REPORT TO:	**FINANCE AND MANAGEMENT COMMITTEE**	**AGENDA ITEM: 15**
DATE OF MEETING:	**05 SEPTEMBER 2024**	**CATEGORY DELEGATED or RECOMMENDED**
REPORT FROM:	**EXECUTIVE DIRECTOR - RESOURCES AND TRANSFORMATION**	**EXEMPT PARAGRAPH NO:**
MEMBER'S CONTACT POINT:	**TRACY BINGHAM** Tracy.bingham@southderbsyhire.gov.uk	
SUBJECT:	**SUSTAINABLE FINANCE PROGRAMME**	**DOC:**
WARD(S) AFFECTED:	**ALL WARDS**	**TERMS OF REFERENCE:FM08**

1.0 Recommendations

1.1 That Committee note the progress of the Sustainable Finance Programme.

1.2 That Committee approve the creation of a new Sustainable Finance Programme Project Feasibility reserve and delegate authority to the Executive Director – Resources and Transformation and the Finance and Management Committee Chair to approve expenditure against the reserve for project feasibility work that meets the conditions set out in 3.23 of this report.

2.0 Purpose of the Report

2.1 This report seeks to provide Committee with an update on the progress of the Sustainable Finance Programme and attainment of the £11 million of savings committed as part of the Medium-Term Financial Strategy (MTFS).

2.2 The report is delivered against the Committee's terms of reference for the Committee to monitor and keep under review the Council's Financial Strategy and Medium-Term Financial Plan.

2.3 As the programme is now developing and projects are in the process of being identified and "started up", it is expected that feasibility work will need to be undertaken to assess the features of any proposed investment, proposal, initiative and/or plans.

2.4 To enable this, the report proposes the creation of a £250,000 reserve to be earmarked from the Sustainable Finance Reserve, for the purposes of funding feasibility work, where associated costs are required to be incurred for the Council to understand the feasibility of a project for members to subsequently make an informed decision upon. Authority for the Executive Director – Resources and Transformation in consultation with the Finance and Management Committee Chair is requested to enable officers to undertake feasibility work at pace, subject to the proposed expenditure being within the constraints as outlined below.

3.0 <u>Detail</u>

The Medium-Term Financial Strategy (MTFS)

3.1 The MTFS, which was approved by Council in April 2024 presents a five-year assessment of the resources required to deliver Council services and a strategic Sustainable Finance Plan, which along with a Reserves Strategy, will close the budget gaps predicted.

3.2 The MTFS predicted budget gaps to occur within the current financial year and forthcoming financial years. Largely, these budget gaps are because of assumed changes in the national local government funding system, which at the time of writing this report, the nature and timing remains uncertain and is likely to remain so for some time.

3.3 The cumulative value of these budgets gaps was forecast at £14.5 million over the period which would deplete the Council's reserves by 2029 if no intervention were undertaken, therefore representing an unsustainable position.

3.4 The MTFS sets out a Sustainable Finance Plan for closing the budget gaps through the generation of more and new income and reduction in expenditure to the value of £11 million. The Reserves Strategy is intended to compliment this plan by providing financial resources to facilitate initiatives and projects under the Sustainable Finance Plan or close remaining budget gaps.

3.5 The impact of the MTFS is therefore that the Council would remain financially sustainable over the period to 2029.

3.6 Since the MTFS was approved, the Council has undertaken it's first quarter monitoring for the 2024/25 financial year and identified that the originally projected deficit of £227,737 is now expected to be a surplus position of £423,037, due to a number of movements, including favourable movements in interest income and business rates.

3.7 Additionally, as work has commenced on the budget approach to developing the 2025/26 budget, the Council has reviewed its financial plans. The outcome of this work, including inclusion of the updated forecast outturn position for 2024/25, is an overall movement in £590,646, as set out in the table below. The revision in the forecast and reasons for are presented to this Finance and Management Committee meeting by way of a separate agenda item.

