Forest of Dean
DISTRICT COUNCIL

Medium Term Financial Strategy (MTFS) 22/24 to 27/28

1. INTRODUCTION

1.1 The Medium Term Financial Strategy (MTFS) is the Council's key financial planning document for the General Fund budget. It sets out and considers the financial implications of the Council's objectives and priorities and factors in financial pressures, including reducing government funding. The focus of the MTFS is to ensure that the strategy for forecasting, understanding and protecting the Council's financial future ultimately reflects the vision for the Council in the medium term. Its purpose is to ensure a stable and sustainable financial position that will allow the Council to achieve this vision by delivering its aims and ambitions over the 5 year period (2022/23 – 2027/28).

1.2 The diagram below shows how the MTFS is the overarching framework from which all other financial strategies, plans, policies and decisions hang.

<table>
<tr><th>Category</th><th>Overall</th><th>Revenue</th><th>Capital</th><th>Treasury Mgmt</th><th>Risk Management</th></tr>
<tr><td rowspan="3">Strategies</td><td colspan="5">Medium Term Financial Strategy</td></tr>
<tr><td>Commercial Strategy</td><td></td><td>Capital Strategy / Investment Strategy for Recovery and Regeneration</td><td>Treasury Mgmt (TM) Strategy</td><td>Risk Management</td></tr>
<tr><td colspan="2"></td><td>Asset Mngt Strategy</td><td colspan="2"></td></tr>
<tr><td>Guidance</td><td>CIPFA and Technical Guidance</td><td>Budget Guidance</td><td>Capital Guidelines</td><td>CIPFA Code for Practice for TM</td><td>Risk Management Guidance</td></tr>
<tr><td>Plans</td><td>MTFP Projection</td><td>Annual Budget</td><td>Capital Programme & Asset Mgmt Plan</td><td>Treasury Policy Statements</td><td>Risk Register</td></tr>
<tr><td rowspan="3">Governance</td><td>Constitution and Annual Governance Statement</td><td colspan="2">Quarterly Performance Reports</td><td>Prudential Indicators and Annual Report</td><td>Risk Register reporting and regular review</td></tr>
<tr><td colspan="4">Contract and Finance Procedure Rules</td><td>Audit Committee and Cabinet Reports</td></tr>
<tr><td colspan="5">Internal and External Audit Plans and our response to audit review</td></tr>
<tr><td>Decision making</td><td colspan="5">Cabinet/Council</td></tr>
</table>

1.3 The Council is committed to maximising the use of scarce resources and directing resources towards its priorities whilst keeping council tax at an affordable level. The MTFS is reviewed regularly during the budget process and reported annually to members at the budget setting meeting.

1.4 This year's review is once again overshadowed by uncertainties over future funding streams and further proposed reductions in public expenditure. The Council faces a major challenge in managing the impact of these matters on budgets and services, coupled with the impact of high inflation.

1.5 The Council's external auditor, Grant Thornton LLP, undertakes a Value for Money review each year, which assesses the Council's finances against the National Audit Office (NAO) Code of Audit Practice to determine whether the Council has proper arrangements in place for securing financial resilience, and challenging how it secures economy, efficiency and effectiveness. This review covers six themes, one of which is Strategic Financial Planning focusing on the MTFS.

1.6 In order to achieve an unqualified value for money conclusion, the external auditor focuses their findings based on the Council having robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. The MTFS therefore has a significant role in demonstrating this position.

1.7 The latest report can be found included in the Audit Opinion on the 2021/22 final statement of accounts. All of the external Auditor requirements have been met and everything is satisfactory.

1.8 Also throughout 2021/22, the Council had a review of it's reserves and capital assets compared to other Councils of a similar size and also in nearby locations. This was completed by LG Improve and gave a satisfactory response with special mention of how the reserves position had improved over the last few years and that asset values were increasing and the Council was making good use of the Capital that it had to this end.

2. LINKS TO OTHER COUNCIL PLANS

2.1 Forest of Dean District Council's Corporate Plan 2019 - 2023 sets out what the Council is hoping to achieve over that four year period and what actions are planned to be taken to support these longer-term plans.

2.2 The corporate plan provides an over-arching long-term framework for the MTFS, annual budget and action plan, which will be reviewed and updated regularly.

The council's vision and priorities

2.3 Our vision for the district is to make the Forest of Dean a great place to live, learn, do business and enjoy. In order for the Council to be clearer about its priorities the objectives that underpin them must reflect the reality of community needs and provide a framework for community outcomes.

