

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

20 October 2021

### Present:

Councillor Vizard (Chair)

Councillors Atkinson, Allcock, Branston, Denning, Jobson, Mitchell, M, Moore, J, Newby, Pearce, Sheldon, Sparkes and Sparling

### Apologies:

Councillors Buswell, Hannaford, Mrs Henson, Martin, A, Mitchell, K, Quance, Sills and Wardle

### Also present:

Chief Executive & Growth Director, Director Corporate Services, Director Finance, Democratic Services Officer (SLS) and Democratic Services Officer (HB)

### In attendance:

Councillor Bialyk	Leader
Councillor Harvey	Portfolio Holder City Management
Councillor Sutton	Portfolio Holder Net Zero Exeter 2030
Councillor Williams	Portfolio Holder Supporting People
Councillor Wood	Portfolio Holder Leisure & Physical Activity

### **1 Appointment of Chair**

Members were invited to confirm Councillor Vizard as the Chair for the meeting and indicated their affirmation by a show of hands.

**RESOLVED** that Councillor Vizard be appointed Chair of the meeting of the Combined Strategic and Customer Focus Scrutiny Committee.

### **2 Declarations of Interest**

No declarations of discloseable pecuniary interest by Members were made.

### **3 Medium Term Financial Plan Update**

The Director Finance presented an update on the current progress in the development of the Medium Term Financial Plan (MTFP) which was either as the result of a Council decision or due to elements outside of the Council's control, such as decisions governed by Central Government. He reported the reductions required to form a balanced budget over the MTFP which had increased from the previous figure of £6 million to £7.5 million up to the period 2024/25. The increase was made up of a £600,000 expectation prior to Covid in relation to the Leisure budget, and a £900,000 budget in respect of the decision taken by improving the waste collection service and the introduction of a food waste collection service.

The Director Finance further explained the important influences on the process which included the following:-

- challenges projected outside the Council's control in terms of the Business Rate re-set, New Homes Bonus and additional income;
- the given projected challenges of inflation, additional services pressures and additional debt repayment; and

- Year by year total pressures.

The pressures were offset by a potential £1.1 million of additional income.

- Business Rate re-set £2.4 million  
the Government's intention was to reset the rates with the £2.4 million potentially shared out across the rest of the country, and an anticipated share of around £300,000 for Exeter. It was anticipated the Government reset would take place within the period of the Council's MTFP and tie in with the revaluation of business rates for businesses around the country in 2023.
- New Homes Bonus £1.9 million  
the Government had announced the end of New Homes Bonus (NHB) and despite consulting on a replacement scheme, have not announced its replacement or of the future opportunities for generating future income.
- Inflation £1.5 million  
Inflation was a significant pressure, driven by the rising fuel prices as part of the goods and supplies needed for service delivery and was likely to impact on the Council's budget.
- Additional Services costs £1.7 million  
additional services costs such as the decision to bring back Leisure in-house in the middle of a Pandemic has resulted in income having been significantly impacted, but as the service seeks to recover, it will be part of the solution as well. The additional cost of delivering a new waste service with food collection in the city was also included.
- Additional debt repayment £1.1 million  
the debt repayment process included repaying borrowing for historic decisions when money was set aside from the NHB so as to minimise service reductions.

In addition, the following savings would be made over the next three years which included an additional £2 million in 2022/23; £3.6 m in 23/24 and £1.9m in 24/25 (reserves of £600k will reduce the impact of the £3.6m figure)

The following was also highlighted –

- Leisure Services - and the aim to deliver a cost neutral service in the future in the lifetime of years 2 and 3 of the MTFP.
- an organisational change programme will look at the way we deliver services to the public to identify efficiencies.
- thinking about the way the discretionary services and statutory services are delivered.
- the use of technical accounting methods to offset the reductions required and the recharge of funds from the General Fund to a number of services including building control and licensing.
- consideration of potential asset disposals using capital receipts to build more assets, repay debt or to finance the capital element of the fleet lease.

