

Agenda for Overview Committee

Tuesday, 7 November 2017; 6.00pm



[Members of the Committee](#)

Venue: Council Chamber, Knowle, Sidmouth, EX10 8HL

[View directions](#)

Contact: Debbie Meakin 01395 517540
(or group number 01395 517546): Issued 27 October 2017

East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL

DX 48705 Sidmouth

Tel: 01395 516551

Fax: 01395 517507

www.eastdevon.gov.uk

- 1 [Public speaking](#)
- 2 To confirm the minutes of the meeting held on 5 October 2017 (pages 3 - 5)
- 3 Apologies
- 4 Declarations of interest
Guidance is available online to Councillors and co-opted members on making [declarations of interest](#)
- 5 [Matters of urgency](#) – none identified
- 6 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.

Matters for Debate

- 7 **Financial Plan** (pages 6 - 43)
The Portfolio Holder Finance, and the Strategic Lead Finance, present the recently agreed Financial Plan and associated Transformation Strategy. The agenda papers include:
 - a) Cabinet report 4 October 2017
 - b) Financial Plan 2018 - 2028
 - c) Transformation Strategy 2018

The updated Financial Plan and Transformation Strategy were ratified by Council on 25 October 2017.
- 8 **Scoping report on income generation and transformation savings** (pages 44 - 46)
Following consideration of the medium term financial plan under item 7, this report sets out the options available to the committee on investigating case examples of successful income generation and transformation changes by other local authorities.
- 9 **People Strategy Action Plan review.** (pages 48 - 55)
The committee requested a report on workforce planning. The Strategic Lead Organisational Development and Transformation will cover:
 - a. Action plan update
 - b. SWAP report on People Strategy of 3 October 2017

- 10 **Heart of the South West Productivity Strategy Consultation** (pages 56 - 70)
The HotSW Productivity Strategy is currently out for consultation. The covering report recommends the options for responding to the draft document.
- 11 **Overview Forward Plan** (page 71)

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of a Meeting of the Overview Committee held
at Knowle, Sidmouth on 5 October 2017

Attendance list at end of document

The meeting started at 6.00pm and ended at 7.35pm.

- *8 Public speaking
There were no public speakers at the meeting.
- *9 Minute confirmation
The minutes of the Overview Committee held on the 25 July 2017, were confirmed as a true record.
- *10 Declarations of interest
Councillor Graham Godbeer; Minute 11
Personal Interest –Member of 'Make it Local' Panel
- 11 Local Economic Development Activity
The committee considered a report that provided an update on the work programme of the Economic Development Team, alongside the priority projects and activities

This followed a report to the committee in March 2017 that set out recent economic intelligence. The committee were updated on areas including:

- East Devon Business Centre
- Business support, working with the EHOD
- Rural economy support through BIP
- EHOD Employment and Skills Board recent request for additional funding
- Shared customer relationship management (CRM) system with EHOD

Specific activity on monitoring funding opportunities, developing a Business Engagement Strategy and an Ambassador Programme was discussed. The Economic Development Team had welcomed a new Project Officer (as supported by the Overview Committee in the budget process) and was recruiting for a new Economic Development Officer. The report also set out the marked demand on the service in commenting on planning applications. Next steps for the team include preparing a costed pipeline of projects for consideration in the 2017/18 onwards draft budget and for the medium term.

Members welcomed the news that the East Devon Business Centre was 100% full and based on current performance would return a net income to the council this year of £38,683.

Debate from the committee included:

- Importance of the visibility of the team to business in the district;
- The provision of start-up workshops in the district would be improved by new provision planned in Seaton;
- It was planned to extend the East Devon Business Centre and it was hoped that this principal could be extended to other towns in the District such as Axminster or Exmouth;
- Importance of maintaining the current bank of land allocated for employment use in Exmouth;

- Concern over the haemorrhaging of employment land to housing in the district. Planning policies were needed that were robust enough to retain land for employment use;
- A satisfactory measure was needed for what constituted effective marketing for employment land;
- Importance of economic intelligence and impacts being taken into consideration in planning decisions;
- Sustainability was often an issue raised by planners when considering planning applications for businesses in the countryside. The EDM suggested economic factors warrant equal weight to environmental and social in evaluating sustainable development. The importance of diversification of agricultural businesses was noted;
- There was a need for better policy for provision of business units near villages which would improve their sustainability;
- Need to support initiatives to encourage coastal tourism;
- Town centres were under threat and need support;
- Expansion of rural businesses was important and the Economic Development Service were working for good economic development in rural areas;
- Need for an economically sustainable approach at EDDC;
- Retention of local people to continue living and working in East Devon was important and there was the need to have a budget to assist with the improvement of the skills of young people in the district;
- Town centres have to develop goods and services that were not available on line, the relaxation of Street Trading regulations in the district would be important to them;
- The lack of career counselling for young people was a concern;
- Possibility of having an app which would enable school children to obtain work placements;
- Praise for BiP for their support for business and thank them for what they do on behalf of business in East Devon.

The Committee wished to thank Rob Murray and the Economy Team for an excellent and informative report.

RESOLVED

1. The report on Local Economic Development Activity be noted;
2. The progress made in delivery of local economic development activity be noted;
3. The achievement of full occupation and cost effectiveness of the East Devon Business Centre be noted;
4. That Members agree to support and develop business bulletins to promote the services and advice that the Council can provide, tailored and targeted to specific business groups throughout the district.

RECOMMENDED to Strategic Planning Committee that a report be presented to them, in consultation with the Development Management Team which:

- a) Details the enhanced economic evidence and intelligence input from the Economic Development Team including advice on planning applications;
- b) Identified the practical advantages of closer working between Economic Development and Development Management functions;
- c) Explores means by which the positive economic impact of planning policy be maximised.

*12 Housing Delivery Task and Finish Forum update

The committee received an update on the nine recommendations made by the Forum, which were agreed by Cabinet on 10 May 2017.

The committee welcomed progress made on the issues and debate included:

- The Local housing Company was progressing well and had held its first meeting;
- 25 homes had been purchased by EDDC and were being let to local families at 80% of market rents;
- Need to invite relevant officers to a future meeting of the committee to give a report on the recommendations made by the TAFF.

RESOLVED that the update on progress on the recommendations be noted.

*13 Overview committee forward plan

The forward plan was noted and an additional item on Income Generation and council transformation be added, possibly to be discussed at a special meeting. Members noted the need to have an investigation group to gather information on this issue before it was discussed in detail.

Attendance list

Councillors Present:

Graham Godbeer (Chairman)
Ian Hall (Vice Chairman)
Peter Faithfull
Rob Longhurst
Mike Allen
Mark Evans-Martin

Councillors Also Present:

Jill Elson
Philip Skinner
Paul Carter
Pauline Stott
Geoff Jung

Officers

Richard Cohen, Deputy Chief Executive
Rob Murray, Economic Development Officer
Giles Salter, Solicitor
Lindsey Lawrence, Economy Project Officer
Chris Lane, Democratic Services Officer

Councillor Apologies:

Jim Knight
Mike Howe
Tom Wright
John Dyson
Phil Twiss

Officer Apologies:

Debbie Meakin, Democratic Services Officer



Report to:	Cabinet
Date of Meeting:	4 October 2017
Public Document:	Yes
Exemption:	None
Review date for release	None
Agenda item:	16
Subject:	Financial Plan and Transformation Strategy (2018 – 2028)
Purpose of report:	
Recommendation:	That Cabinet recommend to Council to approve the Financial Plan and Transformation Strategy.
Reason for recommendation:	<p>It is good practice in managing the finances of the Council to produce a Financial Plan looking at the future direction of the Council's budgets.</p> <p>To consider the implications of spending plans and the level resources likely to be available. It is only by looking at the Council's budget over a longer period, that action can be taken that will influence the direction and shape of future service delivery within a balanced budget.</p> <p>The Transformation Strategy identifies key strategic themes that underpin our transformational activity to help us achieve savings/efficiencies and to continue to protect front line services.</p>
Officer:	<p>Simon Davey, Strategic Lead – Finance</p> <p>sdavey@eastdevon.gov.uk</p> <p>01395 517490</p>
Financial implications:	The Financial details are contained within the Medium Term Financial Plan; the position presented is inline with previous reports and updates to Members.
Legal implications:	There are no direct legal implications requiring comment.
Equalities impact:	<p>Low Impact</p> <p>Each action will be assessed individually for equality impact.</p>
Risk:	Medium Risk
Links to background information:	<p>Financial Plan 2018 – 2028 with appendices</p> <p>Transformation Strategy 2018 with appendix</p>
Link to Council Plan:	Continuously improving to be an outstanding Council

Financial Plan and Transformation Strategy (2018 – 2028)

1. Introduction

- 1.1 Cabinet last adopted the Financial Plan and Transformation Strategy in October 2016 which covered the period 2017-2022. The messages still continue with the financial pressures for the Council not going away and the need to continue to develop actions within the Transformation Strategy in transforming our services and the way we work which will also reduce our costs or increase income available to us.
- 1.2 A balanced budget was agreed by Council for 2017/18 despite a projected gap of £0.792m for the year alone, the Strategy contained actions that reduced our spending levels or increased the income available to us in order to balance our books going forward. In preparing the 2017/18 members gave an early steer that consideration needed to be given to additional investment in economic development and estate management. Additional resources were agreed within the final budget set by Council in February 2017.
- 1.3 This report presents for members an update of two key documents for approval; Financial Plan and Transformation Strategy 2018 – 2028, moving another year forward and extending the look ahead to a further 5 years. Both documents are linked to this report. Details of these documents were debated by the Budget Working Party on 13 September 2017 who agreed in principle with the proposed direction being outlined. The minutes of this meeting are contained on this agenda for information.

2. Members' Consideration

- 2.1 The Budget Working Party help's the Council by considering the budget position at an early stage, to consider the Council's Medium Term Financial Plan and proposed Strategy to prepare balance budgets. The work of the Group is mainly focused on the General Fund position. It enables plans/ideas to be presented for discussion to determine if there is an in principle agreement to the approach being taken before reports are presented to Cabinet and Overview for consideration. If agreed by these Committees then this will form the approach adopted in preparing the detailed annual budget which will then go to Council for approval in February 2018 and give officers a steer for producing balanced budget up to 2027/28.
- 2.2 As can be seen from the minutes of the Budget Working Party agreement was given to the direction now outlined in the Financial Plan and Transformation Strategy. These documents will also be considered by Overview with any recommendation coming back to Cabinet for final consideration.

3. A reminder of what transforming means for East Devon District Council.

- 3.1 East Devon District Council's purpose is to be a successful district council delivering or commissioning the services our council tax payers expect despite the significant reductions in grants.
- 3.2 Our Transformation Strategy sits alongside our Council Plan and outlines how transforming the way we work will deliver our purpose despite our projected budget gap of £5.4m if no action is taken by 2027/28.
- 3.3 It is intended that this is a dynamic strategy which will require review and update on at least an annual basis so that we can track progress and savings made.

3.4 The following ‘strategic themes’ make up our Transformation Strategy.

- 1) Deliver our Worksmart Strategy and transforming our culture through new ways of working underpinned by the right technology at the right time
- 2) Deliver improved online services through our Open for Business project
- 3) Implement systems thinking reviews across all services
- 4) Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies
- 5) Actively pursue alternative service delivery methods and models

The ‘strategic themes’ of this Transformation Strategy will be used to ensure that spending and savings proposals can be tested on an ongoing basis against pre-agreed criteria. Keeping the ‘strategic imperatives’ in mind will help everyone in the council keep a firm focus on how it directs its human and financial resources so that we steer a steady course to deliver despite the reductions in government funding.

4. Summary position

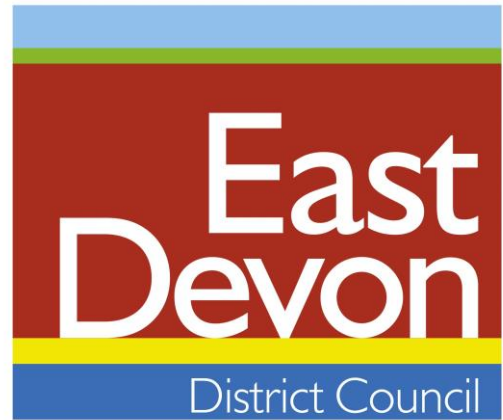
4.1 The Medium Term Financial Plan (MTFP) model, contained within the Financial Plan, calculates a projected deficit for the Council’s General Fund in 2018/19 of £0.735m and a further £0.529m in 2019/20 which would take us through to a new Council’s first budget in 2020/21. An annual budget shortfall is projected through the life of the Plan up to 2027/28, equating to a cumulative budget deficit to find of £5.4m.

4.2 Key actions are identified within the Transformation Strategy, some of which need further exploration to determine the financial implications whilst other more immediate actions have been defined with a financial estimate of the savings/income generation that they will achieve. The table below shows the MTFP projected annual budget shortfall and compares this to the savings identified **so far** within the Transformation Strategy.

