

AGENDA SUPPLEMENT (2)

Meeting: **Cabinet**
Place: **The Kennet Room - County Hall, Trowbridge BA14 8JN**
Date: **Tuesday 11 October 2016**
Time: **9.30 am**

The Agenda for the above meeting was published on 3 October 2016. Additional documents are now available and are attached to this Agenda Supplement.

Please direct any enquiries on this Agenda to Yamina Rhouati, of Democratic Services, County Hall, Bythesea Road, Trowbridge, direct line 01225 718024 or email Yamina.Rhouati@wiltshire.gov.uk

Press enquiries to Communications on direct lines (01225)713114/713115.

This Agenda and all the documents referred to within it are available on the Council's website at www.wiltshire.gov.uk

8 **Medium Term Financial Plan and Efficiency Statement 2017-2021 (Pages 3 - 18)**

The following documents are attached:

- Minutes of the Overview and Scrutiny Management Committee – 10 October
- Report of the Financial Planning Task Group – 5 October
- Summary of questions and responses from Budget consultation meetings

DATE OF PUBLICATION: 10 October 2016

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OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

MINUTES OF THE OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE MEETING HELD ON 10 OCTOBER 2016 AT THE KENNET ROOM - COUNTY HALL, TROWBRIDGE BA14 8JN.

Present:

Cllr Simon Killane (Chairman), Cllr Glenis Ansell, Cllr Chuck Berry, Cllr Christine Crisp, Cllr Stewart Dobson, Cllr Howard Greenman, Cllr Jon Hubbard, Cllr George Jeans, Cllr Jacqui Lay, Cllr Tony Trotman, Cllr John Walsh, Cllr Bridget Wayman, Cllr David Jenkins (Substitute), Cllr Paul Oatway QPM (Substitute) and Cllr Mark Packard (Substitute)

Also Present:

Cllr Dick Tonge

86 Apologies

Apologies were received from Councillors Alan Hill, Gordon King and Steven Oldrieve, who were substituted by Councillors Paul Oatway QPM, Mark Packard and David Jenkins respectively.

87 Declarations of Interest

There were no declarations.

88 Chairman's Announcements

There were no announcements.

89 Public Participation

There were no questions or statements submitted.

90 Medium Term Financial and Efficiency Plan 2017-2020

At its meeting on 6 September 2016 the Committee had been informed of the need for the Council to respond to the government's offer of a four-year funding settlement by the end of October 2016. The Committee had requested the Financial Planning Task Group scrutinise the proposed medium term financial plan ahead of consideration by Cabinet on 11 October 2016 and Council on 18 October 2016. The proposed settlement would provide the council with a four year offer on its funding settlement in place of the current annual arrangement,

and require provision of an efficiency statement detailing to the government how the council intended to make required savings over that four year period.

The Committee received an update from Councillor Dick Tonge, Cabinet Member for Finance, supported by Michael Hudson, Associate Director for Finance, on the Cabinet report to be tabled at the meeting on 11 October 2016 which had the response to the government as Appendix A, and highlighted the responses to questions that had been raised at public consultation events, and quoted the DCLG paper that states that if the council did not take up the settlement offer, the current annual settlement formula would apply. There was also a separate government consultation on changes to the collection and distribution of National Non-Domestic Rates (NNDR), where 100% of the funds would be allocated to local government, although councils such as Wiltshire would still be subject to a tariff, and would be expected to take on more responsibility.

The Committee sought additional clarity from the Cabinet Member on several points, seeking details of work that had been undertaken with the Department for Communities and Local Government, Local Government Association and other bodies to ensure that the government was encouraged to accept the caveats and assumptions being proposed in the efficiency statement. It was also stated in response to queries that the four-year offer did not apply to town and parish councils.

The Chairman of the Financial Planning Task Group, Councillor Glenis Ansell, then presented a report on behalf of the Task Group. A draft had been circulated to all members of the Task Group and Chairs of Select Committees who had also been invited to attend the meetings for comment ahead of its publication. Particular attention was drawn to the level of savings that were suggested in the proposed efficiency statement, and how to deal with areas of overspend such as children and adult social care.

A motion to endorse the recommendations of the Task Group was moved by Councillor Ansell, seconded by Councillor George Jeans.

The Committee then debated the proposal. There was discussion of the Task Group's assessment of the risks of not accepting the four-year settlement offer as outlined in recommendation 4 as detailed in the report, and an amendment was moved by Councillor Chuck Berry, seconded by Councillor Christine Crisp, as follows:

To endorse the Task Group recommendations subject to the following in place of recommendation 4 (a-d):

[That the Management Committee] Recognises that the consultation for 100% retention of business rates may result in changes to funding; and that the impact will have to be evaluated when DCLG make their proposal resultant from the current consultation.