2.4 The corporate plan sets out the following five key areas of focus:

- Protect and enhance the local environment and address the climate emergency;
- Improve community wellbeing, supporting and celebrating our distinctiveness;

- Provide a range of affordable housing to meet the needs of the District;
- Develop a vibrant economy that is resilient and future proofed;
- Deliver great services through ensuring financial sustainability.

2.5 The areas of focus will be built on the following principles:
- Creating social value;
- Reducing our impact on climate change;
- Seeking value for money.

2.6 The role of the MTFS is to support the delivery of the Council's priorities and objectives. A key delivery driver for this to be achieved is through joint plans with partners and stakeholders alike, which are detailed in section 7 below.

3. NATIONAL AND LOCAL FINANCIAL RISKS

3.1 The Council is operating in a challenging and uncertain economic environment. The Covid-19 Pandemic and now the Cost of Living Crisis has affected the finances of the Council, incurring additional costs through energy bills and inflationary pressures whilst income streams from sales, fees and charges have been reduced although have improved in some areas such as Building Control and Leisure.

3.2 The impact of the pandemic on the national economics can be seen in the Chancellor's Autumn Statement of November 2021, where he set out the latest forecasts on the UK economy. These were provided by the Office for Budget Responsibility (OBR).

3.3 With the uncertainty at the time over the impact of higher inflation. GDP is expected to decrease by 1.8% in 2022 compared to 2021.

Table 1: GDP Growth

	2022/23	2023/24	2024/25	2025/26	2026/27
GDP Growth Forecast (%)	-1.8	1.0	2.3	2.3	2.0

3.4 Interest rates are expected to steadily increase over the foreseeable future. The base rate is the official borrowing rate and is set by the Bank of England. The current bank rate is 3% and was increased In November 2022.

3.5 The Retail Price Index and the Consumer Price Index are two commonly used measures of inflation. The Bank of England has a CPI target of 2%. In the last year, inflation has risen, and CPI was 11.1% for the year to October 2022 with rates not returning to 2% before the end of 2025. It is expected that this will fail over the coming years though and the figures announced in November 2022 will be the highest.

3.6 In the preparation of the MTFS, an appropriate level of inflation has been considered throughout the medium term. Specific allowances have been made for contracts, which oblige us to increase the amount paid by the rate of inflation. Although this is based on the assumption that inflation will fall over the coming years.

Fair Funding review

3.7 The Government decides how to spend income generated from taxation through a Spending Review normally however there was not a spending review in 2022. The Spending Review announced in 2021 covers the three-year period from 2022/23 to 2024/25. The Spending Review determines the overall funding available for each Government Department. The Department for Levelling Up, Housing and Communities (DLUHC) is responsible for the allocation of its share of funding from the Spending Review to individual councils.

3.8 For a number of years DLUHC, previously the Ministry for Housing, Communities and Local Government (MHCLG), has been conducting a "Fairer Funding Review" to change the method of allocating funding to individual councils. The outcome of the Fairer Funding Review was to be implemented in the 2021/22 financial year. For various reasons, including the negotiation of the UK's exit from the European Union and responding to the Covid-19 pandemic, MHCLG delayed consultation upon and implementation of the Fairer Funding Review. DLUHC have announced that this is now unlikely to happen until after the next General Election.

3.9 In his statement on the Provisional Local Government settlement, the Secretary of State for Levelling Up, Housing and Communities referred to future changes to Local Government funding as follows:

"Government is committed to ensuring that funding allocations for councils are based on an up-to-date assessment of their needs and resources. The data used to assess this has not been updated in a number of years, dating from 2013-14 to a large degree, and even as far back as 2000. Over the coming months, we will work closely with the sector and other stakeholders to update this and to look at the challenges and opportunities facing the sector before consulting on any potential changes. As part of this, we will look at options to support local authorities through transitional protection. Councils should note the one-off 2022/23 Services Grant provided in the Local Government Finance Settlement in 2022/23 will be excluded from potential transitional protections."

3.10 The Council has been planning for this change of funding for several years and the MTFS includes the possible impact of reduced Government funding and includes savings targets to address the reduced funding.

Business Rates

3.11 The Council administers Business Rates / NNDR (National Non Domestic Rates) of around £15 million per annum on behalf of the Government. The Council retains some Business Rates income as part of its core Government Funding. For the 2022/23 financial year, this amounts to £4.2 million.

3.12 The Fairer Funding Review will reset this Council's level of Business Rate Retention. It is also likely that the share of the gain from economic growth will change. For both of these reasons, the Council is facing a significant risk that its core Government funding will fall.

Business Rates Appeals / Revaluations

3.13 The impact of appeals remains volatile and there are a number of appeals outstanding. Changes to the value of businesses rateable value can have a significant impact upon business rates collected and provision is made in the business rates estimate for future appeals, which is reviewed annually. The 2021 revaluation when all rateable values were reset generated a new round of appeals. The appeals provision required adjustment to address the expected high volatility.

