.2%)	128.307	(15.4%)	(50.611)	(28.3%)
Plymouth	96.900	86.599	(10.6%)	77.535	(10.5%)	(19.365)	(20.0%)
Torbay	54.973	49.836	(9.3%)	44.576	(10.6%)	(10.397)	(18.9%)
East Devon	4.437	3.644	(17.9%)	3.024	(17.0%)	(1.413)	(31.8%)
Exeter	6.635	5.802	(12.6%)	5.177	(10.8%)	(1.458)	(22.0%)
Mid Devon	3.713	3.043	(18.0%)	2.564	(15.7%)	(1.149)	(30.9%)
North Devon	4.931	4.183	(15.2%)	3.622	(13.4%)	(1.309)	(26.5%)
South Hams	3.156	2.514	(20.3%)	2.046	(18.6%)	(1.110)	(35.2%)
Teignbridge	5.558	4.707	(15.3%)	4.016	(14.7%)	(1.542)	(27.7%)
Torrige	3.906	3.331	(14.7%)	2.939	(11.8%)	(0.967)	(24.8%)
West Devon	2.711	2.132	(21.4%)	1.762	(17.4%)	(0.949)	(35.0%)

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REVENUE SPENDING POWER CHANGES - DEVON AUTHORITIES

Authority	Core Spending Power 2016/17	Core Spending Power 2017/18	Core Spending Power 2018/19	Core Spending Power 2019/20	Core Spending Power Change	
	£m	£m	£m	£m	£m	%
Devon	503.0	500.9	509.5	529.9	26.9	5.3%
Plymouth	186.3	184.1	186.5	191.4	5.1	2.7%
Torbay	109.6	108.1	110.0	113.3	3.7	3.4%
East Devon	15.5	15.4	14.4	14.4	(1.1)	(7.1%)
Exeter	15.0	14.0	13.1	12.9	(2.1)	(14.0%)
Mid Devon	10.5	10.1	9.5	9.5	(1.0)	(9.5%)
North Devon	11.2	10.7	10.3	10.2	(1.0)	(8.9%)
South Hams	10.6	9.7	9.3	9.3	(1.3)	(12.3%)
Teignbridge	15.9	15.2	14.4	14.3	(1.6)	(10.1%)
Torridge	9.2	8.6	8.1	8.1	(1.1)	(12.0%)
West Devon	8.6	7.5	7.1	7.1	(1.5)	(17.4%)

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MEDIUM TERM REVENUE PLAN (2015/16 - 2020/21)

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Resources						
Revenue Support Grant	2,899	2,022	1,320	869	365	0
Business Rates Income (assumed by Government)	3,736	3,780	3,857	3,981	4,123	4,200
Business Rates growth	616	900	1,200	1,229	1,226	1,260
Business Rates pooling benefit	215	150	150	150	150	0
Additional Business Rates - new developments				700	1,220	1,220
New Homes Bonus	3,529	4,232	3,597	2,500	2,400	2,400
Council Tax	4,761	5,030	5,338	5,472	5,697	5,925
Likely resources	15,756	16,114	15,462	14,901	15,181	15,005
Expenditure						
Service expenditure						
Committee expenditure base budget	12,059	12,527	12,549	12,852	12,074	11,687
Inflation	258	150	110	300	300	300
Potential increase in service costs	1,587	847	1,458	(523)	(45)	75
Budgeted reductions	(1,377)	(975)	142			
	12,527	12,549	14,259	12,629	12,329	12,062
Supplementary Budgets and AIM Carry Forward	991	2,055				
Net Interest	9	150	150	150	150	150
Deficit on Business Rates Collection Fund	0	0	0	0	0	0
Forecast Committee movements	(1,409)	493				
Repayment of debt	818	766	764	1,051	988	896
Additional repayment of debt	1,477	2,000	1,000	1,000	1,000	1,000
	14,413	18,013	16,173	14,830	14,467	14,108
Other funding						
Contribution to/ (from) earmarked reserves	(199)	(51)	769	80	180	180
Contribution to/ (from) balances - Other	1,542	(1,848)	(73)	546	1,176	1,156
	1,343	(1,899)	696	626	1,356	1,336
Savings identified during 2016-17			(437)	(255)	(187)	(439)
Options identified			(970)	(300)	(455)	0
Total Net Budget	15,756	16,114	15,462	14,901	15,181	15,005

Total additional savings required by 2020/21 **0**

Opening General Fund Balance	3,975	5,517	3,669	3,596	4,142	5,318
Closing General Fund Balance	5,517	3,669	3,596	4,142	5,318	6,474
Balance as a percentage of budget	35.0%	22.8%	23.3%	27.8%	35.0%	43.1%

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	2016-17 Budget	2017-18 Budget	Change
	£	£	£
SCRUTINY - PEOPLE	3,290,170	3,511,870	221,700
SCRUTINY - PLACE	8,701,050	8,474,940	(226,110)
SCRUTINY - CORPORATE	3,438,330	3,941,210	502,880
less Notional capital charges	(2,881,260)	(3,075,760)	(194,500)
<u>Service Committee Net Expenditure</u>	12,548,290	12,852,260	303,970
Net Interest	300,000	150,000	(150,000)
New Homes Bonus	(4,232,490)	(3,597,202)	635,288
Minimum Revenue Provision	2,875,000	1,764,028	(1,110,972)
<u>General Fund Expenditure</u>	11,490,800	11,169,086	(321,714)
Transfer To/(From) Working Balance	68,304	(73,479)	(141,783)
Transfer To/(From) Earmarked Reserves	631,490	769,202	137,712
<u>General Fund Net Expenditure</u>	12,190,594	11,864,809	(325,785)
Formula Grant	(5,802,225)	(5,177,000)	625,225
Business Rates Growth	(1,358,733)	(1,350,000)	8,733
Council Tax	(5,029,636)	(5,337,809)	(308,173)
	0	0	0

Working Balance

March 2017
3,432,702March 2018
3,359,223

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REPORT TO **CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL**
Date of Meeting: **Corporate Services Scrutiny Committee - 26 January 2017
Executive - 14 February 2017
Council - 21 February 2017**
Report of: **Assistant Director Finance**
Title: **Capital Programme (2017/18 - 2019/20)**

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

To approve the General Fund and Housing Revenue Account Capital Programmes for 2017/18 along with schemes identified for the following two years

2. Recommendations:

It is recommended that Corporate Services Scrutiny Committee supports and the Executive recommends to Council to approve:

- i. The General Fund capital programme for 2017/18 as set out in Appendix 3
- ii. The HRA capital programme for 2017/18 as set out in Appendix 4

3. Reasons for the recommendation:

In accordance with the Prudential Code for Capital Finance in Local Authorities, the Council is required to prepare three-year capital expenditure plans and consider the affordability of its capital investment during all the years in which it will have a financial impact on the authority.

The key objectives of the Prudential Code are to ensure that the capital investment plans of local authorities are affordable, prudent and sustainable and in considering its programme for capital investment, the Council is therefore required to have regard to:

- Affordability e.g. implications for Council Tax and rent levels
- Prudence and sustainability e.g. implications for external borrowing
- Value for money e.g. option appraisal
- Stewardship of assets e.g. asset management planning
- Service objectives e.g. strategic planning for the authority
- Practicality e.g. achievability of the forward plans

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 Capital Programme for 2017/18 along with schemes identified for the following two years.