- a review of the asset maintenance programme, and the investment of £37m in enhancing assets in financial years 3 to 5, with the assumption that a reasonable reduction in the ongoing maintenance may be realised.
- to discuss with partners identifying additional external funding of a number of discretionary services.
- the Council's Human Resources to look at options of changes to the way staff work to benefit both the staff and the Council, and
- developing income generation through greater commercialisation of some service areas.

The timeline was provided, in respect of the process through to next February when next year's Council Tax was set and the budget delivered.

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| <ul style="list-style-type: none"> <li>• October 27</li> <li>• Early November</li> <li>• November-December</li> <li>• December</li> <li>• January</li> <li>• February</li> </ul> | <ul style="list-style-type: none"> <li>Comprehensive Spending Review;</li> <li>Finalise proposed reductions for 2022-23;</li> <li>Detailed Budget Setting;</li> <li>Local Government Settlement (hopefully);</li> <li>Informal Presentation of Budget to Members</li> <li>Budget Strategy/One Exeter programme approval</li> <li>Finalise Budget</li> <li>Budget to Executive/Council</li> </ul> |
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The presentation is attached to the minutes.

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

- in view of the uncertainty associated with potential changes to the formula, the re-setting of the Business Rate and whether the Government would only provide a single year settlement, as opposed to three years which would be better for planning, it was not possible to predict a negative or positive scenario going forward;
- whilst certain Government grants and the limit on Council Tax increases were fixed elements, uncertainty in respect of the funding formula could present difficulties - for example the possible removal of the day visitor element from which Exeter benefited would have a negative impact. Similarly, whilst Exeter did have areas of deprivation it was relatively prosperous and changes in this national index could impact both negatively or positively;
- the final settlement was also dependent on decisions for the public sector as a whole, including the share allocated to upper tier authorities with much larger and complex budgets;
- every year tough decisions were made to put forward a set of options to deliver a balanced budget;
- indicative figures for all services to determine any efficiencies would be worked through and statutory services such as planning would continue to be delivered;
- the impact of inflation was based on the Council's Goods and Services and not the Retail Price Index. These included utilities, software licences and fuel. Software licences were difficult to predict and dependent on individual company decisions. It was anticipated that utility prices could increase significantly over the winter months (though the inclusion of the Council's solar panels would help). Whilst refuse rounds were often re-designed to absorb new areas, significant housing developments could present a need for additional rounds and an

- additional budget pressure. Ultimately, a line by line review of services was undertaken although in some cases the costs could remain neutral;
- the Council could take advantage of Capital rules to use funds from the sale of assets to finance the capital element of vehicle leases;
  - a Business Plan was shortly to be produced by Exeter City Living (ECL). The Council would be lending to ECL to deliver housing in the city and it was expected that an income stream from potential rental properties would not be achieved within the scope of the MTFP, but more in the longer term period of five to ten years;
  - Leisure Services had been bought in-house as the Pandemic had severely affected the Leisure sector resulting in companies being unable to tender for the service. This was an extra cost to the Council, as Business Rates Relief could no longer be claimed and because of the better terms and conditions offered to staff. Leisure was not a statutory responsibility and did not benefit from the formula funding. It was still recovering from the impact of the Pandemic and would need to build its customer base in the coming months and hopefully not endure a difficult winter period. It was important to understand the changes needed to deliver a cost neutral service with the aspiration to deliver the service from the income it generates.
  - the Government factored in inflation in grant allocations and the Settlement and grant allocations as did the Council in fees and charges and other income streams based on what was reasonable. Any increases in car parking charges however was a separate Council decision; and
  - ultimately it would be for Members to reach decisions to ensure a balanced budget.

The Chief Executive & Growth Director explained the challenges facing the Council. Much had been learned from the years of austerity and the need to identify a blend of efficiencies year by year which was continuing through the One Exeter process with a greater focus on digital transformation and alternative management options to further deliver efficiencies without impacting on services and adversely affecting the experience of customers.

The Council continued to reject options which some local authorities had favoured such as privatisation, withdrawing from the delivery of certain non-statutory services or seeking commercial return from opportunities outside the local authority boundary, the latter approach having encountered difficulties in some cases.

