

CORPORATE SERVICES SCRUTINY COMMITTEE

Date: Thursday 25 January 2018
Time: 5.30 pm
Venue: Rennes Room - Civic Centre

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 23 November 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**

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

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

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

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

7 **Annual Pay Policy Statement**

To consider the report of the Transactional Services Manager.

(Pages 5 -
14)

8 **Revenue Budget Proposals 2018/19**

To consider the report of the Chief Finance Officer.

(Pages 15
- 30)

9 **Capital Programme 2018/19 - 2020/21**

To consider the report of the Chief Finance Officer.

(Pages 31
- 44)

10 **Treasury Management Strategy**

To consider the report of the Chief Finance Officer.

(Pages 45
- 56)

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

To consider the report of the Chief Finance Officer.

(Pages 57
- 76)

ITEMS FOR DISCUSSION

12 Estimates, Fees and Charges

To consider the report of the Chief Finance Officer.

(Pages 77
- 84)

Date of Next Meeting

The next scheduled meeting of the Corporate Services Scrutiny Committee will be held on **Thursday** 22 March 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: CORPORATE SCRUTINY COMMITTEE, EXECUTIVE AND COUNCIL
Date of Meeting: Scrutiny Committee Resources 25 January 2018
Executive – 13 February 2018
Council – 20 February 2018
Report of: City Solicitor & Head of HR
Title: Annual Pay Policy Statement and Gender Pay Gap Reporting.

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To set out the council's annual Pay Policy Statement 2018/19 which must be approved by Full Council each financial year in line with legislation.

To produce a Gender Pay Gap Report in line with legislation.

2. Recommendations:

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

- (i) The attached Policy, Report and Appendices be adopted and published in accordance with the legislation.
- (ii) Delegated authority be given to the City Solicitor & Head of HR to make necessary amendments to the pay policy statement following any changes in legislation or subsequent increases in pay.

3. Reasons for the recommendation:

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

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

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

5. Section 151 Officer comments:

There are no financial implications for the Council to consider contained in this report

6. What are the legal aspects?

- (a) Local Authorities are required by Section 38(1) of the Localism Act 2011 to set out a written statement each financial year relating to:

- The remuneration of chief officers
- The remuneration of its lowest paid employees
- The relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers

(b) The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 requires local authorities who employ over 250 or more employees to produce an annual Gender Pay Gap report which compare the difference in pay between females and males. The relevant date for the Gender Pay Gap Report is 31st March 2017. The results of the report must be published by the Council before 31st March 2018.

7. Monitoring Officer Comments

This report raises no issues for the Monitoring Officer.

8. Report Details:

In line with statutory requirements, the Council's Pay Policy Statement has been reviewed and updated for 2018/19 for approval by full Council prior to publishing on the Council's website.

The revised policy and appendix will take into account the following changes once the pay award for 2018/19 has been agreed:

- The increase in the nationally determined living wage (Grades 1 and 2) in November 2017 which comes into effect at Exeter City Council on 1 April 2018 (paragraph 3.2)
- Implementation of the nationally agreed pay award for 2018/19 for employees on Spinal Column Points 12-59 inclusive (Appendix 1)
- Implementation of the nationally negotiated 2018/19 pay award for Chief Officers and Chief Executives (Appendix 1)

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

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

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

There are no new implications arising from the recommendations.

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

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

12 Are there any other options?

No.

City Solicitor & Head of HR

Originator: David Knight, HR Transactional Services Manager

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

Background papers used in compiling this report:

None

Contact for enquiries: Democratic Services (Committees), Room 2.3, (01392) 265115

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Pay Policy Statement 2018/19

1. Levels and elements of remuneration for each chief officer role as at April 2018 (pay award pending):

Post title	Full time Remuneration
Chief Executive and Growth Director	£112,211
Deputy Chief Executive	£91,964
Directors Chief Finance Officer City Solicitor & Head of HR	£70,000 - £80,000
Corporate Managers (x 3)	£58,268

2. The FT remuneration of the lowest paid employee:

Post title	Full time Remuneration
P&GS Operative/MRF Operative	£16,881

3. The multiplier of the remuneration of the chief officer based upon taxable earnings (pay award pending):

Post Title	Full time Remuneration
Annual median pay of all employees	£20,403
Pay multiple of Chief Executive and Growth Director to median	5.50
Pay multiple of Chief Executive and Growth Director to lowest paid FT employee	6.65

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Exeter City Council

Gender Pay Gap Report 2017

1 Purpose and scope of the Report

1.1 The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 requires local authorities who employ over 250 or more employees to produce a gender pay gap report.

1.2 The Act requires that an authority must report on the following information: (see Appendix 1)

- Their mean gender pay
- Their median gender pay gap
- Their mean bonus gender pay gap
- Their median bonus gender pay gap
- Their proportion of males receiving a bonus payment
- Their proportion of females receiving a bonus payment
- Their proportion of males and females in each quartile pay band

1.3 Calculations:

- Mean average involves adding up all of the numbers and dividing the result by how many numbers were in the list.
- Median average involves listing all of the numbers in numerical order. The median is the middle figure.

1.4 Exeter City Council does not operate any bonus schemes.

1.5 The relevant or snapshot date is the key date on which the calculations must be made. The first relevant date is 31st March 2017. It is also the date from which an employer has a year to publish their gender pay report.

2 Findings and Observations

- The average rate of pay for females is higher than males across the Council.
- The difference is less than 1%.
- There are more males in the lower quartile of earnings.

3 Transparency & Publication of Data

3.1 This report will be reviewed annually to track the relationship between both females and males earnings.

3.2 The Council will publish its Gender Pay Gap Report on the Exeter City Council website, as well as on the centrally held database on gov.uk.

- 3.3 Exeter City Council pay and reward policies and procedures are operated within the framework of JNC and NJC terms as nationally negotiated and agreed and supplemented by local agreements. The Council applies the national framework for job evaluation and works within equality and equal pay legislation in order to apply all pay related issues in a fair, consistent and transparent way.

Equality Impact Considerations

- 3.4 Although not directly connected to the gender pay gap the principles of equal pay are integral to this report and applied consistently within the pay and reward frameworks adopted by Exeter City Council. The definition of Equal Pay is:

- Like work where the woman and the man are doing the same job
- Work rated as equivalent where the 2 jobs are different but have been evaluated by the employer's job evaluation scheme at the same level/grade
- Work of equal value where the jobs are different but an argument is made that both jobs should be regarded as being of equal value or worth.

1. Gender Pay Report (31st March 2017)

Results (hourly rates to 3 decimal places)

Mean Female Pay	£12.734
Mean Male Pay	£12.634
Mean Gender Pay Gap	-0.8%

Median Female Pay	£11.086
Median Male Pay	£10.463
Median Gender Pay Gap	-6.0%

Mean Female Bonus Pay	£0.00
Mean Male Bonus Pay	£0.00
Mean Gender Pay Gap	0.0%

Median Female Bonus Pay	£0.00
Median Male Pay	£0.00
Median Gender Pay Gap	0.0%

Number of Females receiving Bonus Pay	0
Number of Males receiving Bonus Pay	0
Proportion of Females receiving Bonus Pay	0.0%
Proportion of Males receiving Bonus Pay	0.0%

Quartile	Female	Male
Lower	21.2%	78.8%
Lower Middle	52.4%	47.6%
Upper Middle	58.2%	41.8%
Upper	43.0%	57.0%

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EXETER CITY COUNCIL

REPORT TO: CORPORATE SCRUTINY COMMITTEE
DATE OF MEETING: 25 JANUARY 2018

REPORT OF: CHIEF FINANCE OFFICER
TITLE: REVENUE BUDGET PROPOSALS 2018/19

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

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

2. Recommendations:

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

3. Reasons for the recommendation:

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

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

- 4.1 The report sets out the proposed budget for 2018/19. Details of the resource implications are set out in section 8.

5. Section 151 Officer comments:

- 5.1 The proposed budget will achieve the requirement to maintain a minimum balance in excess of £3 million. The Medium Term Financial Plan is reliant on substantial savings being delivered over the next three years in order to maintain and strengthen the Working Balance to ensure the Council is able to cope with any issues arising from 100% Business Rate retention.

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

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

8. Report Details:

8.1 Local Government Provisional Finance Settlement 2018-19

8.1.1 4 year Settlement

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

8.1.2 The provisional settlement for 2018-19 therefore reflects the figures in the Medium Term Financial Plan, with the only change being that the revenue support grant has been rolled up into business rates as a result of the business rates pilot (see 8.3 for further details).

8.1.3 Appendix 1 shows as a comparison the formula funding settlement figures for all Devon authorities. The final settlement figures will be announced later this month but at this stage it is not expected that they will be significantly different from the provisional announcement. The figures show that the most rural of authorities have fared better this year in percentage terms of formula funding reduction.

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

- Council Tax Requirement including estimates of Council Tax increases and increases in the Taxbase;
- Social Care Precept (not applicable for district councils);
- Formula Grant;
- New Homes Bonus;
- Rural Services Delivery Grant and
- Better Care Fund (not applicable for district councils).

Appendix 2 shows a comparison of Devon authorities using this definition of revenue spending power. Using this measure Exeter's core spending power reduces by 15.9% over the period.

8.2 COUNCIL TAX

8.2.1 The Government has announced in respect of the local authority tax referendum threshold, that Shire District councils will be allowed increases of less than 3% or up to and including £5, whichever is higher. Upper Tier Authorities may increase their Council Tax by up to three per cent above the threshold as long as the additional income is spent on Adult Social Care. This is on top of the 2.99% increase they may make for other services but can total no more than 6% over a three year period, which began in 2017-18. Exeter's budget strategy for next year assumes that council tax will increase by £5, which, along with the estimated surplus on the collection fund of £139,900 and increase in the taxbase will raise an extra £285,850.

8.3 BUSINESS RATES PILOT

8.3.1 Local Authorities in Devon have been successful in applying to be a 100% Business Rate pilot for 2018/19. This means that 100% of the growth generated in the County will be kept and split according to the percentages agreed between the Councils (40% for Districts, 59% for the County and 1% for Fire). The Government have included a no detriment clause in the agreement, which means that no Council will be worse off than

they would have been under the 50% retention scheme. Potentially this could be worth at least £300,000 to the City Council on a one-off basis.

