Wiltshire Council

Overview and Scrutiny Management Committee

24 January 2023

Report of the Financial Planning Task Group:

Budget 2023/24 and Medium Term Financial Strategy 2023/24 to 2025/26

Purpose

1. To set out the key discussion points from the Financial Planning Task Group's consideration of the annual budget and MTFS on 19 and 20 January 2023.

Background

2. The Task Group met with the following guests, on 19 and 20 January 2023, to discuss the reports:

Cllr Nick Botterill	Cabinet Member for Finance, Development Management and Strategic Planning
Andy Brown	Corporate Director Resources & Deputy Chief Executive (S151 Officer)
Lizzie Watkin	Assistant Director Finance

3. The following members joined one or both of the meetings:

Cllr Helen Belcher OBE
Cllr Ian Blair-Pilling
Cllr Richard Britton
Cllr Trevor Carbin
Cllr Dr Monica Devendran
Cllr Jon Hubbard
Cllr George Jeans
Cllr Gordon King
Cllr Jacqui Lay
Cllr Dr Brian Mathew
Cllr Paul Oatway QPM
Cllr Tamara Reay
Cllr Tim Trimble
Cllr David Vigar
Cllr Jerry Kunkler
Cllr Chuck Berry
Cllr Alison Bucknell
Cllr Pauline Church
Cllr Ross Henning
Cllr Tony Jackson
Cllr Carole King
Cllr Kathryn MacDermid
Cllr Ian McLennan
Cllr Sam Pearce-Kearney
Cllr James Sheppard
Cllr Tony Trotman
Cllr Iain Wallis
Cllr Suzanne Wickham
Cllr Bridget Wayman
Cllr Chris Williams
Cllr Graham Wright

Main considerations

4. The table below presents the key discussion points from the Financial Planning Task Group's meetings:

Issue (page and paragraphs numbers refer to the budget papers)	**Further information / Comments**
Social worker retention (paras 30 and 34)	The totals for the recruitment and retention of social workers, occupational therapists and other professionals refer to staff in the Living Well & Ageing Well (£0.573m) and the Whole Life Pathway (£0.320m) separately.
Reserves repurposing (para 99)	'Repurposing' is a term used to describe the transition of funds from one reserve to another. The funds can be drawn down, but the original purpose of the funding has changed.
Lowering the deficit (para 111)	The increase in council tax, savings and social care funding have allowed the council to balance the budget.
Sale of Salisbury Resource Centre (para 119)	The existing site will be sold to buy a new facility. The capital receipt generated from the sale will fund the purchase of the new site. Any surplus capital will go into the unallocated capital receipts to fund other capital schemes included in the capital programme funded in this way.
Business rates / Council Tax (para 167)	If a business premises becomes a dwelling it becomes liable for Council Tax. This switch usually financially favours the Council. Forecasting business rate collection rates is undertaken for the whole of Wiltshire but does include an analysis of certain sectors. A sizeable proportion of the total business rate take is from the public sector i.e., NHS, MoD and the council itself which limits the risk of significant decreases in the overall total.
Inflation predictions for period of MTFS (para 175)	Inflation is assumed to be 2% from 2024/25 (higher than Bank of England prediction). This assessment is crucial to balancing the budget. The effect of higher inflation remains a risk.
Inflation rate assumptions (para 176)	There are many external factors to the assumptions made and used in the budget. The council attempts to be prudent and has used a budget challenge