General Fund	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Annual Budget Shortfall	735	529	1,705	229	346	282	281	530	780	(19)
Transformation Strategy where finance identified	(210)	(481)	(30)	-	-	-	-	-	-	-
Outstanding annual Shortfall/(Surplus)	525	48	1,675	229	346	282	281	530	780	(19)

4.3 In order to prepare a balanced budget for the next two years, taking us through to a new Council, there is a shortfall to meet of £0.573m (£0.525m 2018/19 and £0.048m 2019/20). There is still more to do and this was highlighted by the Budget Working Party who requested more actions need to be identified to generate savings. There is confidence however that **the Council is able to demonstrate it has in place a proven mechanism to deliver balanced budgets.**

- 4.4 Included within the MTFP position are items where we have no choice in order to remain legal e.g. implications of new Homeless Act and to keep services to the current standards, but items have been excluded where funding requests need consideration on priority and consideration of how to be funded. These items are **excluded** from the position above as currently they are unaffordable, details are contained in the linked documentation.
- 4.5 There is a significant shortfall projected in 2020/21 (£1.705m) which is as a result of an assumed rebasing of business rate income thereby reducing our income by £1.3m. It is proposed in the Finance Plan that work is started now in bridging this gap and driving self-sufficiency of the Council. Members have indicated that the strategic theme within the Transformation Strategy “Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies” is one they believe has significant potential. The Financial Plan considers how this might be progressed with the use of a Member Group (possibly the Budget Working Party) to consider business cases and suggests that a fund is created to unlock barriers to the Council progressing this aim. Detailed recommendations will be presented within the 2018/19 Budget approval process.



Financial Plan (2018 -2028)

1. About this Plan

Our Financial Plan considers the General Fund ¹ position and the Capital Programme ², the third area of the Council's finances the Housing Revenue Account ³ is reviewed and monitored within its own 30 year Business Plan.

The purpose of this Plan is to define how the Council will structure and manage its finances over the next ten years in order to deliver services to customers and support the objectives detailed within the Council Plan.

The Financial Plan links with other key plans and documents of the Council including the Transformation Strategy, Service Plans, its Asset Management Plan, Treasury Management Strategy and input from the Budget Working Party (Member Group) and the Council's Senior Management Team.

The Financial Plan requires the preparation of an annual Medium Term Financial Plan Model (MTFP) and is an essential part of the budget setting process. The MTFP provides a financial model and forecast of the cost of providing services over a rolling ten-year period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources.

As well as considering the General Fund, the MTFP also reviews the affordability of the Council's capital investment programme, matching its forecast potential available funding against planned capital spending over a five year horizon.

The development of a ten-year financial model is based upon a number of assumptions and perceived risks which clearly become more difficult to predict as the period covered lengthens. However, as a broad principle the model has been developed on the basis of 'reasonable and prudent' forecasts and assumptions in accordance with sound accounting practice.

2. Fundamental principles

Underpinning this plan, the following fundamental principles have been adopted by the Council:

- Annually, a balanced revenue budget will be set with expenditure to be limited by the amount of available resources.
- The General Fund balance will be maintained at the adopted level.
- That the strategic imperatives as considered in the Council's Transformation Strategy will be implicit in resource allocation, in addition if required to balance the budget resources will be redirected from low to high priority services to meet objectives set out in the Council Plan.

1. The General Fund records day to day spending on the delivery of Council services 2. Capital Programme spending relates to the purchase or enhancement of assets, expenditure that has a benefit greater than a year. 3. Housing Revenue Account records spending on Council Housing and its landlord function.

- Council Tax increases will be kept within annually announced government guidelines to ensure a local referendum is not triggered.

In considering the capital budget, the Council will continue to follow the methodology of scheme scoring and prioritisation. The Council will also seek to maximise the use of its assets.

3. Financial background

One of the most significant impacts on the Council's finances came from the Comprehensive Spending Review in 2010 and following Spending Reviews where the Government has cut local authorities funding as part of its programme in tackling national debt.

The Council continues to receive significant cuts in government funding, with funding levels halved since 2010/11. Further cuts will be made in 2018/19 to reduce the Revenue Support Grant received by £0.406m to £0.127m, this grant then disappears in 2019/20. This is from a position where the Council received over £7m in 2010/11.

In addition to government spending cuts, there is the added pressure of inflationary increases, continued low investment income, an increasing call on services, members' ambitions to enhance and improve services and the wish to keep to moderate increases in Council Tax and other fees and charges.

Against this financial background the Council has delivered its spending plans and Council Plan outcomes through careful financial management and planning ahead. Careful decisions have been taken where service savings have been made, initiatives taken in the areas of; asset management, shared service provision, systems thinking principles, the persuasion of customers to use more convenient and cost effective means of transacting with the Council, procurement efficiencies and income generation. These initiatives have been implemented with the overall arching principle required by the Council to protect front line services to the public.

The Council has facilitated and encouraged business and housing growth in the district to deliver its ambitions and which has also financially benefited the Council in additional government funding through New Homes Bonus and extra Business Rate income.

A balanced budget was agreed by Council for 2017/18 despite a projected gap of £0.792m for the year alone, this was achieved by following the Council's Transformation Strategy which contained actions that reduced our spending levels or increased the income available to us enabled us to balance our books.

4. Medium Term Financial Plan

The base for the MTFP is the 2017/18 approved budget and the current cost of ongoing services, adjusted to take account of a range of unavoidable costs such as pay increases, inflationary pressures, the implementation of any approved changes to the budget and any costs arising from new legislation and associated regulations or

changes in customer demand. The MTFP takes account of any forecast variations in the level of both investment and fee income.

The Plan also considers and makes reasonable assumptions about the likely incomes from council tax and central government funding.

The MTFP is designed to model scenarios and to aggregate the sum of all potential financial inputs, to determine whether the Council will have sufficient resources to achieve its objectives, or indeed whether action is required to bridge a funding gap. In formulating these calculations a number of assumptions have been made and a range of external influences considered. The various risks and pressures are detailed at the end of the Plan with commentary on their potential impact.

Appendix A to the Financial Plan contains the summary page of the MTFP including an analysis of costs and inflation applied.

A similar exercise has been undertaken in respect of future capital expenditure, detailing the anticipated level of resources required, together with potential funding sources available to the Council to support its planned programme of works and where there are revenue implications these have been acknowledged within the Plan.

MTFP – Revenue Position

The position on General Fund services is detailed in the table below and shows the current year 2017/18 for comparison and forms the basis from which future assessments have been made.

Some key areas to note in this calculation:

- This position is calculated based on current service provision adjusted where there are known customer demand changes, contract agreements or legislative requirements. This position does not include any growth in service or staffing to the Council's current service level.

The Council's Budget book for 2017/18

(<http://eastdevon.gov.uk/media/2046037/revenue-and-capital-estimates-2017-18.pdf>) is a useful reference as it details significant information about the service provision currently provided; costs and income received, staffing resources involved in each area, the assets utilised and numbers of service users. It also gives an indication on mandatory or discretionary areas of service.

- Government Grant is based on the four year settlement agreement up to 2019/20 with assumptions going forward that continues with a negative Revenue Support Grant Settlement. This means the Council will have to become self-sufficient from this previous core central government funding stream from 2019/20.

- Business Rate income has been assumed under the existing arrangements; the 100% rate retention proposal is currently on hold although recently authorities have been asked if they wish to apply as pilots. East Devon is applying as part of the Devon Business Rates Pool which has worked effectively to date and been financial advantageous to all authorities in Devon.

The MTFP does not make any assumptions on 100% retention but assumes the continued position where our income levels are above our government baseline with additional income included in 2018/19 of £1.1m above the baseline of £2.6m. This additional income is modelled going forward in the MTFP up to 2020/21 when a rebasing of business rate income distribution is planned by Government and it is assumed the growth gained to that point (£1.3m in 2019/20) will be lost and the position starts again. The implication of this leads to a sudden increase in the Council's projected budget shortfall in 2020/21 (£1.7m in year shortfall).

- The four year settlement issued by Government in determining councils' grant funding has assumed that councils will increase their Council Tax year on year to the maximum allowed as detailed in the 2017/18 settlement and this level of income has been taken into account in their calculations. The MTFP follows this line with £5 a year increase up to 2019/20 with an inflation increase applied thereafter.
- New Homes Bonus (NHB) income retained in the General Fund to support revenue costs has been maintained at a level of £1.5m a year going forward in the MTFP. The outcome of the NHB government consultation is now known and although this has resulted a reduction in this income source the risk of not being sufficient to meet the £1.5m in revenue is extremely low, certainly in the medium term, with the risk in fluctuations being mitigated within the capital programme. Projected NHB income still shows for example income available to the capital programme of £2.5m in 2021/22 above the £1.5m being used for revenue.

The MTFP shows a projected deficit for 2018/19 of £0.735m which then increases annually reaching £5.399m in 2027/28 as a cumulative deficit to find. Clearly this is an unsustainable pattern and not one that the Council will allow, this updated MTFP is in line with previous assessments and reports to Council. A summary position of the MTFP is given below.

Summary of MTFP- Revenue	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Net Service Costs	14,142	14,142	14,606	15,321	16,023	16,670	17,420	18,184	18,832	19,564	20,081
Amendments to base budget	-	(53)	195	117	132	275	270	146	221	(4)	63
Pay & Inflation and other inescapables	-	517	520	585	515	475	494	502	511	521	530
Net Budget Requirement	14,142	14,606	15,321	16,023	16,670	17,420	18,184	18,832	19,564	20,081	20,674
Revenue Support Grant	(533)	(127)	328	400	500	500	500	500	500	500	500
NNDR Gov't baseline	(2,489)	(2,571)	(2,622)	(2,675)	(2,728)	(2,782)	(2,839)	(2,895)	(2,953)	(3,012)	(3,072)
NNDR income above baseline	(900)	(1,100)	(1,300)	-	(200)	(300)	(400)	(500)	(600)	-	(200)
Rural Grant	(181)	(139)	(181)	(181)	(181)	(181)	(181)	(181)	(181)	(181)	(181)
Transitional Grant	(62)	-	-	-	-	-	-	-	-	-	-
Council Tax	(7,574)	(7,930)	(8,291)	(8,529)	(8,773)	(9,024)	(9,281)	(9,545)	(9,816)	(10,094)	(10,379)
Council Tax Support Grant	98	98	98	98	98	98	98	98	98	98	98
External Interest	(452)	(452)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)	(500)
Interest/Loan Repayments	95	163	305	95	95	95	95	95	95	95	95
Collection Fund Surplus	(182)	(138)	(100)	-	-	-	-	-	-	-	-
Savings Target - Procurement	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)	(70)
Strata Savings – Shared ICT	In base	(105)	(163)	(192)	(213)	(211)	(217)	(227)	-	-	-
Reserves for one off expenditure	(392)	-	-	-	-	-	-	-	-	-	-
New Homes Bonus to support general funding	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Agreed use of General Fund	-	-	(60)	-	-	-	(63)	-	-	-	(67)
Total Resources Available	(14,142)	(13,871)	(14,056)	(13,054)	(13,472)	(13,875)	(14,358)	(14,725)	(14,927)	(14,664)	(15,276)
Cumulative Budget (Surplus)/Shortfall	-	735	1,265	2,969	3,198	3,545	3,826	4,107	4,637	5,417	5,398

The table above shows the cumulative shortfall assuming no action is taken to address each year's shortfall. The table below shows the shortfall each year in isolation, assuming the previous year's shortfall was found.

Table: MTFP Model – Summary of General Fund Position shortfall each year

General Fund	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
Budget Shortfall	735	529	1,705	229	346	282	281	530	780	-

The model identifies the pressures and influences on the Council's revenue budgets and highlights a shortfall between the Council's spending requirements and the amount of finance available. Actions will need to be taken to meet these shortfalls and the need to keep finding savings year on year is not to be underestimated.

A clear message from the Plan is there is a need to address the funding gap and there are no resources available for growth unless capacity is found through a combination of; reprioritising spending, the achievement of savings or increased income.

During the development of this Plan bids for additional service expenditure were raised but these have been excluded and only inescapable costs have been included. Debate on these additional items will be held during the annual budget process and prioritisation of spend considered against existing service spend.

MTFP Revenue - The Way Forward

Presented to Members' along side this Financial Plan is the Council's Transformation Strategy which outlines how transforming the way we work will deliver our purpose despite the budget gap identified in the MTFP and plays an integral part in meeting our deficit.

The Transformation Strategy is a dynamic 5 year strategy which requires review and update at least on an annual basis over the period so that we can track progress and savings made. The first year of the Transformation Strategy was 2016/17 and since its introduction it has helped deliver a balanced budget annually against a projected budget gaps.

The following 'strategic themes' make up our Transformation Strategy.

