

SCRUTINY COMMITTEE - RESOURCES

Date: Wednesday 22 January 2014
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

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

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer (Committees) on 01392 265115 or email sharon.sissons@exeter.gov.uk

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

Membership -

Councillors Baldwin (Chair), Ruffle (Deputy Chair), Bowkett, Brock, Bull, Crew, Dawson, Donovan, Macdonald, Morris, Newby, Sheldon and Robson

Agenda

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

1 Apologies

To receive apologies for absence from Committee members.

2 Minutes

To sign the minutes of the meeting held on 4 December 2013.

3 Declarations of Interest

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

Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

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 the consideration of any of the items on the 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 for consideration 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, Schedule 12A of the Act.

5 **QUESTIONS FROM THE PUBLIC UNDER STANDING ORDER 19**

A period of up to 15 minutes will be set aside to deal with questions to the Committee from members of the public.

*Details of questions should be notified to the Corporate Manager Democratic & 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) (265115) also on the Council web site:
<http://www.exeter.gov.uk/scrutinyquestions>*

6 **QUESTIONS FROM MEMBERS OF THE COUNCIL UNDER STANDING ORDER 20**

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

PRESENTATION TO COMMITTEE

7 **Future Workings of Scrutiny**

To consider the report of the Corporate Manager Democratic and Civic Support. (Pages 5 - 6)

8 **Reports of Portfolio Holders**

Councillor Edwards (Leader) and Councillor Pearson (Portfolio Holder for Enabling Services) will present their half year reports and take questions.

ESTIMATES/CAPITAL PROGRAMME/FEES AND CHARGES

9 **Resources - Estimates/New Capital Bids/Fees and Charges 2014/15**

To consider the report of the Assistant Director Finance. (Pages 7 - 16)

MATTERS FOR CONSIDERATION BY THE EXECUTIVE

10 **Annual Pay Policy Statement**

To consider the report of the Human Resources Business Manager. (Pages 17 - 26)

11 **Capital Programme 2014/15 - 2016/17)**

To consider the report of the Assistant Director Finance. (Pages 27 - 40)

12 Revenue Budget Proposals 2014/15

To consider the report of the Assistant Director Finance.

(Pages 41
- 54)

13 Treasury Management Strategy Report 2014/15

To consider the report of the Assistant Director Finance.

(Pages 55
- 64)

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

To consider the report of the Assistant Director Finance.

(Pages 65
- 84)

Date of Next Meeting

The next **Scrutiny Committee - Resources** will be held on Wednesday 19 March 2014 at 5.30 pm

Future Business

The schedule of future business proposed for this Scrutiny Committee and other Committees of the Council can be viewed on the following link to the Council's website:

<http://www.exeter.gov.uk/forwardplan>

Councillors can view a hard copy of the schedule in the Members Room.

Individual reports on this agenda can be produced in large print on request to Democratic Services (Committees) on 01392 265111.

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE (COMMUNITY) 14 JANUARY 2014
SCRUTINY COMMITTEE (ECONOMY) 16 JANUARY 2014
SCRUTINY COMMITTEE (RESOURCES) 22 JANUARY 2014

FUTURE WORKINGS OF SCRUTINY

1. PURPOSE OF REPORT

- 1.1 This report informs Members of some proposed changes to the way that Scrutiny Committees will be working in a way to make them more efficient and effective.

2. BACKGROUND

- 2.1 Members will recall that a Task and Finish Group was established to consider the way in which Scrutiny should operate to make it more effective and efficient and that the results of that Group were reported to, and accepted by, Executive in 2013. The main aspects of this were:-

- The creation of a separate Audit and Governance Committee;
- The creation of a dedicated part time Scrutiny Programme Officer;
- The formation of a regular meeting between the Chairs of the Scrutiny Committees to discuss a work programme;
- The identification of topics which could form the basis of Task and Finish Groups

- 2.2 Since then, a Part Time Scrutiny Programme Officer has been appointed and has been tasked with developing a Scrutiny Work Programme, which aims to ensure an even workload as well as evolving, developing and co-ordinating the Scrutiny process and systems within the Council, in line with express wishes from Members and also the corporate priorities.

- 2.3 As part of this process, several meetings have been held between the Chairs and Deputy Chairs of the relevant Scrutiny Committees and officers to suggest a way forward, including the structure of the meetings themselves and their agenda.

- 2.4 The proposed changes are as follows:-

- A new format of Agendas to be trialled for a cycle of Scrutiny Committee Meetings. The new style will include three main sections:-
 - 📌 Items for discussion.
 - 📌 Items for Executive (recommendations).
 - 📌 Items for information only (accompanied by a link on the Agenda).
- Unless requested by Scrutiny Chairs, the Chief Executive or the Deputy Chief Executive, Council Officers will not present their reports at Committee.
- If Members have questions regarding Officer Reports, they can notify the relevant Officer and Committee Services Officer of these questions in good time prior to the Committee meeting. Members will then have the opportunity to put these questions directly to the Officer at the Committee meeting.

- The Scrutiny Chairs will take a more active role in the Committee Meeting “pre-meet” specifically to decide what should be included within the Agenda and what should be excluded.
 - Portfolio Holders’ Reports will be separated out from the Scrutiny Committee Work Programme/Agendas and extra time given prior to the Full Council Meetings for Members to address the Reports and ask questions of the Portfolio Holders. This would seem to present an ideal opportunity as all 6 Portfolio Holders would already be available to attend the Full Council meeting together with all other Members. This would free capacity on the Scrutiny Work Programme and free further time at Scrutiny Committee Meetings for other issues to be debated.
- 2.5 Further meetings between the Scrutiny Chairs, Deputy Chairs and officers will continue to be held to consider additional ways in which the Scrutiny role in the Council can be developed, which may include additional proposed changes. These will be the subject of further reports to Scrutiny Committees as and when appropriate.

3. THE PROPOSAL

- 3.1 It is suggested that the proposals detailed above be trialled through the next cycle of Scrutiny meetings (March 2014), whilst the proposal concerning the portfolio holder reports would be trialled at the Council meeting scheduled for 29 July 2014.

4. RECOMMENDATION

- 4.1 That the Committee supports the proposed changes.

John Street
CORPORATE MANAGER, DEMOCRATIC & CIVIC SUPPORT

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

Background papers used in compiling this report:-

None

EXETER CITY COUNCIL

SCRUTINY COMMITTEE – RESOURCES

22 JANUARY 2014

RESOURCES – ESTIMATES/NEW CAPITAL BIDS/FEES AND CHARGES 2014/15

1. INTRODUCTION

- 1.1 Attached are the draft estimates for 2014/15 that were discussed and commented on at a meeting of Scrutiny Committee – Resources on 9th December 2013. Since this meeting, the draft employer's superannuation contributions for 2014-15 and beyond have been announced and are now included, along with slipping a small amount of the savings target in to 2015-16 and increasing the budget for clerical support for individual electoral registration.

2. BUDGET FRAMEWORK

- 2.1 An overall allowance of £353,660 has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	1.0%
Pay – Increments	0.5%
Electricity	8%
Gas	5%
Oil	8.0%
Water	5.1%
Insurance	3.0%
Rates	3.0%
Fuel	6.0%
General Inflation	0.0%
Income (excluding Car Parks)	2.5%

- 2.2 General inflation has again been held at zero; however where there are contracts in place, inflation at around RPI has been added.
- 2.3 In respect of interest rates, next year's budget reflects the likelihood that whilst base rate may remain low, it is likely that the cost of borrowing will increase and the Council may begin to take out borrowing over a longer timeframe as a result.
- 2.4 The Government announced the provisional Local Government Settlement on 18 December 2013. The Council is to receive £7.832 million in 2014-15, which is £40,000 lower than predicted within the Medium Term Financial Plan. At this stage there is no intention to revisit the budgets set and the shortfall can be taken from balances.
- 2.5 The resources available to the Council to finance its net revenue budget are set out below:-

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Government Grant	9,062	7,832	6,714	5,785	5,071
Council Tax	4,391	4,513	4,637	4,767	4,898
Business Rates in excess of baseline	574	783	809	835	864
		0	0	0	0
Resources	14,027	13,128	12,160	11,387	10,833
Increase/(decrease)		(899)	(1,008)	(773)	(554)
Annual % change		-6.4%	-7.7%	-6.4%	-4.9%

- 2.6 The Chancellor of the Exchequer has again provided funding for local authorities who decide to freeze council tax next year. If they do, councils, police and fire authorities will stand to receive an equivalent to raising their 2013/14 council tax by one per cent. In addition, the Government is likely to maintain the local authority tax referendum threshold at two per cent. The budget strategy for next year assumes that council tax will increase by 2%, which will raise an extra £122,000.

