

REPORT TO EXECUTIVE

Date of Meeting: 4 February 2025

REPORT TO COUNCIL

Date of Meeting: 25 February 2025

Report of: Strategic Director of Corporate Resources

Title: General Fund / HRA Estimates and Capital Programme 2025/26

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 2025/26 and to recommend the Band D level of Council Tax for 2025/26. This report also includes the proposed Capital Programme for 2025/26 and future years, and the proposals in respect of the Housing Revenue Account for 2025/26.

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 £3.100 million for 2025/26 and the HRA minimum Balance be set at £3.525 million for 2025/26.

2.1.5 The Council Tax for each Band be recommended to the Council as set out in section 8.20.3 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 25 February 2025 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 £3.020 million. This is based on the assumption that Council agrees the savings required.

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. Both the General Fund and HRA proposals reflect the challenging nature of the Council's finances. Only essential bids are being proposed and are unavoidable so the identification of resources to finance them is vital to ensure that further significant financial strain is not put on the Council.

5.4 The report also sets out the proposed HRA income and expenditure for 2025/26. There is a budgeted deficit of £0.561 million, which is in line with the HRA's medium Term Financial Plan.

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 The Government's proposal to reset Business Rates in 2025-26, will have a further detrimental impact on the financial position of the Council. This funding has been relied upon to balance the budget and even with transitional arrangements, it will significantly increase the further reductions required over the medium-term financial plan. It is not just the loss of business rates growth, but also the loss of income from the Business Rates Pool.

5.7 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 £3.0 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 section 151 officer to report on the adequacy of the Council's financial resource.

7.2 The Monitoring Officer's comments are intended to assist 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. A resolution to set a Council tax which deliberately did not balance the budget would also be unlawful.

7.5 When reaching a decision, councillors have an obligation to act reasonably and in accordance with the principles 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' can be summarised as a duty to conduct administration in a business-like manner with reasonable care, skill, and caution and with due regard 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 section 151 officer has given very clear advice in paragraphs 5. 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.

7.11 Members will also note the obligation imposed upon the section 151 Officer under section 25 of the Local Government Act 2003 concerning the robustness of the estimates made for the purposes of the calculation and on the adequacy of the financial reserves. This information is set out at paragraph 8.18.2 of this report. Member must have regard to this.

8. Report details:

8.1 Local Government Provisional Finance Settlement 2025-26

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 same as last year and again Exeter has received the Funding Floor Grant totalling £0.290 million to ensure we reach the minimum allowed. In addition, the Council also received Recovery Grant of £0.271 million.

8.1.2 National Insurance Increases

The Government committed to fully funding directly employed Local Government staff in respect of the national insurance increases. The figure will not be known until the final settlement, but the methodology has been released. Early projections are that Exeter will receive around £138,000 against an actual increase of £669,000 for the General Fund and £91,000 for the HRA. This is woefully inadequate, and we will respond to the consultation highlighting this.

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 intime for the 2025-26 Settlement. However, they have committed to resetting the Business Rates. The review is now expected to be implemented in 2026/27and will have a hugely detrimental impact on the Council as we are significantly above the business rates baseline.

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 £103,692 and increase in the taxbase will raise an extra £337,218.

8.4 Key Assumptions

8.4.1 An overall allowance of £0.662m has been set aside for inflation. The inflationary increases allowed in the budget are:

Pay Award	3.0%
Pay – Increments	0.5%
Electricity	0.0%
Gas	0.0%
Water	0.0%
Insurance	10.0% - 15.0%
Rates	2.5%
Motor Fuel	3.0%
General Inflation	0.0%
Income (excluding Car Parks)	3.0%

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 reduced to 3% 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 5.86%.