8.4 **KEY ASSUMPTIONS**

8.4.1 An overall allowance of £500,000 has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	2.0%
Pay – Increments	0.5%
Electricity	2.5%
Gas	2.5%
Oil	2.5%
Water	0.0%
Insurance	10.0%
Rates	2.5%
Fuel	3.0%
General Inflation	0.0%
Income (excluding Car Parks)	3.0%

8.4.2 General inflation has again been held at zero; however where there are contracts in place, inflation at around RPI has been added. The pay award for 2018/19 has yet to be agreed and may result in a higher settlement than the level at which the budget has been set.

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

8.5 **FURTHER ISSUES TO BE CONSIDERED**

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

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

8.6 EQUALITY IMPACT ASSESSMENT

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

8.7 NEW HOMES BONUS

8.7.1 The Government have deferred any further changes to the New Homes Bonus in 2018/19. As members will remember the Government has removed £800 million from New Homes Bonus in order to fund Adult Social Care and have completed the reduction to four years payment for 2018-19. Additionally, no payment has been made on housing growth below 0.4%. This has resulted in Exeter being awarded £2.591 million for 2018-19.

8.7.2 To date the Council has received New Homes Bonus of £0.389 million in 2011/12, £1.323 million in 2012/13, £2.205 million in 2013/14, £2.778 million in 2014/15, £3.529 million in 2015/16, £4.232 million in 2016/17, £3.597 million in 2017/18 and provisionally been notified that it will receive a further £2.591 million in 2018/19. The methodology for using the New Homes Bonus has the following impact:-

Year	Top Slice (revenue)	Community Projects	Major Projects /Debt Reduction	Unused / Projects	Revenue	Total
	£000's	£000's	£000's	£000's	£000's	£000's
2011/12	-	-	-	389	-	389
2012/13	120	361	601	241	-	1,323
2013/14	120	286	1,757	42	-	2,205
2014/15	120	286	2,372	-	-	2,778
2015/16	120	286	3,123	-	-	3,529
2016/17	159	150	2,000	923	1,000	4,232
2017/18	164	150	1,500	783	1,000	3,597
2018/19	164	150	1,150	127	1,000	2,591
Total	967	1,669	12,503	2,505	3,000	20,644

8.8 REVISED MEDIUM TERM REVENUE PLAN (APPENDIX 3)

- 8.8.1 An updated Medium Term Financial Plan (MTFP) is set out in Appendix 3. The MTFP currently indicates that savings are required in both 2019-20 and 2020-21. £2.750 million is required to be saved; £1.250 million in 2019-20 and £1.500 million in 2020-21. The savings in 2020-21 result from a reset of the business rates, which will mean that all the growth that Exeter has benefitted from in its business rates baseline will be redistributed and is intended to coincide with the introduction of the new formula resulting from the fair funding review currently being undertaken and the move to 75% business rates retention.
- 8.8.2 The amount of savings required in 2020-21 could vary significantly based on the results of the fair funding review and any changes to the distribution of growth introduced in the move to 75% business rates retention. Additionally there are further uncertainties and factors that could affect the future financial position. These include: potential costs arising from the review of service plans, the cost of any new statutory functions, and additional borrowing and revenue costs in respect of any new capital programme commitments. Any additional revenue costs / reduced income streams that are not currently identified within the medium term financial plan will have to be met from further savings and will require careful consideration from members.

8.9 BALANCES AND RESERVES

- 8.9.1 The Council's current policy is such that the minimum level of the General Fund Balance will remain above £3 million. As the Council faces greater uncertainty in the medium term over funding it is prudent to hold reserve levels at a higher rate to offset sudden losses of income. The latest estimated position of the General Fund Balance is that it will be £3.732 million as at 31 March 2019, equivalent to 25.9% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 3) indicates that the General Fund Balance will reduce slightly to £3.319 million by the end of 2020/21.
- 8.9.2 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2018/19 includes a net transfer from earmarked reserves of £428,000. This is broken down as shown below:-

Transfer (from)/ to reserves:

	2018/19 £'000
Transfers to Reserves	
New Homes Bonus	<u>2,591</u> 2,591
Transfers from Reserves	
New Homes Bonus	(2,864)
Events	(100)
Sports	<u>(55)</u> (3,019)

8.10 REVENUE ESTIMATES 2018/19 (APPENDIX 4)

8.10.1 The Council's revenue estimates for next year are being considered during the current cycle of Scrutiny Committee meetings for the final budget report to the Executive on 13 February 2018. In total, Service Committee Expenditure for 2016/17 is £12,975,450 which is £123,190 higher than the current year.

8.10.2 In addition there are other items to take into account referred to as 'below the line' as they do not form part of the individual service controllable budgets. These include an estimate of £100,000 for net borrowing in respect of the overall cash balances, £1,720,160 towards repaying debt in respect of the Council's capital programme, New Homes Bonus grant and transfers in respect of balances and reserves. The Council's total General Fund Expenditure budget requirement for 2018/19 is planned to be £11,844,390, a reduction of £20,419 compared to 2017/18.

8.11 COUNCIL TAX BUDGET REQUIREMENT 2018/19

8.11.1 As stated above, the Government is setting the referendum trigger for District Councils at above £5 or 3%, whichever is higher. The budget has been set on the basis of a £5 increase, although this is ultimately a Member decision. It should be noted that in the Government spending calculations, they have assumed that all District Councils will raise their Council Tax by £5 and have set the spending reductions accordingly.

8.11.2 When all the Government Grant funding is taken into account the resultant net expenditure to be financed from council tax is £5,623,730 (as indicated in Appendix 4), an increase of £285,921 compared to 2017/18.

8.11.3 Each year the Council must estimate the likely surplus or deficit position on its Collection Fund and any such amounts must be taken into account when determining the band D Council Tax amount for 2018/19. For next year it is estimated that the collection fund will have a surplus (£139,902), which will be used to fund part of the expenditure to be financed from Council Tax.

8.11.4 After taking into account the surplus and the taxbase of 36,547, the proposed band D council tax for 2018/19 is £150.05, which means that the council tax would increase annually by £5.00 or 3.45%. An increase of 2.99% would reduce the Council Tax requirement by £24,231, which would have to be taken from reserves.

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

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

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

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

11.1 Not applicable.

12. Are there any other options?

12.1 Not applicable.

Dave Hodgson, Chief Finance Officer

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275

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FORMULA GRANT DECREASES - DEVON AUTHORITIES

Authority	Grant	Grant	Yearly Decrease %	Grant	Yearly Decrease %	Grant Decrease 2016/17 - 2018/19	
	2016/17 £m	2017/18 £m		2018/19 £m		£m	%
Devon	151.644	128.307	(15.4%)	121.019	(5.7%)	(30.625)	(20.2%)
Plymouth	86.599	77.535	(10.5%)	72.436	(6.6%)	(14.163)	(16.4%)
Torbay	49.836	44.576	(10.6%)	41.612	(6.6%)	(8.224)	(16.5%)
East Devon	3.644	3.024	(17.0%)	2.873	(5.0%)	(0.771)	(21.2%)
Exeter	5.802	5.177	(10.8%)	4.842	(6.5%)	(0.960)	(16.5%)
Mid Devon	3.043	2.564	(15.7%)	2.683	4.6%	(0.360)	(11.8%)
North Devon	4.183	3.622	(13.4%)	3.571	(1.4%)	(0.612)	(14.6%)
South Hams	2.514	2.046	(18.6%)	2.182	6.6%	(0.332)	(13.2%)
Teignbridge	4.707	4.016	(14.7%)	3.685	(8.2%)	(1.022)	(21.7%)
Torrige	3.331	2.939	(11.8%)	3.110	5.8%	(0.221)	(6.6%)
West Devon	2.132	1.762	(17.4%)	1.958	11.1%	(0.174)	(8.2%)

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REVENUE SPENDING POWER CHANGES - DEVON AUTHORITIES

Authority	Core Spending Power 2016/17	Core Spending Power 2017/18	Core Spending Power 2018/19	Core Spending Power 2019/20	Core Spending Power Change	
	£m	£m	£m	£m	£m	%
Devon	504.4	520.6	533.9	543.9	39.5	7.8%
Plymouth	187.1	191.0	186.5	195.5	8.4	4.5%
Torbay	110.1	113.3	115.1	116.6	6.5	5.9%
East Devon	15.5	15.5	15.1	14.9	(0.6)	(3.9%)
Exeter	15.1	14.1	13.0	12.7	(2.4)	(15.9%)
Mid Devon	10.6	10.1	9.5	9.2	(1.4)	(13.2%)
North Devon	11.3	10.7	10.9	10.8	(0.5)	(4.4%)
South Hams	10.7	9.7	9.3	9.3	(1.4)	(13.1%)
Teignbridge	15.9	15.2	14.4	14.2	(1.7)	(10.7%)
Torridge	9.3	8.7	8.3	8.3	(1.0)	(10.8%)
West Devon	8.6	7.5	7.2	7.0	(1.6)	(18.6%)

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MEDIUM TERM REVENUE PLAN (2016/17 - 2021/22)

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	
Resources							
Revenue Support Grant	2,030	1,320	0	365	0	0	
Business Rates Income (assumed by Government)	3,780	3,857	4,842	4,185	4,289	4,396	
Business Rates growth	884	866	1,228	1,226	0	0	
Business Rates pooling benefit	150	150	150	150	0	0	
New Homes Bonus	4,232	3,597	2,591	2,625	2,596	2,567	
Council Tax	5,030	5,338	5,624	5,723	5,967	6,215	
Likely resources	16,106	15,128	14,435	14,274	12,852	13,178	
Expenditure							
Service expenditure							
Committee expenditure base budget	12,527	12,549	12,852	12,975	11,717	10,378	
Inflation	150	110	500	300	300	300	
Potential increase in service costs	847	1,458	568	(244)	75	75	
Budgeted reductions	(975)	(1,265)	(945)				
	12,549	12,852	12,975	13,031	12,092	10,753	
Supplementary Budgets	2,480	1,379					
Net Interest	185	0	100	322	320	319	
Forecast Committee movements	(1,452)	258					
RCCO	1,414	150	150	150	150	150	
Repayment of debt	766	648	720	982	958	924	
Additional repayment of debt	747	1,000	1,000	1,000	1,000	1,000	
	16,689	16,287	14,945	15,485	14,520	13,146	
Other funding							
Contribution to/ (from) earmarked reserves	(331)	292	(428)	255	282	197	
Contribution to/ (from) balances - Other	(252)	(1,451)	(82)	(152)	(236)	(25)	
	(583)	(1,159)	(510)	103	46	172	
Savings identified during 2016-17				(64)	(214)	(140)	
Further savings required				(1,250)	(1,500)		(2,750)
Total Net Budget	16,106	15,128	14,435	14,274	12,852	13,178	

