

**Wiltshire Council**

**Cabinet**

**10 December 2019**

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**Subject: Update on the Mid Year Updated Medium Term Financial Strategy (MTFS)**

**Cabinet Member: Cllr Simon Jacobs Cabinet Member for Finance and Procurement**

**Key Decision: Non Key**

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**Executive Summary**

This report updates Members on the 2020/21 budget setting process and the Medium-Term Financial Strategy (MTFS) 2020/21-2024/25.

This report also proposes that the Council approves and adopts a new set of financial objectives to help to frame the Council's strategic financial direction.

**Proposal(s)**

Cabinet is asked to note:

- a) The contents of this report

Cabinet is asked to approve:

- b) The Financial Objectives set out in paragraph 6.

**Reason for Proposal(s)**

To inform Cabinet of the 2020/21 budget setting and Medium-Term Financial Strategy processes.

**Alistair Cunningham OBE**  
**Executive Director Growth, Investment & Place**

## **Wiltshire Council**

### **Cabinet**

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### **Purpose of Report**

1. This report updates Members on the 2020/21 budget setting process and the Medium-Term Financial Strategy (MTFS) 2020/21-2024/25.

### **Relevance to the Council's Business Plan**

2. The Council's strategic aims and priorities are set out in the Council's Business Plan and these drive the medium-term financial planning process, with changes in resource allocation determined in accordance to policies and priorities. A key focus for the Council is to ensure a strong sustainable financial base exists in these challenging times.

### **Background**

3. Council approved the 2019/20 revenue budget and the Medium-Term Financial Strategy 2019/20-2023/24 on 26 February 2019.
4. The Medium-Term Financial Strategy is updated annually as part of the process of setting the Council Tax levels. The Medium-Term Financial Strategy (MTFS) sets out both the process and assumptions in aligning the council's financial resources with its business plan.
5. A robust Medium-Term Financial Strategy is a financial expression of the Council's objectives and priorities. It should contain forecasts for income and expenditure over a three to five-year period and be supported by:
  - scenario planning/sensitivity analysis
  - an assessment of financial risks
  - an assessment of financial reserves
  - a multiyear balance sheet forecast

## **Main Considerations for the Council**

### **Financial Objectives**

6. It is proposed that the following financial objectives are approved to set out the strategic financial framework under which the Council plans and operates:
  - To ensure that the allocation of all resources is policy and evidence led and ensures delivery of the Councils strategic objectives.
  - To provide strong, robust financial management and control in order to deliver a balanced budget and a sound financial framework including a five-year medium-term financial strategy.
  - To continue to generate savings and secure value for money through measures aimed at greater efficiency in service delivery and management, including invest to save investments and reductions in activity costs.
  - To generate income through a commercial approach.
  - To support local residents and businesses through the current challenging economic climate for Local Government.
  - To maintain general fund balances at or above the minimum prudent level as determined by the Chief Finance Officer and to add to balances whenever the opportunity arises.
  - To undertake investment only where a value for money case can be demonstrated. This will include social value.
  - To keep local taxation increases in line with Central Government set limits.

### **Medium Term Financial Strategy (MTFS)**

7. The MTFS is currently being reviewed in full and will be updated for future years to cover a 5-year period 2020/21-2024/25. The MTFS will be submitted to Council in February for approval as part of the budget setting papers. The MTFS will include all known changes to funding levels as well as estimates for those funding streams for which we have not received confirmation. All estimates will have been reviewed as far as is possible.
8. All current savings proposals are being tested for deliverability as part of due diligence processes.
9. Financial risks will be assessed and quantified where appropriate, and either provisions will be made, or mitigations identified.

10. A strategic approach to mitigating against financial risks would be to approve creation of a corporate contingency/risk provision budget as part of the budget setting process.
11. The construction of the budget for 2020/21 and examination and validation of the budget proposals will be subject to challenge by the Council's leadership team, Heads of Finance and service directors. Further scrutiny of the MTFS and budget proposals will be undertaken by the Financial Planning Task Group which is a cross party subcommittee of the Audit Committee.

### **Budget Assumptions**

12. An overview of the current key assumptions included in the 2020/21 revenue budget setting process and the MTFS are set out below:

### **Revenue Support Grant**

13. Revenue Support Grant payments to Wiltshire Council from Central Government ceased in 2018/19. It has been assumed that this position will continue throughout the MTFS period.

