

**COMBINED STRATEGIC SCRUTINY AND CUSTOMER FOCUS SCRUTINY
COMMITTEES**

9 February 2023

Present:

Councillors Allcock, Asvachin, Atkinson, Bennett, Ellis-Jones, Hannaford, Harvey, Holland, Knott, Jobson, Mitchell, K, Mitchell, M, Moore, J, Oliver, Newby, Read, Snow, Sparling, Vizard, Wardle and Warwick

Apologies:

Councillors Branston, Foale and Sutton

Also present:

Director Finance, Democratic Services Officer (HB) and Democratic Services Officer (SLS)

In attendance:

Councillor Bialyk	Leader
Councillor Ghusain	Portfolio Holder City Management and Environmental Services
Councillor Pearce	Portfolio Holder Communities and Homelessness Prevention
Councillor Williams	Portfolio Holder Recycling, Waste Management and Waterways
Councillor Wood	Portfolio Holder Climate Change
Councillor Wright	Deputy Leader and Portfolio Holder Arts and Culture and Corporate Services

1 Appointment of Chair for the meeting

RESOLVED that Councillor Hannaford be appointed Chair of the meeting.

2 Minutes

The minutes of the meeting of the Combined Strategic Scrutiny and Customer Focus Scrutiny Committees held on 28 July 2022 were taken as read, approved and signed by the Chair as correct.

3 Exeter Development Fund

The Democratic Services Officer (SS) reported that the Director City Development was collating further data on the proposals for the Exeter Development Fund reported to this Combined Scrutiny Committee last year. A date for a further meeting of the Task and Finish Working Group could then be set for it to report back to this Combined Committee.

4 Declaration of Interests

No declarations of discloseable pecuniary interest by Members were made.

5 Leader's statement

The Chair invited the Leader to address the Combined Scrutiny meeting.

The Leader referred to the detailed consideration given to the budget in light of the ongoing resource pressures facing the Council. He welcomed input from Scrutiny Members on the budget process, Members having already received a briefing from the Director Finance on 18 January 2023. The budget making process was predicated on a degree of flexibility and that there could be opportunities for additional projects during the year subject to available funding. Three month budget monitoring by the Executive was integral to the process.

He referred to the recommendation from Executive on 7 February 2023 for Council to utilise CIL funding, for the refurbishment of St. Thomas Splashpad.

6 General Fund/HRA Estimates and Capital Programme 2023/24

The Director Finance presented the report considered at Executive on 7 February 2023 highlighting individual elements within the sections below, with his responses to Members' queries set out in italics.

The Director Finance thanked Members and officers for proposing a balanced budget given the number, and difficult timing of, a series of financial pressures.

Local Government Finance Settlement 2023/24

- A better than expected final settlement had been announced by the Government. This was confirmed on 6 February 2023 with no overall change from the provisional settlement. The Council's core spending power had therefore increased by 4.5 % compared with a Local Government average of 9.1%. Additional funding could therefore be incorporated into the Asset Management Programme.

Business Rates

- The Government had confirmed that the implementation of the Business Rates retention reform and the review of the formula would not take place in this Parliament and was not expected to be implemented until 2026/27 at the earliest.
- *the revenue support grant was only a small element of funding with Exeter benefitting more than some other Councils from the Business Rate Retention Scheme. The Retention Scheme was split 50% Government, 40% Districts, 9% Counties and 1% Fire Authorities.*

Council Tax

- The referendum threshold had been increased this year to the higher of a less than 3% or £5 increase for District Councils. As a result, Exeter's budget strategy for next year assumed that Council Tax would increase by 2.99%, which, along with the estimated surplus on the collection fund of £86,793 and an increase in the taxbase would raise an extra £369,622;
- *a number of elements were taken into account when collecting the Council Tax including those Purpose Built Student Accommodation (PBSA) properties which were not exempt, the premium on second homes, single occupancies and Council Tax support for those on low incomes. There was a likelihood of a 97%*

collection rate but it was evident that there was a downturn in the current year's collection rate;

- there were 505 second homes/empty properties in the city which it was estimated would generate some £1.5 million when the Government scheme for permitting Council's to charge would come into effect in 2024/25; and*
- a technical question was asked in respect of back dating Council Tax in respect of these properties and the Section 151 Officer committed to providing a written response.*

The Chair moved an additional recommendation to the three recommendations set out in the report to the Executive on 7 February 2023 to commend the Executive's recommendation to Council to implement the 2024/25 Council Tax charge on second homes following the Government's announcement enabling Council's to introduce this element in its Council Tax setting. A 12 month notice period was required before this could be introduced.