Total additional savings required by 2022/23 (2,750)

Opening General Fund Balance	5,517	5,265	3,814	3,732	3,580	3,344
Closing General Fund Balance	5,265	3,814	3,732	3,580	3,344	3,319
Balance as a percentage of budget	32.7%	25.2%	25.9%	25.1%	26.0%	25.2%

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	2017-18 Budget	2018-19 Budget	Change
	£	£	£
SCRUTINY - PEOPLE	3,511,870	2,935,040	(576,830)
SCRUTINY - PLACE	8,474,940	9,366,030	891,090
SCRUTINY - CORPORATE	3,941,210	7,396,760	3,455,550
less Notional capital charges	(3,075,760)	(6,722,380)	(3,646,620)
<u>Service Committee Net Expenditure</u>	12,852,260	12,975,450	123,190
Net Interest	150,000	100,000	(50,000)
New Homes Bonus	(3,597,202)	(2,590,900)	1,006,302
Revenue Contribution to Capital	0	150,000	150,000
Minimum Revenue Provision	1,764,028	1,720,160	(43,868)
<u>General Fund Expenditure</u>	11,169,086	12,354,710	1,185,624
Transfer To/(From) Working Balance	(73,479)	(82,320)	(8,841)
Transfer To/(From) Earmarked Reserves	769,202	(428,000)	(1,197,202)
<u>General Fund Net Expenditure</u>	11,864,809	11,844,390	(20,419)
Formula Grant	(5,177,000)	(4,841,660)	335,340
Business Rates Growth	(1,350,000)	(1,379,000)	(29,000)
Council Tax	(5,337,809)	(5,623,730)	(285,921)
	0	0	0

Working Balance

March 2017
3,813,788March 2018
3,731,468

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REPORT TO **CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL**
Date of Meeting: **Corporate Services Scrutiny Committee - 25 January 2018
Executive - 13 February 2018
Council - 20 February 2018**
Report of: **Chief Finance Officer**
Title: **Capital Programme (2018/19 - 2020/21)**

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

To approve the General Fund and Housing Revenue Account Capital Programmes for 2018/19 along with schemes identified for the following two years

2. Recommendations:

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

- i. The General Fund capital programme for 2018/19 as set out in Appendix 3
- ii. The HRA capital programme for 2018/19 as set out in Appendix 4

3. Reasons for the recommendation:

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

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

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

4. What are the resource implications including non financial resources

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

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the Capital Programme for 2018/19 along with schemes identified for the following two years.

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

The content of this report raised no issues for the Monitoring Officer.

8. Report Details:

CAPITAL PROGRAMME (2018/19 – 2020/21)

8.1 AVAILABLE CAPITAL RESOURCES

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

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

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

The Council must ensure that any borrowing decisions remain affordable and to this end, has to adopt a number of prudential indicators, which are set out in the Prudential Code for Capital Finance in Local Authorities, developed by CIPFA. A separate report setting out the Council's Prudential Indicators is also presented to this Committee.

8.2 General Fund Available Resources

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

A borrowing requirement of £16.945 million has been identified over the next four financial years, which will have an ongoing impact on the Council Tax. The approximate current annual revenue cost of borrowing £1 million is:

Type of Borrowing	Interest £	Money Set Aside for Repayment of Debt £	Total Annual Payment £
Short term	6,500	40,000	46,500
Long term (>25 years)	26,500	40,000	66,500

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

8.3 Housing Revenue Account Available Resources

The capital programme for 2018/19 will be funded from the Major Repairs Reserve, Revenue Contributions and any external contributions and capital receipts generated in the period. Appendix 2 sets out the use of the resources available in respect of the HRA.

9. GENERAL FUND CAPITAL PROGRAMME

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

Status	2018/19 £	2019/20 £	2020/21 £	Future Years £
New Bids	1,466,700	913,000	324,000	164,000
Pre-Approved Schemes	23,583,510	14,315,390	1,003,900	1,003,900
Total General Fund Capital Programme	25,050,510	15,228,390	1,327,900	1,167,900

The capital programme has been set out in line with the Council Purposes, in order to demonstrate how the Council's capital priorities help to contribute towards their achievement. Although a number of schemes contribute to the achievement of more than one vision theme, they have been placed under the theme to which it is considered the scheme contributes the most.

10. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

For 2018/19, the HRA medium term financial plan provides for a capital programme of £18.177 million. This comprises capital investment of £12.487 million for improvements to the Council's existing housing stock and £5.690 million towards the provision of new council homes.

In terms of investment in existing stock the proposed budgets for 2018/19 include the following:

- 132 kitchen replacements
- 148 bathroom replacements
- Refurbishment of 17 LAINGS properties
- 400 boiler replacements
- Year 1 of storage facility improvements in accordance with the Fire Safety Management Policy
- 6 properties to have low carbon building retrofit as part of a Zero Energy Buildings project
- 236 properties to have window replacement
- Re-roofing to 50 houses and planned works to roofs of blocks of flats

A copy of the HRA Capital Programme is attached at Appendix 4.

The HRA Capital Programme will be funded by:

HRA Capital Finance	£
Major Repairs Reserve	7,830,670
Revenue Contribution to Capital	7,196,550
Capital Receipts	1,000,000
Commutated sums	10,000
Department of Health grant for St Loyes Extra Care Scheme	1,490,000
External contributions	650,000
Total HRA Capital Financing 2018/19	18,177,220

- 11. How does the decision contribute to the Council's Corporate Plan?**
The Capital Programme contributes to all of the key purposes, as set out in the Corporate Plan.
- 12. What risks are there and how can they be reduced?**
Areas of budgetary risk are highlighted to committee as part of the quarterly budget monitoring updates.
- 13. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**
No impact
- 14. Are there any other options?**
No

DAVE HODGSON
Chief Finance Officer

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

Background papers used in compiling this report:

None

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

GENERAL FUND	2017-18 £	2018-19 £	2019-20 £	2020-21 £	Future Years £	TOTAL £
CAPITAL RESOURCES AVAILABLE						
GF Capital Receipts	699,180		1,075,824			6,195,663
Disabled Facility Grant	685,822	450,000	450,000	450,000	450,000	3,157,152
New Homes Bonus	140,010	12,276,067	486,219			14,460,291
Community Infrastructure Levy	294,000	6,816,281				8,206,858
Other - Grants/External Funding/Reserves/S106	812,262	1,208,557	813,633			3,132,564
Total Resources Available	2,631,274	20,750,905	2,825,676	450,000	450,000	35,152,528
GENERAL FUND CAPITAL PROGRAMME						
Capital Programme	6,014,100	25,050,210	15,228,390	1,327,900	1,167,900	56,085,380
Total General Fund	6,014,100	25,050,210	15,228,390	1,327,900	1,167,900	56,085,380
UNCOMMITTED CAPITAL RESOURCES:						
Capital Receipts Brought Forward	4,735,420	5,050,420	4,612,007	0	0	4,735,420
Resources in Year	2,631,274	20,750,905	2,825,676	450,000	450,000	27,107,855
Less Capital Receipts to carry forward	(5,050,420)	(4,612,007)	0	0	0	0
Less Estimated Spend in Year	(6,014,100)	(25,050,210)	(15,228,390)	(1,327,900)	(1,167,900)	(48,788,500)
Borrowing Requirement	3,697,826	3,860,892	7,790,707	877,900	717,900	16,945,225

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HRA AVAILABLE RESOURCES

HOUSING REVENUE ACCOUNT	2017-18 £	2018-19 £	2019-20 £	2020-21 £	2021-22 £	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	0	227,364
RTB sales	1,800,000	500,000	500,000	400,000	400,000	3,600,000
Surrender back to DCLG - pending St Loyes financing decision	(3,420,000)	0	0	0	0	(3,420,000)
Major Repairs Reserve	3,000,614	3,006,450	3,006,450	3,006,450	3,006,450	15,026,414
Revenue Contributions to Capital	3,796,642	7,196,555	2,500,000	3,000,000	4,500,000	20,993,197
External contributions	45,470	434,000	160,259	0	0	639,729
Grant funding - HCA grant (St Loyes)	0	1,490,000	0	0	0	1,490,000
Grant funding - Estate Regeneration Funding	1,295,000	0	0	0	0	1,295,000
Grant funding - Zero Energy Buildings Project	0	216,000	0	0	0	216,000
Commuted sums	556,840	10,000	5,360,000	156,360	0	6,083,200
Total Resources available	7,301,930	12,853,005	11,526,709	6,562,810	7,906,450	60,477,329
CAPITAL PROGRAMME						
HRA Capital Programme	11,732,625	18,177,220	15,244,030	7,782,810	8,045,830	60,982,515
Quarter 2 - Overspends / (Savings)	(134,000)					(134,000)
Quarter 2 - Slippage / Re-profiling	(1,169,430)					(1,169,430)
Total Housing Revenue Account	10,429,195	18,177,220	15,244,030	7,782,810	8,045,830	59,679,085
UNCOMMITTED CAPITAL RESOURCES:						
Usable Receipts Brought Forward	5,607,226	1,223,114	723,114	723,114	723,114	5,607,226
Major Repairs Reserve Brought Forward	8,719,199	9,976,046	5,151,831	1,434,510	214,510	8,719,199
Resources in Year	7,301,930	12,853,005	11,526,709	6,562,810	7,906,450	46,150,904
Less Estimated Spend	(10,429,195)	(18,177,220)	(15,244,030)	(7,782,810)	(8,045,830)	(59,679,085)
Uncommitted Capital Resources	11,199,160	5,874,945	2,157,624	937,624	798,244	798,244
WORKING BALANCE RESOURCES:						
Balance Brought Forward	8,567,454	9,226,749	5,464,604	5,937,222	6,335,413	8,567,454
HRA Balance Transfer - Surplus/(Deficit)	659,295	(3,762,145)	472,618	398,191	(623,006)	(2,855,047)
Balance Carried Forward	9,226,749	5,464,604	5,937,222	6,335,413	5,712,407	5,712,407
Balance Resolved to be Retained	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Uncommitted HRA Working Balance	5,226,749	1,464,604	1,937,222	2,335,413	1,712,407	1,712,407
TOTAL AVAILABLE CAPITAL RESOURCES	16,425,909	7,339,549	4,094,846	3,273,037	2,510,651	2,510,651