Substantial work has been undertaken to identify savings over the next two years. The Savings proposed for this Committee will be set out in more detail later in this report however in total the Council has identified savings as summarised below:

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Savings identified		(1,680)	(684)	(55)	0

- 2.7 The proposed General Fund Capital Programme for the next three years has been established and updated to include slippage and the latest New Homes Bonus funding, the current programme is as follows:

Status	2014/15 £'000	2015/16 £'000	2016/17 £'000
New Bids	1,788	1,895	764
Pre-Approved Schemes	6,353	2,016	1,257
Total	8,141	3,911	2,021

- 2.8 A list of the proposed new schemes for Scrutiny Committee Resources is attached at Appendix 2.
3. Key revenue budget proposed changes for 2014/15 and are included in Appendix 1 attached, with the main changes as follows:

MU Code	Management Unit	Detail
86A1	Revenue Collection/Benefits	<ul style="list-style-type: none"> Net additional reduction in cost of administering Housing Benefit payments to claimants based on estimated caseload and performance in 2014-15, although benefit subsidies will not actually be known until January/February 2014. The budget includes a revised staffing structure that will be substantially completed but some may fall in to the next 2015-16 financial year. There has been a reduction in Government grant of £52,500 towards the cost of administering benefits.

86A2	Elections & Electoral Registration	<ul style="list-style-type: none"> • There will be City Council elections in May 2014 combined with running the European elections so £43,000 has been reinstated from the £83,000 reduction in 2013/14, when there were no Exeter City Council elections. • A budget provision of £20,000 for each of the next two financial years for clerical support for individual electoral registration was agreed at Executive on 10 December 2013.
86A5	Democratic Representation	<ul style="list-style-type: none"> • The new post of Scrutiny Programme Officer has been included along with a savings target required to be made in the cost of Member's Expenses or other service costs.
86A6	Grants, Central Support & Consultation	<ul style="list-style-type: none"> • The City Council's share of charitable and hardship rate relief is now chargeable to the Collection Fund. • There have been some increases in rent grants approved by Grants Committee that are matched by rental income received in other cost centres within the council.
86A9	Strategic Community Partnerships	<ul style="list-style-type: none"> • The costs were previously recharged out to management unit 86B6 but have now been left as existing in this management unit.
86B1	Financial Services	<ul style="list-style-type: none"> • Proposed savings and reduced capital charges have been included.
86B3	Human Resources	<ul style="list-style-type: none"> • Savings have been built into the central training budget as a consequence of reorganisations throughout the Council. • The Human Resources Job Evaluations have been completed following reorganisation and the revised grades have now been applied.
86B4	Legal Services	<ul style="list-style-type: none"> • A review of service delivery is in progress.
86B5	Corporate Customer Services	<ul style="list-style-type: none"> • The installation of solar panels at the Civic Centre has reduced energy costs. • The Customer Service Centre costs and recharges are now included within management unit 86A1 above.
86B6	IT Services	<ul style="list-style-type: none"> • A savings target was initially built in to the recovery of IT recharges throughout the Council, but is currently under further review.
86B7	Strategic Management	<ul style="list-style-type: none"> • The senior management at officer level was reduced from three to two from June 2013.
86B8	Procurement	<ul style="list-style-type: none"> • This new management unit has been created as a result of transferring an existing service from the Contracts Unit in Scrutiny Resources – Community.

4. **RECOMMENDATION that :-**

Members are asked to approve the draft estimates and fees and charges.

ASSISTANT DIRECTOR FINANCE

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

Background papers used in compiling this report:

None

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5RESR RESOURCES SCRUTINY REVENUE

Subjective Analysis	BASE ESTIMATE 2013/2014	INFLATION	RECURRING	NON-RECURRING	OTHER ADJUSTMENTS	NEW ESTIMATE 2014/2015
PAY	6,665,460	102,650	(509,420)	28,000	6,580	6,293,270
PREMISES	752,090	21,220	(3,360)	(57,300)	(75,710)	636,940
SUPPLIES & SERVICES	2,863,700	26,330	86,240	(104,000)	(22,930)	2,849,340
TRANSPORT	34,120	710	(5,310)	-	(920)	28,600
SUPPORT SERVICES	6,538,370	98,070	-	-	(2,854,390)	3,782,050
CAPITAL CHARGES	685,980	-	-	-	(281,420)	404,560
TRANSFER PAYMENTS	42,534,490	1,488,710	-	-	(2,291,120)	41,732,080
Total Expense	60,074,210	1,737,690	(431,850)	(133,300)	(5,519,910)	55,726,840
INCOME	(54,356,990)	(1,629,240)	(2,190)	-	5,895,750	(50,092,670)
Total Income	(54,356,990)	(1,629,240)	(2,190)	-	5,895,750	(50,092,670)
Net Expenditure	5,717,220	108,450	(434,040)	(133,300)	375,840	5,634,170
Represented By						
86A1 REVENUE COLLECTION/BENEFITS	5,270,170	114,700	(145,400)	-	(3,101,350)	2,138,120
86A2 ELECTIONS & ELECTORAL REG	293,320	3,950	15,460	43,000	(17,010)	338,720
86A3 CORPORATE	739,440	11,660	-	-	(58,920)	692,180
86A4 CIVIC CEREMONIALS	273,040	5,010	(8,100)	-	6,810	276,760
86A5 DEMOCRATIC REPRESENTATION	1,067,670	15,950	(7,650)	-	(351,000)	724,970
86A6 GRANTS/CENT SUPP/CONSULTATION	661,680	(1,060)	(15,520)	(176,300)	393,280	862,080
86A7 UNAPPORTIONABLE OVERHEADS	309,580	7,510	(16,880)	-	55,450	355,660
86A9 STRATEGIC/COMMUNITY PARTNERS	-	(10)	-	-	45,690	45,680
86B1 FINANCIAL SERVICES	(2,115,840)	(32,580)	(64,260)	-	2,212,680	-
86B2 INTERNAL AUDIT	-	-	-	-	-	-
86B3 HUMAN RESOURCES	-	(3,060)	(56,200)	-	59,260	-
86B4 LEGAL SERVICES	-	(1,010)	(117,220)	-	118,230	-
86B5 CORPORATE CUSTOMER SERVICES	(1,113,460)	(11,930)	(13,500)	-	1,138,890	-
86B6 IT SERVICES	173,630	(3,840)	(4,770)	-	34,980	200,000
86B7 STRATEGIC MANAGEMENT	157,990	3,160	-	-	(161,150)	-
86B8 PROCUREMENT	-	-	-	-	-	-
Net Cost	5,717,220	108,450	(434,040)	(133,300)	375,840	5,634,170

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GENERAL FUND - CAPITAL PROGRAMME 2014/15 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2014/15 £	2015/16 £	2016/17 £	Future Years £	What the scheme is trying to achieve
MAINTAIN THE ASSETS OF OUR CITY					
Guildhall - Re-Covering and Insulating of Roof		350,000			To replace the existing slate tiles on this Grade 1 listed building and replace along with insulation measures
Sub Total - Maintain the assets of our city	0	350,000	0	0	
OTHER					
PC & Mobile Devices Replacement Programme	179,000				To provide a rolling programme of replacement and upgrades to the Council's PCs
Invest to Save Opportunities	100,000 #	100,000 #	100,000 #		To allow services to invest in assets that will provide an on-going revenue saving
Energy Saving Projects	1,210,000 #	1,795,000 #	664,000 #		The core aim for all projects is to reduce risk to the Council from the rapidly changing energy markets. The projects will address security of supply, mitigate the impact of inevitable increased energy costs, and bring income to the council
Capitalised Staff Costs	261,000	261,000	261,000		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 - Other	1,750,000	2,156,000	1,025,000	0	
RESOURCES TOTAL	1,750,000	2,506,000	1,025,000	0	
New Bids #	1,310,000	1,895,000	764,000	0	
Pre-Approved	440,000	611,000	261,000	0	
TOTAL CAPITAL PROGRAMME	1,750,000	2,506,000	1,025,000	0	

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SCRUTINY COMMITTEE - RESOURCES**APPENDIX 3****FEES & CHARGES 2014-15 REVIEW**

Existing Charge

Recommended Charge
from 01/04/2014

Fee	VAT	Total
£ p	£ p	£ p

Fee	VAT	Total
£ p	£ p	£ p

A SUPPLY OF PHOTOCOPIES

Monochrome A4	0.17	0.03	0.20	0.17	0.03	0.20
A3	0.33	0.07	0.40	0.33	0.07	0.40
Colour A4	1.25	0.25	1.50	1.25	0.25	1.50
A3	2.50	0.50	3.00	2.50	0.50	3.00

B HIRE OF COMMITTEE ROOMS AT CIVIC CENTRE

For official and quasi-official purposes
(as determined by Committee)

No Charge

No Charge

Other Organisations

Committee Room A - Bad Homburg (1/2 day up to 7.30pm)	50.00	-	50.00	52.00	-	52.00
Committee Room B - Rennes (1/2 day up to 7.30pm)	62.00	-	62.00	64.00	-	64.00
A & B - Bad Homburg & Rennes (as one room) (1/2 day up to 7.30pm) (special charge after 8pm to be negotiated)	123.00	-	123.00	127.00	-	127.00
Morning Coffee (Per cup)	0.63	0.13	0.75	0.63	0.13	0.75
Afternoon Tea (Per cup)	0.46	0.09	0.55	0.46	0.09	0.55

C DATA PROTECTION ACT ENQUIRIES

(Maximum subject to Data Protection Act)

10.00	-	10.00	10.00	-	10.00
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D COUNCIL MINUTES

Inclusion on mailing list (per annum) for:

1 Council Agenda/Committee Minutes	47.00	-	47.00	49.00	-	49.00
2 Planning Committee Agenda	110.00	-	110.00	114.00	-	114.00
3 Executive	79.00	-	79.00	81.00	-	81.00
4 Other Committee/Sub-committee Agenda	47.00	-	47.00	49.00	-	49.00

**E GENERAL CONVEYANCING,
SALE OF COUNCIL HOUSING, ETC.**

All recharges have been based on the actual amount of work involved, the market rate and at the discretion of the Corporate Manager Legal

F GUILDHALL LETTINGS

Fees and charges to be at the discretion of the Corporate Manager Democratic and Civic Support owing to the competition in the market.

