

CORPORATE SERVICES SCRUTINY COMMITTEE

Date: Thursday 23 November 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), Baldwin, Hannan, Harvey, Holland, Lamb, Owen, Morris and Musgrave

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 28th September 2017.

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

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of item 12 on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part 1, 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 - <https://exeter.gov.uk/councillorsfaq/>.

6 Questions from Members of the Council under Standing Order 20

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

ITEMS FOR DISCUSSION

7 Budget Monitoring (Quarter 2)

To consider the report of the Chief Finance Officer.

(Pages 5 - 8)

ITEMS FOR CONSIDERATION BY THE EXECUTIVE

8 Capital Monitoring Statement to 30 September 2017

To consider the report of the Chief Finance Officer.

(Pages 9 - 22)

9 Overview of the Revenue Budget 2017/18

To consider the report of the Chief Finance Officer.

(Pages 23 - 34)

10 Treasury Management - Half Year Report 2017/18

To consider the report of the Chief Finance Officer.

(Pages 35 - 50)

11 Discretionary Rates relief

To consider the report of the Chief Finance Officer.

(Pages 51 - 76)

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

12 St Nicholas Priory - Repair Update and Asset Transfer

To consider the report of the City Surveyor.

(Pages 77 - 84)

Date of Next Meeting

The next scheduled meeting of the Corporate Services Scrutiny Committee will be held on **Thursday 25 January 2018 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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REPORT TO SCRUTINY COMMITTEE CORPORATE
Date of Meeting: 23 November 2017
Report of: Chief Finance Officer
Title: Budget Monitoring Report - Quarter 2

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

This report advises Members of any material differences to the revised budget in respect of Corporate Committee.

2. Recommendations:

That Members of Scrutiny Committee – Corporate note the content of this report in order to be satisfied that prudent steps are being taken to address the key areas of budgetary pressure highlighted in this report.

3. Reasons for the recommendation:

Local authorities have a statutory duty to set and monitor their budgets during the year and to take any actions necessary because of potential overspending or potential shortfalls in income. Members are therefore presented with a quarterly financial update in respect of Corporate.

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 projected financial position of Corporate Services as at 31 March 2018.

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. In particular, Section 28 of the 2003 Act requires local authorities to monitor their budgets during the financial year.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report Details:

Corporate Budget Monitoring – Quarter 2

8.1 Key Variations from Budget

The current forecast suggests that net expenditure for this committee will decrease from the revised budget by a total of £46,150 after transfers from reserves and revenue contributions to capital, as detailed in Appendix 1. This represents a variation of 0.58% from the revised budget. This includes supplementary budgets of £573,430 already agreed previously.

8.2 The significant variations (by management unit) are as follows:

MU Code	Management Unit	Over / (Underspend)	Detail
83A1	Corporate Property - Estates	30,800	<ul style="list-style-type: none"> Additional expenditure has been incurred in respect of a lease termination and Non-Domestic Rates charges. The income budget in respect of Paris Street properties will be exceeded.
86A7	Unapportionable Overheads	(90,000)	<ul style="list-style-type: none"> This potential underspend relates to Superannuation and is based upon known departures as at this date.
86B7	Strategic Management	(103,700)	<ul style="list-style-type: none"> An under-spend is anticipated on the cost of employee budgets mainly due to: vacancies; a reduction of hours, and recharges to the Housing Revenue Account.

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

Corporate budgets contribute to 3 key purposes, as set out in the Corporate Plan; maintain the assets of our city, well run Council and customer access to help me with my housing and financial problem.

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

An action plan addressing the key areas of budgetary risks within Corporate will be included if and when they arise.

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

DAVE HODGSON
Chief Finance Officer

Authors: Marie Holt & Paul Matravers

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

**CORPORATE SERVICES SCRUTINY COMMITTEE
OUTTURN**

APRIL 2017 TO MARCH 2018

ACTUAL TO DATE - August 2017			YEAR END FORECAST				
PROFILED BUDGET	ACTUAL TO DATE	VARIANCE TO DATE	CODE	APPROVED BUDGET	OUTTURN	OUTTURN VARIANCE	Q1 OUTTURN VARIANCE
£	£	£		£	£	£	£
(1,454,195)	(1,403,598)	50,597	83A1 CORPORATE PROPERTY - ESTATES	(2,551,210)	(2,520,410)	30,800	31,310
(48,172)	(40,726)	7,445	83C4 PROPERTIES	(35,230)	(35,230)	0	0
737,552	353,319	(384,233)	83C5 CORPORATE PROPERTY - ASSETS	1,606,370	1,613,570	7,200	7,200
41,852	39,730	(2,122)	83C6 CORPORATE ENERGY TEAM	93,050	93,050	0	0
130,912	175,946	45,034	86A2 ELECTIONS & ELECTORAL REG	258,910	267,110	8,200	8,200
(21,387)	51,240	72,627	86A3 CORPORATE	(51,320)	(22,320)	29,000	0
70,196	73,450	3,254	86A4 CIVIC CEREMONIALS	202,830	210,570	7,740	0
254,677	250,468	(4,210)	86A5 DEMOCRATIC REPRESENTATION	621,170	613,360	(7,810)	0
944,017	809,387	(134,630)	86A6 GRANTS/CENT SUPP/CONSULTATION	1,510,890	1,530,890	20,000	20,000
671,881	515,462	(156,419)	86A7 UNAPPORTIONABLE OVERHEADS	1,635,870	1,545,870	(90,000)	0
227,070	232,927	5,857	86B1 FINANCIAL SERVICES	415,990	435,090	19,100	21,100
43,652	44,770	1,118	86B2 INTERNAL AUDIT	90,820	92,820	2,000	2,000
271,839	233,240	(38,600)	86B3 HUMAN RESOURCES	663,870	647,870	(16,000)	0
192,212	219,936	27,725	86B4 LEGAL SERVICES	117,430	117,430	0	0
395,455	398,945	3,490	86B5 CORPORATE SUPPORT	770,530	796,750	26,220	0
796,925	1,015,790	218,865	86B6 IT SERVICES	1,637,660	1,658,760	21,100	21,100
358,484	316,654	(41,830)	86B7 STRATEGIC MANAGEMENT	867,400	763,700	(103,700)	(98,290)
33,812	46,679	12,867	86B8 PROCUREMENT	68,300	88,300	20,000	0
3,646,783	3,333,619	(313,164)	NET EXPENDITURE	7,923,330	7,897,180	(26,150)	12,620

TRANSFERS TO / (FROM) EARMARKED RESERVES	
86A6 - Grants funded by NHB Reserve	(20,000)
REVENUE CONTRIBUTION TO CAPITAL	
OUTTURN FOR THE YEAR AFTER MOVEMENTS TO/FROM RESERVES	7,877,180
REVISED BUDGETS	7,923,330
OUTTURN VARIANCE AFTER TRANSFERS TO/FROM RESERVES & CONTRIBUTIONS TO CAPITAL	(46,150)

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REPORT TO CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL
Date of Meeting: Corporate Services Scrutiny – 23 November 2017
Executive - 12 December 2017
Council - 19 December 2017
Report of: Chief Finance Officer
Title: Capital Monitoring Statement to 30 September 2017

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To report the current position in respect of the Council's revised annual capital programme and to advise Members of the anticipated level of deferred expenditure into future years.

The report seeks Member approval to amend the annual capital programme in order to reflect the reported variations.

2. Recommendations:

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

- (i) The revision of the annual capital programme to reflect the reported variations detailed in 8.4 and 8.5**

3. Reasons for the recommendation:

Local authorities are required to estimate the total of capital expenditure that it plans to incur during the financial year when it sets the prudential indicators for capital expenditure. This shows that its asset management and capital investment strategies are affordable, prudent and sustainable.

Capital expenditure is a significant source of risk and uncertainty since cost variations, delays and changing specifications are often features of large and complex capital projects.

In order to manage the risks associated with capital programming the annual capital programme is updated every three months to reflect any cost variations, slippage or acceleration of projects.

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 financial position of the Capital Programme as at 30 September 2017.

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:

This report raises no issues for the monitoring officer.

8. Report Details:

CAPITAL MONITORING STATEMENT TO 30 SEPTEMBER 2017

8.1 REVISIONS TO THE CAPITAL PROGRAMME

The 2017/18 Capital Programme, including commitments brought forward from 2016/17, was last reported to Corporate Services Scrutiny Committee on 28 September 2017. Since that meeting the following changes have been made that have increased the programme:

Description	£	Approval/Funding
Capital Programme, as reported to Corporate Services Scrutiny Committee, 28 September 2017	33,405,130	
Budget Deferred to 2018/19 & Beyond at Quarter 1	(8,697,390)	Approved by Council 17 October 2017
Overspends/(Underspends) reported at Quarter 1	(977,760)	
Mary Arches Lifts	100,000	
Acquisition of Affordable Housing (HRA)	115,000	Delegated Powers 20 September 2017
Revised Capital Programme	23,944,980	

8.2 PERFORMANCE

The revised capital programme for the current financial year is £23.945 million. During the first six months of the year the Council spent £4.134 million on the programme, which equates to 17.3% of the revised programme. This compares with £4.063 million (17.5%) being spent in the first six months of 2016/17.

The current programme is detailed in Appendix 1. The Appendix shows a total forecast spend for 2017/18 of £16.433 million with £7.370 million of the programme potentially being deferred to 2018/19 and beyond.

Appendix 2 shows the approved budgets for 2018/19 with the proposed 2017/18 budget to be carried forward to 2018/19 and beyond for Executive and Council to consider for approval.

Appendix 3 shows the overall position for those schemes which span more than one financial year.

8.3 AVAILABLE CAPITAL RESOURCES

The available capital resources for the General Fund for 2017/18 are £7.367 million. An estimated spend of £6.014 million is required of which £3.698 million will be funded from borrowing with £5.050 million capital receipts carried forward to 2018/19. The available capital resources for the HRA for 2017/18 are £21.628 million. An estimated spend of £10.419 million is required leaving £11.209 million to be carried forward into 2018/19. Appendix 4 sets out the forecast use of the resources available for the General Fund and the HRA and the likely amounts of borrowing that will be necessary to fund the capital programme over the next three years.

The value of actual capital receipts received in the quarter in respect of the General Fund and the HRA are:

	General Fund £	HRA £
Balance as at 30 June 2017	147,530	573,819
New Receipts	130,000	870,864
Less HRA Pooling		(106,676)
Balance as at 30 September 2017	277,530	1,338,007

8.4 EXPENDITURE VARIANCES

The main variances and issues concerning expenditure in 2017/18 are:

Scheme	Estimated Overspend / (Underspend) £	Reason
Re-rendering	6,000	A minor overspend following settlement of the 2015/16 final account.
Energy Conservation	(90,000)	It was originally planned for external wall insulation works to be undertaken, but following an options appraisal it was identified that cavity filling was more appropriate, resulting in significant savings.
Other Works	(50,000)	This is a capital contingency budget, which is no longer required. Approval will be sought for any capital expenditure that falls outside planned works, in accordance with proper practice.
Estate Regeneration	Budget transfer of £133,410 from Heavitree to South Street	In March 2017 the Council received £1.295m Estate Regeneration funding. The grant is to be used across four HRA sites and providing the project deliverables set out in the grant bid are met, the grant funding can be applied fluidly across the sites. The overall forecast costs remain at £1.295m.