3.14 It is expected that due to the Covid-19 Pandemic that there may be more valuation appeals due to the level of business now being conducted at home, especially office spaces where usage is down due to staff working at home. This may have a negative impact on business rate valuations in this area.

New Homes Bonus (NHB)

3.15 Another part of the Council's core government funding comes from New Homes Bonus. This grant is a reward to Councils for delivery against the Government's national priority of increasing the number of homes. The value of the grant depends upon the increase in the Council's "Council Taxbase".

3.16 Originally, New Homes Bonus grant was paid for a period of six years. In later years, this was reduced to four years. The grant for 2021/22 was payable for one year only. Funding from the New Homes Bonus Scheme is being reviewed as part of the DLUHC Fairer Funding Review. It is currently expected that NHB will continue for the next 2 years with one off payments until the full funding review takes place.

3.17 The value of New Homes Bonus to the Council in 2022/23 is £0.7 million.

3.18 Given that the Government still wishes to increase the supply of new homes nationally, it is likely that there will be an alternative funding stream from the Government related to the local provision of housing.

Cost of service delivery in a rural area

3.19 The Council has many small towns and villages. This low population density means that the cost of delivery of Council services at a local level is high. For example, the Council collects recycling and waste from every property in the District, meaning that our vehicles need to travel many miles per household. This means that the Council requires more vehicles and operatives to deliver the service per household than in urban areas where households are closer together.

3.20 The Government has recognised this cost driver and has provided Rural Services Delivery Grant funding since 2016. For 2022/23, the grant is expected to be worth £131k on top of funding from Retained Business Rates. The implementation of the Fairer Funding Review puts this funding at risk. Also, this is expected once more to not be increased due to inflation but remain flat within the settlement.

Council Tax

3.21 Council tax is considered an increasingly important mode of local government financing by Central Government. This is reflected in the decision to allow districts to increase council tax by up to 3% in the Autumn Statement. No financial value was given to this but it is expected to be £5 once the settlement is announced. Current projections assume growth in the taxbase of 1.35% per annum after 2023/24.

3.22 The assumptions were made by the Government, when establishing the reduction in Revenue Support Grant (RSG) linked to the level of council tax base growth; however, locally the council will need to consider what levels of growth are likely and financially sustainable.

3.23 Furthermore, there is a corresponding cost to increasing the tax base with additional properties and residents to service which needs to be recognised and captured at certain steps or "trigger" points e.g. refuse / recycling collections.

3.24 Currently the Council's taxbase is continuing to grow. However, this will need to be closely monitored to ensure that the 1.35% per annum growth is achievable.

Fees & Charges

3.25 A significant proportion of the Council's funding comes from fees and charges. This is fast becoming an ever more important funding mechanism and one, which is within the Council's control, subject to any legislative, economic or political constraints.

3.26 However, as more reliance is placed on income there is increased pressure to understand current performance levels coupled with the risks and opportunities arising from each income stream whether it is new or existing. It is also important to consider how "recession-proof" an income stream is so that appropriate levels of mitigation can be put in place under a Reserves Strategy to meet dips arising in a recession.

4. CURRENT FINANCIAL BUDGET GAP

4.1 The key aim of the MTFS is to develop a series of financial projections to determine longer-term financial implications, in order to deliver the aims set out in the Council's Corporate Plan.

4.2 As in previous years, the approach is to use the current financial year as a base position, inflate this to the price base of the budget year, and add unavoidable spending pressures and the implications of immediate priorities and previous decisions. This is then measured against the projection of available funding to determine the funding gap. The package of measures required to equalise the two calculations to 'close' the funding gap for each financial year forms the financial strategy.

