

Efficiency Plan

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Forest of Dean District Council is applying for a four-year funding settlement (2016/17 to 2019/20) from the Department for Communities and Local Government. The application requires the Council to have published an Efficiency Plan. This document satisfies that requirement. Cabinet agreed to the principle of the four year settlement on 13th October 2016.

Council Corporate Strategy

The Council's core priorities and objectives are agreed annually as part of the annual budget setting process which was last approved by Full Council on 25th February 2016.

Our corporate priorities and objectives for 2015-2019 drive the budget decisions and our vision is for the Forest of Dean district to be a great place to live, work and stay. The corporate plan sets out the following three community priorities:

- Promoting thriving communities;
- Encourage a thriving economy; and
- Protect and improve our environment.

These are supported by a cross-cutting priority of:

- Ensuring we provide value for money services that effectively meet the needs of our customers.

Medium Term Financial Strategy

An extract of the Strategy to reflect the revised Settlement Funding Assessment was approved by Cabinet on 13th October 2016.

The key points of the strategy are set out below:

- Over the period 2016/17 to 2019/20, annual central government funding (Settlement Funding Assessment) will reduce by £1.632m (38.6%);

- A review of the New Homes Bonus scheme is being carried out by central government. It is estimated that changes to the scheme will reduce funding by between £0.5m - £0.8m per annum by 2018/19;
- Retained business rates income is expected to exceed the baseline funding level over the four year period;
- The Council is part of the Gloucestershire Business Rates Pool which will enable the Council to minimise the levy payable to central government arising from business rates surpluses. However, due to the level of risk associated with the pool, an element of the additional income will be treated as a “windfall gain”;
- A council tax freeze was implemented for the period 2010 through to 2015. The assumed future council tax increases are predicated on meeting the referendum limit up to 2%;
- The Council is increasing its level of earmarked and general fund reserves to provide funding for 2017/18 and 2018/19 when there is a risk of the Council needing to utilise reserves to achieve a balanced budget;
- In order to maintain a sustainable long term financial position, the Council will need to deliver savings of c. £2.3m during the period 2017/18 to 2019/20.

How the authority is addressing its financial position

During the period 2010/11 to 2016/17, the Council’s core funding from central government has fallen by £4.4m per annum although it recognises that some of these reductions have been partly offset through New Homes Bonus. In addition to this the Council has faced significant reductions in the level of investment income on cash balances as a result of low interest rate levels and increasing costs of the Local Government Pension Scheme (LGPS). Rising annual LGPS contributions have increased annual pension fund contributions by £0.9m per annum.

The Council has responded to these financial challenges by undertaking transformational change programmes which have delivered significant savings to date.

The Council has been rewarded financially for the development of new homes in the district through the New Homes Bonus scheme and for growth in businesses in the district through the Business Rates Retention scheme. In order to maximise the financial benefit of retained business rates, the Council has been part of the Gloucestershire Business Rates pool since 2013/14.

How the Council is balancing its budget

Significant savings have been delivered through key transformational projects such as:

Project	Annual savings
Internal transformation of services including the deletion of the Chief Executive post	£852,000
Outsourcing leisure services provision	£170,000
Joint working with Civica for Revenues and Benefits	£100,000
Shared services for Finance, Internal Audit and HR services including the sharing of the statutory Chief Financial Officer	£162,600
Establishing the “2020” Partnership Shared Services	£231,300

In addition to the transformational change projects, the Council has also improved its use of technology across service areas to improve efficiency. Investment in ICT has facilitated “hot-desking” to free up office accommodation which is now being marketed for let to other public sector organisations. Regular reviews of budgets are carried out to ensure that under-spends in service areas are taken as savings (or income targets are rebased to match demand for services), whilst ensuring there is no impact upon front-line services.

The Council has risk assessed the level held in the general fund working balance which currently stands at £0.851m. The Council also holds earmarked reserves totalling £8.9m. The earmarked reserves are held for specific purposes which include funding one-off costs to facilitate the next phase of transformational change – “The 2020 Partnership” and a future deficits earmarked reserve which was established to provide greater resilience and time for the Council to embed its savings strategy and allow for slippage in savings delivery.

