

SCRUTINY COMMITTEE - RESOURCES

Date: Wednesday 28 January 2015
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

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

If you have an enquiry regarding any items on this agenda, please contact 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), Mottram (Deputy Chair), Bialyk, Brock, Bull, George, Lyons, Morris, Robson, Sheldon, Spackman, Tippins and Winterbottom

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 19 November 2014.

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

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of item 16 on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1 and 3 of Part I, Schedule 12A of the Act.

5 Questions from Members of 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 Reports of Portfolio Holders

Councillor Edwards (Leader), Councillor Pearson (Portfolio Holder for Enabling Services) and Councillor Hannaford Portfolio Holder for Customer Access will present half year reports and take questions. (Pages 5 - 12)

8 Fraud Awareness - Presentation by the Audit Manager

ESTIMATES, CAPITAL PROGRAMME and FEES AND CHARGES

9 Estimates/New Capital Bids/Fees and Charges

To consider the report of the Assistant Director Finance/Principal Accountant. (Pages 13 - 22)

Items for Executive

10 Capital Programme 2015/16 and 2017/18

To consider the report of the Assistant Director Finance. (Pages 23 - 36)

11 Revenue Budget Proposals 2015/16

To consider the report of the Assistant Director Finance. (Pages 37 - 50)

12 **Treasury Management Strategy Report 2015/16**

To consider the report of the Assistant Director Finance (Pages 51 - 60)

13 **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 61 - 80)

14 **Annual Pay Policy Statement**

To consider the report of the Human Resources Business Manager. (Pages 81 - 90)

Items for Discussion

15 **Income Generating Measures Task and Finish Group Report**

To consider the report of the Chair of the Income Generating Measures Task and Finish Group. (Pages 91 - 94)

Part II: Item for Consideration with the Press and Public Excluded

Item for Executive

16 **The Future of the Custom House**

To consider the report of the Corporate Manager Property. (Pages 95 - 98)

Date of Next Meeting

The next **Scrutiny Committee - Resources** will be held on Wednesday 18 March 2015 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.

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265107 for further information.

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SCRUTINY COMMITTEE (RESOURCES)

28 January 2015

Portfolio Holder Priorities 2014/15 (Covering Note)

A progress update against the Portfolio Holders' priorities is set out in the attached document (Appendix A).

Contact for enquires: Sharon Sissons
Democratic Services (Committees)
Room 2.3
01392 265115

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	A	B	C	D	E
1	Corporate Plan 2014/15 (PH Priorities) - Progress update				
2					
3					
4	Action	Target/Milestone	Progress	Owner	PH
5	Continue to require that all new housing developments include 35% social and affordable housing	By June 2015 we will: <ul style="list-style-type: none"> ensure that 35% of all new housing developments is affordable (this applies to developments of 10 or more homes) have completed 300 affordable homes and transferred to either a registered housing provider or the City Council. 	35% policy took effect from December 2013. Where this is viable, 35% is being achieved, unless a commuted sum is taken (in exceptional circumstances). To date since April 1st 2014, 58 affordable homes have been delivered with 241 further affordable homes consented and in the pipeline for national house builders.	AD CD	RH
6	Build 20 new council houses on council-owned land and continue to look for funding to increase this number	By June 2015 we will: <ul style="list-style-type: none"> have provided 20 new, defect-free council homes have a programme and timetable for providing additional council homes and we will have identified feasible sources of funding. 	20 new Council homes will be completed by June 2015, with a further 26 under construction for completion later in the year. A Council Own Build Wave 3 programme has been identified and a number of funding sources reviewed.	AD Housing	RH
7	Explore new solutions to providing affordable homes, including co-operative housing and self-build housing	By June 2015 we will: <ul style="list-style-type: none"> be able able to provide a summary of potential solutions for providing affordable homes, including co-operative housing and self-build housing. 	Co-operative housing scheme awaiting Devon County Council land coming forward in Alphington.	AD Housing	RH
8	Introduce schemes to improve the quality of private rented accommodation.	By June 2015 we will: <ul style="list-style-type: none"> introduce an additional HMO licensing scheme. 	Additional HMO Licensing Scheme agreed by Executive for introduction in February 2015. Also working with Exeter CVS to establish a multi-agency Private Rented Sector Forum to identify issues facing tenants and promote effective solutions. Research underway to identify policy interventions in other cities and their applicability for Exeter.	AD Housing	RH
9	Continue to work towards the redevelopment of the Bus and Coach Station and the delivery of a new energy-efficient swimming pool that is fit for a growing population and future climate change.	By June 2015 we will: <ul style="list-style-type: none"> set up the arrangements for overseeing the programme appoint a design team for the project prepared a feasibility study and options and selected a preferred design option have received an outline planning application from Crown Estates for the scheme and the new bus station and depot. 	Programme Board set up and governance structure in place for the leisure complex and design consortium to be selected by 17th December 2014 and thereafter. Feasibility study anticipated May 2015. An outline application for Princesshay Leisure development, including a replacement bus station, is expected to be submitted in January 2015.	Emma Osmundsen	RD
10	Support the development of a local currency (e.g. Exeter Pound) to support local small businesses and independent traders	By June 2015 we will: <ul style="list-style-type: none"> support our partners to create an independently constituted organisation that will take the project forward. 	Accommodation, ongoing support and £12,000 pump priming funding being provided to help establish the project. It is anticipated that the organisation and currency will be up and running by September 2015.	AD Economy	RD
11	Work with the University and others to develop the knowledge economy to create more graduate and higher paid jobs and help businesses and residents benefit from developing, attracting and retaining a highly skilled workforce.	By June 2015 we will: <ul style="list-style-type: none"> set up three sector working groups to implement actions from the Knowledge Economy Strategy develop three sector plans to develop the knowledge economy within and surrounding Exeter implement inward investment marketing activity to attract more business interest in investment in the city 	Working groups being created involving the University and businesses to develop and take forward actions related to the Water and Health sectors. Science Park Centre construction progressing well which will increase the availability of start up space and accommodation for growing knowledge based businesses providing new employment opportunities. Programme of business advice, support and increased access available for businesses with the high level knowledge base of the University will be put in place. Initiative to identify and progress opportunities arising from the Met Office supercomputer investment underway.	AD Economy	RD

	A	B	C	D	E
4	Action	Target/Milestone	Progress	Owner	PH
12	Recognise the contribution that Arts and Culture make to the Exeter economy and encourage initiatives to support the city centre	By June 2015 we will: <ul style="list-style-type: none"> • submit funding bid(s) to secure additional capacity to support the work of the Cultural partnership to deliver its priorities to support and grow cultural activity, increase awareness of the high level of cultural activity already existing in the city and work collaboratively to support organisations against the difficult funding background 	A bid is being made together with the University and led by Exeter Cultural Partnership for funding for a Coordinator to develop and deliver a communications plan to raise the profile of cultural activity in the city; also overseeing the development of a cultural brand and growing digital communication channels. The City Council is making a contribution of £10k from an underspend in the Arts and Events budget. This will be critical not just to the city's image and presentation nationally and internationally but also to improved communications and networking within the city, leading to stronger collaboration and management of collective opportunities. Initiatives supported include the Unexpected festival, Respect Festival, the opportunity to have a large programme of activity using the fanzone infrastructure and the programme of grant funding enabling a range of organisations in the city to deliver a wide ranging programme of visual and performing arts.	AD Economy	RD
13	Promote the Living Wage amongst Exeter employers	By June 2015 we will: <ul style="list-style-type: none"> • follow up the research undertaken by the University exploring strategies and possible solutions to the range of identified problems with a number of stakeholders. 	Eight areas have been identified for further investigation as covered by the report going to Scrutiny Committee including working with the LEP to access funding to support initiatives, including working with young people in schools to provide better careers advice, greater availability of sound financial advice and access to more affordable, ethical credit.	AD Economy	RD
14	As part of the planning application process, negotiate with developers to employ local workers and provide training opportunities for local people	By June 2015 we will: <ul style="list-style-type: none"> • have adopted a DDDPD and SPD • have put in place and implemented a policy and guidance framework to enable negotiation of agreements requiring developers to employ local workers and provide training opportunities for local people • signed agreements within criteria reflecting provisions • reviewed compliance by developers with S106 agreement 	The DDDPD has been delayed by the need to consider the implications of the Home Farm appeal decision and await the results of the Council's legal challenge. The SPD can come forward once it is adopted. In the meantime officers are in a position to continue local labour agreements on a development by development basis. ECC, EDDC and MDDC are due to sign a Construction Skills Concordat. The Concordat will ensure that when the Councils award contracts for capital programme and maintenance work, they give favourable consideration to those companies that have a clear and well evidenced approach to supporting the development of the skilled workforce, for example in terms of taking on apprentices and recruiting locally. In addition the Councils have agreed to work with partners to support the roll out of the Construction Industry Training Board's Client Based Approach which enshrines and enforces commitments to employment and skills in construction projects over £1 million in value. The Councils will also support and promote the roll out of the South West Shared Apprenticeship scheme. By providing flexible access to a pool of people this will overcome a key barrier to increasing the use of apprentices cited by the industry.	AD CD	RS/RD