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EXETER CITY COUNCIL

SCRUTINY RESOURCES 22 JANUARY 2014

EXECUTIVE 4 FEBRUARY 2014

COUNCIL 25 FEBRUARY 2014

ANNUAL PAY POLICY STATEMENT

1 PURPOSE OF REPORT

- 1.1 To set out the council's annual Pay Policy Statement 2014/15 which must be approved by Full Council each financial year in line with legislation.

2 BACKGROUND

- 2.1 Section 38 (1) of the Localism Act 2011 requires English and Welsh Authorities to produce a statutory Pay Policy Statement each financial year commencing in 2012/13. The Secretary of State for Communities and Local Government issued further guidance in early 2013.
- 2.2 In line with statutory requirements, the Council's Pay Policy Statement has been reviewed and updated for 2014/15 for approval by full Council prior to publishing on the Council's website.
- 2.3 The revised policy takes into account the following changes:
- 2.3.1 Implementation of a living wage for Council employees which was approved at Full Council in December 2013
 - 2.3.2 Introduction of Full Council approval for: severance payments in excess of £100,000; appointments of former Chief Officers (in receipt of a severance payment not related to redundancy) to Chief Officer roles.
 - 2.3.3 Clarifying pension abatement arrangements for persons in receipt of a Local Government pension and engaged under employment and service contracts are determined in accordance with legislation and the relevant LGPS administering authority.

in addition to better reflecting the structure of the requirements in legislation and supplementary guidance.

3. RECOMMENDATION to Council

- 3.1 That the attached Policy be adopted and published following approval by full Council in accordance with the legislation.

CAROLINE HALL
HUMAN RESOURCES BUSINESS MANAGER

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

Background papers used in compiling this report:-

None

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Exeter City Council

Pay Policy Statement 2014/15

1 Purpose and scope of the Policy

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

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

2 Definition of Chief Officers

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

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

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

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

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

3 Definition & Remuneration of Lowest Paid

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

3.2 The Council has adapted the National Local Government Pay Scale to include locally agreed spinal column points. With effect from 1 January 2014, the Council adopted the Living Wage as its minimum spinal column point, and the Living Wage of £7.65 / hour now equates to Grade 1 of the Council's pay scale.

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

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

4 Relationship between Remuneration

4.1 The Hutton Review of Fair Pay in the Public Sector outlined that the most appropriate metric for pay dispersion is the multiple of Chief Executive to

median earnings. Whilst not a requirement of this Statement, tracking this multiple as recommended in the Code of Recommended Practice for Local Authorities on Data Transparency will ensure public service organisations are accountable for the relationship between the pay of their executives and the wider workforce.

- 4.2 The Council also publishes as part of this Statement the relationship between its Chief Executive and lowest paid employee. Both of these pay multiples are set out in Appendix 1.
- 4.3 Through this policy the pay multiple of the Chief Executive and Growth Director will be monitored annually. Should the multiplier between the annual salary paid to a full time employee on the lowest spinal column point and the annual full time salary payable to the Chief Executive and Growth Director be greater than 10, this will be reported to full Council for consideration.

5 Chief Officer Remuneration

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

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

6 Transparency & Publication of Data

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

7 Equality Impact Considerations

7.1 The principles of equal pay are integral to this policy and applied consistently within the pay and reward frameworks adopted by Exeter City Council. The definition of Equal Pay is:

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

8 Related Policies/Strategies, Procedures and Legislation

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

8.2 Key policies/procedures/strategies and legislation include:

- Exeter City Council Pay and Reward Policies, frameworks and local agreements
- Equal Pay Legislation
- Equality Act 2010
- Localism Act 2011
- Openness and accountability in local pay: Guidance under section 40 of the Localism Act February 2012
- Local Government Act 1972
- Local Government & Housing Act 1989

1. Levels and elements of remuneration for each chief officer role as at March 2014

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

2. The FT remuneration of the lowest paid employee

Post title	Full time Remuneration
Solo Sweeper/MRF Operative	£14,759

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

Post Title	Full time Remuneration
Annual median pay of all employees	£19,570
Pay multiple of Chief Executive and Growth Director to median	5.62
Pay multiple of Chief Executive and Growth Director to lowest paid FT employee	7.45

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 22 JANUARY 2014

EXECUTIVE 4 FEBRUARY 2014

CAPITAL PROGRAMME (2014/15 – 2016/17)

1. PURPOSE OF THE REPORT

- 1.1 To approve the General Fund and Housing Revenue Account Capital Programmes for 2014/15 along with schemes identified for the following two years.

2. BACKGROUND

- 2.1 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.
- 2.2 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

3. AVAILABLE CAPITAL RESOURCES

- 3.1 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.
- 3.2 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.
- 3.3 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.
- 3.4 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 report to the Executive setting out the Council's Prudential Indicators will be presented at the February meeting along with the overall budget.

3.5 *General Fund Available Resources*

Based upon the assumption that broadly 70% of the Capital Programme will be spent in the financial year it is approved, 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.

- 3.6 A borrowing requirement of £16.505 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 £	Repayment £	Total Annual Payment £
Short term	6,500	40,000	46,500
Long term (>25 years)	45,700	40,000	85,700

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

3.7 *Housing Revenue Account Available Resources*

The capital programme for 2014/15 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.

4. GENERAL FUND CAPITAL PROGRAMME

- 4.1 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 Executive to consider for approval:

Status	2014/15 £	2015/16 £	2016/17 £	Future Years £
New Bids	1,788,250	1,895,000	764,000	0
Pre-Approved Schemes	6,352,850	2,016,340	1,257,430	649,290
Total General Fund Capital Programme	8,141,100	3,911,340	2,021,430	649,290

- 4.2 The capital programme has been set out in line with the new 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.

5. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

- 5.1 For 2014/15, the HRA medium term financial plan provides for a capital programme of £11,994,981. This comprises capital investment of £8.6 million for improvements to the

Council's existing housing stock in order to help maintain the Decent Home Standard and also £3.3 million towards the provision of new council homes, as part of COB Wave 2. A copy of the HRA Capital Programme is attached at Appendix 4.

5.2 The HRA Capital Programme will be funded by:

- | | |
|------------------------------------|---------|
| • Major Repairs Reserve | £3.816m |
| • Revenue Contributions to Capital | £6.195m |
| • Right to Buy Receipts | £1.984m |

6. RECOMMENDATIONS

6.1 It is recommended that the Scrutiny Committee – Resources supports and the Executive approves:

- The General Fund capital programme for 2014/15 as set out in Appendix 3
- The HRA capital programme for 2014/15 as set out in Appendix 4

ASSISTANT DIRECTOR FINANCE

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

Background papers used in compiling this report:

None

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APPENDIX 1

GENERAL FUND	2013-14 £	2014-15 £	2015-16 £	2016-17 £	Future Years £	TOTAL £
CAPITAL RESOURCES AVAILABLE						
Usable Receipts Brought Forward	0					0
GF Capital Receipts	845,050	275,000				1,120,050
GF Capital Receipts from the Canal Basin Redevelopment	86,601	322,500				409,101
Revenue Contributions to Capital Outlay	81,000					81,000
Disabled Facility Grant	294,717	290,000	290,000	290,000	290,000	1,454,717
Regional Housing Capital Grant	218,530	142,881				361,411
New Homes Bonus	327,600	207,370	120,000			654,970
Other - Grants/External Funding/Reserves/S106	683,348	73,646	14,907			771,901
Total Resources Available	2,536,846	1,311,397	424,907	290,000	290,000	4,853,150
GENERAL FUND CAPITAL PROGRAMME						
Proposed New Bids	0	1,788,250	1,895,000	764,000	0	4,447,250
Committed Capital Programme	6,635,330	6,352,850	2,016,340	1,257,430	649,290	16,911,240
Total General Fund	6,635,330	8,141,100	3,911,340	2,021,430	649,290	21,358,490
ESTIMATED SPEND IN YEAR	6,635,330	5,698,770	5,180,268	2,588,403	1,255,719	21,358,490
UNCOMMITTED CAPITAL RESOURCES:						
Capital Receipts Brought Forward	0	0	0	0	0	0
Resources in Year	2,536,846	1,311,397	424,907	290,000	290,000	4,853,150
Less Estimated Spend in Year	(6,635,330)	(5,698,770)	(5,180,268)	(2,588,403)	(1,255,719)	(21,358,490)
Borrowing Requirement	4,098,484	4,387,373	4,755,361	2,298,403	965,719	16,505,340
Uncommitted Capital Receipts	0	0	0	0	0	0