The motion was seconded, voted upon and carried unanimously.

Key Assumptions

- an overall allowance of £4.415 million had been set aside for inflation. This included a catch up to reflect the higher pay award in 2022/23 and the significant increase in energy prices for next year. Other inflationary increases were set out in the report;*
- the Council would benefit from the Government cap on non-domestic energy and wholesale gas prices were not as high as anticipated;*
- although there was a significantly higher borrowing rate it would not impact on the medium term financial plan because of the planned reductions in the capital programme;*
- increases in housing rents was normally set by the Government at CPI plus 1%, the Government this year having capped any increase at 7% rather than 12.1 %;*
- the General Fund interest rate was set at RPI for contractual commitments, which was generally higher than CPI. A number of the Council contracts such as IT were set at RPI; and*
- pay inflation had been increased to 3% and the lowest paid were expected to receive an increase above 3% to maintain Local Government pay above the National Minimum Wage. A further increase of 1% would equate to around £300,000.*

Equality Impact Assessment

- Budget proposals were underpinned by cost reductions proposed as part of One Exeter which was informed by the Equality Impact Assessment attached to that report presented to Executive.*

New Homes Bonus

- The Government had indicated that, whilst New Homes Bonus would be payable again this year, like last year, the 2023/24 element of the allocation would be for one year only and there would be no payment in respect of the previous years. This gave an award of approximately £0.672 million for 2023/24. A new proposal to replace the New Homes Bonus was expected to be announced.*

Revised Medium Term Revenue Plan

- the Medium Term Financial Plan (MTFP) indicated that further reductions were required from 2024/25 to 2026/27 to fully address the additional spending pressures. The proposed budget for 2023/24 made use of one off reserves totalling £2.386 million, which would need to be addressed in future years. The reductions required total £5.287 million in the next three years, of which proposals covering £2.137 million had been identified;
- *the budget represented a good balance between anticipated income generation of £1.7 million and service reductions of £2 million;*
- *the Commercialisation post would be removed by the end of the financial year at a saving of £54,700. Income generation ideas were being developed through cross cutting themes led by Service Leads with the Transformation Fund which underpinned One Exeter also being utilised; and*
- *a saving would be achieved by reducing empty property canvassing from three to two contacts.*

Balances and Reserves

- the Council's current policy was that the minimum level of the General Fund Balance would remain above £3 million which was not ring fenced and was in place to meet unexpected costs;
- the latest estimated position of the General Fund Balance was that it would be £4.748 million as at 31 March 2024, equivalent to 27.3% of Exeter's net revenue budget which was slightly higher than other Council's which were between 5% and 15%. The Council's revised medium-term financial plan indicated that the General Fund Balance would reduce to £3.171 million by the end of 2026/27, if the proposed reductions were to be delivered;
- the Council also had other reserves that had been earmarked for specific purposes. The Council's proposed revenue budget for 2023/24 included a net transfer to earmarked reserves of £424,000;
- *the RAMM legal costs had been transferred from reserves;*
- *generally, investment interest was used to support services other than in specific circumstances;*
- *the proposed reductions and additional income identified in order to form a balanced budget tallied with the proposals set out in the One Exeter Cost Reduction report;*
- *the redesign of street cleaning would involve a move away from traditional street sweeping to a more cost effective modernised and targeted approach with vans focusing on identified hot spots. Members agreed that street cleaning redesign could be an appropriate topic for scrutiny; and*
- *the fee for electric charging in Council car parks should preferably align with on street electric charging hubs. No formal agreement had been reached with the County Council on charging levels but would be determined with regard to costs set by other operators in the city and the south west generally.*

Revenue Estimates 2023/24

- Service Committee Expenditure for 2023/24 was £14,326,420, which was £1,128,530 lower than the current year;
- *there had been a reduction in the budget for expenditure funded via CIL, offset by a corresponding reduction in the income used from CIL because of lower receipts being received. Consultation on CIL was ongoing. The full income from the Guildhall shopping centre has been added to the budget. This was offset by*

either related expenditure or a transfer of the surplus to an earmarked reserve in line with the agreement with Government;

- *a technical question was asked on when the CIL changes would be introduced and their impact and the Section 151 Officer committed to providing a written response;*
- *the Portfolio Holder for Communities and Homelessness Prevention stated that the Community Builders' contracts were now in the fifth and final year. The Community Builders made a significant contribution to local communities and options were being examined for the future of this valuable service.*

Council Tax Budget Requirement 2023/24

- the Government was setting the referendum trigger for District Councils at above £5 or 3%, whichever is higher. The budget has been set based on a 2.99% increase, although this is ultimately a Member decision. A 2.99% increase generates around £3,200 more for the Council than an increase of £5.