4.3 The projection of the funding gap is shown in Table 3 below.

Table 2: Medium Term financial Strategy – Prudent View

MEDIUM TERM FINANCIAL STRATEGY 2023/24 TO 2027/28	**2023/24**	**2024/25**	**2025/26**	**2026/27**	**2027/28**
NET COST OF SERVICES B/F FROM PREVIOUS YEAR	10,752,210	11,762,380	11,632,970	11,461,620	11,227,490
IN YEAR BUDGET VARIATIONS					
INCREASED COSTS OF EXISTING SERVICES					
Non Publica Pay Award - 23/24 5% increase, 24/25 onwards 2%	77,320	11,570	11,800	12,040	12,280
Publica inflation -	535,930	132,000	134,640	137,330	140,080
Contractual - Biffa	633,540	89,580	91,370	93,200	95,060
Freedom Leisure COVID19	0	3,050	0	0	0
Contractual - Ubico	36,610	9,700	9,890	10,090	10,290
Housing Benefits	251,230	0	0	0	0
Corporate Fraud Unit	9,390	1,800	1,840	1,880	1,920
Gas/Electric Increases	163,090	0	0	0	0
Estimated general inflation / leasing costs / utilities	33,850	25,000	25,000	25,000	25,000
Members Allowances	14,230	6,080	6,200	6,320	6,450
Contractual - SWAP	10,530	2,320	2,370	2,420	2,470
External Audit Fees	0	1,440	1,470	1,500	1,530
Drainage Board Levy	4,780	1,050	1,070	1,090	1,110
Growth					
ICT Cyber Staff Publica	53,390	0	0	0	0
ICT Cyber Consultancy	46,500	0	0	0	0
Rent Allowances & Council Tax - Increased postage costs	40,000	0	0	0	0
Climate Change	51,000	40,000	0	0	0
Pension Lump Sum	44,000	0	8,000	0	0
Elections	20,000	0	0	0	0
Growth as per Annex C					
Ubico - additional post	26,000	0	0	0	0
Flooding - Publica Growth	15,000	0	0	0	0
Environmental - Publica Growth	16,000	0	0	0	0
Corporate Fraud - extra days	4,430	0	0	0	0
Savings built into base					
Linkline	(5,760)	0	0	0	0
Leisure	(13,190)	0	0	0	0
Pension Lump Sum	0	(59,000)	0	0	0
Waste	(16,000)	0	0	0	0
INCOME					
Recycling	(439,000)	0	0	0	0
Adjustments					
Minor Amendments	(270)	0	0	0	0
RESERVES					
Land Charges	(7,600)	0	0	0	0
Climate Change	(42,220)	0	0	0	0
Redmond	(4,620)	0	0	0	0
TIG	(55,960)	0	0	0	0
Hardship	(25,000)	0	0	0	0
ICT	(50,000)	0	0	0	0

Aurora	(41,160)	0	0	0	0
Expenditure associated with reserve movements	226,560	0	0	0	0
Savings as per Annex B	(602,430)	(394,000)	(465,000)	(525,000)	(225,000)
PROJECTED NET COST OF SERVICES	**11,762,380**	**11,632,970**	**11,461,620**	**11,227,490**	**11,298,680**
Government Revenue Support Grant (RSG)	(178,890)	(192,000)	847,000	885,000	923,000
Rural Services Delivery Grant	(131,420)	(131,420)	(131,420)	(131,420)	(131,420)
Lower Tier Services Grant	0	0	0	0	0
One-off Service Grant	(100,700)	(101,000)	0	0	0
3% Fundng Guarantee	(97,700)	(87,000)	0	0	0
Dampening	0	0	(1,687,000)	(832,000)	0
NNDR plus renewable	(4,226,180)	(4,915,000)	(4,165,000)	(4,281,000)	(4,354,000)
Estimated Levy Payment before Pooling	0	0	0	0	0
NNDR Pooling Contribution	0	0	0	0	0
NNDR S31 Grants	0	0	0	0	0
National Non Domestic Rate - 2020/21 deficit	0	0	0	0	0
National Non Domestic Rate - 2021/22 deficit	800,000	900,000	800,000	700,000	600,000
New Homes Bonus	(722,300)	(722,300)	0	0	0
Collection Fund surplus contribution	(183,100)	0	0	0	0
Council tax income assuming council tax increases by 1.99% or £5 per annum	(6,122,090)	(6,390,260)	(6,670,180)	(6,962,350)	(7,267,330)
TOTAL FUNDING	**(10,962,380)**	**(11,638,980)**	**(11,006,600)**	**(10,621,770)**	**(10,229,750)**
BRR Equalisation Reserve	(800,000)	0	0	0	0
	(11,762,380)	**(11,638,980)**	**(11,006,600)**	**(10,621,770)**	**(10,229,750)**
Yearly Funding Gap	**0**	**(6,010)**	**455,020**	**605,720**	**1,068,930**
Cummulative Funding Gap	**0**	**(6,010)**	**449,010**	**1,054,730**	**2,123,660**
Projected Council Tax at annual 2.0% or £5 depending on higher rise (assuming gap is reduced by savings or additional income)	199.83	205.81	211.96	218.30	224.82
	5.80	5.97	6.15	6.34	6.53
Projected annual % rise to assuming funding gap is met	2.99%	2.99%	2.99%	2.99%	2.99%

4.4 The MTFS projections above reflect that the funding gap for the period 2023/24 to 2027/28 is **£2.123m** (i.e. the financial gap between what the Council needs to spend to maintain existing services). The key assumptions for the preparation of these projections are explained below.