6. What are the legal aspects?

The capital expenditure system is framed by the Local Government and Housing Act 1989.

7. Monitoring Officer's comments:

The relevant affordability criteria and prudential indicators have been clearly set out for members' particular attention. Given that, the report raises no issues for the Monitoring Officer.

8. Report Details:

CAPITAL PROGRAMME (2017/18 – 2019/20)

8.1 AVAILABLE CAPITAL RESOURCES

In considering the affordability of the Council's capital plans, the authority is required to consider all of the resources currently available to it and estimated resources for the future.

Together with money from the Council's own capital receipts and capital reserves, the annual capital programme is financed from; Government grants, Section 106 monies, partnership funding and other external grants and contributions. If necessary, the Council may borrow to supplement these funds.

Under the prudential capital finance system, individual authorities are responsible for deciding the level of their affordable borrowing. The system is designed to encourage authorities that need, and can afford, to borrow for capital investment to do so.

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 setting out the Council's Prudential Indicators is also presented to this Committee.

8.2 General Fund Available Resources

The Council will have to continue to use borrowing for capital purposes. Appendix 1 sets out the use of the resources available in respect of the General Fund.

A borrowing requirement of £7.493 million has been identified over the next four financial years, which will have an ongoing impact on the Council Tax. The approximate current annual revenue cost of borrowing £1 million is:

Type of Borrowing	Interest £	Money Set Aside for Repayment of Debt £	Total Annual Payment £
Short term	6,000	40,000	46,000
Long term (>25 years)	29,000	40,000	69,000

The affordability of the General Fund capital programme is ultimately decided by the incremental impact of capital investment decisions on the Council Tax.

8.3 Housing Revenue Account Available Resources

The capital programme for 2017/18 will be funded from the Major Repairs Reserve, Revenue Contributions and any external contributions and capital receipts generated in the period. Appendix 2 sets out the use of the resources available in respect of the HRA.

9. GENERAL FUND CAPITAL PROGRAMME

The proposed capital programme is detailed in Appendix 3. The table below sets out the total of new capital bids included within the three-year capital expenditure plans for Council to consider for approval:

Status	2017/18 £	2018/19 £	2019/20 £	Future Years £
New Bids	1,204,140	0	0	0
Pre-Approved Schemes	22,078,170	7,556,050	989,330	532,900
Total General Fund Capital Programme	23,282,310	7,556,050	989,330	532,900

The capital programme has been set out in line with the Council 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 vision theme, they have been placed under the theme to which it is considered the scheme contributes the most.

10. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

For 2017/18, the HRA medium term financial plan provides for a capital programme of £18.902 million. This comprises capital investment of £12.832 million for improvements to the Council's existing housing stock, £5.945 million towards the provision of new council homes and £0.125 million on Information Technology. A copy of the HRA Capital Programme is attached at Appendix 4.

The HRA Capital Programme will be funded by:

HRA Capital Finance	£'000
Major Repairs Reserve	7,746
Revenue Contribution to Capital	6,497
Capital Receipts	2,861
Commuted sums	405
Department of Health grant for St Loyes Extra Care Scheme	1,118
External contributions	275
Total HRA Capital Financing 2017/18	18,902

11. 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.

- 12. 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.
- 13. 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
- 14. Are there any other options?**
No

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

GENERAL FUND	2016-17 £	2017-18 £	2018-19 £	2019-20 £	Future Years £	TOTAL £
CAPITAL RESOURCES AVAILABLE						
GF Capital Receipts	4,420,659	2,334,950				6,755,609
Disabled Facility Grant	671,330	379,000	379,000	379,000	379,000	2,187,330
New Homes Bonus	1,557,995	12,357,665				13,915,660
Community Infrastructure Levy	1,096,577	4,366,700	2,536,723			8,000,000
Other - Grants/External Funding/Reserves/S106	298,112	560,000				858,112
Total Resources Available	8,044,673	19,998,315	2,915,723	379,000	379,000	31,716,711
GENERAL FUND CAPITAL PROGRAMME						
Capital Programme	7,296,880	23,282,310	7,556,050	989,330	532,900	39,657,470
Total General Fund	7,296,880	23,282,310	7,556,050	989,330	532,900	39,657,470

UNCOMMITTED CAPITAL RESOURCES:						
Capital Receipts Brought Forward	447,634	4,000,000	4,000,000	0	0	8,447,634
Resources in Year	8,044,673	19,998,315	2,915,723	379,000	379,000	31,716,711
Less Capital Receipts to carry forward	(4,000,000)	(4,000,000)	0	0	0	(8,000,000)
Less Estimated Spend in Year	(7,296,880)	(23,282,310)	(7,556,050)	(989,330)	(532,900)	(39,657,470)
Borrowing Requirement	2,804,573	3,283,995	640,327	610,330	153,900	7,493,125
Uncommitted Capital Receipts	0	0	0	0	0	0

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HRA AVAILABLE RESOURCES

HOUSING REVENUE ACCOUNT	2016-17 £	2017-18 £	2018-19 £	2019-20 £	2020-21 £	TOTAL £
CAPITAL RESOURCES AVAILABLE						
Usable Receipts Brought Forward						2,898,176
Major Repairs Reserve Brought Forward						6,310,319
Other HRA Sales	174,222	0	0	0		174,222
RTB sales	750,000	500,000	500,000	500,000	400,000	2,650,000
Major Repairs Reserve	2,721,772	2,935,930	2,935,930	2,935,930	2,935,930	14,465,492
Revenue Contributions to Capital	4,689,075	6,496,642	4,496,555	2,500,000	2,500,000	20,682,272
External contributions	197,230	275,134	0	0	0	472,364
Grant funding	0	1,117,500	588,500	0	0	1,706,000
Commuted sums	428,082	405,121	5,662,812	0	0	6,496,015
Total Resources available	8,960,381	11,730,327	14,183,797	5,935,930	5,835,930	55,854,860
CAPITAL PROGRAMME						
HRA Capital Programme	14,504,530	18,901,851	16,095,928	6,112,422	5,897,814	61,512,545
Sept - Overspends / (Savings)	90,610					90,610
Sept - Slippage / Re-profiling	(2,556,620)					(2,556,620)
Slippage to be reported in Dec	(3,827,088)					(3,827,088)
Total Housing Revenue Account	8,211,432	18,901,851	16,095,928	6,112,422	5,897,814	55,219,447
UNCOMMITTED CAPITAL RESOURCES:						
Usable Receipts Brought Forward	2,898,176	3,217,447	855,968	355,968	355,968	2,898,176
Major Repairs Reserve Brought Forward	6,310,319	6,739,997	1,929,952	517,821	341,329	6,310,319
Resources in Year	8,960,381	11,730,327	14,183,797	5,935,930	5,835,930	46,646,365
Less Estimated Spend	(8,211,432)	(18,901,851)	(16,095,928)	(6,112,422)	(5,897,814)	(55,219,447)
Uncommitted Capital Resources	9,957,444	2,785,920	873,789	697,297	635,413	635,413
WORKING BALANCE RESOURCES:						
Balance Brought Forward	7,068,670	7,471,423	5,167,648	4,574,536	5,396,255	7,068,670
HRA Balance Transfer - Surplus/(Deficit)	(142,125)	(2,303,775)	(593,112)	821,719	594,774	(1,622,519)
June forecast overspend	(26,188)					(26,188)
September forecast savings	366,066					366,066
Report in Dec - LAINGS decants	40,000					40,000
Report in Dec - Stock condition survey (1/3rd)	65,000					65,000
Report in Dec - Additional interest	100,000					100,000
Balance Carried Forward	7,471,423	5,167,648	4,574,536	5,396,255	5,991,029	5,991,029
Balance Resolved to be Retained	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
	3,471,423	1,167,648	574,536	1,396,255	1,991,029	1,991,029
TOTAL AVAILABLE CAPITAL RESOURCES	13,428,867	3,953,568	1,448,325	2,093,552	2,626,442	2,626,442