The Council had always sought solutions to preserving services and identifying creative delivery mechanisms such as Exeter City Living and Liveable Exeter. Management of the Valley Parks by the Devon Wildlife Trust ensured Council involvement through the partnership agreement and the Planning services would play a key role in bringing forward the ambitions of Liveable Exeter. Planning was one of 15 work streams being examined and, although initial savings had been identified, there were options for increasing its income stream, for example, charging for pre-application agreements. The Leisure Services was a further example where decisions on income levels and pricing structures would need to be taken. The Council will need to significantly increase membership to become cost neutral and this is achievable given the quality of the offer that will become available. The City could offer the most energy efficient pool in the country in St.Sidwell's Point, whereas Cornwall, in comparison, was looking at closing its pools.-

Responding to the Chair, the Chief Executive & Growth Director confirmed that an assessment of spatial requirements was a further area being examined by One Exeter and that this process included an assessment of management capacity and

staff resources. He also responded to a comment on the future use and income opportunities of the current Civic Centre, with the occupation of a range of tenants and the future development of a Council hub working with Crown Estates on the City Point site to create a very different space.

The Chief Executive & Growth Director concluded by reminding Members that over the last 10 years there had been a reduction of £16 million in Government support and that much would depend on the forthcoming Government settlement which would need to be longer term than one year to help ensure the current £7.5 million shortfall could be met and a balanced budget achieved.

The Chair welcomed this discussion and the beginning of the scrutiny process enabling a number of topics or work streams to be drawn out. He noted a Member's suggestion of ways to generate income through consideration of the Commercialisation Strategy.

The Chair thanked the Director Finance for his presentation.

The meeting commenced at 5.30 pm and closed at 6.52 pm

Chair

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# Addressing the MTFP 2022-25