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APPENDIX 2

HOUSING REVENUE ACCOUNT	2013-14 £	2014-15 £	2015-16 £	2016-17 £	TOTAL £
CAPITAL RESOURCES AVAILABLE					
Usable Receipts Brought Forward					1,263,927
Major Repairs Reserve Brought Forward					2,269,804
Other HRA Sales	251,229	0	0	0	251,229
Right to Buy sales	1,200,000	500,000	500,000	350,000	2,550,000
Major Repairs Reserve	2,213,490	2,356,390	2,356,390	2,356,390	9,282,660
Revenue Contributions to Capital	5,719,881	6,195,200	4,829,774	6,432,733	23,177,588
External contributions from utility company	183,536	0	0	0	183,536
Committed sums	0	0	0	0	0
Total Resources Available	9,568,136	9,051,590	7,686,164	9,139,123	38,978,744
HRA CAPITAL PROGRAMME					
HRA Capital Programme	10,764,048	10,335,364	7,477,274	8,357,732	36,934,418
Overspends / (Savings)	454,000				454,000
Slippage	(1,659,617)	1,659,617			0
Total Housing Revenue Account	9,558,431	11,994,981	7,477,274	8,357,732	37,388,418
UNCOMMITTED CAPITAL RESOURCES:					
Usable Receipts Brought Forward	1,263,927	2,040,455	556,355	556,355	1,263,927
Major Repairs Reserve Brought Forward	2,269,804	1,502,981	43,690	252,580	2,269,804
Resources in Year	9,568,136	9,051,590	7,686,164	9,139,123	35,445,013
Less Estimated Spend	(9,558,431)	(11,994,981)	(7,477,274)	(8,357,732)	(37,388,418)
Uncommitted Capital Resources	3,543,436	600,045	808,935	1,590,326	1,590,326
WORKING BALANCE RESOURCES:					
Balance Brought Forward	6,290,296	6,327,181	5,540,631	6,414,115	6,290,296
HRA Balance Transfer - Surplus/(Deficit)	36,885	(786,550)	873,484	(429,634)	(305,815)
Balance Carried Forward	6,327,181	5,540,631	6,414,115	5,984,481	5,984,481
Balance Resolved to be Retained	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
	3,327,181	2,540,631	3,414,115	2,984,481	2,984,481
TOTAL AVAILABLE CAPITAL RESOURCES	6,870,617	3,140,676	4,223,050	4,574,807	4,574,807

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GENERAL FUND - CAPITAL PROGRAMME 2014/15 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2014/15 £	2015/16 £	2016/17 £	Future Years £	What the scheme is trying to achieve
COMMUNITY & ENVIRONMENT					
PROVIDE GREAT THINGS FOR ME TO SEE DO AND VISIT					
Play Area Refurbishments	33,820				To provide for the refurbishment of the play area at Station Road, Pinhoe
Heavitree Pleasure Ground Tennis Courts	40,000				To provide for the refurbishment of Heavitree Pleasure Ground Tennis Courts
Replacement of Flowerpot Skate Park	12,000				Retention sum which we hold back to pay the main contractor one year after completion
Sub Total - Provide great things for me to see do and visit	85,820	0	0	0	
HELP ME FIND SOMEWHERE SUITABLE TO LIVE					
Disabled Facilities Grants	330,000	330,000	330,000	330,000	To meet the legal duty to pay grants to enable disabled people to remain in their homes
Warm Up Exeter/PLEA scheme	100,000	100,000	100,000	100,000	To provide grants to assist with the installation of new heating systems and insulation measures
Renovation Grants	10,000	10,000	10,000	10,000	To assist in making private sector homes fit for habitation
Wessex Loan Scheme	150,000	100,000	100,000	150,000	Wessex Home Improvement Loans offer reduced interest loans to low-income households in order to undertake repairs or improvements
St Loyes Design Fees	20,000				To continue with the design works commenced in 2013/14
Infill Sites	350,000				To facilitate the redevelopment of the remaining Council owned infill sites
Sub Total - Help me find somewhere suitable to live	960,000	540,000	540,000	480,000	
OTHER					
Vehicle Replacement Programme	426,000	374,000	400,000		To ensure that the Council's vehicles are replaced so that a safe and reliable fleet is maintained
Sub Total - Other	426,000	374,000	400,000	0	
COMMUNITY & ENVIRONMENT TOTAL					
	1,471,820	914,000	940,000	480,000	

GENERAL FUND - CAPITAL PROGRAMME 2014/15 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2014/15 £	2015/16 £	2016/17 £	Future Years £		What the scheme is trying to achieve
ECONOMY & DEVELOPMENT						
PROVIDE GREAT THINGS FOR ME TO SEE DO AND VISIT						
Canal Basin and Quayside	323,630					To deliver the regeneration of the Quayside by funding essential infrastructure improvements and land acquisition
Replacement of Running Track at Exeter Arena	375,000					To complete the works to replace the existing track with a superior impermeable membrane. Works are scheduled to complete in July 2014
Sports Facilities Refurbishment	56,430	56,430	56,430	169,290		To undertake replacement of plant and equipment within the leisure management contract.
RAMM Redevelopment	278,600					There are a number of possible payments expected in 2014/15
Newtown Community Centre		50,000				
Countess Wear Community Centre (Grant Towards Build)		70,000				
Newcourt Community Association Centre	34,870					
Exe Water Sports Association (Grant Towards Build)	25,000					
Devonshire Place (Landscaping)	12,500					
Alphington Village Hall (Repairs & Extension)	50,000					These community schemes are all grants awarded from the New Homes
St Thomas Social Club (New Roof)	25,000					
St James Forum (Queens Crescent Garden)	5,000					
2nd Exeter Scouts & Park Life ('Urban Village Hall' Heavitree Park)	7,500					
Citizens Advice Bureau (Building Improvements)	7,500					
St Sidwells Community Centre	40,000					
RAMM - Replacement of Lift	50,000 #					The current lift installed before the redevelopment project will be replaced with one fit for purpose
Replace Red Monolith Interpretation Panels	25,000 #					To replace the existing 26 monoliths throughout the city as the information shown is out of date
New Swimming Pool and Leisure Centre						tbc
Sub Total - Provide great things for me to see do and visit	1,316,030	176,430	56,430	169,290		

GENERAL FUND - CAPITAL PROGRAMME 2014/15 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	Future Years				What the scheme is trying to achieve
	2014/15 £	2015/16 £	2016/17 £	£	
IMPROVE THE ENVIRONMENT AND MY NEIGHBOURHOOD					
Northbrook Flood Alleviation Scheme	200,000	300,000			To provide match funding for the project proposed by the Environment Agency
Contribution towards Major Flood Prevention Works	3,000,000				To provide funds in accordance with a request from the Environment Agency
Public Realm Works at Central Library	20,000 #				Contribution to public realm works associated with refurbishment of Central Library
Planting Improvements in Riverside Valley Park		14,910			For planting close to Makro
Sub Total - Improve the environment and my neighbourhood	3,220,000	314,910	0	0	
MAINTAIN THE ASSETS OF OUR CITY					
Repair to Turf Lock Gates	150,000 #				To repair the Turf Lock Gates. The money is to dam the canal, replace the outer gates, repair the lock pit, and repair the inner gates
Canal Bank Repairs and Strengthening	40,000 #				To repair and strengthen the canal bank adjacent to the Turf footway
Replace Roof Covering at Clifton Hill Sports Centre	80,000 #				To provide total replacement of the roof covering in order to stop the current frequent leak damage problem
Update of Electrical Distribution Equipment at Livestock Market	55,000 #				Some of the current electrical equipment does not meet current wiring regulations and British Standards. The works are required in order to handover the lease for the operation of the Livestock Centre to Kivells
Boiler Replacement at Wonford Community Centre	14,250 #				To replace the failing boiler at Wonford Community Centre
St Nicholas Priory Improvements	44,000 #				To provide a range of works to the Priory including repair of defective stonework, refurbishment of ironwork and glazing, decoration of gutters and barge boards, repairs to the oak windows and replastering of the vaulted ceiling
Sub Total - Maintain the assets of our city	383,250	0	0	0	
ECONOMY TOTAL	4,919,280	491,340	56,430	169,290	

GENERAL FUND - CAPITAL PROGRAMME 2014/15 AND FUTURE YEARS

SCHEMES LISTED WITHIN COUNCIL PURPOSES	2014/15 £	2015/16 £	2016/17 £	Future Years £	What the scheme is trying to achieve
MAINTAIN THE ASSETS OF OUR CITY					
Guildhall - Re-Covering and Insulating of Roof		350,000			To replace the existing slate tiles on this Grade 1 listed building and replace along with insulation measures
Sub Total - Maintain the assets of our city	0	350,000	0	0	
OTHER					
PC & Mobile Devices Replacement Programme	179,000				To provide a rolling programme of replacement and upgrades to the Council's PCs
Invest to Save Opportunities	100,000 #	100,000 #	100,000 #		To allow services to invest in assets that will provide an on-going revenue saving
Energy Saving Projects	1,210,000 #	1,795,000 #	664,000 #		The core aim for all projects is to reduce risk to the Council from the rapidly changing energy markets. The projects will address security of supply, mitigate the impact of inevitable increased energy costs, and bring income to the council
Capitalised Staff Costs	261,000	261,000	261,000		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 - Other	1,750,000	2,156,000	1,025,000	0	
RESOURCES TOTAL	1,750,000	2,506,000	1,025,000	0	
TOTAL CAPITAL PROGRAMME					
	8,141,100	3,911,340	2,021,430	649,290	
New Bids #	1,788,250	1,895,000	764,000	0	
Pre-Approved	6,352,850	2,016,340	1,257,430	649,290	
TOTAL CAPITAL PROGRAMME	8,141,100	3,911,340	2,021,430	649,290	