### **Retained Business Rates**

14. The retained business rates scheme will continue without fundamental change for 2020/21. Central Government announced in the Autumn 2019 Spending Round that Government plans to carry out a multi-year Spending Review, which will lay the groundwork for reforms. These reforms are being aimed to be implemented in 2021/22, including a full reset of business rates retention baselines, with the aim of:
  15. **increasing the proportion of business rates retained by the sector**, to ensure local authorities have more control over the money they raise and powerful incentives to grow and reinvest in their local economies;
  16. **introducing reforms to the business rates retention system**, to increase stability and certainty;
  17. **and reviewing the funding formula** that determines funding allocations through the annual local government finance settlement, based on a fairer and more up-to-date assessment of councils' relative needs and resources.
18. Current assumptions for 2020/21 are for a similar level of business rates to be retained as per 2019/20.

## **Council Tax**

19. The council tax base for 2020/21 has been calculated as 187,935.69 band D equivalent properties. This is an increase of 1.03% from 2019/20 and is in line with the previously assumed growth of 1.0% per year. The increase in the council tax base is predominantly due to housing growth within Wiltshire and this growth generates an additional £2.801 million per annum in council tax for Wiltshire Council.
20. Central Government proposed the following package of council tax referendum principles for 2020/21 (final confirmation of these principles will be given as part of the Local Government Finance Settlement), only those relevant to Wiltshire Council are shown:
- a core principle of up to 2% for unitary authorities
  - an adult social care precept of 2% on top of the core principle
21. The level of council tax required is considered throughout the budget setting process and a separate report to formally set the council tax for 2020/21 will be presented to Council on 26 February 2020.

## **Collection Fund Surplus/Deficit**

22. Council tax and retained business rates are accounted for under collection fund arrangements. The amount of council tax and business rate income actually collected fluctuates and by the end of each financial year, the Council will have collected a different amount to the amount that was expected at budget setting. An estimate of both the council tax and business rate collection fund positions as at the end of each financial year is required to be made by 15 January annually. Any surplus or deficit is then shared between major precepting authorities in the following financial year.
23. Wiltshire Council, as the billing authority for both council tax and business rates is responsible for estimating the collection fund position annually. These estimates will be factored into the budget setting process and MTFS.

## **Other Funding Changes**

24. In the Spending Review 2019, Central Government announced £3.5 billion of funding for local authorities in 2020/21 as part of one year settlement. It is important to note that this figure includes the continuation of 'one-off' grants allocated in 2019/20. Local authorities will receive an above-inflation increase in funding for 2020/21. This funding includes:
- £1.8 billion of improved better care fund,
  - £240 million of winter pressures grant
  - £410 million of social care support grant
  - £918 million of new homes bonus and
  - £81 million of rural services delivery grant

25. The Spending Review also announced an additional £1 billion for social care in 2020/21 for Local Authorities. Its preferred position is to allocate this based on the adult social care relative needs formula. Final allocations will be published in the Local Government Finance Settlement expected in late December.
26. Continued receipt of funding on a one-off basis is unhelpful to strategic long-term financial planning. This is particularly an issue in relation to the funding of increasing social care needs on a sustainable basis. The fair funding review has been delayed and it is extremely challenging for the Council to make strategic decisions in the context of continued uncertainty in relation to funding. Nevertheless, the Council is still required to balance its budget on an annual basis and set out its medium-term plans.
27. Whilst it is considered unlikely that any new government would reduce the level of funding available to local authorities, key announcements have been delayed, most notably the Autumn Budget and the Provisional Local Government Finance Settlement 2020/21. Both are expected shortly after the resumption of Parliament.
28. A full multi year Comprehensive Spending Review is expected to take place in 2020 for future years funding.

### **Budget Pressures**

29. Budget pressures for 2020/21 and future years continue to be identified and reviewed. These include contract inflation, demographic growth, demand for new services, salary inflation, reductions in grant funding and the revenue costs associated with funding the capital programme.
30. The key risks in the budget are mainly in relation to demand led budgets in particular Adult Social Care due to increasing demand (increasing ageing population) and increasing costs of care packages, Children's Social Care due to increasing numbers of children in care and increases to the costs of care packages, Waste and Dedicated Schools Grant, all of which are under significant pressure in the current year and have been reported in the Budget Monitoring, Performance & Risk Management 2019/2020 Quarter 2 report to Cabinet..