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GENERAL FUND - CAPITAL PROGRAMME 2018/19 AND FUTURE YEARS						
SCHEMES LISTED WITHIN COUNCIL PURPOSES	NEW BID	2018/19	2019/20	2020/21	Future Years	What the scheme is trying to achieve
		£	£	£	£	
PEOPLE						
HELP ME FIND SOMEWHERE SUITABLE TO LIVE						
Disabled Facility Grants		450,000	450,000	450,000	450,000	To meet the legal duty to pay grants to enable disabled people to remain in their homes.
Sub-Total - Help Me Find Somewhere Suitable to Live		450,000	450,000	450,000	450,000	
PEOPLE TOTAL		450,000	450,000	450,000	450,000	
PLACE						
WELL RUN COUNCIL						
Waste Infrastructure	NEW	16,700	163,000	144,000	144,000	To reduce on-street presentation of domestic and commercial rubbish. Infrastructure to consist of communal domestic waste collection points in selected streets, 'Recycle on the Go' bins in the city centre and communal trade waste facilities.
Car Park Resurfacing, Lining & Boundary Improvements	NEW	50,000	200,000			To ensure income generating car parks are safe and welcoming to use.
Mechanisation of Street Scene	NEW	150,000				To optimise street cleaning. Equipment includes three vans, a sweeper and leaf/litter suckers.
Vehicle Replacement Programme		362,000	400,000	400,000	400,000	To ensure that the Council's vehicles are replaced so that a safe and reliable fleet is maintained.
Sub Total - Well Run Council		578,700	763,000	544,000	544,000	
IMPROVE THE ENVIRONMENT AND MY NEIGHBOURHOOD						
Bowling Green Marshes Coastal Defence Scheme		278,900				To repair the coastal defences to retain the level of protection to the freshwater marshes. The scheme is entirely funded by the Environment Agency.
Topsham Flood Gates (Ferry Road/The Strand)		100,000				Provision and installation of 10 to 12 heavy duty floodgates across existing openings between defences. The scheme is entirely funded by Devon County Council and the Environment Agency.

GENERAL FUND - CAPITAL PROGRAMME 2018/19 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	NEW BID	2018/19 £	2019/20 £	2020/21 £	Future Years £	What the scheme is trying to achieve
Exeter Flood Alleviation Scheme		200,000				Approximately 30 to 40 properties that are not protected from the Environment Agency's main flood scheme will be offered property level protection. The scheme is entirely funded by the Environment Agency.
Repair Canal Bank at M5		30,000				To re-strengthen and raise canal banks at this known vulnerable location.
Parks Infrastructure	NEW	150,000	250,000	100,000		To ensure public safety in parks and open spaces. Works include resurfacing parking areas and repairs to steps, railings and gates.
Cemeteries & Churchyards Infrastructure Improvements	NEW	60,000	80,000	20,000	20,000	To provide adequate and safe access to graves. Works include improvements to path and road layout and surfacing improvements and provision of suitable parking.
Purchase of Harbour Patrol Vessel for Exe Estuary	NEW	50,000				Purchase of RHIB type vessel for Harbour Patrol purposes in order to comply with Port Marine Safety Code requirements to deter speeding and monitor the use of the Estuary as part of ECC's Safety Management System.
Replacement of Mallison Bridge (Exeter Quay)	NEW	350,000				The current bridge has been identified as requiring replacement by DCC engineers. Opportunity to replace with a flatter, wider, 'fit for use' bridge to cater for heavy use.
Improved Car Park Security Measures at King William Street & Arena Park	NEW	45,000				To ensure the sites are protected from abuse and available for legitimate users without fear of intimidation.
Repairs to Turf Lock Pier Head	NEW	20,000	100,000			Stabilisation work to Turf Lock Pier Head by providing rock protection on the seaward side and making good displaced masonry slabs in other areas.
Repairs to Salmonpool Bridge	NEW	45,000				To refurbish and re-deck Salmonpool Bridge to prevent the bridge deteriorating to a dangerous standard and to maintain access over the canal and ensure the cycle network is not compromised.
Repair to Walls at Farm Hill	NEW	30,000	60,000			To ensure stability and integrity of structures.
Bank Repairs & Stabilisation to Watercourses	NEW	20,000	20,000	20,000		To ensure stability and integrity of watercourses at Pinhoe, Monkerton and Northbrook to prevent bank slips/blockages that could result in localised flooding in populated areas.

GENERAL FUND - CAPITAL PROGRAMME 2018/19 AND FUTURE YEARS						
SCHEMES LISTED WITHIN COUNCIL PURPOSES	NEW BID	2018/19	2019/20	2020/21	Future Years	What the scheme is trying to achieve
		£	£	£	£	
Matford Centre Fire Alarm Replacement	NEW	100,000				The fire alarm system in the facility requires replacement as identified by a recent fire assessment.
Sub Total - Improve the Environment & My Neighbourhood		1,478,900	510,000	140,000	20,000	
<i>PROVIDE GREAT THINGS FOR ME TO SEE, DO & VISIT</i>						
Outdoor Leisure Facilities		263,240				To provide facilities at Arena Park and Omaha Drive.
Sports Facilities Refurbishment		56,430	56,430			To undertake replacement of plant and equipment within the leisure management contract.
Sub Total - Provide Great Things for Me to See, Do & Visit		319,670	56,430	0	0	
<i>DELIVER GOOD DEVELOPMENT</i>						
Bus Station Construction		3,254,690	2,307,830			To redevelop Exeter's Bus and Coach Station.
Leisure Complex - Build Project		16,392,480	10,947,230			To develop a new leisure complex and swimming pool on part of the bus station site to replace Pyramids.
Sub Total - Deliver Good Development		19,647,170	13,255,060	0	0	
PLACE TOTAL		22,024,440	14,584,490	684,000	564,000	
CORPORATE SERVICES						
<i>WELL RUN COUNCIL</i>						
Annual Contribution to Strata		53,900	53,900	53,900	53,900	Contribution to Strata led projects
Customer Contact Platform		30,000				To ensure that services are available online and to allow customers to transact with the Council without having to telephone or visit.
Council Signage Improvement	NEW	40,000	40,000	40,000		A phased replacement of council signage across the city.
Electoral Registration - Mobile Canvassing	NEW	20,000				Purchase of tablets and mobile canvassing software to allow data to be collected by door to door electoral registration canvassers in place of current paper based system.

GENERAL FUND - CAPITAL PROGRAMME 2018/19 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	NEW BID	2018/19	2019/20	2020/21	Future Years	What the scheme is trying to achieve
		£	£	£	£	
Energy Saving Projects		2,011,870				The core aim for all projects is to reduce risk to the Council from the rapidly changing energy markets. The projects will address security of supply, mitigate the impact of inevitable increased energy costs, and bring income to the council.
Building Management System (BMS)	NEW	80,000				To replace the no longer supported existing BMS with an up to date and effective system including enhanced energy management functionality.
Civic Centre Air Conditioning Replacement	NEW	150,000				To replace the current system which is regularly breaking down. The new system will reduce running costs and provide better control of environmental variables.
Civic Centre Kitchens Replacement	NEW	90,000				To provide fit for purpose facilities for users of the Civic Centre.
Capitalised Staff Costs		100,000	100,000	100,000	100,000	To provide for the cost of certain Council employees, which will be directly involved in the construction or acquisition of assets and qualify as capital expenditure, including engineers and surveyors.
Sub Total - Well Run Council		2,575,770	193,900	193,900	153,900	
CORPORATE SERVICES TOTAL		2,575,770	193,900	193,900	153,900	

TOTAL CAPITAL PROGRAMME		25,050,210	15,228,390	1,327,900	1,167,900	
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New Bids		1,466,700	913,000	324,000	164,000	
Pre-Approved		23,583,510	14,315,390	1,003,900	1,003,900	
TOTAL CAPITAL PROGRAMME		25,050,210	15,228,390	1,327,900	1,167,900	