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GENERAL FUND - CAPITAL PROGRAMME 2017/18 AND FUTURE YEARS						
SCHEMES LISTED WITHIN COUNCIL PURPOSES		2017/18	2018/19	2019/20	Future Years	What the scheme is trying to achieve
		£	£	£	£	
PEOPLE						
HELP ME FIND SOMEWHERE TO LIVE						
Disabled Facility 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.
Temporary Accommodation Purchase	#	284,950				For purchase and refurbishment of new temporary accommodation.
Sub-Total - Help me find somewhere to live		663,950	379,000	379,000	379,000	
PEOPLE TOTAL		663,950	379,000	379,000	379,000	
PLACE						
KEEP ME/MY ENVIRONMENT SAFE & HEALTHY						
Vehicle Replacement Programme		400,000	400,000	400,000		To ensure that the Council's vehicles are replaced so that a safe and reliable fleet is maintained.
	#	577,000				
Bowling Green Marshes Coastal Defence Scheme		260,000				To repair the coastal defences to retain the level of protection to the freshwater marshes. The scheme is entirely funded by the Environment Agency.
Topsham Flood Gates (Ferry Road/The Strand)		100,000				Provision and installation of 10 to 12 heavy duty floodgates across existing openings between defences. The scheme is entirely funded by Devon County Council and the Environment Agency.
Exeter Flood Alleviation Scheme		200,000				Approximately 30 to 40 properties that are not protected from the Environment Agency's main flood scheme will be offered property level protection. The scheme is entirely funded by the Environment Agency.
RAMM Air Monitoring Equipment	#	90,000				To replace the air quality monitoring station at the RAMM.
Sub Total - Keep me/my environment safe & healthy		1,627,000	400,000	400,000	0	

GENERAL FUND - CAPITAL PROGRAMME 2017/18 AND FUTURE YEARS					
SCHEMES LISTED WITHIN COUNCIL PURPOSES	2017/18	2018/19	2019/20	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		To undertake replacement of plant and equipment within the leisure management contract.
Sub Total - Provide great things for me to see & do	56,430	56,430	56,430	0	
DELIVER GOOD DEVELOPMENT					
Newcourt Community Hall (Grant)	9,570				These community schemes are all grants awarded from the New Homes Bonus or S106 funding.
Newtown Community Centre (1st Grant)	50,000				
Newtown Community Centre (2nd Grant)	46,750				
Bus Station Construction	3,806,520	1,223,140			To redevelop Exeter's Bus and Coach Station.
Leisure Complex - Build Project	14,937,750	5,313,580			To develop a new leisure complex and swimming pool on part of the bus station site to replace Pyramids.
Sub Total - Deliver good development	18,850,590	6,536,720	0	0	
PLACE TOTAL	20,534,020	6,993,150	456,430	0	
CORPORATE SERVICES					
WELL RUN COUNCIL					
Annual Contribution to Strata	53,900	53,900	53,900	53,900	Contribution to Strata led projects
Idox System for Planning	18,700				
Convergence Projects	#	186,690			
Condition Surveys - Priority 1	#	20,000			To replace damaged and defective roller shutter doors at Wonford Community Centre to further decrease the Health and Safety risk of accessing roof areas by climbing.

GENERAL FUND - CAPITAL PROGRAMME 2017/18 AND FUTURE YEARS					
SCHEMES LISTED WITHIN COUNCIL PURPOSES	2017/18	2018/19	2019/20	Future Years	What the scheme is trying to achieve
	£	£	£	£	
Condition Surveys - Priority 2	# 45,500				Civic Centre: kitchen replacements to mitigate Health and Safety risks caused by water ingress and bacteria growth; and customer first and committee room air-conditioning system end of life replacement. Wonford Community Centre: replacement of boiler controls and replacement of external doors. Figures provided are derived from external consultant estimates and are only an indication of likely expenditure. Accurate funding need will only become available once schemes have been through initial procurement stages.
Customer Contact Platform	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.
Energy Saving Projects	1,614,550				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	100,000	100,000	100,000	100,000	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	2,084,340	183,900	153,900	153,900	
CORPORATE SERVICES TOTAL	2,084,340	183,900	153,900	153,900	
TOTAL CAPITAL PROGRAMME	23,282,310	7,556,050	989,330	532,900	
New Bids #	1,204,140	0	0	0	
Pre-Approved	22,078,170	7,556,050	989,330	532,900	
TOTAL CAPITAL PROGRAMME	23,282,310	7,556,050	989,330	532,900	

