

REPORT TO EXECUTIVE

Date of Meeting: 6 February 2024

REPORT TO COUNCIL

Date of Meeting: 20 February 2024

Report of: Director Finance

Title: General Fund / HRA Estimates and Capital Programme 2024/25

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 2024/25 and to recommend the Band D level of Council Tax for 2024/25. This report also includes the proposed Capital Programme for 2024/25 and future years, and the proposals in respect of the Housing Revenue Account for 2024/25.

2. Recommendations:

2.1 It is recommended that:

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

2.1.2 Subject to the identification of sufficient capital receipts to finance the new General Fund Capital bids in respect of IT, recommend to Council the approval the General Fund and HRA Capital Programmes and delegate the final decision to the Director Finance, in consultation with the Leader and Chief Executive.

2.1.3 Members consider the budget assessment by the Section 151 Officer in 8.17 in agreeing the recommendations.

2.1.4 The General Fund minimum Balance be set at £3.020 million for 2024/25 and the HRA minimum Balance be set at £3.525 million for 2024/25.

2.1.5 The Council Tax for each Band be recommended to the Council as set out in section 8.19.3 subject to Devon County Council, OPCC Devon and Cornwall and the Devon and Somerset Fire Authority confirming their Band D levels respectively; and

2.1.6 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 20 February 2024 for approval.

3. Reasons for the recommendation:

3.1 To ensure that the Council is in a position to 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 of the report sets out the resource implications of the proposed budgets.

5. Section 151 Officer comments:

5.1 The proposed budget will achieve the requirement to maintain a minimum balance in excess of £3 million. Compared to last year, the level of reductions has been more manageable, but this has required the use of significant General Fund Balances

5.2 The proposed capital programme aligns with the Medium Term Financial Plan and the revenue implications have been built into both the General Fund and HRA budgets. The General Fund proposals reflect the challenging nature of the Council's finances. Only essential bids are being proposed and even these will be subject to the identification of resources to finance them.

5.4 The report also sets out the proposed HRA income and expenditure for 2024/25. There is a budgeted deficit of £0.208 million, which is in line with the HRA's medium Term Financial Plan. It is recommended to reduce the minimum level of reserves within the HRA, but even with this, the MTFP shows very little room for manoeuvre. The figures for the HRA contained in this report continue to show the minimum reserve level at £4 million. This will be amended in future reports if Members agree to the recommendation.

5.5 It is important to remember that Council is legally responsible for setting a balanced budget each year and for taking action when there are adverse movements in the projected financial position during the year. Therefore, if a decision is taken to amend the budget in any way, then Council must identify how that will be funded.

5.6 In order to maintain financial discipline and prepare for the reductions required, Council can no longer merely approve additional expenditure without identifying what will be cut to fund it. This is essential as Officers and Members prepare to identify ways to address the further gaps in funding over the life of the Medium Term Financial Plan. Next year in particular requires £3.8 million of reductions to deliver a balanced budget.

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;
- 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 Finance Settlement 2024/25

8.1.1 *1 year Settlement*

In terms of the settlement, the figures announced were for one year only. The underlying principle is that each Council will receive at least the minimum increase and again Exeter has received a Funding Guarantee Grant totalling £1.173 million to ensure we reach the minimum increase allowed. In addition, the Services Grant has also been included and Exeter has been awarded £0.026 million along with £0.600 million of RSG (an increase for inflation).

The provisional settlement for 2024/25 was announced in late December (Appendix 1) and the figures in the Medium Term Financial Plan have been updated. However, in an unusual move, the Government announced on 24 January 2024, that additional funding would be added to the final settlement. The majority (£500 million) will be paid to upper tier authorities as Social Care Grant, but the Government have also increased the Rural Service Delivery Grant by £15 million, provided funding for Councils experiencing significant difficulties due to internal drainage board levies and an increase in the minimum funding guarantee threshold from 3% to 4%. Only the final announcement will benefit Exeter. At the time of writing the final settlement has not been announced, but it is estimated that Exeter will receive approximately £0.140 million

Exeter's Core Spending Power has increased by 3.1% as compared to a 6.5% rise on average for Local Government as a whole. Much of the increase in funding nationally relates to specific Grants related to Social Care (Appendix 2).

