

## **REPORT TO EXECUTIVE COMMITTEE**

Date of Meeting: 2 June 2020

## **REPORT TO COUNCIL**

Date of Meeting: 21 July 2020

### **Report of: CHIEF FINANCE OFFICER**

**Title: Exeter City Group – request for funding for new Company business cases and additional financial support**

#### **Is this a Key Decision?**

No

#### **Is this an Executive or Council Function?**

Council

1. What is the report about?

1.1 To seek funding to develop three business cases to explore the feasibility of expanding Exeter City Group's range of Subsidiaries to include a Company providing market rent properties to let, a Consultancy Company and a Company to provide retro-fit solutions for existing housing.

1.2 To approve a Finance manager – Commercial to provide dedicated support to Exeter City Group and the other Council owned Companies. This will be funded by Exeter City Group along with funds received from the other Companies.

#### **2. Recommendations:**

2.1 That Executive recommend to Council to approve:

- £300,000 for the development of three business cases to explore the feasibility of creating the new subsidiaries;
- £60,000 for a new Finance Manager – Commercial to support Exeter City Group and the wider Council Companies. Ultimately this will be funded by the Companies themselves.

2.2 Delegated authority to the Chief Executive, in consultation with the Section 151 Officer (or Deputy) and Leader of the Council (or Deputy), to give final approval to proceed once the Council's financial position is secure.

#### **3. Reasons for the recommendation:**

3.1 The Council is facing reductions of £3.7 million over the period of its medium term financial plan. One of the options to close the gap is to generate further income from the Council's wholly owned Company, Exeter City Group. It is essential that Council satisfies itself that the new Companies are viable and that the balance between risk and reward is acceptable.

3.2 The demand on the Finance team from Exeter City Group is significant and this will increase as more Companies are added. Exeter City Group would ideally like a dedicated member of the Finance team to be seconded at least two days a week to provide the support they require. With the existing structure that is not possible, but Finance acknowledge that it is essential to support a significant increase in the projects being undertaken. This will increase to at least four days a week once the new Companies have been established.

**4. What are the resource implications including non financial resources.**

4.1 There is an immediate need for £300,000 to fund the creation of the Business Cases. This will be funded in part from the balance left on the Business Rates pilot. The £60,000 required for the additional member of staff will ultimately be funded by the expanded Group of Companies, with the post predominantly seconded to the Exeter City Group to provide strategic financial support.

**5. Section 151 Officer comments:**

5.1 Whilst it is important to ensure that the Council is in a position to start working quickly once the Coronavirus restrictions are lifted, it is imperative that Council note the delegated authority recommendation exists to ensure that the Chief Executive and Chief Finance Officer are confident in the strength of the Council's financial position. It is highly likely that this will require Government support to ensure that the loss of income faced during the restrictions will not force service reductions to be made by the Council rather than important investments in our assets.

5.2 The one off cost of the Business Cases will be funded from a mix of funds available from the Business Rates pilot and General Fund reserves, subject to recommendation 2.2 above. The cost of the additional post will be funded by Exeter City Group.

**6. What are the legal aspects?**

6.1 None identified.

**7. Monitoring Officer's comments:**

7.1 This report raised no issues for the Monitoring Officer.

**8. Report details:**

8.1 The Business Rates reset, alongside the redistribution of resources through the Fair Funding review for Local Government and the indicated ending of the New Homes Bonus has left the Council facing a £3.7 million shortfall in its funding over the period of its medium term financial plan alongside a short term need to balance the budget within 2020-21 as a result of the restrictions imposed to protect the public.

- 8.2 One of the options to address the shortfall is to increase the income generated by the Council's Companies. As Members will recall, at the time of approving Exeter City Group and its subsidiary, Exeter City Living, two further Companies were created but kept dormant. One company would provide homes available for market rent and the other commercial property for lease. They were kept dormant as no business case had been prepared to demonstrate that they were viable and would not cause financial difficulties for the Council.
- 8.3 Owing to the current financial climate and the Government's latest consultation regarding the PWLB and borrowing for commercial property, it is not proposed to undertake a business case into the viability of the commercial property company at this stage. However, there are three companies that the Council wishes to explore in detail. These are:
- The market rent housing company – to purchase property from Exeter City Living (or on the private sector market) and provide property for market rent to the public;
  - A consultancy company – to provide support to organisations looking to deliver PassivHaus or similar developments;
  - A retrofit company – to deliver retrofit solutions to existing properties in pursuit of carbon neutral homes.
- 8.4 The cost of producing the three business Cases is estimated at £300,000 and will be funded as set out in section 5.2.
- 8.5 In order to support Exeter City Group in setting up the new Companies and to provide more dedicated support to Exeter City Living and Exeter City Group as a whole, further financial resource is required. Exeter City Living alone would like a secondment of at least two days a week at qualified accountant level, in addition to the Finance Officer (AAT) support they receive. As this support is currently provided by the Deputy Chief Finance Officer, it is proving impossible to dedicate sufficient amounts of her time to the Company as it is and the new Companies will makes this even more unviable.
- 8.6 It is proposed therefore to appoint a Finance Manager – Commercial to dedicate their time to the growing Group. In line with the two other Finance Managers within the team it is anticipated that it will be a Grade M post (subject to JE). The funding required is £60,000, although this will comfortably be covered by the Companies through Service Level Agreements.
- 8.7 It is anticipated that the Finance Manager will be seconded four days a week to the Exeter City Group working for each of the subsidiaries and will use the balance of time to oversee Strata.
- 8.8 The Deputy Chief Finance Officer will be able to take on further technical work from the Chief Finance Officer and dedicate more time to her role as Service Lead for Finance. Appendix A sets out draft Job Descriptions and Person Specifications for the roles.

## **9. How does the decision contribute to the Council's Corporate Plan?**

9.1 The overall financial position of the Council underpins the Council's ability to deliver the Corporate Plan.

## **10. What risks are there and how can they be reduced?**

10.1 The key risk is that the Business Cases do not result in viable Companies and the Council therefore needs to identify alternative solutions to reduce the £3.7 million gap. Without undertaking the work however, the Council will not be able to assess whether this is a viable solution.

10.2 Without further resource, Finance cannot provide a professional service to the Companies in question. This would mean Exeter City Group seeking to find alternative support from the private sector and a subsequent loss of income to the Council.

## **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 no potential impact has been identified on people with protected characteristics as determined by the Act.

## **12. Carbon Footprint (Environmental) Implications:**

12.1 No direct carbon/environmental impacts arising from the recommendations.

**13. Are there any other options?**

- 13.1 The Council can look at other options to address the gap in funding identified over the medium term financial plan. This would include either further income opportunities or service reductions. Exeter City Group could seek financial support from an external source. This would reduce the burden on Finance, but equally remove an income source for the Council.

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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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