

APPENDIX to the Overview and Scrutiny Management Minutes of 25 January 2022 Wiltshire Council

Cabinet 1 February 2022

Council 15 February 2022

Report of the Overview and Scrutiny Management Committee on the Draft Budget 2022/23 and Medium-Term Financial Strategy 2022/23-2024/25

Purpose of report

1. To report to Cabinet and Full Council a summary of the main issues discussed at the meeting of the Overview and Scrutiny Management Committee (“The Committee”) held on 25 January 2022.

Background

2. The meeting of the Overview and Scrutiny Management Committee provides an opportunity for non-executive councillors to question the Cabinet Member with responsibility for Finance, the Chief Executive, and the S151 Officer on the draft Budget 2022-23 and medium-term financial strategy before it is considered at Cabinet on 1 February 2022 and Full Council on 15 February 2022.
3. The Leader of the Council, as Cabinet Member with responsibility for Finance, supported by the Deputy Chief Executive and Corporate Director of Resources and Section 151 Officer, Andy Brown, was in attendance along with the Chief Executive, Terence Herbert, to provide clarification and answers to issues and queries raised by the Committee. Other members of the Cabinet and Corporate Leadership Team were also in attendance to provide further detail and clarity.
4. In addition to the draft Budget update made available on the council’s website on 12 January 2022, a briefing from the Leader and the S151 Officer open to all elected Members was held on 18 January 2022. The Children’s, Health and Environment Select Committees met formally or informally ahead of the meeting of the Overview and Scrutiny Management Committee to discuss
5. Details published in the budget papers had included:
 - Council Tax to be increased by 1.99% and an Adult Social Care Levy of 1%;
 - A net general fund budget for 2021/22 of £417.703m, an increase from £412.561m in 2021/22, and including £24.825m of additional savings;
 - The Housing Revenue Account (HRA) budget for 2021/22 to be set at £24.173m expenditure with social dwelling rents to increase by 4.1% except for rents currently over the formula rent which will be capped at formula rent as per national guidance;
 - For the medium-term financials strategy a forecast budget gap, after the utilisation of the budget equalisation reserve, of £10.705m for the 2024/25 financial year with regular updates to be received on delivery against strategy and addressing the forecast budget gap;
 - The Capital Strategy setting out a proposed capital programme for 2022/23 with future years projected to 2029/30.

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6. The impact of Covid-19 on delaying usual efficiencies and savings within the budget, impact of inflation and increases and demand, and details of government support received, was set out by the Leader.

Main issues raised during questioning and debate

7. This report is divided into sections relating to each of the Select Committee areas as budget proposals and impacts on service areas were discussed, as well as general comments.

Financial Planning Task Group

8. The report of the Task Group on the budget proposals was received and noted. The report and its comments are included as an annex to the Committee for attention at Cabinet and Full Council.

Children's Select Committee

9. The Committee held a meeting on 18 January 2022 at which the Draft Budget was discussed, with the details of the questions and discussion detailed in the minutes extract attached to this report.
10. It was commented that Children's Services had been relatively protected within the Draft Budget

Environment Select Committee

11. Details were sought in relation to linkage with the Business Plan priorities and the climate emergency, and estimates of the costs of achieving Net Zero carbon neutrality. It was stated that the Capital Programme set out costs which would take the council itself significantly further toward Net Zero with over £8m invested in its property, over £17m invested in the council's housing stock, and an element relating to decarbonising the council's fleet services which would be developed in further budgets. For the county as a whole this was not a cost borne by the council, but through government programmes and other workstreams, but not directly relevant to the council's efforts to decarbonise in relation to its budget and the Housing Revenue Account.
12. Queries were raised on priorities for Active Travel, in relation to £310m outlined toward road improvement. It was stated this was in part due to how government funding streams operated, with significant road schemes funded and bid for a long time in advance, with Active Travel scheme funding announced with shorter timescales making it harder to forecast in the short-term budgeting.
13. Questions were raised relating to the leisure budget with investment in equipment and a new leisure centre in Trowbridge. It was confirmed that £25m had been allocated across three years for a leisure centre in Trowbridge due to the limited remaining lifespan of the facility there needing replacement, but this was separate to the £1.25m investment in equipment for leisure centres across Wiltshire and £9.4m for improvements to those leisure centres.
14. Details were sought on the proposals to charge for collection of some waste items, how the system of charges would work and consideration of potential increase of fly

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tipping. It was stated there were regular rates for items excluded from free collection, with many authorities setting charges which would be reviewed. Evidence from other areas had been assessed and it was not considered such charges would lead to an increase of fly tipping. It remained the intention to increase the level of recyclables within the sites.