8.2 Business Rates

8.2.1 The Government have confirmed that the implementation of the Business Rates retention reform and the review of the formula that underpins it will not take place in this Parliament and it has therefore been removed from the medium term financial plan. This

is positive news for Exeter as we benefit from being significantly above our baseline needs. The review is now not expected to be implemented until 2026/27 at the earliest, although given the complexity involved there is a strong chance that this will be moved further back.

8.3 Council Tax

8.3.1 The referendum threshold has remained this year at the higher of a less than 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 £127,014 and increase in the taxbase will raise an extra £384,393.

8.4 Key Assumptions

8.4.1 An overall allowance of £0.735m has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	4.0%
Pay – Increments	0.5%
Electricity	0.0%
Gas	(50.0%)
Water	0.0%
Insurance	10.0% - 20.0%
Rates	2.5%
Motor Fuel	3.0%
General Inflation	0.0%
Income (excluding Car Parks)	5.0%

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. Pay has been increased to 4% although there is a risk that this again may be lower than the actual amount agreed.

8.4.3 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 5.4%.

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.

8.7 New Homes Bonus

8.7.1 The Government have indicated that whilst New Homes Bonus will be payable again this year, like last year, the 2024/25 element of the allocation will be for one year only and there will be no payment in respect of the previous years. This gives an award of approximately £0.485 million for 2024/25. A new proposal to replace New Homes Bonus is again expected to be announced in the New Year.

8.7.2 To date the Council has received New Homes Bonus of £30.112 million over the period 2011/12 to 2024/25. It is proposed to use this year's allocation to support the revenue budget in its entirety:-

Year	Top Slice (revenue) £000's	Community Projects £000's	Major Projects /Debt Reduction £000's	Unused / Projects £000's	Revenue £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
2016/17	159	150	2,000	923	1,000	4,232
2017/18	164	150	1,500	783	1,000	3,597
2018/19	164	150	1,150	127	1,000	2,591
2019/20	25	150	1,000	149	1,194	2,518
2020/21	25	189	802	374	1,100	2,490
2021/22	-	-	-	-	1,941	1,941
2022/23	-	-	-	-	1,362	1,362
2023/24	-	-	-	-	672	672
2024/25	-	-	-	-	485	485
Total	1,017	2,008	14,305	3,028	9,754	30,112

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. The figures have not been updated to reflect the addition minimum funding guarantee grant, but it is not clear whether this is a one-off and therefore will not necessarily have an impact on future years. The MTFP indicates that further reductions are required from 2025/26 to 2027/28 to fully address the additional spending pressures. The proposed budget for 2024/25 makes use of a large amount of the General Fund Working Balance, which will need to be addressed in future years. The reductions required total £5.630

million, of which proposals covering £1.480 million have been identified. The reset of business rates and impact of the formula funding review have been removed pending further clarity on the timing of their implementation. If the additional funding is built into Council's base funding, this will reduce the required savings by around £150,000.

8.8.2 There are further uncertainties and factors that could affect the future financial position. These include: potential costs arising from the review of service plans, the cost of any new statutory functions, the annual pay award and additional borrowing and revenue costs in respect of any new capital programme commitments.

8.8.3 The level of reductions required however, are such that members must focus on delivery. It would not be appropriate to add further budgets without a clear understanding of how additional expenditure will be funded. Therefore any further requests for funding must have clearly identified reductions to offset the costs.

8.9 Balances and Reserves

8.9.1 The Council's current policy is that the minimum level of the General Fund Balance will remain above £3 million. As the Council faces great uncertainty in the medium term over funding and is reliant on less secure forms of income such as car park income it is prudent to hold reserve levels at this level to offset sudden losses of income or unexpected expenditure. Section 8.17 below provides an assessment of the risk factors used to underpin the minimum level of reserves.

8.9.2 The latest estimated position of the General Fund Balance is that it will be £3.739 million as at 31 March 2025, equivalent to 19.7% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 3) indicates that the General Fund Balance will reduce to £3.438 million by the end of 2027/28, if the proposed reductions are delivered. This is in line with the minimum level required.