HOUSING - CAPITAL PROGRAMME 2018/19 AND FUTURE YEARS

DESCRIPTION	2017/18 B/fwd	2018-19	2018-19 Total	2019-20	2020-21	2021-22	Total
	£	£	£	£	£	£	£
INVESTMENT IN EXISTING STOCK							
1 Adaptations	-	500,000	500,000	517,500	535,610	554,360	2,107,470
2 Balcony Walkway Improvements	-	135,000	135,000	105,000	108,670	112,470	461,140
3 Bathroom Replacements (inc. Communal)	-	563,760	563,760	883,220	1,324,840	1,545,640	4,317,460
4 Boiler Replacement Programme & Central Heating	-	560,000	560,000	575,000	590,500	606,500	2,332,000
5 Common Area Footpath & Wall Improvements	-	350,000	350,000	50,000	51,750	53,560	505,310
6 Communal Area Improvements - New Flooring	-	48,980	48,980	103,190	79,930	14,360	246,460
7 Communal Door and Screen Replacements	-	342,370	342,370	246,320	254,940	-	843,630
8 Door Replacements (inc. Outbuildings)	-	122,000	122,000	143,940	231,000	235,530	732,470
9 Electrical Central Heating	-	19,510	19,510	19,900	21,890	22,650	83,950
10 Electrical Rewires - Communal	300,000	-	63,750	246,140	156,300	164,100	802,790
11 Electrical Rewires - Domestic	-	540,000	540,000	510,000	410,000	400,000	1,860,000
12 Energy Conservation	100,000	-	100,000	-	-	-	100,000
13 Estate Improvements	-	200,000	200,000	207,000	214,250	221,750	843,000
14 Fire Risk Assessment Works	-	63,000	63,000	65,200	67,480	69,840	265,520
15 Garage Upgrades	-	63,000	63,000	64,260	66,510	68,840	262,610
16 Kitchen Replacements (inc. Communal)	-	859,950	859,950	1,347,250	2,020,880	2,357,700	6,585,780
17 LAINGS Refurbishments	-	2,110,000	2,110,000	500,000	-	-	2,610,000
18 Loft and Cavity Insulation	-	50,000	50,000	51,750	53,560	55,440	210,750
19 Reroofing - Flats	-	655,300	655,300	127,550	52,680	36,000	871,530
20 Reroofing - Houses (outbuildings, chimney, gutters, downpipes, fascia)	100,000	231,340	331,340	153,040	133,420	278,140	895,940
21 Porch Canopies	-	102,000	102,000	90,480	55,810	19,390	267,680
22 Rennes House Structural Works	500,000	2,475,000	2,975,000	2,675,000	-	-	5,650,000
23 Soil Vent Pipe Replacement	-	52,030	52,030	63,950	27,000	27,950	170,930
24 Structural Repairs	119,430	150,000	269,430	155,250	160,680	166,300	751,660
25 Whipton Barton House Water Mains	50,000	-	50,000	-	-	-	50,000
26 Window Replacements	-	708,300	708,300	733,090	758,750	785,310	2,985,450
27 ZEBCat Project	-	480,000	480,000	-	-	-	480,000
Sub total - Investment in Existing Stock	1,169,430	11,317,790	12,487,220	9,634,030	7,376,450	7,795,830	37,293,530
PROVISION OF NEW COUNCIL HOMES							
28 Social Housing Acquisitions - Section 106	-	490,000	490,000	250,000	250,000	250,000	1,240,000
29 Social Housing Acquisitions - Open Market	-	1,000,000	1,000,000	-	-	-	1,000,000
30 St Loyes Extracare Scheme	-	4,200,000	4,200,000	5,360,000	156,360	-	9,716,360
Sub total - Investment in the Provision of New Homes	0	5,690,000	5,690,000	5,610,000	406,360	250,000	11,956,360
Total HRA Capital Programme	1,169,430	17,007,790	18,177,220	15,244,030	7,782,810	8,045,830	49,249,890

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REPORT TO: SCRUTINY COMMITTEE – CORPORATE
EXECUTIVE
COUNCIL

DATE OF MEETING: CORPORATE – 25 JANUARY 2018
EXECUTIVE – 13 FEBRUARY 2018
COUNCIL – 20 FEBRUARY 2018

REPORT OF: CHIEF FINANCE OFFICER
TITLE: TREASURY MANAGEMENT STRATEGY REPORT 2018/19

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To seek adoption by the Council of the Treasury Management Strategy Report, incorporating the Annual Investment Strategy 2018/19, as required under section 15(1)(a) of the Local Government Act 2003.

2. Recommendations:

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

3. Reasons for the recommendation:

The Council adopted the *CIPFA Treasury Management in the Public Services: Code of Practice*, which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department for Communities and Local Government (CLG) issued revised guidance on local authority investments in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

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

4. What are the resource implications including non financial resources

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

5. Section 151 Officer comments:

The Council's Treasury Management Strategy forms an integral part of the Council's financial management.

6. What are the legal aspects?

In February 2012 the Council adopted the updated *CIPFA Treasury Management in the Public Services: Code of Practice*, which requires the Council to approve a treasury management strategy before the start of each financial year. Adoption of the Code is required by regulations laid under the Local Government Act 2003.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report Details:

8.1 Key issues to be considered

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

- The revised 2017/18 strategy (approved at Council on 19 December 2017) for In-house investments requested the authorisation limit for investments in a property fund to be increased to £10m.
- The request to increase the maximum to be invested in the property fund enables the Council to potentially increase investment returns. Investments in the CCLA – LAMIT fund has been made and details of the dividend yield are included in paragraph 3.2 of Appendix A attached to this report.
- Section 4.3 sets the limits on the value of investments to be held by any one institution and the type of institution that can be used.
- The maximum limit to be lent to any one organisation in respect of Property Funds was approved in December 2017, the maximum to be lent to any one organisation for this type of investment is £10m.
- All other limits on the value of investments to be held by one institution remains at £5m (other than the UK Government).
- There is a proposed amendment to the time limits for UK owned banks or building societies and foreign owned banks that deal in sterling in the 2018/19 strategy.
- The proposal is to increase the time limit for Foreign owned banks that deal in sterling and meet the stated credit ratings from **6 months** to **9 months**.
- The proposed change for the time limit in respect of UK owned banks or building societies that deal in sterling and meet the stated credit rating is to increase the time period from **3 months** to **6 months**.
- The proposed increase in time limits will increase the risk factor on the investments made, but credit ratings are continually reviewed and updated by our Treasury Management advisors.
- The Council's Treasury Management advisors have been consulted on the proposals and are comfortable with the proposed increase in time limits.
- Paragraph 3 of Appendix A attached to this report, sets out the current levels of borrowing and investments, along with the estimated changes and the financial impact for the year on both the General Fund and HRA.
- Sections 5 and 6 set out the planned strategy for the year, which Council must be satisfied meets their objectives and is in line with the level of risk they are comfortable to take.

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

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

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

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

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

No impact.

12. Are there any other options?

No.

David Hodgson, Chief Finance Officer

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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APPENDIX A

EXETER CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2018/19

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 After the UK surprised on the upside with strong economic growth in 2016, growth in 2017 has been disappointingly weak; quarter 1 came in at only +0.3% (+1.8% y/y), quarter 2 was +0.3% (+1.5% y/y) and quarter 3 was +0.4% (+1.5% y/y). The main reason for this has been the sharp increase in inflation, caused by the devaluation of sterling after the EU referendum, feeding increases in the cost of imports into the economy.

While the Bank of England is expected to give forward guidance to prepare financial markets for gradual changes in policy, the Monetary Policy Committee, (MPC), meeting of 14 September 2017 managed to shock financial markets and forecasters by suddenly switching to a much more aggressive tone in terms of its words around warning that Bank Rate will need to rise soon.

The Bank of England Inflation Reports during 2017 have clearly flagged up that it expected CPI inflation to peak at just under 3% in 2017, before falling back to near to its target rate of 2% in two years' time. The Bank revised its forecast for the peak to just over 3% at the 14 September meeting. (Inflation actually came in at 3.1% in November so that may prove now to be the peak.).

- 2.2 Interest rate forecasts

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives Link Asset Services forecast to March 2021.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB View	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB View	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%

As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts (and MPC decisions) will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

3. Current and Expected Treasury Portfolios

3.1 Investments

3.2 The Council's current investments as at 22 December 2017 was as follows:

Property Funds

Amount	Investment	Dividend Yield
5,000,000	CCLA - LAMIT Fund	4.58%*

Note: Dividend yield as at 30 November 2017

Money Market Funds

Amount	Investment	Interest Rate
£5,000,000	Amundi Asset Management	0.41%
£1,000,000	Federated Investors	0.39%

Fixed Term Deposits

Amount	Investment	Interest Rate	No of Days Invested	Maturity Date
£3,000,000	Southend on Sea	0.27%	153	17/01/2018
£5,000,000	Lancashire County Council	0.50%	275	19/01/2018
£3,000,000	Stockport Borough Council	0.35%	44	01/02/2018
£3,000,000	Stirling Borough Council	0.25%	185	05/02/2018
£5,000,000	Lincolnshire County Council	0.28%	239	29/03/2018
£4,000,000	Suffolk County Council	0.32%	219	27/04/2018
£3,000,000	Thurrock Borough Council	0.45%	94	12/02/2018
£3,000,000	Eastleigh Borough Council	0.55%	364	14/11/2018
£5,000,000	Leeds City Council	0.40%	182	01/06/2018
£5,000,000	Guildford Borough Council	0.38%	364	27/11/2018
£5,000,000	Dumfries & Galloway Council	0.32%	69	05/02/2018
£3,000,000	Surrey Heath Borough Council	0.53%	182	07/06/2018
£5,000,000	Blackpool Borough Council	0.60%	364	06/12/2018

3.3

Borrowings

The Council's short term borrowing is currently £20m, this has temporarily increased from £10m with effect from 5 December 2017.

The 2 year borrowing of £10m with Oxfordshire County Council is due to be repaid on 1 February 2018, this borrowing will not be replaced meaning the short term borrowing will return to £10m.

Advice was sought from the Council's brokers and a decision was taken to borrow £10m in advance of need and not renew the February borrowing. It is generally more expensive to borrow in the latter periods of the financial year hence the decision to borrow in advance of need.

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
£10,000,000	London Borough of Wandsworth	0.90%	05/12/2019
£56,884,000	PWLB	3.48%	28/03/2062

3.4 Expected changes

According to current cash flow forecasts, net borrowing (short term) will return to £10 million on 1st February 2018 and it is expected to remain at this level until the end of the financial year.

The future cash flow forecast includes planned borrowing of £8 million as part of the 2019/20 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 2018/19 is £100,000 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	9 months
UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1	£3m each	6 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, with the exception of Property Funds where the limit is £10m. 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 2018/19 – 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. 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.

6. Borrowing Strategy

6.1 The Council's capital financing requirement (CFR, or underlying need to borrow) as at 31st March 2018 is expected to be £93.9 million, and is forecast to rise to £104 million by March 2019 as capital expenditure is incurred.

6.2 The maximum expected long-term borrowing requirement for 2018/19 is:

	£m
Not borrowed in previous years	36.0
Long term borrowing (HRA)	56.9
Forecast increase in CFR	11.1
Loans maturing in 2016/17	0.0
TOTAL	104.0

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 £20 million, £10 million is due for repayment on 1 February 2018. The remaining £10m has been taken for a period of 2 years at a rate of 0.90%.

