Update to Scrutiny Committee on 6 November 2017 from the Cabinet Member for Finance

Since my last briefing to this Committee in October 2016 the Finance Team has maintained its status as one of the fastest to close its statutory Accounts. In addition the Council delivered all of its services within budget during 2016/17 (and within national prescribed performance indicators) and managed to increase a number of essential ear marked reserves. Ctax, Business Rates and HRA rent collection continued to remain in the highest national quartile which reflects the effort of these teams. Our external auditors once again commented on our good delivery of value for money in terms of service provision.

Moving forward to 2017/18 we have again managed to set balanced budgets (apart from a very small use of NHB), maintain service provision and keep CTax to an acceptable level. Remember – there were 5 successive years of CTax freezes between 2011/12 – 2015/16.

To remind members this is set against a backdrop of Govt. reductions in Revenue Support Grant funding of circa £4.0m since 2010/11.

To further gives members an overview funding context our GF services cost a net £8.5m based on the 2017/18, but our overall gross expenditure is circa £53m. As far as how we fund this service provision our Ctax receipts now amount to 5.4m – so account for around 63% of our next costs.

There are 3 very important committee reports going to Cabinet in October that Members will be interested to read – an overview of the first 6 months of performance vs budget in 2017/18, followed by an updated MTFP, predicting a £1.1m budget gap by 2020/21 and finally a draft 2018/19 budget paper with an estimated funding gap of £617k.

At this juncture I would like to remind members of some of the highlights over the last 12 months since my previous attendance at Scrutiny, focusing on some of the initiatives/changes/achievements that have been introduced in order to reduce the operational costs of running MDDC:

- Benefitted from the DCC waste saving sharing agreement - £200k per annum
- Recently just commissioned the Transfer Station at Carlu Close – cost avoidance benefit – alternative could have seen landfill to Exeter and GW to Somerset

- Seen our Garden Waste customer base tip the 9,500 figure
- Implemented our new Leadership team/structure – incl. Group Managers
- Continued to work with Town & Parish Councils to discuss ongoing service provision of: toilets, play parks, grass cutting, etc.
- Secured significant capital receipts from the sale of surplus assets (circa £1.5m) - now utilising these funds for commercial acquisitions to help
- Maintained pricing strategy for P&D car parking charges – extra £141k
- Key property decisions that have happened or are being worked on: Purchase and let of Coggans House and other commercial acquisitions being explored, Premier Inn, Rear of Town Hall site, Exe Valley LC extension, Town Halls, major housing sites, extra Council House units, etc.
- Made further reductions to our staffing costs – circa £100k
- Continue to invest staffing to facilitate step change in economic and tourism areas to meet Corp objectives
- Continue to financially support key bodies in the District (Grand Western Canal, Museum, CAB, etc.)
- Increased our CCLA investment to £5m – last yr return of 4.8% = £190k per annum
- Introduced a shared Building Control service with North Devon
- Selling procurement expertise to Torridge DC. Working on an economic and spatial planning strategy with Exeter, East Devon and Teignbridge
- Have just applied to be a 100% BR Pilot
- Changes to Housing legislation – homeless reduction act and return to rent of CPI+1% increases.
- Continued welfare reforms – Universal Credit roll out from 1/4/18
- Removal of CTax freeze grant and change to capping levels – i.e. £5 for District Councils
- Continued work to enable/promote new housing and commercial developments based on current funding criteria for both NHB and business rates

Key note - Most of the above mentioned work has been completed within existing budgets and some will help deliver future savings and therefore help us deliver balanced budgets in the future (in the knowledge that the Govt's has "offered" us a fixed term funding settlement that will see a further £0.5m reduction to RSG by 2019/20).

The future

The £1m Challenge – by 2020/21!

Uncertainty – the new "norm"

Consultation on 2 of our major funding sources is ongoing – BRates and NHB

Delays to 100% BR retention (new Pilot potential) and Fairer Funding

Major policy changes coming to Housing – will it stimulate delivery?

Impact of Universal Credit and the Homeless Reduction Act

Austerity and pay restraint of 1% – prevailing RPI of 3%

Delivery/growth agenda – and how much is in the Council's control?

As we explore more commercial/new opportunities the Council must accept an increased portfolio of risk – which may be more subject to market/demand volatility – and hence need review current/future reserve levels. But must always undertake careful due diligence when entering in to these decisions.

We are being offered a fixed 4yr grant settlement – which will then confirm the complete removal of RSG by 2019/20. But there are still significant uncertainties around: Business Rates, Council Tax increases, changes to NHB, other new legislation on housing, homelessness and the impact of Universal Credit.

On this basis we are exploring more innovative ways of working, looking to increase income, share resources, prioritise budgets and take on new ways of delivering services.

This will all help move towards bridging our estimated funding gap. The finance team and service managers are currently working on scenarios to reduce the costs of their services by around 12% by 2020/21 in order to give our new Leadership Team options that can be discussed and explored by members to ensure the Council can continue to deliver excellent service provision at an affordable level.

Cllr P Hare-Scott