8.5 SCHEMES TO BE DEFERRED TO 2018/19 AND BEYOND

Schemes which have been identified as being wholly or partly deferred to 2018/19 and beyond are:

Scheme	17/18 Budget £	Budget to be Deferred £	Reason
Repair Canal Bank at M5	34,290	30,000	Planned works can only be carried out during summer months due to environmental restrictions.
Leisure Complex – Build Project	5,121,540	4,648,960	The budget has been re-profiled to reflect the delay to the Leisure Complex build and proposal to de risk the remaining site (formally Crown Estates Development).
Bus Station Construction	281,850	(12,150)	
Energy Saving Projects	1,556,200	1,533,870	An application has been made to the European Regional Development Fund for a grant towards an innovative Smart Grid PV and Battery Storage Project that will require match funding.
Programmed Re-roofing	400,300	100,000	Vacant Surveyor posts have placed a constraint on delivery of the programme of re-roofing houses and it is currently projected that works amounting to £100k will be deliverable.
Energy Conservation	190,000	100,000	As reported above, an options appraisal of the optimum system of insulation has been undertaken which has led to delays. It is anticipated that works will commence next financial year.
Structural Repairs	189,430	119,430	Following structural monitoring it has been identified that underpinning works are required at Redlands Close. These works will be scheduled for 2018/19 to allow time for any necessary tenant decants.
Rennes House Structural Works	500,000	500,000	The latest pre-tender estimates for the major refurbishment of Rennes House indicate a budget shortfall of £1.3m. Significant spend of the budget will be delayed until approval has been secured for the latest project costings.
Electrical Re-wiring – Communal Areas	1,073,870	300,000	Plans to upgrade emergency lighting in communal areas have been identified as a priority for 2017/18, other remedial works will be undertaken in 2018/19 due to officer capacity.

Whipton Barton House Water Mains	50,000	50,000	It was originally planned that a separate water mains would be provided to Council owned bungalows, however the site is subject to an Estate Regeneration appraisal. It is therefore considered prudent to defer capital spend until the future of the site is known.
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8.6 ACHIEVEMENTS

The following schemes have been completed during the second quarter of 2017/18:

- **Newcourt Community Hall**
The grant helped the relatively newly formed Newcourt Community Association with the setting up and initial running costs of a new community building. They have risen to the challenge and developed it into a popular and successful local venue, most notably providing a home for the new primary school until its own building is complete.
- **Rougemont Gardens – Path and Railings**
A defective, steeply sloping path within the public gardens has been stabilised and repaired after having been temporarily closed for several months. The works to the pathway involved obtaining Ancient Monument Consent and involved ground stabilisation investigations before the works could be undertaken. The outcome is that this path has been re-opened and the damaged metal fencing repaired to the public in time for the summer months and the outdoor park events.
- **Canal Pontoons**
The withdrawal from service and replacement of a deteriorating wooden pontoon immediately downstream from Double Locks, plus the addition of a second new pontoon facility upstream, has been funded by Exeter Canal and Quay Trust. The installation and anchorages have been overseen by Public Realm staff and local adaptations made to improve access for boat users to launch boats, canoes, even rowing boats – multi-skulled. Feedback from users has been very positive and makes entry onto the water safe and more stable. A genuine improvement that allows users to more easily avoid the lock when it is closed.

9. 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.

10. 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.

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

DAVE HODGSON
Chief Finance Officer

Author:

Nicola Matthews-Morley

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

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CAPITAL MONITORING TO 30 SEPTEMBER 2017

	2017/18 Capital Programme	2017/18 Spend to 30 September	2017/18 Forecast Spend	2017/18 Budget to be Carried Forward to 2018/19 and Beyond	2017/18 Programme Variances (Under)/Over
	£	£	£	£	£
PEOPLE					
HELP ME FIND SOMEWHERE TO LIVE					
Disabled Facility Grants	685,820	99,683	685,820		
Warm Up Exeter/PLEA Scheme	124,620	59,368	124,620		
Wessex Loan Scheme	107,820	23,565	107,820		
WHIL Empty Properties	194,000	0	194,000		
Temporary Accommodation Purchase	584,950	0	584,950		
PEOPLE TOTAL	1,697,210	182,616	1,697,210	0	0
PLACE					
KEEP PLACE LOOKING GOOD					
Outdoor Leisure Facilities	73,450	2,223	73,450		
Rougemont Gardens - Path & Railings	29,800	28,728	28,728		(1,072)
Repair Canal Bank at M5	34,290	2,500	4,290	30,000	
Queen's Crescent CPO	18,000	0	18,000		
Canal Pontoon	9,950	4,287	9,950		
Kings Arms Bridge	160,000	0	160,000		
Exwick Cemetery Ashes Section	60,000	0	60,000		
KEEP ME/MY ENVIRONMENT SAFE & HEALTHY					
Vehicle Replacement Programme	1,065,000	561,801	1,065,000		
Car Park Surfacing - Haven Road	12,350	0	12,350		
Replace Lifts at Mary Arches MSCP	200,000	0	200,000		
Riverside Arches	60,000	51,927	53,500		(6,500)
City Wide Property Level Protection	94,750	350	94,750		
RAMM Air Monitoring Equipment	90,000	0	90,000		

	2017/18 Capital Programme	2017/18 Spend to 30 September	2017/18 Forecast Spend	2017/18 Budget to be Carried Forward to 2018/19 and Beyond	2017/18 Programme Variances (Under)/Over
	£	£	£	£	£
PROVIDE GREAT THINGS FOR ME TO SEE & DO					
Sports Facilities Refurbishment	144,860	54,863	144,860		
Passenger Lift at RAMM	73,880	0	73,880		
Livestock Centre Roof Replacement	6,130	0	6,130		
St Nicholas Priory	107,760	33,683	107,760		
Acquisition of Ludwell Valley Park	59,940	0	59,940		
MAINTAIN THE ASSETS OF OUR CITY					
RAMM Roof Access Improvement	68,500	950	68,500		
DELIVER GOOD DEVELOPMENT					
Leisure Complex - Build Project	5,121,540	311,267	472,580	4,648,960	
Bus Station Construction	281,850	56,946	294,000	(12,150)	
Newcourt Community Hall (Grant)	9,570	0	9,570		
Newtown Community Centre (S106)	84,670	0	84,670		
Newtown Community Centre (1st Grant)	50,000	0	50,000		
Newtown Community Centre (2nd Grant)	46,750	0	46,750		
Alphington Village Hall (Repairs & Extension)	17,380	12,052	17,380		
Beacon Heath Martial Arts & Boxing Club - New Roof	16,300	0	16,300		
PLACE TOTAL	7,996,720	1,121,576	3,322,338	4,666,810	(7,572)
CORPORATE SERVICES					
WELL RUN COUNCIL					
Invest to Save Opportunities	71,700	38,350	71,700		
Energy Saving Projects	1,556,200	4,333	22,330	1,533,870	
Condition Surveys - Priority 1	20,000	0	20,000		
Condition Surveys - Priority 2	45,500	0	45,500		
Customer Contact Platform	175,830	7,898	175,830		
Annual Contribution to Strata	53,900	53,904	53,900		
Idox System for Planning	122,600	0	122,600		
HR System	58,330	0	58,330		
Convergence Projects	324,360	25,279	324,360		
Capitalised Staff Costs	100,000	0	100,000		
CORPORATE SERVICES TOTAL	2,528,420	129,763	994,550	1,533,870	0

Grants to external bodies (schemes beyond ECC's control)
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	2017/18 Capital Programme	2017/18 Spend to 30 September	2017/18 Forecast Spend	2017/18 Budget to be Carried Forward to 2018/19 and Beyond	2017/18 Programme Variances (Under)/Over
	£	£	£	£	£
HRA					
INVESTMENT IN EXISTING STOCK					
Adaptations	450,000	228,323	450,000		
Re-rendering	0	6,000	6,000		6,000
Environmental Improvements - General	50,760	15,032	50,760		
Programmed Re-roofing	400,300	0	300,300	100,000	
Energy Conservation	190,000	0	0	100,000	(90,000)
Garage Upgrades	11,000	0	11,000		
LAINGS Refurbishments	640,000	0	640,000		
Kitchen Replacement Programme	587,500	50,078	587,500		
Balcony Walkway Improvements	75,000	0	75,000		
Bathroom Replacement Programme	462,500	9,377	462,500		
Other Works	50,000	0	0		(50,000)
Fire Precautionary Works to Flats	231,090	150,730	231,090		
Communal Areas	126,980	83,337	126,980		
Structural Repairs	189,430	36,424	70,000	119,430	
Rennes House Structural Works	550,000	4,725	50,000	500,000	
Common Area Footpaths/Wall Improvements	514,370	53,444	514,370		
Soil Vent Pipe Replacement	25,500	0	25,500		
Electrical Central Heating	19,120	0	19,120		
Smoke/Fire Alarms - Older Persons	84,250	56,965	84,250		
Electrical Re-wiring	1,073,870	186,827	773,870	300,000	
Central Heating Programme	167,540	32,336	167,540		
Boiler Replacement Programme	123,200	46,006	123,200		
Communal Doors and Screens	70,000	0	70,000		
Fire Risk Assessment Works	434,550	5,945	434,550		
Wipto Barton House House Water Mains	50,000		0	50,000	
Re-roofing Works Shilhay	839,840	280,134	839,840		
Window Replacements	246,000	0	246,000		
Replacement Housing Management System	175,100	175,096	175,100		
PROVISION OF NEW COUNCIL HOMES					
Social Housing Acquisitions - Section 106	173,540	53,103	173,540		
COB Wave 2 - Rennes Car Park	2,264,470	1,069,554	2,264,470		
St Loyes Extracare Scheme	151,720	25,229	151,720		
Estate Regeneration - Heavitree (COB Wave III)	585,640	131,327	452,230		(133,410)
Estate Regeneration - Heavitree (Clifford Close)	166,950	0	166,950		
Estate Regeneration - Heavitree (Vaughan Road)	286,060	0	286,060		
Estate Regeneration - Heavitree (South Street)	256,350	0	389,760		133,410
HRA TOTAL	11,722,630	2,699,992	10,419,200	1,169,430	(134,000)
TOTAL CAPITAL BUDGET	23,944,980	4,133,947	16,433,298	7,370,110	(141,572)

BUDGETS CARRIED FORWARD TO 2018/19 AND BEYOND

	2018/19 Budget as per Budget Book/Council Approvals	Budget Carried Forward to 2018/19 and Beyond at Qtr 1	Proposed Budget to be Carried Forward to 2018/19 and Beyond at Qtr 2	Total 2018/19 Capital Programme	2019/20 Budget as per Budget Book/Council Approvals
	£	£	£	£	
PEOPLE					
HELP ME FIND SOMEWHERE TO LIVE					
Disabled Facility Grants	379,000	0	0	379,000	379,000
PEOPLE TOTAL	379,000	0	0	379,000	379,000
PLACE					
KEEP PLACE LOOKING GOOD					
Outdoor Leisure Facilities	0	263,241	0	263,241	0
Repair Canal Bank at M5	0	0	30,000	30,000	0
KEEP ME/MY ENVIRONMENT SAFE & HEALTHY					
Vehicle Replacement Programme	400,000	(38,000)	0	362,000	400,000
Bowling Green Marshes Coastal Defence Scheme	0	278,900	0	278,900	0
Topsham Flood Gates (Ferry Road/The Strand)	0	100,000	0	100,000	0
Exeter Flood Alleviation Scheme	0	200,000	0	200,000	0
PROVIDE GREAT THINGS FOR ME TO SEE & DO					
Sports Facilities Refurbishment	56,430	0	0	56,430	56,430
DELIVER GOOD DEVELOPMENT					
Leisure Complex - Build Project	16,392,480	0	4,648,960	16,392,480	10,947,226
Bus Station Construction	2,815,540	439,160	(12,150)	3,254,690	2,307,830
PLACE TOTAL	19,664,450	1,243,301	4,666,810	20,937,741	13,711,486
CORPORATE SERVICES					
WELL RUN COUNCIL					
Energy Saving Projects	0	0	1,533,870	1,533,870	0
Customer Contact Platform	30,000	0	0	30,000	0
Annual Contribution to Strata	53,900	0	0	53,900	53,900
Capitalised Staff Costs	100,000	0	0	100,000	100,000
CORPORATE SERVICES TOTAL	183,900	0	1,533,870	1,717,770	153,900

