

COMBINED STRATEGIC SCRUTINY AND CUSTOMER FOCUS SCRUTINY COMMITTEES

5 February 2025

Present:

Councillor Josie Parkhouse (Chair)

Councillors Pole, Atkinson, Begley, Darling, Fullam, Haigh, Harding, Holland, Jobson, Knott, Miller-Boam, Mitchell, M, Palmer, Read, Rees, Rolstone, Snow and Williams, M

Apologies:

Councillors Ellis-Jones, Hughes, Hussain, Moore, Patrick and Wardle

Also present:

Chief Executive, Strategic Director for Corporate Resources and Democratic Services
Officer (LS)

In attendance:

Councillors Asvachin, Bialyk, Vizard, Williams, R., Wood and Wright

12 Appointment of Chair for the meeting

Councillor Parkhouse was appointed Chair of the meeting.

13 Minutes

The minutes of the meeting of the Combined Strategic Scrutiny and Customer Focus Scrutiny Committee held on 18 June 2024 were taken as read, approved and signed by the Chair as correct.

14 Declaration of Interests

There were no declarations of interest made by Members.

15 General Fund HRA Estimates 2025/26

The Strategic Director for Corporate Resources presented his report on the General Fund HRA Estimates 2025/26 making the following points:

- this report had been based on provisional figures but the final announcement had been received on 3 February therefore could be confirmed;
- the General Fund's Core Spending Power which Government used to assess levels of Revenue Support Grant, other grants, baseline Business Rates and Council Tax - provisional figures were the same as last year;
- National Insurance compensation was expected at £138,000, but the final figure was £184,000. However, costs were £750,000 higher for the coming year;
- core spending power assumed that council tax was raised by 2.99% being the maximum the Council can increase by; and
- there was a new manufacturers tax on packaging which in the first year Government would guarantee bringing £1.4million to the Council which would address the NI increase.

The Strategic Director responded to questions from Members in the following terms:

- the predicted shortfall as a result of NI was offset by EPR;
- the HRA element was additional but had a neutral impact on the general fund;
- the General Fund had a £2.4 million reduction instead of £3.5 million due to retaining the business rates pool, assumed at £900,000 income;
- £1.4million from new packaging tax was an estimate based on waste collection and disposal rates;
- Government would calculate and collect the new packaging tax and distribute in arrears in October and again six months later; and
- calculations would be built into the budget in future based on knowledge as with other fees and charges.

The Strategic Director continued to present his report making the following points:

- the pay bill stood at £30million;
- insurance had risen;
- it was intended to keep general inflation to zero with contracts to RPI or RPI+;
- utilities inflation was zero representing the best estimate of the Council's broker;
- short-term borrowing was sometimes required therefore assumptions were made taking this into account;
- the New Homes Bonus was included in core spending power; and
- the Revised MTFP reflected the reset which had been due in 2018 and it was hoped that there would be transitional arrangements in place.

The Strategic Director responded to questions from Members in the following terms:

- it was understood that Government would undertake a comprehensive spending review in autumn this year;
- there was a national financial challenge within local government;
- a Member Briefing had been given detailing options to achieve a balanced budget with some being straightforward and others more challenging;
- the consultation results had been received;
- there was a requirement to consult and to consider the results but that a balanced budget must be delivered;
- the best forum for consideration of the budget consultation would be at the budget full council;
- a percentage decrease across services was not requested as it had been following service reviews in 2022, rather what could be safely be reduced was presented;
- the budget consultation had taken place later in the year due to the restructure and to allow the Residents consultation to take place;
- in future the budget consultation could be undertaken early in the year; and
- individual proposals may need consultation before implementation.

The Strategic Director continued to present his report making the following points:

- strains on HRA were not unique to Exeter but the Council was limited by Government policy and statute;
- there were challenges in the repairs and maintenance budget some of which was due to staff looking to address all jobs when on site to ensure least number of visits which was challenging in the short term but would pay off in the long term; and
- The Appendix showed the reduction in the capital programme reflecting reality.

The Strategic Director responded to questions from Members in the following terms:

- the Council worked closely with Homes England;
- high interest rates made new developments difficult given the need to ensure that rent covered borrowing costs;
- the Council Models viability on social and affordable rent, neither are viable at the moment but grants were attracted and market rents had been the idea behind ECL which proved impossible; and
- a group of local authorities, including ECC, had issued a report on the extreme challenges and presented it to Government.

The Strategic Director continued to present his report making the following points:

- the Section 25 statement seen at section 8.18 of the report was based on a risk approach;
- the 'xxxx' on page 18 were due to Devon County Council and the other preceptors not having met to agree their budgets which would be done by 20 February; and
- The Police and Crime Panel had met and agreed precept increase of £13.70 being just under their limit of £14.

The Strategic Director responded to questions from Members in the following terms:

- business rates were based on the ability to generate growth;
- the grant had reduced significantly but more could be generated from business rates;
- Council tax was expected to rise year on year; and
- Exeter had one of the lowest council taxes in the country therefore did not benefit as much as other areas from a percentage increase.

16 **Capital Strategy 2025/26**

The Strategic Director for Corporate Resources presented his report on Capital Strategy 2025/26 stating that this set out the process for making capital decision and there had been no changes since the previous year.

There were no questions from Members.

17 **Treasury Management Strategy Report 2025/26**

The Strategic Director for Corporate Resources presented his report on the Treasury Management Strategy Report making the following points:

- There had been two changes since the last report, namely, the ESG Policy was cross-referenced and changes to Treasury Management practices;
- There were no changes to limits;
- It was unlikely that the Council would go outside ESG, only if a significant event occurred; and
- Reducing cash reserves was the preferred option to borrowing.

The Strategic Director Corporate Resources responded to questions from Members' making the following points:

- money had been withdrawn from Barclays;
- any borrowing would be from other Local Authorities in the first instance;
- £15 million would be kept available with easy access as there was no overdraft facility;

- the Council would lend for short fixed periods to other Local Authorities;
- money market funds would be utilised for instant access;
- details of where funds are could be found on page 64 of the agenda pack;
- the MTFP took into account future borrowing and was modelled and estimated across the four year period;
- Capital financing increased by an amount equal to the debt of assets;
- there were differences when the accounts were closed but different methods were used to take this into account; and
- there would be a new Asset Management Strategy in the next year.

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

The Strategic Director for Corporate Resources presented his report on The Prudential Code stating that this was a statutory report and there were three important strands:

- Capital Financing Requirement;
- Operational Boundary; and
- Authorised Limit.

The Strategic Director gave detail as below.

Capital Financing Requirement:

- there was much over which Members had no choice;
- most importantly the General Fund was included;
- HRA was included, but did not make a repayment of debt charge as it charged depreciation;
- Statutory payment of debt was included in the General Fund; and
- the debt burden for HRA's across the Country was now shared which meant going from zero to £57million but resulted in a £1.5million contribution to the Council's HRA.

Operational Boundary was the maximum the s151 Officer could borrow for capital purposes.

Authorised Limit was the Operational Boundary plus a small amount to allow for day-to-day cash flow. There were four choices in how to set the minimum revenue provision. A model of matching depreciation of asset for repayment of debt was used.

There were no questions from Members.

The meeting commenced at 5.30 pm and closed at 6.46 pm

Chair