15. Questions were raised the planned parking charges increase and the possibility of offsetting this by opening the Salisbury Park and Ride sites on Sundays. The use of funds raised from parking to subsidise rural bus services was highlighted, and there would be a cost to further opening, but it could be discussed with operators.
16. Details were also sought on costs set aside for tackling Ash Dieback, with funds set aside for only one year. It was stated that at this point it was not clear what the long-term impact would be and what would be required in the future, which would be assessed further. This was also raised at the Financial Planning Task Group.

Health Select Committee

17. Queries were raised in relation to expected contractual inflation of £13.6m in 2022/23, with assurance sought on procurement processes to ensure the increase could not be lower without unacceptable loss of quality or breach of contracts that were fair to purchaser and supplier. Details were provided of contract processes and tender renewal, with potential scrutiny involvement and the Audit and Governance Committee looking at contracts and commissioning. A commercial board looked at procurements and asked questions around price vs quality specifications and ensuring legal and procurement regulation compliance.
18. A question was also raised regarding focusing on caring for people at home, with reference to the budget for Shared Lives and Wiltshire Support at Home. It was stated that support for people to live at home was a significant driver of ongoing adult social care transformation. Details on the performance could be provided in a report to the Health Select Committee.

Other

19. A question was raised in relation to corporate costs, and the 50% reduction in legal costs of £0.250m, and whether this was indicative of a past trend of annual underspend, due to change in contracts or different decision making strategies with regard to action taken. It was stated this was part of standard service efficiencies. It was also stated money had been set aside for the Dawn Sturgess inquest, and government support was now coming in in relation to that which mean the same level did not need to be set aside.
20. Details were also sought on demographic data used to estimate anticipate demand, and direct comparisons of budget date to previous years within the main body of the report.

Conclusion

21. To note the Draft Budget 2022-23 and Medium-Term Financial Strategy 2022/23-24/25 and to refer the comments of the Committee and the report of the Financial Planning

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Task Group to Cabinet and Full Council for consideration on 1 and 15 February 2022
respectively.

22. To support ongoing scrutiny investigation of the budget, including the Financial Planning Task Group's continued focus on monitoring delivery of the budget and the development of the budget for 2023-24.

Councillor Graham Wright
Chairman of the Overview and Scrutiny Management Committee

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Annex – Report of the Financial Planning Task Group for 18 and 21 January 2022

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Overview and Scrutiny Management Committee - Annex

25 January 2022

Report of the Financial Planning Task Group:

Budget 2022/23 and Medium-Term Financial Strategy 2022/23 to 2024/25

The Task Group met with the following guests, on 18 January 2022 and 21 January 2022, to discuss the reports:

Cllr Richard Clewer	Leader of the Council
Andy Brown	Corporate Director Resources & Deputy Chief Executive (S151 Officer)
Lizzie Watkin	Assistant Director Finance

Observing:

Cllr Graham Wright	Chairman, OS Management Committee
Cllr Chris Williams	Vice-Chairman, OS Management Committee
Cllr Jon Hubbard	Chairman, Children's Select Committee
Cllr Johnny Kidney	Chairman, Health Select Committee
Cllr Jerry Kunkler	Chairman, Environment Select Committee
Cllr Bob Jones MBE	Vice-Chairman, Environment Select Committee

Issue (page and paragraphs numbers refer to the Budget Reports)	Further information / Comments
Adult Social Care Reform – Self Funders (Paras 26-29)	<p>The Government has announced adult social care reform funding – which will not come through until 2023/24. The council still lacks the detail of these reforms but once they come into effect any reform needs to consider the budgetary impact of self-funders. Wiltshire is exposed to risk because of its demographics and the high proportion of people who self-fund their care.</p> <p>Some initial modelling has been done to look at the potential costs. Current modelling is very high level as not all the information required is available from the Government.</p> <p>Risk remains but the Government is aware of this and has indicated it is prepared to give the necessary assistance.</p>