	2018/19 Budget as per Budget Book/Council Approvals	Budget Carried Forward to 2018/19 and Beyond at Qtr 1	Proposed Budget to be Carried Forward to 2018/19 and Beyond at Qtr 2	Total 2018/19 Capital Programme	2019/20 Budget as per Budget Book/Council Approvals
	£	£	£	£	
HRA					
INVESTMENT IN EXISTING STOCK					
Adaptations	500,000	0	0	500,000	500,000
Environmental Improvements - General	40,000	0	0	40,000	40,000
Programmed Re-roofing	1,205,910	790,000	100,000	2,095,910	1,222,000
Energy Conservation	170,000	0	100,000	270,000	170,000
Garage Upgrades	100,000	89,000	0	189,000	0
LAINGS Refurbishments	1,775,530	247,770	0	2,023,300	0
Kitchen Replacement Programme	616,880	0	0	616,880	647,720
Balcony Walkway Improvements	105,000	30,000	0	135,000	105,000
Bathroom Replacement Programme	485,630	0	0	485,630	509,900
Other Works	50,000	0	0	50,000	50,000
Communal Areas	112,360	32,000	0	144,360	114,610
Structural Repairs	150,000	0	119,430	269,430	150,000
Rennes House Structural Works	2,393,000	0	500,000	2,893,000	993,730
Common Area Footpaths/Wall Improvements	350,000	350,000	0	700,000	0
Soil Vent Pipe Replacement	26,000	0	0	26,000	26,500
Electrical Central Heating	19,510	0	0	19,510	19,900
Electrical Re-wiring	1,091,320	15,000	300,000	1,406,320	1,041,970
Central Heating Programme	170,880	0	0	170,880	174,300
Boiler Replacement Programme	364,000	233,800	0	597,800	371,000
Communal Doors and Screens	342,370	231,870	0	574,240	130,380
Fire Risk Assessment Works	63,000	0	0	63,000	63,000
Whipton Barton House House Water Mains	0	0	50,000	50,000	0
Window Replacements	760,920	500,000	0	1,260,920	776,140
ZEBCat Project	480,000	0	0	480,000	0
PROVISION OF NEW COUNCIL HOMES					
Social Housing Acquisitions - Open Market	0	1,000,000	0	1,000,000	0
Social Housing Acquisitions - Section 106	500,000	240,000	0	740,000	0
St Loyes Extracare Scheme	5,838,692	2,862,015	0	8,700,707	859,670
HRA TOTAL	17,711,002	6,621,455	1,169,430	25,501,887	7,965,820
TOTAL CAPITAL BUDGET	37,938,352	7,864,756	7,370,110	48,536,398	22,210,206

CAPITAL SCHEMES SPANNING MORE THAN ONE FINANCIAL YEAR

	Total Capital Budget	Total Spend Up to 30 September 2017	2017/18 Programme Variances (Under)/Over
	£	£	£
PLACE			
KEEP PLACE LOOKING GOOD			
Rougemont Gardens - Path & Railings	50,000	48,933	(1,072)
Repair Canal Bank at M5	64,520	32,731	0
Canal Pontoon	26,220	20,561	0
PROVIDE GREAT THINGS FOR ME TO SEE & DO			
Passenger Lift at RAMM	75,000	1,120	0
Livestock Centre Roof Replacement	1,250,000	1,243,871	0
St Nicholas Priory	115,000	40,923	0
DELIVER GOOD DEVELOPMENT			
Leisure Complex - Build Project	30,652,130	2,829,825	0
Bus Station Construction	6,870,000	1,070,422	0
Alphington Village Hall (Repairs & Extension)	50,000	44,673	0
Beacon Heath Martial Arts & Boxing Club - New Roof	21,810	5,508	0
PLACE TOTAL	39,102,870	5,288,385	(1,072)
HRA			
PROVISION OF NEW COUNCIL HOMES			
COB Wave 2 - Rennes Car Park	3,910,770	2,715,853	0
St Loyes Extracare Scheme	10,850,000	1,007,154	0
HRA TOTAL	14,760,770	3,723,007	0
TOTAL CAPITAL BUDGET	53,863,640	9,011,392	(1,072)

GENERAL FUND AVAILABLE RESOURCES

GENERAL FUND	2017-18 £	2018-19 £	2019-20 £	2020-21 £	TOTAL £
CAPITAL RESOURCES AVAILABLE					
GF Capital Receipts	699,180		1,075,824		1,775,004
Disabled Facility Grant	685,822	379,000	379,000	379,000	1,822,822
New Homes Bonus	140,010	12,276,067	486,219	0	12,902,296
Community Infrastructure Levy	294,000	6,816,281	0	0	7,110,281
Other - Grants/External Funding/Reserves/S106	812,262	958,557	813,633	0	2,584,452
Total Resources Available	2,631,274	20,429,905	2,754,676	379,000	26,194,855
GENERAL FUND CAPITAL PROGRAMME					
Capital Programme	12,222,350	21,470,650	9,607,580	532,900	43,833,480
Overspends/(Savings)	(7,572)				(7,572)
Slippage	(6,200,680)	1,563,860	4,636,820		0
Total General Fund	6,014,098	23,034,510	14,244,400	532,900	43,825,908

UNCOMMITTED CAPITAL RESOURCES:					
Capital Receipts Brought Forward	4,735,420	5,050,420	4,612,007	0	4,735,420
Resources in Year	2,631,274	20,429,905	2,754,676	379,000	26,194,855
Less Capital Receipts to carry forward	(5,050,420)	(4,612,007)	0	0	0
Less Estimated Spend in Year	(6,014,098)	(23,034,510)	(14,244,400)	(532,900)	(43,825,908)
Borrowing Requirement	3,697,823	2,166,192	6,877,717	153,900	12,895,633

HRA AVAILABLE RESOURCES

HOUSING REVENUE ACCOUNT	2017-18	2018-19	2019-20	2020-21	TOTAL
	£	£	£	£	£
CAPITAL RESOURCES AVAILABLE					
Usable Receipts Brought Forward					5,607,226
Major Repairs Reserve Brought Forward					8,719,199
Other HRA Sales	227,364	0	0	0	227,364
RTB sales	1,250,000	500,000	500,000	400,000	2,650,000
Surrender back to DCLG - pending St Loyes financing decision	(2,870,000)	0	0	0	(2,870,000)
Major Repairs Reserve	3,000,614	3,000,614	3,000,614	3,000,614	12,002,456
Revenue Contributions to Capital	3,796,642	7,196,555	2,500,000	2,500,000	15,993,197
External contributions	45,470	434,000	160,259	0	639,729
Grant funding - HCA grant (St Loyes)	0	1,490,000	0	0	1,490,000
Grant funding - Estate Regeneration Funding	1,295,000	0	0	0	1,295,000
Grant funding - Zero Energy Buildings Project	0	216,000	0	0	216,000
Commuted sums	556,840	4,510,711	859,669	155,976	6,083,196
Total Resources available	7,301,930	17,347,880	7,020,542	6,056,590	52,053,367
CAPITAL PROGRAMME					
HRA Capital Programme	11,722,625	24,332,455	7,965,821	6,053,793	50,074,694
Quarter 2 - Overspends / (Savings)	(134,000)				(134,000)
Quarter 2 - Slippage / Re-profiling	(1,169,430)	1,169,430			0
Total Housing Revenue Account	10,419,195	25,501,885	7,965,821	6,053,793	49,940,694
UNCOMMITTED CAPITAL RESOURCES:					
Usable Receipts Brought Forward	5,607,226	1,233,114	733,114	733,114	5,607,226
Major Repairs Reserve Brought Forward	8,719,199	9,976,046	2,322,041	1,376,762	8,719,199
Resources in Year	7,301,930	17,347,880	7,020,542	6,056,590	37,726,942
Less Estimated Spend	(10,419,195)	(25,501,885)	(7,965,821)	(6,053,793)	(49,940,694)
Uncommitted Capital Resources	11,209,160	3,055,155	2,109,876	2,112,673	2,112,673
WORKING BALANCE RESOURCES:					
Balance Brought Forward	8,567,454	9,495,965	5,733,953	6,490,988	8,567,454
HRA Balance Transfer - Surplus/(Deficit)	(2,487,615)	(593,112)	821,719	594,774	(1,664,234)
RCCO in respect of St Loyes Extra Care Scheme	2,700,000	(2,700,000)			0
Quarter 1 Budget monitoring - forecast variances	512,950	(269,216)			243,734
Quarter 2 Budget monitoring - forecast variances	203,176	(199,684)	(64,684)	(64,684)	(125,876)
Balance Carried Forward	9,495,965	5,733,953	6,490,988	7,021,078	7,021,078
Balance Resolved to be Retained	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Uncommitted HRA Working Balance	5,495,965	1,733,953	2,490,988	3,021,078	3,021,078
TOTAL AVAILABLE CAPITAL RESOURCES	16,705,125	4,789,108	4,600,864	5,133,751	5,133,751

REPORT TO RESOURCES SCRUTINY COMMITTEE

Date of Meeting: 23 November 2017

REPORT TO EXECUTIVE

Date of Meeting: 12 December 2017

REPORT TO COUNCIL

Date of Meeting: 19 December 2017

Report of: Assistant Director Finance

Title: OVERVIEW OF REVENUE BUDGET 2017/18

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To advise Members of the overall projected financial position of the HRA & General Fund Revenue Budgets for the 2017/18 financial year after six months.

2. Recommendations:

It is recommended that Scrutiny Resources Committee and the Executive note the report and Council notes and approves (where applicable):

2.1 The General Fund forecast financial position for the 2017/18 financial year;

2.2 The HRA forecast financial position for 2017/18 financial year;

2.3 The outstanding Sundry Debt position as at September 2017;

2.4 The creditors' payments performance;

3. Reasons for the recommendation:

3.1 To formally note the Council's projected financial position and to approve any additional expenditure required during the financial year.

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

4.1 The impact on the General Fund working balance, HRA working Balance and Council Own Build working balance are set out in sections 8.3.6, 8.2.1 and 8.2.3 respectively.

4.2 There are no requests for supplementary budgets in the report.

5. Section 151 Officer comments:

5.1 The report represents the projected financial position to 31 March 2018. In respect of the year end projections, the overall position in respect of the General Fund has returned to budget. This has been caused by a number of services covering their overspends identified in quarter 1 and a further reduction in the repayment of debt caused by lower than expected capital expenditure. The HRA is showing a significant underspend caused

by the delay in a number of significant capital projects.

6. What are the legal aspects?

6.1 There are no legal aspects to the report.

7. Monitoring Officer's comments:

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

8. Report details:

8.1 Financial Summary

FUND	Planned Transfer (to) / from Working Balance	Budget Variance Over / (under)	Outturn Transfer 2017/18
	£	£	£
General Fund	1,452,509	(1,456)	1,451,053
HRA	2,487,615	(3,416,126)	(928,511)
Council own Build Houses	(35,970)	(7,0000)	(42,970)

8.2 Housing Revenue Account (Appendix A)

8.2.1 The first quarter projection shows a significant reduction in the amount taken from the working balance resulting in a large increase in the working balance. The projected increase is £725,335 to leave the working balance at £9,292,789.

Movement	2017/18
Opening HRA Balance, as at 01/04/17	£8,567,454
Surplus	£928,511
Projected balance, as at 31/3/18	£9,292,789

8.2.2 The key variances are as follows:

Management Unit	Over / (Underspend)	Detail
Repairs and Maintenance Programme	(£355,000)	<ul style="list-style-type: none"> • It is anticipated that slippage will occur in the external painting and low maintenance works in respect of flats due to the time required to undertake leaseholder consultation. • Savings from new contracts for the testing of emergency lights and fire alarms

Revenue Contribution to Capital	(£2,700,000)	<ul style="list-style-type: none"> The estimated amount of revenue monies required towards financing the HRA Capital Programme in 2017-18 has reduced by £2.7m, from £6.5m to £3.8m. <p>In March 2014 Executive approved a £2.7m contribution towards the St Loyes Extra Care scheme, which was profiled to be required in 2017-18 but delays to the scheme will mean that significant spend will not take place until 2018/19 when it is hoped that works can start on site. A detailed report is due to be presented to committee later this year in respect of this scheme.</p>
Housing Assets	(£186,800)	<ul style="list-style-type: none"> Savings in employee costs are expected due to vacant Surveyor posts within the Housing Assets team. The decant of tenants in ten LAINGS properties to enable a demolish and rebuild scheme to be undertaken are not expected to take place this financial year. Higher than budgeted tender prices have necessitated an options appraisal and caused a delay in the project timetable. A saving is reported in 2017-18, as the cost of decanting tenants in 2018-19 will be factored into next year's budgets. A detailed report is planned to be presented to committee in respect of the LAINGS project.