The Committee discussed the proposed amendment, with some members feeling the wording was simpler, but others feeling it failed to take acknowledge the other risks arising from uncertainty in the government offer. It was noted the proposal to Cabinet to respond to the government offer set out a number of assumptions and caveats to the council's acceptance of the offer, should it choose to accept, and it was debated whether the Committee should separately note its concerns in addition to those in the Cabinet report. Following a vote the amendment was lost.

The Committee continued to debate the report and proposal, discussing the method of assessing the council's needs and the suggestion that a task group be created to examine the One Public Estate programme which was required to achieve many of the predicted savings.

Following debate the Cabinet Member thanked the Task Group for their work, although he had several comments in relation to their report, including:

- a) At paragraph 8 the Cabinet proposal had been listed incorrectly, clarifying that the second recommendation on proposed council tax levels of 2% each year for 2017-2020 did not fetter future council administrations from having a lower council tax increase should further savings be made.
- b) That contrary to paragraph 21b the level of top-up rates providing a safety net in any drop of NNDR was known and as detailed in paragraph 9.
- c) That there was no option to reject the proposed multi-year settlement now and request another settlement at a later date, as suggested in paragraph 23, and that the options were simply to accept a four-year settlement or continue with annual settlements.

The Chairman of the Financial Planning Task Group also thanked the members of the Task Group and the supporting officers for scrutinising the proposals so thoroughly in the short period possible due to government timescales for a response. At the conclusion of debate, it was,

Resolved

That the Overview and Scrutiny Management Committee:

- 1) Welcomes the Executive's engagement with overview and scrutiny in considering the matter of the four year settlement offer, the Efficiency Statement and the Medium Term Financial Plan 2017-2020.**
- 2) Recognises that either accepting or declining the four year settlement both carry risk; that on the balance of the information received during the task group's deliberations it is not in a position to make a clear recommendation on the matter; and it is appropriate to leave the decision to Full Council taking into account of the issues highlighted by overview and scrutiny.**

- 3) **Recognises that declining the four year settlement would create significant challenges in the council's financial planning and that any alternative single year settlements may be less favourable.**
- 4) **Recognises that accepting the four year settlement would also carry significant risks, including:**
 - a) **Designing an MTFP around a funding settlement that may change and an NNDR system that is in the process of reform**
 - b) **Wiltshire's funding allocation being based on a needs assessment from 2010 and this not being reset until 2020**
 - c) **Uncertainty around which services may be transferred to the council, the levels of funding accompanying these and the flexibility for local discretion in their delivery**
 - d) **Uncertainty around NNDR re-evaluation**
- 5) **Endorses the Financial Planning Task Group focusing its work programme on the key saving areas agreed by Full Council, including self-funding council services, working closely with relevant select committees.**
- 6) **Investigates establishing a task group to engage with the One Wiltshire Estate programme to support the identification and delivery of savings across the public sector in Wiltshire.**
- 7) **Looks forward to continued Executive engagement on budget monitoring, the delivery of savings and the development of annual budgets through the Financial Planning Task Group and on service transformation and customer experience through the select committees.**

91 **Date of Next Meeting**

The date of the next meeting was confirmed as 1 November 2016.

92 **Urgent Items**

There were no urgent items.

(Duration of meeting: 12.30 - 1.45 pm)

The Officer who has produced these minutes is Kieran Elliott (Senior Democratic Services Officer), of Democratic Services, direct line (01225) 718504, e-mail kieran.elliott@wiltshire.gov.uk

Press enquiries to Communications, direct line (01225) 713114/713115

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Report of the Financial Planning Task Group:

Four Year Settlement Offer, Efficiency Statement and Medium Term Financial Plan 2017-2020

Proposal

1. To endorse the findings of the Financial Planning Task Group following its consideration of:
 - The four year funding settlement offered by Central Government;
 - The Efficiency Statement required by the Department for Communities and Local Government (DCLG) as a condition of the settlement offered;
 - The council's Medium Term Financial Plan (MTFP) 2017-2020.
2. To refer these to Cabinet and Council for consideration.

