

Report to: Cabinet
Date of Meeting: 31 October 2018
Public Document: Yes
Exemption: None



Review date for release None

Agenda item: 17

Subject: Transformation Strategy and Financial (2019 – 2029)

Purpose of report: To present the Transformation Strategy and Financial Plan 2019 – 2029

Recommendation: That Cabinet recommend to Council:

1. The approval of the Transformation Strategy and Financial Plan (2019 -2029).
2. £200,000 be allocated from the Transformation Fund to meet one off costs associated with the “fit for purpose” strategic theme in the Transformation Strategy.

Reason for recommendation:

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.

To consider the implications of spending plans and the level of 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.

The Transformation Strategy identifies key strategic themes that underpin our transformational activity to help us achieve savings/efficiencies and to help continue to protect front line services.

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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.

Members are reminded that the Council has set aside monies in a Transformation Fund to assist the Council’s transformation programme by meeting upfront costs necessarily incurred in order to produce savings/efficiencies in future years. The balance as at 31/3/18 was

£1.898m, with existing commitments of £213k, leaving an uncommitted balance of £1.685m.

- Legal implications:** There are no direct legal implications requiring comment.
- Equalities impact:** Low Impact
Each action will be assessed individually for equality impact.
- Risk:** Medium Risk
- Links to background information:** [Transformation Strategy \(2019-2029\)](#)
[Financial Plan \(2019-2029\)](#)
- Link to Council Plan:** Continuously improving to be an outstanding Council

Transformation Strategy and Financial Plan (2019 – 2029)

1. Introduction

- 1.1 Cabinet last adopted the Transformation Strategy and Financial Plan in October 2017 which covered the period 2018-2028. The messages continue with the financial pressures for the Council not going away and the need to continually 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 2018/19 despite a projected gap of £0.735m 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.
- 1.3 This report presents for members an update of two key documents for approval; Transformation Strategy and Financial Plan 2019 – 2029, both documents are linked to this report. Details of these documents were debated by the Budget Working Party on 17th October 2018 who agreed in principle with the proposed direction being outlined.

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, Scrutiny and Overview for consideration. Recommendations and comments from these Committees will then inform the approach for preparing the detailed annual budget which will go to Council for approval in February 2019 and give officers a steer for producing balanced budget up to 2028/29.

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 £4.6m if no action is taken by 2028/29.
- 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) **WorkSmart**
 - 2) **Digital by design for a Digital East Devon**
 - 3) **Systems thinking reviews with a digital mind-set**
 - 4) **An organisational ‘fit for purpose’**
 - 5) **Commercial thinking to maximise income generation**
 - 6) **Actively pursue partnership working and alternative delivery models where it makes sense to do so**
 - 7) **Adopt place based approaches to grow local economies.**

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 Financial 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 2019/20 of £0.665m. An annual budget shortfall is projected through the life of the Plan up to 2028/29, equating to a cumulative budget deficit to find of £4.6m.
- 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/target 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 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | 2028/29 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| MTFP Annual Budget Shortfall | 665 | 1,952 | 279 | 159 | 112 | 125 | 632 | 137 | 309 | 276 |
| Transformation Strategy where finance identified- assuming all saving delivered | (385) | (1,394) | (52) | (372) | (195) | (156) | - | - | - | - |
| Outstanding annual Shortfall/(Surplus) | 280 | 558 | 227 | (213) | (83) | (31) | 632 | 137 | 309 | 276 |

- 4.3 In order to prepare a balanced budget for next year there is still a shortfall to meet of £0.280m and this is assuming all the actions/targets already identified are achieved. There is still more

to do but there is confidence that **the Council is able to demonstrate it has in place a proven mechanism to deliver balanced budgets.**

- 4.4 Within the Transformation Strategy is a target saving of £0.250m for the strategic theme of “fit for purpose” for 2019/20. It should be remembered that the savings identified reduce the base budget giving the savings each year going forward. The proposed actions to deliver this saving for next year’s budget are on track but do require the Strategic Management Team to make some staff structure changes within services at an operational level and is likely to lead some redundancy costs. Members are therefore asked to agree a budget of £0.200m from the Transformation Fund to meet these one off costs leading up to the preparation of the 2019/20 budget.
- 4.5 In addition to the above savings expected within the Transformation Strategy under the “fit for purpose” heading, additional actions will be required to achieve greater saving going forward in budgets beyond 2019/20. This may require more fundamental changes around strategic/service management and if this is the case will need member consideration and approval.
- 4.6 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 funds available. These items are **excluded** from the position above as currently they are unaffordable, details are contained in the linked Financial Plan as a risk consideration.
- 4.7 There is a significant shortfall projected in 2020/21 (£1.952m) which mainly as a result of an assumed rebasing of business rate income thereby reducing our income by £1.1m. It is proposed in the Finance Plan that work continues in bridging this gap and driving self-sufficiency of the Council to give assurance to members that a balance budget can be presented to Members at this time.