8.2.3 The Council's new properties at Rowan House and Knights Place form part of the overall Housing Revenue Account, but separate income and expenditure budgets are maintained in order to ensure that they are self-financing. There is a small projected variance to the projected surplus at the end of the first quarter.

Movement	2017/18
Opening Council Own Build, as at 01/04/17	£208,097
Surplus	42,970
Projected balance, as at 31/3/18	£251,067

8.3 General Fund (Appendix B)

8.3.1 The Service Committees show projected overspends of £258,050 against a revised budget of £14,231,290. The main variances are:

8.3.2 **People Scrutiny Committee – (An overspend in total of £122,780)**

Management Unit	Over / (Underspend)	Detail
Affordable Housing Development	42,780	<ul style="list-style-type: none"> This represents the cost of officer time required to progress Estate Regeneration Projects, following a successful capital grant bid of £1.295m and the time required in connection with setting up a new Development Company.
General Fund - Housing	(45,000)	<ul style="list-style-type: none"> The number of Private Sector Leased properties handed back to landlords was lower than anticipated in the first 6 months, resulting in additional rental income and lower hand back costs.
Revenue Collection & Benefits	125,000	<ul style="list-style-type: none"> The value of debt write offs has been higher than expected due to an increase in personal insolvencies.

8.3.3 Place Scrutiny Committee – (An overspend in total of £161,420)

Management Unit	Over / (Underspend)	Detail
Parks and Green Spaces	£85,000	<ul style="list-style-type: none"> The saving target for the management unit will not be achieved in year due to the increasing service demands impacting on the existing resource base.
Cleansing Chargeable Services	£100,000	<ul style="list-style-type: none"> The predicted overspend is due to income from the trade refuse and recycling services being below target.
Recycling	£50,000	<ul style="list-style-type: none"> The predicted overspend is due to income being below target for recycling, mainly paper. Paper tonnage collected has reduced compared to last year, and the rate received for selling paper has also reduced.
Public Realm Assets	£30,000	<ul style="list-style-type: none"> The saving included in respect of the closure of Paris Street PCs will not be achieved due to the delay in the redevelopment of the bus station.
Growth & Enterprise	(£38,000)	<ul style="list-style-type: none"> The underspend is due to vacancies.
Planning Services	(£50,000)	<ul style="list-style-type: none"> Income figures to date indicate that the budget in respect of Planning Application Fees will exceed the budget.
Markets & Halls	(£41,000)	<ul style="list-style-type: none"> Income streams at the Livestock / Matford centre are projected to be ahead of budget by the year end, plus an underspend on vacancies at the Corn Exchange.

8.3.4 Corporate Scrutiny Committee – (An overspend in total of £26,150)

Management Unit	Over / (Underspend)	Detail
Corporate Property - Estates	30,800	<ul style="list-style-type: none"> Additional expenditure has been incurred in respect of a lease termination and Non-Domestic Rates charges. The income budget in respect of Paris Street properties will be exceeded.
Unapportionable Overheads	(90,000)	<ul style="list-style-type: none"> This potential underspend relates to Superannuation and is based upon known departures as at this date.

Strategic Management	(103,700)	<ul style="list-style-type: none"> An underspend is anticipated on the cost of employee budgets mainly due to: vacancies; a reduction of hours, and recharges to the Housing Revenue Account.
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8.3.5 Other Financial Variations

Other items	Over / (Underspend)	Detail
Net Interest	(150,000)	<ul style="list-style-type: none"> Continued low interest rates and advice not to borrow longer term from our advisors mean a reduction in the spend on interest.
Repayment of debt	(116,306)	<ul style="list-style-type: none"> Lower than forecast need to borrow leading to a reduced repayment of debt calculation.

8.3.6 General Fund Balance

In 2017/18 it is projected that there will be an overall net contribution from the General Fund Balance of £1,451,053. The minimum requirement for the General Fund working balance was approved by Council in February 2017 at £3 million.

Movement	2017/18
Opening Balance, as at 01/04/17	£5,264,841
Surplus	(£ 1,451,053)
Balance, as at 31/3/18	£3,813,788

8.4 OUTSTANDING SUNDRY DEBT

8.4.1 An aged debt analysis of the Council's sundry debts is shown in the table below. The latest data shown is to the end of August in order to demonstrate how for much of the debt, there is significant recovery in the two months after the data is run. This is due to the fact that our quarterly invoices are run just prior to the end of each quarter.

Age of Debt	November 2016	March 2017	September 2017
Up to 29 days (current)	£929,016	£6,820,661	£1,266,865
30 days – 1 Year	£1,389,548	£1,027,940	£1,307,986
1 – 2 years	£1,174,178	£945,735	£588,743
2 – 3 years	£394,762	£455,532	£816,633
3 – 4 years	£356,987	£327,021	£275,278
4 – 5 years	£167,513	£226,393	£282,922
5 + years	£292,438	£325,762	£358,570
Total	£4,704,442	£10,129,044	£4,896,997

8.4.2 Of the outstanding debt, the table below sets out the split in aged debt between Housing Benefits and the rest of the services at the end of September 2017. Housing Benefits makes up two thirds of the outstanding sundry debt at the Council and owing to the circumstances of the debtors takes much longer to recover.

Age of Debt	Housing Benefits	Other Sundry Debt	Total
Up to 29 days (current)	£63,342	£1,203,523	£1,266,865
30 days – 1 Year	£604,964	£703,022	£1,307,986
1 – 2 years	£478,053	£110,690	£588,743
2 –3 years	£757,176	£59,457	£816,633
3 – 4 years	£193,426	£81,852	£275,278
4 – 5 years	£152,207	£130,715	£282,922
5 + years	£237,753	£120,817	£358,570
Total	£2,494,871	£2,410,076	£4,896,997

8.5 DEBT WRITE-OFFS

8.5.1 The following amounts have been written-off during 2017/18, Housing Benefit overpayments are being newly reported and therefore there are no comparatives:

	2016/17 total	2017/18 (Qtr 2)
• Council Tax	£341,926	£188,906
• Business Rates	£274,428	£0
• Sundry Debt	£44,459	£69,883
• Housing Rents	£48,478	£60,557
• HB Overpayments		£106,149

8.6 CREDITOR PAYMENTS PERFORMANCE

8.6.1 Creditors' payments continue to be monitored in spite of the withdrawal of statutory performance indicator BVPI8. The percentage paid within 30 days was 93.90% for the first half of 2017/18 compared with 93.15% for 2016/17.

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

9.1 This is a statement of the projected financial position to the end of the 2017/18.

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

10.1 The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Board 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?

11.1 Not applicable

12. Are there any other options?

12.1 Not applicable

Assistant Director Finance

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
01392 265275

**HOUSING REVENUE ACCOUNT
2017/18 REVENUE ESTIMATES - SUMMARY
as at 30 September 2017**

ACTUAL TO DATE			YEAR END FORECAST			
PROFILED BUDGET	ACTUAL TO DATE	VARIANCE TO DATE	Code	APPROVED BUDGET	Qrt 2 FORECAST VARIANCE	CURRENT OUTTURN FORECAST
£	£	£		£	£	£
312,489	227,549	(84,940)	85A1 MANAGEMENT	1,060,395	(80,800)	979,595
573,604	566,794	(6,810)	85A2 HOUSING CUSTOMERS	1,299,180	26,000	1,325,180
185,932	99,609	(86,323)	85A3 SUNDRY LAND MAINTENANCE	538,660	(84,210)	454,450
3,142,533	2,196,840	(945,693)	85A4 REPAIRS & MAINTENANCE PROGRAMME	6,148,870	(355,000)	5,793,870
0	0	0	85A5 REVENUE CONTRIBUTION TO CAPITAL	6,496,640	(2,700,000)	3,796,640
2,935,930	3,000,614	64,684	85A6 CAPITAL CHARGES	2,935,930	64,684	3,000,614
604,560	512,869	(91,691)	85A7 HOUSING ASSETS	1,445,000	(186,800)	1,258,200
(9,647,910)	(9,522,081)	125,829	85A8 RENTS	(19,295,820)	(20,000)	(19,315,820)
0	0	0	85B2 INTEREST	1,858,760	(80,000)	1,778,760
			85B4 MOVEMENT TO/(FROM) WORKING BALANCE	(2,487,615)	3,416,126	928,511
			Net Expenditure	0	0	0
			Working Balance 1 April 2017	8,567,454	31 March 2018	9,495,965

COUNCIL OWN BUILD SITES

PROFILED BUDGET	ACTUAL TO DATE	VARIANCE TO DATE	Code	APPROVED BUDGET	Qrt 2 FORECAST VARIANCE	CURRENT OUTTURN FORECAST
£	£	£		£	£	£
4,671	3,682	(989)	H005 MANAGEMENT	14,120	(2,000)	12,120
(5,244)	(5,643)	(399)	H006 ROWAN HOUSE	(10,480)	0	(10,480)
(27,266)	(35,521)	(8,255)	H007 KNIGHTS PLACE	(59,550)	(5,000)	(64,550)
0	0	0	H008 INTEREST	6,980	0	6,980
0	0	0	H009 CAPITAL CHARGES	12,960	0	12,960
			H010 MOVEMENT TO/(FROM) WORKING BALANCE	35,970	7,000	42,970
			Net Expenditure	0	0	0
			Working Balance 1 April 2017	208,097	31 March 2018	251,067

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GENERAL FUND
2017/18 REVENUE ESTIMATES - SUMMARY
as at 30 September 2017

	Annual Budget £	Supplementary Budgets £	Revised Annual Budget £	Year End Forecast £	Variance to Budget £
SCRUTINY - PEOPLE	3,511,870	(699,880)	2,811,990	2,934,770	122,780
SCRUTINY - PLACE	8,474,940	(1,903,210)	6,571,730	6,733,150	161,420
SCRUTINY - CORPORATE	3,941,210	3,982,120	7,923,330	7,897,180	(26,150)
less Notional capital charges	(3,075,760)		(3,075,760)	(3,075,760)	0
<u>Service Committee Net Expenditure</u>	12,852,260	1,379,030	14,231,290	14,489,340	258,050
Net Interest	150,000		150,000	0	(150,000)
New Homes Bonus	(3,597,202)		(3,597,202)	(3,597,202)	0
Revenue Contribution to Capital	0		0	0	0
Minimum Revenue Provision	764,028		764,028	647,722	(116,306)
Voluntary Revenue Provision	1,000,000		1,000,000	1,000,000	0
<u>General Fund Expenditure</u>	11,169,086	1,379,030	12,548,116	12,539,860	(8,256)
Transfer To/(From) Working Balance	(73,479)	(1,379,030)	(1,452,509)	(1,451,053)	1,456
Transfer To/(From) Earmarked Reserves	769,202		769,202	442,462	(326,740)
<u>General Fund Net Expenditure</u>	11,864,809	0	11,864,809	11,531,269	(333,540)
Formula Grant	(5,177,000)		(5,177,000)	(5,177,000)	0
Business Rates Growth / Pooling Gain	(1,350,000)		(1,350,000)	(1,016,460)	333,540
CIL Income	0		0	0	0
Council Tax	(5,337,809)		(5,337,809)	(5,337,809)	0
	0	0	0	0	0
Working Balance	March 2017	£ 5,264,841		£ 3,813,788	March 2018

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EXETER CITY COUNCIL

REPORT TO: SCRUTINY COMMITTEE – CORPORATE
EXECUTIVE
COUNCIL

DATE OF MEETING: CORPORATE – 23 NOVEMBER 2017
EXECUTIVE – 12 DECEMBER 2017
COUNCIL – 19 DECEMBER 2017

REPORT OF: CHIEF FINANCE OFFICER
TITLE: TREASURY MANAGEMENT 2017-18 – HALF YEAR UPDATE

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To report on the current Treasury Management performance for the 2017-18 financial year and the position regarding investments and borrowings at 30 September 2017. The report is a statutory requirement and is for information only with no key decisions required.

