

APPENDIX to the Overview and Scrutiny Management Minutes of 26 January 2021 Wiltshire Council

Cabinet 2 February 2021

Council 23 February 2021

Report of the Overview and Scrutiny Management Committee on the Draft Financial Plan Update 2021-22 and Medium-Term Financial Strategy 2021-2026

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 26 January 2021.

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 Interim Corporate Director of Resources on the draft 2021-22 Financial Plan and medium-term financial strategy before it is considered at Cabinet on 2 February 2021 and Full Council on 23 February 2021.
3. The Cabinet Member for Finance, Procurement and Commercial Investment, Councillor Pauline Church, supported by the Interim Corporate Director of Resources and Section 151 Officer, Andy Brown, was in attendance along with the Leader of the Council, Councillor Philip Whitehead, and 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 Financial Plan update made available on the council’s website on 18 January 2021, a briefing from the Cabinet Member and Interim Corporate Director of Resources open to all elected Members was held on 20 January 2021.
5. Details published in the budget papers had included:
 - Council Tax to be increased by 1.99% and an Adult Social Care Levy of 3%;
 - A net general fund budget for 2021/22 of £412.561m;
 - Including £34.236m of additional investment and £2.000m of additional savings;
 - The Housing Revenue Account (HRA) budget for 2021/22 to be set at £23.626m expenditure with social dwelling rents to increase by 1.5% except for rents currently over the formula rent which will be capped at formula rent as per national guidance;
 - A forecast budget gap of £45.512m for the 2022/23 financial year with regular updates to be received on delivery against strategy and addressing the forecast budget gap.

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6. Financial management and spending controls together with emergency funding from Government during the Covid-19 pandemic has seen a forecast balanced budget by the end of the 2020/21 financial year.

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.
9. The Task Group had sought details in relation to council tax and business rate balances, grants, that many planned 2020/21 savings could not be released due to the pandemic, changes to the assessment of risks to the General Fund Reserve, and the further delay to the fair funding review for local authorities.
10. The Task Group stated it may hold further meetings as further budget queries are raised.

Children's Select Committee

11. Details were sought on the £6.6m allocated for investment in Children's Social Care in relation to a forecast increase in Education, Health and Care Plans (EHCP) of 10.73%, with 4733 plans estimated and accounts for £1.532m of the cost pressure for Children's Services.
12. In response to queries on whether more specialist support could reduce the need for EHCPs it was stated the service was guided by policy and legislation with a focus on supporting children to remain in schools, and undertook benchmark comparison with other authorities and explored where improvements could be made, however the growth in demand was still anticipated.
13. Questions were asked about the change in the Children's Social care budget including reference to £0.108m of listed unachievable savings and the £5.608m of demand. Which have subsequently been provided to the Chairman of the Children's Select Committee.

Environment Select Committee

14. Details were sought in relation to homelessness funding, with it being confirmed that there had been an increase of £0.156m on previous allocations, with other amounts held in earmarked reserves from previous grants. It was stated that a ban on evictions during the pandemic had led to a decrease in demand in one respect, though there had been other increases, and when the ban came to an end a further rise was being planned for.

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15. It was noted that there had been an increase in volume of recyclable materials collected from curb side collection during the pandemic, and a reduction in the value of the materials. In response it was stated that prices fluctuated quite widely which made firm estimation of future costs difficult, and also that with Household Recycling Centres closed for much of the year there had been lower collection at those sites.
16. Questions were raised in relation to forecasted impacts in relation to behavioural changes in areas such as leisure and libraries, and whether this was expected to be temporary or permanent behavioural changes. It was explained that estimates had been calculated looking at the impacts of the past year when the services had been in operation, the impact of income loss schemes, and estimations of how long social distancing measures would impact the services.

Health Select Committee

17. The Risk Assessment Balance of the General Fund Reserve was queried, including the estimated cost of organising a new provider to carry out elements of the adult social care service should a large contractor go into administration, and the likelihood of that occurring.
18. It was stated in reply that the budget recognised key financial risks and that the social care market did include a risk of contractors and/or care homes going into administration/liquidation, assessed in the report as 10%. The £20.000m assessment of the potential cost to continue providing the statutory service was a combination of estimates for provision of the service and risks, and the information was factored into work of the council's Commissioning services.
19. In relation to the potential risk of a reduction in the level of income received, it was stated that the council had not previously operated gross payments to care providers and client debt recovery, which was reflected by a higher risk estimate, which is expected to reduce as the process is operated over time. Risks would also be evaluated at least annually.
20. It was stated that Children and Mental Health Services including Thrive hubs were funded by the Clinical Commissioning Group with limited amounts provided by the council, and there had been an impact for some schools as the funding was more evenly distributed.

Other

21. The Cabinet Member for Finance had provided details of additional reserve funds established during 2020/21 in response to the pandemic. In response to queries it was confirmed that the Latent Demand Reserve of £4.958m, created from the underspend across the council in some services, did not have any elements ringfenced for a particular service. Cabinet would determine on evidence-based metrics how to adjust to the level of demand as the year progressed and utilise the fund.
22. Some Members felt that further time may be needed to fully scrutinise the budget, though the Leader noted that the budget papers had been published at an earlier or

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the same point as in previous budget cycles. It was agreed that further questions or meetings may take place as appropriate.

23. Details were sought in relation to estimates of inflation assumptions used within the budget, and it was confirmed that the Consumer Price Index (CPI) forecast by the Bank of England was used as the measure for determining inflation uplifts.

Conclusion

24. To note the Financial Plan Update 2021-22 and Medium-Term Financial Strategy 2021-26 and to refer the comments of the Committee and the report of the Financial Planning Task Group to Cabinet and Full Council for consideration on 2nd and 26th February 2021 respectively.
25. 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 2022-23.