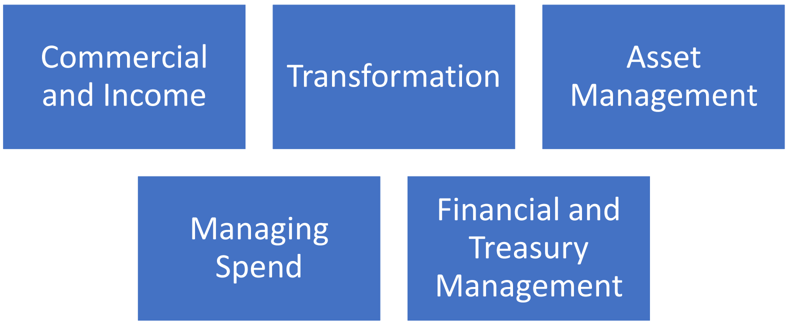
Table 1 – Movement in predicted budget gaps (before Sustainable Finance Plan savings)

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
April 2024 forecast	227,737	1,549,207	2,799,395	4,297,825	5,674,352	14,548,516
September 2024 forecast	-423,036	1,258,634	2,980,181	4,423,707	5,718,385	**13,957,870**
Movement	**-650,773**	**-290,573**	**180,787**	**125,881**	**44,033**	**-590,646**

Delivering a balanced budget – the Sustainable Finance Plan and Sustainable Finance Reserve

3.8 The MTFS are the 5 themes to how the Council intends to generate income and reduce its expenditure to close budget gaps, and which form the Sustainable Finance Plan.

Illustration 1 – Sustainable Finance Plan Themes



3.9 Over the term of the MTFS (2024 – 2029), the plan sets out total “savings” against these themes, which will be achieved through income generation and expenditure savings of £11 million. Savings by theme, are set out in Table 1 below.

Table 2 - The Sustainable Finance Plan

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Commercial and Income		290,000	1,725,000	1,760,000	2,295,000	**6,070,000**
Transformation		50,000	50,000	150,000	250,000	**500,000**
Asset Management			500,000	700,000	900,000	**2,100,000**
Managing our spend		160,000	320,000	480,000	480,000	**1,440,000**
Financial and Treasury Management	40,000	160,000	260,000	260,000	260,000	**980,000**
Total	**40,000**	**660,000**	**2,855,000**	**3,350,000**	**4,185,000**	**11,090,000**

3.10 The accompanying Reserves Strategy, also outlined in the MTFS, outlines how the Sustainable Finance Reserve (created in April 2024 at a value of £10.5 million), will be maintained to balance the budget where income and savings do not close budget gaps in full, but also used to fund projects and/or initiatives to deliver this income/savings.

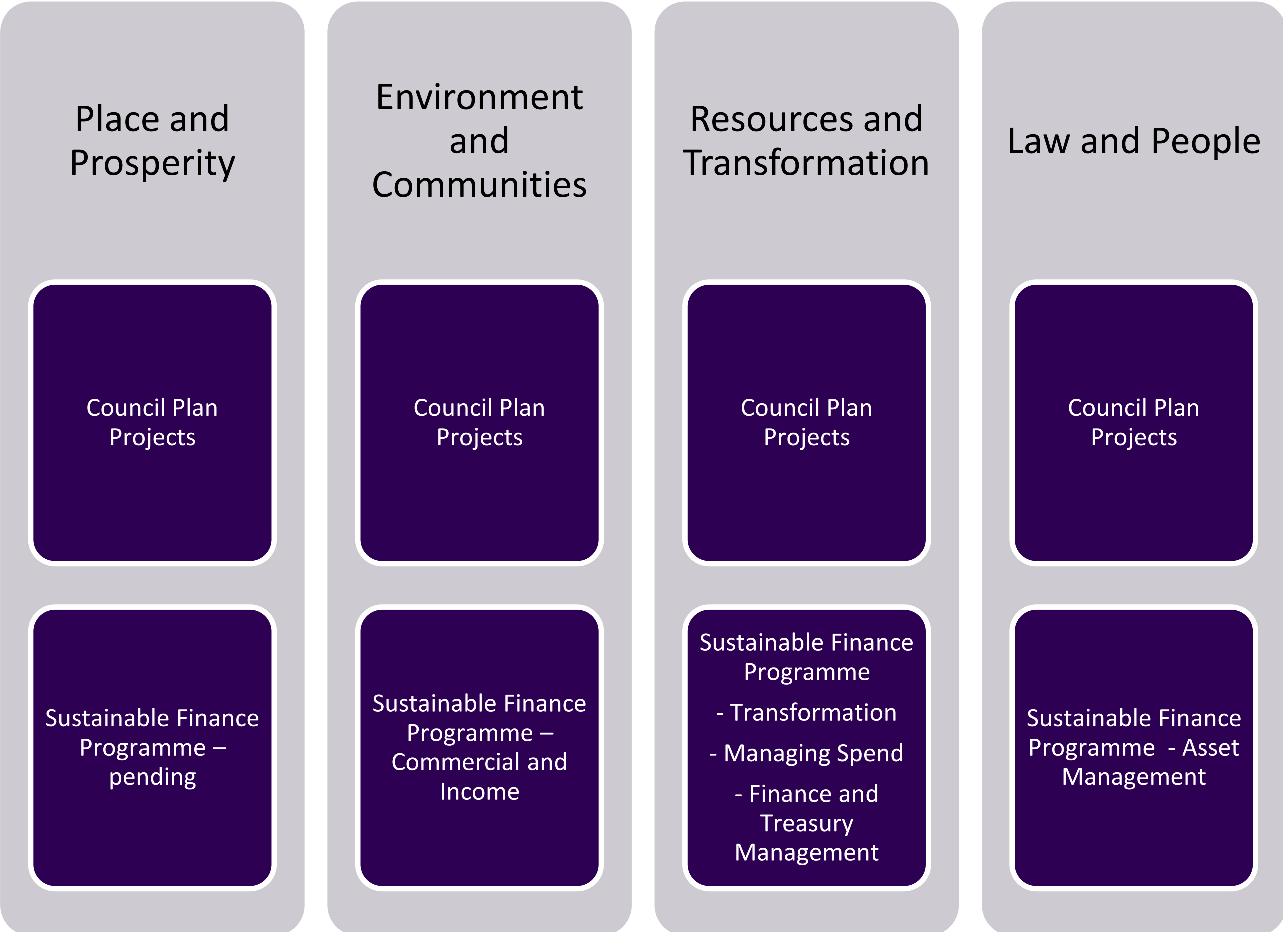
3.11 At the time of writing the MTFS, it was forecast for there to be circa £7.5 million remaining in the reserve by March 2029, following use to balance the budget where savings did not meet projected budgetary deficits in full, subject to utilisation of the reserve for feasibility and funding of projects. The revised position outlined at Table 1 above, is that the reserve will stand at £8.1 million, subject to utilisation of the reserve for feasibility and funding of projects.

