

## **REPORT TO EXECUTIVE**

Date of Meeting: 7<sup>th</sup> February 2023

## **REPORT TO COUNCIL**

Date of Meeting: 21st February 2023

Report of: Deputy Chief Executive

Title: One Exeter – Cost Reduction Proposals

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

No

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

Council

#### **1. What is the report about?**

- 1.1 The One Exeter work programme aims to deliver a fit for purpose organisation and meet the requirements of the Medium Term Financial Plan (MTFP). It was initially agreed by Executive in February 2021.
- 1.2 This report provides Executive and Council with a summary of the key proposals to reduce costs across the council in 2023/24. The proposals have been informed by:
  - a detailed review of the Discretionary Services currently provided by the council,
  - an initial Service Review of all service operations provided by the council to identify opportunities to reduce service costs whilst still maintaining effective and efficient service delivery
  - additional proposals submitted by the Strategic Management Board to reduce costs and deliver a balanced budget in 2023/24
- 1.3 Alongside the proposals to reduce costs, the report also sets out the impacts on staff arising from the proposed changes.

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

That Executive recommends to Council:

- 2.1 To support the initial Organisational Change Business Case proposals set out in Appendix A as a Part 2 item. This is because the report contains personal information from which some members of staff can be identified; and
- 2.2 To agree the cost reduction proposals set out in paragraphs 8.4 to 8.8 and detailed in Appendix B.

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

- 3.1 To ensure a structured and coordinated approach to delivering the cost reductions identified in the Medium Term Financial Plan for 2023/24.

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

- 4.1 The implementation of such wide-reaching change initiatives will mean a shift away from business as usual for the Human Resources (HR) team to interventions which are change related. This means that the “normal” HR service provision will be disrupted, leading to the potential for a change to (reduction) the services delivered by, and a slowing down of responses from, members of the HR Team.
- 4.2 There is likely to be increased pressure on services as they implement the proposals set out in this report, and the wider One Exeter programme. Some individuals may need to pick up additional work as the headcount across the organisation reduces and existing levels of service may reduce. Those staff taking on additional responsibilities may need additional training and support and potentially, an increase in pay. An investment is likely to be required in the workforce that stays.
- 4.3 The Accountants will work closely with Service Leads to monitor delivery of the proposed cost reductions and provide early warning if the anticipated cost reductions are unlikely to be realised. This will be an additional responsibility for the Accountants.

#### **5. Section 151 Officer comments:**

- 5.1 The proposals set out in the report align with the budget report on the agenda. The work undertaken has been significant and has delivered what was required to present proposals for a balanced budget in 2023-24. Members should read the two reports together to get a rounded view of the proposals put forward. Any amendments to the proposals would require members to identify how they plan to fund that in the budget to be set on 21 February

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

- 6.1 The legal aspects are set out in the Organisational Change Business Case proposals set out in Appendix A as a Part 2 item.
- 6.3 As part of the consultation process, where staff at risk propose alternatives that are reasonable, implementable and deliver the same financial savings required by the business case, these will, of course, be given serious consideration.

#### **7. Monitoring Officer’s comments:**

The contents of this report raise no issues for the Monitoring Officer as due process has been followed.

#### **8. Background**

- 8.1 When the MTFP was presented to Executive in February 2022, the funding gap identified was £6.6m. However, over the last year, this position has changed due

to inflationary pressures causing higher wages and energy costs, together with higher interest rates. As a result of this, the funding gap identified over the life of the MTFP has increased and is now showing a funding gap of £9.675m. Expressed as a percentage figure this amounts to around 18% of the Council's general fund operating budget. As a direct result of in year increases in energy price, rising interest rates and the national cost of living crisis, the MTFP identifies increased funding gaps of £3.095m in 23/24 £2.236m in 24/25, £2.450m in 25/26 and £1.8m in 2026/27.

