

REPORT TO EXECUTIVE

Date of Meeting: 3 February 2026

REPORT TO COUNCIL

Date of Meeting: 24 February 2026

Report of: Strategic Director of Corporate Resources

Title: General Fund Estimates and Capital Programme 2026/27

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To propose the General Fund revenue estimates for 2026/27 and to recommend the Band D level of Council Tax for 2026/27. This report also includes the proposed Capital Programme for 2026/27 and future years.

2. Recommendations:

It is recommended that:

2.1 The Council's overall revenue spending proposals in respect of its General Fund are recommended to Council for approval.

2.2 The Council's General Fund Capital Programme is recommended for approval.

2.3 Members consider the budget assessment by the Section 151 Officer in Section 11 in agreeing the recommendations.

2.4 The General Fund minimum Balance be set at £3.010 million for 2026/27.

2.5 The Council Tax for each Band be recommended to the Council as set out in section 12 subject to Devon County Council, OPCC Devon and Cornwall and the Devon and Somerset Fire Authority confirming their Band D levels respectively; and

2.6 The Council's Flexible Use of Capital Receipts Strategy is recommended for approval, as set out in Appendix 10.

It is recommended that Executive approve that:

2.7 When the actual Council Tax amounts for Devon County Council, Devon and Cornwall Police and Crime Commissioner and the Devon and Somerset Fire Authority are set then the revised council tax levels be submitted to Council on 24 February 2026 for approval.

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3. Reasons for the recommendation:

3.1 To ensure that the Council can set a balanced 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 Section 8, 9 and 11 of the report sets out the resource implications of the proposed budgets.

5. Section 151 Officer comments:

5.1 The Government has concluded the review of Local Government funding, reset the Business Rates and delivered the first multi-year financial settlement in a decade. Whilst as expected the reset of Business Rates removed a significant amount of funding from the Council, changes to the formula and the introduction of a Funding Floor Grant to ensure that the Council receives the same amount as it did in 2025/26 meant that the anticipated reductions of £3.5m were no longer required.

5.2 It is important for Members to recognise that after taking inflation into account, this settlement provides less funding in real terms over the three-year period. The Council will receive the same amount in 2028/29 as it did in 2025/26 and that assumes that Council Tax is increased by its maximum each year.

5.3 However given that the Council was preparing for significant reductions, overall, the settlement has allowed a balanced budget to be set using previously approved reductions and some straightforward budget adjustments that do not impact on service provision.

5.4 The balanced budget will be deliverable over the life of the three-year settlement. This is based on a number of caveats. The budget and Medium Term Financial Plan (MTFP) is based on a number of assumptions. Any changes to actual inflation, interest rates etc. will have an impact on the position. The budget is based on the existing activity of the Council and any additions will require budget reductions as in previous years.

5.5 The Capital programme remains constrained by high interest rates. Whilst the existing programmes impacts are built into the MTFP any further projects will have an impact on the revenue budget.

5.6 For the first time, a flexible use of capital receipts strategy is being proposed. This is required to allow the Council to apply to Government to use capital receipts to cover expenditure that would normally be revenue. It has been used in many Councils previously as a way of balancing the budget, but Exeter is only seeking approval to cover the transitional costs associated with Local Government Reorganisation. The Council has no need to use capital receipts for its ordinary business, but as set out in the bid to Government they will be essential to supporting the costs of LGR. At present the Council has £1.5m of capital receipts which when added to the proposed, one-off revenue budget of £500,000 will give a budget of £2m which should be sufficient for this year's required expenditure.

6. What are the legal aspects?

6.1 As part of the budget and the Council Tax fixing process, the Council is required by the Local Government Finance Act 1992 to make various specific calculations and decisions:-

- (a) it must calculate its budget requirement in accordance with Section 32 of the Act;
- (b) it must calculate the City Council element of the Council Tax - first for Band D and then for all bands - in accordance with Sections 33 to 36;
- (c) it must set the overall Council Tax for each band in accordance with Section 30.

7. Monitoring Officer's comments:

7.1 Legislation does not prescribe how much the minimum level of reserves should be. The Section 151 officer is tasked with recommending the minimum level of reserves required as part of the budget setting process having regard to elements of risk in the Council's finances. Section 25 of the Local Government Act 2003 requires the S.151 officer to report on the adequacy of the Council's financial resource.