	A	B	C	D	E
4	Action	Target/Milestone	Progress	Owner	PH
15	Work with employers and training providers to make sure local residents have the right skills to take advantage of new jobs at the Exeter Science Park and other areas of growth	<ul style="list-style-type: none"> Exeter and the Heart of Devon Employment and Skills (EHOD ESB) will have provided 160 workers from the hospitality industry with free training and the opportunity of accreditation in preparation for Rugby World Cup. will have held an event for 80 Big Data practitioners, academics, influencers and businesses to design solutions to the Human Capital shortages which are potential barriers to growth will have planned, proposed and begun the implementation of a aligned approach to Construction Skills and Employment across East Devon, Exeter City Council, Devon County Council and Teignbridge District Councils and have sought funding for a Project Manager to implement the Construction Industry Training Board's Client Based Approach which contractually requires construction contractors to deliver local employment and skills training to pre-set Key Performance Indicators. EHOD ESB will have facilitated the implementation of the South West Shared Apprenticeship Scheme for construction. Local employment and skills opportunities will increase for projects valued at over £1 million. EHOD ESB partners will have worked with 12 NEETs (not in education, employment and training) from Exeter and Heart of Devon to progress them in to employment with training, traineeships, the Hitz Programme or full-time education. EHOD ESB members will have begun to pilot a new carousel or multiple employer host approach to an apprenticeship in Business Administration for five apprentices. EHOD ESB will represent the best interests of local residents 	Programme in place for the RWC training. Arrangements in place for the Big Data event. Joint approach agreed between Exeter, East Devon and Teignbridge Councils to progress the aligned approach to require construction contractors to be involved in delivering employment and skills training	Oenone Thomas	RD
16	Continue to offer apprenticeships, develop work experience for those with disabilities, mental health problems and other barriers to work, and work with employers to expand these schemes	<p>By June 2015 we will:</p> <ul style="list-style-type: none"> have provided 8 apprenticeship posts and helped them to achieve a minimum of a Level II qualification in their chosen field Have provided permanent employment to two apprentices 	<p>We have eight apprentices working across the Council.</p> <p>We have appointed two apprentices into full-time employment.</p> <p>We have worked with Devon County Council and The Brandon Trust (an organisation which helps to find employment opportunities for young people with learning difficulties) to provide a two week work experience placement at the MRF. We are continuing to liaise with Exeter College and other agencies to explore further options for work experience for those with disabilities and mental health problems.</p>	Caroline Hall	PE

	A	B	C	D	E
4	Action	Target/Milestone	Progress	Owner	PH
17	Continue to invest in community projects through community grants and the Local Infrastructure Grant schemes, and work with communities to build the capacity for new projects in the future.	By June 2015 we will: <ul style="list-style-type: none"> • implement the Devon Local partnership • have fully allocated the Local Infrastructure Fund towards 19 projects. 	<p>We have received 64 ward grant applications, so far, during 2014/15 and awarded a total of £11,200. There is still £24,800 remaining in the budget.</p> <p>Local Infrastructure Grant Fund fully allocated for 2014/15. The Council is considering how best to assist community projects in the future.</p> <p>The Grants process will be reviewed during 2015/16. As part of that process, the Council will be appointing a Funding Officer who will be responsible for identifying funding to support Council priorities and community groups and organisations.</p> <p>Planning to implement Devon Local in partnership with other statutory and voluntary and community sector partners in the city in the New Year. This will enable the council to liaise with residents/community groups/partners via community forums and ensure that good communication systems are established at the earliest opportunity to enable collaborative approaches to new models of service delivery.</p>	Dawn Rivers	PE
18	Continue to protect our parks and play areas as important community hubs, and work with communities to explore creative uses for parks and other open spaces	By June 2015 we will: <ul style="list-style-type: none"> • endorse the principle of asset transfer to community organisations • Consider and progress any expressions of interest for asset transfer • Hold discussions with clubs associated with council-owned facilities with a view to supporting them to take on responsibility for these assets over the next two years • Highlight to Government the barriers that the high cost of insurance can create for community groups. 	<p>The principle of asset transfer to community organisations was endorsed in November 2014</p> <ul style="list-style-type: none"> • Expressions of interest for asset transfer have been considered and committee approval was given in November to progress transfers to three organisations •The principle of granting a lease or licence on the tennis facilities at Heavitree Park to Tennis for Free was agreed in November • Approval to start discussions with clubs associated with the council-owned bowling and croquet greens and facilities with a view to supporting them to take on responsibility for these assets over the next two years was agreed in November. Initial discussions have taken place with Heavitree Bowls Club 	AD PR	KO
19	Develop a register of local assets to be protected for the benefit of the community, such as pubs and community centres, and explore opportunities to support community groups through collective purchasing of insurance, energy, maintenance and other goods and services.	By June 2015 we will: <ul style="list-style-type: none"> • have mapped community facilities across the city • continue to encourage the registration of local assets for protection for the benefit of the community 	<p>We have compiled a statutory list of assets of community value (ACVs). We have received no ACV applications to date, but an application is imminent in respect of all allotments west of the Exe.</p> <p>Mapping largely complete. This will be shared with Exeter Board in January 2015 and then promoted to community groups to update. This information will be shared with the CIL process to help identify priorities for future spend.</p> <p>Collective purchasing has not yet been pursued due to capacity issues.</p>	CM Property	OP

	A	B	C	D	E
4	Action	Target/Milestone	Progress	Owner	PH
20	Work with partners to increase access to affordable and ethical credit	<ul style="list-style-type: none"> By June 2015 we will: mitigate the impact of the end of Local Welfare Support 	We are developing a specification to ensure that residents have the appropriate access to credit, debt advice and money management skills, as well as encouraging saving.	AD CA	RH
21	Develop a strategy to become an energy neutral Council (by 2030)	<p>By June 2015 we will:</p> <ul style="list-style-type: none"> have developed a set of criteria which will enable the Council to monitor how much of the Council's energy use is off-set by the production of its own energy. have formulated a programme to increase the number of low emission vehicles (LEV) in our fleet; identified appropriate fuel reduction devices for fleet vehicles that are not LEVs; have formulated a proposal to reduce grey fleet mileage and transfer it to LEV pool vehicle mileage; have a draft Low Emission Strategy that has been consulted upon and ready for Council approval; 	<p>Investment in renewables has commenced and energy generated measured. Solar PV projects in delivery mode and new schemes being developed. Key milestones to be set out in a new energy strategy.</p> <p>2 electric vehicles have been added to fleet as staff pool vehicles.</p> <p>An electronic booking system has been implemented for staff pool vehicle use and is working well.</p> <p>Fuel reduction devices are being piloted on 4 refuse collection vehicles.</p> <p>The draft Low Emission Strategy is currently subject to consultation;</p>	CM Property/ AD Environment	OP
22	Continue to work with other local authorities and organisations to improve recycling rates in the city	<p>By June 2015 we will:</p> <ul style="list-style-type: none"> completed a comprehensive review of recycling bring-sites and identified new opportunities; expanded the range of materials collected at sites, with improved signage; determined whether a waste partnership with Devon CC, East Devon DC and Teignbridge DC, (DEET) which will significantly increase recycling rates, is achievable; in partnership with Devon CC and Exeter University and Student Guild, formulated a protocol on waste minimisation and increased recycling amongst the student population. 	<p>A review of bring-sites is being finalised, new micro-sites introduced, and opportunities for recycling extra materials identified.</p> <p>A business case for DEET was presented in December 2014, and is currently under consideration by partners.</p> <p>Joint work with DCC, University and Guild is progressing.</p>	AD Environment	KO
23	Work with partners to improve public transport in the city and ensure adequate public transport provision for areas of significant housing development in the East and South West of the City.	<p>By June 2015 we will:</p> <ul style="list-style-type: none"> have new rail stations open at Newcourt and Cranbrook have a plan in place for the replacement of the Bus Station. 	<p>Both stations currently under construction.</p> <p>An outline application for the Princesshay Leisure development, including replacement bus station, is expected to be submitted in January 2015.</p>	Ross Hussey	RS