### **Balancing the Budget**

31. There is a requirement to balance the budget. Budget pressures and growth demands cannot be met from increases in local taxation such as council tax and business rates alone.
32. In order to balance the budget, budget pressures and growth demands will be robustly reviewed to ensure that they are realistic and align to the Council's business plan. The Council will also propose where it is possible to make budgetary savings.
33. Future savings plans are reviewed to ensure that they are prudent and deliverable to minimise the risk of delivering the budget as planned.

34. Savings proposals can include:

- income generation
- delivering service efficiencies and service transformation (including digital, new ways of working and contract review)
- cessation of services

### **Financial Risks**

35. There are significant cost pressures arising from changing demographics and a growing population. These leads to increase demand for adult and children services, as well as other services across the Council.

36. The delivery of savings continues to remain a major risk. Regularity monitoring and reporting is in place to mitigate against this. The size of the budget savings has increased the risk, and any non-achievement would require in year compensating savings to be identified.

37. The outcome of the European Union Referendum and the forthcoming UK Parliamentary General Election, together with other global financial issues, will have financial implications. These will continue to be closely monitored and considered.

38. There is still uncertainty in the overall Local Government finance position. The government has promised to consult further on the fairer funding model from local government. This included business rates retention, changes to new homes bonus, reductions in ring fenced grants and possible new burdens. This means the Council faces a challenging time in balancing the budget and developing the medium-term financial strategy.

39. Service changes has meant that in some areas the capacity to deliver future changes will need to be closely monitored.

40. The Department for Education published a consultation on changes to the Dedicated Schools Grant (DSG) to clarify that DSG is a ringfenced specific grant, separate to the General Fund of Local Authorities. It also highlighted that any deficit an authority may have on its DSG account is expected to be carried forward and does not need to be covered by the authority's General Fund reserve. The outcome of this consultation is pending; however if the Government's position is confirmed then this reduces the financial risk to the General Fund but increases the financial risks for schools.

## **Consultation**

41. The Council will continue to strive to deliver efficient services that provide value for money. Budget proposals will be prepared following budget guidance and these proposals will be made available for public consultation.
42. The Council's budget planning framework is supported by the development of Equality Impact Assessments (EIAs) for the budget proposals, identifying possible disproportionate impact in relation to the protected characteristics as described within the Equality Act 2010. The EIAs will also identify potential mitigation where applicable.
43. The Council maintains its strong commitment to equality, believing that all groups and individuals within the community and its workforce have equal opportunity to benefit from the services and employment it provides. EIAs help the Council to arrive at informed decisions and to make the best judgements about how to target resources.
44. Consultations are held in January and February. These include schools forum, housing board, residents, businesses, overview and scrutiny management committee, and financial planning task group. Detailed feedback will be taken to Full Council.

## **Overview and Scrutiny Engagement**

45. Regular reports are taken to Overview & Scrutiny relating to the Council's financial position. Budget consultations will be held with Financial Planning Task Group.

## **Safeguarding Implications**

46. None arising directly from this report. Safeguarding remains a key priority for the Council and will be a key consideration of the budget setting process as a whole.

## **Public Health Implications**

47. None have been identified as arising directly from this report but will be considered throughout the budget setting process.

## **Procurement Implications**

48. None have been identified as arising directly from this report but will be considered throughout the budget setting process.

## **Equalities Impact of the Proposal**

49. The Council's budget planning framework is supported by the development of Equality Impact Assessments (EIAs) for the budget proposals, identifying possible disproportionate impact in relation to the protected characteristics



as described within the Equality Act 2010. The EIAs will also identify potential mitigation where applicable.

### **Environmental and Climate Change Considerations**

50. None have been identified as arising directly from this report but will be considered throughout the budget setting process.

### **Risks that may arise if the proposed decision and related work is not taken**

51. None identified.

### **Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks**

52. None identified.

### **Financial Implications**

53. This is the subject of the report.

### **Legal Implications**

54. None have been identified as arising directly from this report but will be considered throughout the budget setting process.

### **Proposals**

55. Cabinet is asked to note:

- a) The contents of this report

Cabinet is asked to approve:

- b) The Financial Objectives set out in paragraph 6.

### **Deborah Hindson (Director - Finance and Procurement)**

Report Author: Stuart Donnelly, Head of Finance (Corporate),  
[matthew.tiller@wiltshire.gov.uk](mailto:matthew.tiller@wiltshire.gov.uk), Tel: 01722b434244718582

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### **Appendices**

None

### **Background Papers**

Budget Monitoring, Performance & Risk Management 2019/20 Quarter 2

Wiltshire Council's Financial Plan Update 2019/20