Transformation projects, savings and efficiencies

The Council plans to save £2.441m over the period from 2016/17 to 2019/20. The outsourcing of the Council’s leisure services will contribute £0.17m to the savings target. In addition non cashable savings due to the market presence of Ubico Ltd., valued at £900k, have been achieved through the introduction of an enhanced service as part of the waste contract renegotiation, whilst also delivering cashable savings of £0.540m to the savings target. A capital strategy aimed towards economic growth and investment will see the Council fully utilising £9m of its capital resources to provide a sustainable income stream for the Council. The balance of savings will be delivered by building upon previous successful partnership working. The Council is working with West Oxfordshire District Council, Cotswold District Council and Cheltenham Borough Council in a collaboration programme known as the “2020 Partnership”.

An extract of the savings for Forest of Dean District Council are shown below. A significant proportion of the Shared Service savings have already been made in 2016/17.

	FODDC £000	Total All partners £000
Joint committee		
Shared Services	747	2,891
Other Efficiency Savings	431	1,462
Total Joint Committee Savings	1,178	4,353
Company		
Pensions	240	700

	FODDC £000	Total All partners £000
Commercial Approach	201	819
Company Overhead	(92)	(301)
Total Company Savings	349	1,218
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Pensions	240	700
Commercial Approach	201	819
Company Overhead	(92)	(301)
Total Company Savings	349	1,218
Total Savings	1,527	5,571

The programme will see the creation of three local authority owned companies established to deliver services on behalf of the councils. The aim is for all local authority employees to be employed under the company model using a new, modern, fit for purpose set of terms and conditions. The programme is expected to deliver combined savings of £5.6m per annum - £1.5m for Forest of Dean District Council.

The programme plan is for the companies to be incorporated by April 2017 and operational around autumn 2017. Services which are not currently shared will be brought together in the company model to deliver savings. New employees will be offered a stakeholder pension scheme rather than the local government pension scheme. Over time combined pension savings for the local authorities are expected to deliver £0.7m of savings per annum. A more commercial approach to service delivery is expected to deliver combined local authority savings of £0.8m per annum.

The programme is estimated to cost £10.1m to implement and has been partially funded by Transformation Challenge Award Grant of £3.8m.

Risk and uncertainties

The key financial risks to the Council and the mitigating measures are set out below

- New Homes Bonus - uncertainty over proposed changes to the scheme. The Council expects to receive an allocation of £2.4m in 2017/18. The MTFS assumes that changes to the scheme will be implemented in 2018/19 and the budget has been reduced to £1.8m – a reduction of £0.6m.

- Retained business rates – a revised rating list will come into effect from April 2017. While it is expected that the financial implications will be neutral to the Council, businesses will appeal against their new valuations and 40% of the appeal costs will fall upon the council. The Council will face in-year costs as a result of refunding successful appeals and reduced business rate income in future years as the business rate base is permanently reduced following successful appeals;
- Retained business rates – appeals from the 2005 and 2010 lists still remain undetermined. The Council has made provision for its estimate of successful appeals in the system. The actual costs could be higher than the provision and this will impact upon the value of retained business rates in future years.
- The movement to 100% business rate retention, the reset of the business rates baseline and the outcome of the “Fair Funding Review” pose a significant risk to the longer term financial stability of the council. The Council will respond to government consultation as it is published.
- The Council is part of the Gloucestershire Business Rates pool which offers both reward and risk. Each of the pool partner councils has made provision for appeal losses. Financial modelling indicates that the pool will provide a financial benefit. However, there are risks of unforeseen business rate appeals which would be borne by the councils due to the increased level of the safety net associated with the pool. The pool can be collapsed on an annual basis in the autumn of each financial year. Viability of the pool is reviewed each financial year.

Conclusion

Forest of Dean District Council has an excellent track record of delivering efficiency savings through joint working with partner councils, delivering services through third parties such as SWAP (a local authority owned internal audit services company) and Ubico Ltd (a local authority owned environmental services company) and Civica (revenues and benefits services specialist provider). The Council has led on the establishment of shared back-office services such as ICT, Finance, and HR services across four councils and also provides ICT services to three private sector clients.

However, the medium-term financial stability of the Council is uncertain due to the changes to the funding mechanisms for local government. The Council is reacting to this uncertainty by implementing the 2020 Partnership which will see most staff delivering services through a new company model. The combination of all staff resources across three councils (Cotswold District Council, Forest of Dean District Council and West Oxfordshire District Council) provides an opportunity to maximise efficiency, increase resilience and retain (if not improve) service provision to the communities the councils serve.

The certainty of a four-year funding settlement will greatly assist the Council as the Members and Officers focus upon the challenging, innovative and exciting 2020 Partnership programme.

Patrick Molyneux
Leader of the Council
14th October 2016

Paul Jones
Chief Finance Officer