7.2 The Monitoring Officers' comments are intended to assist all members of the Council in consideration of the complex legal background to their budgetary and Council Tax decisions and to set out the legal factors and requirements which Members of the City Council need to consider in reaching decisions on the budget and Council Tax.

7.3 In coming to a decision in relation to the revenue budget and the council tax, the City Council and Councillors have the following legal duties:

- a) To act in accordance with their statutory duties and responsibilities;
- b) To act reasonably; and
- c) To have careful regard to their fiduciary duty to its rate payers and Council taxpayers.

7.4 The City Council has a clear legal duty to set a balanced budget. A resolution not to set a Council tax would be unlawful so would be a resolution to set a Council tax which deliberately did not balance the budget.

7.5 When deciding, councillors are reminded of the obligation to act reasonably and in accordance with the principals set down in the Wednesbury case. This means that councillors are required to consider all relevant considerations and ignore any irrelevant considerations. Put simply, it would be unlawful for the Council to come to a view which is unreasonable in the sense that it is so irrational that no reasonable authority could have reached it.

7.6 The meaning of fiduciary duty is more difficult to define but can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill and caution and with due regards to the council's rate payers. When discharging their fiduciary duties councillors will need to consider the following:

- a) Prudent use of the council's resources, including the raising of income and the control of expenditure;
- b) Financial prudence both long and short term;

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- c) Striking a fair balance between the interest of the council tax payers on the one hand and the community interest and adequate and efficient services on the other hand; and
- d) Acting in good faith with a view to complying with statutory duties and exercising its statutory powers for the benefit of the community.

7.7 The S.151 officer has given very clear advice in paragraphs 5 above. Members are obliged to have regard advice to this advice when making decisions about the Council's finances

7.8 Restriction on voting:

Members' attention is drawn to the provisions of S.106 of the Local Government Finance Act 1992 which applies to members where:

- (a) They are present at a meeting of full Council, the Executive or Committee and at the time of the meeting an amount of Council tax and has remained unpaid for at least 2 months; and
- (b) Any budget or Council tax calculation or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.

7.9 In these circumstances, any such members shall at the meeting and as soon as practical after its commencement disclose the fact that S.106 applies to them and shall not vote on any question concerning budget setting.

7.10 Failure to comply with these requirements is a criminal offence unless such member can prove that they did not know S.106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at that meeting.

8. Report details:

8.1 Local Government Provisional Finance Settlement 2026-27

8.1.1 3 year Settlement

On 17 December 2025, the Ministry for Housing, Communities and Local Government published the provisional 2026/27 local government finance settlement. The local government finance settlement is the annual determination of funding to local government, referred to Core Spending Power.

Core Spending Power is the measure of resources available to local authorities to fund service delivery, comprising funding from the Settlement Funding Assessment, council tax and centrally funded grants. Appendix 1 sets out the Core Spending Power for each of the Devon authorities for 2026/27.

The Government consulted on significant reforms to how funding from central government is allocated between English councils, referred to as the 'Fair Funding Review 2.0'. From 2026-27, there will be a new system for allocating funding. The new funding distribution is subject to transitional arrangements and is being introduced gradually over the period of the three-year settlement, from 2026/27 to 2028/29. This is the first multi-year settlement in a decade.

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8.2 Business Rates

8.2.1 As part of the 'Fair Funding Review 2.0' the Government have re-set the Baseline Funding Level for retained business rates.

The Business Rates Retention System (BRRS) was introduced in 2023-14. Under the BRRS, each authority was assigned a Baseline Funding Level which determined how much of its relative funding need was to be met through retained business rates income. This was then compared to a measure of their individual ability to raise business rates. Where a local authority raised more in business rates than their assessed level of need – they were required to pay a tariff. Conversely, if an authority's business rates income was below their assessed level of need – they received a top-up.

The BRRS was designed to be periodically re-set, to ensure that the distribution of resource is realigned with need. It has been over a decade since the BRRS was introduced without a re-set. This has meant that many local authorities, including Exeter, have grown their business rates income in excess of their Business Rates Baseline and have benefited from retaining business rate growth. For Exeter, this equates to a loss of circa £4m, but due to transitional arrangements the authority will have a phased reduction down to the new Baseline Funding Level over 3 years, so the loss is smoothed.