- 1) Deliver our Worksmart Strategy and transforming our culture through new ways of working underpinned by the right technology at the right time.
- 2) Deliver improved online services through our Open for Business project.
- 3) Implement systems thinking reviews across all services.
- 4) Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies.
- 5) Actively pursue alternative service delivery methods and models.

The 'strategic themes' of this Transformation Strategy will be used to ensure that spending and savings proposals can be tested on an ongoing basis against pre-agreed criteria. Keeping the 'strategic imperatives' in mind will help everyone in the Council keep a firm focus on how it directs its human and financial resources so that we steer a steady course to deliver, despite the reductions in government funding.

Key actions are identified within the Strategy, some of which need further exploration to determine the financial implications whilst other more immediate actions have been defined with a financial target/estimate of the savings/income generation that they will achieve. The savings identified so far within the Strategy are given below and compared against the budget shortfall identified. These actions are summarised in Appendix B to this Plan and the full Strategy is linked to the covering report on the agenda introducing this Plan.

General Fund	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000
MTFP Annual Budget Shortfall	735	529	1,705	229	346	282	281	530	780	-
Transformation Strategy where finance identified- assuming all saving delivered	(210)	(481)	(30)	-	-	-	-	-	-	-
Outstanding annual Shortfall/(Surplus)	525	48	1,675	229	346	282	281	530	780	-

At the point of preparing this Financial Plan it is prior to the detailed budget process for 2018/19 and leaves £0.525m to find for 2018/19, or £0.573m in total to find if the Council wishes to present a two year balanced position to take the Council through to the new Council.

The proposed saving have been considered by the Council's Budget Working Party (in September 2017) who have agreed with them in principle but with a strong message that more savings are needed to populate the transformation actions, but at this stage it was seen as a positive "Work in Progress" which will be progressed further in the coming months. As reassurance to the Council's Strategy is reserves are available to meet this shortfall, but would only be a temporary solution and the Financial Plan looks to the production of balanced budget without reserves.

The Transformation Strategy is dynamic and will require further work and refinement to continue to help deliver balanced budgets; the position on delivery will also require close monitoring. **The Council does however have in place a proven mechanism to deliver continuous balanced budgets.**

There are clearly risks that savings will not materialise as planned or that future actions do not identify the full savings required, other actions outside this Strategy will need to be considered if this becomes the case which unfortunately is likely to be less sophisticated and blunt such as straight forward cuts in budgets possibly affecting front line services.

As highlighted the financial outlook reaches a "**Tipping Point**" in 2020/21, in considering this the Budget Working Party where particularly focused on possible additional income through commercial thinking, and although this is reflected in part in the Transformation Savings listed this is not completely in line with the development/asset based income return it was thought members where indicating.

There appears to be a barrier in progression this theme as the Council's lacks the staff resource, capacity, skills and funding to prepare detailed business plans for approval and initial investment funding. Within the 2018/19 budget report to Council this Plan proposes the establishment of a fund which could be used to drive this imperative of the Transformation Strategy, to gain self-sufficiency for the Council and work towards addressing the 2020/21 tipping point in MTFP. The allocation and monitoring is suggested would be through a member group (likely to be the Budget Working Party), the Council already as an Transformation Fund with a currently unallocated balance of £0.483m and Council could consider the need now for the NHB Volatility Fund which has a balance of £1.431m, these funds could be used to progress self-sufficiency of the Council.

5. Capital

The Council maintains a programme of capital expenditure designed to improve a wide range of community facilities and local infrastructure. The forward funding projections below only include rolling items and projects identified early by managers; **there will be proposals missing from this list** that will need to be considered for funding out of available resources.

There will be a disparity between the Council's capital spending aspirations being greater than the amount of finance available. In producing these figures, previous recommendations have now been implemented to help fund the programme going forward, these being:

- Capital works associated with the Housing Revenue Account are self funded; these costs have been included in the HRA business model. Any capital receipts generated from the HRA are used to finance HRA expenditure.
- External Interest achieved above a base level (determined at £0.5m) will be used to assist in funding the Capital Programme instead of it being used to fund revenue services.
- Members agreed that the savings achieved in 2016/17 General Fund position should be transferred into the Capital Reserve (£0.606m).
- A capital bid process is in place whereby appraisal forms are completed for each scheme and a scoring methodology applied to prioritise expenditure within resources available. This prioritisation is overseen by the Member Capital Strategy & Allocation Group.

MTFP Model – Capital Expenditure and Funding Position

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Net Capital Expenditure	18,030	10,709	6,433	5,195	5,195
HRA Financing	(6,686)	(5,091)	(5,091)	(5,091)	(5,091)
GF Capital Receipts	(100)	(1,100)	(7,230)	(100)	(100)
External Interest	-	-	-	-	-
New Homes Bonus – allocated	(3,009)	(2,780)	(2,698)	(2,577)	(2,450)
Sec 106 & Grants	(46)	-	-	-	-
Project Reserves	(277)	-	-	-	-
Capital Reserve	(606)	-	-	2,115	2,446
Net Internal/ External Borrowing	(7,306)	(1,738)	8,586	458	-
Capital Reserve Remaining after funding (opening bal £0. £0.606m from GF.	-	-	-	(2,115)	(4,561)

The change in picture is as a result in years 2018/20 of estimated capital receipts in relation to the Exmouth Regeneration and the Knowle sale.

It should also be noted that the programme expenditure includes only those schemes already approved by Council and rolling items such as; the provision of statutory disabled facility grants, the public toilet renovation programme, equipment replacement for street scene services and housing improvement schemes (fully funded by HRA contribution). **Bids will come through the annual budget process giving a different picture to that given above and there will be choices to make in order to keep expenditure within resources available.**

Key issues to consider for this Plan in terms of capital are:

- Only rolling items, or early request for items, have been included in the MTFP. No amount is included for future coast protection or flood prevention schemes. If any schemes do come forward, it is assumed they will attract Government funding if of high enough priority.
- Any scheme inclusion in the Programme over and above this core annual expenditure needs to be considered carefully for inclusion in future programmes on a case by case basis to determine if they meet corporate objectives and, if they can be self funded, evidenced in a business case or delivered in conjunction with other agencies/partners. Some schemes will come with no funding but may still be required to be funded due to their nature.
- New Homes Bonus monies allocated to the Capital Programme represents the Balance available after deducting £1.5m to fund the General Fund.

The Way Forward – Capital programme

- There is a clear necessity for the continuation of the member **Capital Strategy & Allocation Group** to consider the allocating of capital resources against competing capital scheme bids.
- The programme needs to be populated with realistic expenditure estimates into the future; further work is required with budget managers across the Council to start formulating a more forward looking capital programme for the Council. It is envisaged this be assisted by the recently introduced Project Management Guidelines with the need to complete more detailed capital appraisal forms and Initial Project Proposal Document (IPPD).

EXTERNAL INFLUENCES AND KEY ASSUMPTIONS WITHIN THE REVENUE MTFP MODEL

- Inflation**

Inflation rates used are identified in Appendix A of the MTFP attached. Although the financial model is based upon what are believed to be a series of prudent assumptions, there is inevitably a risk that some or all factors applied could be inaccurate. The table below summarises the impact of any such inaccuracies that would have a detrimental effect upon the financial plan:

Financial impact of changes in inflation assumptions 2018/19.

Factor	Predicted Cost Base (Revenue) £000	Worse by 0.5% £'000	Worse by 1.0% £'000
Pay, N.I & Pension & other employee costs	13,403	71	142
Other costs (excl. HB)	15,205	65	130

- Investment Returns**

The approach adopted, of budgeting for investment income remains prudent. Investment return predictions have been factored in to continue at less than 1% with a modest increase in 2019/20.

- Council Tax Income**

The four year settlement issued by Government in determining councils' grant funding has assumed that Councils will increase their Council Tax year on year to the maximum allowed as detailed in the 2017/18 settlement and this level of income has been taken into account in their calculations. **The MTFP follows this line with £5 a year increase up to 2019/20 with an inflation increase applied thereafter.**

Financial impact of changes in council tax levels (2018/19).

Level of council Tax increase	Predicted council tax income £000	Loss of income in MTFP 2018/19 £'000
Council tax yield at £5 (3.79%) increase	(7,930)	Nil
Yield at 2.0%	(7,793)	137
Yield at 1.0%	(7,717)	213
Yield at 0.0%	(7,640)	290

This calculation shows a one year effect, this reduction would be lost each year going forward plus the opportunity to increase the level in future on a higher base.

- **Cranbrook & other development**

The expected build rate for Cranbrook has been considered along with service cost implications. The majority of costs for the new town are to be covered in Planning 106 agreements or are not this Council's liability, other areas such as recycling and refuse collection and street cleansing have been included in the Plan when expected demand requires a stepped increase in cost. Other planned development in the area has been considered alongside these figures.

- **New Homes Bonus**

Details are covered in the main Plan, the risk in income being below the projections within the Plan falls on the Capital Programme which can accommodate such fluctuations more readily than the revenue budget.

- **Business Rate Income**

The risks associated with Business Rate income has been covered in the Plan, including the Government's intention of business rates rebasing in 2020/21. A £1.1m additional benefit has been budgeted in 2018/19 for additional rates above the Council's baseline, this is the sum that will be budgeted and if the actual amount is less than the difference will be met from the Business Rates Volatility Fund which has a current balance of £0.639m.

