

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

7 February 2024

Present:

Councillors Allcock, Asvachin, Begley, Branston, Fullam, Harvey, Holland, Ketchin, Knott, Miller, Mitchell, M, Moore, D, Patrick, Snow, Sparling, Rees, Vizard, Wardle and Williams, M

Apologies:

Councillors Atkinson, Read and Warwick

Also present:

Director Finance, Democratic Services Officers (PMD and SLS)

In attendance:

Councillor Philip Bialyk - Leader

1 Appointment of Chair for the meeting

RESOLVED that Councillor Vizard be appointed Chair of the meeting.

The Chair advised that, given the nature of the agenda, the Leader, in his capacity as MTFP and Budget Portfolio Holder, would be answering all political questions from Members.

2 Minutes

The minutes of the meeting of the Combined Strategic Scrutiny and Customer Focus Scrutiny Committees held on 9 February 2023 were taken as read, approved and signed by the Chair as correct.

3 Declaration of Interests

No declarations of disclosable pecuniary interest by Members were made.

4 General Fund/HRA Estimates and Capital Programme 2024/25

The Director Finance presented the report considered at Executive on 6 February 2024. His responses – as well as the Leader’s where applicable – to Members’ queries set out in italics.

The Director Finance thanked Members and officers for proposing a balanced budget given the number - and difficult timing of - financial pressures. He also advised that the budget-setting process would change next year and that a new meeting of this Committee would take place in June 2024 where he would set out:-

- MTFP requirements;
- timetable; and
- process.

This had been agreed at the previous Scrutiny Programme Board meeting.

Local Government Finance Settlement 2023/24

The Director Finance clarified that:-

- *it was not his role to determine how any additional money received by Exeter City Council (ECC) would be spent;*
- *it was true that the rise in costs incurred was higher than the rise in income generated, which made the budget-setting process more difficult;*
- *the condition survey underpinned the Capital Programmed;*
- *ECC could not presently borrow at an interest rate lower than 5%;*
- *not all operational properties generated an income;*
- *in terms of investment required, the situation with car parks was not dissimilar to the one with the Material Recycling Facility (MRF);*
- *car park income appeared close to its peak, which was lower than the budget set;*
- *ECC had a choice of investing to maintain the car park or risk losing income;*
- *it was extremely difficult for ECC to find new income streams; and*
- *the option of losing the multistorey car park required the assumption that other car parks could absorb the overflow.*

The Leader responded to Members' questions as follows:-

- *Not all services were being treated as cost-neutral at the moment; and*
- *He was leaning on advice from officers regarding the commercial strategy.*

New Homes Bonus

The Director Finance advised that:-

- *there was little left (£59,000) of the £3,028,000 in the "Unused / Projects" column at paragraph 8.7.2; the money had been used entirely;*
- *all of the "Unused / Projects" money would be used by the end of the year; and*
- *he would enquire with the Director of City Development if there had been any update on the Community Infrastructure (CIL) review announced by the Prime Minister.*

Medium-Term Financial Plan

The Director Finance responded to Members' questions as follows:-

- *On the issue of the Corporate Plan, the Finance Team's role was to deliver options for funding to the leadership;*
- *Building homes was an HRA matter;*
- *There was a number of ways budgeting could be done so long as the Council's statutory obligations were met; and*
- *Some of the proposals of One Exeter could offer solutions to the approach to financial planning.*

The Leader responded to Members' questions as follows:-

- *The Corporate Strategy was being looked at again; and*

- *In terms of Risk, the Equality Act 2010 and Carbon Footprint implications were always considered.*

Business Rates

The Director Finance explained that:-

- *business rates had become an increasingly complex area;*
- *the current scheme enabled ECC to be part of a pool with other local authorities across Devon;*
- *the Devon business rates pool was one of the most successful in the country;*
- *the Government wanted to link a reset to reforming the funding formula;*
- *every loss of business rates through government policy would be fully funded by the Government;*

Spending Pressures

- *there had been a reduction of £1.4m in income;*
- *there had been a loss of housing benefit admin grant as a result of the transition to universal credit, increased pensions contributions, external audit fees and an increase in software licences, among others;*
- *debt recovery had increased;*
- *a new telephony system would be needed next year;*
- *the reduction in car park income had been caused largely by a change in commuter patterns;*
- *housing benefit overpayments had reduced significantly;*
- *while there was a team in place in charge of marketing ECC's trade waste services, it was hard for the Council to compete with national companies; and*
- *trade waste still made more money than it cost to run.*

Council Tax Budget Requirements

The Director Finance clarified that:-

- *Exeter probably had the lowest council tax compared to cities of the same size, although no comparison would be like-for-like;*
- *Exeter received £51 per head of population, which was the lowest in the country of similar Cities and prominent towns;*
- *the Government had introduced a referendum limit for council tax; and*
- *it was possible to hold a local referendum about paying more council tax, but this would be a gamble and carried a risk associated with the cost of running the referendum and rebilling.*

Housing Revenue Account

The Director Finance explained that:-

- *despite the impact of the HRA financial challenges, tenants would continue to get repairs;*
- *additional staff had been required to cover new regulatory responsibilities for the Council as a landlord;*
- *maintenance was a challenging area;*
- *£16m would be made available for improvements to ECC's housing stock;*

- *the retrofitting of properties did have an impact on the budget;*
- *budget was going up for housing rents.*

General Fund Capital

The Director Finance clarified that:-

- *Strata was wholly owned by three local authorities (Exeter, Teignbridge and East Devon);*
- *Strata was a limited company which didn't pay dividends;*
- *IT hardware used by ECC was owned by the Council, while software was owned by Strata;*
- *Strata was not a company in the normal sense;*
- *it was cheaper for ECC to use Strata than to run its own IT.*

Responding to a Member, the Leader explained that he did not want to contract out for IT solutions and felt that the Strata system was working.

