

**APPENDIX to the Overview and Scrutiny Management Committee Minutes of 9 February 2021
Wiltshire Council**

Full Council

23 February 2021

Report of the Overview and Scrutiny Management Committee on the Wiltshire Council Financial Plan 2021/22 - Amendments

Purpose of report

1. To report to Full Council a summary of the main issues discussed at the meeting of the Overview and Scrutiny Management Committee held on 9 February 2021.

Background

2. The meeting of the Overview and Scrutiny Management Committee provided an opportunity to scrutinise amendments to the budget that were proposed after the committee meeting on 26 January 2021, which considered the initial proposals from the Executive which were subsequently agreed at Cabinet on 2 February 2021.
3. Three proposed amendments were received for the meeting from Councillors Gavin Grant and Ian Thorn on behalf of the Liberal Democrat Group.
4. The proposals were as follows:
 - a. *To reduce the Adult Social Care levy from 3% in 2021/22 to 2% in 2021/22 and to apply a 1% levy in 2022/23. The loss of funding is approximately £2.841m in 2021/22. The £2.841m shortfall is to be met from a draw of funds from the Latent Demand Reserve.*
 - b. *To increase the Hardship Fund from £0.300m to £1.000m in 2021/22. The pressure is £0.700m. That pressure to be made up by an additional draw of funds from the Collection Fund Volatility Reserve.*
 - c. *To ring-fence any in-year favourable variance that arises against the £1m reduction of section 31 grants attributed to Business Rate reliefs in the budget report (paragraph 64 & 65) and that variance be transferred to an earmarked reserve specifically to support businesses that are in financial distress by way of discretionary reliefs or discretionary grants.*
5. The above proposals have the following impact on the 2021/22 financial year:

| Proposal | Impact £m |
|---|----------------------|
| a. Reduction in Adult Social Care Precept | 2.841 |
| b. Increase Hardship Fund | 0.700 |
| Total pressure of proposals | 3.541 |
| a. Draw from the Latent Demand Reserve | (2.841) |
| b. Draw from Collection Fund Volatility Reserve | (0.700) |
| Total draw from Earmarked Reserves | (3.541) |

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6. The proposals have the effect of reducing the amount set aside in Earmarked Reserves as shown in the above table. Excluding Dedicated Schools Grant balances this would reduce the balance of Earmarked Reserves from an estimated £32.332m to £28.791m.
7. The proposals had been commented upon by the Section 151 Officer, Head of Paid Service and the Monitoring Officer, and confirmed as financially and legally sound, with comments regarding the increased risks of reducing allocated reserves.

Main issues raised during questioning and debate

8. Councillors Grant and Thorn introduced the proposals, noting that it was intended to spread the adult social care levy over two financial years to reduce its impact, and stated that there would be no impact upon service delivery. The increase to the Hardship Fund in the Executive budget was welcomed, but it was argued this should be increased further, and details were provided on the level of council reserves.
9. The Chairman then gave the opportunity for Members of the Executive to respond to the proposed amendment, before seeking any queries or comments from the Committee. The Section 151 Officer, Andy Brown, provided clarification where appropriate.

Amendment A

10. Details were sought on the proposed draw down of additional funds from the Latent Demand Reserve, in particular given the anticipated increase in demand or overspend within Children's Services and given the Latent Demand Reserve would be shared across many services where, in particular, the impact of Covid-19 had reduced demand in 2020/21. In response it was stated that potential risks had been assessed, but also noting that there were also no adjustments to the service budgets for Children's Services.
11. It was suggested that the Latent Demand Reserve may have included a small element of double counting in relation to an adult mental health component, but it was clarified the reserve was created from variances within the last financial year and drawdown depended on when delayed demand came in, which factored in assumptions in relation to 2021/22.
12. Queries were raised relating to the overall council position on reserves, including General Reserves, with it noted that there was projected to be total reserves of £33.192m reducing to £28.791m should all amendments be accepted by Full Council. It was stated that the Latent Demand Reserve was estimated in the Executive Budget to draw down £3.000m in 2021/22. The proposers highlighted the overall level of reserves and difficulty in estimating how much of the earmarked reserves would be required, against the certainty of the financial impact of the 3% adult social care levy, and that the risk of the government not providing the 1% if deferred to next year, given the commitments made, was minimal. Comments were made regarding whether, if the amendment were approved, the reserve would cover future years' estimates.
13. In response to queries around the balancing of financial risks by the council, it was noted that the S151 Officer had estimated the cover of that risk from 96% to 80% in the event all amendments were approved.

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Amendment B

14. Details were sought on the proposed increase of £0.700m to the Hardship Fund, drawn down from the Collection Fund Volatility Reserve, which was monies set aside to manage the on-going deficit on council tax collection and other impacts. It was confirmed £7.913m would remain in the reserve should the amendment be approved
15. There was discussion over links between usage of the Hardship Fund and the Collection Fund Volatility Reserve.

Amendment C

16. In response to queries it was clarified that the purpose of the amendment was, as much as possible without binding a future council, to constrain the use of any additional funds should the section 31 grant received from government in respect of small business rates relief and other reliefs not be reduced by the anticipated level of £1.000m. The Executive budget proposed that the balance of any such variance, if it occurred, should be utilised to support local business. The proposed amendment sought to ringfence any such amount that might be received above what was currently projected in order to safeguard that intention.
17. As the funds could only be so allocated in the event there was a positive variance, there was no impact on the budget calculations from the amendment. In response to queries, it was confirmed that therefore there was no additional risks to the council arising from the amendment.

Conclusion

18. To note that the amendments to the Financial Plan Update 2021-22 proposed by Councillor Gavin Grant and Councillor Ian Thorn have been scrutinised; and
19. To ask Full Council to take note of the comments of the Committee, as presented in this report.

Councillor Graham Wright
Chairman of the Overview and Scrutiny Management Committee

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