	A	B	C	D	E
4	Action	Target/Milestone	Progress	Owner	PH
24	Work with partners to protect and improve habitats for wildlife across the city, protect allotments and explore the use of public open spaces for community food production	By June 2015 we will: <ul style="list-style-type: none"> • retain the current allotment site provision • investigate the costs and feasibility of the use of public open spaces for community food production 	<p>The Devon Wildlife Trust are looking into improving habitats for wildlife as part of the Wild City project.</p> <p>No change is proposed to the current allotment site provision. We are in the process of working with allotment associations to form an allotment users forum, which was one idea that was welcomed as part of the allotments consultation last year. The idea of using public open spaces for community food production has been explored as a Rugby World Cup legacy project but while there was a great deal of enthusiasm for the idea there appears to be insufficient capacity locally to do this work at the moment.</p>	AD PR	KO
25	Work with Exeter Health and Well-being Board and other partners to increase levels of physical activity in the city and promote the sustainable use of the river, canal and other green spaces for outdoor leisure activities	By June 2015 we will: <ul style="list-style-type: none"> • work with Active Exeter to formulate an action plan to progress the ambition of Exeter being the most physically active city in the SW by 2018; • produced a first draft of an overarching Physical Activity and Sports Strategy via Active Exeter 	<p>The 4 priorities set last year of 1) Physical Activity; 2) Alcohol ill-health; 3) Cold homes and falls; 4) Health of the most disadvantaged; were re-endorsed at the November 2014 Board meeting, together with the Exeter District Public Health Plan 2014/15 (an annual update of health & Wellbeing in Exeter). The 'Everybody Active, Everyday in Exeter' social marketing scoping report has been produced and endorsed, and the formulation of an overarching Physical Activity and Sports Strategy through ECC and Active Exeter has been agreed.</p> <p>Last summer saw a highly successful Ping Exeter! project in the city with thousands of people playing table tennis at dozens of locations. It is hoped to repeat this exercise this year. The Active Exeter group is progressing a number of activity bids and has been approved to deliver a project funded by a grant of £41,620 from the Alcoa Foundation of Alco Howmet based at Sowton for a local community activity project in Cowick Barton in 2015. Other potential funding streams are also being explored.</p>	AD Environment	KO

REPORT TO: SCRUTINY COMMITTEE - RESOURCES
DATE OF MEETING: 28 January 2015
REPORT OF: Assistant Director Finance
TITLE: Scrutiny Resources - Estimates 2015-16

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

This report sets out the proposed revenue and capital estimates for 2015-16 in respect of Resources.

2. Recommendations:

That Members of Scrutiny Committee – Resources support the estimates for 2015-16 and recommends their approval at the Special Meeting of the Council on 24 February 2015.

3. Reasons for the recommendation:

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

4. What are the resource implications including non financial resources

The financial resources required to deliver Resources Services during 2015-16 are set out in the body of this report.

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the revenue and capital estimates for 2015-16 in respect of Resources Services.

6. What are the legal aspects?

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

7. Monitoring Officer Comments:

This report raises no issues of concern to the Monitoring Officer

8. Report Details:

BUDGET FRAMEWORK FOR RESOURCES

8.1 ANNUAL BUDGET SETTING

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

8.2 INFLATION

An overall allowance of £30,880 has been set aside for inflation within Resources Services. The inflationary increases allowed in the budgets are:

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

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

8.3 INTEREST RATES

In respect of interest rates, next year's budget reflects the likelihood that whilst the 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 time-frame as a result.

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

8.5 The resources available to the Council to finance its net revenue budget are set out below:

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2017/18 £'000
Government Grant	7,833	6,635	5,945	5,412	5,305
Council Tax	4,570	4,761	4,823	4,956	5,092
Business Rates in excess of baseline	1,070	1,124	1,115	1,135	1,172
Resources	13,641	12,520	11,883	11,503	11,569
Increase/(decrease)	(386)	(1,121)	(637)	(554)	(554)
Annual % change	(2.7%)	(8.2%)	(6.4%)	(3.3%)	0.6%

8.6 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 2014/15 council tax by one per cent. In addition, the Government has maintained the local authority tax referendum threshold at two per cent. The budget strategy for next year assumes that council tax will increase by 1.99%, which along with the increase in the taxbase will raise an extra £191,000.

8.7 The proposed General Fund Capital Programme for the next three years has been established; however this is subject to a further review of the pre-approved schemes by portfolio holders and senior managers to ensure that the need for the scheme remains. The total of the current programme is as follows:

	2015/16 £	2016/17 £	2017/18 £
New Bids	390,000	0	0
Pre-approved	4,422,580	4,888,330	9,109,330
Total	4,812,580	4,888,330	9,109,330

8.8 The Capital Programme for Scrutiny Committee Resources is attached at Appendix 2.

8.9 KEY BUDGET CHANGES PROPOSED FOR 2015-16

The table below sets out the key changes between the budgets for the current financial year and the draft estimates for 2015-16. Please also refer to Appendix 1.

Strata Service Solutions now provide Information Technology services to the council. The effect of this on the annual budgets is that all software licence and telephone budgets have been removed from departmental supplies and services budgets. An equivalent recharge from Strata for software licences, telephones and a general IT recharge has been included in the Support Service budget for departments.

MU Code	Management Unit	Commentary
86A1	Revenue Collection/Benefits	<ul style="list-style-type: none"> Savings have been made in staffing as part of the Council wide savings targets Income has increased to reflect the recovery of overpayments
86A2	Elections & Electoral Registration	<ul style="list-style-type: none"> A non recurring budget in respect of District Council Elections has been removed. A saving has been made on the Electoral Registration printing and postages budget as part of the Council wide saving targets.
86A4	Civic Ceremonials	<ul style="list-style-type: none"> Savings have been on overtime budgets, this is part of the Council wide savings targets. Additional income budget in respect of the Guildhall
86A5	Democratic Representation	<ul style="list-style-type: none"> A saving have been made on pay and printing budgets as part of the Council wide savings targets The budget in respect of members allowances has been increased
86A6	Grants/Cent Supp/Consultation	<ul style="list-style-type: none"> Savings have been made on the Exeter Citizen, printing, Emergency Planning and the budget in respect of the intranet.
86A7	Unapportionable Overheads	<ul style="list-style-type: none"> The costs of pension back funding in respect of past employees have been transferred to 86A7 with compensating savings across all other ECC services.
86A9	Strategic/Community Partners	<ul style="list-style-type: none"> Savings have been made on the staffing budget in respect of Anti Social Behaviour.
86B1	Financial Services	<ul style="list-style-type: none"> A restructure has reduced the pay budget.
86B2	Internal Audit	<ul style="list-style-type: none"> A reduction in audit days in line with agreed savings has reduced the pay budget.
86B3	Human Resources	<ul style="list-style-type: none"> The training budget has been reduced as agreed to be included in the contract payment to Strata Services.
86A4	Legal Services	<ul style="list-style-type: none"> A post has been deleted as part of the required savings; the pay budget has been adjusted to reflect the change.

MU Code	Management Unit	Commentary
86B5	Corporate Customer Services	<ul style="list-style-type: none"> • The Civic Centre electricity budget has been reduced as a result of changing to LED lighting. • A saving has been made on the postage budget due to change of supplier. • Additional rental income will be received, the rental income budget has been increased to reflect this.
86B6	IT Services	<ul style="list-style-type: none"> • The budgets for IT Services are reflected in the contract payment for Strata Services as described in 8.9 above.

