

**Leader's Half-Year report to Resources Scrutiny**

**22 June 2011**

Exeter City Council faces unprecedented cuts in its financial support from this Conservative-led government. Our experience since September is the front-loading of cuts has meant that some services to the public have been reduced, though we took a political decision to protect grants to community organisations, where services are coming under increasing pressure from the most vulnerable residents in Exeter. Local government has been under sustained political attack from Conservative ministers, assisted by the tabloid press. What I set out below is the impact of Tory cuts on our budgets and an outline of the restructure of the council.

**The Council's Current Financial Standing**

The Local Government Finance Settlement for Exeter this has meant a cut in formula grant of almost 23% between 2010/11 and 2012/13 with expectations of further cuts in grant beyond that. In cash terms formula grant has reduced from £10.7 million in 2010/11 to £8.3 million in 2012/13.

The Council's budget proposals for 2011/12 included a package of measures to save some £2.4 million which has resulted in an overall reduction of the revenue budget requirement from £16.8 million in 2010/11 to £14.1 million for the current year. The Council's Medium Term Financial Plan also indicated that in addition to these savings the Council will need to reduce its revenue budget by a further £711,000 in 2012/13, £537,000 in 2013/14 and by a further £1,041,000 in 2014/15.

This amounts to a cumulative reduction of £4,710,000 over the next four years.

In the last year, although the shortfall in funding of the Concessionary Fares Scheme had been substantially mitigated by additional grant, additional pressures from a poor grant settlement and the continuing downturn of the economy meant that a substantial reduction in the General Fund balance was forecast in the budget. However, a successful vacancy management policy, the re-letting of the Leisure Contract and the ability to capitalise redundancy payments combined with other savings has enabled the Council to add back money to its General Fund balance during the year.

We do, of course, have other sources of income, of which council tax (at about £4.7 million per year) is the most significant, but this has been frozen for the current year and thereafter will prove difficult to significantly increase. Additionally, in comparison with most other district councils Exeter has a very low council tax; it currently has the 5<sup>th</sup> lowest district band D council tax. This means therefore that the council is also less able to generate additional revenue from council tax payers in comparison with most other councils. Whilst other sources of revenue, such as car parking income and property income, are relatively substantial in Exeter, they are both largely dependent on the health of the economy and cannot be expected to significantly increase from current levels in the short term.

With regard to the Council's revenue reserves significant use has already been made of them in recent years as part of the overall budget strategy. The Council's revenue reserves at the end of 2007/08 were some £10.1 million, comprised of £7.5 million of unallocated General Fund balances and £2.6 million of earmarked reserves. By contrast, the Council's reserves position as at 31 March 2011 shows total revenue reserves of only £5.4 million, of which £4.3 million are in respect of the unallocated General Fund balance. The Council has already planned to use its reserves so that the General Fund Balance reduces to the prudential minimum level of £2 million by the end of 2014/15.

All of this leads to the inescapable conclusion that Exeter City Council will have to continue to reduce its cost base in the medium term if it is to meet its legal duty to have a balanced budget whilst providing a wide range of mandatory services to the public. In recent years the Council has been able to save very significant sums from budgets through greater efficiency, service reductions and reduced staffing. This is why the Council has already been adopting a policy of tightly restricting recruitment for the last two years in order to minimise potential impacts on existing staff and the costs of terminating contracts. However, the current financial situation is a step up in gear and we therefore need to take a closer look at the fabric of the council itself.

### **Management Restructure and Review of Services**

The council is undertaking a wide-ranging programme of structural change and service rationalisation.

This has started with a restructure of senior management. The aim is to ensure that by April next year, we have a cost effective and efficient structure to address the council's priorities. Affected staff will of course be engaged in this process as will their trade unions. There will of course be concern among the staff and there will be measures in place to support those who are directly affected by the restructure. Whilst it is still too early to accurately predict the eventual number of actual job losses and any consequential redundancy costs; the costs of the review are likely to be significant. The council is therefore currently seeking to capitalise these costs so that they can be spread over a longer period.

We know that we have a sound record as a successful council providing the public with good value for money. However, our structure is more than a decade old and cuts in budgets have left some areas unbalanced in delivering the best service to the public.

I have already had agreement from the other group leaders to undertake a systemic review of the council's services. We will start with two to three services so that we understand how the process works and what it can deliver for us. The success of this work will rely on all input from the managers and staff of the services as well as councillors being involved and so I hope I can count on your support for this.

The work over this year will allow us to be clear about our priorities and what type of council we need to be to continue to deliver high quality and cost effective services for our residents and continued growth for Exeter as a whole.

It will be challenging time, but we have a history of success as Exeter City Council under Labour control and I am confident that this will continue into the future.