8.2 In order to meet the funding gap, the Council has undertaken a number of actions to identify proposals to reduce costs over the life of the MTFP with an immediate focus on 2023/24. These proposals have been informed by:

- a detailed review of the Discretionary Services currently provided by the council,
- an initial Service Review of all service operations provided by the council to identify opportunities to reduce service costs whilst still maintaining effective and efficient service delivery
- additional proposals submitted by the Strategic Management Board to reduce costs and deliver a balanced budget in 2023/24

8.3 A summary of the outcomes of this work is set out in the next part of this report.

### **Review of Discretionary Services**

8.4 The review of Discretionary Services has identified a proposed overall cost reduction of £745,160. The majority of these cost reductions will come through a merger of the Communications, Tourism and Marketing Team and the removal of part of the budget to fund NPO organisations. Additional proposed cost reductions have been identified by funding the skills function and Building Greater Exeter with UKSPF funding instead of the General Fund. A full breakdown of the proposed cost reductions can be found in Appendix B, Table 1.

### **Service Reviews**

8.5 The cost reduction proposals identified by the Service Reviews can be grouped into five themes:

8.5.1 **Low Impact** – these are proposals that will have a low impact on service delivery and will include the removal of underused budgets, not procuring three food waste vehicles following the rationalisation of rounds and the removal of some vacant posts.

8.5.2 **Capitalisation** – these are proposals to fund some services by the capital budget rather than the general fund.

8.5.3 **Service Changes** – this proposal relates to a review of the street cleansing service. In addition, and in line with the council's ambition to re-

wild the city, it is also proposed to reduce the grass maintenance provision in the city.

8.5.4 **Impact on other services** – this proposal relates to the Housing Benefit Overpayment Collection service moving from Payments and Collections to Housing benefits. It is also proposed that the budget for Corporate Property admin support is removed

8.5.5 **Reliance on Income** – these are proposals to increase income generation. The highest proportion of the proposed income comes from a review of the charges for car park season tickets.

8.6 A full breakdown of the cost reductions proposals can be found in Appendix B, Table 2.

### **SMB and other proposals**

8.7 In order to meet the budget shortfall identified for 2023/24, the Strategic Management Board have identified a number of additional proposals to deliver the required cost reductions. These are detailed below:

8.7.1 **Review of car parking** – it is proposed to re-zone some of the car parks located in or near that city centre so that their charges are all the same. It is also proposed to extend the hours that the council charges for car parking to include evenings and night time.

8.7.2 **Reduction of Management Costs** – it is accepted that there will be an organisational restructure and the Local Government Association (LGA) has been instructed to assist with this work.

8.7.3 **Active and Healthy People** – it is proposed that the Sport England Programme Lead is funded by Sport England for three years

8.7.4 **Corporate Property** – it is proposed that the additional income from Guildhall Shopping Centre is used to cover additional borrowing costs.

8.7.5 **Non statutory fees and charges** – it is proposed that non statutory fees and charges are increased by 10% in line with inflation. This proposal excludes cemeteries (5% increase)

8.7.6 **Strata Data Centre Costs** – it is proposed to charge East Devon District Council and Teignbridge District Council for a proportionate share of the energy costs of the Data Centre.

8.7.7 **Support Services** – it is proposed to reallocate appropriate costs to self-financing services

8.7.8 **Leisure Restructure** – it is proposed to restructure the Leisure Service and business case is currently being prepared which will be shared with the Strategic Management Board.

A full breakdown of the proposed cost reductions can be found in Appendix B, Table 2.

### **Summary of proposed cost reductions**

8.8 A summary of the proposed cost reductions can be found in the table below.

<b>Theme</b>	<b>Amount (£)</b>
Discretionary Services	745,160
Service Reviews:	
Low Impact	495,075
Capitalisation	102,250
Service Reduction	184,755
Impact on other services	38,864
Reliance on income	283,141
SMB and Other	2,096,288
<b>TOTAL</b>	<b>£3,945,533</b>

### **Impact on staff**

8.9 The proposals outlined in this report will have an inevitable impact on staff and service delivery. A large proportion of the general fund is made up of staff costs and accordingly, this is where a proportion of the cost reductions are proposed to be made.