General

4.5 The net cost of services has been estimated by using the approved 2022/23 base budget (approved by Council on 19th February 2022) as the base for future projections through to 2027/28.

4.6 This has included general inflation at 4% on insurances, utilities, postage, IT maintenance supplies, services, and non-domestic rates and has been projected based on previous detailed information.

4.7 Major contracts and agreements are rolled forward based on the specified inflation indices in the contract or agreement. An inflationary increase of 4% on shared services and Publica contracts has been included to take account of the increase in staff costs incurred in employing organisations, which will be recharged to the council.

Employee related costs

4.8 Pay awards in local government are covered by collective bargaining between employers and trade unions and this is not subject to direct control from central government. It is reasonable to assume however that the local government employers will mirror what happens in the rest of the public sector. This is expected in 2023/24 to be 4% so this has been added for this financial year

4.9 For modelling purposes, a 2% increase has been assumed throughout the duration of the MTFS with a contingency held in general balances for an amount equivalent to a further 1%.

4.10 The Council is part of the Gloucestershire Pensions Fund, which is administered by the County Council. The rate of contribution paid to the fund by participating employers is set following a triennial revaluation of the Fund by the appointed actuary. The triennial revaluation of the Fund based on the position as at 31st March 2019, found that the Fund's objective of holding sufficient assets to meet the estimated current cost of providing members' past service benefits was not met at the valuation date.

4.11 Contribution rates are calculated on an individual basis for each participating employer. For the Council's element of the fund, the funding level was assessed at 93% (compared with 68% in 2016), with a shortfall of £4.4m. The fund actuary is aiming for this deficit to be recovered over a 17 year period, giving the following target contribution rates for the Council (for this three-year valuation period):

- a 20.3% future service rate which should cover the liabilities scheme member's will build up in the future, plus
- an annual lump sum past service deficit contribution of £1.935m in 2020/21 (£2.016m in 2019/20), to cover the shortfall in the fund. Under the existing strategy the council will move to a positive cash flow position by 2023/24.

4.12 The majority of employees are now within the Publica contract so the future service rate cost is included within the commissioning of resources within this contract.

4.13 The National Living Wage was £10.42 an hour for those aged 25 and was introduced in 2019. The government has announced its intention to increase this to £10.90 an hour from April 2023. The Council's staff will continue to be paid above the Living Wage.

4.14 An increase of 5% per annum has been assumed on members' allowances.

Fees and charges

4.16 A general assumption for an average annual inflationary increase of 10% on fees and charges has been factored in, where legislation permits. However, reviews of all charges are required annually by Service/Group Managers. A full review has taken place in 2022/23 with individual reviews still taking place.

Business Rates Retention

4.17 The future of business rates is unknown due to the review that began in Spring 2021. However in the MTFS, it has been assumed that the current scheme will continue with a business rates reset in 2024/25.

4.18 This has a significant impact of the funding of the Council. On average across the last 5 years, business rates has contributed £3.060 million a year to the funding of the Council.

New Homes Bonus (NHB)

4.19 It is likely that NHB will be reduced over the next two years and therefore the current MTFS assumes that this is the case.

4.20 Once again, this has a significant impact on the Council finances as the average NHB over the last 5 years is £974k.

Council Tax

4.21 The taxbase represents the total number of chargeable properties in the district, expressed as band D. The net budget requirement is divided by the taxbase to calculate the level of council tax for band D each year. The Council's taxbase is forecast to increase by 1.35% from 2024-2025 each year for the purposes of modelling the MTFS.

Funding gap

4.22 The latest projections indicate a gap of £2.689m for the period of the MTFS (2022/23 to 2027/28). This is based on prudent views of the outcome of the Local Government Financing reforms.

4.23 The future strategy in terms of the needs for savings and increased income is very much needed and tough decisions to be made in the future. However, the level of the amount needed is very much unknown. Therefore, the Future Deficit Reserve is needed to ensure there will always be enough time to enable decisions and strategies to be made as and when necessary.

4.23 Therefore, to enable time to deliver such a significant savings target over the period to 2024/25 and onwards, to mitigate the financial risks captured in section 3 and to smooth out fluctuations in income levels a robust Reserves Strategy is required to supplement and support the Savings Strategy.

5. RESERVES STRATEGY

Budget Future Deficits Reserve

5.1 The potential changes in the way local government is financed post 2024/25 along with the focus on delivering services within approved budgets result in the need to strengthen the Council's reserves to ensure it is able to meet any unforeseen costs in the future and also to mitigate known risks and forecast cost pressures.

