

# FINANCIAL SUSTAINABILITY PROGRAMME

## Overview at July 2023

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### 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 2022 and January 2023.

### Financial Pressures and the Forecast Funding Gap

In January 2023, the Council's Medium Term Financial Programme forecast indicated a budget gap of £3.042 million in 2024/25, reducing to £2.373 million by 2027/28. The key factors that influence the forecast gap are summarised in the budget report, and include:

- Service expenditure pressures
- Central budget increases
- Changes in forecast council tax and business rates;
- Changes in Government funding; and
- Updated forecasts for use of reserves

More details about the likely scale of impact of the above is set out in the updated Medium Term Financial Plan 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 at Annex 1.

### Commercial Activity

The Council has also for several years now been pursuing a commercial approach, with the publication of its Commercial Strategy. However, the 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. The implications for this authority are explained At Annex 1.

### 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 will not provide the 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 has agreed 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 in 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; and
- 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

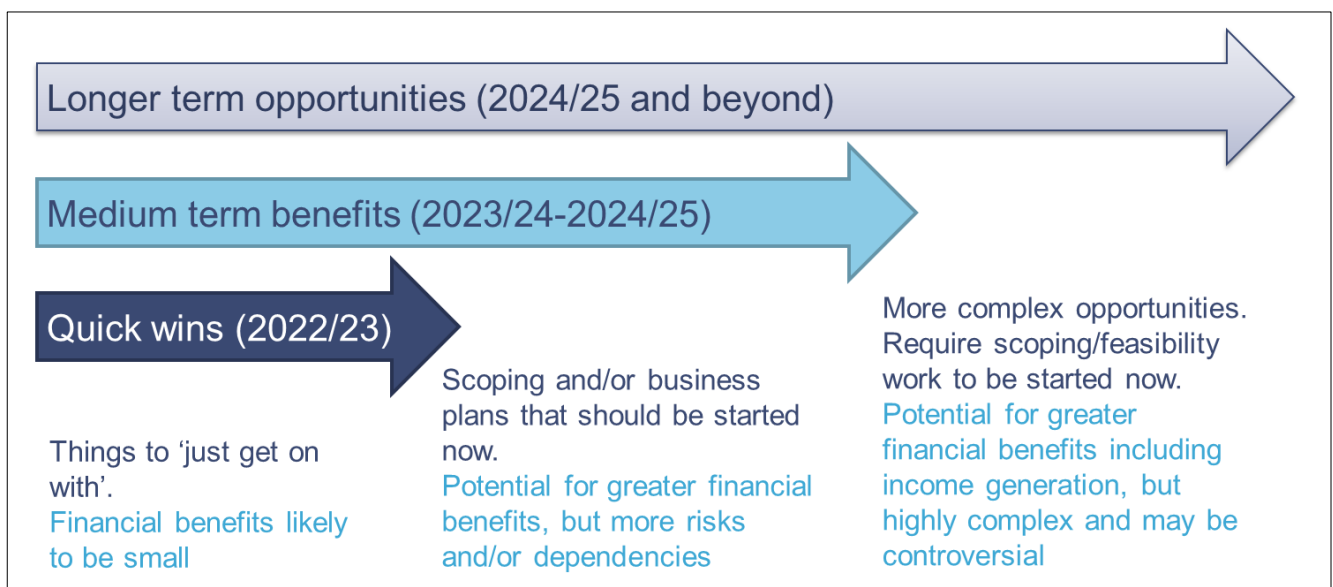
officers and Executive Members. This will culminate in the usual draft budget report to Executive and the Budget Scrutiny process.

- 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, the outcomes from the review will once again be included within the draft budget report in November.

It should be recognised that delivering the Financial Sustainability Programme is not straightforward or easy. It requires considerable input from senior and middle managers across the organisation and this represents a key risk for the programme. The Corporate Governance Group regularly reviews 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:



## Programme Set Up

- ✓ The Programme is now fully operational having been initiated during 2022/23

### **Service & Financial Planning Stages**

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

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

### **Standalone Projects and Activities**

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

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

### **Fees & Charges**

- ✓ Updating the fees and charges register and identification of higher value areas for priority review (May/June)
- ✓ Budget holders progressing annual review (July to August)

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

### **Vacancy Control Mechanisms**

During 2022/23 a new vacancy control mechanism was 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.

### **Sharing Opportunities**

Services across the Council will continue to pursue opportunities to share services with other councils where these can enhance this Council's capacity and resilience and deliver efficiency savings.

## **Reporting Progress**

To ensure transparency and allow for appropriate scrutiny, Programme reporting arrangements are set out below:

- Programme progress is reported to the Corporate Governance Group on a monthly basis.
- Monthly updates are also provided to Executive Members via portfolio holder briefings and the informal Leader's Meeting.

- Quarterly reports are provided to the Overview & Scrutiny Committee and Executive as part of the usual budget and performance monitoring arrangements. A copy of the most recent quarterly update is attached at Appendix 1.
- Updates on constituent projects are 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 each November, following which public consultation and consultation with the Overview & Scrutiny Committee (via its Budget Scrutiny Panel) will take place.
- Significant changes may be subject to a stand-alone report to Executive.
- A Communications Plan has been developed which will inform other strands of communications activity, including with staff, councillors and the public.