Background

3. As part of the 2016/17 provisional and final local government settlements, the Secretary of State for the DCLG issued a proposed four year settlement offer to council's covering 2016 to 2020. Local authorities had until October 2016 to accept this offer. If the offer is accepted then the allocation within the settlement would form the minimum funding for the authority during that period. Wiltshire sought agreement from DCLG to respond after Full Council on 18 October has considered the matter.
4. In keeping with the approach developed in Wiltshire to setting the council's annual budget, overview and scrutiny (OS) was engaged at an early stage, ahead of Cabinet consideration and Council decision. On 6 September 2016 the Management Committee agreed that the Financial Planning Task Group would undertake focused work looking at the settlement offered by Central Government, the Efficiency Statement required as a condition of the offer and the potential impacts on the council's MTFP. This reflected the task group's established role undertaking monitoring of the council's revenue and capital budgets as well as engaging on the development of its financial plans.
5. The task group comprises the following members and the select committee chairmen listed also participated:

Cllr Glenis Ansell (Chairman)
Cllr George Jeans
Cllr Pip Ridout
Cllr Ian Thorn
Cllr Roy While

Cllr Chuck Berry, Health Select Committee
Cllr Jon Hubbard, Children's Select Committee
Cllr Bridget Wayman, Environment Select Committee

6. The task group met on four occasions and received briefings from the Corporate Directors, the Cabinet Member for Finance and the Associate Director for Finance on the high-level proposals in development. Cllrs Ansell and Wayman also met with the Associate Director for Operational Children's Services to discuss the budgetary challenges and potential for efficiencies in placements for Looked After Children (LAC).
7. In undertaking this work the task group considered the following issues:
 - Council services' changing budget allocations in recent years
 - Potential impacts and risks of National Non-Domestic Rates (NNDR) being consulted on by DCLG
 - Assumptions regarding income
 - Requirements of the Efficiency Statement
 - Four year settlement offered, cost pressures due to demand and inflation and the resulting funding gap
 - Opportunities to reduce costs and increase income
 - Deliverability of current Business Plan priorities
8. A report to Cabinet on this matter was published on 3 October and is also included in the agenda pack. This will be considered by Cabinet on 11 October alongside Overview and Scrutiny's comments and recommendations. The report invites Cabinet to propose that Council approve:
 - An Efficiency Statement for submission to the DCLG, subject to certain conditions, as part of acceptance of the current four year funding 'deal' offered by central government.
 - Subject to certain conditions, as part of its Medium Term Financial Plan (MTFP) set out a Council Tax increase of 2% each year for 2017-2020.
 - Subject to certain conditions, as part of its MTFP, set out a Social Care Levy increase of 2% each year for 2017-2020.

Four year settlement offer and National Non-Domestic Rates (NNDR) reform

9. The four year settlement offered to the council by central government is set out below. It illustrates that council funding via the Revenue Support Grant will be gradually reduced over the next four years, falling to zero in 2019/20. It

should be noted that the council is in year one of the four year settlement offer.

Wiltshire					
		2016-17	2017-18	2018-19	2019-20
	Settlement Funding Assessment	87.71	72.31	63.66	57.39
	of which:				
	Revenue Support Grant	34.73	18.29	8.05	0.00
	Baseline Funding Level	52.98	54.02	55.62	57.39
	Tariff/Top-Up	-18.31	-18.67	-19.22	-19.83
	Tariff/Top-Up adjustment	0.00	0.00	0.00	-2.24
	Safety Net Threshold	49.01	49.97	51.44	53.09
	Levy Rate (p in £)	0.26	0.26	0.26	0.26

10. As outlined in the Cabinet report, Central Government are considering changing the current National Non-Domestic Rates (NNDR) system and the results of this reform process will influence how much Business Rates the council retains and its certainty over future year funds. As such the task group notes that the proposed settlement is subject to potential change and the merits of the four year settlement must be seen in the context of that risk.
11. A key aspect of the proposed new NNDR system is to increase the NNDR returned to councils from 50% to 100%. However, it is assumed that a proportion of NNDR collected in Wiltshire will be retained by Central Government as the Tariff to support other councils' needs as part of the national needs distribution formula. The amount retained by Central Government is determined by an assessment of the county's needs, but the current assessment is based on 2010 data and will not be reset until 2020. Therefore, the risk remains that Wiltshire receives a level of funding that does not reflect its actual need.
12. The task group notes the council's draft response to the NNDR consultation and wishes to emphasise the following points made:
- Councils should have discretion to shape transferred services to suit residents including the ability to alter the eligibility criteria or how a scheme is run.
 - Any services devolved to councils should be accompanied by a genuinely sufficient level of funding.
 - The differing rules and requirements of DCLG and DOH should be harmonised in order that the opportunities for significant savings through pooled sector budgets can be fully exploited.