8.10 FEES AND CHARGES

The proposed Fees and Charges for Resources Services in 2015-16 are included at Appendix 3.

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

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

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

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

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

No impact

12. Are there any other options?

No

Assistant Director Finance

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

Background papers used in compiling this report:

None

Contact for enquiries:
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(01392) 265275

SCRUTINY COMMITTEE - RESOURCES

Subjective Analysis	BASE ESTIMATE 2014/2015	INFLATION	NEW PROPOSALS RECURRING	NEW PROPOSALS NON-RECURRING	OTHER ADJUSTMENTS	NEW ESTIMATE 2015/2016
PAY	6,293,270	99,750	35,700	(28,000)	539,310	6,940,030
PREMISES	636,940	12,520	(28,190)	(4,000)	(8,080)	609,190
SUPPLIES & SERVICES	2,849,220	20,630	(118,080)	(11,000)	932,250	3,673,020
TRANSPORT	28,720	580	(8,990)	0	(2,150)	18,160
SUPPORT SERVICES	3,782,050	0	0	0	11,860	3,793,910
CAPITAL CHARGES	404,560	0	0	0	(257,890)	146,670
TRANSFER PAYMENTS	41,732,080	1,168,500	0	0	255,130	43,155,710
Total Expense	55,726,840	1,301,980	(119,560)	(43,000)	1,470,430	58,336,690
INCOME	(50,092,670)	(1,271,100)	(372,230)	0	(526,630)	(52,262,630)
Total Income	(50,092,670)	(1,271,100)	(372,230)	0	(526,630)	(52,262,630)

Net Expenditure	5,634,170	30,880	(491,790)	(43,000)	943,800	6,074,060
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Represented By						
86A1 REVENUE COLLECTION/BENEFITS	2,138,120	31,540	(162,110)	0	(291,010)	1,716,540
86A2 ELECTIONS & ELECTORAL REG	338,720	3,800	(32,180)	(43,000)	(8,740)	258,600
86A3 CORPORATE	692,180	(1,010)	0	0	(93,490)	597,680
86A4 CIVIC CEREMONIALS	276,760	3,700	(23,460)	0	(13,820)	243,180
86A5 DEMOCRATIC REPRESENTATION	724,970	7,560	3,430	0	(34,330)	701,630
86A6 GRANTS/CENT SUPP/CONSULTATION	949,520	290	(80,410)	0	(65,710)	803,690
86A7 UNAPPORTIONABLE OVERHEADS	355,660	5,790	0	0	1,363,850	1,725,300
86A9 STRATEGIC/COMMUNITY PARTNERS	45,680	600	(14,780)	0	(4,060)	27,440
86B1 FINANCIAL SERVICES	0	(2,840)	(10,810)	0	13,650	0
86B2 INTERNAL AUDIT	0	(550)	(41,440)	0	41,990	0
86B3 HUMAN RESOURCES	0	(4,560)	(5,000)	0	9,560	0
86B4 LEGAL SERVICES	0	(1,040)	(25,000)	0	26,040	0
86B5 CORPORATE CUSTOMER SERVICES	0	(3,480)	(100,030)	0	103,510	0
86B6 IT SERVICES	112,560	(8,010)	0	0	(104,550)	0
86B7 STRATEGIC MANAGEMENT	0	(720)	0	0	720	0
86B8 PROCUREMENT	0	(190)	0	0	190	0
Net Cost	5,634,170	30,880	(491,790)	(43,000)	943,800	6,074,060

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RESOURCES - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

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

New Bids #	0	0	0	0
Pre-Approved	2,769,350	1,052,900	273,900	258,900
TOTAL RESOURCES CAPITAL PROGRAMME	2,769,350	1,052,900	273,900	258,900

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	2015-16 Proposed				2014-15 Charge			
	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code
<u>A SUPPLY OF PHOTOCOPIES</u>								
Monochrome A4	0.25	0.05	0.30	3	0.17	0.03	0.20	3
A3	0.42	0.08	0.50	3	0.33	0.07	0.40	3
Colour A4	1.33	0.27	1.60	3	1.25	0.25	1.50	3
A3	2.58	0.52	3.10	3	2.50	0.50	3.00	3
<u>B HIRE OF COMMITTEE ROOMS AT CIVIC CENTRE</u>								
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)	55.00	-	55.00	8	52.00	-	52.00	8
Committee Room B - Rennes (1/2 day up to 7.30pm)	70.00	-	70.00	8	64.00	-	64.00	8
A & B - Bad Homburg & Rennes (as one room) (1/2 day up to 7.30pm) (special charge after 8pm to be negotiated)	135.00	-	135.00	8	127.00	-	127.00	8
Morning Coffee (Per cup)	0.67	0.13	0.80	3	0.63	0.12	0.75	3
Afternoon Tea (Per cup)	0.50	0.10	0.60	3	0.46	0.09	0.55	3
<u>C DATA PROTECTION ACT ENQUIRIES</u>								
(Maximum subject to Data Protection Act)	10.50	-	10.50	9	10.00	-	10.00	9
<u>D COUNCIL MINUTES</u>								
Inclusion on mailing list (per annum) for:								
1 Council Agenda/Committee Minutes	50.00	-	50.00	7	49.00	-	49.00	7
2 Planning Committee Agenda	116.00	-	116.00	7	114.00	-	114.00	7
3 Executive	83.00	-	83.00	7	81.00	-	81.00	7
4 Other Committee/Sub-committee Agenda	50.00	-	50.00	7	49.00	-	49.00	7
<u>E GENERAL CONVEYANCING, SALE OF COUNCIL HOUSING, ETC.</u>								
All recharges have been based on the actual amount of work involved, the market rate and at the discretion of the Corporate Manager Legal								
<u>F GUILDHALL LETTINGS</u>								
Note: Fees and charges are at the discretion of the Corporate Manager Democratic and Civic Support owing to the competition in the market								
(a) Private Hire - Charges are per hour (or part thereof) for the room only - minimum charge £100.00								
(i) Main Hall								
Monday - Saturday								
08.30 - 17.00	55.00	-	55.00	9	50.00	-	50.00	9
17.00 - 20.00	82.50	-	82.50	9	75.00	-	75.00	9
20.00 - 00.00	110.00	-	110.00	9	100.00	-	100.00	9
Sunday	137.50	-	137.50	9	125.00	-	125.00	9
(ii) Jury Room								
Monday - Saturday								
08.00 - 17.00	36.00	-	36.00	9	33.00	-	33.00	9
17.00 - 20.00	55.00	-	55.00	9	50.00	-	50.00	9
20.00 - 00.00	73.33	-	73.33	9	66.00	-	66.00	9
Sunday	90.75	-	90.75	9	82.50	-	82.50	9
(iii) Main Hall and Jury Room								
Monday - Saturday								
08.30 - 17.00	82.50	-	82.50	9	75.00	-	75.00	9
17.00 - 20.00	123.75	-	123.75	9	112.50	-	112.50	9
20.00 - 00.00	165.00	-	165.00	9	150.00	-	150.00	9
Sunday	206.25	-	206.25	9	187.50	-	187.50	9

	2015-16 Proposed				2014-15 Charge			
	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code	Fee £ p	VAT @ 20% £ p	Total £ p	VAT Code
(b) Charity Hire - Charges are per hour (or part thereof) for the room only - minimum charge £50.00								
(i) Main Hall								
Monday - Saturday								
08.30 - 17.00	27.50	-	27.50	9	25.00	-	25.00	9
17.00 - 20.00	41.25	-	41.25	9	37.50	-	37.50	9
20.00 - 00.00	55.00	-	55.00	9	50.00	-	50.00	9
Sunday	68.75	-	68.75	9	62.50	-	62.50	9
(ii) Jury Room								
Monday - Saturday								
08.00 - 17.00	18.33	-	18.33	9	16.50	-	16.50	9
17.00 - 20.00	27.50	-	27.50	9	25.00	-	25.00	9
20.00 - 00.00	36.66	-	36.66	9	33.00	-	33.00	9
Sunday	45.85	-	45.85	9	41.25	-	41.25	9
(iii) Main Hall and Jury Room								
Monday - Saturday								
08.30 - 17.00	41.25	-	41.25	9	37.50	-	37.50	9
17.00 - 20.00	61.88	-	61.88	9	56.25	-	56.25	9
20.00 - 00.00	82.50	-	82.50	9	75.00	-	75.00	9
Sunday	103.13	-	103.13	9	93.75	-	93.75	9

REPORT TO SCRUTINY COMMITTEE RESOURCES, EXECUTIVE AND COUNCIL

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

Report of: Assistant Director Finance
Title: Capital Programme (2015/16 - 2017/18)

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

To approve the General Fund and Housing Revenue Account Capital Programmes for 2015/16 along with schemes identified for the following two years

2. Recommendations:

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

- i. The General Fund capital programme for 2015/16 as set out in Appendix 3
- ii. The HRA capital programme for 2015/16 as set out in Appendix 4

3. Reasons for the recommendation:

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

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

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

4. What are the resource implications including non financial resources

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

5. Section 151 Officer comments:

This report has been prepared on behalf of the Section 151 Officer to set out the Capital Programme for 2015/16 along with schemes identified for the following two years.