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 2018/19, 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 Link Asset Services to provide advice and information relating to its investment and borrowing activities. However, responsibility for final decision making remains with the Council and its officers. The services received include:

- advice and guidance on relevant policies, strategies and reports,
- advice on investment decisions,
- notification of credit ratings and changes,
- other information on credit quality,
- advice on debt management decisions,

- accounting advice,
- reports on treasury performance,
- forecasts of interest rates, and
- training courses.

The quality of the advisory service is monitored by the Chief Finance Officer

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 Link Asset Services 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
DECEMBER 2017

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REPORT TO CORPORATE SERVICES SCRUTINY COMMITTEE,
EXECUTIVE AND COUNCIL

Date of Meeting: Corporate Services Scrutiny Committee - 25 January 2018
Executive - 13 February 2018
Council - 20 February 2018

Report of: Chief Finance Officer

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

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To set out the proposed 2018/19 prudential indicators for capital finance for adoption by the Council and set the annual statement of Minimum Revenue Provision (MRP).

2. Recommendations:

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

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

3. Reasons for the recommendation:

With effect from 1 April 2004, the Government abolished the capital finance legislation in Part 4 of the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance) Regulations 1997 (Statutory Instrument 1997/319) and replaced it with a new Prudential system based on self-regulation. This means that Councils are free to borrow for capital investment where the borrowing is affordable.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 came into force on 31 March 2008. The Regulations require Full Council to approve an Annual Statement of Minimum Revenue Provision which is the amount set aside from revenue for the repayment of debt principal relating to the General Fund only. The Housing Revenue Account remains exempt from making Minimum Revenue Provision although it can make voluntary set asides if it wishes.

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

4. What are the resource implications including non financial resources

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

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the Prudential Indicators for 2018/19 and the annual statement of Minimum Revenue Provision. The Section 151 Officer is satisfied that the Capital Programme and any associated borrowing remains affordable to both the General Fund and HRA.

6. What are the legal aspects?

With effect from 1 April 2004, the Government abolished the capital finance legislation in Part 4 of the Local Government and Housing Act 1989 and the Local Authorities (Capital Finance) Regulations 1997 (Statutory Instrument 1997/319) and replaced it with a new Prudential system based on self-regulation. More detailed information is set out in paragraph 3 above.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report Details:

PRUDENTIAL INDICATORS

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

8.2 Key issues to consider

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

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

A revised Prudential Framework of Capital Finance is currently subject to consultation. The final Statutory Guidance is expected early in the new year, this may lead to some changes in the information reported here.

9. ANNUAL STATEMENT OF MINIMUM REVENUE PROVISION

The Regulations require that "a local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent".

Minimum Revenue Provision (MRP) is an amount set aside from revenue to meet the repayment of debt principal. It is in effect a replacement for depreciation that you would normally expect to see within a Company's Accounts. Under the old Regulations this was 4% of principal outstanding for the General Fund and no requirement to set aside MRP in the Housing Revenue Account. In local government accounting depreciation is charged and then reversed out so it does not affect the level of Council Tax, however MRP is charged to the General Fund and therefore does affect levels of Council Tax.

The Secretary of State for Communities and Local Government has issued guidance under section 21(1A) of the Local Government Act 2003. This states that "the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant."

The guidance notes detail five options which the Secretary of State considers prudent. These are described in section 10 below:

- (a) Regulatory Method;
- (b) Capital Financing Requirement Method;
- (c) Asset Life (Equal Instalment) Method;
- (d) Asset Life (Annuity) Method; and
- (e) Depreciation Method

Key issue to consider

Section 11 sets out the proposed policy for MRP, which matches the amount set aside against the useful life of the assets. The only exception to this is the writing off of historic debt which is being undertaken over 50 years.

10. MRP OPTIONS

Regulatory Method

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

Capital Financing Requirement Method

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

Asset Life (Equal Instalment) Method

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

Asset Life (Annuity) Method

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

Depreciation Method

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

11. MINIMUM REVENUE PROVISION POLICY 2018/19

The Council's MRP policy is to match borrowing against specific capital investment and adopt either the Asset Life (Equal Instalment) or the Asset Life (Annuity) method for MRP. In this way the funding for the asset will be paid off over the useful life of that asset. This will ensure that loans are repaid over the asset life thus freeing financial resources for investment in other schemes or in asset renewal. They are also simple to operate and gives certainty in each year as to the level of charge for principal. The other advantage is that it makes business cases and scheme appraisals easier to compile. As a general rule the Council will seek to borrow over the same period of the asset life up to a maximum of 50 years in line with the Regulations (subject to the results of the Consultation). The total capital financing requirement at the end of 2017/18 is

likely to be approximately £93.89 m, some of which has financed redundancy payments and other shorter dated expenditure. Therefore MRP for 2018/19 will be calculated based on the capital financing requirement at the end of 2017/18 using the varying periods of repayment. The MRP charge for 2018/19 will be approximately £0.720 million. For the avoidance of doubt, it is proposed to use both options from 2016/17 onwards.

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

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

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

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

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

No impact

15. Are there any other options?

No

David Hodgson, Chief Finance Officer

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

Background papers used in compiling this report:

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

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275

General Fund Prudential Indicator Calculations

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

General Fund Capital Expenditure

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

Strategic Theme	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
KEEP PLACE LOOKING GOOD	400	354	0	0	0
IMPROVE THE ENVIRONMENT AND MY NEIGHBOURHOOD	701	1,516	1,479	510	140
HELP ME FIND SOMEWHERE SUITABLE TO LIVE	590	1,697	450	450	450
WELL RUN COUNCIL	433	995	3,155	957	738
PROVIDE GREAT THINGS FOR ME TO SEE, DO & VISIT	82	392	319	56	0
MAINTAIN THE ASSETS OF OUR CITY	0	69	0	0	0
DELIVER GOOD DEVELOPMENT	2,116	991	19,647	13,255	0
Total General Fund Capital Expenditure	4,322	6,014	25,050	15,228	1,328

General Fund Financing costs

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

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Interest payable with respect to short term borrowing	320	320	300	522	540
Interest payable under 'irredeemable' long term liabilities	0	0	0	0	0
Interest and investment income	(170)	(170)	(200)	(200)	(220)
Replacement for Minimum Revenue Provision (England and Wales)	766	648	720	982	958
Voluntary contribution to financing costs in respect of short-life assets	747	1,000	1,000	1,000	1,000
Total General Fund Financing Costs	1,663	1,798	1,820	2,304	2,278

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

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

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Financing costs	1,663	1,798	1,820	2,304	2,278
Net revenue stream (General Fund Expenditure - Budget Book/Financial Strategy)	11,874	11,531	11,853	11,649	10,256
Ratio of financing costs to net revenue stream % Negative for a debt free authority	14.0%	15.6%	15.4%	19.8%	22.2%

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

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

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

Description	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Total budgetary requirements for the authority with existing capital programme	10,386	10,736	9,932
Total budgetary requirements for the authority with proposed capital programme	11,853	11,649	10,256
Difference	1,467	913	324
Incremental Impact on Band D Council Tax	£40.14	£25.04	£8.82

General Fund Capital Financing Requirement

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

Actual General Fund Capital Financing Requirement at 31 March 2017

	£'000
Property, Plant and Equipment	174,735
Investment Properties	39,256
Heritage Assets	22,643
Intangible Assets / Other Long term Assets	4,175
Revaluation Reserve	(78,692)
Capital Adjustment Account	(129,731)
General Fund Capital Financing Requirement 31 March 2017	32,386

Estimated General Fund Capital Financing Requirement at 31 March 2018

Estimate of General Fund Capital Financing Requirement 31 March 2017	32,386
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	3,622
Estimate of General Fund Capital Financing Requirement 31 March 2018	36,008

Estimated General Fund Capital Financing Requirement at 31 March 2019

Estimate of General Fund Capital Financing Requirement 31 March 2018	36,008
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	10,083
Estimate of General Fund Capital Financing Requirement 31 March 2019	46,091

Estimated General Fund Capital Financing Requirement at 31 March 2020

Estimate of General Fund Capital Financing Requirement 31 March 2019	46,091
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(1,312)
Estimate of General Fund Capital Financing Requirement 31 March 2020	44,779

Estimated General Fund Capital Financing Requirement at 31 March 2021

Estimate of General Fund Capital Financing Requirement 31 March 2020	44,779
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(1,741)
Estimate of General Fund Capital Financing Requirement 31 March 2021	43,038

HRA Prudential Indicator Calculations

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

HRA Capital Expenditure

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

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
MAINTAIN OUR PROPERTY ASSETS	3,436	6,534	12,487	9,634	7,377
HELP ME FIND SOMEWHERE SUITABLE TO LIVE	2,184	3,895	5,690	5,610	406
Total HRA Capital Expenditure	5,620	10,429	18,177	15,244	7,783

HRA Financing costs

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Interest payable with respect to short term borrowing	0	0	0	0	0
Interest payable under 'irredeemable' long term liabilities	1,980	1,980	1,980	1,980	1,980
Interest and investment income	(193)	(201)	(150)	(171)	(171)
Voluntary Revenue Provision (England and Wales)	0	0	0	0	0
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total HRA Financing Costs	1,787	1,779	1,830	1,809	1,809

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

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

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Financing costs	1,787	1,779	1,830	1,809	1,809
Net revenue stream	19,547	18,860	18,600	18,414	19,151
Ratio of financing costs to net revenue stream %	9.1	9.4	9.8	9.8	9.4
Negative for a debt free authority	%	%	%	%	%

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

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

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

Description	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Forecast HRA budgetary requirements for the authority with existing HRA capital programme	20,430	20,223	20,960
Forecast HRA budgetary requirements for the authority with proposed HRA capital programme	20,430	20,223	20,960
Difference	0	0	0
Incremental Impact on average weekly housing rents	£0.00	£0.00	£0.00

HRA Capital Financing Requirement

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

Actual HRA Capital Financing Requirement at 31 March 2017

Description	£'000
Property, Plant and Equipment	250,694
Investment Properties	0
Revaluation Reserve	(51,517)
Capital Adjustment Account	(141,295)
Actual HRA Capital Financing Requirement 31 March 2017	57,882

Estimated HRA Capital Financing Requirement at 31 March 2018

Estimate of HRA Capital Financing Requirement 31 March 2017	57,882
Estimate of change in Property, Plant and Equipment	5,620
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(5,620)
Estimate of HRA Capital Financing Requirement 31 March 2018	57,882