2. Recommendations:

That Scrutiny and Executive note the Treasury Management report in respect of the first six months of the 2017-18 financial year.

That Executive approve the revised Treasury Management Strategy which includes a request to increase the limit for investment in Property Funds from £5m to £10m.

3. Reasons for the recommendation:

It is a statutory requirement for the Council to publish regular reports on Treasury Management to Council. This includes an annual Treasury Management Strategy and half yearly report and a year-end report as a minimum.

4. What are the resource implications including non financial resources

The report is an update on the overall performance in respect of treasury management for the first six months of the 2017-18 financial year. Therefore, there are no financial or non financial resource implications.

5. Section 151 Officer comments:

The request to increase the maximum to be invested in the Property Fund will allow the Council to increase investment returns. It must be noted that it will only be used if the Government reinstate the statutory override that the CCLA Property Fund currently has. If this is not reinstated then the Council will not invest any further, although there are no plans to remove the existing investment.

The net interest position is based on the Council not borrowing further. This position is being regularly reviewed.

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 report on its performance at the end 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 Economic Context and Interest Rate Prospects

In November, the Bank of England's Monetary Policy Committee (MPC) met widely-held market expectations and voted 7-2 in favour of raising Bank Rate to 0.50% (from 0.25%). Policymakers dampened expectations of further near-term rises, indicating that the Bank of England expects the CPI inflation rate to return to the 2% target based on the market expectation of two further Bank Rate hikes over the next three years.

The likelihood of any additional monetary tightening depends partly of the progress of the outcome of the EU Brexit negotiations and how household and business confidence react to the on-going process.

The Authority's treasury management advisors are not convinced the UK's economic outlook justifies further monetary tightening and are therefore projecting Bank Rate to remain at 0.50% for the foreseeable future.

8.2 Treasury Management Strategy

The Council approved the 2017-18 treasury management strategy at its meeting on 21 February 2017. There were no significant changes to strategy, the stated investment strategy was to continue to hold only small surplus funds and to seek to utilise its Call Accounts, Money Market Funds, use the Government's Debt Management Office and use short dated deposits which would be placed with Local Authorities.

The strategy for In-house investments included approval to invest in Property Funds. The council has made 2 investments in the CCLA – LAMIT property fund (April and November 2016). This report is requesting an increase in the limit for investment in Property Funds from £5m to £10m. The yield from the Property Fund has been in the region of 4.5% to 4.6% in this financial year, which is significantly higher than the returns on other investment options available (Appendix B – 4.3).

The Council's stated borrowing strategy was to maintain, and if possible reduce, short-term borrowing as long as rates remained low. 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. The Council is currently borrowing over 1 or 2 year periods.

If required, the council may arrange forward starting loans during the year, where the interest rate is fixed in advance, but the cash is received in a later period. The Council has arranged a forward starting loan, details are included in section 10.2 below.

8.3 Net Interest Position

The General Fund shows an improvement against the estimate for net interest payable, the position is:

	Estimate £	Sep-17 £	Estimated Outturn £	Variation £
Interest paid	170,000	85,000	140,760	(29,240)
Interest earned				
Temporary investment interest	(273,070)	(136,535)	(165,230)	107,840
Other interest earned	(420)	(210)	(180)	240
Science Park Loan	(25,780)	(12,890)	(25,780)	0
CVS Loan			(19,530)	(19,530)
Less				
Interest to HRA	178,740	89,370	178,470	(270)
Interest to s106 agreements	95,930	47,965	89,540	(6,390)
Interest to Trust Funds	4,500	2,250	4,170	(330)
Lord Mayors Charity	100	50	100	0
GF interest (received) / paid out	(20,000)	(10,000)	61,560	121,470
Net Interest	150,000	75,000	202,320	52,320
CCLA – LAPF Dividend			(250,000)	(250,000)
Investment Loss – General Fund	0	0	0	0
Net Interest	150,000	75,000	(47,680)	(197,680)

8.4 The other interest earned relates to car loan repayments.

9. Investment Interest

The Council is utilising the Government's Debt Management Office account and call accounts with Handelsbanken and Barclays. Appendix A sets out the institutions that the Council can use for deposits – this is known as our Counterparty list.

The Council has five Money Market Funds. The money market funds allow immediate access to our funds and spreads risk as it is pooled with investments by other organisations and invested across a wide range of financial institutions.

The Council made an investment in the CCLA's LAMIT Property Fund in 2016. It should be noted that investments in property funds are a long term commitment which means that there can be fluctuations on the return from the investment. Details of the yield on this investment is included in 9.1.

The Council's current investments are:

Money Market Funds

Amount	Investment	Interest rate*
£1,000,000	Amundi Asset Management	0.24%
£500,000	Federated Investors UK	0.20%

* Interest rate is variable (therefore this is based on past performance)

Fixed Term Deposits - Current

Amount	Investment	Interest rate	Date Invested	No of Days
£5,000,000	Lancashire County Council	0.50%	19/04/17	275
£5,000,000	Guildford Borough Council	0.38%	28/04/17	214
£3,000,000	Fife Council	0.30%	01/06/17	183
£3,000,000	Rugby Borough Council	0.27%	13/06/17	183
£2,000,000	North Wales Fire Authority	0.30%	22/06/17	183
£5,000,000	Lincolnshire County Council	0.28%	02/08/17	239
£3,000,000	Stirling Council	0.25%	04/08/17	185
£3,000,000	Southend On Sea Council	0.27%	17/08/17	153
£3,000,000	Surrey Heath Borough Council	0.23%	07/09/17	91
£4,000,000	Suffolk County Council	0.32%	20/09/17	219

Fixed Term Deposits – Forward Deals

Amount	Investment	Interest rate	Date Invested	No of Days
£5,000,000	Guildford Borough Council	0.55%	28/11/17	364
£5,000,000	Leeds City Council	0.40%	01/12/17	182

Property Funds

Amount	Investment	Dividend Yield
£5,000,000	CCLA – LAMIT Property Fund	4.60%

10. Borrowings

The Council's short term borrowing is £10m, long term borrowing remains at £56.884m. Details of current loans are set out in 10.1. The future cash flow forecast included planned borrowing of £4 million as part of the 2017-18 capital programme, to date this borrowing has not been required.

The ongoing borrowing requirement will be monitored and a decision of whether to take the planned borrowing will be made in light of need and current and forecast interest rates. If additional borrowing is required advice will be sought from the treasury management advisors in order that the most cost effective form of borrowing can be secured.

10.1 Current Borrowing

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

- 10.2 The Council has agreed a forward starting loan to replace the £10m maturity which is due to be repaid on 1 February 2018, details of the loan are:

Amount	Lender	Interest rate	Date of repayment
£10,000,000	London Borough of Wandsworth	0.90%	05/12/2019

11. Future Position

As interest rates remain very low, the Council will continue to utilise short term borrowing to manage its cashflow. Current rates for borrowing are between 0.40% and 0.50% for up to 1 year and the Council will continue to borrow for 1 or 2 year periods.

- 11.1 The Council's five Money Market Funds which are AAA rated, currently offer rates between 0.18% and 0.24%, the rates are liable to fluctuation in the year. The call accounts offer between 0.05% and 0.15% for the average annual balance.

The short term investments that are made through the call accounts and money market funds ensure cash can be accessed immediately. This has an ongoing impact on returns but increases the security of our cash.

- 11.2 We will also lend, when possible, to institutions on the Council's counterparty list which includes other Local Authorities, UK and Foreign owned banks, building societies and the Debt Management Office. However, the rates received are between 0.23% and 0.50%.
- 11.3 Officers have regular meetings with the treasury management advisors in order to seek advice on how to maximise investment returns and to minimise the need to borrow whilst taking into account investment risk.
- 11.4 We continually explore the possibility of widening the investment options available to the Council. If the options are proved to be of interest, and viable, they will be included in the treasury management strategy which is presented to committee for approval in February 2018.

13. 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.

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

The council uses treasury management advisors who continually provide updates on the economic situation, interest rates and credit ratings of financial institutions. They also provide a counterparty list which details the financial institutions which meet the council's treasury management strategy.

15. 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.

16. Are there any other options?

No.

David Hodgson, Chief Finance Officer

Author: Paul Matravers, Principal Accountant

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

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Name	COUNTRY	Moody's Short Term Rating	Fitch Short Term Rating	Investment Limit	Banking Group	Maximum Recommended Duration
UNITED KINGDOM: BANKS						
BANK OF SCOTLAND PLC	GB	P-1	F1	3,000,000	Lloyds Banking Group	6 months
LLOYDS BANK PLC	GB	P-1	F1	3,000,000		6 months
BARCLAYS BANK PLC	GB	P-1	F1	3,000,000		100 days
HSBC BANK PLC	GB	P-1	F1+	4,000,000		6 months
STANDARD CHARTERED BANK	GB	P-1	F1	3,000,000		100 days
UK: BUILDING SOCIETIES						
COVENTRY BUILDING SOCIETY	GB	P-1	F1	3,000,000		6 months
NATIONWIDE BUILDING SOCIETY	GB	P-1	F1	3,000,000		6 months
UK: LOCAL AUTHORITIES						
CORNWALL COUNCIL	GB					4 years +
GREATER LONDON AUTHORITY	GB					4 years +
GUILDFORD BOROUGH COUNCIL	GB					4 years +
KENSINGTON & CHELSEA ROYAL BOROUGH	GB					4 years +
LANCASHIRE COUNTY COUNCIL	GB					4 years +
TRANSPORT FOR LONDON	GB	P-1	F1+			10 years
BOROUGH OF WANDSWORTH	GB		F1+			4 years +
WARRINGTON BOROUGH COUNCIL	GB					4 years +
UK: OTHER INSTITUTIONS						
LCR FINANCE PLC	EN					15 years
NETWORK RAIL INFRASTRUCTURE	GB	P-1	F1+			15 years
UK GOVERNMENT	GB		F1+			50 years
WELLCOME TRUST FINANCE PLC	GB					20 years
COMMONWEALTH OF AUSTRALIA						
AUST AND NZ BANKING GROUP	AU	P-1	F1+	3,000,000		6 months
COMMONWEALTH BANK OF AUSTRAL	AU	P-1	F1+	3,000,000		6 months
NATIONAL AUSTRALIA BANK LTD	AU	P-1	F1+	3,000,000		6 months
WESTPAC BANKING CORP	AU	P-1	F1+	3,000,000		6 months
GOVERNMENT OF CANADA						
BANK OF MONTREAL	CA	P-1	F1+	3,000,000		6 months
BANK OF NOVA SCOTIA	CA	P-1	F1+	3,000,000		6 months
CAN IMPERIAL BK OF COMMERCE	CA	P-1	F1+	3,000,000		6 months
ROYAL BANK OF CANADA	CA	P-1	F1+			6 months
TORONTO-DOMINION BANK	CA	P-1	F1+	3,000,000		6 months
FEDERAL REPUBLIC OF GERMANY						
KREDITANSTALT FUER WIEFERAUF	GE	P-1	F1+	3,000,000		25 years
LANDESBANK HESSEN-THURINGEN	GE	P-1	F1+	3,000,000		6 months
LANDESKRED BADEN-WUERTT FOER	GE	P-1	F1+	3,000,000		25 years
LANDWIRTSCHAFTLICHE RENTENBA	GE	P-1	F1+	3,000,000		25 years
LAND SACHSEN-ANHALT	GE	P-1	F1+	3,000,000		15 years
KINGDOM OF THE NETHERLANDS						
BANK NEDERLANDSE GEMEENTEN	NE	P-1	F1+	3,000,000		5 years
COOPERATIEVE RABOBANK UA	NE	P-1	F1+	3,000,000		13 months
REPUBLIC OF SINGAPORE						
DBS BANK LTD	SI	P-1	F1+	3,000,000		13 months
OVERSEA-CHINESE BANKING CORP	SI	P-1	F1+	3,000,000		13 months