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

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

8. Report Details:

CAPITAL PROGRAMME (2015/16 – 2017/18)

8.1 AVAILABLE CAPITAL RESOURCES

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

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

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

The Council must ensure that any borrowing decisions remain affordable and to this end, has to adopt a number of prudential indicators, which are set out in the Prudential Code for Capital Finance in Local Authorities, developed by CIPFA. A report to the Executive setting out the Council's Prudential Indicators will be presented at the February meeting along with the overall budget.

8.2 General Fund Available Resources

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

A borrowing requirement of £26.687 million has been identified over the next four financial years, which will have an ongoing impact on the Council Tax. The approximate current annual revenue cost of borrowing £1 million is:

Type of Borrowing	Interest £	Money Set Aside for Repayment of Debt £	Total Annual Payment £
Short term	6,000	40,000	46,000
Long term (>25 years)	35,200	40,000	75,200

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

8.3 Housing Revenue Account Available Resources

The capital programme for 2015/16 will be funded from the Major Repairs Reserve, Revenue Contributions and any external contributions and capital receipts generated in the period. Appendix 2 sets out the use of the resources available in respect of the HRA.

9. GENERAL FUND CAPITAL PROGRAMME

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

Status	2015/16 £	2016/17 £	2017/18 £	Future Years £
New Bids	390,000	0	0	0
Pre-Approved Schemes	4,422,580	4,888,330	9,109,330	5,750,760
Total General Fund Capital Programme	4,812,580	4,888,330	9,109,330	5,750,760

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

10. HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME

For 2015/16, the HRA medium term financial plan provides for a capital programme of £11,537,493. This comprises capital investment of £6.6 million for improvements to the Council's existing housing stock and also £4.9 million towards the provision of new council homes. A copy of the HRA Capital Programme is attached at Appendix 4.

The HRA Capital Programme will be funded by:

- Major Repairs Reserve £3.660m
- Revenue Contributions to Capital £5.772m
- Right to Buy Receipts £0.500m
- Commuted Sums £1.605m

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

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

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

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

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

No impact

14. Are there any other options?

No

David Hodgson, Assistant Director Finance

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

Background papers used in compiling this report:

None

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

APPENDIX 1

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

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

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APPENDIX 2

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

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GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

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

GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

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

GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

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

GENERAL FUND - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

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

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

APPENDIX 4

HOUSING - CAPITAL PROGRAMME 2015/16 AND FUTURE YEARS

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

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EXETER CITY COUNCIL

REPORT TO: SCRUTINY COMMITTEE - RESOURCES
DATE OF MEETING: 28 JANUARY 2015
REPORT TO: EXECUTIVE
DATE OF MEETING: 10 FEBRUARY 2015

REPORT OF: ASSISTANT DIRECTOR FINANCE
TITLE: REVENUE BUDGET PROPOSALS 2015/16

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

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

2. Recommendations:

- 2.1 That Scrutiny Committee – Resources notes the recommendation to the Executive and comments accordingly.
- 2.2 Executive approves the draft revenue budget proposals for 2015/16 and that the recommended minimum level for the General Fund Working Balance remains at £2 million.

3. Reasons for the recommendation:

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

4. What are the resource implications including non financial resources

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

5. Section 151 Officer comments:

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

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

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

8. Report Details:

8.1 LOCAL GOVERNMENT FINANCE SETTLEMENT

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

8.1.2 Appendix 1 shows as a comparison the formula funding settlement figures for all Devon authorities. The final settlement figures will be announced later this month but at this stage it is not expected that they will be significantly different from the provisional announcement. The figures show that in comparison with the other Devon Districts the City Council has fared worse in percentage terms of formula funding reduced.

8.1.3 In the grant settlement the Government announced that councils will face an average cut of 1.8% based upon council's 'revenue spending power'. Revenue spending power is a definition used by the Government, which encompasses an individual authority's:

- Council Tax Requirement;
- Formula Grant;
- New Homes Bonus
- Other Grants; and
- NHS funding for social care (not applicable for district councils).

Appendix 2 shows a comparison of Devon authorities using this definition of revenue spending power. Using this measure Exeter's revenue spending power has reduced by 3.1% for 2015/16.

8.2 COUNCIL TAX

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

8.3 BUSINESS RATES POOL

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

8.4 KEY ASSUMPTIONS

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

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

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

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

8.5 FURTHER ISSUES TO BE CONSIDERED

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

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

8.6 EQUALITY IMPACT ASSESSMENT

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

8.7 NEW HOMES BONUS

8.7.1 The New Homes Bonus is designed to create an effective fiscal incentive to encourage local authorities to facilitate housing growth. The scheme provides local authorities with a New Homes Bonus grant, equal to the national average for the council tax band on each additional property and paid for the following six years as an unringfenced grant. There is also an enhancement for affordable homes. Whereas previously DCLG has allocated additional funding for the scheme in 2011/12 and 2012/13, this has no longer been the case since 2013/14 with funding for the scheme being 'top-sliced' from mainstream grant funding. There is real uncertainty about whether the New Homes Bonus will continue following the General Election in May and therefore no assumptions have been made about New Homes Bonus for the years after 2015/16.

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

Year	Top Slice (revenue) £000's	Community Projects £000's	Major Infrastructure £000's	Unallocated / Projects £000's	Total £000's
2011/12	-	-	-	389	389
2012/13	120	361	601	241	1,323
2013/14	120	286	1,757	42	2,205
2014/15	120	286	2,372	-	2,778
2015/16	120	286	3,123	-	3,529
Total	480	1,219	7,853	672	10,224

8.8 REVISED MEDIUM TERM REVENUE PLAN (APPENDIX 3)

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

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

8.8.2 Looking to the longer term there are a number of uncertainties and factors that could affect the future financial position. These include: the amount of grant support from central government after 2015/16 including localisation of business rates, potential costs arising from the review of service plans, the cost of any new statutory functions, and additional borrowing and revenue costs in respect of any new capital programme commitments. Any additional revenue costs that are not currently identified within the medium term financial plan will have to be met from further savings.

8.9 BALANCES AND RESERVES

- 8.9.1 The Council's current policy is such that the minimum level of the General Fund Balance will remain above £2 million. This is considered a sufficient level taking into account the potential level of financial risk facing the Council in the medium term. The latest estimated position of the General Fund Balance is that it will be £3.466 million as at 31 March 2015, equivalent to 26.7% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 3) indicates that the General Fund Balance will be reduced to a low point of £2.558 million by the end of 2015/16.
- 8.9.2 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2015/16 includes a net transfer to earmarked reserves of £1,846,000. This is broken down as shown below:-

Transfer (from)/ to reserves:

	2015/16 £'000
Transfers to Reserves	
New Homes Bonus	<u>3,529</u> 3,529
Transfers from Reserves	
New Homes Bonus	(840)
NNDR Deficit reserve	<u>(843)</u> (1,683)

8.10 REVENUE ESTIMATES 2015/16 (APPENDIX 4)

- 8.10.1 The Council's revenue estimates for next year are being considered during the current cycle of Scrutiny Committee meetings for the final budget report to the Executive on 10 February 2015. In total, Service Committee Expenditure for 2014/15 is £12,632,080 which is £572,830 higher than the current year.
- 8.10.2 In addition there are other items to take into account referred to as 'below the line' as they do not form part of the individual service controllable budgets. These include an estimate of £150,000 for net borrowing in respect of the overall cash balances, £1,571,000 towards meeting the borrowing costs of the Council's capital programme, and new homes bonus grant and transfers in respect of balances and reserves. The Council's total General Fund Expenditure budget requirement for 2015/16 is planned to be £11,792,000, a decrease of £1,680,698 compared to 2014/15.