Housing Revenue Account (HRA)

- the HRA was a self-contained fund which, from 2012 was expected to be self-financing and all income collected locally from rents, service charges and other sources were kept at a local level to deliver housing services to tenants and to maintain the housing stock;
- the proposed budget for 2023/24 indicated that a total of £2,541,730 would be needed to be taken out of the HRA Working Balance in order to meet the budget deficit;
- *the HRA minimum balance was slightly higher than that of the General Fund and was required to fund any contingencies required for the Council's 5,000 Council Housing stock;*
- *the repairs and maintenance budget would increase by £143,000 for 2023/24 but decrease in the following years. It represented a small percentage reduction in terms of the overall £7.5 million budget;*
- *the Council had a strong track record in respect of re-investment including the retrofit programme and building new Council Houses;*
- *the Housing Benefit payments would match the increased rents; and*
- *a technical question was asked on Housing Benefit and the Section 151 Officer committed to providing a written response.*

Capital Programme Resources

- the following capital resources were available for General Fund (£11.476 million) and Housing (£34.220 million) in 2023/24. The Capital Programme totalled £37.482 million in respect of the General Fund and £19.321 million for the HRA. The borrowing requirement for the General Fund was £27.758 million and was £0.750 million for the HRA;
- *the capital programme had been amended to incorporate necessary changes to meet Health and Safety requirements in respect of the Council's property assets;*
- *the capital programme could be amended further during the year should new projects be identified by Council and appropriate funding found;*
- *the capital programme could be funded in a number of ways including revenue funds from Council Tax collection, capital grants, sale of assets, Section 106 contributions and borrowing. Alternatives to the latter would need to be explored because of increased interest rates;*

- *the Corporate Property team were examining options for increasing capital receipts, for example rather than selling outright, property leases could be re-gearred;*
- *the Portfolio Holder for City Management and Environmental Services referred to the rolling programme of play area maintenance. Whilst the maintenance budget was being reduced it was supplemented by an increase in the play area capital programme; and*
- *the Disabled Facilities Grant was funded by Devon County Council through the Government's Better Care Fund.*

Housing Revenue Account Capital Programme

- for 2023/24, the HRA medium term financial plan provided for a capital programme of £19.321 million, comprising capital investment of £11.834 million for improvements to the Council's existing housing stock and £7.487 million towards the provision of new council homes.

The Chair invited Councillor Read to present the questions she had submitted.

Questions from Cllr Read

1. The Executive is recommending an ambitious homelessness strategy, can Members be reassured that this will be properly funded?

Response

The Portfolio Holder for Communities and Homelessness Prevention stated that the strategy document sets out key priorities at a high level in acknowledgement of the need to determine realistic plans relating to available resources of both the Council and respective lead stakeholders. Therefore, approval of the strategy as it stands presents no immediate specific financial resource pressure to the Council providing that current provisional budgets for next financial year are unchanged.

Whilst the extent and scope of the actions will need to be tailored to current budgets it is recognised that the aspiration to end rough sleeping in its current form and to increase early intervention and further prevent homelessness will be partially dependent upon increased joint and shared working with key partner agencies as well as future fundraising bids.

2. Three new electric lorries are recommended for the new food waste collection service. Are those three lorries sufficient to roll out the service across the whole of the city, including the city centre, and if not how will additional lorries be funded?

Response

The Portfolio Holder for Recycling, Waste Management and Waterways referred to Appendix 4 of the report which set out that there would be five food waste vehicles as that was all that was required to fully roll out the service.

Supplementary question and Answer

Will the city centre be included?

Answer

It will be a full roll-out across the city.

3. How much money is foregone from retaining Thursday evening free parking in four car parks? What is the reasoning behind free parking in a city that has declared a climate emergency - how are these reconcilable?