APPENDIX 4

HOUSING - CAPITAL PROGRAMME 2014/15 AND FUTURE YEARS

SCHEMES LISTED WITHIN KEY STRATEGIC THEMES	2013-14 B/FWD	2014-15	2015-16	2016-17	Total
	£	£	£	£	£
1 Adaptations		630,000	600,000	600,000	1,830,000
2 Automatic Door Replacement - Faraday House		15,000	-	-	15,000
3 Bathroom Replacements		1,160,000	600,000	600,000	2,360,000
4 Boiler Replacement Programme		503,750	325,000	330,000	1,158,750
5 Bridespring Rd / Mincinglake Road Works		36,000	-	-	36,000
6 Central Heating		355,000	205,000	210,000	770,000
7 Common Area Footpath & Wall Improvements		150,000	-	-	150,000
8 Communal Area Improvements		90,000	100,000	100,000	290,000
9 Door Entry System Installation		10,000	10,000	10,000	30,000
10 Electrical Rewires Programmed		875,000	447,800	447,800	1,770,600
11 Energy Conservation		70,000	30,000	30,000	130,000
12 Environmental Improvements		30,000	25,000	25,000	80,000
13 Fees		35,280	40,000	40,000	115,280
14 Flood Prevention Works		10,000	-	-	10,000
15 Fire Prevention Work		250,000	200,000	200,000	650,000
16 Higher Barley Mount Improvements		34,000	-	-	34,000
17 Kitchen Replacements		2,614,000	900,000	900,000	4,414,000
18 LAINGS Refurbishments	75,000	195,000	630,000	720,000	1,620,000
19 Lift Replacement - 98 Sidwell Street		50,000	-	-	50,000
20 Other works		50,000	50,000	50,000	150,000
21 Programmed Reroofing		50,000	252,000	252,000	554,000
22 Rendering of Council Dwellings		275,000	275,000	275,000	825,000
23 Rennes House Structural Works		450,000	695,000	695,000	1,840,000
24 Replacement Lead Water Mains		25,000	-	-	25,000
25 Retaining Walls to Communal Gardens		55,000	-	-	55,000
26 Smoke Detector Replacements	400,000	30,000	-	-	430,000
27 Soil Vent Pipe Replacement		20,000	-	-	20,000
28 Structural Repairs		145,000	100,000	100,000	345,000
Sub total - Investment in Existing Stock		8,668,030	5,484,800	5,564,800	19,757,630
PROVISION OF NEW COUNCIL HOMES					
29 Social Housing Acquisitions	42,507	250,000	500,000	500,000	1,292,507
30 COB Wave 2 - Rennes House Car Park	155,080	-	1,492,474	2,272,932	3,920,486
31 COB Wave 2 - Newport Road	290,950	511,982	-	-	802,932
32 COB Wave 2 - Brookway	294,660	652,791	-	-	947,451
33 COB Wave 2 - Bennett Square	291,190	507,561	-	-	798,751
34 Phase 2 St Andrews Road	10,230	-	-	-	10,230
35 Council Own Build - Land Purchase	300,000	-	-	-	300,000
Sub total - Investment in the Provision of New Homes		1,992,474	2,772,932	2,772,932	8,072,357
Total HRA Capital Programme	1,859,617	10,135,364	7,477,274	8,357,732	27,829,987

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 22 JANUARY 2014

EXECUTIVE 4 FEBRUARY 2014

REVENUE BUDGET PROPOSALS 2014/15

1. PURPOSE OF THE REPORT

- 1.1 To outline the strategic framework within which the estimates have been prepared and circulated for discussion and comment during December and highlights 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. BACKGROUND

- 2.1 Exeter City Council, like all other local authorities and public sector bodies, faces unprecedented reductions in its financial support from Government. The Comprehensive Spending Review 2013 set out the likely scale of cuts to local authority funding and for Exeter this is estimated to result in a further reduction in formula grant of approximately 44% between 2013/14 and 2017/18.

3. LOCAL GOVERNMENT FINANCE SETTLEMENT

- 3.1 The Government announced the provisional Local Government Settlement on 18 December 2013. The Council is to receive £7.832 million in 2014-15, which is £40,000 lower than predicted within the Medium Term Financial Plan. At this stage there is no intention to revisit the budgets set and the shortfall can be taken from balances.
- 3.2 Appendix 1 shows as a comparison the formula funding settlement figures for all Devon authorities. The final settlement figures will be announced later this month but at this stage it is not expected that they will be significantly different from the provisional announcement. They appear to show that in comparison with most other Devon Districts the City Council has fared slightly worse in percentage terms of formula funding reduced.
- 3.3 In the grant settlement the Government announced that councils will face an average cut of 2.9% based upon council's 'revenue spending power'. Revenue spending power is a definition used by the Government, which encompasses an individual authority's:
 - Council Tax Requirement;
 - Formula Grant;
 - New Homes Bonus
 - Other Grants; and
 - NHS funding for social care (not applicable for district councils).

Appendix 2 shows a comparison of Devon authorities using this definition of revenue spending power. Using this measure Exeter's revenue spending power has reduced by 3.5% for 2014/15.

4. COUNCIL TAX

4.1 The Chancellor of the Exchequer has again announced funding for local authorities who decide to freeze council tax next year. If they do, councils, police and fire authorities will stand to receive an equivalent to raising their council tax by one per cent. In addition, the Government has yet to confirm the local authority tax referendum threshold but it is likely at best to be set at two per cent.

5. BUSINESS RATES POOL

5.1 Local Authorities in Devon have agreed to remain in the Business Rates pool for a second year. The benefits of the pool are that any additional growth within Devon is shared between the Council's in Devon rather than a levy being paid over to Central Government. However there are risks that where a Council's Business Rates income falls below their safety net, then it is the responsibility of the members of the pool to make payments to them rather than Central Government. The budget allows for a gain of £179,000 from pooling.

6. KEY ASSUMPTIONS

6.1 An overall allowance of £353,660 has been allowed for inflation. The inflationary increases allowed in the budget are:

Pay Award	1.0%
Pay – Increments	0.5%
Electricity	8%
Gas	10%
Oil	12.0%
Water	5.1%
Insurance	3.0%
Rates	2.0%
Fuel	6.0%
General Inflation	0.0%
Income (excluding Car Parks)	2.5%

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

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

7. FURTHER ISSUES TO BE CONSIDERED

7.1 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. EQUALITY IMPACT ASSESSMENT

- 8.1 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.

9. NEW HOMES BONUS

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

- 9.2 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 and provisionally been notified that it will receive a further £2.778 million in 2014/15. The Executive has approved a revised allocation that sets out how the New Homes Bonus funding should be used from 2013/14 onwards. Based upon this revision and using future estimates of New Homes Bonus funding the allocation is set out in the table below:-

Year	Top Slice £000's	Community Projects £000's	Major Infrastructure £000's	Unallocated £000's	Total £000's
2011/12	-	-	-	389	389
2012/13	120	361	601	241	1,323
2013/14	120	286	1,418	381	2,205
2014/15	120	286	1,937	435	2,778
2015/16	120	286	2,456	565	3,427
2016/17	120	286	2,976	694	4,076
2017/18	120	286	3,183	746	4,335
Total	720	1,791	12,571	3,451	18,533

10. REVISED MEDIUM TERM REVENUE PLAN (APPENDIX 3)

- 10.1 An updated Medium Term Financial Plan (MTFP) is set out in Appendix 3. There have been a number of changes to the financial plan since it was reported in December after additional spending pressures were identified either during the budget setting process or through announcements made during late December. The MTFP currently indicates that additional savings required over the next five years total £3,966,000. The additional savings over the medium term are set out in the table below:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Savings required	0	(847)	(2,591)	(528)

- 10.2 Looking to the longer term there are a number of uncertainties and factors that could affect the future financial position. These include: the amount of grant support from central government after 2014/15 including localisation of business rates, potential costs arising from the review of service plans, the cost of any new statutory functions, and additional borrowing and revenue costs in respect of any new capital programme commitments. Any additional revenue costs that are not currently identified within the medium term financial plan will now have to be met from further savings.

11. BALANCES AND RESERVES

- 11.1 The Council's current policy is such that the minimum level of the General Fund Balance will now be £2 million. This is considered a sufficient level taking into account the potential level of financial risk facing the Council in the medium term. The latest estimated position of the General Fund Balance is that it will be £3.124 million as at 31 March 2014, equivalent to 22.9% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 3) indicates that the General Fund Balance will be reduced to the minimum recommended level of £2 million by the end of 2015/16.
- 11.2 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2014/15 includes a net transfer to earmarked reserves of £2,498,000. This is broken down as shown below:-

Transfer (from)/ to reserves:

	2014/15 £'000
New Homes Bonus	<u>2,498</u> 2,498

12. REVENUE ESTIMATES 2014/15 (APPENDIX 4)

- 12.1 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 4 February 2014. In total, Service Committee Expenditure for 2014/15 is £12,059,250 which is £272,930 higher than the current year.