As a result of the business rates re-set there is greater risk and little potential benefit to being part of a pooling arrangement and therefore the Devon authorities have agreed to revoke the pool for 2026/27.

8.3 Council Tax

8.3.1 The new funding allocation system includes an assessment of how much councils can raise via council tax, based on modelled revenues if their tax rates was equal to the average rate across all councils.

The review is intended to achieve 'full equalisation' of revenue-raising capacity, to ensure councils receive the same share of overall funding that they are assessed to need, if they were to set their council tax level to the national average. For Exeter, this equates to gain of circa £3m, due to its low council tax levels.

In terms of Council Tax increases, the Government have maintained core referendum principles as they were in 2025-26 over the multi-year Settlement, with a council tax referendum principle of up to 3% or £5 increase for District Councils. This is in line with the medium-term financial plan. As a result, Exeter's budget strategy for next year assumes that council tax will increase by 2.99%, which, along with the estimated surplus on the collection fund of £82,783 and increase in the taxbase will raise an extra £264,260.

The Government have also consulted on modernising and improving the administration of council tax, this includes proposals to spread council tax payments over 12 monthly instalments by default, rather than the current default 10 monthly instalments.

8.4 New Homes Bonus

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8.4.1 The Government has now confirmed that the New Homes Bonus will come to an end after 2025-26, with funding absorbed into the core local government finance settlement from 2026-27 onwards. This reflects the move away from specific grants towards a broader assessment of local authority need and resources.

8.5 Recovery Grant

8.5.1 The Recovery Grant continues across the multi-year Settlement at 2025-26 levels. The Recovery grant targeted funding towards areas with greater need and demand for services and equates to £271k p.a. for Exeter.

8.6 Extended Producer Responsibility

8.6.1 2026/27 will be the second year of the Extended Producer Responsibility for Packaging. These payments are excluded from Core Spending Power. The scheme works by charging fees to businesses that use packaging to meet the costs of collecting and recycling it and to encourage businesses to reduce the amount of packaging they use, shift to more recyclable materials and design new products that can be recycled and reused more easily.

8.7 Grants Simplification

8.7.1 On 18 December, the day following the provisional settlement, MHCLG published allocations of the four new consolidated grants.

As part of the 'Fair Funding Review 2.0' the Government consolidated several grants to simplify the local government funding landscape. In the current funding system, local authorities receive millions of pounds from grants outside the Settlement. They are often uncertain, announced after local authorities have set their budgets, and have associated burdensome conditions and reporting requirements.

For Exeter, the key changes are that funding for:

- Homelessness, rough sleeping and domestic abuse grants have been become part of core spending power and will be ring-fenced (£2.677m 26/27)
- Discretionary Housing Payments form part of Crisis and Resilient Fund allocations and will continue at 2025-26 levels in Years 1 and 2 and will be ring-fenced (£0.156m)

8.8 Transitional Arrangements

Transitional funding, including a minimum funding floor, to protect councils from the full impact of the funding changes. There will be a 3-year transition to new funding allocations.

8.9 Local Government Reorganisation

The provisional settlement sets out multi-year allocations based on existing councils. These allocations are to set the 'funding envelope' for the new local authorities created through reorganisation.

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Where new unitary authorities mean existing authorities are split the Government states it is for local authorities to agree how to divide funding. The Government will provide guidance for local authorities on how to arrive at local agreements and a timeline for when these agreements should be reached. If areas are unable to reach agreement the MHCLG Secretary of State will make a determination on the share of the settlement allocations to new authorities.

8.10 Key Assumptions

8.10.1 An overall allowance of £0.971m has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	2.5%
Pay – Increments	0.5%
Electricity	4.0%
Gas	0.0%
Water	3.5%
Insurance	5.0% - 18.0%
Rates	3.6%
Motor Fuel	0.0%
General Inflation	3.6%
Income (excluding Car Parks)	3.0%

8.10.2 A thorough review of all budgeted costs and income has been performed to help ensure adequate provision is made for inflation and where allowance has been made for a general inflationary increase, it has been provided for at 3.6% in-line with August 2025 CPI. Pay has been increased by 2.5% although there is a risk that this again may be lower than the actual amount agreed.