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HOUSING - CAPITAL PROGRAMME 2017/18 AND FUTURE YEARS

SCHEMES LISTED WITHIN KEY STRATEGIC THEMES		2016-17 B/FWD £	2017-18 £	2017-18 Total £	2018-19 £	2019-20 £	2020-21 £	Total £
INVESTMENT IN EXISTING STOCK								
1	Adaptations		500,000	500,000	500,000	500,000	500,000	2,000,000
2	Balcony Walkway Improvements		105,000	105,000	105,000	105,000	105,000	420,000
3	Bathroom Replacements		462,500	462,500	485,625	509,906	535,402	1,993,433
4	Boiler Replacement Programme		357,000	357,000	364,000	371,000	350,000	1,442,000
5	Central Heating		167,535	167,535	170,885	174,303	174,000	686,723
6	Common Area Footpath & Wall Improvements	1,650,000	(450,000)	1,200,000	-	-	-	1,200,000
7	Communal Area Improvements - New Flooring		110,160	110,160	112,363	114,610	116,900	454,033
8	Communal Door and Screen Replacements		301,869	301,869	342,368	130,380	130,380	904,997
9	Electrical Central Heating		19,125	19,125	19,507	19,897	21,886	80,415
10	Electrical Rewires	990,000	658,000	1,648,000	1,091,320	1,041,966	858,000	4,639,286
11	Estate Improvements		40,000	40,000	40,000	40,000	40,000	160,000
12	Flat Entrance Fire Door Replacements		250,000	250,000	-	-	-	250,000
13	Fire Risk Assessment Works		402,000	402,000	63,000	63,000	63,000	591,000
14	Garage Upgrades		100,000	100,000	100,000	-	-	200,000
15	Kitchen Replacements		587,500	587,500	616,875	647,719	680,105	2,532,199
16	LAINGS Refurbishments	1,000,000	986,911	1,986,911	529,053	-	-	2,515,964
17	Loft and Cavity Insulation	106,000	84,000	190,000	170,000	170,000	170,000	700,000
18	Older Persons - Alarms & Smoke Detectors		100,000	100,000	-	-	-	100,000
19	Other Works		50,000	50,000	50,000	50,000	50,000	200,000
20	Reroofing - Flats	(100,000)	880,300	780,300	795,906	596,000	600,000	2,772,206
21	Reroofing - Houses		410,000	410,000	410,000	626,000	530,000	1,976,000
22	Re-roofing Replacement Works - Shilhay	475,000	190,000	665,000	-	-	-	665,000
23	Rennes House Structural Works	400,000	1,077,910	1,477,910	2,393,000	-	-	3,870,910
24	Soil Vent Pipe Replacement		25,500	25,500	26,000	26,500	27,000	105,000
25	Structural Repairs		150,000	150,000	150,000	150,000	150,000	600,000
26	Window Replacements		746,002	746,002	760,922	776,141	796,141	3,079,206
27	ZEBCat Project		-	-	480,000	-	-	480,000
	Sub total - Investment in Existing Stock			12,832,312	9,775,824	6,112,422	5,897,814	34,618,372
INFORMATION TECHNOLOGY								
28	Replacement Housing Management System		125,000	125,000	-	-	-	125,000
PROVISION OF NEW COUNCIL HOMES								
29	Social Housing Acquisitions - Section 106	250,000	190,000	440,000	500,000	-	-	940,000
30	COB Wave 2 - Rennes House Car Park	1,281,591	190,240	1,471,831	-	-	-	1,471,831
31	St Loyes Extracare Scheme	1,906,210	2,126,498	4,032,708	5,820,104	-	-	9,852,812
	Sub total - Investment in the Provision of New Homes			5,944,539	6,320,104	-	-	12,264,643
Total HRA Capital Programme		7,958,801	10,943,050	18,901,851	16,095,928	6,112,422	5,897,814	47,008,015

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EXETER CITY COUNCIL

REPORT TO: SCRUTINY COMMITTEE – CORPORATE
EXECUTIVE
COUNCIL

DATE OF MEETING: CORPORATE – 26 JANUARY 2017
EXECUTIVE – 14 FEBRUARY 2017
COUNCIL – 21 FEBRUARY 2017

REPORT OF: ASSISTANT DIRECTOR FINANCE
TITLE: TREASURY MANAGEMENT STRATEGY REPORT 2017/18

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 2017/18, 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.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

4. What are the resource implications including non financial resources

Treasury Management is carried out by the Finance team of the Council, with advice procured from a specialist advisor. Prudent Treasury Management supports the Council's financial position by generating interest on investments / deposits and seeking to minimise the amount of interest paid on borrowing.

5. Section 151 Officer comments:

The Council's Treasury Management Strategy forms an integral part of the Council's financial management. No changes to the policy are being sought this year.

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:

- The 2016/17 strategy for In-house investments requested the authorisation to invest in property funds. An investment in the CCLA – LAMIT fund has been made and details of the dividend yield are included in paragraph 3.2 of Appendix A attached to this report.
- 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.
- There are no proposed amendments to the lending limits for UK owned banks or building societies or foreign owned banks that deal in sterling in the 2017/18 strategy.
- Paragraph 3 of Appendix A attached to this report, 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 2017/18

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 medium term outlook for the UK economy is dominated by the negotiations to leave the EU. The long-term position of the UK economy will be largely dependent on the agreements the government is able to secure with the EU and other countries.

Recent data presents a more positive picture for the post-Referendum UK economy than predicted due to continued strong household spending. Over the medium term, economic and political uncertainty will likely dampen investment intentions and tighten credit availability, prompting lower activity levels and potentially a rise in unemployment.

The currency-led rise in CPI inflation (currently 1.2% year/year) will continue, breaching the target in 2017, which will act to slow real growth in household spending due to muted or negative real wage growth.

2.2 Interest rate forecasts

The Authority's treasury advisor Arlingclose projects the UK Bank Rate to remain at 0.25% for the foreseeable future, but advise there is a low possibility of a drop to close to zero.

2.3 *Arlingclose central interest rate forecast – December 2016*

Period	Bank Rate	20-year PWLB rate
Mar 2017	0.25	2.30
June 2017	0.25	2.25
Sept 2017	0.25	2.25
Dec 2017	0.25	2.25
Mar 2018	0.25	2.30
June 2018	0.25	2.30
Sept 2018	0.25	2.30
Dec 2018	0.25	2.35
Mar 2019	0.25	2.40
Jun 2019	0.25	2.45
Sept 2019	0.25	2.50
Dec 2019	0.25	2.55
Mar 2020	0.25	2.60

* 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 1st December 2016 was as follows:

Property Funds

Amount	Investment	Dividend Yield
5,000,000	CCLA - LAMIT Fund	4.86%

Money Market Funds

Amount	Investment	Interest Rate
5,000,000	Standard Life	0.43%
5,000,000	Federated Investors	0.41%
1,500,000	Amundi Asset Management	0.34%
1,500,000	BlackRock	0.29%

Fixed Term Deposits

Amount	Investment	Interest Rate	No of Days Invested	Maturity Date
3,000,000	Woking Borough Council	0.35%	182	22/05/2017
3,000,000	Commonwealth Bank of Australia	0.30%	112	30/01/2017
3,000,000	United Overseas Bank	0.28%	91	12/12/2016
3,000,000	Nationwide Building Society	0.28%	91	31/01/2017

Borrowings

3.3 The Council's short term borrowing is currently £10m, this increased from £5m with effect from 1 February 2016. Long term borrowing remains at £56.884m. Details of the loans are set out below.

Existing Loans

Amount	Lender	Interest rate	Date of repayment
£10,000,000	Oxfordshire County Council	0.98%	01/02/2018
£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 £10 million on 31st March 2017. The future cash flow forecast includes planned borrowing of £3 million as part of the 2017/18 capital programme. The decision of whether to take external long-term borrowing will be made in light of current and forecast interest rates and the decision is delegated to the section 151 Officer and Leader of the Council.

3.5 Budget implications

The net budget for interest payments in 2017/18 is £150,000 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 limit¹	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 2017/18 – 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 (Standard Life, Blackrock, Federated, Amundi and CCLA) and use short-dated deposits 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.
- 5.4 The 2016/17 strategy requested approval to allow investments to be made in property funds. Such funds are pooled investment products and are accessed on a traded share basis rather than a fixed cash deposit sum. The investment in the property fund is a long term commitment which means that there has been a small fluctuation on the return from the investment to date and this will continue to be the case.

An initial amount of £3m was placed in the fund in April 2016 with a further £2m added at the end of November. The dividend yield on this investment is currently 4.86% and it has fluctuated between 4.8% and 5% between April and November.