8.11 COUNCIL TAX BUDGET REQUIREMENT 2015/16

- 8.11.1 When all the Government Grant funding is taken into account the resultant net expenditure to be financed from council tax is £4,761,000 (as indicated in Appendix 4), an increase of £191,302 compared to 2014/15.
- 8.11.2 Each year the Council must estimate the likely surplus or deficit position on its Collection Fund and any such amounts must be taken into account when determining the band D Council Tax amount for 2015/16. For next year it is estimated that the collection fund will have a small surplus (£21,866), which will be used to fund part of the expenditure to be financed from Council Tax.

8.11.3 After taking into account the surplus and the taxbase of 34,750, the proposed band D council tax for 2015/16 will be £135.06, which means that the council tax will increase annually by £2.64 or 1.99%.

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

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

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

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

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

11.1 Not applicable.

12. Are there any other options?

12.1 Not applicable.

Dave Hodgson, Assistant Director Finance

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

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FORMULA GRANT DECREASES - DEVON AUTHORITIES

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

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REVENUE SPENDING POWER CHANGES - DEVON AUTHORITIES

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

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

	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	
Resources							
Revenue Support Grant	5,364	4,049	2,887	2,091	1,399	1,132	
Business Rates Income (assumed by Government)	3,582	3,678	3,748	3,854	4,013	4,173	
Business Rates growth / pooling benefit	1,788	567	396	1,115	1,135	1,172	
Extra grant to compensate for council tax freeze	118	118	0	0	0	0	
Council Tax - £5 pa 2013/14 and 2.0% following years	4,391	4,570	4,761	4,823	4,956	5,092	
Likely resources	15,243	12,982	11,792	11,883	11,503	11,569	
Expenditure							
Service expenditure							
Committee expenditure base budget	13,580	11,796	12,069	12,632	9,855	9,502	
Inflation	272	358	258	300	300	300	
Potential increase in service costs	134	1,380	1,682	(341)	76	(364)	
Budgeted reductions	(2,190)	(1,465)					
	11,796	12,069	14,009	12,591	10,231	9,438	
Supplementary Budgets and AIM Carry Forward	462	402					
Net Interest	(13)	100	150	715	657	490	
Forecast Committee movements	350	(41)					
Repayment of capital borrowing	1,437	1,332	1,571	1,577	1,744	1,898	
	14,032	13,862	15,730	14,883	12,632	11,826	
Other funding							
Contribution to/ (from) earmarked reserves	1,204	(981)	(1,683)	(620)	(620)	(120)	
Contribution to/ (from) balances - Other	7	101	(878)	356	220	0	
	1,211	(880)	(2,561)	(264)	(400)	(120)	
Savings identified			(460)	(130)	(75)	0	
Potential Savings 2015-16			(917)	(106)	(121)	(137)	
Further savings required				(2,500)	(533)	0	(3,033)
Total Net Budget	15,243	12,982	11,792	11,883	11,503	11,569	

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

Opening General Fund Balance	3,358	3,365	3,466	2,588	2,944	3,164
Closing General Fund Balance	3,365	3,466	2,588	2,944	3,164	3,164
Balance as a percentage of budget	22.1%	26.7%	21.9%	24.8%	27.5%	27.3%

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	2014-15 Budget	2015-16 Budget
	£	£
SCRUTINY - COMMUNITY	9,745,370	9,063,180
SCRUTINY - ECONOMY	(464,880)	145,470
SCRUTINY - RESOURCES	5,634,170	6,183,210
less Notional capital charges	(2,855,410)	(2,759,780)
<u>Service Committee Net Expenditure</u>	12,059,250	12,632,080
Net Interest	165,000	150,000
New Homes Bonus	(2,778,000)	(3,529,000)
Minimum Revenue Provision	1,470,000	1,571,000
<u>General Fund Expenditure</u>	10,916,250	10,824,080
Transfer To/(From) Working Balance	58,448	(878,080)
Transfer To/(From) Earmarked Reserves	2,498,000	1,846,000
<u>General Fund Net Expenditure</u>	13,472,698	11,792,000
Formula Grant	(7,715,000)	(6,635,000)
Council Tax Freeze Grant	(118,000)	0
Pooling of Business Rates	(1,070,000)	(396,000)
<u>Council Tax Net Expenditure</u>	4,569,698	4,761,000
Working Balance	March 2015 3,466,000	March 2016 2,587,920

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EXETER CITY COUNCIL

REPORT TO: SCRUTINY COMMITTEE – RESOURCES
EXECUTIVE
COUNCIL

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

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

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

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

2. Recommendations:

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

3. Reasons for the recommendation:

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

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

4. What are the resource implications including non financial resources

There are no financial or non financial resource implications.

5. Section 151 Officer comments:

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

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report Details:

8.1 Key issues to be considered

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

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

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

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

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

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

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

No impact.

12. Are there any other options?

No.

David Hodgson, Assistant Director Finance

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

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APPENDIX A

EXETER CITY COUNCIL

TREASURY MANAGEMENT STRATEGY 2015/16

1.

Introduction

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

2. Economic Context

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

2.2 Interest rate forecasts

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

2.3 *Arlingclose central interest rate forecast – December 2014*

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

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

3. Current and Expected Treasury Portfolios

3.1 Investments

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

UK Owned Banks

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

Foreign Owned Banks

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

Money Market Funds

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

3.3 Borrowings

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

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

3.4 Expected changes

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

3.5 Budget implications

The net budget for interest payments in 2015/16 is £275,000 in respect of the General Fund. The HRA covers the interest costs relating to the long term borrowing of £56.9 million. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

4. **Investment Strategy**

4.1 The Council holds surplus funds, which represent income received in advance of expenditure plus balances and reserves held. Much of the Council's cash has been used to reduce the amount of debt taken on during the current financial year. Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the **security** and **liquidity** of its investments before seeking the highest rate of return, or **yield**.

4.2 Specified Investments

Specified investments are those expected to offer relatively high security and liquidity, and can be entered into with the minimum of formalities. The CLG Guidance defines specified investments as those:

- denominated in pounds sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local authority, parish council or community council, or
 - a body or investment scheme of "high credit quality".

4.3 The Council defines the following as being of “high credit quality” for making specified investments, subject to the monetary and time limits shown.

In-house investment	Monetary limit¹	Time limit
UK owned banks and building societies holding short-term credit ratings no lower than F1+ and P-1	£4m each	12 months
Foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1	£3m each	6 months
UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1	£3m each	3 months
Money market funds ² and similar pooled vehicles holding the highest possible credit ratings (AAA)	£5m each	3 months
UK Central Government	no limit	12 months
UK Local Authorities ³ Upper Tier Lower Tier	£5m each £3m each	12 months 12 months

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

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

³ as defined in the Local Government Act 2003

4.4 The maximum that will be lent to any one organisation (other than the UK Government) will be £5 million. For an individual bank, the limit is £4 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes.

4.5 Non specified Investments

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

4.6 Foreign countries

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

4.7 Liquidity management

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

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

4.8 Credit ratings

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

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

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

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

4.9 Other information on the security of investments

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

4.10 Investment instruments

Investments may be made using any of the following instruments:

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

5. **Planned investment strategy for 2014/15 – In-house**

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

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

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

5.3 The Council will seek to utilise its call accounts (which are linked to base rate), money market funds (Ignis, Blackrock, Federated and CCLA) and use short-dated deposits up to 3 months to ensure liquidity of assets for day-to-day cashflow. Although these are essentially cash, a monetary limit in line with the banks credit rating is retained on the accounts. The Council will also make use of the Government's Debt Management Office to ensure the highest possible security for cash. Additionally, the Council will hold a balance on its general account to cover any payments due. On occasion, where significant payments are to be made, there may be in excess of £3 million in this account.