INSCAPABLE BUDGET CHANGES

2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	
£	£	£	£	£	£	£	£	£	£	£	
EMPLOY											
Inflation - Employees Pay											
Base Pay Budget (Salary/Wages/Overtime)	10,644,810	10,644,810	10,857,706	11,074,860	11,296,358	11,522,285	11,752,730	11,987,785	12,227,541	12,472,091	12,721,533
Assumed Pay Award Level (in line with Treasury Target on Public Sector Pay)		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Total Pay	212,896	217,154	221,497	225,927	230,446	235,055	239,756	244,551	249,442	254,431	
Inflation - Employees Other - Inline with General Inflation											
Base Pay Budget	447,520	447,520	456,470	465,600	474,912	484,410	494,098	503,980	514,060	524,341	534,828
Assumed Inflation Level		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Total Pay Inflation	8,950	9,129	9,312	9,498	9,688	9,882	10,080	10,281	10,487	10,697	
Pension Increase - Stepped											
Actuarial review from 17/18 - Base Budget needs £72k increase and then £19k each year	1,997,390	1,997,390	2,088,390	2,107,390	2,126,390	2,145,390	2,164,390	2,183,390	2,202,390	2,221,390	2,240,390
Step inflation		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
	91,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
National Insurance											
	945,250	945,250	964,155	983,438	1,003,107	1,023,169	1,043,632	1,064,505	1,085,795	1,107,511	1,129,661
		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	18,905	19,283	19,669	20,062	20,463	20,873	21,290	21,716	22,150	22,593	
OTHER											
Inflation - Premises General											
Inflation Rate	1,290,950	1,290,950	1,316,769	1,343,104	1,369,966	1,397,366	1,425,313	1,453,819	1,482,896	1,512,554	1,542,805
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	25,819	26,335	26,862	27,399	27,947	28,506	29,076	29,658	30,251	30,856	
Inflation - Premises Utilities											
Inflation Rate	356,200	356,200	366,886	418,250	430,798	460,953	480,774	514,429	550,439	588,969	630,197
Increased Sum		3.00%	14.00%	3.00%	7.00%	4.30%	7.00%	7.00%	7.00%	7.00%	7.00%
	10,686	51,364	12,548	30,156	19,821	33,654	36,010	38,531	41,228	44,114	
Inflation - Premises Rates											
Inflation Rate	826,320	826,320	842,846	859,703	876,897	894,435	912,324	930,571	949,182	968,166	987,529
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	16,526	16,857	17,194	17,538	17,889	18,246	18,611	18,984	19,363	19,751	
Inflation - Transport General											
Inflation Rate	741,470	741,470	756,299	771,425	786,854	802,591	818,643	835,016	851,716	868,750	886,125
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	14,829	15,126	15,429	15,737	16,052	16,373	16,700	17,034	17,375	17,723	
Inflation - Transport Fuel related											
Inflation Rate	193,810	193,810	197,686	201,640	205,673	209,786	213,982	218,262	222,627	227,079	231,621
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	3,876	3,954	4,033	4,113	4,196	4,280	4,365	4,453	4,542	4,632	
Inflation - Supplies & Services											
Inflation Rate	4,265,750	4,265,750	4,351,065	4,438,086	4,526,848	4,617,385	4,709,733	4,803,927	4,900,006	4,998,006	5,097,966
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	85,315	87,021	88,762	90,537	92,348	94,195	96,079	98,000	99,960	101,959	
Inflation - Refuse & Recycling											
Inflation Rate (contract CPI) + "Tipping Point" at 70,000 prop's £130k - also indexed	3,984,130	3,984,130	4,063,813	4,145,089	4,357,991	4,445,150	4,534,053	4,624,735	4,717,229	4,811,574	4,907,805
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	79,683	81,276	82,902	84,567	87,160	88,903	90,681	92,495	94,345	96,231	98,156
Inflation - LED SLA											
Leisure Contract freeze agreed 2016/17 for 5yrs	893,720	893,720	893,720	893,720	893,720	893,720	893,720	893,720	893,720	893,720	893,720
Increased Sum		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	0	0	0	0	0	0	0	0	0	0	0
Inflation - Strata											
Contract (payment based on inflation)	2,368,810	2,368,810	2,416,186	2,464,510	2,513,800	2,564,076	2,615,358	2,667,665	2,721,018	2,775,438	2,830,947
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	47,376	48,324	49,290	50,276	51,282	52,307	53,353	54,420	55,509	56,619	
Summary of inflation	284,111	330,257	427,019	522,916	618,437	713,242	808,242	903,424	1,000,000	1,097,250	1,195,000
Inflation - HB payments (includes £1,275,240 overpayment income)											
	30,010,530	30,010,530	30,010,530	30,010,530	30,010,530	30,010,530	30,010,530	30,010,530	30,010,530	30,010,530	30,010,530
	0	0	0	0	0	0	0	0	0	0	0
Parish Tax Sport											
	98,190	98,190	98,190	98,190	98,190	98,190	98,190	98,190	98,190	98,190	98,190
	0	0	0	0	0	0	0	0	0	0	0
Sub Total	59,064,850										
Inflation - HB Admin											
Inflation Rate - 9% reduction yr on yr; but EDDC receive incentivitive payments	-462,230.00	-462,230	-420,629	-382,773	-348,323	-316,974	-288,446	-262,486	-238,862	-217,365	-197,802
Reduced Sum		-9.00%	-9.00%	-9.00%	-9.00%	-9.00%	-9.00%	-9.00%	-9.00%	-9.00%	-9.00%
	41,601	37,857	34,450	31,349	28,528	25,960	23,624	21,498	19,563	17,802	
Inflation - NNDR Admin											
Inflation Rate	-227,430	-227,430	-231,979	-236,618	-241,351	-246,178	-251,101	-256,123	-261,246	-266,470	-271,800
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	-4,549	-4,640	-4,732	-4,827	-4,924	-5,022	-5,122	-5,225	-5,329	-5,436	
Inflation - Recycling											
Inflation Rate	0	0	0	0	0	0	0	0	0	0	0
Increased Sum		0.00%	0.00%	0.00%	0.00%	0.00%	2.00%	0.00%	0.00%	0.00%	0.00%
	0	0	0	0	0	0	0	0	0	0	
Inflation - General Government Grant & Other Contributions											
Inflation Rate	-1,328,730	-1,328,730	-1,355,305	-1,382,411	-1,410,059	-1,438,260	-1,467,025	-1,496,366	-1,526,293	-1,556,819	-1,587,955
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	-26,575	-27,106	-27,648	-28,201	-28,765	-29,341	-29,927	-30,526	-31,136	-31,759	
Inflation - HB Subsidy											
	-30,816,480.00	-30,816,480	-30,816,480	-30,816,480	-30,816,480	-30,816,480	-30,816,480	-30,816,480	-30,816,480	-30,816,480	-30,816,480
	0	0	0	0	0	0	0	0	0	0	0
Inflation - Service Income											
Inflation Rate	-5,465,520	-5,465,520	-5,574,830	-5,686,327	-5,800,054	-5,916,055	-6,034,376	-6,155,063	-6,278,164	-6,403,728	-6,531,802
Increased Sum		2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
	-109,310	-111,497	-113,727	-116,001	-118,321	-120,688	-123,101	-125,563	-128,075	-130,636	
Inflation - Car Park Charges											
	-3,210,430	-3,210,430	-3,210,430	-3,210,430	-3,210,430	-3,210,430	-3,210,430	-3,210,430	-3,210,430	-3,210,430	-3,210,430
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	0	0	0	0	0	0	0	0	0	0	0
Inflation - Planning Fees											
	-1,445,000	-1,445,000	-1,445,000	-1,445,000	-1,445,000	-1,445,000	-1,445,000	-1,445,000	-1,445,000	-1,445,000	-1,445,000
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	0	0	0	0	0	0	0	0	0	0	0
Summary of inflation	-42,955,820.00	-140,434	-143,242	-146,107	-149,029	-152,010	-155,050	-158,151	-161,314	-164,540	-167,831

Assumptions:

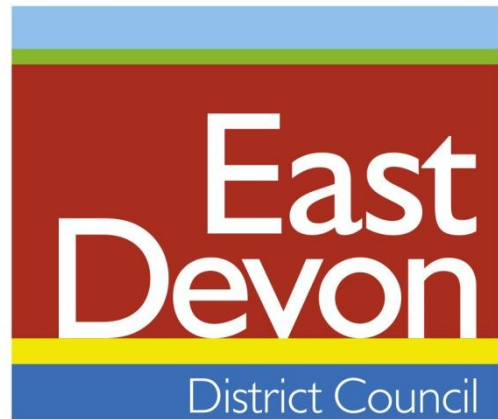
General Inflation - Treasury Target used (CPI 2%)
Pay Award - Inline with General Inflation - assumed 1% pay award constraint ended
Utilities Inflation - DECC data
Superannuation - Figures set to 2017/18 (21% recovery rate), slight deficit needed to recurred rate adjusted accordingly.
Inflation on Car Parks charges not assumed - not increased since 2010/11 (£1 an hour) 2% = 2p - consider other initiatives.
Planning Inflation not assumed as reliant on Government directive

Transformation Strategy Monitor

Year	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
MTFP - deficit cumulative	£ 735,406	£ 1,264,512	£ 2,969,699	£ 3,198,023	£ 3,543,942	£ 3,826,031	£ 4,107,509	£ 4,637,555	£ 5,417,301	£ 5,398,653
Transformation Strategy assuming all delivered	(210,000)	(481,000)	(30,000)	0	0	0	0	0	0	0
Provisional Service Funding Requests (amendments perceived as no choice already adjusted - Line 1 to 7 on main Model)					Not included					
Revised Deficit cumulative	£ 525,406	£ 573,512	£ 2,248,699	£ 2,477,023	£ 2,822,942	£ 3,105,031	£ 3,386,509	£ 3,916,555	£ 4,696,301	£ 4,677,653

Officer		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Transformation Strategy											
RC	Increased lease/rental income Estates Portfolio		30								
RC	Increase income from concessions and events post anticipated removal of blanket prohibition on street trading	TBA									
RC	Exmouth CCTV transfer		25								
JG/AH	Street Scene Event Income	Self Funded Post		30							
SMT	Organisation "Fit for Purpose"			250							
SMT	Asset Review	TBA									
LJ	Error & Fraud Incentives & additional income		30								
AH	Green Waste Service		100	200							
AH	Developer Charge for recycling & waste containers			31							
HGL	Legal Fees & Charges		10								
HGL	In House Contract lawyer to save external spend		15								
			210	481	30	0	0	0	0	0	0
			(210,000)	(481,000)	(30,000)	0	0	0	0	0	0

		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
Provisional Service Funding Requests											
JG & AH	Health & Safety corporate risk assessment - resources to tackle high risk areas (primarily StreetScene).		30								
JG	Public Health Projects Officer - previously externally funded		30								
JG	Refuse & Recycling Contract additional costs - Risk, no costs included		?								
AH	Events Officer - Business Case to be provided on the basis of self funding		-								
	Roadside litter picking risk assessment measures to maintain same standard.										
AH	2 x REACT Posts (£46k) + safety vehicle £75k		121	(75)					83		
AH	Refresh Beach Management Plans (every 5 yrs.)				50						
CP	Trainee Countryside Post (successful pilot funded from reserves)		14								
EF	Planning Fee increase - awaiting legislation. Previous indication this will only be available to fund additional resources but could be scope to offset costs										
RC	Delivery Team £150k pa (£50k from service lead post)		100								
RC	Promote of street trading, markets and events		10								
RC	Modular/meanwhile business units. Cranbrook and Exmouth. Initial outlay reimbursed through rental income		-								
RC	Debt/borrowing interest servicing eg EZ up front borrowing? -Met through Business Rates		-								
KJ	Digital Communications and Services Officer		44								
			228	121	(75)	50	-	-	-	83	-
		£	228,000	£	121,000	(75,000)	£	50,000	£	-	£
							£	-	£	-	£
								£	83,000	£	-
										£	-



Transformation Strategy (2018 -2028)

About this Strategy

Councils are facing a tough and complex set of pressures – cuts in funding, rising demand for services and challenges in economic growth.

East Devon has already responded decisively. We have worked hard to achieve savings through delivering internal efficiencies and have delivered mainly through this Strategy annual savings to produce a balanced budget for the Council.

However, continuous reductions in public spending over the medium term and funding available to councils reduce on an ongoing basis until the national deficit is substantially reduced.

At the same time, demand for services and user expectations continue to increase. The current Medium Term Financial shows **annual expenditure will be £5.4 million higher than the income we have available to us by 2027/28.**

The financial pressures are not going away so we need to respond in even more profound ways now that we have achieved many of the 'quick wins'. This means transforming our services and the way we work.

The Transformation Strategy was adopted for 2016/17 financial year and is the latest version moving the position forward another year.

What does transforming mean for East Devon District Council?

East Devon District Council's purpose is to be a successful district council delivering or commissioning the services our council tax payers expect despite the huge reductions in grants.

Our Transformation Strategy sits alongside our Council Plan and outlines how transforming the way we work will deliver our purpose despite the predicted budget gap.

It is intended that this is a dynamic (rather than static) strategy which will require review and update on at least an annual basis.

It's important that we remember that transformation is not about moving from one steady state to another; neither is it a discrete programme that is started and finished. Instead, transformation is about an ongoing and continuous process of change requiring constant refreshing.

The following 'strategic themes' make up our Transformation Strategy.

- 1) Deliver our Worksmart Strategy and transforming our culture through new ways of working underpinned by the right technology at the right time
- 2) Deliver improved online services through our Open for Business project
- 3) Implement systems thinking reviews across all services

- 4) Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies
- 5) Actively pursue alternative service delivery methods and models

The 'strategic themes' of this Transformation Strategy will be used to ensure that spending and savings proposals can be tested on an ongoing basis against pre-agreed criteria. Keeping the 'strategic imperatives' in mind will help everyone in the council keep a firm focus on how it directs its human and financial resources so that we steer a steady course to deliver despite the reductions in government funding.

Key 'strategic imperatives' for transformation

1 Deliver our WorkSmart Strategy to transform the way we work, our culture and service delivery. Our working smarter ambitions will be underpinned by the right technology choices.

EDDC is working on a number of projects which relate to working smarter and new ways of working. These projects are all aiming to transform the way we work and how the council operates. These activities are driven by our recognition of changing customer behaviour and expectations as well as the need to respond to our financial situation.

Our WorkSmart Strategy outlines how working smarter means that we have to challenge all the assumptions of our traditional ways of working and bring in new approaches to management and team work.

Our Worksmart Strategy is underpinned by new technology. Working smarter depends on moving towards a digital working environment so anywhere that work is carried out is effectively part of 'the office'. Common systems, processes and tools should be available to all staff wherever they are working.

The government is committed to modernising services by making them online and this has implications for the way we work in delivering our services. Over time this will reduce some of the requirement to work in particular places and at particular times.

Key actions	Owner	Timescale	Potential savings/value creation
Implement WorkSmart Strategy to deliver new ways of working.	Karen Jenkins Strategic Lead	Ongoing	Effectiveness of our WorkSmart Strategy will be measured through the following metrics: <ul style="list-style-type: none"> • Improved outcomes • Improvements in working practices • Cost savings • Energy savings / Carbon reduction • Office space reduction • Improved satisfaction with space, IT delivery and culture • Travel reduction • Reduced absenteeism • Improved staff retention
Deliver IT systems and physical IT requirements for the new office and in support of WorkSmart	Strata	To be specified through the office accommodation project plan and WorkSmart Strategy	Efficiencies through the implementation of: <ul style="list-style-type: none"> • New phone system • Customer contact system • Electronic document management system • Flexi time system • Intranet content management system
Relocate to new offices providing a presence in Honiton and Exmouth. Offices will be designed to reflect the way we work.	Richard Cohen Deputy Chief Executive	Saving factored into MTFP – based on Grant Thornton’s model	Exmouth Nov 2017 Honiton Dec 2018
Organisation “Fit for Purpose”	SMT	2019/20 £250k	Review of organisation establishment

2 Improve our online services through our Open for Business project

Our customers want to do business with us in ways and at times that suit them best. People expect to be able to transact on-line if they want to.

Our Open for Business web project has two main objectives which is to make sure people can find what they are looking for on our web pages and do business with the council online across a range of services, if they want to.