Exeter City Council - Money Market Funds

Money Market Fund	Place of Domicile	Moody's Long-Term Ratings	Fitch Long-Term Rating	Rate	Fund Size (29 September 2017) £bn	Max recommended investment (0.5% of fund size*) £m
AMUNDI INVESTORS	LX	-	AAAmf	0.24%	0.91	18.20
STANDARD LIFE (FORMERLY IGNIS) LIQUIDITY FUNDS	IR	-	AAAmf	0.21%	14.82	74.10
FEDERATED INVESTORS (UK)	GB	-	AAAmf	0.20%	2.95	14.80
BLACKROCK	IR	Aaa-mf	-	0.18%	37.48	187.40
CCLA - PSDF	GB	-	AAAmf	0.18%	0.49	2.50

Other Money Market Funds Available

Money Market Fund	Place of Domicile	Moody's Long-Term Ratings	Fitch Long-Term Rating	Rate	Fund Size (29 September 2017) £bn	Max recommended investment (0.5% of fund size*) £m
BNP PARIBAS ASSET MANAGEMENT	LX	-	Aaa-mf	0.23%	1.99	9.90
INVESCO AIM	IR	AAAmf	Aaa-mf	0.20%	1.87	9.40
STATE STREET GLOBAL ADVISORS ASSET MANAGEMENT	IR	AAAmf	Aaa-mf	0.20%	3.63	18.20
AVIVA INVESTORS	IR	-	Aaa-mf	0.18%	20.51	102.60
MORGAN STANLEY INVESTMENT MANAGEMENT	IR	AAAmf	Aaa-mf	0.17%	2.53	12.70
GOLDMAN SACHS ASSET MANAGEMENT	IR	AAAmf	Aaa-mf	0.15%	10.67	53.40
INSIGHT INVESTMENTS	IR	AAAmf	-	0.15%	23.03	115.20
ABERDEEN ASSET MANAGEMENT	LX	AAAmf	Aaa-mf	0.14%	14.82	74.10
J.P.MORGAN ASSET MANAGEMENT	LX	AAAmf	Aaa-mf	0.14%	12.68	63.40
LEGAL & GENERAL INVESTMENT MANAGEMENT	IR	AAAmf	-	0.14%	29.64	148.20
BNY MELLON ASSET MANAGEMENT	IR	-	Aaa-mf	0.13%	2.16	10.80
FIDELITY INTERNATIONAL	IR	-	Aaa-mf	0.13%	1.23	6.10
DB ADVISORS (DEUTSCHE)	IR	-	Aaa-mf	0.12%	6.51	32.50
HSBC ASSET MANAGEMENT	IR	-	Aaa-mf	0.10%	7.03	35.20

APPENDIX B

EXETER CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2017/18 (Revised October 2017)

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
Property Funds	£10m 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.

CHIEF FINANCE OFFICER
REVISED OCTOBER 2017

REPORT TO: CORPORATE SERVICES SCRUTINY COMMITTEE

Date of Meeting: 23 NOVEMBER 2017

REPORT TO: EXECUTIVE

Date of Meeting: 12 DECEMBER 2017

REPORT TO: COUNCIL

Date of Meeting: 19 DECEMBER 2017

Report of: David Hodgson – Chief Finance Officer
Title: Local Discretionary Relief Scheme

Is this a Key Decision?

Yes

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function? Council

1. What is the report about?

This report seeks member's approval for a Local Discretionary Relief Scheme policy – attached at appendix 1 – that determines the level of Discretionary Relief to be granted to certain defined ratepayers within the Council's area. This is as a result of the new Discretionary Relief Scheme announced in the Spring 2017 Budget.

2. Recommendations:

- 2.1 Corporate Services Scrutiny Committee comment and Executive recommend the Policy to Council for approval.
- 2.2 Delegated authority is given to s151 Officer in consultation with the Leader, to review the scheme, and if necessary, increase the maximum threshold, to ensure the Government funding is fully directed to businesses in Exeter.

3. Reasons for the recommendation:

- 3.1 At the Spring Budget, the Government announced the establishment of a £300m discretionary fund over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the 2017 revaluation. Every billing authority in England has been provided with a share of the £300m to support their local businesses, with the expectation of developing local discretionary relief schemes to deliver targeted support to the most hard-pressed ratepayers. This policy will provide a scheme to distribute these funds.
- 3.2 Following the announcement, all s151 Officers of the Devon Authorities were keen to work under a Devon framework, and therefore asked the Devon Revenues & Benefits Group (DrBOG) to produce a policy document that was flexible enough to reflect local issues, funding and political steer. To draw up the policy, common agreement was made by s151 Officers across the following areas:

- 1) Occupied premises only

- 2) Not applicable to new occupiers i.e. those taking up occupation on or after 1 April 2017
- 3) Local businesses only
- 4) A small proportion of funding to be held back for awarding on a case by case basis.
- 5) The majority of funding to be awarded on a formula basis
- 6) A maximum rateable value of £200,000
- 7) An acceptable increase of 2%

3.3 Local discretion has therefore been used to determine:

- 1) Businesses or sectors to be excluded from formula allocation
- 2) A maximum amount of relief that will be awarded
- 3) The percentage of funding kept back for awarding on a case by case basis

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

- 4.1 Exeter City Council will be compensated for the cost to the authority of granting the relief up to a maximum amount based on the authority's allocation of the £300m fund (see section 8.4).
- 4.2 New Burdens funding has been awarded for administering the relief. This will be done by staff within the Local Taxation Team.
- 4.3 Applications received under Part B – case by case basis, will need to be considered by the s151 Officer in consultation with the Leader.

5. Section 151 Officer comments:

- 5.1 The proposed policy would be broadly in line with the rest of Devon and support is focused on local businesses that have suffered an increase in their bills. Whilst the value of the pot is not large, it will bring some relief to businesses that have seen a rise.

6. What are the legal aspects?

- 6.1 As the report identifies, it is for the Council to determine the scope of any discretionary policy. This has been done and the justification/rationale detailed in the report. Should members approve the Policy, then the Council will need to ensure that the Policy is followed when considering whether relief should be granted.
- 6.2 The grant determination states that a condition of the fund is that consultation is undertaken with 'relevant authorities'. Relevant authorities for the purpose of this scheme means:
 - a. Any major precepting authority; and
 - b. Any combined authority
- 6.3 We have consulted with our major precepting authorities on our proposed scheme.

7. Monitoring Officer's comments:

This report raises issues about state aid which have not been raised with Legal Services for advice. Whilst it is likely that the sums involved are likely to be de minimis, the Monitoring Officer suggests that it would be prudent to consult with Legal Services before the scheme is adopted by Council.

8. Report details:

8.1 At the Spring Budget of 2017, the Government announced three measures to help support businesses that had been impacted by the Revaluation. These measures are:

- a. Supporting Small Businesses
- b. Support for Pubs
- c. A local Discretionary Relief Scheme

8.2 The first two measures are summarised as follows:

8.2.1 Supporting Small Businesses

This helps ratepayers who, as a result of the change in rateable value (as at revaluation), are losing some or all of the Small Business Rate relief (SBRR) or Rural Rate Relief and, as a result, are facing large increases in their bills. The Supporting Small Businesses measure means that any business coming out of SBRR will benefit from an extra cap, meaning their rates will not increase by more than £600 per year (£50 per month). Ratepayers can remain in the scheme for 5 years or until they reach the bill they would have paid without the extra cap.

8.2.2 Support for Pubs

This measure gives a discount of £1,000 on business rates bills for pubs with a rateable value of less than £100,000. The discount is for the 2017-18 financial year only. Where pubs are part of a chain, relief will be available for each eligible property in the chain, subject to meeting State Aid requirements.

8.3 As the criteria for these first two measures has been defined by the Government and are fully funded, we have implemented these. More information about these measures is available at <https://www.gov.uk/government/publications/42017-spring-budget-update>

8.4 Billing authorities will be compensated through a Section 31 grant for the cost to the authority of granting the relief. For the first two measures, the cost will be fully met, but for the third measure (the Local Discretionary Relief Scheme), funding will be up to a maximum amount based on the authority's allocation of the £300m fund. Exeter's share of the fund is as follows;

2017/18 - £357,000
2018/19 - £174,000
2019/20 - £71,000
2020/21 - £10,000

8.5 It is for each local authority to develop their own scheme.

8.6 The scheme proposed in the attached policy fulfils the seven common criteria of the Devon framework as detailed in section 3.2.

8.7 In assessing any potential entitlement to an award under this scheme the Council will compare:

- The rate liability of the ratepayer as at 31 March 2017 after any reliefs and reductions; and

- The rate liability of the ratepayer as at 1 April 2017 taking into account any transitional relief, relief or reductions.

8.8 There are 2 parts to the scheme for consideration;

Part A – formula based for the financial years 2017/18 and 2018/19 only

Part B – on a case by case basis for the 4 financial years from 2017/18

8.9 Part A – formula based criteria (all criteria must be met)

8.9.1 Relief can only be awarded where the comparison in 8.7 results in an increase of more than 2%. No relief will be given for the first 2% increase.

8.9.2 For the 2017/18 financial year, relief will be paid up to maximum of £5,000 (to be reviewed by 31 January 2018 by the s151 Officer in consultation with the Leader, to consider whether the thresholds should be increased to ensure that Government funding is being fully directed to ratepayers in Exeter). For the 2018/19 financial year the amount awarded will be 50% of what was awarded in the 2017/18 financial year.

8.9.3 Relief will only be granted to premises that are liable for occupied rates. No relief will be awarded to empty premises.

8.9.4 Relief will only be granted to ratepayers who were in occupation at 31 March 2017 and still in occupation on 1 April 2017 and for each day subsequent.

8.9.5 Ratepayers taking up occupation on or after 1 April 2017 will not be eligible for relief on the basis that new ratepayers would not have suffered from increases as a result of the Revaluation.

8.9.6 Relief will be targeted at local businesses. For the purpose of this scheme, local businesses are those which have premises wholly or predominately in the Devon area.

8.9.7 Relief may be awarded to a ratepayer who has more than one premises, as long as all other criteria is met.

8.9.8 Relief under Part A will not be awarded where:

- The rateable value exceeds £200,000
- The ratepayer is a national or public body
- The ratepayer has been granted a reduction under S44A of the Local Government Finance Act 1988

8.9.9 Relief under Part A will not be awarded to the following types of business or sectors:

- Betting and gambling premises
- Banks and Building Societies
- Cash Machines/ATMs
- Accountants, Insurance Agents and Financial Advisors
- Pawnbrokers and pay day lenders and similar
- Solicitors and law agencies
- Telecommunications network facilities
- Doctors and GP surgeries
- Supermarkets and discount stores

8.9.9 Additional discretionary relief will not be awarded for rateable value increases after 1 April 2017.

8.9.10 Pubs that meet the criteria under the Government's £1,000 Supporting Pubs Scheme will be able to apply for the difference to bring them up to the £5,000 threshold for 2017/18. For 2018/19, relief will be awarded at 50%. Pubs will be required to apply (where they meet the criteria) for the Government's Supporting Pub Relief first before being considered for the additional relief.

8.9.11 Ratepayers that could qualify for other reliefs such as SBRR, Charity Relief etc. must apply for those reliefs first.

8.10 **Part B – Case by case basis**

8.10.1 Where any ratepayer can demonstrate that they have experienced financial difficulties as a result of the Revaluation, the Council will consider these on a cases by case basis. The Council will take into account:

- The amount of the increase in rate liability due to the Revaluation
- The amount of rates in relation to other business expenses and income of the business
- The amount of reserves held by the business
- The ability of the business to pay the increase

8.11 **Reasons for adopting this Scheme**

- Having a mainly formula based scheme for years 1 and 2 means we can identify and then target the support to businesses impacted by the Revaluation
- This scheme ensures that the funding made available by the Government is passed on to those ratepayers impacted by the Revaluation
- The formula based scheme will be easy to administer as it will be easy to identify the qualifying businesses and automatically send them an application form
- This scheme allows for individual businesses that do not meet the formula based criteria to apply
- Under part A of the Scheme (formula based criteria – section 8.9), it is estimated that approximately 370 businesses would benefit from this relief, which for 2017/18 will cost in the region of £312k, giving a potential pot of £45k (12% of funding) for relief awarded under part B of the Scheme (case by case basis – section 8.10).