# MTFP – October 2021



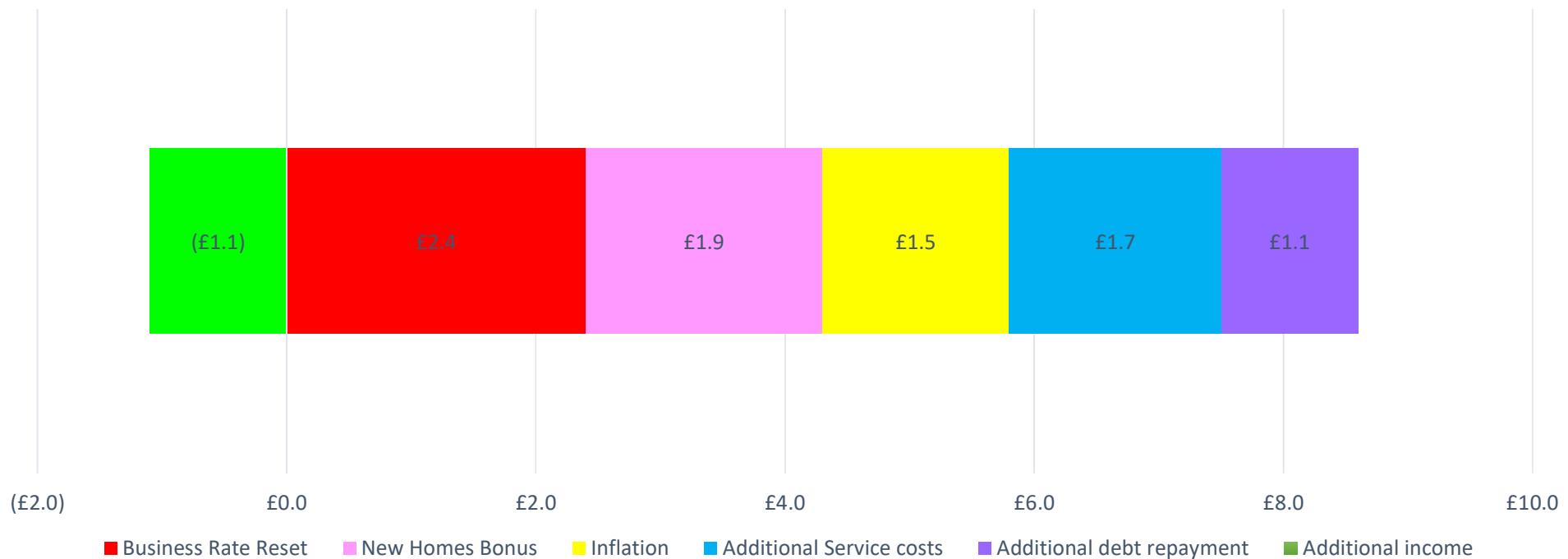
	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	
<b>Resources</b>							
Revenue Support Grant	371	602	373	380	388	396	
Business Rates Income	7,861	6,464	6,496	4,441	4,524	4,610	
<b>Covid 19 Support</b>	<b>1,822</b>	<b>760</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Sales, Fees &amp; Charges Compensation</b>	<b>4,343</b>						
CIL income	1,073	1,416	1,090	1,090	1,090	1,090	
New Homes Bonus	2,490	1,941	678	0	0	0	
Council Tax	6,149	6,252	6,393	6,647	6,916	7,180	
<b>Likely resources</b>	<b>24,109</b>	<b>17,435</b>	<b>15,030</b>	<b>12,558</b>	<b>12,918</b>	<b>13,276</b>	
<b>Expenditure</b>							
Service expenditure	14,908	21,149	16,861	15,577	13,187	11,322	
Net Interest	475	551	300	279	305	235	
Forecast Committee movements	3,015	3,033					
RCCO	17	0	0	0	0	0	
Repayment of debt	979	965	2,306	2,015	2,083	2,117	
Additional repayment of debt	(604)	(664)	(1,480)	(1,656)	0	0	
	18,790	25,034	17,987	16,215	15,575	13,674	
<b>Other funding</b>							
Contribution to/ (from) earmarked reserves	6,478	(6,851)	(76)	(570)	(15)	(500)	
Contribution to/ (from) balances - Other	(1,159)	(748)	(503)	(87)	(142)	102	
	5,319	(7,599)	(579)	(657)	(157)	(398)	
<b>Further reductions required</b>			<b>(2,000)</b>	<b>(3,000)</b>	<b>(2,500)</b>		
<b>Potential reductions identified</b>			<b>(378)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Net Budget</b>	<b>24,109</b>	<b>17,435</b>	<b>15,030</b>	<b>12,558</b>	<b>12,918</b>	<b>13,276</b>	<b>(7,500)</b>

Opening General Fund Balance	5,856	4,697	3,949	3,446	3,359	3,217
Closing General Fund Balance	4,697	3,949	3,446	3,359	3,217	3,319
Balance as a percentage of budget	19.5%	22.6%	22.9%	26.7%	24.9%	25.0%

# UNDERSTANDING THE £7.5m

TOTAL £7.5m

Additional Financial Pressures (£m)



# CHALLENGING PROJECTIONS

- **What is a given**

- Inflation - £1.5 million
  - 2022-23 - £0.5m
  - 2023-24 - £0.5m
  - 2024-25 - £0.5m
- Additional Service Pressures - £1.7 million
  - 2022-23 - £0.5m
  - 2023-24 - £0.3m
  - 2024-25 - £0.9m
- Additional debt repayment - £1.1 million
  - 2022-23 - £0.3m
  - 2023-24 - £0.1m
  - 2024-25 - £0.7m

# CHALLENGING PROJECTIONS

- **What is outside our control – All Government decisions**
  - Business Rates reset - £2.4 million
    - 2022-23 - £0.0m
    - 2023-24 - £2.4m
    - 2024-25 - £0.0m
  - New Homes Bonus - £1.9 million
    - 2022-23 - £1.2m
    - 2023-24 - £0.7m
    - 2024-25 - £0.0m
  - Additional income – (£1.1 million)
    - 2022-23 – (£0.5m)
    - 2023-24 – (£0.4m)
    - 2024-25 – (£0.2m)

