

FINANCIAL SUSTAINABILITY PROGRAMME

Overview at July 2022

Background and Context

The need for a concerted focus on the financial sustainability of the Council was identified as part of the 2022/23 budget setting process, as reported to the Executive in [November 2021](#) and [January 2022](#).

Financial Pressures and the Forecast Funding Gap

In January 2022, the Council's Medium Term Financial Programme forecasted indicated a budget gap of £2.116 million in 2023/24, rising to £5.446 million by 2027/28. The key factors that influence the forecast gap are summarised in the covering report, and include:

- Service expenditure
- Central budgets
- Council tax and non-domestic (business) rates; and
- Future use of reserves

More details about the likely scale of impact of the above is set out in the updated Medium Term Financial Plan (July 2022) which is now provided for members' consideration at Annex 1.

Using Reserves

Although the Council has established ring-fenced reserves to manage the financial risks it is facing (and these put it in a relatively secure financial position compared to many authorities) the use of reserves to address the forecast funding gap represents a short term tactic. Ongoing reliance on one-off measures such as the use of reserves is not without risk and will not be sustainable in the longer term. The Council therefore needs to reduce its costs and / or increase its income on a permanent basis to guarantee its financial sustainability for future years. More information about the Council's reserves position can be found in the [January 2022 budget papers](#).

Commercial Activity

The Council has also for several years now been pursuing a commercial approach, with the publication of [Part 1 of its Commercial Strategy](#) in November 2020 and [Part 2](#) in December 2021. However, its ability to generate income from 'purely commercial' activity is now highly constrained, with restrictions meaning that borrowing to invest solely for financial return is not allowed, and new limitations to the types of capital spending where borrowing is permitted. These are underpinned by new Government controls on access to Public Works Loans Board (PWLB) borrowing and proposed changes to Minimum Revenue Provision accounting along with revised CIPFA Codes of Practice on Prudential Borrowing and Treasury Management that have been introduced over the past 18 months. The implications for this authority are explained in Part 1 of this MTFP report.

Companies

The establishment of arms-length trading companies reflects a further potential tool available to the Council to generate income. However, experience to date in this area has demonstrated that establishing and then growing such companies can be extremely time consuming and resource intensive. The Commercial Strategy Part 2 therefore confirms that the Council will take an incremental, long-term approach will be taken to growing trading activities, and that the focus will be in areas where we already have experience. This means that trading activity does not provide the short to medium term solution to addressing the Council's funding gap.

Financial Sustainability Programme

Taking into account the forecast funding gap, the parameters within which the Council can operate, and building on experience to date, the Executive therefore agreed in November 2021 to pursue a Financial Sustainability Programme, focusing on four key areas:

- **Income generation** (that is, pursuing opportunities to generate new income streams, optimising fees and charges and implementing the commercial strategy)
- **Use of assets** (making effective use of existing assets, including the repurposing and sale of surplus properties)
- **Prioritisation of resources** (reviewing in year budget forecasts to identify new opportunities for savings and efficiencies, reviewing the level of service provided and focusing resources on priority services, and managing pay costs and making effective use of staff resources)
- **Achieving value for money** (including pursuing options to share with other Councils to realise efficiency savings and identifying invest to save opportunities, including investment in technology to reduce operational costs)

Financial Sustainability Programme

The Financial Sustainability Programme comprises the projects and activities that are being deployed to address represents a key component to mitigate against the Financial Sustainability risk identified on the Council's Strategic Risk Register.

Approach

Programme Scope and Objectives

The Council's Financial Sustainability focus is not a single plan, or project, but rather will encompass many different activities and projects. As such, it is being managed as a programme in line with the corporate Project and Programme Management Framework.

The main components of the programme are:

- **Service and financial planning:** reviewing all budget areas to ensure that there is a clear justification for the services being delivered and that budgets are set accordingly
- **Standalone projects and activities:** Scoping and where appropriate progressing new ideas and opportunities for generating income or introducing efficiencies

- **Fees and charges:** A comprehensive review to ensure that the Fees & Charges Policy is consistently applied across the Council.