Sustainable Finance Programme – progress to date

3.12 Since the MTFS was approved, the Leadership Team have focussed on establishing programme organisation, leadership and governance.

3.13 Each Executive Director is responsible for one theme of the Sustainable Finance Programme (or more, pending commencement of employment the incoming Executive Director – Place and Prosperity), which are organised along with other corporate projects into Executive Director Portfolios, as set out in the Project approach matrix below.

Illustration 2 - Project approach matrix



3.14 Monthly monitoring is due to commence from September 2024, in the form of four Executive Director Month Portfolio meetings. Each of these portfolios will report into the quarterly Projects and Programmes Leadership Team. The MTFS set out that reporting to members on Sustainable Finance Programme progress and delivery of savings, would take place via the established budget monitoring process, and this has commenced for Q1.

3.15 Programme Initiation Documents have been developed outlining the overall thematic aims and objectives, the savings targeted within the Sustainable Finance Plan and the identified projects (where this is the case).

3.16 Each Executive Director has now been tasked with agreeing the scope of their areas, ensuring projects are identified with identified organisational leads allocated and resource scoping is underway as necessary. Additionally, where savings targets exist but there are no define projects identified, these will need to be scoped.

3.17 A further key focus of the next quarter is for each Executive Director to review the savings targets and confirm or adjust the timing and values based on the status of projects within their areas, which will inform the overarching Sustainable Finance Plan.

3.18 At this early stage, the high-level project descriptions are as follows:

Theme of Sustainable Finance Programme	**Nature of projects**	**Lead Executive Director**
Commercial and Income	• New commercial project • Commercialisation of existing income generation areas: Rosliston and others • Development of new approach to developing fees and charges to sustain cost recovery position	Environment and Communities
Transformation	• Programme of service reviews based on evidence-led prioritisation • Consideration and implementation of alternative model of service delivery, where appropriate • Solutions enabling the delivery of streamlined processes and elimination of waste and duplication.	Resources and Transformation
Financial and Treasury Management	• Budgetary analytical reviews • Review of current system deployed to relieve double-taxation in respect of council tax • Optimisation of investment of surplus cash to generate more interest income • Optimisation of borrowing to reduce interest paid	Resources and Transformation
Managing Spend	• Joint procurement exercises with other LA partners to achieve “economies of scale” and reduction in contractual costs compared to status quo • Amalgamation of spend across the organisation where contracts do not exist but could deliver cost savings • Effective contract management to seek financial compensation where contracts are not fulfilled	Resources and Transformation
Asset Management	• Acquisition/development of income bearing assets to enhance asset portfolio • Review of existing portfolio to seek optimisation	Law and People

Feasibility

3.19 Specific details on Sustainable Finance Programme projects will be shared with the relevant Committee(s) once any necessary feasibility work has been undertaken and a decision around progression can be undertaken.