8.9.3 The Council also has other reserves that have been earmarked for specific purposes. The Council's proposed revenue budget for 2024/25 includes a net transfer to earmarked reserves of £337,000 (although this includes a large transfer in respect of the ring-fenced Guildhall Shopping Centre income. This is broken down as shown overleaf:-

Transfer to/(from) reserves:

	2024/25
	£'000
Transfers to Reserves	
Devon Home Choice	25
Surplus Income from Guildhall Shopping Centre (ring-fenced)	862
Exeter Business against Crime	<u>20</u>
	907
Transfers from Reserves	
Vehicle Licensing	(15)
Revs & Bens New Burdens	(79)
Net Zero Exeter	(181)
Homelessness New Burdens	(75)
Corporate	(20)
AIM Reserve	<u>(200)</u>
	(570)

8.9.4 Additionally, there is an earmarked reserve to control the impact of additional reliefs granted, and funded, by Government in respect of Business Rates. In order to provide consistency in the figures reported, these movements are shown in Business Rates income to allow Councillors to compare the impact on the Council's Business Rates funding to previous years.

8.10 Revenue Estimates 2024/25

8.10.1 Service Committee Expenditure for 2024/25 is £16,750,780, which is £2,424,360 higher than the current year.

8.10.2 Appendix 4 sets out the proposed reductions and additional income identified in order to form a balanced budget.

8.10.3 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 £1,406,000 for net interest payments in respect of the overall cash balances, £1,831,020 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 2024/25 is proposed at £19,011,370, an increase of £1,632,920 compared to 2023/24 as shown in Appendix 5.

8.10.4 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.

8.11 Council Tax Budget Requirement 2024/25 (Appendix 7)

8.11.1 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 £9,370 more for the Council than an increase of £5.

8.11.2 When all the Government Grant and Business Rates funding is taken into account the resultant net expenditure to be financed from council tax is £7,169,560 (indicated in Appendix 7), an increase of £384,380 compared to 2023/24.

8.11.3 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 £127,014 (Exeter's share), which will be used to fund part of the expenditure to be financed from Council Tax.

8.11.4 After taking into account the surplus and the taxbase of 39,045, the proposed band D council tax for 2024/25 is £180.37, which means that the council tax would increase annually by £5.24 or 2.99%.

8.12 Housing Revenue Account (HRA) (Appendix 8 & 9)

8.12.1 Since April 2012, the Council's HRA is expected to be self-financing. Thus all income collected locally from rents, service charges and other sources are kept at a local level to deliver housing services to tenants and to maintain the housing stock.

8.12.2 Since April 2012 each local authority had a limit on the amount of borrowing it could have for the purposes of the HRA, called the 'debt cap'. For Exeter City Council, the debt cap was £57,882,413.

The HRA debt cap was formally removed on 29 October 2018, as a result local authorities are now able to borrow for housebuilding in accordance with the Prudential Code.

8.12.3 In October 2017, the government announced its intention to set a long term rent policy in respect of annual rent increases on both social rent and affordable rent properties of up to CPI plus 1% from 2020, for a period of 5 years.

The policy on rents for social housing came into effect from 1 April 2020. The Council is permitted to apply the policy of increasing rents by CPI plus 1%, the September 2023 CPI figure was 6.7% so the increase for 2024/25 is 7.7%.

For 2024/25 this will result in an average increase of £6.65 per week, over 52 weeks, per property.

8.12.4 The proposed budgets for 2024/25 indicate that a total of £208,050 will need to be taken out of the HRA Working Balance in order to meet the budgeted deficit. The impact on the HRA Working Balance is set out below.

Movement on HRA Working Balance	£
Estimated HRA Working Balance, as at 1/4/24	£4,841,314
Budgeted Deficit for 2024-25	(208,050)
Balance resolved to be retained (HRA contingency)	(4,000,000)
Total Forecast Balance Available, as at 31/3/25	£633,264

8.13 Capital Programme Resources (Appendix 10)

8.13.1 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. 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 8.14.2 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.

8.13.2 The following capital resources are available for General Fund (£15.924m) and Housing (£24.844m) in 2024/25. The Capital Programme totals £15.028 million in respect of the General Fund and £17.962 million for the HRA. The borrowing requirement for the General Fund is £5.987 million and is £3.900 million for the HRA. Appendix 10 sets out the forecast use of the resources available for the General Fund and the Housing Revenue Account and the likely amounts of borrowing that will be necessary to fund the capital programme in the future.