5.2 The Future Deficits Reserve was established to provide greater resilience and time for the Council to embed its savings strategy and allow for slippage in savings delivery. It is prudent to continue to build up this reserve, sourced through in-year underspends, fortuitous income windfalls and, if appropriate, through reserve realignment.

5.3 The MTFS indicates that without action, the Future Deficits Reserve will be exhausted in 2025-2026. If this does happen, the Council will be forced to find savings and/or increase income, or use other reserves to prepare a balanced budget.

General Balances

5.4 The General Reserve is held to protect existing service levels from reductions in income levels as a result of economic downturn and other unforeseen circumstances such as a pandemic. CIPFA's Local Authority Accounting Panel (LAAP) has issued guidance on local authorities' reserves and balances.

COVID-19 Reserve

5.5 New reserves were established in 2020/21 due to the COVID-19 pandemic. These were to hold the various Central Government funding that the Council received for direct cost impacts and any income shortfalls. It is expected that most of these reserves will be used in 2022/23 and rollover will need to be reviewed at the end of 2022/23 to ensure that any shortfalls are covered in the future.

5.6 These reserve needs to be closely monitored and a review of these will continue to be included in the quarterly financial performance report so that it is clear exactly what this money is being used for.

General Reserves

5.7 As part of the annual budget setting and in reviewing the MTFS, the Council needs to consider the establishment and maintenance of reserves. These can be held for four main purposes:-

- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing. This working balance forms part of general reserves.
- A contingency to cushion the impact of unexpected events or emergencies. This also forms part of general reserves.
- A means of building up funds to meet known or predicted requirements. These are known as earmarked reserves.
- A means for holding 3rd parties monies to ensure items or projects are delivered going forward.

5.8 The Council has, over a number of years, earmarked significant funds for specific reserves. Full Council reviews these annually under the guidance of the Chief Finance Officer. Over the course of this MTFS, the value of earmarked reserves will reduce as they are used to finance planned expenditure.

6. SAVINGS STRATEGY

6.1 The savings strategy looks inward at service transformation through Publica, and outwards at economic growth and investment. The Chief Finance Officer, Local Leadership Team (LLT) and the Budget Challenge Group have identified a number of work-streams which form the longer term strategy to help to 'close the projected funding gap' which are detailed in Table 5 below. This uses a Red, Amber, Green traffic light system to denote the risks associated with delivery.

6.2 Savings treated as green within the table are on target for delivery and the risks of failing to deliver are considered low – for example the savings have already been implemented. Savings treated as amber are considered to have risks associated with delivery; however initial work has commenced to establish that the targets are realistic and deliverable, albeit more work is required before they can be considered as green.

6.3 The savings considered red have significant risks associated with them at the time of publication of the MTFS. They are in essence high level strategic targets and require further planning and resourcing to firstly identify how the intended outcomes will be delivered and secondly to confirm the feasibility of the targets set.

Table 3: Savings Strategy

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
Shared Services:						
Publica savings	30,000					30,000
Extra Publica savings	30,000	50,000	50,000	50,000	50,000	230,000
Commissioning						
Leisure Income based on return to pre COVID demand				50,000		50,000
Waste contract and changes			30,000	250,000		280,000
Economic Growth / Investment						
Investment portfolio income generation / economic growth	70,000	50,000	50,000	25,000	25,000	220,000
Green Energy savings	50,000	50,000	50,000	25,000	25,000	200,000
Maximising Fees and Charges	145,430	150,000	150,000	150,000	150,000	745,430
Pension Lump Sum Prepayment	37,000	104,000	160,000			301,000
Treasury Management	225,000	-25,000	-25,000	-25,000	-25,000	125,000
Asset Management						
Accommodation Strategy	15,000	15,000				30,000
Total Savings/Income over MTFS	**602,430**	**394,000**	**465,000**	**525,000**	**225,000**	**2,211,430**

NB: traffic lights denote risk associated with delivery

Publica Group

6.4 Publica Group is the company, launched on 1 November 2017, wholly owned by Forest of Dean District Council, Cotswold District Council, West Oxfordshire District Council and Cheltenham Borough Council, to deliver local services on their behalf, whilst retaining local democracy and local decision making.

6.5 The principal efficiency savings for Forest of Dean District Council over the last 3 years have been through the Publica model. This has been and will be gained by amalgamating services and service transformation, leading to reductions in operational costs arising from reduced management and staffing costs; the move to a stakeholder pension scheme for new starters: and, in the longer term, the opportunity to generate income through profits made on trading.

6.6 All benefits included in the original business case have all been delivered and delivered earlier than originally planned when Publica Group was set up.