# CHALLENGING PROJECTIONS

- **Total Pressures Year by year**
  - Pressures - £7.5 million
    - 2022-23 - £2.0m
    - 2023-24 - £3.6m
    - 2024-25 - £1.9m
  - Using Reserves
    - 2022-23 – £0.0m
    - 2023-24 – (£0.6m)
    - 2024-25 - £0.0m
  - Savings Required – £7.5 million
    - 2022-23 – £2.0m
    - 2023-24 – £3.0m
    - 2024-25 – £2.5m

# INDICATIVE REDUCTIONS

Work stream	Budget area		Work Programme	Indicative contribution £	2022/23 £	2023/24 £	2024/25 £
<b>Service Review</b>							
	Leisure Services to be redesigned to be cost neutral	Director Culture, Tourism & Leisure		1,300,000	-	700,000	600,000
<b>Target Operating Model / Service reductions</b>							
	<b>Organisational Change Programme</b> (Target Operation Model; digitalisation of customer services, channel shift to self service, unified contact centre, customer services rationalisation, business process redesign)	Programme Steering Group	Organisational Change	1,000,000		1,000,000	
	<b>Cessation / reduction of discretionary functions</b>	Programme Steering Group	Organisational Change	1,300,000	1,300,000	-	-
	<b>Statutory, non-discretionary services</b>	Programme Steering Group	Organisational Change	450,000		200,000	250,000
	<b>Enabling and support services; Strata contract and back office/support services</b>	Programme Steering Group	Organisational Change	400,000		250,000	150,000
	<b>Planning Services - contribution to above</b>	Programme Steering Group	Organisational Change	50,000		50,000	
	<b>Changes to management structure and operating model</b>	Programme Steering Group	Organisational Change	150,000			150,000
				3,350,000	1,300,000	1,450,000	600,000
<b>Technical Accounting</b>							
	<b>Self-financing services-</b> review recharges from GF to following services - Building Control, Land Charges, Visit Exeter, Licensing and HRA	Director Finance	Income Generation	100,000	100,000		
<b>Corporate Property</b>							
	<b>Asset disposal and management;</b> capitalisation of fleet lease (Achieved indicative contribution). Realising capital receipts to fund the fleet lease contract	Director Finance	Corporate Property	500,000	500,000		
	<b>Corporate Property -</b> potential for additional income / review of AIM	Director Finance	Corporate Property	200,000			200,000
				700,000	500,000	-	200,000
<b>Seek External Funding</b>							
	<b>Contribution from ring-fenced discretionary services ; RAMM</b>	Director Culture, Tourism & Leisure	Additional Funding	100,000		100,000	
	<b>Externally funded services</b> Services that lever in income from external parties	Director Culture, Tourism & Leisure	Additional Funding	200,000		100,000	100,000
				300,000	-	200,000	100,000
<b>HR</b>							
	<b>New working patterns T&amp;C's</b>	Programme Steering Group	Organisational Change	250,000	-	250,000	-
<b>Income Generation</b>							
	<b>Commercialisation;</b> MRF commercialisation work, special collections, trade refuse & recycling and green waste collections	Service Lead - Net Zero, Commercialisation, Skills, Business & City Centre	Income Generation	500,000	100,000	200,000	200,000
	<b>Exeter City Living group activities</b> Return from borrowing	Director Culture, Tourism & Leisure	Income Generation	500,000			500,000
	<b>Car park income</b> - Complete review in conjunction with Net Zero Commitment	Director - Net Zero & City Management	Income Generation	500,000		200,000	300,000
	<b>Total</b>			1,500,000	100,000	400,000	1,000,000
				7,500,000	2,000,000	3,000,000	2,500,000

# TIMELINE

- October 27 - Comprehensive Spending Review
- Early November - Finalise proposed reductions for 2022-23
- November – December - Detailed Budget Setting
- December - Local Government Settlement (hopefully)
- January - Informal Presentation of Budget to Members
- Budget Strategy / One Exeter Programme approval
- Finalise Budget
- February - Budget to Executive / Council