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<p>Adult Social Care - Infection Control Measures (Para 29)</p>	<p>The Government have announced that it will fund PPE requirements until March 2023, and this has been factored into the budget.</p> <p>The guidance around infection control will change but the assumptions in the budget have been factored into tendering and prices. There are risks that these costs may be higher for tendered services. There is £1.9m pressure built in regarding hospital discharge, where there are significant additional costs.</p>
<p>Consumer Price Index (CPI) (Paras 42-43, 105)</p>	<p>The council must use an inflation index like CPI but recognises that in certain circumstances there will be significant variation in inflation levels. The CPI forecast is taken from the Bank of England and was released in November 2021. It is predicted that the inflation rate over 2022/23 would be 4%.</p> <p>There are risks that tender inflation could be over 4%. There will be pressures in some areas e.g., SEND (Special Educational Needs and Disabilities) school transport and in highways costs for services and materials that are likely to exceed CPI.</p> <p>The budget allows for price increases e.g., Highways and Streetscene revenue budget 2022/23 is £25.6m an overall increase of £1.4m from 2021/22. The market will determine whether costs rise above CPI.</p> <p>The budget is based upon the best assumptions at the time. Any inaccuracies in these assumptions will need to be managed. The council can also draw upon the general reserve fund. The assumptions are robust enough to allow management of the budget before drawing on reserves.</p>
<p>Wiltshire Online (Para 71)</p>	<p>The council has a commercial arrangement with BT. Part of the contract has shared benefits, which has generated one-off income of £3.3m (2022/23). It will be set aside in the budget equalisation fund.</p> <p>This funding will not be used to improve broadband in the county as the Government has developed a new programme to tackle connectivity. The council may want to invest in that programme in future – but will await further details.</p>

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<p>CATG (Community Area Transport Groups) / Local Highways Improvement Group (Para 85)</p>	<p>This funding (£0.8m) is made up of £0.4m from a Highways integrated transport grant and £0.4m from borrowing. This funding provides greater flexibility.</p>
<p>Dedicated Schools Grant (DSG) (Paras 110-119)</p>	<p>It was confirmed that this fund is for pupils at schools in Wiltshire and is distributed to the schools on a per pupil basis.</p>
<p>Savings (Para 140; Appendix 1, Annex 8)</p>	<p>The budget proposes delivering £25m of savings, subject to approval by Council. Previous saving plans have been side-lined by COVID and the council has not delivered a significant savings programme since 2019/20.</p> <p>This potential £25m saving has a risk likelihood assessment of 25%. This is based upon the previous record of accomplishment when delivery of savings ranged from 60-80%. The risk will decrease as more savings are achieved.</p> <p>The step change suggested will be a performance management framework. Senior management will ensure that this cultural change becomes integrated into delivering services and managing finances. Savings targets will be transparent with a greater focus on these in budget monitoring reports. If savings are not on track action will be taken.</p>
<p>Non-Domestic Rates (Appendix 1, page 3)</p>	<p>Business rates are payable upon council run leisure centres. A new temporary relief was announced in the Budget 2021, which is on top of existing grants. The government is moving toward returning the Non Domestic Ratepayers (NDR) regime to pre-pandemic levels.</p>
<p>Savings – Staff Saving Proposals (Appendix 1, page 8-9)</p>	<p>The Children’s Select Committee has looked for reassurance that reductions in staff would not reduce service levels at its meeting on 19 January 2022. There was some member concern that reductions in back-office support might impact on frontline capacity. Many of the staffing reductions proposed are about removing vacant posts – often vacant for some time. These proposals for 2022/23 have been rated as having minimal risk upon service delivery. There will be some impact 2023/24, though probably minimal.</p>