6.7 Publica have completed reviews and come up with a number of savings options. £30,000 will be saved through postal, multi-function devices and ICT upgrades and there is another £30,000 being reviewed for 2023/24.

Asset management

6.8 Organisations creating capacity to invest in their asset base are proven to have more chance of meeting objectives than organisations choosing or unable to do so. As a result, these organisations are more likely to decline.

6.9 This Council has a strong and varied asset base, such as the Council Offices, various Car Parks throughout the District, Commercial Properties and Land for regeneration.

6.10 Therefore, a proactive approach to the management of these assets continues through the Asset Management Group. A full review of all assets within the Council has taken place to ensure that these are managed correctly and utilised in the best way for both the Council and the local community. This has led to specific projects such as a strategic review of the Car Parking provision.

6.11 By taking a proactive approach to asset management, the Council can ensure that the return from these assets is maximised. This proactive approach should be used for all assets going forward and the Council need to decide which assets to retain, develop or dispose of.

6.12 The Council's property portfolio includes the Council Offices in Coleford, which places pressure on the Council's budget, and represents a 'real' cost to the tax payer.

6.13 The Council is looking to generate incomes of £220k over the next 5 years through asset development and purchase. However, this is not solely for a financial yield. This is to ensure land within the District is regenerated, key businesses and industries stay in the District and assets that are needed in the District are created. The strategy is solely to improve the District and therefore all future investment will be within this District.

6.14 Active asset management of the authority's asset portfolio and maximising the return from the authority's own assets to help deliver a sustainable financial plan will be increasingly important and is a complex area. Decisions around the extent as to the commercial investment opportunities will heavily rely upon careful and sound strategic financial advice and support. The key aims are to ensure the land and property asset portfolio is fit for purpose, secures increased income generation, maximises capital receipts and stimulates growth and investment in the District.

Major Projects

6.15 The biggest project for this Council over the next 3 years will be the Levelling Up Fund projects and to ensure all of these are delivered within the timescales and achieving the outcomes that were included in the bid. This includes Five Acres and the development of the site into a community and leisure hub for the whole of the District alongside an outreach centre for Hartpury University and College. There is also the University, Careers and Enterprise Learning Centre at Hartpury and the regeneration of Cinderford with a number of buildings brought back into use. All these projects will include net zero initiatives as well. More information on all these projects can be found at https://www.fdean.gov.uk/planning-and-building/regeneration/forest-of-dean-levelling-up-fundbid.

6.16 Work is need on regeneration of the Cinderford Northern Quarter once the Overview and Scrutiny Panel has reported to Cabinet. This will inform the future work in this area.

6.17 Finally, the Lydney Harbour project should complete in 2022/23 with the setting up of the SKIFF project and road improvements.

Maximise the taxbase

6.18 No changes are planned to the Local Council Tax Scheme in the MTFS however, there are savings targets in this area. These come from automation of billing and communication with residents in order to save printing and postage costs. This should also make it easier for residents to communicate with the Council and get issues resolved more quickly.

Commissioning

6.19 During to the Covid-19 pandemic, lost income from Freedom Leisure has been made up through grants from the central government. However, facilities can now stay open and residents have returned. Consequently, the Council needs to move back to the original contract with the expectation that income will increase in the next few years. There is an expectation that demand will return to original levels over time and Freedom Leisure will be able to pay some surplus income over to this Council.

Economic Growth / Investment

6.20 As discussed in the Asset Management section, it will be key to look to generate new revenue streams through investment and economic growth both via development of assets and purchases of properties for economic growth and regeneration.

6.21 In addition, investment will be needed in Green Technology such as PV Solar Panels, similar to the completed project on the Council Offices. These will create a financial return as well as support the Corporate Priority and the Climate Emergency declared by this Council.

Maximising Fees and Charges

6.22 There is a need to review these on an annual basis to ensure that they are both competitive but also that services are self-financing where possible especially the discretionary services that this Council offer.

6.23 A lot of work has been completed on this over the past two years, however, this will need to be continued on an annual basis to ensure that the true cost of each service is understood.

Accommodation Strategy

6.24 There is an income opportunity that is being explored to see whether underutilised space within the council offices could be used for other purposes such as leasing part of the building that is not currently utilised. The reduced number of Publica and Council staff using the building due to the Covid-19 pandemic has further heightened this.

6.25 The likelihood is that Publica and Council staff will continue to work part of the time from home now that it has been proven to work and is part of the agile working strategy that Publica has. Therefore, there may be even greater space to consider. The £30k target in future years may be able to be increased once this is reviewed, social distancing measures are reduced and an accurate assessment of space requirements for the Council's services has been made.