The programme objectives are that it will:

- Act as a catalyst for - and foster an ongoing legacy of – cultural, behavioural and procedural changes to embed financial efficiency and acumen
- Identify and deliver on opportunities for increasing income and/or achieving cashable savings
- Maintain the provision of services at a level that is viable within the available budget envelope, recognising that this may involve delivering services differently.

In developing how we approach the programme; the following options were considered:

- **Option 1: Do nothing.**
This option has not been selected as it is not a long term solution. Eventually the Council's reserves will deplete and the time window available to make managed change will have been lost. Difficult decisions need to be made – this option would merely delay those decisions.
- **Option 2: Seek to close the budget gap as soon as possible.**
This option has not been selected as it would require the application of blunt measures 'across the board'. This could have negative and destabilising impacts on service delivery and reduce operational capacity to deliver core responsibilities. The short timescales associated with this option would hinder the ability of the organisation to fully consider the options available and the implications of different options. There may also be significant costs associated with this option which could detract from any benefits gained.
- **Option 3: Seek to close the budget gap in a planned and controlled manner over a longer term.**
This is the recommended option as it allows the Council to explore and evaluate options to close the budget gap in a way that maintains organisational stability and capacity. Given the longer term timescales involved, it will also enable the Council to pursue means to increase income to complement savings made.

Programme Governance

The Council's Corporate Governance Group, comprised of key senior and statutory officers, has overall operational responsibility for the Financial Sustainability Programme (FSP). To enable regular oversight of the programme and its progress, a Steering Group has been comprised (effectively a sub-group of Corporate Governance Group members), supported by officers from within the Projects & Performance Team.

Within the programme:

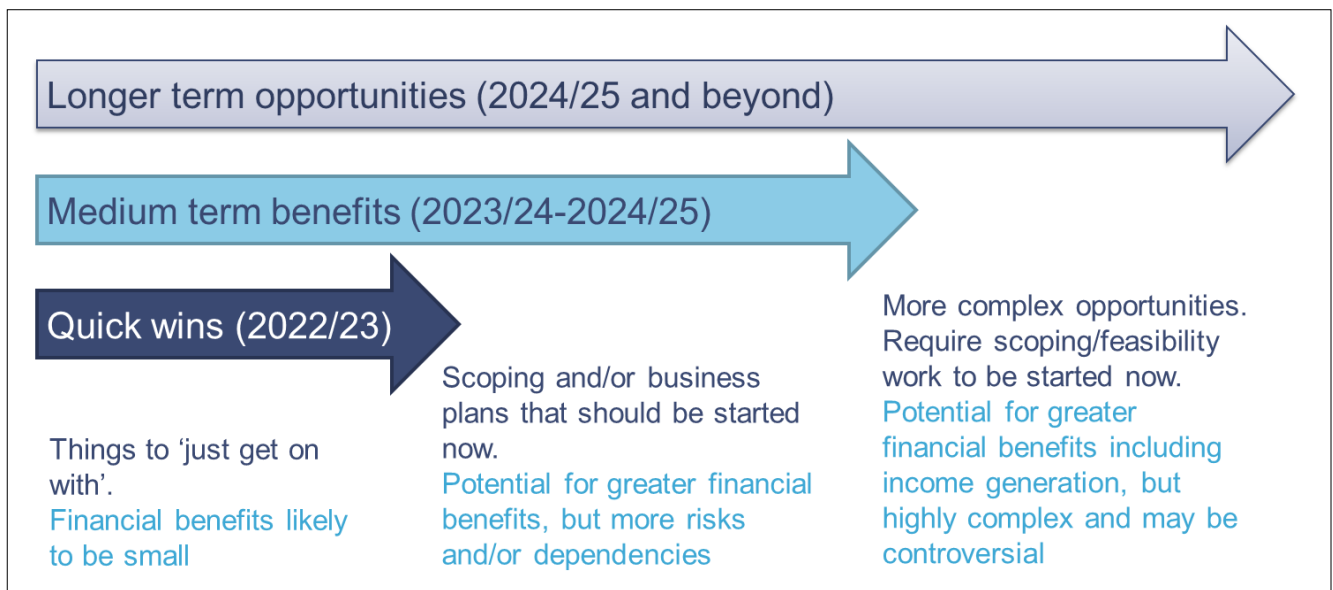
- Service and financial planning activities are being managed in the usual way (although with a more in-depth approach being taken): this means via a series of Management Team Awaydays, Executive Awaydays, and collaborative working between senior officers and Executive Members. This will culminate in the usual draft budget report to Executive and Budget Scrutiny process.
- Standalone projects and activities are being managed within their respective service areas. In the case of projects, these will be managed and reported in the usual way, using the Council's Project Management Framework, reporting to its officer Governance Boards, and with dashboards provided to Members.
- The Fees & Charges review is being overseen by officers within the Finance and Corporate Policy teams, working with budget holders across the Council. In some instances, a substantive review of an existing charge, or the introduction of a new charge, may warrant a project-based approach. While authority for agreeing fees and charges is delegated to relevant Heads of Services, it is intended that outcomes from the review will be included within the draft budget in November 2022.