Response

The Leader advised that free parking on Thursdays would remain for the present but that any changes would be incremental and, whilst income generation was important, there was a need to strike a balance to ensure that the night time economy benefitted from increased patronage.

4. How is the Council's commercialisation strategy going to be delivered now given staff cuts and are the income targets in the budget realistic?

Response

There will be no dedicated resource to assist with commercial ventures and services will be expected to manage their own commercial activity. There is also a cross cutting theme as part of the One Exeter Programme which will be focussed on Commercialisation. All income targets have been approved by Service Leads, Service Accountants and Directors.

5. What is the expected number of both voluntary and compulsory redundancies as a result of this budget?

Response

The Leader advised that this was a matter for negotiations with the Union and that this would be undertaken in accordance with legislation.

QUESTION FROM A MEMBER UNDER STANDING ORDER 44

Councillor D. Moore attended for this item having given notice under Standing Order 44. She asked the following question:-

Council allocated £1 million for the Council's work on climate change. Please can a financial report on expenditure to date and the expected expenditure over the medium term financial strategy be set out?

Response

The Portfolio Holder for Climate Change reported that a financial break down of the Net Zero Budget will be presented along with the proposed Net Zero Update report, which is due to go to the next Strategic Scrutiny meeting scheduled for 16 March 2023.

Supplementary question and Answer

Has there been any cuts to this £1 million budget?

Answer

The £1 million earmarked budget is ring fenced specifically for the Council's work on climate change. Some of the budget has already been spent for this purpose. No

reductions had been made in the earmarked reserve, other than to cover spending approved for this purpose.

The Office of the Police and Crime Commissioner for Devon and Cornwall

The Director Finance reported that the Police and Crime Commissioner had agreed a Council Tax increase of £15.

The Combined Strategic Scrutiny and Customer Focus Scrutiny Committees noted the report, subject to commending the additional decision of the Executive in respect of second homes referred to above.

7 Capital Strategy 2023-24

The Director Finance stated that the report explained the details of the long-term policy objectives and resulting capital strategy requirements, governance procedures and risks for the capital programme, the strategy being a statutory requirement.

It was underpinned by the condition survey results, approved in late 2020 which targeted Health and Safety improvements to the Council's assets.

The Combined Strategic Scrutiny and Customer Focus Scrutiny Committees noted the report.

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

The Director Finance explained the proposed 2023/24 prudential indicators for capital finance for adoption by the Council and to set the annual statement of Minimum Revenue Provision (MRP). He set out the following key indicators that the Council had to consider:-

- 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; and
- the Authorised Limit - the maximum that the Section 151 Officer is allowed to borrow to cover the Operational Boundary and day to day cash flow needs. The Council is not allowed to exceed this amount of borrowing without first authorising an increase to the limit.

Responding to a Member, the Director Finance advised that there were very limited opportunities to capitalise revenue spend. One such could be a Transformation Programme and an extreme example was the Government issuing a directive to support a Council who had issued a Section 114 notice.

The Combined Strategic Scrutiny and Customer Focus Scrutiny Committees noted the report.

9 Treasury Management Strategy Report 2023/24

The Director Finance presented the report seeking the adoption of the Treasury Management Strategy Report and the incorporated Annual Investment Strategy 2023/24, as required under section 15(1) (a) of the Local Government Act 2003.

There had been no significant change in the Strategy and he highlighted the liability benchmark graphs.

Responding to Members, he stated that advisors had been asked to assess the green credentials of bodies the Council invested in. He would circulate the advisor's report but advised caution on the ability to accurately determine the degree of environmental and social responsibility of bodies with whom the Council invested and it was not possible to determine the carbon footprint impact. The Council was legally required to prioritise security, liquidity and then yield in that order. Money Markets was a favoured investment option as they met the first two criteria.

Although there had been concerns regarding the financial position of some local authorities with whom the Council placed deposits, ultimately there was very little risk associated with local authority investments. Thurrock and Croydon Councils were examples of struggling Council's but services could not be suspended and, ultimately, the Public Works Loans Board acted as the lender of last resort and they had not defaulted. Even the Icelandic Banking crises, as an example, had been resolved with monies subsequently returned to this Council with some of the expected interest.

The Combined Strategic Scrutiny and Customer Focus Scrutiny Committees noted the report.

The Chair thanked the Director Finance for his presentation.

The meeting commenced at 5.30 pm and closed at 8.06 pm

Chair