The residual funding gap

6.26 Taking into account that the identified work-streams are delivered throughout the period covered by this MTFS, the projected residual funding gap is **£2.689m**, assuming a 3% increase in council tax annually from 2023/24 based on a Band D property.

6.29 It is worth noting that whilst recovery within the economy over the course of the current MTFS would obviously assist in closing the projected funding gap, some costs may also increase especially with the current high inflation rates.

7. WORKING IN PARTNERSHIP

7.1 Partnerships form the basis of an increasing range of the Council's services and extend from joint activities within a loose working arrangement to complex and formally structured vehicles for service delivery.

7.2 The Forest of Dean District Council has worked in partnership for many years with a number of external organisations to help deliver some of the non-statutory functions of Council business. These partnerships in terms of financial resource to the council, add value for the taxpayers of the Forest of Dean. Before entering into any arrangements it will always be ensured that the:

- financial viability of partners is assured before committing to an agreement;
- responsibilities and liabilities of each of the partners is clearly understood by parties to any agreement;
- the Council is able to fulfil the agreement for the term in which the funding exists;
- accounting arrangements are established before any payments are made; and
- implications of the terms and conditions of any funding arrangements are considered before any monies are accepted.

7.3 Some of the areas the Council is working in partnership include:

- The Council is working with Hartpury Council and University, Cinderford Town as well as West Dean Parish Council and the MP in order to deliver the Levelling Up Fund Projects before March 2024.

- The Council works with all Gloucestershire local authorities in a Joint Economic Growth Committee that oversees the county-wide Growth Plan and liaises with the Local Enterprise Partnership (LEP) to deliver growth across the County;

- The Council established and supports a Tourism Partnership with the Wye Valley and Forest of Dean Tourist Association, the Forestry Commission, Monmouthshire County Council and the Wye Valley ANOB (Area of Outstanding Natural Beauty) to strengthen and promote tourism;

- The Council works with Two Rivers Housing, other housing associations and with developers to deliver affordable homes in the district;

- Partnerships with Public Health and the Clinical Commissioning group, in terms of financial resource to the Council, has enabled the setting up, development and on-going running of various health delivery pathways including GP referral, cardiac rehabilitation, health walk scheme, respiratory rehabilitation, falls prevention and weight management. GPs and other clinicians are able to refer their patients for healthy living advice and support to the Council health portal. This in return brings about excellent value for money and a saving to the public purse through the reduced ill health of the population;

- Community grants are offered to ‘not for profit’ voluntary and community groups – both constituted and non-constituted – to support local community action and to build community capacity;

- Service level agreements are in place with a range of voluntary sector partners who are able to deliver cost effective services to communities. These are Citizens Advice Bureau, Forest Voluntary Action Forum, Gloucestershire Rural Community Council, two youth cafes, Artspace and Age Concern FoD;

- The Police & Crime Commissioner (PCC) has resourced the community safety partnership, of which the Council is a member, to deliver on projects within Gloucestershire.

8. RISKS ASSOCIATED WITH THE MTFS

8.1 There are inevitable risks associated with the assumptions for both revenue and capital projections. Net expenditure may be more than has been assumed, either as a consequence of additional demand, reduced income following falls in demand, or for new responsibilities which are inadequately provided for within government grant.

8.2 On the capital side, major projects that require additional resources and rely on a level of new capital receipts may prove to be optimistic in the current economic climate.

8.3 The MTFS assumes that the current system of local government funding will change from 2024-2025. These assumptions are prudently made based on the information that is currently known.

8.4 There are additional risks associated with the wider economic situation. Inflation and interest rate assumptions may prove to be incorrect. This is especially relevant with the current high rate of inflation, and the increasing interest rates that there currently are may increase in order to control this.

8.5 The prospect of business failures and a reduction in available tenants may result in rent reductions or rent-free periods in order to attract new occupiers to the Council’s commercial property portfolio.

8.6 The MTFS is reviewed and changes highlighted to the Council’s Locality Leadership Team.

9. CONCLUSION

9.1 The Council has a track record of strong financial management but continues to be in a period of significant volatility and uncertainty. Accordingly, the Council needs to plan now to ensure that its financial position is protected across the medium term as changes to local government finances crystallise and the implications are known.

9.2 The development of this strategy for closing the budget gap is an important contribution to the on-going financial stability of the Council and the achievement of its corporate objectives.

9.3 The future of this Council and the services it currently provides are linked closely to the funding we receive. If the current funding continues then the increasing of income planned within the saving strategy would be sufficient for the next 5 years. However, if these are cut through the proposed changes to the Local Government Financial Settlement then there will need to be tough decisions on which services to reduce significantly or remove all together in order for there to be a future District Council.