6. Borrowing Strategy

- 6.1 The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31st March 2017 is expected to be £96.1 million, and is forecast to rise to £110.5 million by March 2018 as capital expenditure is incurred.
- 6.2 The maximum expected long-term borrowing requirement for 2017/18 is:

	£m
Not borrowed in previous years	39.2
Long term borrowing (HRA)	56.9
Forecast increase in CFR	14.4
Loans maturing in 2016/17	0.0
TOTAL	110.5

- 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 two years) to cover cash flow shortages.

Currently the Council has borrowing of £10 million, which was taken for a period of 2 years at a rate of 0.98%.

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, or to borrow short-term loans. 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.

If required, the council may arrange forward starting loans during 2017/18, where the interest rate is fixed in advance, but the cash is received in a later period.

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
DECEMBER 2016

REPORT TO **CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL**

Date of Meeting: **Corporate Services Scrutiny Committee - 26 January 2017
Executive - 14 February 2017
Council - 21 February 2017**

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?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To set out the proposed 2017/18 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 Corporate Services Scrutiny Committee supports and the Executive recommends to Council to approve 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”.

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 2017/18 and the annual statement of Minimum Revenue Provision. The Section 151 Officer is satisfied that the Capital Programme and any associated borrowing remains affordable to both the General Fund and HRA.

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. More detailed information is set out in paragraph 3 above.

7. Monitoring Officer's comments:

The report raises no issues for the Monitoring Officer.

8. Report Details:

PRUDENTIAL INDICATORS

8.1 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 10 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 11 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 2017/18

The Council's MRP policy is to match borrowing against specific capital investment and adopt either the Asset Life (Equal Instalment) or the Asset Life (Annuity) 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. They are 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 2016/17 is likely to be approximately £96.08 m, some of which has financed redundancy payments and other shorter dated expenditure. Therefore MRP for 2017/18 will be calculated based on the capital financing requirement at the end of 2016/17 using the varying periods of repayment. The MRP charge for 2017/18 will be approximately £0.764 million. For the avoidance of doubt, it is proposed to use both options from 2016/17 onwards.

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	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
KEEP PLACE LOOKING GOOD	252	534	0	0	0
KEEP ME/MY ENVIRONMENT SAFE & HEALTHY	618	1,221	1,627	400	400
HELP ME FIND SOMEWHERE TO LIVE	765	1,435	664	379	379
WELL RUN COUNCIL	2,319	1,021	2,084	184	154
PROVIDE GREAT THINGS FOR ME TO SEE & DO	1,499	355	56	56	56
MAINTAIN THE ASSETS OF OUR CITY	0	69	0	0	0
DELIVER GOOD DEVELOPMENT	1,748	2,662	18,851	6,537	0
HELP ME RUN A SUCCESSFUL BUSINESS	0	0	0	0	0
Total General Fund Capital Expenditure	7,201	7,297	23,282	7,556	989

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	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Interest payable with respect to short term borrowing	155	320	320	320	320
Interest payable under 'irredeemable' long term liabilities	0	0	0	0	0
Interest and investment income	(50)	(170)	(170)	(170)	(170)
Replacement for Minimum Revenue Provision (England and Wales)	818	766	764	1,051	988
Voluntary contribution to financing costs in respect of short-life assets	1,477	2,000	1,000	1,000	1,000
Total General Fund Financing Costs	2,400	2,916	1,914	2,201	2,138

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'.

Description	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Financing costs	2,400	2,916	1,914	2,201	2,138
Net revenue stream (General Fund Expenditure - Budget Book/Financial Strategy)	12,227	11,882	11,865	11,701	11,561
Ratio of financing costs to net revenue stream %	19.6	24.5	16.1	18.8	18.5
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	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Total budgetary requirements for the authority with existing capital programme	10,661	11,701	11,561
Total budgetary requirements for the authority with proposed capital programme	11,865	11,701	11,561
Difference	1,204	0	0
Incremental Impact on Band D Council Tax	£33.26	£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 2016

	£'000
Property, Plant and Equipment	131,004
Investment Properties	37,419
Heritage Assets	22,643
Intangible Assets / Other Long term Assets	4,622
Revaluation Reserve	(70,516)
Capital Adjustment Account	(91,024)
General Fund Capital Financing Requirement 31 March 2016	34,148

Estimated General Fund Capital Financing Requirement at 31 March 2017

Estimate of General Fund Capital Financing Requirement 31 March 2016	34,148
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	4,054
Estimate of General Fund Capital Financing Requirement 31 March 2017	38,202

Estimated General Fund Capital Financing Requirement at 31 March 2018

Estimate of General Fund Capital Financing Requirement 31 March 2017	38,202
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	14,365
Estimate of General Fund Capital Financing Requirement 31 March 2018	52,567

Estimated General Fund Capital Financing Requirement at 31 March 2019

Estimate of General Fund Capital Financing Requirement 31 March 2018	52,567
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	(3,159)
Estimate of General Fund Capital Financing Requirement 31 March 2019	49,408

Estimated General Fund Capital Financing Requirement at 31 March 2020

Estimate of General Fund Capital Financing Requirement 31 March 2019	49,408
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(4,616)
Estimate of General Fund Capital Financing Requirement 31 March 2020	44,792

HRA Prudential Indicator Calculations

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

HRA Capital Expenditure

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

Description	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
MAINTAIN OUR PROPERTY ASSETS	5,910	4,340	12,957	9,776	6,112
HELP ME FIND SOMEWHERE TO LIVE	1,976	3,871	5,945	6,320	0
Total HRA Capital Expenditure	7,886	8,211	18,902	16,096	6,112

HRA Financing costs

Description	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Interest payable with respect to short term borrowing	0	0	0	0	0
Interest payable under 'irredeemable' long term liabilities	1,980	1,980	1,980	1,980	1,980
Interest and investment income	(103)	(164)	(120)	(64)	(64)
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	1,877	1,816	1,860	1,916	1,916

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 rent income.

Description	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Financing costs	1,877	1,816	1,860	1,916	1,916
Net revenue stream	20,939	19,095	21,167	19,234	18,490
Ratio of financing costs to net revenue stream %	9.0	9.5	8.8	10.0	10.4
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	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Forecast HRA budgetary requirements for the authority with existing HRA capital programme	23,027	21,150	20,406
Forecast HRA budgetary requirements for the authority with proposed HRA capital programme	23,027	21,150	20,406
Difference	0	0	0
Incremental Impact on average weekly housing rents	£0.00	£0.00	£0.00

HRA Capital Financing Requirement

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

Actual HRA Capital Financing Requirement at 31 March 2016

Description	£'000
Property, Plant and Equipment	215,776
Investment Properties	0
Revaluation Reserve	(18,841)
Capital Adjustment Account	(139,053)
Actual 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	7,886
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	(7,886)
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	8,211
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(8,211)
Estimate of HRA Capital Financing Requirement 31 March 2018	57,882

Estimated HRA Capital Financing Requirement at 31 March 2019

Estimate of HRA Capital Financing Requirement 31 March 2018	57,882
Estimate of change in Property, Plant and Equipment	18,902
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	(18,902)
Estimate of HRA Capital Financing Requirement 31 March 2019	57,882