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General Fund Reserve (Appendix 1, page 11)	The general fund reserve currently stands at £18.256m increasing to £19.656m 2023/24. This is not enough to cover all the identified risk (£27.615m). However, other reserves are also set aside to mitigate financial risk the council faces, such as latent demand.
Drawing Down Reserves (Appendix 1, page 11)	<p>In 2022/23 the budget equalisation fund will be £16.5m and will be held at the same level 2022/23; In 2023/24 part of the reserve (£9m) will be used to balance the budget.</p> <p>The use of the collection fund volatility reserve is quite technical due to the timing of announcements regarding Government business rate reliefs. In each of the next three years the reserve will be reduced by £1.25m as agreed previously. The timing of relief announcements has meant deficits, for which the council has received section 31 grant compensation from the Government. Council tax collection rates have held up during the pandemic, but forecasting is difficult, with particular risk associated with business rates. The fund will be kept at around £4m (£3.9m 2024/25) due to the size of the collection fund and the potential risks around forecasting.</p> <p>Latent demand reserve is £7m (2022/23). Demand has been estimated at £3m 2022/23 and £4m 2023/24. Funds will only be used if a need is identified. There is no evidence currently that reserves will be needed in future. Any reserve remaining in 2024/25 could be transferred to the budget equalisation reserve or the general fund reserve.</p>
Revenue Costs of Capital Expenditure on Highways (Appendix 1, Annex 1)	There is a revenue cost element to capital projects. This is set out at a high level in Annex 1. The maintenance budget for highways will be kept at same level as in 2020/21.
Ash Die Back (Appendix 1, Annex 5)	£0.50m has been set aside for ash die back; an uplift on the 2021/22 budget (£0.25m). The council is taking a managed approach, as the total scale of the issue is more than can be addressed in the budget. There are areas that need to be addressed first where health and safety is affected. The budget will cover the issues that need to be addressed 2022/23.

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<p>Details of Service Demand Changes (Appendix 1, Annex 5)</p>	<p>The POPPI and PANSI population projections are an improvement on the data used previously as they can provide more localised information. Many organisations across social care are using these indices. There is always risk in projections, but the new data is more accurate than the current Office for National Statistics (ONS).</p>
<p>Living & Ageing Well - Spot Prices (Appendix 1, Annex 6)</p>	<p>In 2022/23 £0.2m in savings are proposed converting spot contracts to block contracts – rising to £0.5m in 2023/24. These savings were put forward by officers. Overall, there is growth in this budget but there are also savings to be made.</p>
<p>Better Care Fund (Appendix 1, Annex 6)</p>	<p>This £2.9m is built into the base budget and appears every year. This fund is used at the council's discretion and is allocated to support social care, reduce pressure on the NHS and support the care market.</p>
<p>Car Parking Charges (Appendix 1, Annex 6)</p>	<p>Reduced demand has been factored into the calculations. The effect of any changes on the market towns has been considered – though this is hard to predict. When charges were increased previously it had a negligible effect. The costs of maintaining and running car parks are increasing.</p>
<p>Savings – Fostering Excellence (Appendix 1, Annex 6)</p>	<p>It is proposed to save £0.525m of £26m (2022/23) in the Fostering Excellence programme. This target looks ambitious but is more about managing cost and demand. Officers are comfortable with this saving though this does not mean that there are not challenges and risks. The Cabinet has challenged the savings identified and undertaken a process to ensure that savings are deliverable.</p>
<p>Capital Programme – Education & Skills (Appendix 1, Annex 7)</p>	<p>Capital cost are increasing, for example, Stonehenge School will need an extra £1.5m. CPI has been applied to projects and averaged out at 4%. In revenue contracts, the budget has accounted for an inflationary rise of 4%. In capital programmes, this may mean that due to higher inflation the funding will not go as far, therefore further funding will need to be found.</p>
<p>Capital Programme – Borrowing Risk (Appendix 1, Annex 7)</p>	<p>Borrowing is forecast to increase to fund the capital programme. Historically, debt interest repayment has been 3.74%; the current rate is around 2%. The Treasury Management Strategy will set out in further detail the cost of borrowing. This has not been flagged as a risk because both borrowing and</p>