Savings

13. Acceptance of the current four year settlement would require the council to make annual savings of £13.017M, £13.488M, £10.565M and £9.452M over the next four years. (It is acknowledged that declining the offer would also require the delivery of an unknown level of savings). A high-level indication of where the necessary savings could be found is set out in the report to Cabinet and in the table below. More detailed proposals will be included in the annual budgets to be agreed by Full Council.

<i>High Level MTFS 4 Year Financial Model</i>	2016-2017 Approved Financial Plan	2017-2018	2018-2019	2019-2020	2020-2021
	£m	£m	£m	£m	£m
TOTAL COST REDUCTION PLAN REQUIRED		13.017	13.488	10.565	9.452
Priority 12: Realign our resources and secure VFM					
One Wiltshire Estate		(0.500)	(1.000)	(1.500)	(1.000)
Community Empowerment and devolution		(0.500)	(1.000)	(2.000)	(3.000)
Integrated Health Care		(0.500)	(1.250)	(2.000)	(2.000)
Commercialism		(1.000)	(1.000)	(1.000)	(1.000)
Connecting residents to enable first point of resolution through technology		(0.250)	(2.000)	(2.000)	(0.452)
Procurement efficiencies		(3.000)	(2.000)	0.000	0.000
General efficiency targets to absorb pay increased costs		(6.267)	(3.238)	(0.065)	0.000
Fees and Charges		(1.000)	(2.000)	(2.000)	(2.000)
TOTAL COST REDUCTION PLAN		(13.017)	(13.488)	(10.565)	(9.452)
DIFFERENCE		0.000	(0.000)	(0.000)	(0.000)

14. Below the task group provides comments on some of the Business Plan themes set out in the report to Cabinet and other potential areas for savings discussed.
15. **One Wiltshire Estate & Devolution:** The task group agrees that there are opportunities to find savings and efficiencies through better use of the county's public sector estate, including the Voluntary and Community Sector (VCS). It recommends focused scrutiny engagement on this topic.
16. **Integrated Health Care:** The task group agrees that there is significant scope for savings and better services through the integration of health and care service delivery. It recommends that the Cabinet Member and Health Select Committee maintain their focus on this.
17. **Connecting residents to enable first point of resolution through technology:** This objective relies on a commitment to delivering high-speed broadband across the county (particularly in rural areas) and increasing ICT literacy, while continuing to support those who cannot engage 'digitally'. Those services with the highest processing costs should be considered first for digitisation. The work of the My Wiltshire System Task Group and scrutiny engagement with the council's Digital Strategy will be important in this area.
18. The task group is concerned that having made significant savings over the past few years the council has ever-decreasing scope to find further

efficiencies and reduce the provision of non-statutory services without radical transformation.

19. In addition, the task group notes that:

- a) The Revenue Budget Monitoring report presented to Cabinet in September showed an overall overspend as at 31 July 2016 of £8.3 million or 2.6% of the council's overall budget (with management actions identified). The task group will be looking for developing trends when it considers the next Revenue Budget report in December.
- b) As at 31 March 2016 the General Fund reserve stood at £12.206 million, with the majority of earmarked reserves ring fenced, little scope to reduce reserves further and no provision for risks relating to NNDR reform.

20. This context makes the delivery of the savings set out in the MTFS all the more pressurised. Achieving them will rely on accurate projections of demand and in some areas radical re-thinks of how services are managed and delivered. Scrutiny can play an important role by focusing its work programme on appropriate areas.

Assumptions

21. Key to the proposed MTFP are certain assumptions as set out in the Cabinet report. The task group has commented on some of these below:

- a) **Assumption: Council Tax is increased each year by 2% (note this would be subject to Council decisions each year)**

The restriction on increasing council tax by more than 2% without holding a referendum (with a restrictive referendum process) significantly reduces councils' ability to manage their finances. Whether different rules will apply under four year settlements, with councils only limited to total raises of 8% over four years, is not yet clear

- b) **Assumption: NNDR net growth targets are met, the reform of NNDR does not reduce the funding offer and any new services are fully funded on transfer.**

The proposed reforms to the NNDR system shift risk to the council in terms of an increasing reliance upon NNDR income and therefore the county's business economy. The level of top-up rates providing a safety net beneath any catastrophic drop in NNDR are still unknown.

- c) **Assumption: Adult and Children's care demand continues in line with current projections**

Factors outside of the council's control mean that significant unforeseen costs can emerge very quickly in these areas. There have therefore been

historic difficulties in making accurate projections of demand and delivering the budgets on target. They therefore represent areas of risk where significant service transformation may be needed if savings targets are to be achieved.