Estimated HRA Capital Financing Requirement at 31 March 2020

Estimate of HRA Capital Financing Requirement 31 March 2019	57,882
Estimate of change in Property, Plant and Equipment	16,096
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	(16,096)
Estimate of HRA Capital Financing Requirement 31 March 2020	57,882

CLG Limit on indebtedness

The limit on indebtedness for the HRA is £57.882 m

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

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

Description	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Incremental Impact on Band D Council Tax	£33.26	£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	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate
Incremental Impact on Average Weekly Housing Rents	£0.00	£0.00	£0.00

Total Actual / Estimates of Capital Expenditure

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

Description	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Total General Fund Capital Expenditure	7,201	7,297	23,282	7,556	989
Total HRA Capital Expenditure	7,886	8,211	18,902	16,096	6,112
Total Actual / Estimates of Capital Expenditure	15,087	15,508	42,184	23,652	7,101

Prudential Indicator CalculationsTotal Actual / Estimates of Financing Costs

Description	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Total General Fund Financing Costs	2,400	2,916	1,914	2,201	2,138
Total HRA Financing Costs	1,877	1,816	1,860	1,916	1,916
Total Actual / Estimates of Financing Costs	4,277	4,732	3,774	4,117	4,054

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 rent income.

Description	2015/16 Actual %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %
General Fund Ratio of Financing Costs to Net Revenue Stream	19.6	24.5	16.1	18.8	18.5
HRA Ratio of Financing Costs to Net Revenue Stream	9.0	9.5	8.8	10.0	10.4

Prudential Indicator CalculationsActual / Estimates of Capital Financing Requirement

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

Description	2015/16 Actual £'000	2016/17 Estimate £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
General Fund Capital Financing Requirement	34,148	38,202	52,567	49,408	44,792
HRA Capital Financing Requirement	57,882	57,882	57,882	57,882	57,882
Total Actual / Estimates of Capital Financing Requirement	92,030	96,084	110,449	107,290	102,674

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	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Borrowing	130,000	135,000	140,000
Other long term liabilities	0	0	0
Authorised Limit	130,000	135,000	140,000

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	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000
Borrowing	125,000	130,000	135,000
Other long term liabilities	0	0	0
Operational Boundary	125,000	130,000	135,000

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	2015/16 Actual £'000
Actual borrowing as at 31 March 2016	66,922
Actual long term liabilities as at 31 March 2016	0
Actual External Debt as at 31 March 2016	66,922

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 2016	92,030

2016/17 Estimated Change in Capital Financing Requirement	
Capital expenditure	15,508
Application of useable capital receipts	(1,473)
Application of capital grants/contributions	(7,215)
The replacement for MRP	(766)
Additional voluntary contributions	(2,000)
Total Estimated Change in Capital Financing Requirement 2016/17	4,054

2017/18 Estimated Change in Capital Financing Requirement	
Capital expenditure	42,184
Application of useable capital receipts	(5,196)
Application of capital grants/contributions	(20,829)
The replacement for MRP	(764)
Additional voluntary contributions	(1,000)
Total Estimated Change in Capital Financing Requirement 2017/18	14,395

Prudential Indicator Calculations

2018/19 Estimated Change in Capital Financing Requirement	
Capital expenditure	23,652
Application of useable capital receipts	(1,000)
Application of capital grants/contributions	(23,760)
The replacement for MRP	(1,051)
Additional voluntary contributions	(1,000)
Total Estimated Change in Capital Financing Requirement 2018/19	(3,159)

Capital Financing Requirement:	
Opening Balance 2015/16	92,030
Estimated Closing Balance 2018/19	107,320
This is an increase over the three years of	15,290

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	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total projected interest payable on borrowing	2,300	2,300	2,300
Total projected interest receivable on investments	(290)	(234)	(234)
Net Interest	2,010	2,066	2,066
Upper limit - fixed rates = 100%	(290)	(234)	(234)
Upper limit - variable rates = 20%	(58)	(47)	(47)

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 CalculationsPrincipal 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 31/3/2016
	£'000
Longer-term investments	7,102
Less - Held for operational purposes	0
Current Assets - Investments	10
Current Assets - Cash and at Bank	0
Total available for investment longer term	7,112

Limits to be placed on investments to final maturities beyond year end:	£'000
31/03/2017	3
31/03/2018	0
31/03/2019	0

REPORT TO: CORPORATE SERVICES SCRUTINY COMMITTEE
DATE OF MEETING: 26 January 2017
REPORT OF: Assistant Director Finance
TITLE: Corporate Scrutiny Committee - Estimates 2017-18

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

This report sets out the proposed revenue and capital estimates for 2017-18 in respect of Corporate Services.

2. Recommendations:

That Members of Scrutiny Committee – Corporate support the estimates for 2017-18 and recommend their approval at the Special Meeting of the Council on 21 February 2017.

3. Reasons for the recommendation:

Local authorities have a statutory duty to set an annual budget and to monitor the budget throughout the year.

4. What are the resource implications including non financial resources

The financial resources required to deliver Corporate Services during 2017-18 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 revenue and capital estimates for 2017-18 in respect of Corporate Services.

6. What are the legal aspects?

Part 2 of the Local Government Act 2003 provides the legislative framework for the process of setting and managing budgets. The act places a duty on authorities to set robust estimates, maintain adequate reserves.

7. Monitoring Officer Comments:

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

8. Report Details:

BUDGET FRAMEWORK FOR CORPORATE SERVICES

8.1 ANNUAL BUDGET SETTING

Budgets are revisited each year to make amendments for assumptions made on interest

rates, inflation and other changed circumstances.

8.2 INFLATION

An overall allowance of (£42,320) has been set aside for inflation within Corporate Services. The inflationary increases allowed in the budgets are:

Pay award	1.0%
Pay – Increments	0.5%
Electricity	1.5%
Gas	1.5%
Oil	1.5%
Water	0.0%
Insurance	5.0%
Rates	1.2%
Fuel	0.0%
General Inflation	0.0%
Income (excluding Car Parks)	1.5%

General inflation has again been held at zero; however, where there are contracts in place, inflation at around the Retail Price Index (RPI) has been added.

8.3 INTEREST RATES

In respect of interest rates, next year's budget assumes that the base rate will remain low meaning the cost of borrowing will remain at current levels. The Council will continue to monitor the cost of borrowing and if it is likely that it will increase borrowing over a longer time-frame will be considered.

8.4 RESOURCES AVAILABLE 2017/18

4 year Settlement

During the settlement for 2016-17, the Government offered Local Authorities the opportunity to apply for a 4 year agreed settlement subject to producing an efficiency plan. The Council took up this offer and were notified in November that the Government had agreed the Settlement.

The provisional settlement for 2017-18 therefore reflects the figures in the Medium Term Financial Plan.

