

COMBINED STRATEGIC SCRUTINY AND CUSTOMER FOCUS SCRUTINY COMMITTEES

10 February 2022

Present:

Councillors Allcock, Begley, Denning, Jobson, Martin, A, Mitchell, K, Mitchell, M, Moore, J, Pearce, Sparkes, Sparling, Vizard, Wardle and Warwick

Apologies:

Councillors Branston, Buswell, Hannaford, Newby, Quance and Sheldon

Also present:

Chief Executive & Growth Director, Director Finance, Democratic Services Officer (HB) and Democratic Services Officer (SLS)

In attendance:

Councillor Bialyk	Leader
Councillor Ghusain	Portfolio Holder Communities and Culture
Councillor Morse	Portfolio Holder City Development
Councillor Sutton	Portfolio Holder Net Zero Exeter 2030

1 Appointment of Chair

RESOLVED that Councillor Denning 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 20 October 2021 were taken as read, approved and signed by the Chair as correct.

3 Declarations of Interest

No declarations of discloseable pecuniary interest by Members were made.

4 General Fund/HRA Estimates and Capital Programme 2022/23

The Director Finance presented the report under the following twelve headings, with his responses to Members' queries set out in italics.

Local Government Finance Settlement 20022/23

- the final Local Government Settlement had been laid before Parliament on 7 February 2022, being a single roll-over settlement as it was the intention to re-set the Business Rate Retention scheme The City Council had received a Lower Tier Services Grant of £185,000 and a one-off service grant of £289,000. A Section 31 grant of £83,000 had also been received as the compensation for freezing the Business Rates multiplier had changed from CPI to RPI.

Business Rates and Council Tax

- the Referendum Principles for the Council Tax set by the Government would allow the Council to increase the tax by £5 or up to 2%, whichever was the higher. A Council Tax increase of £5 represented 3.03%, which would produce an extra £163,733.
- *should the Council set a lower rate, this would set a lower base line for future years which would limit the level of future increases the Council might wish to introduce; and*
- *it was anticipated that the Business Rate re-set would impact differently on all local authorities and that, whilst the City Council might benefit as a result of population growth and visitor numbers, deprivation figures nationally would benefit other Councils. Upper tier authorities were likely to benefit the most from the reset. Any reduction impacting on the Council as a result of formula changes was likely to be tapered with possible assistance through transitional relief.*

Key assumptions

- an overall allowance of £623,960 had been set aside for inflation with particular reference to increases in utilities and oil;
- neither the 2021/22 nor 2022/23 pay awards were known at present; and
- it was anticipated that interest rates would continue to rise.
- *although there was no formal help from Central Government, the difficulty in recruiting for certain areas of the public sector, especially social care, was recognised;*
- *the majority of borrowing was from the Public Works Loan Board, across varying periods and was fixed, protecting the Council from additional interest payments; and*
- *Council commitment to green measures such as solar panels and purchase of electric vehicles and the conversion to gas boilers was helping combat inflationary increases.*

Equality Impact Assessment

- the Council was required to consider the impact on equalities on all new and reviewed Council strategies to identify potential negative consequences and this aspect was embedded in the One Exeter report to be presented to Council which set out a three year transformational programme, key elements of which were digitalisation and staff welfare.

New Homes Bonus

- the 2022/23 allocation was for one year only being £1.362 million compared with £1.941 for 2021/22. A new proposal to replace New Homes Bonus was expected to be announced imminently.
- *when the New Homes Bonus had been first introduced, £150,000 had been set aside for community projects and ward grants. Contributions to community organisations was now met via the Community Infrastructure Levy (CIL), although, as the amount received varied, care was taken to ensure prudent stewardship of the budget and to ensure contractual obligations were met;*

- *car parking income had returned towards 90% of the pre Pandemic level and a budgetary allowance had been made to cover the reduced income over a one to two year period; and*
- *the cost of borrowing for capital expenditure was shown separately to that of service level costs. The Council had approved a funding based upon a condition survey of car parks, although alternative options including disposal were to be assessed.*

Medium Term Financial Plan

- significant reductions in the Medium Term Financial Plan were required for 2023/24 and 2024/25, the reductions required now totalling £6.350 million.
- *the target reduction for 2022/23 was £2.4 million, although the push back of the Business Rate re-set had provided some leeway and the savings sought for the next two years were estimated at £3.5 million and £2.5 million respectively;*
- *the One Exeter project was based on the expectation of achieving savings of £1.3 million in 2022/23 as part of a modernisation programme and discretionary services review; and*
- *Council Tax collection was a statutory responsibility of District Councils, the cost embedded within the settlement and there was no expectation of the precepting authorities contributing.*

Balances and Reserves

- the latest estimated position of the General Fund Balance was that it would be £4.158 million as at 31 March 2023, equivalent to 24.1% of Exeter's net revenue budget. The revised medium-term financial plan indicated that the General Fund Balance would increase slightly to £4.337 million by the end of 2025/26;
- the Council's proposed revenue budget for 2022/23 included a net transfer from earmarked reserves of £234,290 with £181,000 allocated for Net Zero Exeter initiatives; and
- as the Council faced uncertainty in the medium term over funding, including the vagaries resulting from the Pandemic, it was prudent to hold higher reserve levels to offset sudden losses of income or unexpected expenditure.