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 again indicated that whilst New Homes Bonus will be payable again this year, like last year, the 2025/26 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 £0.872 million for 2025/26. 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 £30.984 million over the period 2011/12 to 2025/26. It is proposed to use this year's allocation to support the revenue budget in its entirety:-

Year	Top Slice (revenue)	Community Projects	Major Projects /Debt Reduction	Projects	Revenue	Total
	£000's	£000's	£000's	£000's	£000's	£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
2025/26					872	872
Total	1,017	2,008	14,305	3,028	10,626	30,984

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 MTFP indicates that further reductions are required from 2026/27 to 2028/29 to fully address the loss of income from Business Rates as a result of the reset. The reductions

required for future years total £5.737 million, of which proposals covering £1.287 million have been identified.

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. There needs to be a clear understanding of what the priorities of the Council are and a focus on ensuring that once our statutory services are funded, any available funds are allocated to deliver any non-statutory priorities.

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 £3.020 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 £4.074 million as at 31 March 2026, equivalent to 18.6% 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 £3.236 million by the end of 2028/29, 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 £1.447 million (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:

	2025/26 £'000
Transfers to Reserves	
Devon Home Choice	28
Surplus Income from Guildhall Shopping Centre (ring-fenced)	629
Property Maintenance	334
Homelessness	577
Exeter Business against Crime	<u>23</u>
	1,591
Transfers from Reserves	
Vehicle Licensing	(20)
Net Zero Exeter	<u>(208)</u>
	(228)

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 2025/26

8.10.1 Subject to the reductions being agreed, Service Committee Expenditure for 2025/26 is £16,170,240, which is £580,540 lower than the current year.

8.10.2 Once agreed by Council, Appendix 4 setting out the proposed reductions and additional income will be added to the published budget book.

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 £1,475,000 for net interest payments in respect of the overall cash balances, £2,702,000 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 2025/26 is proposed at £21,900,360, an increase of £2,888,990 compared to 2025/26 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 2025/26 (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 £15,666 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 £7,506,790 (indicated in Appendix 7), an increase of £337,220 compared to 2024/25.

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 £103,692 (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 39,852, the proposed band D council tax for 2025/26 is £185.76, which means that the council tax would increase annually by £5.39 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 2024 CPI figure was 1.7% so the increase for 2025/26 is 2.7%.

For 2025/26 this will result in an average increase of £2.51 per week, over 52 weeks, per property.

8.12.4 The proposed budgets for 2025/26 indicate that a total of £561,070 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 1/4/25	£4,105,947
Budgeted Deficit for 2025-26	(561,070)
Balance resolved to be retained (HRA contingency)	(3,525,000)
Total Forecast Balance Available, as at 31/3/26	£19,877

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 (£20.240m) and Housing (£23.004m) in 2025/26. The Capital Programme totals £41.876 million in respect of the General Fund and £16.344 million for the HRA. The borrowing requirement for the General Fund is £26.185 million and is £6.278 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 2025/26 totals £41.876 million. Other than £1.251 million for replacement vehicles under the fleet lease model, there are no new schemes being requested at this stage. The rest of the programme consists of schemes approved in 2024/25 or before, that have already been deferred to 2025/26 at the earliest. It is anticipated that the programme will increase substantially at year end when further schemes from the 2024/25 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. These vehicles are unavoidable and therefore the need for capital receipts is even greater to ensure these costs do not fall on revenue.

8.15 Housing Revenue Account Capital Programme (Appendix 12)

8.15.1 For 2025/26, the HRA medium term financial plan provides for a capital programme of £16.344 million. This comprises capital investment of £14.731 million for improvements to the Council's existing housing stock and £1.613 million towards the provision of new council homes.

In terms of investment in existing stock, the proposed budgets for 2025/26 include the following:

- 185-bathroom replacements
- 135 whole property retrofit completions
- 285 heating upgrades – either boiler replacements or new heating installations
- 145 kitchen renewals
- 160 roof replacements
- 190 property window replacements

8.15.2 The HRA Capital Programme will be funded by:

HRA Capital Finance	£
Major Repairs Reserve	5,006,366
Revenue Contribution to Capital	1,000,000
Capital Receipts	4,060,109
Borrowing	6,278,000
Grants	0
Total HRA Capital Financing 2025/26	16,344,475

8.16 Consultation

8.16.1 The Council has undertaken a public consultation on priorities for investing and dis-investing to help inform the setting of the budget for 2025/26. The Consultation was undertaken by Enventure Research who also undertook the residents survey completed in September 2024 which informed members thinking on budget priorities. Both surveys were undertaken with Exeter City Council residents aged 16+ using a CATI methodology (Computer Aided Telephone Interviewing) with additional face-to-face on-street interviews carried out to balance quotas with hard-to-reach residents. Quotas were set to achieve a sample that was representative of the local population in terms of age group, gender, and area. 1,101 interviews on budget proposals were undertaken during November and December 2024.