8.10.3 Interest is based on the existing loans that have been taken out and the amounts available for investment. Future borrowing requirements are based on rates of around 3.5% and the Council will seek to internally finance borrowing until rates stabilise from the present highs of around 5.8%.

8.11 Equality Impact Assessment

8.11.1 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.

8.11.2 An EQIA assessment has been undertaken for each of the 2026/27 budget proposals.

8.12 Latest Medium Term Revenue Plan (Appendix 2)

8.12.1 The latest Medium Term Financial Plan (MTFP) is set out in Appendix 2. The MTFP indicates that a balanced budget can be achieved within requiring any further savings required, with proposals of £2.081m already identified, as set out in Appendix 3.

8.12.2 There are further uncertainties and factors that could affect the future financial position. These include potential costs arising from the Local Government Reorganisation, the annual pay award and additional borrowing and revenue costs in respect of any new capital programme commitments.

8.13 Balances and Reserves

8.13.1 The Council's current policy is that the minimum level of the General Fund Balance will remain above £3.100 million with a slight reduction to £3.010 million from 2026/27. As the Council is reliant on less secure forms of income such as car park and commercial rent income it is prudent to hold reserve levels at this level to offset sudden losses of income or unexpected expenditure. Section 11 below provides an assessment of the risk factors used to underpin the minimum level of reserves.

8.13.2 At the Quarter 2 stage of 2025/26 financial year, it was forecast that the Council's General Fund Balance would dip below the minimum level to £2.925 million. The latest estimated position of the General Fund Balance is that it will return to £3.267 million as at 31 March 2026, equivalent to 13.4% of Exeter's net revenue budget. The Council's latest medium-term financial plan (Appendix 1) indicates that the General Fund Balance will stand at to £3.350 million by the end of 2028/29, if the proposed reductions are delivered. This is in line with the minimum level required.

8.13.3 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2026/27 includes a net transfer to earmarked reserves of £0.261 million. This is broken down as follows:

Transfer to/(from) reserves:

	2026/27
	£'000
Transfers to Reserves	
Devon Home Choice	26
Surplus Income from Guildhall Shopping Centre (ring-fenced)	500
Sub total	526
Transfers from Reserves	
Governance Review	(53)
Household Support Admin	(82)
Well-being Exeter	(118)
Asset Improvement Maintenance	(200)
Leisure VAT refund	(215)
Net Zero Exeter	(119)
Sub total	(787)
Net Transfer to/(from)	(261)

8.13.4 Additionally, there is an earmarked reserve to control the impact of additional reliefs granted, and funded, by Government in respect of Business Rates. To provide consistency in the figures reported, these movements are shown in Business Rates

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income to allow Councillors to compare the impact on the Council's Business Rates funding to previous years.

8.14 Revenue Estimates 2026/27

8.14.1 Subject to the reductions being agreed, Service Committee Expenditure for 2026/27 is £19,484,43, an increase of £3,314,190 compared to 2025/26.

8.14.2 Once agreed by Council, Appendix 3 sets out the proposed reductions and additional income that will be reflected in the published budget book.

8.14.3 Once agreed by Council. Appendix 4 sets out the proposed budget increases to reflect unavoidable cost pressures or already committed from previous years and new revenue bids.

8.14.4 In addition, there are other items to consider, referred to as 'below the line' as they do not form part of the individual service controllable budgets. These include an estimate of £1,300,000 for net interest payments in respect of investments and borrowing, £3,084,000 towards repaying debt in respect of the Council's capital programme and transfers in respect of balances and reserves. The Council's total General Fund Expenditure budget requirement for 2026/27 is proposed at £23,948,160, an increase of £2,048,010 compared to 2025/26 as shown in Appendix 5.

8.14.5 Attached at Appendix 6 is a breakdown of the movements for each management unit taking out the amounts that have been removed or added, but that don't actually impact on the Council Tax. This is either because they have been transferred to / from another part of the budget or because there is a statutory override, which means that the costs are removed elsewhere in the budget.

8.15 Council Tax Budget Requirement 2026/27 (Appendix 7)

8.15.1 As stated above, the Government is setting the referendum trigger for District Councils at above £5 or 3%, whichever is higher. The budget has been set based on a 2.99% increase, although this is ultimately a Member decision. A 2.99% increase generates around £22,102 more for the Council than an increase of £5.