Estimated HRA Capital Financing Requirement at 31 March 2019

Estimate of HRA Capital Financing Requirement 31 March 2018	57,882
Estimate of change in Property, Plant and Equipment	10,429
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(10,429)
Estimate of HRA Capital Financing Requirement 31 March 2019	57,882

Estimated HRA Capital Financing Requirement at 31 March 2020

Estimate of HRA Capital Financing Requirement 31 March 2019	57,882
Estimate of change in Property, Plant and Equipment	18,177
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(18,177)
Estimate of HRA Capital Financing Requirement 31 March 2020	57,882

Estimated HRA Capital Financing Requirement at 31 March 2021

Estimate of HRA Capital Financing Requirement 31 March 2020	57,882
Estimate of change in Property, Plant and Equipment	15,244
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(15,244)
Estimate of HRA Capital Financing Requirement 31 March 2021	57,882

DCLG Limit on indebtedness

The limit on indebtedness for the HRA is £57.882 m

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

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

Description	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Incremental Impact on Band D Council Tax	£40.14	£25.04	£8.82

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

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

Description	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
Incremental Impact on Average Weekly Housing Rents	£0.00	£0.00	£0.00

Total Actual / Estimates of Capital Expenditure

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

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Total General Fund Capital Expenditure	4,322	6,014	25,050	15,228	1,328
Total HRA Capital Expenditure	5,620	10,429	18,177	15,244	7,783
Total Actual / Estimates of Capital Expenditure	9,942	16,443	43,227	30,472	9,111

Prudential Indicator CalculationsTotal Actual / Estimates of Financing Costs

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Total General Fund Financing Costs	1,663	1,798	1,820	2,304	2,278
Total HRA Financing Costs	1,787	1,779	1,830	1,809	1,809
Total Actual / Estimates of Financing Costs	3,450	3,577	3,650	4,113	4,087

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

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

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
General Fund Ratio of Financing Costs to Net Revenue Stream	0.1	0.2	0.2	0.2	0.2
HRA Ratio of Financing Costs to Net Revenue Stream	9.1	9.4	9.8	9.8	9.4

Prudential Indicator CalculationsActual / Estimates of Capital Financing Requirement

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

Description	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
General Fund Capital Financing Requirement	32,386	36,008	46,091	44,779	43,038
HRA Capital Financing Requirement	57,882	57,882	57,882	57,882	57,882
Total Actual / Estimates of Capital Financing Requirement	90,268	93,890	103,973	102,661	100,920

Authorised Limit

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

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

Description	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Borrowing	125,000	125,000	125,000
Other long term liabilities	0	0	0
Authorised Limit	125,000	125,000	125,000

Prudential Indicator Calculations**Operational Boundary**

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

Description	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Borrowing	120,000	120,000	120,000
Other long term liabilities	0	0	0
Operational Boundary	120,000	120,000	120,000

Actual External Debt

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

Description	2016/17 Actual £'000
Actual borrowing as at 31 March 2017	66,906
Actual long term liabilities as at 31 March 2017	0
Actual External Debt as at 31 March 2017	66,906

Prudential Indicator Calculations
PRUDENTIAL INDICATORS OF PRUDENCE

Gross Debt and Capital Financing Requirement

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

Description	£'000
Total Capital Financing Requirement at 31 March 2017	90,268

2017/18 Estimated Change in Capital Financing Requirement	
Capital expenditure	16,443
Application of useable capital receipts	(6,795)
Application of capital grants/contributions	(4,378)
The replacement for MRP	(648)
Additional voluntary contributions	(1,000)
Total Estimated Change in Capital Financing Requirement 2017/18	3,622

2018/19 Estimated Change in Capital Financing Requirement	
Capital expenditure	43,227
Application of useable capital receipts	(1,438)
Application of capital grants/contributions	(29,986)
The replacement for MRP	(720)
Additional voluntary contributions	(1,000)
Total Estimated Change in Capital Financing Requirement 2018/19	10,083

Prudential Indicator Calculations

2019/20 Estimated Change in Capital Financing Requirement	
Capital expenditure	30,472
Application of useable capital receipts	(6,188)
Application of capital grants/contributions	(23,613)
The replacement for MRP	(982)
Additional voluntary contributions	(1,000)
Total Estimated Change in Capital Financing Requirement 2019/20	(1,311)

Capital Financing Requirement:	
Opening Balance 2016/17	90,268
Estimated Closing Balance 2019/20	102,662
This is an increase over the three years of	12,394

Prudential Indicators for Treasury Management

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

'The Council adopts the 2011 edition of the CIPFA Code of Practice for Treasury Management in the Public Services'

Adopted by the Council 7 February 2012 (Executive Committee)

Prudential Indicator Calculations**Operational Boundaries to Exposure to Interest Rate Risks**

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

Description	2017/18 £'000	2018/19 £'000	2019/20 £'000
Total projected interest payable on borrowing	2,280	2,502	2,520
Total projected interest receivable on investments	(350)	(371)	(391)
Net Interest	1,930	2,131	2,129
Upper limit - fixed rates = 100%	(350)	(371)	(391)
Upper limit - variable rates = 20%	(70)	(74)	(78)

This means that the Chief Finance Officer will manage fixed interest rate exposure within the range 0% to 100% and variable interest rate exposure within the range 0% to 20%

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

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

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

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

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

Prudential Indicator CalculationsPrincipal Sums Invested for Periods Longer than 364 Days

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

Description	At 31/3/2017
	£'000
Longer-term investments	7,534
Less - Held for operational purposes	0
Current Assets - Investments	5,000
Current Assets - Cash and at Bank	0
Total available for investment longer term	12,534

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

REPORT TO: CORPORATE SCRUTINY COMMITTEE
DATE OF MEETING: 25 January 2018
REPORT OF: Chief Finance Officer
TITLE: Corporate Scrutiny Committee - Estimates 2018/19

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

This report sets out the proposed revenue and capital estimates for 2018/19 in respect of Corporate Services.

2. Recommendations:

That Members of Corporate Scrutiny Committee support the estimates for 2018/19 and recommends their approval at the Special Meeting of the Council on 20 February 2018.

3. Reasons for the recommendation:

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

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

The financial resources required to deliver Corporate Services during 2018/19 are set out in the body of this report.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the revenue and capital estimates for 2018/19 in respect of Corporate Scrutiny Committee.

6. What are the legal aspects?

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

7. Monitoring Officer Comments:

The content of this report raises no issues for the Monitoring Officer.

8. Report Details:

BUDGET FRAMEWORK FOR CORPORATE SERVICES

8.1 ANNUAL BUDGET SETTING

Budgets are revisited each year to make amendments for assumptions made on interest rates, inflation and other changed circumstances.

8.2 INFLATION

An overall allowance of £131,660 has been set aside for inflation within Corporate Services. The inflationary increases allowed in the budgets are:

Pay award	2.0%
Pay – Increments	0.5%
Electricity	2.5%
Gas	2.5%
Oil	2.5%
Water	0.0%
Insurance	10.0%
Rates	2.5%
Fuel	3.0%
General Inflation	0.0%
Income (excluding Car Parks)	3.0%

General inflation has again been held at zero; however, where contractual arrangements are in place, inflation in accordance with the terms of the contract has been added.

8.3 INTEREST RATES

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

8.4 LIKELY REVENUE RESOURCES 2017/18 TO 2021/22

Resources remain as per the medium term financial plan as the Government has agreed the four year settlement, however at the end of the four year settlement a significant reduction is anticipated when the Government implement the business rates reset.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
RSG	1,320	869	365	0	0
Council Tax	5,338	5,624	5,723	5,967	6,215
Business Rates	4,873	5,360	5,561	4,289	4,396
Resources	11,531	11,853	11,649	10,256	10,611
Increase/(decrease)		322	(204)	(1,393)	355
Annual % change		2.8%	(1.7%)	(12.0%)	3.6%

The medium term financial plan is based upon an assumption that under the council tax referendum threshold, Shire District councils will be allowed increases of less than 2% or up to and including £5, whichever is higher. Exeter's budget strategy for next year assumes that council tax will increase by £5, which, along with the estimated surplus on the collection fund of £138,900 and increase in the taxbase will raise an extra £286,000.

All authorities in Devon have applied to take part in the Business Rate pilot for the 100% retention of Business Rates. We are pleased to report that the Devon Business Rate Pilot submission for 2018-19 has been successful and potentially could benefit the Council by between £300,000 and £500,000 for 2018-19 only. This has not been built into the medium term financial plan, at this stage.

The Government has removed £800 million from New Homes Bonus in order to fund Adult Social Care. The Government will reduce the payment to four years from 2018-19 and additionally, no payment will be made on housing growth below 0.4%. This is

expected to lead to an award of approximately £2.730 million for 2018-19.

8.5 KEY BUDGET CHANGES PROPOSED FOR 2018/19

The table below sets out the key changes between the budgets for the current financial year and the draft estimates for 2018/19. Please also refer to Appendix 1.

Service	Commentary
Corporate Property - Estates	<ul style="list-style-type: none"> • Removal of non-recurring property maintenance budget.
Elections & Electoral Registration	<ul style="list-style-type: none"> • New budget for electoral registration mobile canvassing. • Budget increase in respect of District Council Elections
Grants/Central Support/Community	<ul style="list-style-type: none"> • A new budget to enable sponsorship of key events and award ceremonies
IT	<ul style="list-style-type: none"> • Savings as previously agreed in 2016/17

In addition to the changes summarised in the table, the following overarching changes have been made:

Support Services

Changes in accounting guidance has ended the requirement to spread support service costs as overheads. The change allows local authorities to report its financial performance in the same way that the authority operates and manages its services.

Support services are managed as separate functions within the Council (legal, finance, HR etc.), their costs are now budgeted as discrete functions rather than spread across Council services as overheads. The only exceptions being the statutory requirement to continue charging support service costs to the Housing Revenue Account and to certain services that are required to recover their full costs (e.g. building control).