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	<p>interest rates would need to increase significantly to affect the budget.</p> <p>Public Works Lending Board (PWLB) sets out interest rates daily and is monitored to assess any movements. The council's Treasury Advisors also provide reports. Using this analysis, the council will decide when best to borrow looking to secure borrowing at 2% or under.</p>
<p>Adult Social Care Contractual Costs & Care Provider Market (Appendix 1, Annex 8)</p>	<p>The potential risk is £13m. An internal commercial board looks at tender compliance and a report goes to the board which highlights emerging tender prices. Going to market will give actual details of any inflationary increases.</p>
<p>Risk Assessed Balances (Appendix 1, Annex 8)</p>	<p>The risk identified are significant e.g., the delivery of savings (£25m). The assessment of risk was undertaken by the S151 Officer. The % likelihood is an assessment based on previous performance.</p> <p>Levels of performance on savings will be monitored by the Financial Planning Task Group. Any potential risks will be flagged, when required, at Cabinet as part of budget monitoring.</p>

Cllr Pip Ridout - Chairman of the Financial Planning Task Group

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Overview and Scrutiny Management Committee - Annex

25 January 2022

Minutes Extract – Children’s Select Committee 19 January 2022 - Wiltshire Council’s Financial Plan Update 2022-2023 and Medium Term Financial Strategy

The Chairman invited the Committee to consider the areas of the proposed budget that related to Children’s Services. He explained that he would pass the Committee’s comments on to the relevant meetings, including the meeting of the Overview and Scrutiny Management Committee on 25 January and Cabinet on 1 February 2022.

Councillor Laura Mayes, Deputy Leader and Cabinet Member for Children’s Services, Education and Skills, stated that, despite a challenging financial environment, investment was increasing by £3.9 million in the Education and Skills and Families and Children’s budgets. The Cabinet Member was pleased to announce that spending of £23 million on Education and Skills and £62 million on Families and Children were proposed in 2022/23.

The Cabinet Member then went on to highlight specific areas of investment such as Fostering Excellence and Traded Services. She explained that, given the need to make savings in the Council’s overall budget, it was important to review areas, such as commissioning, in order make the most of the available resources and to maintain services. The Cabinet Member then offered to answer questions from the Committee.

During the discussion points included:

1. Members thanked the Cabinet Member for the update and welcomed the investment in Children’s Services, especially given the challenging financial situation.
2. The replacement of mobile classrooms was praised by Members and they asked how many schools were expecting to have temporary units replaced. Helean Hughes, Director of Education and Skills, explained that £3 million had been allocated to replace six mobile units. There were a total of 53 units identified in maintained schools as requiring replacement but these would be reviewed as part of the School’s Place Planning Strategy.
3. In response to questions about the impact of staffing savings, Lucy Townsend, Corporate Director People, explained that the focus for savings in 2022/23 would be pausing recruitment to longstanding vacant positions, where possible, to avoid redundancies in front line roles. The situation for 2023/24 would be reviewed after Council had approved the budget.
4. When asked about the possibility of redundancies to administrative staff, the Director confirmed that the Council greatly valued staff supporting frontline practitioners. She was unable to guarantee that there would be no redundancies across the Council but reassured Members that they were not currently looking at redundancies within Children’s Services.

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5. Members noted that they would be interested in receiving information about changes in the number of full-time equivalent positions to achieve the planned savings.
6. Jen Salter, Head of Service for Children's Support and Safeguarding, confirmed that most of the savings identified within Children's Services had come from her department. She explained that pay had been reviewed to better reflect the level of experience of staff. As they had a good understanding of the relative balance of experienced and newly qualified staff, they were able to realign the budget without a reduction in staff numbers.
7. When questions were raised about the long-term viability of the savings as the workforce gained experience, the Corporate Director of People explained that historic recruitment patterns had been analysed and taken into consideration when modelling costs for future years; it was anticipated that the balance of experienced and newly-qualified staff would remain.
8. The Director confirmed that Wiltshire had its lowest number of agency staff and fewer than comparable Local Authorities (LAs). She clarified that only experienced agency workers were recruited and that they helped to support newly qualified staff.
9. In response to a question about £525,000 in savings in the Fostering budget, the Director confirmed that the Fostering Excellence budget would be receiving investment. She explained that the savings had been identified from the External Placement budget and that they planned to increase the percentage of internal placements. She confirmed that the total placement budget for the financial year was just over £21 million and that in the region of £13 million went towards external providers.

The Chairman then invited Members to contact him in advance of the Overview and Scrutiny Management Committee should they wish him to ask further questions at that meeting.