8.12 Estimating the costs has been extremely difficult as we do not know from our data whether businesses will meet all the criteria such as State Aid rules or being predominantly based in Devon. This is why it is recommended that the maximum threshold level can be increased by the s151 Officer in consultation with the Leader, to ensure that Government funding is being fully directed to support eligible businesses who are impacted by Revaluation.

8.13 Ratepayers have to apply for the relief. As Discretionary Relief falls under State Aid, we will require a declaration from the ratepayer that they do not breach State Aid

rules. The application will also include a declaration regarding trading only or predominantly in Devon.

- 8.14 Relief is calculated on a daily basis, so if a business vacates part way through the qualifying period, then the relief will be apportioned accordingly.
- 8.15 Underspent funding cannot be carried forward to the next financial year. Any overspend cannot be carried forward either, and if we spend above the Government allocated funding for Exeter, the cost to the Council will be approximately 40% of the overspent amount.
- 8.16 As the Government will be reimbursing local authorities by way of a Section 31 Grant payment, the following conditions need to be met:
- Funding is capped based on allocation levels in section 8.4
 - The grant must be used to support only ratepayers facing an increase in their Business Rate bills following the 2017 Revaluation
 - A qualifying business that is entitled to other reliefs must apply for those reliefs first
 - The grant determination is conditional that the billing authority has consulted with major precepting authorities.

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

This local Discretionary Relief Scheme supports the Corporate purpose of ‘Help me run a successful business in Exeter’.

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

If the scheme costs exceed Government funding then the overspend will need to be met by the pool, however extensive modelling has been undertaken to establish a maximum threshold that will keep the overall cost below the allocated funding, whilst still allowing for a contingency fund for those ratepayers applying under Part B – case by case basis.

Schemes can be subject to legal challenge.

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?

As this policy relates to Business Rates, the impact is deemed to be low.

12. Are there any other options?

The Government expects all local authorities to have a local discretionary relief scheme in place and has provided new burdens funding to each billing authority, with an additional payment due once rebilling costs can be established in the light of actual numbers of businesses receiving relief. The attached policy determines a scheme that will support those local businesses facing the steepest increase in their Business Rates bill as a result of the 2017 Revaluation, however Members have discretion to decide the contents of the scheme, and to agree funding above the allocated level of funding.

David Hodgson
Chief Finance Officer

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

Background papers used in compiling this report:-

None

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Policy for the granting of Discretionary Relief

Version Control

<i>Version</i>	<i>Version date</i>	<i>Revised by</i>	<i>Description</i>
1	June 2017	LM	Policy
2	June 2017	DA	Sign off
3	July 2017	LM	Amendments per LJ
4	August 2017	DA	Sign off
5	September 2017	LM	Amendments LJ
6	October 2017	LF	Amendments LF

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1.0 Purpose of the Policy

- 1.1 The purpose of this policy is to determine the level of Discretionary Business Rates Relief to be granted to certain defined ratepayers within the Council's area.
- 1.2 The Local Government Finance Act 1988 and subsequent legislation allows the Council to grant discretionary relief for premises occupied by Charities and similar organisations that own or occupy them wholly or mainly for charitable purposes. Likewise, certain premises situated within a rural settlement area will be eligible for relief. Powers have also been granted under the Localism Act 2011, which allow for the granting of discretionary rate relief to any premises where the Council feels the granting of such relief would be of benefit to the local community.
- 1.3 In addition to the above, Central Government is keen that, in certain cases, assistance should be provided to businesses who have had increases in their rate liability due to the revaluation of premises in April 2017. In these cases, and where the Council meets Central Government guidelines, grants are available under section 31 of the Local Government Act 2003.
- 1.4 Whilst the Council is obliged to grant relief to premises, which fall within the mandatory category, the Council also has powers to grant discretionary relief and reductions to ratepayers, subject to certain criteria being met.
- 1.5 This document outlines the following areas:
 - Details of the criteria for receiving an award under the Local Discretionary Relief Scheme;
 - The Council's general policy for granting of all types of Discretionary Reliefs;
 - Guidance on granting and administering the reliefs;
 - European Union requirements including provisions for State Aid; and
 - The Council's Scheme of Delegation.
- 1.6 This document covers all aspects of the new Discretionary Relief Scheme which is available from 1st April 2017. Where businesses apply for relief they will be granted (or not granted) relief in line with the following policy.

2.0 Discretionary Relief – Legislative Background

Introduction

- 2.1 The original purpose of discretionary relief was to provide assistance where the property does not qualify for mandatory relief, or to ‘top’ up cases where ratepayers already receive mandatory relief.
- 2.2 Over recent years, and particularly since 2011, the discretionary relief provisions have been amended to allow authorities the flexibility to provide more assistance to businesses and organisations.
- 2.3 The range of bodies, which are eligible for discretionary rate relief, is wide and has been developed by both the Council and Central Government to address certain issues with business rates.
- 2.4 Unlike mandatory relief, ratepayers are obliged to make a written application to the Council. The Council will expect all businesses to make applications in such a format as is required (which may vary from time to time) and for the business to provide such information, evidence, certificates etc. as required in order to determine whether relief should be awarded.
- 2.5 The Council is obliged to consider carefully every application on its merits, taking into account the contribution that the organisation makes to the amenities within the authority’s area. There is no statutory appeal process or Tribunal against any decision made by the Council, although as with any decision of a public authority, decisions can be reviewed by Judicial Review. The authority will however, upon request, review decisions made. Details of the internal review process are given within this policy.
- 2.6 The granting of discretionary relief falls broadly into the following categories:
 - a. Discretionary Relief – Charities who already receive mandatory relief;
 - b. Discretionary Relief – Premises occupied by organisations not established or conducted for profit whose main objects are charitable or are otherwise philanthropic or religious or concerned with education, social welfare, science, literature or the fine arts **or** premises occupied by organisations not established or conducted for profit and wholly or mainly used for purposes recreation;
 - c. Discretionary Relief – Granted under the Localism Act 2011 provisions;
 - d. Local Newspaper Relief (from 1st April 2017 for a period of two years);
 - e. Local Public House Relief (from April 2017 for a one year period);
 - f. Supporting Small Businesses Relief (from 1st April 2017 for a period of five years or until businesses pay their full rate charge or their transitional rate charge (calculated in accordance with the Non-Domestic Rating (Chargeable Amounts) (England) Regulations 2016); and
 - g. Local Discretionary Relief Scheme (from 1st April 2017 for a period of up to four years).
- 2.7 This policy document purely covers the granting of awards under the Local Discretionary Relief Scheme (2.6g. above) which covers a period from 1st April 2017 for up to four years. The decision to grant or not to grant discretionary relief

is a matter purely for the Council. The Council's policy for granting other reliefs can be found on the Council's website www.exeter.gov.uk.

The Council's general approach to granting Discretionary Relief

- 2.8 In deciding which organisations should receive discretionary rate relief, the Council has considered the following factors and priorities:
- a. That any award should support business, organisations and groups that help to retain services in the Council's area and not compete directly with existing businesses in an unfair manner;
 - b. It should help and encourage business, organisations, groups and communities to become self-reliant;
 - c. Awarding discretionary relief should not distort competition or significantly change the provision of services within the Council's area;
 - d. Local (Devon based) organisations will be looked at more favourably than national organisations. Where requested, the organisation will need to supply the Council with clear evidence of **all** financial affairs including, and most importantly, the amounts of monies raised, used and invested locally. This will be essential where the organisation is national in nature;
 - e. To enable appropriate organisations to start, develop or continue their activities, which deliver outcomes to the community and that also relate to the priorities of the Council, which, without granting discretionary relief they would be unable to do;
 - f. To assist the Council in delivering services which could not be provided otherwise;
 - g. To assist the Council to meet its priorities;
 - h. To ensure that the financial impact of awarding discretionary relief is justified in terms of the local outcomes achieved by the organisation receiving it.
- 2.9 Where any reduction or remission is granted to a ratepayer under S49 Local Government Finance Act 1988 where hardship is proven to the Council, then there will be no requirement to grant Discretionary Rate Relief for that amount.
- 2.10 In certain cases, the order in which relief is granted is specified. Mandatory relief shall be granted in all cases where the criteria is met irrespective of whether discretionary relief can be granted or not.

The Council's approach to granting Government led Discretionary Relief schemes

- 2.11 Over the past few years, a number of schemes have been led by Central Government but without specific legislative changes. These are administered under S47 of the Local Government Finance Act 1988 and guidance is often provided. The Council is keen to support such initiatives especially where they are designed to help local businesses and will look to maximise both the reliefs given as well as maximising any grants receivable. However, the Council reserves the right to vary its approach where thought appropriate.

- 2.12 In the case of the Local Discretionary Relief scheme, Central Government is keen that individual Councils develop their own scheme to meet local needs. Government has allocated funds to the Council using a particular methodology, but it has been keen to point out that this should have no bearing on the actual scheme adopted by the Council.

3.0 Effect on the Council's Finances

- 3.1 The granting of discretionary relief will, in the main, potentially involve a cost to the Council. Since the change to the funding for Non-Domestic Rating in April 2013, the effect of the relief is complex.
- 3.2 Any amounts granted prior to 1st April 2013 and continuing since that date will be included in the Council's baseline within the Business Rates Retention Scheme. Any amounts granted for similar cases after 1st April 2013, the costs of the relief will be borne in accordance with the Business Rates Retention Scheme share.
- 3.3 In March 2017, Central Government announced that it would make available a discretionary fund of £300 million over four years from 2017-18 to support those businesses that face the steepest increases in their business rates bills as a result of the revaluation. Government determined that Councils would be best placed to determine how this fund should be targeted and administered to support those businesses and locations within their area that are in the greatest need.
- 3.4 Where Central Government leads an initiative such as the Discretionary Relief Scheme, grants are often made available. This is not automatic and Central Government will look to the Council to adopt any recommended criteria when granting in these areas to ensure that any grant is paid
- 3.5 Every authority within England is to be provided with a share of the fund to support their local businesses. This is to be administered through billing authorities' discretionary relief powers under section 47 of the Local Government Act 1988. The full effects of the financial allocation are shown below.
- 3.6 The allocation of monies to authorities and the methodology of the funding award is completely separate to the scheme itself, and Government believes that local authorities are best placed to judge the particular circumstances of local ratepayers and direct the funding where it is most needed to support local economies.
- 3.7 The funding is not provided equally over the four-year period but in the following approximate proportions:
- Year 1 (2017/18) 58%
- Year 2 (2018/19) 28%
- Year 3 (2019/20) 12%
- Year 4 (2020/21) 2%

- 3.8 Councils will be compensated for any relief granted under section 31 of the Local Government Act 2003. The Government has decided that any underspend cannot be 'vired' from one year to the next.
- 3.9 A key criteria of reimbursement will be that all Billing Authorities will consult with major precepting authorities when formulating their schemes.
- 3.10 The financial effects to the Council of the Discretionary Relief Scheme are shown in the following table

Amount of discretionary fund awarded (£000s) – Exeter City Council			
2017-18	2018-19	2019-20	2020-21
357	174	71	10

- 3.11 The above is to be awarded up to the maximum level set by Central Government. It is possible for the Council to grant more relief than that allocated by grant. However, once the maximum grant level has been reached, any additional amount granted would be partly financed by the Council.