8.16.2 Additionally the Council offered the same survey on its website to enable a wider audience of residents, visitors, and businesses to have their say. This was widely promoted and ran until 9 January 2025 resulting in 597 responses received.

8.16.3 The responses will be considered by members as part of the process of setting out proposals to deliver a balanced budget. The full results of the surveys will be published on the Council's website.

8.17 Risk Assessment

8.17.1 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. Whilst price inflation has settled, it still exceeds the increase in the Council's available resources.
- The Governments review of the future funding formula for Local Government, including a business rates reset, 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 has been built into the medium-term financial plan;

- 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.

8.17.2 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.

8.17.3 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.

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

8.18.1 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.

8.18.2 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 2025/26 that have been prepared are both robust and achievable.

8.18.3 Adequacy of Reserves and Balances

The Council's current policy is that the minimum level of the General Fund Balance will be £3.020 million. This equates to 13.8% 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 Council's budget demonstrates that the cost of providing its statutory services, support services and payments to cover its legal liabilities (pension back funding 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 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.	620,000
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 over 90% of planned savings. A 7.5% reduction would add £180,000 to costs	180,000
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 Rates	A 0.5% variation in interest rates would cost the Council £200,000	200,000
		3,100,000

It is therefore proposed to increase minimum reserves to £3.1 million. The latest estimated position of the General Fund Balance is that it will be £4.074 million as at 31 March 2026, equivalent to 18.6% 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 £3.236 million by the end of 2028/29, if the proposed reductions are delivered, although further savings of £5.737 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 £3.525 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

It is therefore proposed to maintain minimum reserves at this level.

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

<u>Earmarked</u>	31/03/2024	31/03/2025	31/03/2026
	£'000	£'000	£'000
Total Earmarked Reserves*	11,909	6,248	7,695
<u>Non-Earmarked</u>			
General Fund Balance	5,882	4,057	4,074

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

8.19 Precepts

8.19.1 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 20th February 31st January and 17th February respectively. The precepts will be tabled at the Council meeting for approval.

	2024/25	2025/26	Change
	£	£	£ %
Devon County Council	1,468.08	x,xxx.xx	xx.xx x.xx
DCC Adult Social Care	247.59	xxx.xx	xx.xx x.xx
OPCC Devon and Cornwall	274.50	xxx.xx	xx.xx x.xx
Devon and Somerset Fire Authority	99.68	xx.xx	x.xx x.xx
Total Precept	2,089.85p	x,xxx.xx	xx.xx x.xx

8.20 Final Position

8.20.1 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 2025/26 of £x,xxx.xx per Band D property.

8.20.2 This is an overall increase of £xxx.xx (x.xx%) on the amount of £2,270.22 levied for 2024/25.

8.20.3 The detailed figures are: -

Band	Exeter	DCC	Police	Fire	Total
	£	£	£	£	£
A	123.84	xxx.xx	xxx.xx	xx.xx	x,xxx.xx
B	144.48	xxx.xx	xxx.xx	xx.xx	x,xxx.xx
C	165.12	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
D	185.76	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
E	227.04	x,xxx.xx	xxx.xx	xx.xx	x,xxx.xx
F	268.32	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx
G	309.60	x,xxx.xx	xxx.xx	xxx.xx	x,xxx.xx
H	371.52	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 Any proposals made that require an EQIA will need to address this prior to implementation.

12. Carbon Footprint (Environmental) Implications:

12.1 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.

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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