Resources remain as per the medium term financial plan as the Government has agreed the four year settlement.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
RSG	2,022	1,320	869	365	0
Council Tax	5,030	5,338	5,472	5,697	5,925
Business Rates	4,830	5,207	5,360	5,499	5,460
Resources	11,882	11,865	11,701	11,561	11,385
Increase/(decrease)		(17)	(164)	(140)	(176)
Annual % change		(0.1%)	(1.4%)	(1.2%)	(1.5%)

The Government has announced in respect of the local authority tax referendum threshold, that Shire District councils will be allowed increases of less than 2% or up to and including £5, whichever is higher. Upper Tier Authorities may increase their Council Tax by up to three per cent above the threshold as long as the additional income is spent on Adult Social Care. This is on top of the 1.99% increase they may make for other services but can total no more than 6% over the next three years. Exeter's budget strategy for next year assumes that council tax will increase by £5, which, along with the estimated surplus on the collection fund of £87,500 and increase in the tax base will raise an extra £308,000.

8.5 GENERAL FUND CAPITAL PROGRAMME

The proposed General Fund Capital Programme for the next three years has been established. The total of the current programme is as follows:

	2017/18 £'000	2018/19 £'000	2019/20 £'000
New Bids	252	0	0
Pre-approved	1832	184	154
Total	2,085	184	154

A list of the proposed new schemes for Scrutiny Committee - Corporate is attached at Appendix 1.

8.6 KEY BUDGET CHANGES PROPOSED FOR 2017-18

The table below sets out the key changes between the budgets for the current financial year and the draft estimates for 2017-18. In addition to the key changes below, internal Support Service Allocations have been reviewed producing a reduction in expenditure for this committee of £949,960.

This is mainly due to the costs of Strategic Management being held corporately, pending the Senior Management re-structure; previously these were allocated to individual budgets. Furthermore, Capital Charges have increased by £15,880. Please also refer to Appendix 2.

MU Code	Management Unit	Commentary
83A1	Corporate Property – Estates	<ul style="list-style-type: none"> Asset Improvement and Maintenance budget has been reduced. Removal of one year funded budget in respect of South Street redevelopment. Income from property portfolio reduced due to the bus station redevelopment.
86A2	Elections & Electoral Registration	<ul style="list-style-type: none"> The budget in respect of District Council Elections had been reduced.
86A5	Democratic Representation	<ul style="list-style-type: none"> Pay budgets have been increased due to additional posts being included.

MU Code	Management Unit	Commentary
86A6	Grants / Central Support / Consultation	<ul style="list-style-type: none"> • Additional budget has been proposed to support the Communications and Marketing function. • Movement of part of a post from Central Support to Economic Development to reflect the work being undertaken.
86A7	Unapportionable Overheads	<ul style="list-style-type: none"> • The budgeted increase is for the revised employers' contribution rate for the Local Government Pension Scheme which has increased from 14.1% to 15.8%. This budget line holds the increase for all of ECC's employees.
86B3	Human Resources	<ul style="list-style-type: none"> • Budgets have increased to include the new Apprentice Levy and an additional number of apprentice posts.
83B5	Corporate Support	<ul style="list-style-type: none"> • NNDR budget in respect of Civic Centre has reduced as a result of the business rate revaluation. • Pay budgets have reduced due to the transfer of a post to Legal Services.
86B7	Strategic Management	<ul style="list-style-type: none"> • This area now includes the budgets for the Assistant Directors, pending the Senior Management restructure.
86B8	Procurement	<ul style="list-style-type: none"> • The increase in the pay budget is offset by, at least, an equivalent amount of savings.

8.7 FEES AND CHARGES

The proposed Fees and Charges for Corporate Services in 2017-18 are included at Appendix 3.

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

Corporate Service budgets contribute to 3 key purposes, as set out in the Corporate Plan; keep me/my environment safe and healthy, keep place looking good, help me find somewhere to live.

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

The key risks revolve around ensuring that the Council has sufficient funds to both meet the financial plans set out in the report and to protect itself against any unexpected expenditure that occurs. The risk is mitigated by ensuring that there are sufficient reserves held to offset unexpected expenditure needs. Regular monitoring is undertaken and reported to both the Strategic Management Team and Members.

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?

No impact

12. Are there any other options?

No

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

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CORPORATE SERVICES - CAPITAL PROGRAMME 2017/18 AND FUTURE YEARS					
SCHEMES LISTED WITHIN COUNCIL PURPOSES	2017/18	2018/19	2019/20	Future Years	What the scheme is trying to achieve
	£	£	£	£	
CORPORATE SERVICES					
WELL RUN COUNCIL					
Annual Contribution to Strata	53,900	53,900	53,900	53,900	Contribution to Strata led projects
Idox System for Planning	18,700				
Convergence Projects	#	186,690			
Condition Surveys - Priority 1	#	20,000			To replace damaged and defective roller shutter doors at Wonford Community Centre to further decrease Health and Safety risk of accessing roof areas by climbing.
Condition Surveys - Priority 2	#	45,500			Civic Centre: kitchen replacements to mitigate Health and Safety risks caused by water ingress and bacteria growth; and customer first and committee room air-conditioning system end of life replacement. Wonford Community Centre: replacement of boiler controls and replacement of external doors. Figures provided are derived from external consultant estimates and are only an indication of likely expenditure. Accurate funding need will only become available once schemes have been through initial procurement stages.
Customer Contact Platform	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.
Energy Saving Projects	1,614,550				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	100,000	100,000	100,000	100,000	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.

CORPORATE SERVICES - CAPITAL PROGRAMME 2017/18 AND FUTURE YEARS					
SCHEMES LISTED WITHIN COUNCIL PURPOSES	2017/18	2018/19	2019/20	Future Years	What the scheme is trying to achieve
	£	£	£	£	
Sub Total - Well run Council	2,084,340	183,900	153,900	153,900	
CORPORATE SERVICES TOTAL	2,084,340	183,900	153,900	153,900	

New Bids #	252,190	0	0	0
Pre-Approved	1,832,150	183,900	153,900	153,900
TOTAL CAPITAL PROGRAMME	2,084,340	183,900	153,900	153,900

APPENDIX 2

5CORP - CORPORATE SERVICES

Subjective Analysis	BASE ESTIMATE 2016/2017	INFLATION	NEW PROPOSALS RECURRING	NEW PROPOSALS NON-RECURRING	OTHER ADJUSTMENTS	NEW ESTIMATE 2017/2018
PAY	5,696,990	60,930	651,800	(32,140)	500,300	6,877,880
PREMISES	1,714,610	6,760	(108,890)	(8,110)	(9,130)	1,595,240
SUPPLIES & SERVICES	3,664,320	4,790	(58,000)	(107,250)	23,520	3,527,380
TRANSPORT	24,430	160	0	0	(1,690)	22,900
SUPPORT SERVICES	3,183,890	0	0	0	(949,960)	2,233,930
CAPITAL CHARGES	323,800	0	0	0	15,880	339,680
Total Expense	14,608,040	72,640	484,910	(147,500)	(421,080)	14,597,010

INCOME	(11,169,710)	(114,960)	0	0	628,870	(10,655,800)
Total Income	(11,169,710)	(114,960)	0	0	628,870	(10,655,800)