Councillor Graham Wright

Chairman of the Overview and Scrutiny Management Committee

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Annex – Report of the Financial Planning Task Group for 20 January 2020

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Wiltshire Council**

Overview and Scrutiny Management Committee - Annex

26 January 2021

Report of the Financial Planning Task Group:

**Wiltshire Council Financial Plan Update 2021/22 and Medium-Term Financial
Strategy 2020/21 to 2024/25**

1. The Task Group met with the following guests on 20 January 2021 to discuss the reports:

Cllr Philip Whitehead	Leader of the Council
Cllr Pauline Church	Cabinet Member for Finance, Procurement and Commercial Investment
Andy Brown	Interim Corporate Director Resources (S151 Officer)
Lizzie Watkin	Head of Corporate Finance and Deputy S151 Officer
Leanne Sykes	Head of Finance Growth Investment & Place

Observing:

Cllr Graham Wright	Chairman, OS Management Committee
Cllr Alan Hill	Vice-Chairman, OS Management Committee
Cllr Jon Hubbard	Chairman, Children's Select Committee
Cllr Chuck Berry	Chairman, Health Select Committee

2. Due to the limited time available, some scrutiny of all of the budget papers has not been possible in advance of OS Management Committee's meeting.
3. However, below are the key issues raised by the Financial Planning Task Group on 20 January 2021 and the responses provided.

Issue (page and paragraphs numbers refer to the Budget Report)	Further information / Comments
Forecast Collection Fund (Council Tax & Business Rates) Balances (para 66-71)	There is a statutory duty to forecast any Council Tax deficit at the end of the financial year. The assumed deficit has reduced since Q2 to £3.75m. Growth (new build figures) estimates 2020/21 have been revised. Officers are confident that the majority of Council Tax will be recovered. From 2022/23 council should see a return to previous levels.

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	<p>Business rates are an area of uncertainty, though the 2020/21 deficit is now forecast as £0.045m. It is difficult to assess the overall impact of COVID-19 as there has been limited interaction with businesses in 2020/21. Significant business reliefs and rate holidays may have masked the effects of the pandemic. Any growth in income is unpredictable after 1 April 2021. Uncertainty will begin to be resolved with support from the Government and an overall economic recovery. The council will have a clearer indication of the situation at the end of May 2021.</p> <p>Government has mandated that all councils spread their Council Tax and Business Rate deficit over 3 years. Funds have been set aside to deal with the deficit.</p>
<p>Lower tier services grant (para 41)</p>	<p>This is a new non-ringfenced grant believed to be replacing the local services support grant. Further details are awaited from Government.</p>
<p>Adult social care (para 77-78)</p>	<p>The growth in adult social care funding is part funded by the adult social care levy (£8.522m). There is growth in the budget (£8.6m) to cover forecast demand. Should latent demand exceed the adult social care budget the new latent demand reserve can be drawn upon. Demand will be reviewed regularly.</p>
<p>Children’s Services (para 97-98)</p>	<p>The growth in this budget is driven by increasing numbers of children and young people with an Education Health & Care Plan (EHCP) as well as requirement to provide school transport for those with EHCP.</p> <p>Latent demand has been provided for in the increased reserves held against Assessed Financial Risk (see table at para 122)</p>
<p>Medium-Term Financial Strategy 2021/22 to 2024/25 (para 127 and table)</p>	<p>There is a challenge ahead in terms of efficiencies and savings with significant budget gaps forecast from 2022/23 (£45.512m). The projected deficit figures reflect the current position without any assumptions built in, therefore the position is likely to change. For example, the council is awaiting the outcome of the fair funding review, which is expected to have an impact upon the deficit, as well as the anticipated White Paper on adult social care reform.</p>
<p>Dedicated Schools Grant (DSG) (para 160)</p>	<p>There is a deficit reserve (£19.933m) in the DSG due to pressures on the high needs block (HNB). Funding has not kept pace with demand and the</p>

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	<p>council has been lobbying Government about this situation. There is a management plan at Appendix 12 (to be signed off by SEN Board and Schools Forum on 21 January 2021) to mitigate that deficit.</p>
<p>Detail by service savings (Appendix 6)</p>	<p>Many planned savings in the 2020/21 budget could not be realised due to the pandemic. The council will be looking at future savings going into recovery.</p> <p>Some savings from 2019-20 will still need to be delivered as there continues to be financial challenges and a need to deliver efficiencies. For example, £0.2m identified under Corporate Directors and Service Devolution was a procurement saving, which is now a procurement target for 2021/22.</p>
<p>General Fund Reserve – Risk Assessed Balance (Appendix 7)</p>	<p>It is the first time that ‘% likelihood of risk’ has been calculated against the General Fund Reserve. These are the assessments of the Interim Corporate Director Resources. They identify risks unique to Wiltshire against the levels of reserves. Higher percentages relate to higher uncertainty and likelihood e.g. in Adult Social Care.</p> <p>Using a comparison with 2019/20 might not have been helpful as 2020/21 is such an atypical budget year. That unusual situation is reflected in the risk assessments.</p> <p>The Financial Planning Task Group (FPTG) is pleased that the issue of reserves has been addressed and the new methodology of assessment is welcomed.</p>
<p>General – business grants</p>	<p>Staff have been deployed where needed to and where there is a priority.</p>
<p>General – budget data</p>	<p>This year’s budget has not been approached in a conventional way. A one year holding budget has allowed a more detailed interrogation and re-evaluation of the figures.</p>

Cllr Pip Ridout, Chairman of the Financial Planning Task Group

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