8.14 General Fund Capital Programme (Appendix 11)

8.14.1 The proposed capital programme is set out in Appendix 11. The programme for 2024/25 totals £15.028 million. Other than for some £0.368 million new bids for IT equipment, there are no new schemes being requested at this stage. The rest of the programme consists of schemes approved in 2023/24, that have already been deferred to 2024/25 at the earliest. It is anticipated that the programme will increase substantially at year end when further schemes from the 2023-24 capital programme are deferred into the new year.

8.14.2 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 therefore needs to generate capital receipts and although there are some in the pipeline, the Council does not have sufficient at the moment to pay for these new schemes. With that in mind an additional recommendation has been added to approve

the new schemes, but delegate the final decision for implementation to the Section 151 Officer once sufficient resources have been identified.

8.15 Housing Revenue Account Capital Programme (Appendix 12)

8.15.1 For 2024/25, the HRA medium term financial plan provides for a capital programme of £17.962 million. This comprises capital investment of £12.501 million for improvements to the Council's existing housing stock and £5.461 million towards the provision of new council homes.

In terms of investment in existing stock, the proposed budgets for 2024/25 include the following:

- 282 bathroom replacements
- 150 whole property retrofit completions
- 450 heating upgrades – either boiler replacements or new heating installations
- 195 kitchen renewals
- 150 roof replacements
- 210 property window replacements

8.15.2 The HRA Capital Programme will be funded by:

HRA Capital Finance	£
Major Repairs Reserve	5,744,752
Revenue Contribution to Capital	2,500,000
Capital Receipts	4,984,258
Borrowing	3,900,000
Grants	833,102
Total HRA Capital Financing 2024/25	17,962,112

8.16 Risk Assessment

8.16.1 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. The Council's funding has not kept pace with the scale of increases seen. The UK economy is relatively weak and this could impact on future funding agreements. Conversely, there is a chance that prices will continue to settle and reduce. This would have a positive impact of the reductions required;
- The Governments review of the future funding formula for Local Government, including a business rates rest, coupled with the potential loss of New Homes Bonus,

would add a further significant gap in funding over the Medium Term Financial Plan. The overall impact of both streams of funding stopping in the next four years would require further reductions of around £3 - 4 million;

- The Council collects, for itself, one of the lowest amounts of Council Tax in the Country. Indeed it collects, per head of population far less than other district Cities and prominent towns. Council Tax is considered a more secure form of income as it is backed by statute and has high collection rates. In order 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, far in excess of the Government's Core Spending Power assessment of £14.6 million that they believe Exeter requires to deliver services (see below for explanation);
- 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;
- 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.

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

- 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;
- Retaining a prudent level of reserves and balances.

8.16.3 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.

8.17 Section 25 Statement Of The Robustness Of Estimates And Adequacy Of Reserves

8.17.1 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.

8.17.2 Robustness of Estimates

I have already outlined above in this report 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.

As the Section 151 Officer for this Council I therefore consider that the budget estimates for 2024/25 that have been prepared are both robust and achievable.

8.17.3 Adequacy of Reserves and Balances

The Council's current policy is that the minimum level of the General Fund Balance will be £3 million. This equates to 15.8% of the net revenue budget, which is at the top end of what would normally be expected.

General Fund

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. An analysis of the Councils budget demonstrates that the cost of providing its statutory services, support services and payments to cover its legal liabilities (pension backfunding and debt and interest payments) exceeds the amount provided for by Grant, Business Rates and Council Tax by around £6 million. Included in the above is the amount that the Council receives above the business rate baseline, which is another insecure form of funding. The Council is also reliant on fees and charges to meet its statutory obligations.