6. Borrowing Strategy

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

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

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

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

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

6.5 In addition, the Council will borrow for short periods of time (normally up to one year) to cover cash flow shortages. Currently the Council has outstanding borrowing of £10 million, which was taken in two tranches for a period of one year at a rate of 0.65%.

6.6 Sources of borrowing

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

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

6.7 Debt instruments

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

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

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

- leases
- Private Finance Initiative.

6.8 Borrowing strategy to be followed

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

7. Policy on Use of Financial Derivatives

- 7.1 Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans).
- 7.2 The Localism Bill 2011 includes a general power competence that removes the uncertain legal position over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment). The latest CIPFA Code requires authorities to clearly detail their policy on the use of derivatives in the annual strategy.
- 7.3 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.4 Derivative counterparties
Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 7.5 In reality, whilst the Council is required to include the above policy, the only type of transaction used is the forward deal, which means the Council agrees to borrow funds at a set price for a set period, in advance of the date the loan is actually taken. This is done to ensure the availability of funds at the time that they are needed.

8. Treasury Management Prudential Indicators

- 8.1 The Council sets each year, in February, prudential indicators for Treasury Management, to ensure that proper control of borrowing and investing is maintained. These indicators can be found in the Council's budget book.

9. Other Matters

- 9.1 The revised CLG Investment Guidance also requires the Council to approve the following matters each year as part of the investment strategy:
- 9.2 Investment consultants
The Council contracts with Arlingclose to provide advice and information relating to its investment and borrowing activities. However, responsibility for final decision making remains with the Council and its officers. The services received include:
- advice and guidance on relevant policies, strategies and reports,
 - advice on investment decisions,
 - notification of credit ratings and changes,
 - other information on credit quality,
 - advice on debt management decisions,
 - accounting advice,
 - reports on treasury performance,
 - forecasts of interest rates, and
 - training courses.

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

9.3 Investment training

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

9.4 Investment of money borrowed in advance of need

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

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

10. Investment Reports

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

ASSISTANT DIRECTOR FINANCE
JANUARY 2015

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REPORT TO SCRUTINY COMMITTEE RESOURCES, EXECUTIVE AND COUNCIL

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

Report of: Assistant Director Finance

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

Is this a Key Decision?

Yes

Is this an Executive or Council Function?

Council

1. What is the report about?

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

2. Recommendations:

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

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

3. Reasons for the recommendation:

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

The Prudential Code was revised slightly during 2012. The “net debt and the capital financing requirement” has been amended to “gross debt and the capital financing requirement” and the proportion of net debt to gross debt indicator introduced last year has been withdrawn as it does not work.

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

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

4. What are the resource implications including non financial resources

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

5. Section 151 Officer comments:

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

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

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

8. Report Details:

8.1 PRUDENTIAL INDICATORS

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

8.2 Key issues to consider

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

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

9. ANNUAL STATEMENT OF MINIMUM REVENUE PROVISION

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

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

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

supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of the grant." The guidance notes detail five options which the Secretary of State considers prudent. These are described in section 4 below:

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

Key issue to consider

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

10. MRP OPTIONS

Regulatory Method

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

Capital Financing Requirement Method

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

Asset Life (Equal Instalment) Method

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

Asset Life (Annuity) Method

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

Depreciation Method

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

11. Minimum Revenue Provision Policy 2015/16

The Council's MRP policy is to match borrowing against specific capital investment and adopt the Asset Life (Equal Instalment) Method for MRP. In this way the funding for the asset will be paid off over the useful life of that asset. This will ensure that loans are repaid over the asset life thus freeing financial resources for investment in other schemes or in asset renewal. It is also simple to operate and gives certainty in each year as to the level of charge for principal. The other advantage is that it makes business cases

and scheme appraisals easier to compile. As a general rule the Council will seek to borrow over the same period of the asset life up to a maximum of 50 years in line with the Regulations. The total capital financing requirement at the end of 2014/15 is likely to be approximately £97.2m, some of which has financed redundancy payments and other shorter dated expenditure. Therefore MRP for 2015/16 will be calculated based on the capital financing requirement at the end of 2014/15 using the varying periods of repayment. The MRP charge for 2015/16 will be approximately £1.571 million.

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

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

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

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

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

No impact

15. Are there any other options?

No

David Hodgson, Assistant Director Finance

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

Background papers used in compiling this report:

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

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

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General Fund Prudential Indicator Calculations

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

General Fund Capital Expenditure

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

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

General Fund Financing costs

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

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

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

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

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

Description	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Financing costs	1,407	1,432	1,846	2,389	2,401
Net revenue stream (General Fund Expenditure - Budget Book/Financial Strategy)	15,243	12,798	12,520	11,883	11,503
Ratio of financing costs to net revenue stream %	9.2	11.2	14.7	20.1	20.9
Negative for a debt free authority	%	%	%	%	%

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

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

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

Description	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Total budgetary requirements for the authority with existing capital programme	12,130	11,883	11,503
Total budgetary requirements for the authority with proposed capital programme	12,520	11,883	11,503
Difference	390	0	0
Incremental Impact on Band D Council Tax	£11.22	£0.00	£0.00

General Fund Capital Financing Requirement

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

Actual General Fund Capital Financing Requirement at 31 March 2014

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

Estimated General Fund Capital Financing Requirement at 31 March 2015

Estimate of General Fund Capital Financing Requirement 31 March 2014	32,078
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	7,266
Estimate of General Fund Capital Financing Requirement 31 March 2015	39,344

Estimated General Fund Capital Financing Requirement at 31 March 2016

Estimate of General Fund Capital Financing Requirement 31 March 2015	39,344
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	1,689
Estimate of General Fund Capital Financing Requirement 31 March 2016	41,033

Estimated General Fund Capital Financing Requirement at 31 March 2017

Estimate of General Fund Capital Financing Requirement 31 March 2016	41,033
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	5,999
Estimate of General Fund Capital Financing Requirement 31 March 2017	47,032

Estimated General Fund Capital Financing Requirement at 31 March 2018

Estimate of General Fund Capital Financing Requirement 31 March 2017	47,032
Estimate of change in Property, Plant and Equipment	0
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	3,857
Estimate of General Fund Capital Financing Requirement 31 March 2018	50,889

HRA Prudential Indicator Calculations

APPENDIX B

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

HRA Capital Expenditure

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

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

HRA Financing costs

Description	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Interest payable with respect to short term borrowing	0	0	0	0	0
Interest payable under 'irredeemable' long term liabilities	1,994	1,994	1,994	1,994	1,994
Interest and investment income	(46)	(45)	(45)	(50)	(55)
Voluntary Revenue Provision (England and Wales)	0	0	0	0	0
Voluntary contribution to financing costs in respect of short-life assets	0	0	0	0	0
Total HRA Financing Costs	1,948	1,949	1,949	1,944	1,939

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

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

Description	2013/14 Actual £'000	2014/15 Estimate £'000	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Financing costs	1,948	1,949	1,949	1,944	1,939
Net revenue stream	18,533	18,624	19,918	20,516	21,131
Ratio of financing costs to net revenue stream %	10.5	10.5	9.8	9.5	9.2
Negative for a debt free authority	%	%	%	%	%

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

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

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

Description	2015/16 Estimate £'000	2016/17 Estimate £'000	2017/18 Estimate £'000
Forecast HRA budgetary requirements for the authority with existing HRA capital programme	19,918	20,516	21,131
Forecast HRA budgetary requirements for the authority with proposed HRA capital programme	19,918	20,516	21,131
Difference	0	0	0
Incremental Impact on average weekly housing rents	£0.00	£0.00	£0.00

HRA Capital Financing Requirement

APPENDIX B

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

Actual HRA Capital Financing Requirement at 31 March 2014

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

Estimated HRA Capital Financing Requirement at 31 March 2015

Estimate of HRA Capital Financing Requirement 31 March 2014	57,882
Estimate of change in Property, Plant and Equipment	7,453
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(7,453)
Estimate of HRA Capital Financing Requirement 31 March 2015	57,882

Estimated HRA Capital Financing Requirement at 31 March 2016

Estimate of HRA Capital Financing Requirement 31 March 2015	57,882
Estimate of change in Property, Plant and Equipment	12,723
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(12,723)
Estimate of HRA Capital Financing Requirement 31 March 2016	57,882