July 2023

**Financial Sustainability Programme: Quarterly Update at March 2023**

As per the proposal within the 2022/23 budget report, our approach to our Financial Sustainability Programme (FSP) is based around four general 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)

	<b>Progress</b>	<b>Next Steps</b>	<b>Financial Benefits</b>
<b>Programme Set Up</b>	<ul style="list-style-type: none"> <li>• FSP Steering Group established (February 2022)</li> <li>• Initial programme brief agreed by Corporate Governance Group (April 2022)</li> <li>• Programme register developed (May 2022)</li> <li>• Programme support officer appointed (June 2022)</li> <li>• S&amp;FP timetable and milestones confirmed</li> <li>• All member briefing held (July 2022)</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing review of programme resourcing requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
<b>Service &amp; Financial Planning</b>	<ul style="list-style-type: none"> <li>• 2023/24 budget adopted and now in place.</li> <li>• Initial review of budgets and services undertaken by Heads of Service (April/May)</li> <li>• Peer challenge at Management Team Awayday (May)</li> <li>• Portfolio holders briefed and discussion of budget and service options and prioritisation will take place at and Executive Awayday (June)</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of service business plans and draft budgets, including growth, savings and fees &amp; charges proposals, for inclusion in the November draft budget report.</li> <li>• Management Team and Executive Awaydays to consider initial proposals and finalise draft budget (September and October)</li> <li>• Finalisation of draft 2024/25 business plans (October)</li> <li>• Preparation of draft 2024/25 budget report (October)</li> </ul>	<ul style="list-style-type: none"> <li>• 43 proposals generated under FSP delivered a total budget benefit of over £2m for 2023/24, summarised as: <ul style="list-style-type: none"> <li>• £1.23m additional income</li> <li>• £0.79m cost savings</li> </ul> </li> </ul> <p>Full details of all proposals included in the 2023/24 budget are shown in the 2023/24 Budget</p>

	<b>Progress</b>	<b>Next Steps</b>	<b>Financial Benefits</b>
		<ul style="list-style-type: none"> <li>• Publication of draft 2024/25 budget (November)</li> <li>• Consultation on draft 2024/25 budget (November to January)</li> <li>• 2024/25 Budget agreed (February)</li> </ul>	Reports presented in November 2022 and January 2023.
<b>Standalone projects and activities</b>	<ul style="list-style-type: none"> <li>• Project and activity scoping (ongoing)</li> <li>• Activities to deliver 'quick wins' being progressed (ongoing)</li> <li>• Projects being progressed through established project management framework (ongoing)</li> <li>• Review of existing project management resource capacity (June 2022)</li> <li>• Recruitment of additional project management resource (September 2022)</li> <li>• Activities to deliver 'quick wins' continue to be progressed by relevant service areas (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Activities to deliver 'quick wins' continue to be progressed by relevant service areas (ongoing)</li> <li>• Projects being progressed through established project management framework (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Small-scale savings for 2023/24 from 'quick win' activity incorporated within agreed budget</li> <li>• Financial benefits from projects will be confirmed on a case by case basis</li> </ul>
<b>Fees &amp; Charges</b>	<ul style="list-style-type: none"> <li>• Collation of fees and charges register and identification of higher value areas for priority review (May 2022)</li> <li>• 2022/23 increases implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Fees and charges will be considered annually as part of service and financial planning process and updated accordingly</li> </ul>	<ul style="list-style-type: none"> <li>• A total of £1.23m additional income was included in the 2023/24 budget, including significant uplifts in existing charges for Car Parking and Garden Waste and identification and implementation of new charges such as Street Naming &amp; Numbering.</li> </ul>
<b>Vacancy Control Mechanism</b>	<ul style="list-style-type: none"> <li>• New vacancy control mechanism introduced (June 2022)</li> <li>• Senior Officer Panel established to review business cases for recruitment to vacant posts (July 2022)</li> <li>• Vacancy control mechanism now operational; recruitment to vacant posts being reviewed by senior management on a case-by-case basis</li> </ul>	<ul style="list-style-type: none"> <li>• Changes and improvements to the process to be implemented as they are identified (ongoing)</li> </ul>	<ul style="list-style-type: none"> <li>• Pay costs budget for 2023/24 budget have been reduced by £0.37m as a result of these controls.</li> </ul>
<b>Third Party Funding Opportunities</b>	<ul style="list-style-type: none"> <li>• £0.5m secured from health partners towards Council community development and partnerships work</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunities for further third party funding continue to be explored (ongoing)</li> </ul>	



	<b>Progress</b>	<b>Next Steps</b>	<b>Financial Benefits</b>
	<ul style="list-style-type: none"><li>• Investment plan submitted in respect of £1m UK Shared Prosperity Fund funding (July 2022)</li><li>• Council services as well as third parties invited to submit Strategic CIL bids (August 2022)</li><li>• UK shared prosperity funding confirmed (January)</li></ul>		