Programme progress is being reported to the Corporate Governance Group on a monthly basis. Monthly updates are also being provided to Executive Members via the informal Leader's Meeting, with the Leader and Deputy leader receiving more frequent briefings.

It should be recognised that delivering the Financial Sustainability Programme will not be straightforward or easy. It will require considerable input from senior and middle managers across the organisation and this represents a key risk for the programme. The Corporate Governance Group will regularly review organisational capacity and the prioritisation of workload to ensure this risk is managed and as necessary mitigated.

Progress to Date

The chosen approach to the Financial Sustainability Programme (option 3 above) means that the work will run across multiple financial years, and comprise assessment and implementation of changes over the short, medium and longer term, as illustrated below:



As set out in the 'Reporting' section below, regular updates will be provided to the Overview & Scrutiny Committee and Executive on programme progress. However, in terms of the process being followed, the following progress has been made at the time of writing (July 2022)

Programme Set Up

- ✓ FSP Steering Group established (February)
- ✓ Initial programme brief agreed by Corporate Governance Group (April)
- ✓ Programme plan and register in development (May)
- ✓ Programme support officer appointed (June)

Service & Financial Planning

- ✓ Initial review of budgets and services undertaken by Heads of Service (April/May)
- ✓ Peer challenge at Management Team Awayday (May)
- ✓ Discussion of budget and service options and prioritisation at Executive Awayday (June)

The key milestone for this element will be the November 2022 draft budget report to Executive.

Standalone Projects and Activities

- ✓ Identification and prioritisation of opportunities by Management Team (March/April)
- ✓ Project and activity scoping and development of (outline) business cases (ongoing)

Key milestones will be identified on a project by project basis.

Fees & Charges

- ✓ 2022/23 increases implemented for some charges (April 2022)
- ✓ Collation of fees and charges register and identification of higher value areas for priority review (May 2022)
- ✓ Budget holders progressing review (ongoing)

The key milestone for this element will be the November 2022 draft budget report to Executive.

Vacancy Control Mechanisms

From June 2022, a new vacancy control mechanism has been introduced to ensure that there is a robust business case for any recruitment undertaken to newly vacant posts. This may deliver some in-year savings.

Third Party Funding Opportunities

Services across the Council will continue to pursue third party funding opportunities where these can provide alternative sources of funding for future service activities. For example, the Council has already been successful in securing £0.5m of funding from health partners; work is currently underway to develop an investment plan to secure £1m of UK Shared Prosperity Funding.

Reporting Progress

To ensure transparency and allow for appropriate scrutiny, the Council will regularly report the progress it is making in relation to its Financial Sustainability Programme.

- Monthly updates will be provided to Executive Members via portfolio holder briefings and the informal Leader's Meeting.
- Quarterly reports will be provided to the Overview & Scrutiny Committee and Executive as part of the usual budget and performance monitoring arrangements. Updates on constituent projects will be reported via the project dashboards provided for Members.
- Proposed changes to future service provision and associated budgets will be presented in draft form to the Executive in November 2022, following which public consultation and consultation with the Overview & Scrutiny Committee (via its Budget Scrutiny Panel) will take place.
- A Communications Plan has been developed which will inform other strands of communications activity, including with staff, councillors and the public.