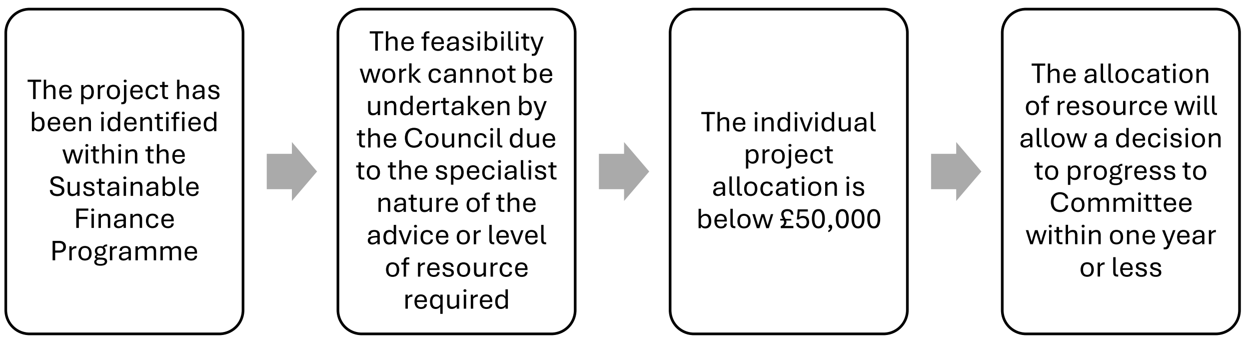
3.20 To be able to progress projects, some feasibility work will require the Council to incur additional costs in the form of specialist advice and support. It is proposed that an earmarked reserve of £250k will be set aside on the programme to provide the necessary resources to undertake feasibility work and enable projects to come forward to Committee for decision. This earmarked reserve will be created from the Sustainable Finance Reserve (forecast to stand at £8.1 million in March 2025).

3.21 It is recommended that responsibility for agreeing expenditure against this earmarked reserve is delegated to the Executive Director - Resources and Transformation (Section 151 Officer) and the Finance and Management Committee Chair, subject to satisfying the criteria outlined below.

3.22 This is in line with the Section 151 Officer's delegations around reserves and the reserves strategy set out in the MTFS in maintaining overall responsibility for this reserve and its use for the financing of projects and initiatives.

3.23 Through inclusion in the Sustainable Finance Programme, a project will have the approval of the Chief Executive, who retains overall responsibility for the Sustainable Finance Programme.

Illustration 3 – Criteria



4.0 <u>Financial Implications</u>

4.1 Allocation of £250,000 is proposed to enable specialist advice and support to be acquired in order to progress projects, where this is necessary and the Council does not have the appropriate skills in house.

4.2 The allocation is proposed to be made from the Sustainable Finance Plan Reserve. This reserve currently stands at £10.5 million and the decision will reduce this to £10.25 million. The impact of the decision will reduce the reserves remaining at March 2029, to £7.85 million.

4.3 In line with quarterly reporting to the Finance and Management Committee on the status of budgets, expenditure agreed against the reserve will be communicated, alongside performance of savings against targets within the Sustainable Finance Plan.

5.0 <u>Corporate Implications</u>

Employment Implications

5.1 None directly arising from this report.

Legal Implications

5.2 None directly arising from this report.

Council Plan Implications

5.3 Delivering an ongoing balanced budget position and reducing predicted budget gaps is an aim identified within the Council Plan. The Sustainable Finance Programme seeks to deliver on this aim.

Risk Impact

5.4 If the projected budget gaps crystalise and are left unaddressed, it could lead to financial instability, service deterioration and statutory failure. The Sustainable Finance Programme is intended to close the budget gaps by generating new and additional income and revenue expenditure savings across the Council, and making best use of reserves.

Consultations

5.5 None directly arising from this report.

Equality and Diversity Impact

5.6 None directly arising from this report.

Social Value Impact

5.7 None directly arising from this report.

Environmental Sustainability

5.8 None directly arising from this report.

6.0 Background Papers

6.1 Medium Term Financial Strategy, Council, 11 April 2024 – Agenda Item 9