	process to test assumptions. Continued budget monitoring allows adjustments to be made in year.
Savings – staff (para 195)	The staff vacancy factor of 6.5% is applied to all services. The factor prevents creating a budget which is too high as there will be vacancies in year. Some services have recruitment challenges and forecasts at service level are made that set out if the staffing budget is overspent or underspent as part of budget monitoring. Services remove vacant posts as part of budget setting after an assessment of the impact and deliverability of services.
Reserves held against financial risk (Appendix 1 Table *Reserves held against financial risk* pg53)	The value of general fund reserve is improving. Overall cover is 136% of the assessed risk and minimum cover required but is declining over the course of the MFTS. There is a formal declaration under Section 25 in terms of the council's financial resilience i.e., capacity to manage services within the overall financial resources, including financial shocks. Reserves cover those unforeseen eventualities which are not covered in the base budget. Risk assessments every year set a minimum of what should be put aside. These though are snapshots and reserves are monitored through the year. There is no agreed number set on the reserve size and is an assessment made by the S151 Officer.
Collection Fund Volatility Reserve (Appendix 1, pg54)	This reserve rises and falls over the MTFS. The Collection Fund Volatility Reserve is set aside to cover fluctuations in council tax and business rates income. The assumed rise in the council tax base (1.2% growth) is lower than the actual growth in 2022/23. This growth has created a surplus. Business have been supported by pandemic rate reliefs and there has also been a revaluation for 2023/24. Any changes in income that create either a surplus or deficit do not appear in year but the next. The reserves are adjusted to account for the volatile position.
General Fund Reserve: Accommodation Need (Appendix 1, pg54)	Reserves set aside from the Budget Equalisation will be used for accommodation needs - £10m (2022/23) decreasing to £4m (2025/26) This is to mitigate housing pressures particularly on temporary accommodation costs. This will help create assets and generate longer term savings.

Latent Demand Reserve (Appendix 1, pg54)	The anticipated Latent Demand Reserve draw down to cover the impact of the pandemic has not occurred. However, there are some needs stemming from the pandemic that have to be managed. There is an opportunity to question the assumptions throughout the year during the budget monitoring process and reporting.
Earmarked Reserves – Insurance (Appendix 1 pg54)	Insurance and PFI are significant value reserves. The biggest impact for insurance in any given year in terms of cost are insurance claims, which have increased across all local authorities. Because of this exposure to claims premiums will increase. The reserves may be called upon, but the council ensures that there where possible robust mitigation processes and future years revenue budgets amended if the financial increase is assessed as being on-going. The PFI reserve is a 'smoothing' reserve to ensure the revenue budget does not face volatility associated with the contract payments under these arrangements.
Earmarked Reserves – General Balance (Appendix 1 pg54)	Many of the reserves have phased declines over the MTFS. This is partly due to addressing issues in the base budget. Also, there are improving positions with regards to the activity for which the reserves were earmarked. In Public Health reserves are being used for additional activity.
Earmarked Reserves – Community Development Initiatives (Appendix 1 pg54)	Also called Community Led Conversations
Earmarked Reserves – Balance 2025/26 (Appendix 1 pg54)	As reserves are adjusted then some elements will become a larger proportion e.g., PFI of the overall reserves. Confident that this is not an issue.
Pay award – staff (Appendix 1, Annex 4)	The estimated staff pay award is 4.5% (2023/24) and 2.5% in subsequent years. Pay awards are settled nationally. Any higher award will need to be covered by reserves in year but in the base budget in future years.
Savings delivery visibility (Appendix 1, Annex 7)	Previously the delivery of savings was lower than expected. A Savings Delivery Board was suggested but it was felt that the existing governance arrangements are sufficient. In the budget monitoring there is a savings delivery section, reported through the existing budget monitoring framework.

Savings – delivery (Appendix 1, Annex 7)	The proportion of the savings targets met is continuing to improve. This will be reflected in the Q3 monitoring 2022/23 (in excess of 90% overall). The focus on savings delivery feeds through into confidence that 2023/24 savings are achievable.
Demand reduction balancing the budget	Increases in year one to reflect demographic changes. In year two there is an uplift because of the capital programme. Risk that in later years that more demand would be coming through.
Retail tenancy agreements	Moving to shorter tenancy agreements (less than 5yrs) may affect the budget but could be desirable for local town centres. This issue will be explored outside of the FPTG meeting.

Cllr Pip Ridout, Chairman of the Financial Planning Task Group

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