

## **Wiltshire Council**

### **Overview and Scrutiny Management Committee**

**10 October 2016**

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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
<b>TOTAL COST REDUCTION PLAN REQUIRED</b>		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)
<b>TOTAL COST REDUCTION PLAN</b>		<b>(13.017)</b>	<b>(13.488)</b>	<b>(10.565)</b>	<b>(9.452)</b>
<b>DIFFERENCE</b>		<b>0.000</b>	<b>(0.000)</b>	<b>(0.000)</b>	<b>(0.000)</b>

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.**

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**Appendices**

None