The impact of this change on the 2018/19 budgets is that many services have reduced expenditure due to the removal of support service overhead costs and support services are showing increased expenditure due to the retention of their costs when compared to the 2017/18 budgets. However, across the Council the impact is cost neutral.

Superannuation

Employers' contributions to the superannuation fund are set every three years as a result of the actuarial valuation of the Fund. The last valuation, as at 31 March 2016, resulted in the employers' contribution rate increasing from 14.1% to 15.8%. For 2017/18 the additional cost was budgeted centrally as a corporate cost, however during the year the budget has been re-allocated across Council services to reflect pensionable pay within the respective services.

The impact of this change on the 2018/19 budgets is a reduction in corporate budgeted costs with a corresponding increase in service budgeted costs, however across the Council the impact is cost neutral.

Communications and Marketing

Budgets across the Council relating to communication and marketing activities have been pooled in order to resource and strategically plan for communication and marketing across the Council.

The impact of this change on the 2018/19 budgets is a reduction in service budgeted costs with a corresponding increase in corporate budgeted costs, however across the Council the impact is cost neutral.

8.6 FEES AND CHARGES

The proposed Fees and Charges for Scrutiny Committee - Corporate in 2018/19 are included at Appendix 2.

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

Corporate Services contribute to 5 key purposes, as set out in the Corporate Plan: Customer access to help me with my housing and financial problem, make it easy for me to pay, provide suitable housing and be a good landlord.

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

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

The revenue service costs reported to this Committee help support the provision of temporary accommodation, housing advice, licensing of houses of multiple occupation, new affordable housing within the City and the administration of housing benefits. All these services have a positive impact on the health and wellbeing of residents, in particular those in housing need.

In terms of capital expenditure, the 2018/19 capital programme helps facilitate disabled adaptations which has a positive impact of the health and wellbeing of residents.

12. Are there any other options?

No

DAVE HODGSON
Chief Finance Officer

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Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:
None

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Room 2.3
(01392) 265275

SCRUTINY COMMITTEE - CORPORATE

Subjective Analysis	BASE ESTIMATE 2017/2018	INFLATION	NEW PROPOSALS RECURRING	NEW PROPOSALS NON- RECURRING	OTHER ADJUSTMENTS	NEW ESTIMATE 2018/2019
PAY	6,877,880	128,570	0	74,470	(186,630)	6,894,290
PREMISES	1,595,240	12,560	0	(133,320)	(114,080)	1,360,400
SUPPLIES & SERVICES	3,527,380	7,240	(10,000)	19,500	368,060	3,912,180
TRANSPORT	22,900	660	0	0	2,600	26,160
SUPPORT SERVICES	2,233,930	0	0	0	(1,812,140)	421,790
CAPITAL CHARGES	339,680	0	0	0	13,590	353,270
Total Expenditure	14,597,010	149,030	(10,000)	(39,350)	(1,728,600)	12,968,090

INCOME	(10,655,800)	(17,370)	0	0	5,101,840	(5,571,330)
Total Income	(10,655,800)	(17,370)	0	0	5,101,840	(5,571,330)

Net Expenditure	3,941,210	131,660	(10,000)	(39,350)	3,373,240	7,396,760
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Represented By						
CORPORATE PROPERTY - ESTATES	(2,665,370)	8,830	0	0	(45,360)	(2,701,900)
PROPERTIES	(26,250)	120	0	0	2,280	(23,850)
CORPORATE PROPERTY - ASSETS	1,301,390	6,850	0	(139,000)	(80,470)	1,088,770
CORPORATE PROPERTY - ENERGY	9,130	2,720	0	0	86,780	98,630
ELECTIONS & ELECTORAL REG	324,990	5,150	13,000	99,650	(68,030)	374,760
DEMOCRATIC REPRESENTATION	944,570	14,710	0	0	(311,740)	647,540
CIVIC CEREMONIALS	235,640	5,150	0	0	(32,090)	208,700
CORPORATE SUPPORT	0	15,830	0	0	737,200	753,030
GRANTS/CENT SUPP/COMMUNITY	765,490	9,930	25,000	0	701,580	1,502,000
FINANCIAL SERVICES	3,110	12,110	0	0	504,980	520,200
CORPORATE	195,100	(5,760)	0	0	(203,240)	(13,900)
UNAPPORTIONABLE OVERHEADS	1,890,020	7,090	0	0	(389,800)	1,507,310
PROCUREMENT	2,560	2,290	0	0	76,380	81,230
INTERNAL AUDIT	0	2,770	0	0	91,690	94,460
IT SERVICES	(26,910)	(960)	(48,000)	0	1,740,110	1,664,240
STRATEGIC MANAGEMENT	896,460	22,110	0	0	(131,510)	787,060
HUMAN RESOURCES	91,280	11,640	0	0	502,770	605,690
LEGAL SERVICES	0	11,080	0	0	191,710	202,790
Net Cost	3,941,210	131,660	(10,000)	(39,350)	3,373,240	7,396,760

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SCRUTINY COMMITTEE - CORPORATE

	2017/18 Charges				Proposed Charges 2018-19				
	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code	
A SUPPLY OF PHOTOCOPIES									
Monochrome A4	0.33	0.07	0.40	3	0.34	0.07	0.41	3	
A3	0.58	0.12	0.70	3	0.60	0.12	0.72	3	
Colour A4	1.50	0.30	1.80	3	1.55	0.31	1.86	3	
A3	2.75	0.55	3.30	3	2.83	0.57	3.40	3	
B HIRE OF COMMITTEE ROOMS AT CIVIC CENTRE									
For official and quasi-official purposes (as determined by Committee)	No Charge				No Charge				
Other Organisations									
Committee Room A - Bad Homburg (1/2 day up to 7.30pm)	65.00	-	65.00	8	70.00	14.00	84.00	3	
Committee Room B - Rennes (1/2 day up to 7.30pm)	80.00	-	80.00	8	85.00	17.00	102.00	3	
A & B - Bad Homburg & Rennes (as one room) (1/2 day up to 7.30pm) (special charge after 8pm to be negotiated)	150.00	-	150.00	8	175.00	35.00	210.00	3	
Morning Coffee (Per cup)	0.83	0.17	1.00	3	0.83	0.17	1.00	3	
Afternoon Tea (Per cup)	0.67	0.13	0.80	3	0.71	0.14	0.85	3	
C DATA PROTECTION ACT ENQUIRIES									
After May 2018, when the GDPR comes in to force, we will no longer be able to make a charge for this service - the fee will remain unchanged until that time (Maximum subject to Data Protection Act)	11.20	-	11.20	9	11.20	-	11.20	9	
D COUNCIL MINUTES									
Inclusion on mailing list (per annum) for:									
1 Council Agenda/Committee Minutes	55.00	-	55.00	7	60.00	-	60.00	7	
2 Planning Committee Agenda	125.00	-	125.00	7	130.00	-	130.00	7	
3 Executive	90.00	-	90.00	7	95.00	-	95.00	7	
4 Other Committee/Sub-committee Agenda	55.00	-	55.00	7	60.00	-	60.00	7	
E GENERAL CONVEYANCING, SALE OF COUNCIL HOUSING, ETC.									
All recharges are based on the actual amount of work involved, the market rate and at the discretion of the Corporate Manager Legal									
F GUILDHALL LETTINGS									
Note: Fees and charges are at the discretion of the Corporate Manager Democratic and Civic Support owing to the competition in the market									
(a) Private Hire - Charges are per hour (or part thereof) for the room only - minimum charge £100.00									
(i) Main Hall									
Monday - Saturday									
08.30 - 17.00	65.00	-	65.00	9	70.00	14.00	84.00	3	
17.00 - 20.00	90.00	-	90.00	9	95.00	19.00	114.00	3	
20.00 - 00.00	120.00	-	120.00	9	125.00	25.00	150.00	3	
Sunday	150.00	-	150.00	9	160.00	32.00	192.00	3	
(ii) Jury Room									
Monday - Saturday									
08.00 - 17.00	45.00	-	45.00	9	50.00	10.00	60.00	3	
17.00 - 20.00	65.00	-	65.00	9	70.00	14.00	84.00	3	
20.00 - 00.00	80.00	-	80.00	9	85.00	17.00	102.00	3	
Sunday	100.00	-	100.00	9	105.00	21.00	126.00	3	
(iii) Main Hall and Jury Room									
Monday - Saturday									
08.30 - 17.00	90.00	-	90.00	9	95.00	19.00	114.00	3	
17.00 - 20.00	140.00	-	140.00	9	145.00	29.00	174.00	3	
20.00 - 00.00	190.00	-	190.00	9	195.00	39.00	234.00	3	
Sunday	230.00	-	230.00	9	235.00	47.00	282.00	3	
(b) Charity Hire - Charges are per hour (or part thereof) for the room only - minimum charge £50.00									
(i) Main Hall									
Monday - Saturday									
08.30 - 17.00	35.00	-	35.00	9	40.00	8.00	48.00	3	
17.00 - 20.00	50.00	-	50.00	9	55.00	11.00	66.00	3	
20.00 - 00.00	65.00	-	65.00	9	70.00	14.00	84.00	3	
Sunday	80.00	-	80.00	9	85.00	17.00	102.00	3	

SCRUTINY COMMITTEE - CORPORATE

	2017/18 Charges				Proposed Charges 2018-19			
	Fee	VAT @ 20%	Total	VAT	Fee	VAT @ 20%	Total	VAT
	£ p	£ p	£ p	Code	£ p	£ p	£ p	Code
(ii) Jury Room								
Monday - Saturday								
08.00 - 17.00	25.00	-	25.00	9	30.00	6.00	36.00	3
17.00 - 20.00	35.00	-	35.00	9	40.00	8.00	48.00	3
20.00 - 00.00	45.00	-	45.00	9	50.00	10.00	60.00	3
Sunday	52.50	-	52.50	9	55.00	11.00	66.00	3
(iii) Main Hall and Jury Room								
Monday - Saturday								
08.30 - 17.00	50.00	-	50.00	9	55.00	11.00	66.00	3
17.00 - 20.00	70.00	-	70.00	9	75.00	15.00	90.00	3
20.00 - 00.00	90.00	-	90.00	9	95.00	19.00	114.00	3
Sunday	120.00	-	120.00	9	125.00	25.00	150.00	3