8.15.2 When all the Government Grant and Business Rates funding is taken into account the resultant net expenditure to be financed from council tax is £7,770,860 (indicated in Appendix 4), an increase of £264,070 compared to 2025/26.

8.15.3 Each year the Council must estimate the likely surplus or deficit position on its Collection Fund and any such amounts must be taken into account when determining the band D Council Tax amount. For next year, it is estimated that the collection fund will have a surplus of £82,783 (Exeter's share), which will be used to fund part of the expenditure to be financed from Council Tax.

8.15.4 After taking into account the surplus and the taxbase of 40,186, the proposed band D council tax for 2026/27 is £191.31, which means that the council tax would increase annually by £5.55 or 2.99%.

9 General Fund Capital Programme Resources (Appendix 8)

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9.1 Historically, the annual capital programme was financed from Government allocated grants together with money from the Council's own capital receipts and capital reserves. However, the funding from these sources has now reduced and as a result the Council has to use borrowing instead to fund a significant part of its proposed capital programme. This also has an ongoing impact on the Council's revenue budget, as borrowing incurs interest costs and repayment of debt (through a minimum revenue provision). The Council must ensure that any borrowing decisions remain affordable and to this end, has to adopt a number of prudential indicators, which are set out in the Prudential Code for Capital Finance in Local Authorities developed by CIPFA. A separate report to this meeting of the Executive sets out the Council's Prudential Indicators for approval by Members. Section 9.3.2 below sets out the current position, that without a robust, positive financial business case, the Council cannot afford to borrow any further than is already planned in the MTFP at this time.

9.2 The following capital resources are available for the General Fund (£17.769m) in 2026/27. The Capital Programme totals £27.513 million in respect of the General Fund. The borrowing requirement for the General Fund is £13.118 million. Appendix 8 sets out the forecast use of the resources available for the General Fund and the likely amounts of borrowing that will be necessary to fund the capital programme in the future.

9.3 General Fund Capital Programme (Appendix 9)

9.3.1 The proposed capital programme is set out in Appendix 9. The programme for 2026/27 totals £27.513 million. Other than £1.184 million for Digital and Data projects in accordance with the Strata Business Plan, there are no new schemes being requested at this stage. The rest of the programme consists of schemes approved in 2025/26 or before, that have already been deferred to 2026/27 at the earliest. It is anticipated that the programme will increase substantially at year end when further schemes from the 2025/26 capital programme are deferred into the new year.

9.3.2 As Members are aware, the costs of borrowing are prohibitive and the additional costs will simply require greater reductions in service provision, potentially in-year. The Council is therefore seeking to minimise any external borrowing until such time as interest rates reduce.

9.4 Flexible Use of Capital Receipts (Appendix 10)

9.4.1 Given the significant transitional costs of Local Government Reorganisation, it is proposed that the Council holds its capital receipts to fund these costs, rather than capital expenditure. Local authorities are currently permitted to utilise capital receipts (excluding right to buy receipts) to fund the revenue costs of transformation projects.

To enable the Council to make use of the Flexible Use of Capital Receipts Direction, it must prepare and approve a Flexible Use of Capital Receipts Strategy, which is set out in Appendix 10 for 2026/27.

10. Consultation

10.1 The Council undertook a public consultation on priorities in relation to the Council's Corporate Plan to help inform the setting of the budgets for 2026/27 and future years, which ran from 19 November to 31 December 2025. The survey was available on the

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Council's website to enable a wide audience of residents, visitors, and businesses to have their say. It resulted in 58 responses received.

A summary of responses to the Budget Consultation are set out in Appendix 11.