Rather than design everything from scratch, we have modelled our website on the principles used for the gov.uk award winning website. Just like them we have designed our website to be:

- Centred around our customers' needs
- Clear
- Simple
- Fast
- Organised
- Rational

This project focused on both content and digital services. We have trained web authors across the council to be able to write content for the web. Web authors are responsible for writing and updating content and keeping this live and current.

Our web authors have turned thousands of out of date PDF documents and web pages into up to date, accessible web pages organised in hubs.

Key actions	Owner	Timescale	Potential savings/value creation
Explore technology which will provide a digital platform which means customers sign on once and transactions are integrated with back office systems. Customer portals such as this capture customer data across all channels.	SMT and Strata	End 2018	This will create a single customer view so that we can see what contact the customer has previously had with their council across all service areas. Savings will be made as customers switch to online services. A customer portal can potentially help the council identify these savings across all channels but a business case will need to be developed.

3 Implement systems thinking reviews across all services.

We strive for services which are:

- Organised around 'what matters' to our customers and communities
- Designed to catch problems early
- Delivered according to need and in the most appropriate way
- Value for money

The council has achieved significantly improved performance in areas where systems thinking reviews have taken place. However, there are still areas where we need to implement these reviews.

Further systems thinking reviews will determine what is the **purpose** of the service in customer terms; what **demands** customers place on the services and **what matters** to them; how capable are the various systems in responding to demand and what are the key system conditions impacting the work and how the work flows.

Research and experience in systems thinking councils shows that earlier intervention by public agencies could result in less intensive involvement being required later. Where possible, services should prioritise and build-in action which has the effect of reducing demand for and cost of services in the longer run. Addressing the 'waste demand' that results from focussing on consequences rather than causes, and approaches which alienate or disempower service users has a high cost for society and high costs for public services. The principles of preventative spend and early intervention are therefore identified as a strategic imperative.

Our action plans for Systems Thinking Reviews sit within our service areas – an update position is appended to this Strategy.

4 Maximise the value of our assets through commercial thinking with a focus on income generation, sustainability and developing local economies.

Key actions	Owner	Timescale	Potential savings/value creation
Organisational review of essential user allowance and use of council vans/cars.	Karen Jenkins Strategic Lead	2020/21	There are potential savings circa £120k but needs to be researched with caveat that this is an issue of terms and conditions which will need to be negotiated with UNISON.
All renewal or new lease/rental arrangements to be subject to commercial valuation. Members will be required to consider a commercial price or to identify from where a subsidy can be secured.	Richard Cohen Deputy Chief Executive	2018/19 £30k	
Charging Developers for Recycling and Waste containers	Andrew Hancock Service Lead	2019/20 £31k	Further work required.
Review use of PV array on council assets	Richard Cohen/ Property and Estates Manager	2018/19	Review to be undertaken
Provision of business units	Richard Cohen Deputy Chief Executive	2018/19	Seaton workshop provision as 1 st stage.
Review CCTV provision	Richard Cohen Deputy Chief Executive	2018/19 £25k	Final agreement to be reached with Exmouth Town Council.
Street Scene Event Income	Andrew Hancock Service Lead	£30k 2020/21	Building on existing success of charging for events which then help's maintain these fantastic sites.

Key actions	Owner	Timescale	Potential savings/value creation
Countryside working with the private sector to manage sites to meet developer obligations	Charles Plowden Service Lead	2018/19	Agreements being considered which will contribute to overheads of the service – Strategy will be updated once negotiations are completed.
Asset Review	Asset Management Forum	Ongoing	A polite scheme is progressing with Beer Parish Council and consultation is to be held district wide provision of public toilets.
Return on investment – ensure that regeneration opportunities include assessment of potential for capital receipt and or revenue streams.	Alison Hayward Economy and Regeneration Manager	Ongoing	Future principles on project funding to be developed for capital or revenue income.
Implement process where the Council can consider investment proposals to generate annual revenue income.	Simon Davey Strategic Lead	2018/19	Details to be considered in the 2018/19 budget process.

5 Actively pursue alternative service delivery methods and models.

Reviewing our service delivery model

Systems thinking reviews provide opportunities for the Council to pursue alternative methods of delivery to achieve efficiency and what matters to the customer.

Whilst there has been encouragement for authorities to provide services jointly on the basis of perceived significant cost savings, this has not always been borne out when detailed option appraisal has been done. However, now Strata Service Solutions Ltd has been formed, this will facilitate the sharing of systems. Individual business cases will be taken forward where the initial high level assessment indicates that they will deliver significant, quantifiable savings in the short, medium and long term.

Delivering services with communities

The role of the organisation may need to adapt in some areas from being a direct provider of services with professional officers providing the solutions to more of an enabler, helping local communities and supporting them to find their own solutions.

It is not intended that there should be a uniform approach for all service areas but instead to allow service areas to consider this if appropriate and move forward at the right pace.

EDDC needs to develop its thinking and debate about the extent to which services could be delivered with, rather than for communities. This is a process which will require recognising and identifying the knowledge, skills and experience which already exist locally and which can be developed and employed to mutual benefit. The impact should be to raise morale, enhance resilience, encourage greater independence and support communities to assume responsibility for local services.

When thinking about how we deliver services there could be greater scope to involve towns and parishes and community led service delivery.

Key actions	Owner	Timescale	Potential savings/value creation
The creation of Housing Company to deliver objectives identified and agreed by Council which includes a financial return to the Council	John Golding Strategic Lead	2018/19	Further details to be determined but a return to be made on: <ul style="list-style-type: none"> • 5% margin on services sold to the Company • At least 1% interest margin on funding provided to the Company. • Company profits returned to the Council.
Corporate Counter Fraud & Compliance	Libby Jarrett Service Lead	2018/19 £30k	
Use of In-House contract lawyer to save external spend	Henry Gordon Lennox Strategic Lead	2018/19 £15k	
Additional Legal Fees & Charges	Henry Gordon Lennox Strategic Lead	2018/19 £10k	
Green Waste Service	Andrew Hancock Service Lead	2018/19 £100k 2019/20 £200k	Introducing a Green Waste Scheme for the District run by the District Council. Different models are currently being considered but the net income identified is seen a reasonable estimate at this stage.

Appendix One

Deliver service efficiencies and improvements through the application of Systems Thinking techniques and ensure that we do 'what matters' for customers.

Deputy Executive – Development, Regeneration and Partnership

Team	Purpose	System review carried out Y/N	When to be implemented / reviewed
Development Management	Development Management systems and processes Specifically review CSC role in planning calls.	Initial review 2008 Second review 2016	Second review currently being tested
Development Management	Conservation – All processes including designating listed buildings and conservation areas, conservation area appraisals etc	Yes	Implemented
Planning Policy	To review all systems and processes particularly those associated with formulation and adoption of the Local Plan, Neighbourhood Plans and other DPD's.	No	Summer/Autumn 2017
Building Control	All systems and processes	Yes	Implemented and under continuous review

Strategic Lead – Housing, Health and Environment

Team	Purpose	System review carried out Y/N	When to be implemented / reviewed
Property and Asset	<p>We operate to the purpose – Right repair, Right time, fix and stay fixed. We also routinely measure end to end times for responsive repairs and voids.</p> <p>We have abandoned specific timescales for categories of repairs allowing tenant and contractor to agree timescales for all but emergency repairs. This has brought down average repair times.</p> <p>We are routinely monitoring first time fix with contractors and constantly improving van stock to ensure that contractors schedule the correct Operatives and have the right materials for the job.</p> <p>We continue to work towards reducing the average void times and report End to End times to Cabinet on a monthly basis.</p> <p>The review of the responsive repairs contract uses Systems Thinking principles and is closely aligned with customer expectations.</p>	Yes	Current
Landlord Services	<p>The time taken between the start of a tenancy (keys given to the new tenant) to the point when the first rent or benefit payment is received on the new rent account is a monthly measure.</p> <p>We have redesigned the new tenancy ‘sign up’ process and viewing process to focus on what matters for the customer.</p>	Yes	current
Rental	<p>Patch working recommended out of original systems thinking review is being implemented having been fully mapped out and processes tested. This will enable the full use of OpenHousing facility and help work across teams. The customer benefits from single advisor throughout regardless of the levels of debt.</p>	Yes	July 2017

Estate management	Sue Bewes is working through the range of activities to determine the processes most likely to benefit from a review. Type and frequency of demand data is available through OpenHousing and we have a good range of information on what matters to the customer.	No	2017-18
Private sector housing	Meryl Spencer will be undertaking reviews following the training and initially capturing type and frequency of demand for key activities and what matters to customers.	No	2017/18
Housing Needs and Allocations	Housing Needs will be undertaking a fresh data capture exercise during the month of April to record and analyse information detailing the reasons for customers visiting our offices in Sidmouth and Exmouth. The Information and Analysis officer will analyse this data with a view to configuring our services having regard to customer demand. Allocations are currently reviewing a number of 'back room' procedures. This is being seen as 'fine tuning' exercise, in essence this is about agreeing internal communications and processes. Having considered the Systems Thinking redesign undertaken in 2009, there may be the need for other teams that Allocations work with to reconsider the voices process. The reviews that Allocations are currently refreshing are: <ul style="list-style-type: none"> • Tenancy terminations • Tenancy successions • Voids • Garages • Sheltered Housing allocation process 	Yes	
Support Housing	THE TSA work with Vanguard and their Code of Practice and good practice guides are based around system thinking processes and this is the guidance we follow. We have reviewed the process for appointments (installations of alarm equipment). Following system thinking principles, operators take details,	Yes	2017/18

	<p>book an appointment, prepare equipment and all related paperwork as a one stop process.</p> <p>Client data checks now a fully streamline process. An annual data check is required but this is not necessarily a visit so we now visit year 1 and year 2 is a telephone check. Those vulnerable clients and where annual visit required a home visit has been maintained.</p> <p>Stock control – all stock is now recorded, logging life expectancy, battery life. Purchasing of stock – buy new stock when required and ‘just in time’.</p> <p>Trained MSOs on the different HomeSafeguard equipment enable them to deal with small faults for customers.</p> <p>Issued fact sheets – used by staff and service users which helps reduce preventable demand.</p>		
Tenant participation	Sue Bewes to scope this review with tenants	No	2017/18
Streetscene Areas East & West	End to end times for clearing flytipping	Yes	current
Streetscene Areas East & West	End to end times for dealing with overdue grass	Yes	current
Streetscene Areas East & West	End to end times for dealing with requests Street cleaning and toilet cleaning	Yes	current
Streetscene Operations	Reviewed the whole team set up and way of dealing with work orders/demands across operations. Implemented smartphones, mobile technology and area working to underpin improvements in the above areas.	Yes	2010 and next review 2018
Streetscene operations West	Continue review/roll out of Area Working to West teams. Job descriptions have been amended, team set ups reviewed and consultations with staff on the changes have taken place.	Check completed, but will need review of tests.	Test start February 2017

Team	Purpose	System review carried out Y/N	When to be implemented / reviewed
Streetscene – Recycling & Waste	Review the way we deal with the work to reduce e2e times and put the knowledge in the right place (which transactions in CSC or Waste team). There was a full review in 2012/13.	Yes, but needs re-visiting when new contract in place	May 2018
Streetscene engineers	Full review of teams demands, purpose and work flow. Include flow of work for land drainage enquiries and actions.	No	February 2017
Streetscene ops – parks improvement / tree inspections including housing trees	Review how we deal with parks improvement operations, specifically regarding tree inspections, and who should inspect/action housing tree issues Link to Countryside Trees Systems thinking work and Council wide Tree Strategy = process of tree management for whole Council tree stock	No	October 2017
Streetscene ops – REACT	Review how we carry out flytipping clearance, roadside litter picking and enforcement. Red route risk assessments, site specific RAs and safe systems of work.	Part of main ops review but needs revisiting	April 2017
Tree Team	Tree team to implement new processes and ways of working from recommendations from the finalised Systems Thinking review undertaken in 2014/15	Yes	System redesign process underway – liaising with DM, Legal, CSC and Strata for improvements.