Robustness of Reserves and Estimates

The Director Finance explained that:-

- *commercial property income and car park income were regarded as "risky income;*
- *consequently, ECC was deemed to be a high-risk local authority as it relied on such income to deliver its statutory functions;*
- *the impact that the cuts from Devon County Council had on housing needs could be significantly be offset next year but would have a major effect in future years; and*
- *the cuts from Devon County Council caused unavoidable pressures (around £200,000; potentially £700,000 next year).*

The Chair and Committee Members thanked the Director Finance for his report and answers. The report was noted.

5 Capital Strategy 2024-25

The Director Finance presented the report which explained the detail of the long term policy objectives and resulting capital strategy requirements, governance procedures and risks for the Capital Programme. The Strategy being a statutory requirement.

There was one change to the previous year's Strategy with the implementation of a new International Financial Reporting Standard (IFRS 16 Leases), which has changed the way the Council treats a number of operating leases in accounting terms and they now form part of the Capital Programme.

A Member referred to the Capital Strategy and enquired why the Strategy did not include an assessment of whether a scheme reduces the environmental impact resulting from construction. She suggested that would address a fundamental issue relating to the corporate objective of climate change as a consideration of how capital projects were devised and funded. In responding to the Member's comment, the Director Finance advised that the Strategy was very prescriptive, but he noted the suggestion for future years.

Councillor Moore proposed a recommendation, which was seconded by Councillor Sparling that the Executive review the position that the Capital Strategy includes an improvement to the environment as a specific objective of any capital projects over the year. Following a vote, the proposal was carried.

The 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 presented the proposed 2024/25 prudential indicators for Capital Finance for adoption by the Council and to set the Annual Statement of Minimum Revenue Provision (MRP). He referred to a range of indicators, which demonstrated the affordability and prudence of the Capital Programme, set out in appendices A to C attached to the report. He also highlighted the following key indicators that the Council had to consider -

- the Capital Financing Requirement which demonstrates the amount that the Council has an underlying need to borrow, regardless of whether that amount has actually been borrowed;
- the Operational Boundary which sets out the amount that the Council intends to keep within over the period covered by the indicators, and
- the Authorised Limit, the maximum that the Section 151 Officer is allowed to borrow to cover the Operational Boundary and day to day cash flow needs. The Council is not allowed to exceed this amount of borrowing without first authorising an increase to the limit.

Responding to Members, the Director Finance advised:-

- the Council sets its own cap on borrowing, in line with what was required.
- all Councils had any open credit allowance, but the Government could step in where there were concerns over the level of borrowing by a local authority. He was aware that approach may be reviewed in the light of a number of Section 114 notices facing some local authorities
- every Council was required to have a Treasury Management Advisor, who provided specialist advice including the provision of an estimate and forecast in relation to interest rates.
- the Council had a number of fixed term loans with the Public Works Loan Board and the interest payable would not change over the lifetime of the loan.
- the borrowing approach in relation to requirements of the Housing Revenue Account (HRA) as opposed to the General Fund is slightly different.

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

7 Treasury Management Strategy Report 2024/25

The Director Finance presented the report, which sought the adoption of the Treasury Management Strategy report and the Incorporated Annual Investment Strategy 2024/25, as required under Section 15(1) (a) of the Local Government Act 2003. There had been no significant change in the Strategy which set out the approach for investing and borrowing money by the Council, the details of which were set out in section 4.3 of Appendix A.

Responding to Members, the Director Finance advised:-

- the Council was unable to enquire as to the degree of environmental and social responsibility of bodies with whom the Council invested, but they were legally required to prioritise the following of security, liquidity and yield. He would, however, make that request of brokers.
- the services of an intermediary was used and the Council enjoyed a good relationship with the brokerage firms used
- the Council could choose the arrangement that most suits their need and Commission is paid to the broker by the borrower.
- he understood the Member's concerns, but the institution may state their business ethos was green in nature and the proviso of security, liquidity and yield were paramount.
- That borrowing was made at the point that it was most affordable. The Council had borrowing on three commercial properties over a 30, 35 and 50 year period on a fixed term basis so the debt repayment was known for that period. Unlike Exeter, some local authorities have made losses on properties purchased due to the high interest as their short term loans require refinancing.

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

The Chair thanked the Director Finance for his presentation.

The meeting commenced at 5.30 pm and closed at 8.15 pm

Chair