11. Risk Assessment

11.1 It has already been mentioned above in this report that our financial forecasts are based on a number of assumptions including the level of inflation, interest rates, income levels, support from the government and general prevailing economic conditions. The main risks to the Council's financial position are as follows:

- Economic volatility, higher interest rates and inflation have added substantial costs to running services. Whilst price inflation has settled, it still exceeds the increase in the Council's available resources.
- To deliver the services the Council operates, it is overly reliant on less secure forms of income such as car park income to balance its budget. Indeed, the cost of providing our statutory functions with associated support services and legal liabilities is well over £20 million. The Council has experienced significant volatility in a number of its income budgets in the last 12 months. Whilst these have been addressed in the production of this budget, it does demonstrate the risk of reliance on less secure income streams.
- The Council has a range of statutory obligations, which do not form part of a standard district council and for which it therefore receives no funding from Government. These include responsibility for the River Exe and Canal, the Roman Wall a host of historic listed buildings and a number of bridges. These add significant pressure to the budget and require significant maintenance, which will add further pressure;
- Local government reorganisation (LGR) is remodelling local government across large parts of England, redrawing boundaries, merging institutions and reframing democratic representation. However, implementing reorganisation while establishing new strategic authorities represents significant challenges, including financial risks.

11.2 Although the Council faces risks from the assumptions and uncertainties outlined above these have been mitigated by the following:

- The first multi-year provisional local government finance settlement in a decade provides greater certainty for financial planning
- Adopting a prudent approach to financial forecasting which involves obtaining information from external professional sources;
- Continuous monitoring and review of the key factors together with regular reports to Members on any key issues;
- Regular budget monitoring meetings with budget managers to ensure that budget pressures are identified at the earliest opportunity;
- The adoption of robust financial management arrangements including option appraisal, risk assessment and financial monitoring;
- Long-term borrowing at fixed interest rates
- Rigorous and robust financial planning has been performed in relation to LGR to help ensure cost savings are realistic and that transitional costs are accounted for
- Retaining a prudent level of reserves and balances.

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11.3 As part of the general budget-setting process the Council needs to also consider the risks inherent in the budgets set and the adequacy of the measures put in place to manage the potential risks.

11.4 Section 25 Statement of The Robustness of Estimates and Adequacy of Reserves

There is a requirement under Section 25 of the Local Government Act 2003 that requires the chief finance officer of a local authority to formally report to its members on the robustness of the estimates and the adequacy of its reserves when it is considering its budget and council tax.

11.5 Robustness of Estimates

This report has outlined the key assumptions that have been made in the budget proposals for next year including an assessment of the risks and mitigating factors. To assess the robustness of the estimates, the following have been considered:

- The strength of the medium term financial planning process in operation including the identification of significant service pressures, both unavoidable and through policy decisions;
- The strength of the budget monitoring process in identifying weaknesses and pressures in the existing budgets;
- The use of an annual process of engagement with senior managers and members to test out the robustness of proposals;
- Finance staff providing advice throughout the process on robustness, including vacancy factors, increments, current demand, and income levels.

The Section 151 Officer for this Council therefore considers that the budget estimates for 2026/27 that have been prepared are both robust and achievable.

11.6 Adequacy of Reserves and Balances

The Council's current policy is that the minimum level of the General Fund Balance will be £3.100 million. This equates to 14.2% of the net revenue budget, which is at the top end of what would normally be expected.

11.7 General Fund Working Balance

The Council provides more Services than you would normally expect a District Council to provide. It also has some significant funding streams from fees and charges and historic commercial property leases that are fundamental to producing a balanced budget. These are reliant on a vibrant economy delivering the income required.

There are a range of risk factors that must be taken into account and the Section 151 Officer has taken a risk based approach to assessing the level of reserves required. The framework for assessing the risks surrounding the budget needs to consider the following:

- Inflationary pressures;
- Planned savings measures;
- Reliance on income from fees & charges;

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- Business Rates volatility;
- Insurance excesses;
- Risk of litigation (including Planning appeals);
- Volume variations on demand led services (e.g. Homelessness);
- Interest Rate variations.

Area of Risk	Explanation	Amount
Inflationary pressures	As set out above, the budget is based on a set of assumptions. In particular, the impact of the pay award is not known when budgets are set. As Local Government tries to stay ahead of the National Living Wage, pay awards have outstripped estimates over recent years. A 1% increase would add £330,000 to costs. Similarly, a 1% variation in inflation on premises, supplies, services & transport £270,000 to costs.	600,000
Planned savings	There is a risk that for a number of reasons some proposed savings will not be achieved or will be achieved later than planned. This is particularly true in respect of additional income targets. The Council has a good track record of delivering planned savings. A 10% reduction would add £160,000 to costs	160,000
Income from fees & charges	The Council is reliant on significant income from fees & charges and rental income to balance the budget. A 5% reduction would add £1.6 million to the budget	1,600,000
Business Rates volatility	The risk element in relation to business rates is minimised for 2026/27 due to the Government's guarantee to ensure that 100% of income is protected	0
Insurance excesses	The Council does not budget for insurance excesses. The property insurance excess is £100,000 each claim and therefore 2 claims in a year would potentially cost £200,000	200,000
Risk of litigation	Planning appeals are expensive. It can cost the Council around £100,000 to defend an appeal.	100,000
Volume variations	Volume variations can impact on the Council's budget in services which are demand led. A cushion is therefore held to protect the financial position.	150,000
Interest Rates	A 0.5% variation in interest rates would cost the Council £200,000	200,000
		3,010,000