Thelma Hulbert Gallery	Gallery team to review processes and ways of working to help continual improvements in their customer service model.	Reviewed and decided this is not needed	Focus for the team is on delivering the budget.
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Strategic Lead - Organisational Development and Transformation

Team	Purpose	System review carried out Y/N	When to be implemented / reviewed
Payroll Services	Pay the right people, the right amount at the right time	Yes	Implemented
HR Learning and Development	Develop skills, policies and practices so that people are happy, healthy here in an organisation that is both supportive and legal	No	Not planned
Communications and Improvement Team	Gather, analyse and provide clear and accurate information to bring about improvement' and 'facilitate two-way communication to promote mutual understanding and legal compliance	No	Not planned
Recruitment process	To recruit the right people at the right time	Yes	Implemented

Strategic Lead - Finance

Team	Purpose	System review carried out Y/N	When to be implemented / reviewed
Benefits	The end to end times for the assessing of new benefit claims from the received date to the assessment date. See below	Yes	Implemented
Benefits	The same end to end times but for requests for change of circumstances of benefit customers.	Yes	Implemented

Updated Karen Jenkins Strategic Lead June 2017

	<p>Exmouth Town Hall – Following systems review more work is now processed at first point of contact. Once the offices have been refurbished we will be able to increase efficiency as we will have better self service facilities.</p> <p>We’ve also carried out a systems review of our Welfare work and reduced the amount of preventable work that was being created through missed appointments, unnecessary home visits. We have implemented a text facility to remind customers of appointments and will only do home visits where someone cannot come to one of our face to face contact points.</p>		
<p>Revenues & Benefits Customer Services</p>	<p>Measuring customer demand – 1 stop capability , E2E, value/preventable demand.</p> <p>Demand capture identified that we are still taking a high number of payment only calls despite trying to actively encourage DD or other cheaper ways to pay. Feedback identified that customers won’t use the automated payment line because of higher tariff costs. We have now got Strata to get this number changed to an 03 number where calls are cheaper. Now need to promote this number on all notices.</p> <p>Getting calls direct to the correct person - New telephone system will enable better channelling of calls and the ability to change IVR message should help reduce preventable demand.</p> <p>Highest demand is customers moving and although this is value work we want to encourage customers to use our on-line facility.</p>	<p>Yes</p>	<p>On going</p>

	Demand capture has been done on the Inspection work within Customer services to measure the value. This has identified a number of areas where we can reduce waste and create capacity to focus on income generation initiatives.		
Corporate Debt Team	To collect the right amount from the right person at the right time Team Leader will start Systems thinking training in September. Demand capture has been undertaken and has identified a number of areas where improvements need to be made from invoice requisition to collecting the debt. This work will be continuing throughout 2017.	Started	Ongoing
Non Domestic Rates	To collect the right amount from the right business at the right time	No	To be started 2017/18

Strategic Lead - Legal, Licensing and Democratic Services

Team	Purpose	System review carried out Y/N	When to be implemented / reviewed
Legal/Estates	Increase efficiency of property disposal/acquisition process including the input of relevant front line services	N	

Updated Karen Jenkins Strategic Lead June 2017

	<p>Holistic review is required so that Legal is viewed from the perspective of the whole process rather than in respect of just the legal part. This is particularly relevant to Estates and the interaction with other services .</p> <p>Briefing notes for matters regularly arising would help save Legal resource repeating advice.</p>		
Democratic Services	No plans due to member welcome programme		
Licensing	No plans – Customer Service Excellence Award in place		

Report to: **Overview Committee**

Date of Meeting: 7 November 2017

Public Document: Yes

Exemption: None

Review date for release None

Agenda item: 8

Subject: **Scoping income generation and transformation savings.**

Purpose of report: To set out the options available to the committee on investigating case examples of successful income generation and transformation changes by other local authorities.

Recommendation:

- 1. To agree to undertake a review of income generation and transformation savings based on successful case examples from other authorities;**
- 2. To recommend to Cabinet that the Overview Committee reports its findings on income generation and transformation savings to the Budget Working Party for further consideration and development.**

Reason for recommendation: Topics put forward for future work are always scoped initially. The Council is facing a projected medium term deficit, and this approach of review could help to identify potential income generation and transformation savings that can help mitigate this deficit.

Officer: Debbie Meakin, Democratic Services Officer dmeakin@eastdevon.gov.uk

Financial implications: To follow.

Legal implications: There are no direct legal implications arising from the content of the report.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information: Links to related reports are in the body of the report.

Link to Council Plan: Continuously improving to be an outstanding council.



Report in full

1. Medium Term Financial Plan

- 1.1. The Council maintains a Medium Term Financial Plan (MTFP), regularly updated and reported to Cabinet. At present, this calculates a projected deficit for the Council's General Fund (revenue position) in 2018/19 of £0.735m and a further £0.524m in 2019/20. An annual budget shortfall is projected throughout the life of the Plan to 2027/28, equating to a cumulative budget deficit of £5.399m.
- 1.2. The plan model takes account of current service provision adjusted where there are known impacts such as customer demand changes, contract agreements and legislative requirements. Government Grant is based on a four year settlement up to 2019/20, with the assumption that from then this continues with a negative Revenue Support Grant Settlement. This is the first "cliff edge" of funding that Members will be aware of.
- 1.3. Rebasement of business rate income distribution is planned by Government, and the model plan assumes that that point in 2020/21 the growth gained will be lost, and the position starts again – this leads to a sudden increase in the Council's projected budget shortfall in 2020/21 – the second "cliff edge".
- 1.4. The four year settlement in determining councils' grant funding has assumed that councils will increase Council Tax year on year to the maximum allowed – this has been built into the plan model, and assumes an inflation increase year on year after 2019/20.
- 1.5. Projected income from New Homes Bonus (NHB) is assumed to be maintained at £1.5m a year throughout the life of the plan model.

2. Financial Plan and Transformation Strategy

- 2.1. Facing reducing budgets whilst maintaining the same level of services is not new to this Council; that is why a Financial Plan and Transformation Strategy are in place and regularly reviewed and updated, with Council approval.
- 2.2. Savings and income identified from the Transformation Strategy go some way in the short term to help the Council work towards balanced budgets, but with the scale of deficit predicted, do not cover off that deficit or address the medium term. There are no transformation strategy savings currently expected from 2021/22 onwards.
- 2.3. That isn't to say that officers haven't been working on finding savings and exploring alternative income streams – they have, but this can have its limitations in having enough time and resource to explore such options. Services continue to work on improvements through systems thinking reviews in order to maintain efficient and effective delivery.
- 2.4. Cabinet recently recommended to Council (and Council subsequently approved) the latest version of the Financial Plan and Transformation Strategy on 4 October 2017. The agreed Financial Plan recognises that there needs to be an investment in resource, capacity, skills and funding in order to prepare detailed business plans for approval and initial investment funding. The allocation and monitoring is suggested as best fit to the current Budget Working Party. Funds to invest in obtaining the required capacity and skills, and subsequently develop self-sufficiency proposals, could come from the balance of the Transformation Fund and the NHB Volatility Fund.

3. Where does Overview Committee fit in?

3.1. Overview has a specific function in the Council's constitution to assist the Council and the Cabinet in the development of its budget and policy framework. Overview has a strategic role in stimulating ideas and concepts that can be debated, reviewed, and perhaps developed into tangible proposals.

3.2. Identified work that the Overview Committee can undertake:

- Considering cases examples from other authorities of income generation and savings made;
- Narrow down areas where Overview feels further exploration would be useful;
- Work alongside key officers to talk to representatives from other authorities in those areas identified;
- Make a preliminary assessment on what needs to be invested to develop a concept – be it investing in staff skills, employing skilled specialists, purchase of assets;
- Make recommendations to the Budget Working Party on concepts and ideas for their further development, including what extent of resource, capacity and skill set will be required.

3.3. Whilst there is always the option of setting up a Task and Finish Forum for undertaking such work, I would advise that, in respect of the importance of this issue, and the need to engage as many Members and key officers in the debate, the work is undertaken by the Committee as a whole. Additional meetings to the scheduled ones may be required.

4. Case examples

4.1. Many other authorities have already undergone a culture change to a commercial setting in order to continue to fund and deliver their core services. There are many examples of successful initiatives that can be considered by the Committee to help narrow down some possible concepts for further discussion with key officers on the viability of progressing.

4.2. Two documents by independent bodies are worth reviewing to get a flavour of the range of income generation and transformation of services:

- Grant Thornton's "[The Income Spectrum](#)" (2017)
- LGiU's "[The Essential Guide to financial sustainability](#)"

5. Expected outcomes

5.1. As a minimum, undertaking this exercise should help towards changing the culture of traditional government funding – enabling both Members and officers to move to accepting changes in how services are funded in future.

5.2. Being more ambitious, which I hope the Committee are willing to be, undertaking this exercise will bring forward tangible concepts of income generation and/or transformation savings that will be picked up by the Budget Working Party to develop to a business case stage.

Appendix A - Action Plan for [People Strategy 2017 – 2020](#) – updated August 2017

1. Highly engaged workforce and a customer focused culture

Action	Responsible person	By when	Actual completion date/progress update
Training our top team and all our managers in managing dispersed teams.	Karen Jenkins	April 2017	SMT + and two HR Business Partners attended this course on 17 October 2016
Carry out our staff engagement survey in 2017 and annually and acting on the feedback.	Karen Jenkins	November 2017	Chief Executive has decided to carry this out post relocation. We will be running WorkSmart Workshops in November post move to Exmouth to learn any lessons and deal with any outstanding issues
Prepare colleagues for the change brought about due to office relocation by providing preparation and resilience training for everyone moving during 2017.	Karen Jenkins	Summer 2017	Course developed and Housing/Revenues and Benefits Teams have attended. All other service areas will attend in 2018.
Hold HR surgeries so that we can discuss any issues arising for individuals as a result of the move to Exmouth and Honiton.	Karen Jenkins	March 2017	Completed for Exmouth. Consultations for Honiton will take place in 2018.

Continue to involve colleagues and bringing about culture change through WorkSmart Workshops.	Karen Jenkins	April 2017	Completed for 2017 for all staff moving to Exmouth. Post move workshops are scheduled for November 2017 to learn lessons from the move. Further workshops will take place in 2018.
Work with Strata so that teams have basic technical problem solving skills to help them help themselves in using new technologies.	Karen Jenkins	April 2017	Strata have implemented training sessions for global desktop and telephony. Those moving to Exmouth will be trained by September 2017. The remainder of the workforce will be trained in 2018.
Train new managers in systems thinking principles.	Karen Jenkins	Ongoing	Completed for 2017. Further training will be undertaken in 2018.
Develop a new intranet which makes key information easier to find for both staff and managers.	Karen Jenkins/Jo Avery	Awaiting start date from Strata	Delayed by Strata.
Continue to prioritise internal communication through new and existing channels such as team brief, Mark my Words, staff awareness seminars, news and views and team meetings.	Karen Jenkins	Ongoing	Ongoing
Survey our residents' through the Viewpoint Survey in 2018 and	Karen Jenkins	April 2018	

acting on the feedback that they provide.			
Review HR policies to ensure they support flexible management practices and help managers deal with emerging issues as we work on an increasingly flexible basis.	Karen Jenkins	Ongoing	Policies reviewed and agreed with UNISON: Dress and appearance Flexi time Flexible working policy Travel policy Hiring temps, agency staff, interims and consultants WorkSmart: the way we work Requesting special equipment

2. Strong performance management to achieve accountability and help people reach their potential.

Action	Responsible person	By when	Actual completion date
Review Performance Excellence Review scores corporately to consider development for under performing or high potential staff and succession planning.	Caroline Hall Jenny Summers	Summer 2017	Deadline for data collection moved until end October 2017.
Provide proactive Human Resources support and intervention in managing unsatisfactory performance.	Human Resources Team	Ongoing	Ongoing
Provide proactive Human Resources support and intervention in managing attendance and well being.	Human Resources Team	Ongoing	Ongoing

Continue to proactively manage the well being of our workforce through a variety of initiatives, policies and benefits under the Happy Healthy Here agenda and as outlined in the Council's Well Being Policy.	Karen Jenkins/Sarah Vincent	Ongoing	Ongoing
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3. Effective workforce planning

Action	Responsible person	By when	Actual completion date
Continue to benchmark salaries across both the public and private sector through e-paycheck and other pay studies such as Incomes Data Services.	Sarah Vincent	Annually September 2017	
Continue to use market supplements to attract and retain the right people.	Karen Jenkins	Ongoing	Ongoing
Ensure updated job descriptions are available for all posts.	Karen Jenkins/Caitlin Davey	October 2017	Request made to managers on 10 May 2017.
Continue to make good use of apprenticeship schemes to improve recruitment and retention of staff aged 25 and under.	SMT+ /Sarah Vincent	Ongoing	We are currently recruiting to 3 apprenticeships however we will be seeking to increase this number by 2018/2019
Publish equal pay reviews with effect from April 2017.	Terry Wilson	Annually by April 2018 in line with legal requirement	
Develop closer relationships with specialist agencies to assist us in attracting candidates in areas where we find it difficult to recruit.	Jenny Summers/Caroline Hall	April 2017	Ongoing

Continue to review our recruitment processes and develop further our use of social media in recruitment and use of special sites on the EDDC and Strata websites.	Human Resources Team	April 2017	Ongoing
WorkSmart as a strategy to assist with recruitment and retention – offering our roles where appropriate on a flexible basis in terms of hours and location.	SMT +	Ongoing	
Introduce an employee referral scheme to encourage staff to recommend EDDC as a great place to work.	Karen Jenkins	June 2017	Completed and operational
Roll out a new flexi time scheme across the Council following trials.	Karen Jenkins	April 2018	On track – successfully implemented in 3 services.
Improve our job packs for EDDC and Strata with better information relating to the total reward package.	Karen Jenkins/Sarah Vincent	April 2017	Awaiting Strata.
Continue to write to all employees annual with their total reward statement which outlines their salary and the value of all the related benefits we offer.	Chris Hall	April 2017	Completed.
Continue to develop our corporate approach to workforce planning through publishing people data monthly to SMT+ and use of service planning process to consider workforce planning issues.	Karen Jenkins/Sarah Vincent	Ongoing	Ongoing
Succession planning for key posts and retaining high potential individuals by providing challenge and opportunity for growth.	SMT +	Ongoing	Ongoing

Continue to deliver fully accessible learning and development opportunities for all staff which help us meet the priorities in the Council Plan such as commercial awareness, project management skills etc.	Karen Jenkins/Jackie Hammond	Ongoing	Learning and Development function implemented from scratch in April 2017 following the disbanding of the Teignbridge partnership. Training and Development Plan agreed by SMT in May 2017.
Work closely with the Health and Safety team to ensure that Health and Safety training and knowledge is embedded and monitored effectively.	Karen Jenkins	Ongoing	Ongoing work with new Health and Safety Officer.