12.2 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 £165,000 for net borrowing in respect of the overall cash balances, £1,470,000 towards meeting the borrowing costs of the Council's capital programme, and new homes bonus grant and transfers in respect of balances and reserves. The Council's total General Fund Expenditure budget requirement for 2014/15 is planned to be £13,185,000, a decrease of £337,406 (2.5%) compared to 2013/14.

13. COUNCIL TAX BUDGET REQUIREMENT 2014/15

13.1 When all the Government Grant funding is taken into account the resultant net expenditure to be financed from council tax is £4,570,000 (as indicated in Appendix 4), an increase of £178,811 (4.1%) compared to 2013/14.

13.2 Each year the Council must estimate the likely surplus or deficit position on its Collection Fund and any such amounts must be taken into account when determining the band D Council Tax amount for 2014/15. For next year it is estimated that the collection fund will have a small surplus (£21,866), which will be used to fund part of the expenditure to be financed from Council Tax.

13.3 After taking into account the surplus and the taxbase of 34,344, the proposed band D council tax for 2014/15 will be £132.43, which means that the council tax will increase annually by £2.59 or 1.99%. If the Government amends its proposals for a referendum, then this figure will be amended accordingly.

14. RECOMMENDATION

14.1 That Scrutiny Committee – Resources notes the recommendation to the Executive and comments accordingly.

14.2 Executive approves the Draft Revenue budget proposals for 2014/15 and that the recommended minimum level for the General Fund Working Balance remains at £2 million.

ASSISTANT DIRECTOR FINANCE

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

Background papers used in compiling the report:

None

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FORMULA GRANT DECREASES - DEVON AUTHORITIES

Authority	Grant	Grant	Grant	Grant	Grant	Grant	Grant	Grant	Grant
	2012/13 £m	2013/14 £m	2014/15 £m	Yearly Decrease %	2013/14 Decrease %	2014/15 Decrease %	Yearly Decrease %	2012/13 - 2014/15 £m	2012/13 - 2014/15 %
Devon	236.375	224.467	207.599	-5.0%	-5.0%	-7.5%	-7.5%	-28.776	-12.2%
Plymouth	132.855	127.561	114.307	-4.0%	-4.0%	-10.4%	-10.4%	-18.548	-14.0%
Torbay	74.968	71.157	64.299	-5.1%	-5.1%	-9.6%	-9.6%	-10.669	-14.2%
East Devon	6.337	5.833	5.140	-8.0%	-8.0%	-11.9%	-11.9%	-1.197	-18.9%
Exeter	9.487	9.031	7.832	-4.8%	-4.8%	-13.3%	-13.3%	-1.655	-17.4%
Mid Devon	5.003	4.839	4.286	-3.3%	-3.3%	-11.4%	-11.4%	-0.717	-14.3%
North Devon	6.895	6.540	5.742	-5.1%	-5.1%	-12.2%	-12.2%	-1.153	-16.7%
South Hams	4.492	4.217	3.696	-6.1%	-6.1%	-12.4%	-12.4%	-0.796	-17.7%
Teignbridge	7.920	7.421	6.491	-6.3%	-6.3%	-12.5%	-12.5%	-1.429	-18.0%
Torridge	5.409	5.206	4.584	-3.8%	-3.8%	-11.9%	-11.9%	-0.825	-15.3%
West Devon	3.687	3.604	3.168	-2.3%	-2.3%	-12.1%	-12.1%	-0.519	-14.1%

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REVENUE SPENDING POWER CHANGES - DEVON AUTHORITIES

Authority	Revenue Spending Power 2013/14 £m	Revenue Spending Power 2014/15 £m	Revenue Spending Power Change £m	%
Devon	561.790	552.742	-9.048	-1.6%
Plymouth Torbay	235.048 138.648	226.545 133.835	-8.503 -4.813	-3.6% -3.5%
East Devon Exeter Mid Devon North Devon South Hams Teignbridge Torridge West Devon	14.172 16.557 10.827 12.901 10.752 16.113 9.851 8.737	14.092 15.984 10.833 12.137 10.620 15.884 9.414 8.558	-0.080 -0.573 0.005 -0.763 -0.133 -0.229 -0.437 -0.178	-0.6% -3.5% 0.0% -5.9% -1.2% -1.4% -4.4% -2.0%

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MEDIUM TERM REVENUE PLAN (2013/14 - 2017/18) - including Leisure Complex

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Resources					
Central Government Support	7,843	7,714	6,714	5,785	5,071
Extra grant to compensate for council tax freeze	118	118	0	0	0
Council Tax Support Grant	598	0	0	0	0
Homelessness Grant	503	0	0	0	0
Business Rates in excess of target	188	604	625	645	667
Pooling of Business Rates	0	179	184	190	197
Council Tax - £5 pa 2013/14 and 2.0% following years	4,391	4,570	4,674	4,804	4,937
Likely resources	13,641	13,185	12,197	11,424	10,872
Expenditure					
Service expenditure					
Committee expenditure base budget	13,580	11,786	12,059	10,689	8,761
Inflation	272	358	300	300	300
Potential increase in service costs	124	1,380	75	418	(11)
Budgeted reductions	(2,190)				
Supplementary Budgets and AIM Carry Forward	11,786	13,524	12,434	11,407	9,050
Net Interest	462	165	812	657	490
Forecast Committee overspend / other movements	184				
Repayment of capital borrowing	1,319	1,470	1,591	2,006	1,860
Other funding					
Contribution to/ (from) earmarked reserves	39	(280)	0	0	0
Contribution to/ (from) balances - Other	(234)	(229)	(895)	0	0
	(195)	(509)	(895)	0	0
Proposed savings identified		(1,465)	(898)	(55)	0
Annual savings required			(847)	(2,591)	(528)
Total Net Budget	13,641	13,185	12,197	11,424	10,872
Total additional savings required by 2017/18 (3,966)					
Opening General Fund Balance	3,358	3,124	2,895	2,000	2,000
Closing General Fund Balance	3,124	2,895	2,000	2,000	2,000
Balance as a percentage of budget	22.9%	22.0%	16.4%	17.5%	18.4%

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DRAFT 2014/15 GENERAL FUND ESTIMATES

	2013/14 BUDGET £	2014/15 BUDGET £	CHANGE £	%
Scrutiny - Community	13,108,610	9,745,370	(3,363,240)	
Scrutiny - Economy	(3,909,720)	(464,880)	3,444,840	
Scrutiny - Resources	5,717,220	5,634,170	(83,050)	
Vacancy Management	(100,000)	0	100,000	
Less Notional Capital Charges	(3,029,790)	(2,855,410)	174,380	
SERVICE ESTIMATES TOTAL	11,786,320	12,059,250	272,930	2.3%
Net Interest	140,000	165,000	25,000	
Minimum Revenue Provision	1,358,000	1,470,000	112,000	
SERVICE ESTIMATES NET EXPENDITURE	13,284,320	13,694,250	409,930	3.1%
New Homes Bonus	(2,204,830)	(2,778,000)	(573,170)	
Transfer to/(from) working balance	0	(229,250)	(229,250)	
Transfer to/(from) earmarked reserves	2,442,916	2,498,000	55,084	
GENERAL FUND EXPENDITURE	13,522,406	13,185,000	(337,406)	(2.5)%
Formula Funding	(7,811,885)	(7,714,000)	97,885	(1.3)%
Pooling of Business Rates	(100,000)	(783,000)	(683,000)	
Homelessness Grant	(502,618)	0	502,618	
Council Tax Support Grant	(598,294)	0	598,294	
Council Tax Freeze Grant	(118,420)	(118,000)	420	
COUNCIL TAX NET EXPENDITURE	4,391,189	4,570,000	178,811	4.1%

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 22 JANUARY 2014

EXECUTIVE 4 FEBRUARY 2014

COUNCIL 25 FEBRUARY 2014

TREASURY MANAGEMENT STRATEGY REPORT 2014/15

1. PURPOSE OF THE REPORT

- 1.1 To seek adoption by the Council of the Treasury Management Strategy Report, incorporating the Annual Investment Strategy 2014/15, as required under section 15(1)(a) of the Local Government Act 2003.

2. BACKGROUND

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

3. KEY ISSUES TO BE CONSIDERED

- 3.1 This is a statutory Strategy to be adopted and the key issues to be considered are:
- Section 4.3 sets the limits on the value of investments to be held by any one institution and the type of institution that can be used. The only change from the current strategy is a proposal to increase the amount held in a money market fund and that lent to an Upper Tier Local Authority from £3 million to £5 million. This reflects the fact that in a Money Market Fund, the funds are spread across a range of institutions and therefore risk is spread. It will also allow the Council to access a higher interest rate on the investments. In respect of Upper Tier Local Authorities, the risk of default is considered to be very low.
 - Section 3 sets out the current levels of borrowing and investments, along with the estimated changes and the financial impact for the year on both the General Fund and HRA.
 - Sections 5 and 6 set out the planned strategy for the year, which Council must be satisfied meets their objectives and is in line with the level of risk they are comfortable to take.

4. RISKS INVOLVED

- 4.1 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.