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;
- 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	620,000

	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 £300,000 to costs. Similarly a 1% variation in inflation on premises, supplies, services & transport £320,000 to costs.	
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 over 90% of planned savings. A 7.5% reduction would add £100,000 to costs	100,000
Income from fees & charges	The Council is reliant on significant income from fees & charges to balance the budget. In 2023/24 the Council has missed those targets by a cumulative £2 million. Whilst this is reflected in the budgets, a further 5% reduction would add £1.5 million to the budget	1,500,000
Business Rates volatility	The Council generates Business Rate income in excess of the Baseline to a value of around £3 million. A 5% reduction would cost the Council £150,000.	150,000
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 Rate variations	A 0.5% variation in interest rates would cost the Council £200,000	200,000
		3,020,000

It is therefore proposed to maintain minimum reserves at this level. The latest estimated position of the General Fund Balance is that it will be £3.739 million as at 31 March 2025, equivalent to 19.7% of Exeter's net revenue budget. The Council's revised medium-term financial plan (Appendix 3) indicates that the General Fund Balance will reduce to £3.438 million by the end of 2027/28, if the proposed reductions are delivered, although further savings of £5.630 million are required to deliver this.

HRA

The HRA manages 4,800 Council Homes on behalf of tenants. It currently has a policy of maintaining a minimum level of reserves at £4 million. Like the General Fund, 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;
- Income volatility;
- Insurance excesses;
- Increased repairs & maintenance costs (particularly from voids);
- Interest Rate variations.

Area of Risk	Explanation	Amount
Inflationary pressures	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 £40,000 to costs. Similarly a 1% variation in inflation on premises, supplies, services & transport would add £140,000 to costs.	180,000
Income volatility	The HRA is reliant on Rental income to deliver its Services. These are in line with Government policy and the Council has very little room to address unexpected pressures. The Council makes provision for voids at 2.1%. An allowance of 1.5% is therefore held to protect against bad debt movements in year.	345,000
Insurance excess	The Council does not budget for insurance excesses. The property insurance excess is £100,000 each claim and therefore 5 claims in a year would potentially cost £500,000	500,000
Repairs & Maintenance	The Council holds a standard £500 per property in respect of unexpected repairs & maintenance	2,400,000
Interest Rate variations	A 0.5% variation in interest rates would cost the HRA £100,000 on the interest paid by the General Fund	100,000
		£3,525,000

On the basis of the above risk assessment, Members may wish to consider reducing the minimum level of reserves held in respect of the HRA down to £3.525 million. This would free up a one-off £475,000 to support improvements to the Council stock.

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

<u>Earmarked</u>	31/03/2023	31/03/2024	31/03/2025
	£'000	£'000	£'000
Total Earmarked Reserves*	13,102	9,094	9,431
<u>Non-Earmarked</u>			
General Fund Balance	6,151	5,052	3,739

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

8.18 Precepts

8.18.1 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 15th February, 2nd February and 16th February respectively. The precepts will be tabled at the Council meeting for approval.

	2023/24	2024/25	Change
	£	£	£ %
Devon County Council	1,419.21	x,xxx.xx	xx.xx x.xx
DCC Adult Social Care	214.92	xxx.xx	xx.xx x.xx
OPCC Devon and Cornwall	261.56	xxx.xx	xx.xx x.xx
Devon and Somerset Fire Authority	96.79	xx.xx	x.xx x.xx
Total Precept	1,992.48	x,xxx.xx	xx.xx x.xx

8.19 Final Position

8.19.1 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 2024/25 of £x,xxx.xx per Band D property.

8.19.2 This is an overall increase of £xxx.xx (x.xx%) on the amount of £2,167.61 levied for 2023/24.

8.19.3 The detailed figures are: -

Band	Exeter	DCC	Police	Fire	Total
	£	£	£	£	£
A	120.25	xxx.xx	xxx.xx	xx.xx	x,xxx.xx
B	140.29	xxx.xx	xxx.xx	xx.xx	x,xxx.xx
C	160.33	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
D	180.37	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
E	220.45	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
F	260.53	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx
G	300.62	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx
H	360.74	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx

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 are set out in section 8.16 above.

11. Equality Act 2010 (The Act)

11.1 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.

11.2 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 impacts on all members of the community.

11.3 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.

11.4 In recommending this proposal there are no proposed reductions to service levels reducing service provision to the public.

12. Carbon Footprint (Environmental) Implications:

12.1 The accompanying One Exeter Cost reduction report provides an assessment of the carbon footprint implications.

13. Are there any other options?

13.1 Not applicable.

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

Background papers used in compiling this report:-

None

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