

LEADER'S REPORT TO SCRUTINY RESOURCES

The Council's Current Financial Standing

Exeter City Council continues to face unprecedented cuts in its financial support from the Government. For Exeter this has meant a reduction in formula grant of almost 23% between 2010/11 and 2012/13 with expectations of further cuts in grant beyond that. In cash terms our formula grant has reduced from £10.7 million in 2010/11 to £8.3 million in 2012/13. As a consequence of this we were required to reduce our budget this year by £1 million. This means we can no longer just manage our budgets better; we have to now manage our business differently as well as being prudent with our finances. The restructure of the Council has already seen a reduction in our senior management of 30% which will produce half of the saving required as a consequence of the government cut. The remaining 50% is being found through other efficiency savings which do not impact on front line service delivery.

The Council's Medium Term Financial Plan also indicates that the Council will need to make further savings of £2.2 million by 2016/17.

Members will note however in the revenue outturn reports being presented to Scrutiny Resources that last year the Council has performed extremely well. We have achieved our overall savings target and the Council has in fact made a surplus due to increased income from services like recycling. There has also been further good news with regard to the money that we had invested in 2 Icelandic banks. We have already recovered £3 million of the £5 million that we had invested and it is currently predicted that we will eventually recover all of our original investment plus some interest.

Apart from government grants one of the most important sources of our income is council tax and this currently raises about £4.7 million for us. As you know this has been frozen for the second year running and in comparison with most other district councils Exeter has a very low council tax; it currently has the 5th lowest district band D council tax. However, this also means that the council is also less able to generate additional revenue from council tax 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 2012 shows total revenue reserves of only £6.2 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 2016/17.

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 and reduced staffing. That is why the Council has reduced its senior management structure and will continue with its systematic review of services to find the necessary savings in other areas. Our overall financial aim remains to find efficiency savings which do not impact on front line service delivery.

The Labour Manifesto was widely endorsed by the people of Exeter in the elections, I believe because it shows a positive vision for the city despite financial constraints. Economically Exeter has much to be optimistic about. It is our leadership and vision for the city that appeals to commercial partners. We are investing in the infrastructure of our communities and taking opportunities as with the torch relay to celebrate with the community. Exeter has a bright future with Labour.