4. Simple, effective systems

Action	Responsible person	By when	Actual completion date
Review our systems thinking progress as outlined in our Transformation Strategy at SMT bi-annually.	SMT +	May 2017	Reviewed for 2017 Ongoing work – review annually.
Implement the underpinning technology to support us in the way we work and ensuring that Strata deliver what we need.	SMT+ and Strata	In accordance with Strata business plan for 2017/18	Ongoing
Review systems of work in all services particularly taking into consideration our two office locations. Maximising opportunities for electronic workflow through our Electronic Document Management System.	Service Leads	April 2018	Ongoing
Develop the business case for digital platform within East Devon to improve our customer journeys	Karen Jenkins/Strata	July 2017	Awaiting Strata resource

and deliver a greater degree of channel shift.			
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5. Effective leadership and vision

Action	Responsible person	By when	Actual completion date
Develop a manager welcome/induction to ensure our expectations, values and style of leadership are well communicated.	Karen Jenkins/Caroline Hall/Jenny Summers	April 2017	Completed and in place.
Develop and deliver management briefings to enable the consistent implementation of HR policy.	Karen Jenkins	Ongoing	Ongoing and in progress for all policy updates for 2017
Develop organisational skills and a corporate approach to coaching and mentoring. This will include training our management team in coaching skills so that a coaching approach is a part of the managerial toolbox at East Devon.	Karen Jenkins	April 2018	
Develop opportunities for everyone to benefit from coaching to help them reach their potential.	Karen Jenkins	April 2018	
Send out the managers' commitments survey to staff in 2017 and act on the feedback.	Karen Jenkins/Jamie Buckley	April 2017	Completed for 2017
Review progress against our commitment for Service and Strategic Leads to hold ILM 7 qualification or equivalent.	Karen Jenkins	April 2018	

People Strategy 1718


Final Report




Issue Date: 3 October 2017

Working in Partnership to Deliver Audit Excellence




Executive Summary

-  This section provides an overview for senior management to understand the main conclusions of this audit review, including the opinion, significant findings and a summary of the corporate risk exposure.

Findings and Outcomes

-  This section contains the more detailed findings identified during this review for consideration by service managers. It details individual findings together with the potential risk exposure and an action plan for addressing the risk.

Appendices:

-  Audit Framework Definitions
-  Support and Distribution
-  Statement of Responsibility

Executive Summary

Overview

As part of the 2017/18 audit plan a review has been undertaken to assess the effectiveness of the People Strategy in place for East Devon District Council.

We are able to provide substantial assurance that the People Strategy is effective in enabling the Council to have the right people, with the right skills at the right time to facilitate delivery of its priorities. It also helps support what is set out in both the Council Plan and Transformation Strategy.

The People Strategy 2017-20 has the following key strategic aims in place:

1. Highly engaged workforce and a customer focused culture
2. Strong performance management to achieve accountability and help people reach their potential.
3. Effective workforce planning and development
4. Simple, effective systems
5. Effective leadership and vision

The focus of the audit was to obtain evidence to establish progress made on the actions in place to achieve these aims.

Objective

To ensure that there is an effective People Strategy in place which aids the delivery of the Council Plan and Transformation Strategy.

Significant Findings

Finding:	Risk:
There were no significant findings	

Audit Opinion:

Substantial

I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively at all times and risks against the achievement of objectives are well managed.

The following areas are well controlled:

- The People Strategy was approved at the Cabinet and is available on the Policy Register for staff to review.
- An Action Plan is in place with actions classified according to the strategic aims.
- Actions are being implemented on a timely basis and appropriate evidence is in place to ensure that wherever possible EDDC will have people with the right skill and experience in post.
- An update on the Action Plan is presented to SMT.
- Effective measures are in place to monitor the success of the People Strategy.

Corporate Risk Assessment			
Risks	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. Without an effective Workforce Plan in place there is an increased risk that the Council does not meet its priorities resulting in financial and reputational damage.	High	Medium	Low

Findings and Outcomes

Method and Scope

This audit has been undertaken using an agreed risk based approach. This means that:

- the objectives and risks are discussed and agreed with management at the outset of the audit;
- the controls established to manage risks are discussed with key staff and relevant documentation reviewed;
- these controls are evaluated to assess whether they are proportionate to the risks and evidence sought to confirm controls are operating effectively;
- at the end of the audit, findings are discussed at a close-out meeting with the main contact and suggestions for improvement are agreed.

1	Without an effective Workforce Plan in place there is an increased risk that the Council does not meet its priorities resulting in financial and reputational damage.	Low
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1.1 Finding and Impact

There are no findings to report.

Audit Framework and Definitions

Assurance Definitions

None	The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Partial	In relation to the areas reviewed and the controls found to be in place, some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Reasonable	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
Substantial	The areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.

Definition of Corporate Risks

Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5	Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.
Priority 4	Important findings that need to be resolved by management.
Priority 3	The accuracy of records is at risk and requires attention.

Priority 2 and 1 Actions will normally be reported verbally to the Service Manager.

Support and Distribution

Report Authors

This report was produced and issued by:

Georgina Teale, Lead Auditor
Dave Hill, Director of Planning

Support

We would like to record our thanks to the following individuals who supported and helped us in the delivery of this audit review:

Karen Jenkins, Strategic Lead – Organisational Development

Distribution List

This report has been distributed to the following individuals:

Karen Jenkins, Strategic Lead – Organisational Development
Simon Davey, Strategic Lead – Finance

Working in Partnership with

Cheltenham Borough Council	Sedgemoor District Council
Cotswold District Council	Somerset County Council
Devon & Cornwall Police & OPCC	South Somerset District Council
Dorset County Council	Taunton Deane Borough Council
Dorset Police & OPCC	West Dorset District Council
East Devon District Council	West Oxfordshire District Council
Forest of Dean District Council	West Somerset Council
Herefordshire Council	Weymouth and Portland Borough Council
Mendip District Council	Wiltshire Council
North Dorset District Council	Wiltshire Police & OPCC
Powys County Council	

Statement of Responsibility

Conformance with Professional Standards

SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Auditing Standards.

SWAP Responsibility

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

Report to: **Overview Committee**

Date of Meeting: 07 November 2017

Public Document: Yes

Exemption: None

Review date for release: None



Agenda item: To be completed by Democratic Services.

Subject: **Productivity Strategy Consultation - Heart of the South West LEP**

Purpose of report: To make members aware that the draft Productivity Strategy consultation is open and to seek their views and input

Recommendation:

- 1) Members note the content, purpose and significance of the Productivity Strategy, and:**
 - a) provide individual comment direct to the authors via the online questionnaire at <https://www.torbay.gov.uk/surveys/HOSW/HOSWv2.htm>**
 - b) email any additional comments to the Economic Development Manager by the 17th November to inform a co-ordinated response**
 - c) recommend that Cabinet be invited to review and contribute to a joint response from the four EHOD authorities comprising our functioning economic market area (FEMA)**

Reason for recommendation: To ensure the delivery of an effective economic development service

Officer: Robert Murray (Economic Development Manager)
rmurray@eastdevon.gov.uk (Direct Dial): 01404 41719; 01395 571741

Financial implications: The report makes no specific recommendation which has financial implications

Legal implications: There are no legal implications arising from the report

Equalities impact: Low Impact

Risk: Low Risk
There are no specific risks associated with this update report

Links to background information:

- [Heart of the South West draft Productivity Strategy: Stepping Up to the Challenge \(2017\)](#) www.torbay.gov.uk/devolution
- Strategic Economic Plan 2014-2030 (2014)
<http://heartofswlep.co.uk/wp-content/uploads/2016/09/SEP-Final-draft-31-03-14-website-1.pdf>

- Driving productivity in the Heart of the South West. Consultation Paper (Green Paper, Jan. 2017)
<http://www.torbay.gov.uk/media/8898/driving-productivity-in-the-heart-of-the-south-west.pdf>
- Heart of the South West LEP: Growth Deal 2015/16 (2014)
<http://heartofswlep.co.uk/wp-content/uploads/2016/09/Growth-Deal-2015-Heart-of-SW-Final-3-4.pdf>
- A Strategy for Growth 2013–2020 (2013)
<http://www.devon.gov.uk/strategy-for-growth-2013-2020.pdf>

Link to Council Plan:

Developing an outstanding local economy
Continuously improving to be an outstanding council

Cover Report (*adapted from information supplied by Somerset County Council & Torbay Council*):

The draft Heart of the South West Productivity Strategy (see Appendix 1) has been prepared through consultation between district, county and unitary authorities, national parks and the Local Enterprise Partnership (LEP) in the Heart of the South West (HotSW). Its development has included input from Clinical Commissioning Groups (CCGs), as well as private and third sector partners and central government.

Whilst the Government has slowed with its devolution agenda, this Partnership of agencies remains focused on the issue of productivity in the Heart of the South West.

The Productivity Strategy is a successor document to the LEP's Strategic Economic Plan (2014). It is an overarching strategy document that outlines key priorities and objectives for the HotSW. Specifically, it sets out the aim of narrowing the 'productivity gap' evident in the HotSW LEP area, driving up prosperity and living standards for all, and securing the resources needed to do so.

The Productivity Strategy will act as a basis for:

- Local engagement in the UK Industrial Strategy (Green paper: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/611705/building-our-industrial-strategy-green-paper.pdf)
- Securing investment for our area (e.g. via the Government's proposed Shared Prosperity Fund)
- Devolution

At the local level it will:

- Align local economic delivery plans/strategies (e.g. Devon County Council's Strategy for Growth (2013-2020)) and replace the LEP's Strategic Economic Plan 2014-2030 (2014)
- Draw together resources of local partners and stakeholders

This report briefly sets out the background and highlights some of the key Strategy themes.

Background to the Productivity Strategy

In March 2014, the HotSW LEP published the area's Strategic Economic Plan, aiming to maximise economic growth across the area. Since its publication, Government has turned its attention to the challenge of productivity and is now developing a national Industrial Strategy to boost UK productivity. The HotSW Productivity Strategy will replace the Strategic Economic Plan.

It will set out the contribution the HotSW area can make to close the UK's productivity gap and how we will be an integral part of the forthcoming UK Industrial Strategy. It will form the basis of negotiations with Government for investment and devolved powers and it will act as a focal point to draw together local economic delivery plans and strategies as well as local resources.

The draft Productivity Strategy has been put together by a project team over the last few months with input from the LEP and various LAs. Once it has received final sign off, the Productivity Strategy will be owned by both the Joint Committee, representing all local authorities, and the business-led HotSW LEP.

Strategy Aims

Ambitious in its aims, the Productivity Strategy seeks to:

- double the net worth of the HotSW economy from approx. £35 billion to £70 billion by 2036
- raise our productivity from £45,000 to £69,000 GVA per FTE by 2036

Its stated vision is 'for all parts of the HotSW to become more prosperous, enabling people to have a better quality of life and higher living standards'. Since the financial crisis, levels of employment have risen in the HotSW, yet productivity has slipped against the UK average. The Productivity Strategy argues that closing this 'productivity gap' is vital to realising the area's potential and avoiding the future risk of declining communities, reduced living standards, higher levels of poverty and a potentially greater pressure on public services.

The document itself identifies a number of challenges facing the HotSW area:

- Productivity has slipped and varies considerably across the patch
- Businesses are less likely to export or invest in innovation
- We have a growing and ageing population
- We have notable skills shortages
- We have issues with transport and digital connectivity
- We have growing infrastructure demands for both housing and employment

Besides challenges, the Productivity Strategy points out that the HotSW has numerous areas of world class economic strength and potential for increasing productivity.