It is therefore proposed to reduce minimum reserves to £3.010 million. The latest estimated position of the General Fund Balance is that it will be £3.267 million as at 31 March 2027, equivalent to 13.6% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 2) indicates that the General Fund Balance will be £3.350 million by the end of 2028/29, if the proposed reductions are delivered.

11.8 The Council's estimated General Fund revenue reserves are as follows: -

<u>Earmarked</u>	31/03/2026	31/03/2027	31/03/2028
	£'000	£'000	£'000
Total Earmarked Reserves*	7,774	7,513	7,545
<u>Non-Earmarked</u>			
General Fund Balance	2,925	3,267	3,560

* Excludes Business Rates earmarked reserve to cover the deficit on the Collection Fund.

12. Precepts

12.1 Devon County Council, the Office of the Police and Crime Commissioner Devon and Cornwall (OPCC Devon and Cornwall) and the Devon and Somerset Fire Authority will all precept separately upon the council taxpayers in Exeter. The County Council, Devon and Cornwall OPCC and Devon & Somerset Fire Authority will meet on the 19 February, 30 January and 16 February respectively. The precepts will be tabled at the Council meeting for approval.

	2025/26	2026/27	Change
	£	£	£ %
Devon County Council	1,801.26	x,xxx.xx	xx.xx x.xx
OPCC Devon and Cornwall	288.20	xxx.xx	xx.xx x.xx
Devon and Somerset Fire Authority	104.68	xx.xx	x.xx x.xx
Total Precept	2,194.14	x,xxx.xx	xx.xx x.xx

12.2 Final Position

12.2.1 Based upon the recommendations above the aggregate requirements of Exeter City Council, Devon County Council, OPCC Devon and Cornwall and the Devon and Somerset Fire Authority will result in a council tax for the City of Exeter for 2026/27 of £x,xxx.xx per Band D property.

12.2.2 This is an overall increase of £xxx.xx (x.xx%) on the amount of £2,379.90 levied for 2025/26.

12.2.3 The detailed figures are: -

Band	Exeter £	DCC £	Police £	Fire £	Total £
A	127.54	xxx.xx	xxx.xx	xx.xx	x,xxx.xx
B	148.80	xxx.xx	xxx.xx	xx.xx	x,xxx.xx
C	170.05	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
D	191.31	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
E	233.82	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
F	276.34	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx
G	318.85	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx
H	382.62	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx

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

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

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

14.1 The key risks are set out in section 11 above.

15. Equality Act 2010 (The Act)

15.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

15.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impact on all members of the community.

15.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

15.4 Any proposals made that require an EQIA will need to address this prior to implementation.

For enquiries please contact: democratic.services@exeter.gov.uk

16. Carbon Footprint (Environmental) Implications:

16.1 The report allocates resources and therefore does not in itself have carbon footprint implications. The impact of the Council's overall carbon footprint is reported separately.

17. Are there any other options?

17.1 Not applicable.

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

Background papers used in compiling this report:-

None

List of Appendices:

- Appendix 1 – Core Spending Power;
- Appendix 2 – MTFP
- Appendix 3 – Budget Reduction Proposals;
- Appendix 4 - Budget Pressure Proposals;
- Appendix 5 – GF Summary;
- Appendix 6 – Summary of Estimate Movements;
- Appendix 7 – Council Tax;
- Appendix 8 – GF Capital Financing;
- Appendix 9 – Capital Programme;
- Appendix 10 – Flexible Use of Capital Receipts Strategy 2026-27;
- Appendix 11 – Balanced Budget Consultation 26-27.