8.10 This may mean that a number of staff will be put at risk of redundancy and some staffing structures are revised. An Organisational Change Business Case, setting out these proposals, has been agreed by SMB. Consultation with staff that may be impacted by the proposals has already commenced. The Organisational Change Business Case agreed by SMB is set out in Appendix A as a part 2 item.

8.11 In addition to the above, it is also proposed that 22.3 vacant posts are not filled. The removal of these posts will not place any staff at risk or require a revision to staffing structures and therefore are not contained within the Organisational Change Business Case. The spread of the posts can be seen in the table below:

<b>Service</b>	<b>Number of posts</b>
City Development	2
EH and Licensing	1
Legal	2
Parks and Open Spaces	1
Democratic and Civic Support	2
Net Zero and Business	1 (temporary contract)
Revenues and Benefits	3
RAMM	1
Leisure	9.33
<b>TOTAL VACANT POST DELETIONS</b>	<b>22.3</b>

8.12 In addition to the vacant post deletions, it has been agreed to grant three staff voluntary redundancy and the roles will not be filled. A fourth is being considered.

8.13 As noted earlier in this report, there is likely to be increased pressure on services as they implement the proposals set out in this report, particularly as the size of some services reduce. The shift to online delivery and a 'single front door' will, to some extent, help to mitigate the impact over the longer term by enabling services to operate more efficiently.

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

9.1 If approved, the proposals outlined in this report will contribute to the council's priority of delivering a well-run council.

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

10.1 As part of the service review process, Service Leads were asked to consider the exiting or emerging barriers or risks that may prevent them from achieving their proposed cost reductions.

10.2 Most of the risks and barriers identified were service specific and will be managed at an operational level. However, at a strategic level, the following risks have been identified:

Risk	Current Risk Assessment			Owner	Mitigated	Mitigation Actions
	Likelihood	Impact	Score			
Savings proposals are not approved by Council	3	4	12	Sponsor/ Director Finance	8	<ul style="list-style-type: none"> <li>SMB have engaged with Members throughout the budget setting process</li> </ul>
Savings proposals are not delivered	3	4	12	CX/Sponsor	8	<ul style="list-style-type: none"> <li>Robustness of the proposals has been verified by SMB, Service Leads and Accountants</li> <li>Accountants will meet regularly with Service Leads to check that proposed cost reductions will be met.</li> <li>If predicted cost reduction cannot be met, Members will be advised</li> </ul>
Reduced service due to need to reduce council's budget	4	4	16	CX/Sponsor	9	<ul style="list-style-type: none"> <li>Development and delivery of Customer Strategy to create 'single front door' to reduce strain on services</li> <li>Undertake review of cross cutting functions to identify opportunities for improvement and efficiencies</li> </ul>

## 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 these proposals, a potential impact has been identified on people with protected characteristics who use the council's car parks. An EQIA is attached at Appendix C.

11.5 In relation to the other proposals, no potential impact has been identified on people with protected characteristics as determined by the Act because the proposals do not reduce or change services to the extent that they will impact on any individuals including those with protected characteristics.

## 12. Carbon Footprint (Environmental) Implications:

12.1 Some proposals are likely to have an impact on the Council's carbon footprint as set out below.

Proposal	Impact on carbon footprint
Not procuring 3 food waste vehicles following rationalisation of rounds	Positive impact - less emissions being released into the environment and less fuel use
Reduction in grass maintenance provision	Positive impact - the reduction in grass maintenance will enable the council to re-wild parts of the city.

## 13. Are there any other options?

13.1 Should any of the proposals put forward by this report be rejected, alternative options to achieve the identified cost reductions will need to be identified. This will require a further review of the work and services delivered by the council and will need to be undertaken as a matter of urgency.

**Deputy Chief Executive, Bindu Arjoon**

**Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

None

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