Revenue Estimates 2022/23

- Service Committee Expenditure for 2022/23 is £15,454,950 which was £591,310 lower than the current year. The total General Fund Expenditure budget requirement for 2022/23 was planned to be £15,925,100, an increase of £757,250 compared to 2021/22.

Council Tax Budget Requirement

- net expenditure to be financed from Council tax was £6,415,560, an increase of £163,740 compared to 2021/22. The alternative option of a 1.99% increase would reduce the amount by £65,000.
- *the increases from the precepting authorities were unknown at present and the final figures would not be available until a day or so before Extraordinary Council. It was anticipated that the County Council level would be broadly similar to the previous year although a £10 increase could be anticipated in respect of the Police and Crime Commissioner for Devon and Cornwall.*

Housing Revenue Account

- the HRA was a self-contained fund which from 2012 was expected to be self-financing. There was a budget deficit of £1.154 million which would be met from the working balance; and
- the account was well within medium term financial plan requirements and a higher contingency was maintained as housing repair costs in estates, for example, could be high.

Capital Programme Resources

- the 2022/23 programme totalled £46.469 million which was largely as previously agreed with an additional figure for IT equipment and software; and
- the HRA medium term financial plan provided for a capital programme of £21.829 million with £14.3 million allocated for stock improvements and £7.5 million for new build.

Statutory Powers

In accordance with a range of statutory responsibilities the Council had set a minimum level for the General Fund Balance to remain above £3 million, with £4 million set as the minimum figure for the HRA.

- *no detail was available to date in respect of the Government intention to provide relief towards utility bill increases. It was expected to be set outside the Council Tax regime but with cash payments to be made to households within bands A to D. Relief for those within Bands E to H would be discretionary and would be for those who could show financial need;*
- *the Council Tax team work load would increase significantly. The Government would be making a contribution to the Council of £39,000 towards the administration of this relief, which would include any changes to software. Whilst it was expected that this would be paid by the Government to the Council before year end, the expectation was that relief should be released after 1 April 2022; and*
- *the scheme would be publicised through the Council's usual channels.*

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

5 Capital Strategy 2022-23

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.

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

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

The Director Finance explained the proposed 2022/23 prudential indicators for capital finance for adoption by the Council and to set the annual statement of Minimum Revenue Provision (MRP). The three key indicators for Council to consider were the

capital financing requirement, the operational boundary and the authorised limit. It was noted that debt was repaid on an annuity basis.

The Director Finance responded to Members' queries:-

- *it was correct to state that within the Minimum Revenue Provision Policy 2022/23, the £254 million was the total borrowing of the General Fund and HRA together and that this was the amount the Council would have borrowed. It showed the Council's underlying need to borrow based on the proposed capital programme;*
- *with regard to the planned cuts to the Medium Term Financial Strategy and the General Fund increase to £2.4 million by 2024/25, it was considered that it was prudent and affordable to sustain this level of borrowing as much of the borrowing supported income generation. The three commercial properties, had been purchased using borrowing provide in excess of £2.5 million income; and*
- *the Commercial Property Budget included an allowance for voids but it was not the intention to increase this element as, whilst there had been some properties with rental based on turnover inevitably suffering during the Pandemic, overall returns continued to be sustainable. In respect of Princesshay, the Council held the freehold but any rental downturn affected the lessee. This budget, like all Council budgets, was regularly monitored through quarterly reports and any issues would be brought to the attention of Council.*

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

7 Treasury Management Strategy Report 2022/23

The Director Finance presented the report seeking the adoption of the Treasury Management Strategy Report and the incorporated Annual Investment Strategy 2022/23, as required under section 15(1) (a) of the Local Government Act 2003. The report set out the detail of all current investments as at 31 December 2021 with limits set on the value of investments that could be held by any one institution such as banks, building societies or other Local Authorities. The report also detailed borrowings through the Government's Public Works Loan Board, all being long term with no short term borrowings. Risk was also spread by investing through Money Market Funds.

The Director Finance responded to Members' queries:-

- *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. Even the Icelandic Banking crises, as an example, had been resolved without Government intervention with monies subsequently returned to this Council with interest; and*
- *the Council had regard to the green credentials of bodies it invested with and used the Standard Chartered and Barclays Sustainable or Green deposit accounts.*

A Member referred to the use the Council made of the Link Group as external treasury management advisors and whether the Group, through its advice to the Council, currently provided assessments on the Council investments, banks and money market funds on their climate wrecking or climate positive investments. The Member moved that Link Group be requested to include consideration of the climate

impacts of investments and banking activity within their advice provided to Council. This was seconded, voted upon and carried.

The Director Finance undertook to report to Council on whether Link Group included consideration of the climate impacts of investments and banking activity in their advice provided to Council.

RESOLVED that:-

- (1) the report be noted; and
- (2) the Director Finance update the Council on the assessment provided on climate emergency issues and whether Link Group included consideration of the climate impacts of investments and banking activity in their advice provided to Council.

The Chair thanked the Director Finance for his presentation.

The meeting commenced at 5.30 pm and closed at 7.00 pm

Chair