General conclusions

22. There are many unresolved factors that will affect the true merit of the four year settlement offered (outlined in this report and in the report to Cabinet). Accepting the settlement before these issues are resolved therefore carries risks. However, a four year settlement would provide some degree of financial certainty allowing the council to plan its savings and expenditure.
23. Declining a four year settlement and opting instead for a continuance of one year settlements may retain a greater degree of flexibility in terms of adapting to challenges as they change or emerge. Doing so could also present the opportunity of considering a four year deal at a later date once some of the factors currently in flux are resolved. However, the significant majority of councils are expected to choose the four year settlement and declining it would create uncertainty and greater difficulties in financial planning. There is also a risk that alternative one year settlements are less favourable to the council.

Recommendations

The Task Group recommends that OS Management Committee,

- 1. Welcomes the Executive's engagement with overview and scrutiny in considering the matter of the four year settlement offer, the Efficiency Statement and the Medium Term Financial Plan 2017-2020.**
- 2. Recognises that either accepting or declining the four year settlement both carry risk; that on the balance of the information received during the task group's deliberations it is not in a position to make a clear recommendation on the matter; and it is appropriate to leave the decision to Full Council taking into account of the issues highlighted by overview and scrutiny.**
- 3. Recognises that declining the four year settlement would create significant challenges in the council's financial planning and that any alternative single year settlements may be less favourable.**
- 4. Recognises that accepting the four year settlement would also carry significant risks, including:**
 - a) Designing an MTFP around a funding settlement that may change and an NNDR system that is in the process of reform**
 - b) Wiltshire's funding allocation being based on a needs assessment from 2010 and this not being reset until 2020**

- c) **Uncertainty around which services may be transferred to the council, the levels of funding accompanying these and the flexibility for local discretion in their delivery**
 - d) **Uncertainty around NNDR re-evaluation**
5. **Endorses the Financial Planning Task Group focusing its work programme on the key saving areas agreed by Full Council, including self-funding council services, working closely with relevant select committees.**
 6. **Investigates establishing a task group to engage with the One Wiltshire Estate programme to support the identification and delivery of savings across the public sector in Wiltshire.**
 7. **Looks forward to continued Executive engagement on budget monitoring, the delivery of savings and the development of annual budgets through the Financial Planning Task Group and on service transformation and customer experience through the select committees.**

Cllr Glenis Ansell, Chairman of Financial Planning Task Group

Report author: Henry Powell, Senior Scrutiny Officer, 01225 718052,
henry.powell@wiltshire.gov.uk

Appendices

None

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Public meetings in Chippenham 26th September; Devizes 27th; Salisbury 28th; Trowbridge 29th and Marlborough 5th October

Summary of the Questions and Answers relating the 4 year offer, these will be attached to the Cabinet and Council paper on this subject

Q1 – Has the Council lobbied Government about the cuts to funding?

A1 – Yes. The Council has lobbied continually over the past years and has supported the Local Government Association, the County Council Network and the Society of County Treasurers and several other bodies that lobby Government on funding. In addition the Council's Chief Financial Officer is a member of the National Committee that is reviewing funding and the future of business rates. All Councils are concerned about the cuts.

Q2 – What happens if the Council doesn't take up the 4 year offer?

A2 – Councils that choose not to take up the offer will be subject to the existing process for determining the level of central funding that they will receive.

Q3 – Will the Council definitely get the funding shown in the 4 year offer?

A3 – We have to work on that assumption, although we understand that the needs formula that underpins the system will be revised before the end of the offer period in 2020. We expect that there could be changes but it is unclear what they could be.

Q4 – What happens at the end of 4 years?

A4 – We don't know with enough clarity. We continue to lobby and seek to influence the future consultation that is taking place on 100% of Business Rates being allocated to Councils, on a needs basis, which may have affect funding.

Q5 – When will the basis of 'need' be reviewed by Government?

A5 – There is no firm date for this but it is expected to be before 2020. The Council's view is that there should be a high weighting for rurality, older people and children's safeguarding. The Government will set out the criteria and thus distribution formula for needs.

Q6 – Why is the support grant falling? How much has it fallen since the financial crisis?

A6 – It is falling as the Government addresses the country's financial deficit. Over the decade to 2020 the government support grant to Wiltshire will have fallen by nearly £100m to zero.

Q7 – Does the Council receive other Government grants?

A7 – Yes. There are ring-fenced grants for schools, housing benefits and other smaller grants but these can't be used for other purposes. In addition there are other specific grants but they are not material in terms of affecting the overall grant reduction and demand pressures.

Q8 – When will the Government agree the 4 year offer?

A8 – We are likely to hear further details in the Chancellor's Autumn Statement on 23rd November 2016 and then the detail in the funding settlement is likely to be announced early December 2016.

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