5. CONCLUSIONS

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

6. RECOMMENDATIONS

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

ASSISTANT DIRECTOR FINANCE

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

1. Treasury Management Strategy

EXETER CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2014/15

1. Introduction

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

2. Economic Context

- 2.1 The past year has seen an improvement in growth in the UK economy, alongside a reduction in inflation back towards the target of 2%. However, the Bank of England has also stated that it will not consider raising interest rates until unemployment levels fall below 7% (currently 7.4%). The Bank is forecasting that this may not occur until 2016.

- 2.2 Although the credit risk in respect of banks has reduced, the plight of the Co-op is a timely reminder that risks remain within the financial services sector.

2.3 Interest rate forecasts

The Council's treasury management adviser, Arlingclose, believes that it could be late 2016 before official UK interest rates rise. However they also forecast that gilt yields (which PWLB rates are linked to) will rise by between 0.7 and 1.1% over that period.

2.4 *Arlingclose central interest rate forecast – December 2013*

	Bank Rate	20-year gilt yield*
Q1 2014	0.50	3.25
Q2 2014	0.50	3.30
Q3 2014	0.50	3.35
Q4 2014	0.50	3.40
H1 2015	0.50	3.50
H2 2015	0.50	3.65
H1 2016	0.50	3.85
H2 2016	0.50	4.15

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

3. Current and Expected Treasury Portfolios

3.1 Current portfolio

The Council's treasury portfolio as at 31st December 2013 was as follows.

	Principal Amount £m	Interest Rate %
Investments - maturing 2013/14	7.0	Approx 0.40%
- maturing 2014/15	0.0	
- maturing later	0.0	
Total Investments	7.0	
Debt - maturing 2013/14	5.0	-
- maturing 2014/15	10.0	0.45% - 0.55%
- maturing later	56.9	3.48%
Total Debt	71.9	0.45% – 3.48%
Net Debt	64.9	

3.2 Expected changes

According to current cash flow forecasts, net borrowing is expected to increase by £5 million by 31st March 2014. The future cash flow forecast includes planned borrowing of £4.4 million as part of the 2014/15 capital programme. The decision of whether to take external long-term borrowing will be made in light of current and forecast interest rates.

3.3 Budget implications

The net budget for interest payments in 2014/15 is £125,000 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	£3m each	12 months
Foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1	£2m each	6 months
UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1	£3m each	3 months
Money market funds ² and similar pooled vehicles holding the highest possible credit ratings (AAA)	£5m each	3 months
UK Central Government	no limit	12 months
UK Local Authorities ³ Upper Tier Lower Tier	£5m each £3m each	12 months 12 months

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

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

³ as defined in the Local Government Act 2003

4.4 The maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. For an individual bank, the limit is £3 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

4.5 Non specified Investments

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

4.6 Foreign countries

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

4.7 Liquidity management

The Council uses purpose-built cash flow forecasting software to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments.

Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

4.8 Credit ratings

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

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

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

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

4.9 Other information on the security of investments

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

4.10 Investment instruments

Investments may be made using any of the following instruments:

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

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

5.1 The cash flow forecast will be used to divide surplus funds into three categories:

- Short-term – cash required to meet known cash outflows in the next month, plus a contingency to cover unexpected cash flows over the same period.
- Medium-term – cash required to manage the annual seasonal cash flow cycle, including amounts to cover forecast shortages, planned uses of reserves, and a longer-term contingency.
- Long-term – cash not required to meet cash flows, and used primarily to generate investment income.

5.2 The Council's in-house managed funds are based on the likely cash-flow position and rarely exceed three months. Investments will be made to ensure that cash flow is protected and borrowing is minimised. However, on occasion, money has been invested for a longer period up to 364 days. These are funds which are not required for day-to-day cash management purposes.

5.3 The Council will seek to utilise its call accounts (which are linked to base rate), money market funds (Ignis and CCLA) and use short-dated deposits up to 3 months to ensure liquidity of assets for day-to-day cashflow. Although these are essentially cash, a monetary limit in line with the banks credit rating is retained on the accounts. The Council will also make use of the Government's Debt Management Office to ensure the highest possible security for cash. Additionally, the Council's bankers, operate an immediate access call account, which automatically sweeps excess funds from our general bank account into one paying a higher interest rate. There is no limit on the account, with interest varying depending on the amount in the account. 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 2014 is expected to be £92.7 million, and is forecast to rise to £95.5 million by March 2015 as capital expenditure is incurred.

6.2 The maximum expected long-term borrowing requirement for 2013/14 is:

	£m
Not borrowed in previous years	34.2
Long term borrowing (HRA)	56.9
Forecast increase in CFR	4.4
Loans maturing in 2012/13	0.0
TOTAL	95.5

6.3 The Council made a one-off payment on 28 March 2012, to buy itself out of the HRA subsidy system. The final settlement figure of £56.884 million was confirmed in February 2012. The amount was borrowed from the Public Works Loans Board over a 50 year period and is repayable on maturity at the end of the loan term. The interest rate was 3.48% fixed for the term of the loan.

6.4 However, to reduce risk and minimise cost on the General Fund, it has been decided to defer borrowing until later years, and to reduce the size of the Council's investment balance instead.

6.5 In addition, the Council will borrow for short periods of time (normally up to one year) to cover cash flow shortages. Currently the Council has outstanding borrowing of £15 million, which was taken in three tranches for a period of one year at 0.45%, 0.50% and 0.55%.

6.6 Sources of borrowing

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

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

6.7 Debt instruments

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

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

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

- leases
- Private Finance Initiative.

6.8 Borrowing strategy to be followed

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

7. **Policy on Use of Financial Derivatives**

7.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).

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

7.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

7.4 Derivative counterparties

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

7.5 In reality, whilst the Council is required to include the above policy, 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 draft revised CLG Investment Guidance also requires the Council to approve the following matters each year as part of the investment strategy:

9.2 Investment consultants

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

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

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

9.3 Investment training

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

9.4 Investment of money borrowed in advance of need

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

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

10. Investment Reports

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

ASSISTANT DIRECTOR FINANCE
JANUARY 2014

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EXETER CITY COUNCIL

SCRUTINY COMMITTEE - RESOURCES 22 JANUARY 2014

EXECUTIVE 4 FEBRUARY 2014

COUNCIL 25 FEBRUARY 2014

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

1. PURPOSE OF THE REPORT

- 1.1 To set out the proposed 2014/15 prudential indicators for capital finance for adoption by the Council and set the annual statement of Minimum Revenue Provision (MRP).

2. BACKGROUND

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

3. PRUDENTIAL INDICATORS

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

3.2 **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.

4. **ANNUAL STATEMENT OF MINIMUM REVENUE PROVISION**

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

4.2 Minimum Revenue Provision (MRP) is an amount set aside from revenue to meet the repayment of debt principal. 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.

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

4.4 The guidance notes detail five options which the Secretary of State considers prudent. These are described in section 4 below:

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

5.5 **Key issue to consider**

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

5. MRP OPTIONS

5.1 Regulatory Method

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

5.2 Capital Financing Requirement Method

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

5.3 Asset Life (Equal Instalment) Method

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

5.4 Asset Life (Annuity) Method

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

5.5 Depreciation Method

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

6. Minimum Revenue Provision Policy 2014/15

- 6.1 The Council's MRP policy is to match borrowing against specific capital investment and adopt the Asset Life (Equal Instalment) Method for MRP. In this way the funding for the asset will be paid off over the useful life of that asset. This will ensure that loans are repaid over the asset life thus freeing financial resources for investment in other schemes or in asset renewal. It is also simple to operate and gives certainty in each year as to the level of charge for principal. The other advantage is that it makes business cases and scheme appraisals easier to compile. As a general rule the Council will seek to borrow over the same period of the asset life up to a maximum of 50 years in line with the Regulations. The total capital financing requirement at the end of 2013/14 is likely to be approximately £92.6m, some of which has financed redundancy payments and other shorter dated expenditure. Therefore MRP for 2014/15 will be calculated based on the capital financing requirement at the end of 2013/14 using the varying periods of repayment. The MRP charge for 2014/15 will be approximately £1.470 million.