The Strategy is structured around the three strategic objective areas 'Leadership and Knowledge', 'Connectivity and Infrastructure', and 'Working and Learning'. A number of indicative programmes are set out beneath these strategic objectives (Fig.1). Alongside these, a series of draft actions are proposed (Fig. 2)

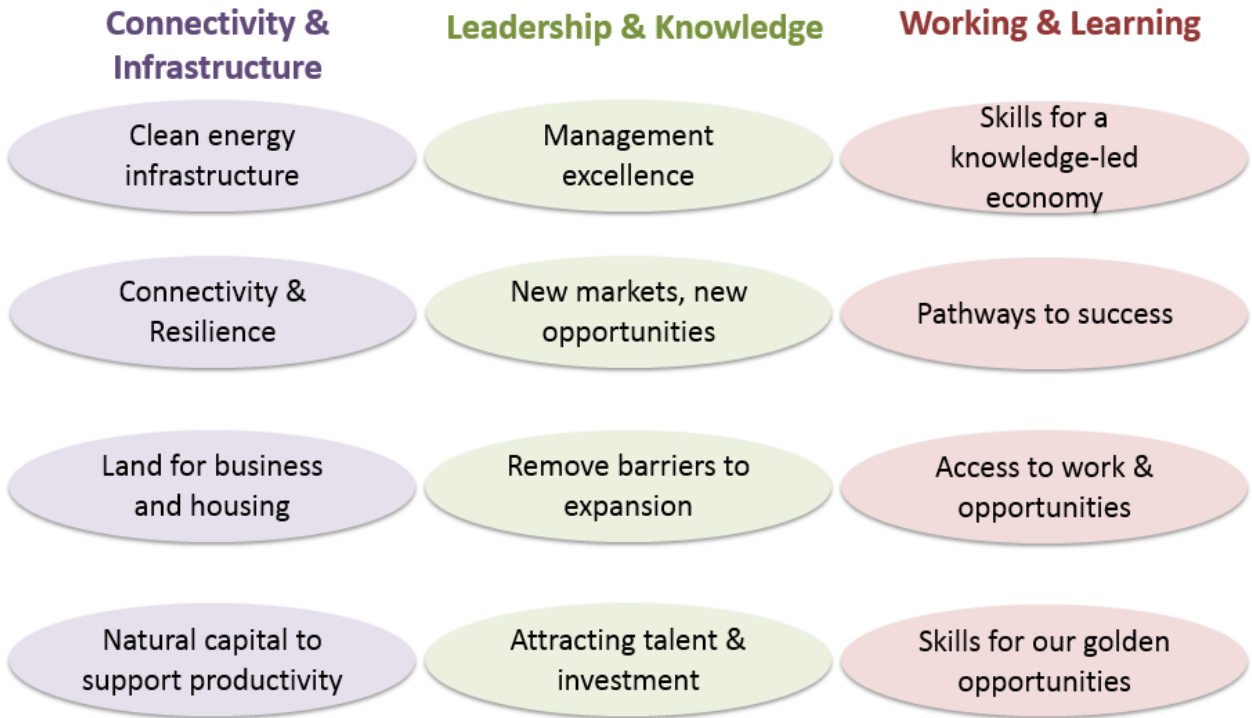


Fig. 1: Strategic Objectives and Indicative Programmes

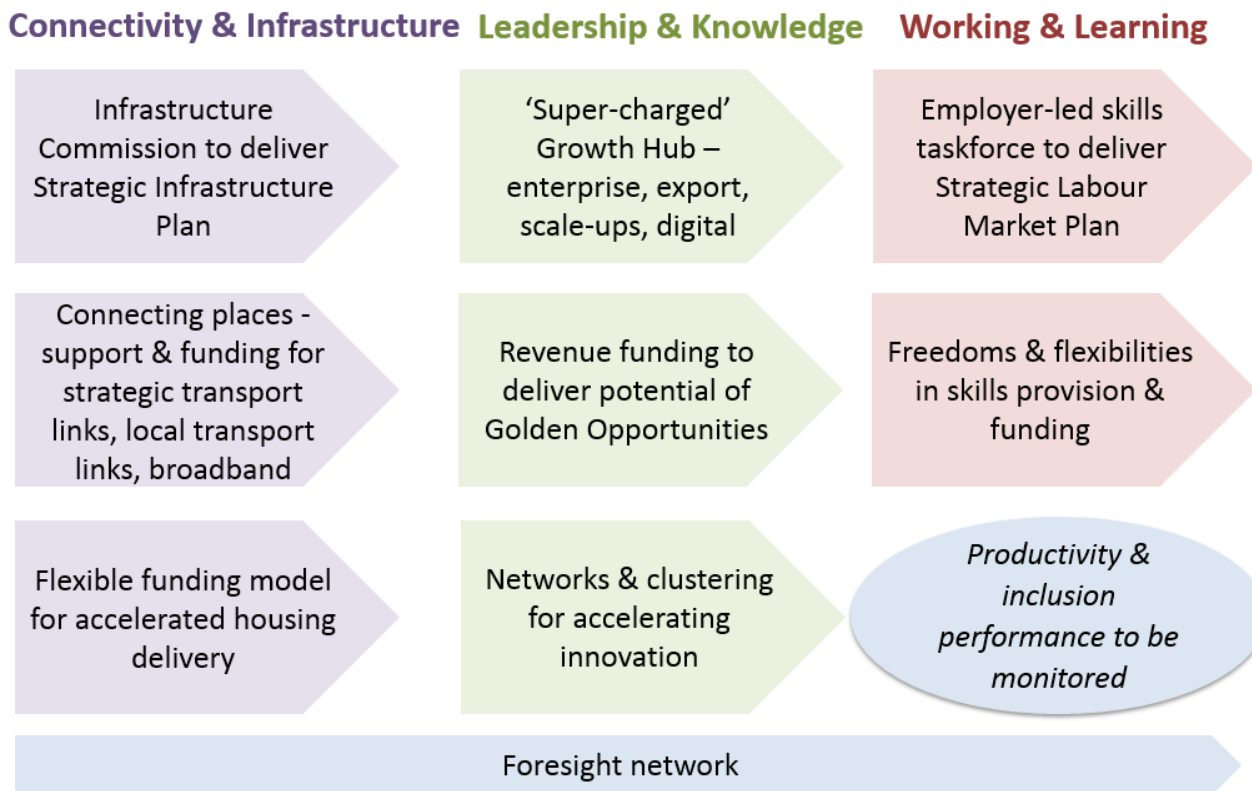


Fig. 2: Productivity Strategy Draft Actions

In addition to these, the Productivity Strategy outlines key principles that will span all aspects of delivery. These capture the importance of ensuring that growth is inclusive; that we build on our unique opportunities; that we maximise the potential from digital technologies; that challenges associated with rurality are addressed, and that we continue to value and capitalise on our natural environmental assets. For East Devon in particular, the importance of our 'green infrastructure' is

paramount to people’s quality of life and a key attractor underpinning a visitor economy worth millions to our economy and supporting thousands of jobs, albeit in sectors with a traditionally lower than average GVA per FTE.

High Level Strategy

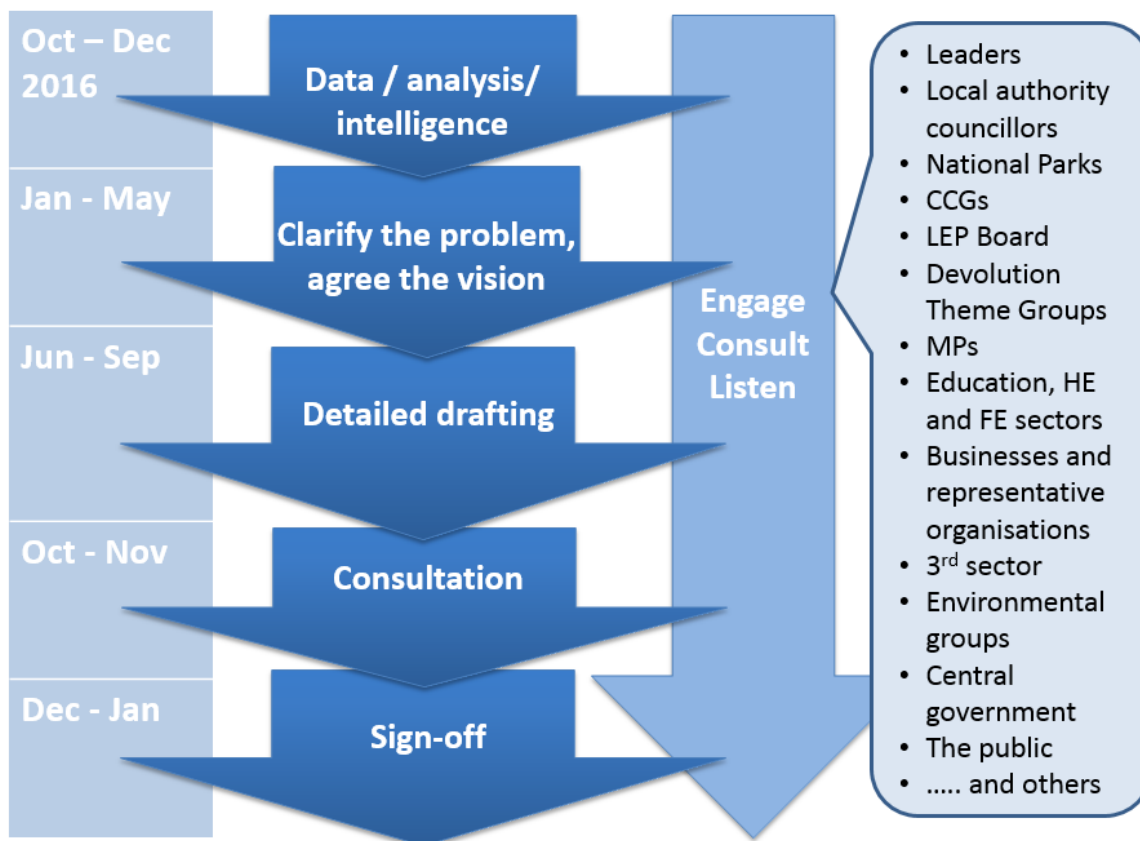
The Productivity Strategy has deliberately been developed to be a high-level strategy document, capturing overarching priorities and objectives for the HotSW. It is not intended to articulate all the specific issues and priorities of partners and stakeholders. Moreover, it focusses specifically on boosting productivity and is not a broad economic development strategy. Local specificities and other economic development priorities are more meaningfully captured in local plans and strategies, such as our own EHOD Partnership Shared Economic Strategy (2017-2010) See: <http://eastdevon.gov.uk/media/1986797/ehod-shared-economic-strategy-2017-20.pdf>

When reviewing the document, it should be appreciated that the Productivity Strategy is not meant to detail how objectives will be delivered. Subsequent to its adoption, a separate Delivery Plan will be published.

It is important at this stage that Members focus on providing higher, strategic-level feedback on this Draft Strategy. We are being asked to consider whether the overarching vision and objectives of the Strategy are fit for purpose, reflecting the needs and priorities of our district and wider functioning economic area.

Consultation and Sign-off

The engagement, consultation and development and sign off process is illustrated below.



The draft Productivity Strategy was approved for wider circulation and consultation by the LEP board and Shadow Joint Committee in September 2017. The results from the consultation will be considered by the Joint Committee of the Leaders of the Heart of the South West before a final Productivity Strategy is agreed in 2018. As such, it is important that East Devon District Council make a formal response at this stage of the consultation.

To inform the level of feedback sought, the report authors have offered a number of example questions to consider in reviewing the draft Productivity Strategy:

- Does the Strategy set an appropriate balance between an ambitious yet realistic vision?
- Are the strategic objectives the right ones to guide the detailed work in the coming years?
- Are the themes and objectives the right area of focus?
- How important are the suggested programmes and actions in raising productivity in East Devon?
- Are there any specific actions which will ensure we meet these principles?

Recommendations:

Members are asked to review the content, purpose and significance of this draft Productivity Strategy, and:

- a) provide individual comment direct to the authors via the online questionnaire at <https://www.torbay.gov.uk/surveys/HOSW/HOSWv2.htm>
- b) email any additional comments to the Economic Development Manager (rmurray@eastdevon.gov.uk) by the 17th November to inform a co-ordinated response
- c) recommend that Cabinet be invited to review and contribute to a joint response from the four EHOD authorities comprising our functioning economic market area (FEMA)

Ends

Appendix 1:

Heart of the South West draft Productivity Strategy: Stepping Up to the Challenge (2017)

<http://www.torbay.gov.uk/media/10207/heart-of-the-south-west-draft-productivity-strategy.pdf>

Agenda item 11

Overview Committee



Overview Committee Forward Plan 2017/18

Date of Committee	Report
tba	Local authority examples of income generation and transformation savings
17 Jan 2018	Draft 2018/19 budget and service plans with Scrutiny
13 Mar 2018	Local authority examples of income generation and transformation savings continued

Work for scoping and allocation to the Forward Plan:

Proposed date	Topic
tbc	Review how regeneration boards operate
tbc	Public Toilet review