Net Expenditure	3,438,330	(42,320)	484,910	(147,500)	207,790	3,941,210
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Represented By						
83A1 PROPERTY & ESTATES SERVICES	(2,609,990)	(6,130)	(74,390)	(75,000)	100,140	(2,665,370)
83C4 PROPERTIES	(28,710)	50	0	0	2,410	(26,250)
83C5 CORPORATE PROPERTY MAINTENANCE	1,368,330	(1,960)	0	0	(64,980)	1,301,390
83C6 CORPORATE ENERGY TEAM	0	1,580	0	0	7,550	9,130
86A2 ELECTIONS & ELECTORAL REG	374,040	3,200	0	(55,900)	3,650	324,990
86A3 CORPORATE	630,350	(2,840)	0	0	(432,410)	195,100
86A4 CIVIC CEREMONIALS	240,160	2,740	(4,700)	(10,000)	7,440	235,640
86A5 DEMOCRATIC REPRESENTATION	772,320	7,540	53,960	0	110,750	944,570
86A6 GRANTS/CENT SUPP/CONSULTATION	889,080	(70)	80,000	0	(203,520)	765,490
86A7 UNAPPORTIONABLE OVERHEADS	1,802,750	1,410	320,000	0	(234,140)	1,890,020
86B1 FINANCIAL SERVICES	0	(3,450)	0	0	6,560	3,110
86B2 INTERNAL AUDIT	0	(450)	0	0	450	0
86B3 HUMAN RESOURCES	0	(4,860)	157,840	0	(61,700)	91,280
86B4 LEGAL SERVICES	0	(1,520)	0	0	1,520	0
86B5 CORPORATE SUPPORT	0	(7,790)	(29,800)	(6,600)	44,190	0
86B6 IT SERVICES	0	(28,890)	(18,000)	0	19,980	(26,910)
86B7 STRATEGIC MANAGEMENT	0	(490)	0	0	896,950	896,460
86B8 PROCUREMENT	0	(390)	0	0	2,950	2,560
Net Cost	3,438,330	(42,320)	484,910	(147,500)	207,790	3,941,210

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CORPORATE SERVICES

2016-17

Proposed Charges for 2017-18

	2016-17				Proposed Charges for 2017-18			
	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code
A SUPPLY OF PHOTOCOPIES								
Monochrome A4	0.25	0.05	0.30	3	0.33	0.07	0.40	3
A3	0.50	0.10	0.60	3	0.58	0.12	0.70	3
Colour A4	1.42	0.28	1.70	3	1.50	0.30	1.80	3
A3	2.67	0.53	3.20	3	2.75	0.55	3.30	3
B HIRE OF COMMITTEE ROOMS AT CIVIC CENTRE								
For official and quasi-official purposes (as determined by Committee)	No Charge				No Charge			
Other Organisations								
Committee Room A - Bad Homburg (1/2 day up to 7.30pm)	50.00	10.00	60.00	3	54.17	10.83	65.00	3
Committee Room B - Rennes (1/2 day up to 7.30pm)	62.50	12.50	75.00	3	66.67	13.33	80.00	3
A & B - Bad Homburg & Rennes (as one room) (1/2 day up to 7.30pm) (special charge after 8pm to be negotiated)	116.67	23.33	140.00	3	125.00	25.00	150.00	3
Morning Coffee (Per cup)	0.75	0.15	0.90	3	0.83	0.17	1.00	3
Afternoon Tea (Per cup)	0.58	0.12	0.70	3	0.67	0.13	0.80	3
C DATA PROTECTION ACT ENQUIRIES								
(Maximum subject to Data Protection Act)	11.00	-	11.00	9	11.20	-	11.20	9
D COUNCIL MINUTES								
Inclusion on mailing list (per annum) for:								
1 Council Agenda/Committee Minutes	52.50	-	52.50	7	55.00	-	55.00	7
2 Planning Committee Agenda	120.00	-	120.00	7	125.00	-	125.00	7
3 Executive	85.00	-	85.00	7	90.00	-	90.00	7
4 Other Committee/Sub-committee Agenda	52.50	-	52.50	7	55.00	-	55.00	7
E GENERAL CONVEYANCING, SALE OF COUNCIL HOUSING, ETC.								
All recharges have been based on the actual amount of work involved, the market rate and at the discretion of the Corporate Manager Legal								
F GUILDHALL LETTINGS								
Note: Fees and charges are at the discretion of the Corporate Manager Democratic and Civic Support owing to the competition in the market								
(a) Private Hire - Charges are per hour (or part thereof) for the room only - minimum charge £100.00								
(i) Main Hall								
Monday - Saturday								
08.30 - 17.00	50.00	10.00	60.00	3	54.17	10.83	65.00	3
17.00 - 20.00	70.83	14.17	85.00	3	75.00	15.00	90.00	3
20.00 - 00.00	95.83	19.17	115.00	3	100.00	20.00	120.00	3
Sunday	118.75	23.75	142.50	3	125.00	25.00	150.00	3
(ii) Jury Room								
Monday - Saturday								
08.00 - 17.00	33.33	6.67	40.00	3	37.50	7.50	45.00	3
17.00 - 20.00	50.00	10.00	60.00	3	54.17	10.83	65.00	3
20.00 - 00.00	62.50	12.50	75.00	3	66.67	13.33	80.00	3
Sunday	79.17	15.83	95.00	3	83.33	16.67	100.00	3
(iii) Main Hall and Jury Room								
Monday - Saturday								
08.30 - 17.00	70.83	14.17	85.00	3	75.00	15.00	90.00	3
17.00 - 20.00	108.33	21.67	130.00	3	116.67	23.33	140.00	3
20.00 - 00.00	141.67	28.33	170.00	3	158.33	31.67	190.00	3
Sunday	175.00	35.00	210.00	3	191.67	38.33	230.00	3

(b) Charity Hire - Charges are per hour (or part thereof) for the room only - minimum charge £50.00

(i) Main Hall

Monday - Saturday

08.30 - 17.00	25.00	5.00	30.00	3	29.17	5.83	35.00	3
17.00 - 20.00	37.50	7.50	45.00	3	41.67	8.33	50.00	3
20.00 - 00.00	50.00	10.00	60.00	3	54.17	10.83	65.00	3
Sunday	60.42	12.08	72.50	3	66.67	13.33	80.00	3

(ii) Jury Room

Monday - Saturday

08.00 - 17.00	16.67	3.33	20.00	3	20.83	4.17	25.00	3
17.00 - 20.00	25.00	5.00	30.00	3	29.17	5.83	35.00	3
20.00 - 00.00	33.33	6.67	40.00	3	37.50	7.50	45.00	3
Sunday	41.67	8.33	50.00	3	43.75	8.75	52.50	3

(iii) Main Hall and Jury Room

Monday - Saturday

08.30 - 17.00	37.50	7.50	45.00	3	41.67	8.33	50.00	3
17.00 - 20.00	54.17	10.83	65.00	3	58.33	11.67	70.00	3
20.00 - 00.00	70.83	14.17	85.00	3	75.00	15.00	90.00	3
Sunday	91.67	18.33	110.00	3	100.00	20.00	120.00	3