Estimated HRA Capital Financing Requirement at 31 March 2017

Estimate of HRA Capital Financing Requirement 31 March 2016	57,882
Estimate of change in Property, Plant and Equipment	11,538
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(11,538)
Estimate of HRA Capital Financing Requirement 31 March 2017	57,882

Estimated HRA Capital Financing Requirement at 31 March 2018

Estimate of HRA Capital Financing Requirement 31 March 2017	57,882
Estimate of change in Property, Plant and Equipment	10,018
Estimate of change in Investment Properties	0
Estimate of change in Intangible Assets / Other Long term Assets	0
Estimate of change in Revaluation Reserve	0
Estimate of change in Capital Adjustment Account	(10,018)
Estimate of HRA Capital Financing Requirement 31 March 2018	57,882

PLG Limit on indebtedness

The limit on indebtedness for the HRA is £57.882 m

Prudential Indicator Calculations**PRUDENTIAL INDICATORS OF AFFORDABILITY****Estimates of Incremental Impact of Capital Investments Decisions on the Council Tax**

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

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

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

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

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

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Total Actual / Estimates of Capital Expenditure

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

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

Prudential Indicator CalculationsTotal Actual / Estimates of Financing Costs

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

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

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

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

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

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

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

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

Authorised Limit

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

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

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

Prudential Indicator Calculations**Operational Boundary**

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

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

Actual External Debt

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

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

Prudential Indicator Calculations
PRUDENTIAL INDICATORS OF PRUDENCE

Gross Debt and Capital Financing Requirement

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

Description	£'000
Total Capital Financing Requirement at 31 March 2014	89,960
2014/15 Estimated Change in Capital Financing Requirement	
Capital expenditure	23,043
Application of useable capital receipts	(300)
Application of capital grants/contributions	(14,145)
The replacement for MRP	(1,332)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2014/15	7,266
2015/16 Estimated Change in Capital Financing Requirement	
Capital expenditure	16,351
Application of useable capital receipts	(300)
Application of capital grants/contributions	(12,791)
The replacement for MRP	(1,571)
Additional voluntary contributions	0
Total Estimated Change in Capital Financing Requirement 2015/16	1,689

Prudential Indicator Calculations

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

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

Prudential Indicators for Treasury Management

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

The Council adopts the 2011 edition of the CIPFA Code of Practice for Treasury Management in the Public Services'
Adopted by the Council 7 February 2012 (Executive Committee)

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

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

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

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

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

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

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

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

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

Prudential Indicator Calculations**Principal Sums Invested for Periods Longer than 364 Days**

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

Description	At 31/3/2015
	£'000
Longer-term investments	0
Less - Held for operational purposes	0
Current Assets - Investments	0
Current Assets - Cash and at Bank	0
Total available for investment longer term	0

Limits to be placed on investments to final maturities beyond year end:	£'000
31/03/15	0
31/03/16	0
31/03/17	0

REPORT TO: SCRUTINY COMMITTEE – RESOURCES, EXECUTIVE AND COUNCIL
Date of Meeting: Scrutiny Committee Resources – 28 January 2015
Executive – 10 February 2015
Council – 24 February 2015
Report of: Human Resources Business Manager
Title: Annual Pay Policy Statement 2015/16

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

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

2. Recommendations:

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

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

3. Reasons for the recommendation:

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

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

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

5. Section 151 Officer comments:

There are no additional financial implications arising from this report.

6. What are the legal aspects?

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

7. Monitoring officer Comments

There are no new implications arising from this report.

8. Report Details:

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

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

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

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

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

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

There are no new implications arising from the recommendations.

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

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

12 Are there any other options?

No.

Caroline Hall, Human Resources Business Manager

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

Background papers used in compiling this report:

None

Contact for enquiries:

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

Exeter City Council

Pay Policy Statement 2015/16

1 Purpose and scope of the Policy

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

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

2 Definition of Chief Officers

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

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

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

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

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

3 Definition & Remuneration of Lowest Paid

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

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

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

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

4 Relationship between Remuneration

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

5 Chief Officer Remuneration

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

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

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

6 Transparency & Publication of Data

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

7 Equality Impact Considerations

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

8 Related Policies/Strategies, Procedures and Legislation

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

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

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

2. The FT remuneration of the lowest paid employee

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

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

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

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

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

2. The FT remuneration of the lowest paid employee

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

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

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

REPORT TO: SCRUTINY RESOURCES COMMITTEE
Date of Meeting: Scrutiny Resources Committee – 28th January 2015
Report of: Cllr Bialyk, Chair of the Income Generating Measures Task and Finish Group and Champion for Commercialisation
Title: Income Generating Measures – final report and recommendations

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

This report outlines the conclusion of the Task and Finish Group's investigations into this topic and provides a selection of ideas highlighted and discussed by the Group and relevant officers as plausible, having potential and being capable of practical implementation with consideration to available resources and the level of anticipated revenue which could be generated. Ideas were taken from the Commercialisation Board and Council Staff were also approached. Full details of the selected ideas appear at point 8 under the heading "Report Details".

2. Recommendations:

That the Scrutiny Resources Committee:-

- a) have the opportunity to consider and comment upon the ideas submitted by the Group;
- b) approve the selection of income generating ideas detailed within this report with a view to business cases being submitted for consideration by this Committee;
- c) decide upon a timescale for the provision of those business cases to the Committee;
- d) review progression either at a point in time agreed by this Committee under recommendation (c) or 6 months from the date of this report, whichever the sooner.

3. Reasons for the recommendation:

- i. To enable this Committee to consider new ways in which the Council may generate significant further income.
- ii. To evaluate whether the ideas highlighted by the Task and Finish Group merit the provision of business cases for consideration by this Committee.
- iii. To monitor the progress and timescales of the provision of business cases and ideas taken forward.
- iv. To generate further income and revenue for the Council.
- v. To reduce the impact upon the Council and its delivery of services given ever decreasing budgets and the reduction in available funding.

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

None at present but there may be in future depending upon subsequent approval or implementation of business cases.

5. Section 151 Officer comments:

This report currently raises no issues for the Section 151 officer to consider at present.

6. What are the legal aspects?

None at present.

7. Monitoring officer Comments

This report currently raises no issues for the Monitoring officer to consider.

8. Report Details:

Following the Annual Scrutiny Work Programme meeting in July 2014, income generating measures were highlighted as a priority area for Scrutiny Task and Finish Group investigation. It was recognised that the Council needed to continually consider new ways in which it could generate fresh income in view of ever decreasing budgets and the continual reduction in available funding for local authorities.

Membership of this Group consisted of:-

Cllr Bialyk (Chair and Champion for Commercialisation)

Cllr Edwards	Cllr Baldwin	(No Liberal Democrat Nominations)
Cllr Sheldon	Cllr Mottram	
Cllr Lyons	Cllr Winterbottom	
Cllr Pearson		

The Scope of the Group was to:-

- review and identify what income generating measures the Council already has in place.
- identify aspects that the Group would not wish to consider to avoid duplication of work.
- obtain a broad sense of the types of areas which could generate further income with consideration to the available resources.

The Group met on 5 occasions and discussed ideas from the last meeting of the Commercialisation Board. Priorities were identified following presentations to the Group by the relevant officers.

Information was requested from Portfolio Holders and the Senior Management Team to find out what income generating ideas were planned or already underway.

All Council Staff were asked to contribute their ideas to the Group and a wide range of suggestions were considered from which a few were selected as having potential.

The following areas were identified by the Group as having the potential to provide further sustainable income for the Council and the Group would recommend to this Committee that business cases should be prepared and provided in respect of:-

- A. A Solar Photovoltaic site on Council owned land.
- B. A dedicated member of staff to bid for external funding.
- C. Use of St Nicholas Priory for weddings and maximising the use of RAMM for corporate events.
- D. Selling external advertising on the outside of car parks in a prominent place.
- E. Exeter has a number of parks and open spaces which are not utilised to their maximum potential. The Council could look into:-
 - holding events (eg concerts) in parks
 - licensed ice cream vendors in parks
 - open air cinemas
 - weddings
 - more car parks
 - more paid facilities in parks
- F. Museum – voluntary donations for entry.

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

Not applicable.

Cllr Bialyk, Champion for Commercialisation

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

Background papers used in compiling this report:

None

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

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