4. RECOMMENDATION

4.1 That the Executive recommend to Council the adoption of:

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

ASSISTANT DIRECTOR - FINANCE

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

Background papers used in compiling this report:

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

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	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
OTHER	659	1,225	2,176	2,530	1,425
PROVIDE GREAT THINGS FOR ME TO SEE DO AND VISIT	2,289	1,671	1,402	176	56
MAINTAIN THE ASSETS OF OUR CITY	235	163	383	350	0
HELP ME FIND SOMEWHERE SUITABLE TO LIVE	1,404	1,880	960	540	540
IMPROVE THE ENVIRONMENT AND MY NEIGHBOURHOOD	884	578	3,220	315	0
SAFE CITY	0	2	0	0	0
A LEARNING CITY	1	0	0	0	0
PROSPEROUS CITY	108	563	0	0	0
ACCESSIBLE CITY	1,334	175	0	0	0
Total General Fund Capital Expenditure	6,914	6,255	8,141	3,911	2,021

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	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Interest payable with respect to short term borrowing	53	130	170	857	867
Interest payable under 'irredeemable' long term liabilities	0	0	0	0	0
Interest and investment income	(18)	(45)	(45)	(45)	(45)
Replacement for Minimum Revenue Provision (England and Wales)	1,107	1,328	1,470	1,521	1,423
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total General Fund Financing Costs	1,142	1,413	1,595	2,333	2,245

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

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

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

Description	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Financing costs	1,142	1,413	1,595	2,333	2,245
Net revenue stream (General Fund Expenditure - Budget Book/Financial Strategy)	13,757	14,027	13,168	12,160	11,387
Ratio of financing costs to net revenue stream %	8.3	10.1	12.1	19.2	19.7
Negative for a debt free authority	%	%	%	%	%

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

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

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

Description	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Total budgetary requirements for the authority with existing capital programme	12,986	11,422	11,475
Total budgetary requirements for the authority with proposed capital programme	13,168	12,160	11,387
Difference	182	738	(88)
Incremental Impact on Band D Council Tax	£5.38	£21.71	-£2.58

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 2013

	£'000
Estimate of General Fund Capital Financing Requirement 31 March 2012	111,474
Property, Plant and Equipment	41,265
Investment Properties	22,436
Heritage Assets	779
Intangible Assets / Other Long term Assets	(59,231)
Revaluation Reserve	(84,779)
Capital Adjustment Account	31,944
Estimate of General Fund Capital Financing Requirement 31 March 2013	31,944

Estimated General Fund Capital Financing Requirement at 31 March 2014

Estimate of General Fund Capital Financing Requirement 31 March 2013	31,944
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	2,790
Estimate of General Fund Capital Financing Requirement 31 March 2014	34,734

Estimated General Fund Capital Financing Requirement at 31 March 2015

Estimate of General Fund Capital Financing Requirement 31 March 2014	34,734
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	2,918
Estimate of General Fund Capital Financing Requirement 31 March 2015	37,652

Estimated General Fund Capital Financing Requirement at 31 March 2016

Estimate of General Fund Capital Financing Requirement 31 March 2015	37,652
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	(560)
Estimate of General Fund Capital Financing Requirement 31 March 2016	37,092

Estimated General Fund Capital Financing Requirement at 31 March 2017

Estimate of General Fund Capital Financing Requirement 31 March 2016	37,092
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	(915)
Estimate of General Fund Capital Financing Requirement 31 March 2017	36,177

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	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Help me find somewhere suitable to live	8,945	9,558	11,945	7,477	8,358
Total HRA Capital Expenditure	8,945	9,558	11,945	7,477	8,358

HRA Financing costs

Description	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Interest payable with respect to short term borrowing	0	0	0	0	0
Interest payable under 'irredeemable' long term liabilities	1,989	1,989	1,989	1,989	1,989
Interest and investment income	(44)	(45)	(45)	(50)	(55)
Voluntary Revenue Provision (England and Wales)	0	0	0	0	0
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total HRA Financing Costs	1,945	1,944	1,944	1,939	1,934

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

APPENDIX B

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

Description	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Financing costs	1,945	1,944	1,944	1,939	1,934
Net revenue stream	17,568	18,624	19,348	20,315	21,331
Ratio of financing costs to net revenue stream %	11.1	10.4	10.0	9.5	9.1
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	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Forecast HRA budgetary requirements for the authority with existing HRA capital programme	19,348	20,315	21,331
Forecast HRA budgetary requirements for the authority with proposed HRA capital programme	19,348	20,315	21,331
Difference	0	0	0
Incremental Impact on average weekly housing rents	£0.00	£0.00	£0.00

HRA Capital Financing Requirement

APPENDIX B

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

Actual HRA Capital Financing Requirement at 31 March 2013

Description	£'000
Property, Plant and Equipment	192,200
Investment Properties	0
Revaluation Reserve	(3,611)
Capital Adjustment Account	(130,707)
Actual HRA Capital Financing Requirement 31 March 2013	57,882

Estimated HRA Capital Financing Requirement at 31 March 2014

Estimate of HRA Capital Financing Requirement 31 March 2013	57,882
Estimate of change in Property, Plant and Equipment	8,945
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(8,945)
Estimate of HRA Capital Financing Requirement 31 March 2014	57,882

Estimated HRA Capital Financing Requirement at 31 March 2015

Estimate of HRA Capital Financing Requirement 31 March 2014	57,882
Estimate of change in Property, Plant and Equipment	9,558
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(9,558)
Estimate of HRA Capital Financing Requirement 31 March 2015	57,882

Estimated HRA Capital Financing Requirement at 31 March 2016

APPENDIX B

Estimate of HRA Capital Financing Requirement 31 March 2015	57,882
Estimate of change in Property, Plant and Equipment	11,945
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(11,945)
Estimate of HRA Capital Financing Requirement 31 March 2016	57,882

Estimated HRA Capital Financing Requirement at 31 March 2017

Estimate of HRA Capital Financing Requirement 31 March 2015	57,882
Estimate of change in Property, Plant and Equipment	7,477
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(7,477)
Estimate of HRA Capital Financing Requirement 31 March 2017	57,882

CLG Limit on indebtedness

The limit on indebtedness for the HRA is £57.882 m

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

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

Description	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Incremental Impact on Band D Council Tax	£5.38	£21.71	-£2.58

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	2014/15 Estimate	2015/16 Estimate	2016/17 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	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Total General Fund Capital Expenditure	6,914	6,255	8,141	3,911	2,021
Total HRA Capital Expenditure	8,945	9,558	11,945	7,477	8,358
Total Actual / Estimates of Capital Expenditure	15,859	15,813	20,086	11,388	10,379

APPENDIX C

Prudential Indicator Calculations

Total Actual / Estimates of Financing Costs

Description	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Total General Fund Financing Costs	1,142	1,413	1,595	2,333	2,245
Total HRA Financing Costs	1,945.00	1,944.00	1,944.00	1,939.00	1,934.00
Total Actual / Estimates of Financing Costs	3,087	3,357	3,539	4,272	4,179

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

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

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

Description	2012/13 Actual %	2013/14 Estimate %	2014/15 Estimate %	2015/16 Estimate %	2016/17 Estimate %
General Fund Ratio of Financing Costs to Net Revenue Stream	8.3	10.1	12.1	19.2	19.7
HRA Ratio of Financing Costs to Net Revenue Stream	11.1	10.4	10.0	9.5	9.1

APPENDIX C

Prudential Indicator Calculations

Actual / Estimates of Capital Financing Requirement

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

Description	2012/13 Actual £'000	2013/14 Estimate £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
General Fund Capital Financing Requirement	31,944	34,734	37,652	37,092	36,177
HRA Capital Financing Requirement	57,882	57,882	57,882	57,882	57,882
Total Actual / Estimates of Capital Financing Requirement	89,826	92,616	95,534	94,974	94,059

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	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Borrowing	110,000	120,000	130,000
Other long term liabilities	0	0	0
Authorised Limit	110,000	120,000	130,000

Prudential Indicator CalculationsOperational Boundary

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

Description	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000
Borrowing	95,000	115,000	120,000
Other long term liabilities	0	0	0
Operational Boundary	95,000	115,000	120,000

Actual External Debt

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

Description	2012/13 Actual £'000
Actual borrowing as at 31 March 2012	64,934
Actual long term liabilities as at 31 March 2012	0
Actual External Debt as at 31 March 2011	64,934

Prudential Indicator Calculations
PRUDENTIAL INDICATORS OF PRUDENCE

Gross Debt and Capital Financing Requirement

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

Description	£'000
Total Capital Financing Requirement at 31 March 2013	89,826

2013/14 Estimated Change in Capital Financing Requirement	
Capital expenditure	15,813
Application of useable capital receipts	(300)
Application of capital grants/contributions	(11,395)
The replacement for MRP	(1,328)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2013/14	2,790

2014/15 Estimated Change in Capital Financing Requirement	
Capital expenditure	20,086
Application of useable capital receipts	(300)
Application of capital grants/contributions	(15,398)
The replacement for MRP	(1,470)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2014/15	2,918

Prudential Indicator Calculations

2015/16 Estimated Change in Capital Financing Requirement	
Capital expenditure	11,388
Application of useable capital receipts	(300)
Application of capital grants/contributions	(10,127)
The replacement for MRP	(1,521)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2015/16	(560)

Capital Financing Requirement:	
Estimated Opening Balance 2012/13	89,826
Estimated Closing Balance 2015/16	94,974
This is an increase over the three years of	5,148

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 CalculationsOperational 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	2014/15 £'000	2015/16 £'000	2016/17 £'000
Total projected interest payable on borrowing	2,159	2,846	2,856
Total projected interest receivable on investments	(90)	(95)	(100)
Net Interest	2,069	2,751	2,756
Upper limit - fixed rates = 100%	(90)	(95)	(100)
Upper limit - variable rates = 20%	(18)	(19)	(20)

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

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

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

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

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

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

Prudential Indicator Calculations

Principal Sums Invested for Periods Longer than 364 Days

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

Description	At 31/3/2014 £'000
Longer-term investments	0
Less - Held for operational purposes	0
Current Assets - Investments	0
Current Assets - Cash and at Bank	0
Total available for investment longer term	0

Limits to be placed on investments to final maturities beyond year end:	£'000
31/03/14	0
31/03/15	0
31/03/16	0