4.0 Discretionary Relief – EU State Aid requirements

- 4.1 European Union competition rules generally prohibit Government subsidies to businesses. Relief from taxes, including non-domestic rates, can constitute state aid. The Council must bear this in mind when granting discretionary rate relief.
- 4.2 Rate relief for charities and non-profit making bodies is not generally considered to be state aid, because the recipients are not in market competition with other businesses. However, where other bodies receive relief and are engaged in commercial activities or if they are displacing an economic operator or if they have a commercial partner, rate relief could constitute state aid.
- 4.3 Relief will be State Aid compliant where it is provided in accordance with the De Minimis Regulations (1407/2013)¹. The De Minimis Regulations allow an undertaking to receive up to €200,000 of De Minimis aid in a three-year period (consisting of the current financial year and the two previous financial years).
- 4.4 Where the relief to any one business is greater than the De Minimis level, then permission will need to be obtained from the European Commission. In such cases the matter will be referred to the Department for Communities and Local Government (DCLG) for advice and then referred back to the Council for consideration. It will be for the ratepayer to provide confirmation as to whether the State Aid provisions apply to them.
- 4.5 In all cases, where discretionary relief is to be granted or where liability is to be reduced, when making an application, ratepayers will be required to provide the Council with sufficient information to determine whether these provisions are applicable in their case.

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:352:0001:0008:EN:PDF>

5.0 Administration of Discretionary Relief – General approach

- 5.1 The following section outlines the procedures followed by officers in granting, amending or cancelling discretionary relief and reduction. This is essentially laid down by legislation²

Applications and Evidence

- 5.2 All reliefs must be applied for. Application forms are produced by the Council in hard copy and/or electronic format. The Council will specify how applications are to be received and this may vary from time to time.
- 5.3 Organisations are required to provide a completed application form plus any such evidence, documents, accounts, financial statements etc. necessary to allow the Council to make a decision. Where insufficient information is provided, then no relief will be granted. In some cases, it may be necessary for officers to visit premises and we would expect organisations claiming relief to facilitate this where necessary.
- 5.4 Applications should initially be made to the Business Rates Manager and will be determined in accordance with this policy.
- 5.5 **The Council will provide this service and guidance free of charge. Ratepayers are encouraged to approach the Council direct and NOT pay for such services through third parties. Applications will be accepted from Ratepayers only.**

Granting of relief

- 5.6 In all cases, the Council will notify the ratepayer of decisions made.
- 5.7 Where an application is successful, then the following will be notified to them in writing:
- The amount of relief granted and the date from which it has been granted;
 - If relief has been granted for a specified period, the date on which it will end;
 - The new chargeable amount;
 - The details of any planned review dates and the notice that will be given in advance of a change to the level of relief granted; and
 - A requirement that the applicant should notify the Council of any change in circumstances that may affect entitlement to relief.
- 5.8 Where relief is not granted then the following information is provided, again in writing:
- An explanation of the decision within the context of the Council's statutory duty; and
 - An explanation of the appeal rights (see below).

² The Non-Domestic Rating (Discretionary Relief) Regulations 1989

- 5.9 Discretionary relief is to be granted from the beginning of the financial year in which the decision is made. Since 1997 decisions can be made up to 6 months after the end of the financial year for which the application was made. In such cases, the Council *may* backdate its decision.
- 5.10 A decision to award discretionary relief and how much relief is given is normally only applicable to the financial year for which the application is made. However, the Council reserves the right to grant relief for any other period as appropriate. In relation to the Local Discretionary Relief scheme, awards will, in the main be granted from 1st April 2017.
- 5.11 A fresh application for discretionary relief will be necessary for each financial year **or** at such time-period as the Council determines.

Variation of a decision

- 5.12 Variations in any decision will be notified to ratepayers as soon as practicable and will take effect as follows:
- Where the amount is to be increased due to a change in rate charge (excluding rateable value increases) or a change in the Council's decision which increases the award – this will apply from the date of the increase in rate charge or the date determined by the Council as appropriate;
 - Where the amount is to increase for any other reason it will take effect at the expiry of a financial year, and so that at least one year's notice is given;
 - Where the amount is to be reduced due to a reduction in the rate charge or liability including any reduction in rateable value, awarding of another relief or exemption this will apply from the date of the decrease in rate charge; and
 - Where the amount is to be reduced for any other reason, it will take effect at the expiry of a financial year, and so that at least one year's notice is given.
- 5.13 A decision may be revoked at any time, however, a one year period of notice will be given and the change will take effect at the expiry of a financial year unless relief has been awarded for a fixed period.

6.0 Scheme of Delegation

Granting, Varying, Reviewing and Revocation of Relief

- 6.1 All powers in relation to reliefs are given under the Local Government Finance Act 1988, the Local Government and Rating Act 1997, the Local Government Act 2003 and the Localism Act 2011. However section 223 of the Local Government Act 1992 allows for delegation of decisions by the Council to Cabinet, Committees, Sub-Committees or Officers.
- 6.2 The Council's scheme of delegation allows for the System Lead Finance to award, revise or revoke any discretionary relief applications. However, any application which is considered to be of a significant nature will be subject to consultation with the S151 Officer of the Council, and / or the relevant Executive member prior to final determination.
- 6.3 Applications that are refused will, on request, be reconsidered if additional supporting information is provided or the refusal is subsequently considered to be based on a misinterpretation of the application.

Reviews

- 6.4 The policy for granting relief will be reviewed annually or sooner where there is a substantial change to the legislation or funding rules. At such time, a revised policy will be brought before the relevant committee of the Council.

Appeals

- 6.5 Where the Council receives an appeal from the ratepayer regarding the granting, non-granting or the amount of any discretionary relief, the case will be reviewed by the System Lead Finance. Where a decision is revised then the ratepayer shall be informed, likewise if the original decision is upheld.
- 6.6 Where the ratepayer continues to be aggrieved by the decision, the case will be referred to the section 151 Officer for review. Where appropriate, cases of this nature may also be referred to the Executive member as appropriate.
- 6.7 Ultimately the formal appeal process for the ratepayer is Judicial Review although the Council will endeavour to explain any decision fully and openly with the ratepayer.

7.0 Consultation

- 7.1 The Council has consulted with the major preceptors in relation to this scheme and has taken their comments into account when determining the eligibility criteria. This is an essential part of the Discretionary Relief Scheme and is in line with the grant determination issued by the Department of Communities and Local Government (DCLG) No.31/3071.
- 7.2 The grant determination states that a condition of the fund is that consultation is undertaken with 'relevant authorities'. Relevant authorities for the purposes of this scheme means:
- a. Any major precepting authority; and
 - b. Any combined authority.
- 7.3 In the case of the Council only the major precepting authorities have been consulted namely:
- a. Devon County Council; and
 - b. Devon and Somerset Fire and Rescue Service.

8.0 Decisions by the Council under this scheme

- 8.1 Decisions by the Council are made directly in line with the Scheme of Delegation as outlined within section 6 of this policy. Any decision to award relief under this scheme will follow the core principles of the Council's discretionary relief policy as defined by section 2.8.
- 8.2 It should be noted that, whilst the funding from Central Government for the Discretionary Relief Scheme is limited, the decision of the Council whether to award any relief under this scheme **cannot take account** of the level of any funding.

Discretionary Relief Scheme– the Council's policy for granting discretionary relief.

- 8.3 The scheme is designed to assist ratepayers who have suffered increases in their rate liability as a result of the 2017 revaluation.
- 8.3.1 In assessing any potential entitlement to an award under this scheme, the Council will compare the following:
- i. The rate liability of the ratepayer as at 31 March 2017 after any reliefs and reductions; and
 - ii. The rate liability of the ratepayer at 1 April 2017 taking into account any transitional relief, relief or reductions.
- 8.3.2 There are two parts to the scheme in which ratepayers will be considered:
- Part A – Formula based for financial years 2017/18 & 2018/19 only
 - Part B – Case by case for four years from 2017/18 until 2020/2021

Part A – Formula based criteria

- A Relief will be awarded where the calculation in 8.3.1 above would result in an increase of more than 2%.
- B Relief will be paid up to a maximum of £5,000 (or a higher amount as approved by the S151 officer in conjunction with the Leader).
- C Relief will only be granted to premises that are liable for occupied rates. No relief will be awarded to unoccupied premises
- D Relief will only be granted where the rateable value is less than £200,000
- E Relief will only be granted to ratepayers who were in occupation at 31 March 2017 and in occupation on 1 April 2017 and for each day subsequent.
- F Ratepayers taking up occupation after 1 April 2017 will not be eligible for relief on the basis that new ratepayers would not have suffered from increases as a result of revaluation
- G Relief will be targeted to local businesses and not those businesses that are national or multinational in nature. Local businesses are, for the purpose of this scheme, those which have premises wholly or predominately in the Devon area.
- H Relief may be awarded for more than one premises as long as all other criteria are met.
- I Relief under Part A will not be awarded where:
 - mandatory relief has been granted

- the ratepayer is a public body
- the ratepayer has been granted a reduction under S44a of the Local Government Finance Act 1988;

J Additional discretionary relief will not be awarded for rateable value increases after 1 April 2017

K Relief will not be awarded for premises which are wholly or mainly used for:

- Betting and gambling premises
- Banks and Building Societies
- Cash Machines/ATMs
- Accountants, Insurance Agents and Financial Advisors
- Pawnbrokers and pay day lenders and similar
- Solicitors and law agencies
- Telecommunications network facilities
- Doctors and GP surgeries
- Supermarkets and discount stores

Part B – Case by case basis

Where any ratepayer can demonstrate that they have experienced financial difficulties as a result of revaluation, the council will consider these on a case by case basis. The Council will take into account:

- the amount of the increase in rate liability due to the revaluation;
- the amount of rates in relation to other business expenses and income of the business;
- the amount of reserves held by the business; and
- the ability of the business to pay the increase

Applications for relief under this scheme

8.4 The Council is keen to identify ratepayers who may qualify for the relief and as such will look to encourage certain ratepayers to apply. The Council will look to simplify the application process wherever possible, but it will expect any ratepayers to provide such information as is required by the Council to support their application

Amount of Relief

8.5 The amount of relief under Part A is tapered and will be calculated as follows:

2017/18

Award = Increase in rate liability calculated in 8.3c LESS 2%. For the avoidance of doubt, relief will only be awarded where the ratepayer has an increase of at least 2%. The award will reduce the increase down to 2% with the proviso that the maximum award will be £5,000.

2018/19

Award = 2017/18 award x 50% (for clarity this will be half of the relief awarded in 2017/18)

- 8.6 For 2017/18 and 2018/19 most of the funding will be given under part A but part of the funding will be retained to be used under part B (on a case by case basis). For 2019/20 & 2020/21 all of the funding will be granted under part B.

Variation and amendment of relief under the scheme

- 8.7 As with all reliefs, the amount of relief awarded under the Local Discretionary Relief Scheme will be recalculated in the event of a change of circumstances. In effect, relief is calculated on a daily basis in line with the ratepayer's liability on that day. This will include, for example, a backdated change to the rateable value of the hereditament. This change of circumstances could arise during the year in question or during a later year.
- 8.8 The Non-Domestic Rating (Discretionary Relief) Regulations 1989 (S.I. 1989/1059) requires the Council to provide ratepayers with at least one year's notice in writing before any decision to revoke or vary a decision so as to increase the amount the ratepayer has to pay takes effect. Such a revocation or variation of a decision can only take effect at the end of a financial year. But within these regulations, the Council may still make decisions which are conditional upon eligibility criteria or rules for calculating relief which allow the amount of relief to be amended within the year to reflect changing circumstances.

9.0 Reporting changes in circumstances

- 9.1 Where any award is granted to a ratepayer, the Council will require **any** changes in circumstances which may affect the relief to be reported as soon as possible and in any event not more than 21 days from the happening of the event. This will be important where the change would result in the amount of the award being reduced or cancelled e.g. where the premises becomes unoccupied or is used for a purpose other than that determined by the Council as eligible for relief.
- 9.2 Where a change of circumstances is reported, the relief will, if appropriate be revised or cancelled. Where any award is to be reduced, the Council will look to recover the amount from the date the change of circumstances occurred.
- 9.3 Where a change in circumstances is not reported and it is subsequently identified that it would have reduced the relief awarded, the Council reserve the right to remove any award completely.

10.0 Fraud

- 10.1 Where a ratepayer falsely applies for any relief, or where the ratepayer provides false information, makes false representation, or deliberately withholds information in order to gain relief, prosecutions will be considered under the Fraud Act 2006.

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By virtue of paragraph(s) 1, 2, 3, 4 of Part 1 of Schedule 12A of the Local Government Act 1972.

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