

Wiltshire Council

Cabinet

31 January 2023

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

**Cabinet Member: Cllr Nick Botterill – Cabinet Member for Finance,
Development Management and Strategic Planning**

Key Decision: Key

Executive Summary

This report presents the proposed 2023/24 Budget and the Medium Term Financial Strategy (MTFS) 2023/24 to 2025/26 that will resource the council's new Business Plan.

During 2022/23 the council has faced significant cost pressures. With a national cost of living crisis inflation is running at an exceptionally high level not seen for over 40 years. Nevertheless, the council has managed the continued delivery of high quality services to the residents of Wiltshire. Through continued robust financial management and management action to help mitigate the impact of the inflationary pressures, the council is forecasting an overspend position of approximately £5m for the 2022/23 financial year. If this position is crystallised at the end of the financial year, the overspend will be mitigated through the utilisation of the £8.8m held in the inflation earmarked reserve that was prudently set aside at the end of the 2021/22 financial year.

This puts the council in a good financial position going forwards into 2023/24. This position is further enhanced by the proposal of a balanced budget not just for 2023/24 but over the three years of the MTFS. This also means there are no proposals or reliance on reserves to sustain service delivery over the next three years. With these proposals the reserves previously held to equalise future budgets can be prudently repurposed to further improve the financial sustainability of the Council and also be used as one off investment to address service demands and Business Plan priorities.

The MTFS covers a three year period, the Secretary of State announced the Provisional Local Government Finance Settlement for 2023/24 on 19 December 2022, which also provided confirmation of some indicative funding values for 2024/25. With this position and uncertainty on funding, as well as delay to the timing of the introduction of national initiatives such as Adult Care Reform, a degree of uncertainty remains over the latter part of the MTFS period.

The proposed 2023/24 budget will ensure that vital services to the residents, businesses and communities of Wiltshire will continue to be provided, as well as delivering on the commitments as set out in the Business Plan.

It is key that, to be able to continue to deliver on the Business Plan the council has sound and sustainable finances. The report sets out for approval by

Cabinet, the budget setting proposals that deliver a balanced budget over the three-year period 2023/24 to 2025/26, ensuring that the council is managing its finances in a sustainable way. It is also key that expenditure to sustain services continues so an additional £69m has been added into the 2023/24 service budgets to support the delivery of quality services delivering the best outcomes for the residents of Wiltshire.

The report sets out the required increase in Council Tax for 2023/24, the increase in fees and charges and the General Fund reserve balance as part of a reserve strategy to provide improved future financial resilience. The key financial risks being faced by the council in estimating the level of reserves to be held are also outlined.

In addition, the report sets out for approval the planned Capital investment being made in 2023/24 and beyond, ensuring the delivery of key infrastructure projects as well as maintaining the council's asset base for future service delivery.

Lastly the report sets out the Housing Revenue Account (HRA) budget for 2023/24 with associated increases in rents, service charges and garage rents, as well as the position of the Dedicated Schools Grant (DSG), to be approved by Schools Forum on 19 January.

Proposal(s)

Cabinet approves:

- a) That the current Infrastructure List, is updated and the existing reference to upgrades to Trowbridge Sports Centre is deleted and a new entry is included to read New Trowbridge Leisure Facility Project.

Cabinet recommends to Council:

- b) That a net general fund budget of 2023/24 of £465.372m is approved;
- c) That the Council Tax requirement for the council be set at £332.187m for 2023/24 with a Band D charge of £1,719.90, an increase of £1.57 per week;
- d) That the Wiltshire Council element of the Council Tax be increased in 2023/24 by the following:
 - i. A 2.99% general increase;
 - ii. Plus a levy of 2% to be spent solely on Adult Social Care;
- e) That the Extended Leadership Team be required to meet the revenue budget targets for each service area as set out in Appendix 1 to this report, for the delivery of council services in 2023/24;
- f) That the Extended Leadership Team be required to deliver the revenue savings plans for each service area as set out in Appendix 1 to this report, over the three-year MTFs period 2023/24 to 2025/26;

- g) That the changes in the fees and charges as set out in the report are approved;
- h) That the Capital Programme 2023/24 to 2029/30 is approved;
- i) That the Capital Strategy set out in Appendix 2 is approved;
- j) That the Housing Revenue Account (HRA) budget for 2023/24 is set at £26.401m;
- k) That a 7% increase is set for social dwelling rents, except for rents currently over the formula rent which will be capped at formula rent as per national guidance;
- l) That all service charges related to the Housing Revenue Account (HRA) to cover costs and garage rents are increased by 5%;
- m) That the Medium Term Financial Strategy and the forecast balanced budget over the MTFS period 2023/24 to 2025/26 is endorsed.

Reason for Proposal(s)

To enable the Cabinet to recommend to Council a balanced revenue budget for the financial year 2023/24 and to set the level of Council Tax.

To enable effective, transparent decision making and ensure sound financial management as part of the council's overall control environment.

The Cabinet also sets out the final assumptions being used in the budget for growth, inflation, demand for services, the estimated level of income from sales, fees and charges and the level of income estimated from core funding e.g. Council Tax, Business Rates and government grants as well as the level of reserves held and assessed by the council's Section 151 Officer, as required, to provide future financial resilience.

This provides the council with a MTFS to deliver on the Business Plan priorities and drives long term financial sustainability.

Terence Herbert – Chief Executive

**Andy Brown – Corporate Director Resources & Deputy Chief Executive
(S151 Officer)**

Perry Holmes – Director of Legal & Governance (Monitoring Officer)

Wiltshire Council

Cabinet

31 January 2023

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

Cabinet Member: Cllr Nick Botterill – Cabinet Member for Finance, Development Management and Strategic Planning

Key Decision: Key

Purpose of Report

1. This report sets out the Cabinet's proposals for the Council's Budget 2023/24 and Medium Term Financial Strategy (MTFS) 2023/24 to 2025/26.
2. It also sets out the Council's Capital Programme 2023/24 to 2029/30, the Housing Revenue Account (HRA) budget 2023/24, with dwelling rents increased by 7% as recommended by the Housing Board and the Dedicated Schools Grant (DSG) to be approved by Schools Forum.
3. The detailed assumptions underpinning the Cabinet's proposals are set out along with the Section 151 Officer's opinion on the robustness of the budget estimates for 2023/24 and the adequacy of the council's reserves, including the General Fund reserve, as required under Section 25 of the Local Government Act 2003.

Relevance to the Council's Business Plan

4. The council must set a balanced budget for the financial year 2023/24. Setting out the MTFS for future years supports effective decision making and the alignment of the council's resources to deliver the priorities and objectives as set out in the Business Plan.
5. The 2023/24 budget proposals therefore look to ensure resources are focused and equally, where required, that savings do not undermine the delivery of the Business Plan principles established in 2022:
 - **Empowered People** We want every child to have the best start and life and we will help develop the communities and facilities that enable all residents to enjoy good physical and mental health to live active lives. This includes ensuring that they are safe throughout their life.
 - **Resilient Society** We want people in Wiltshire to build positive relationships and live well together, to be able to get involved, influence and act on what matters in their local communities. We want our communities to be able to grow sustainably with access to arts, heritage and culture and have easy access to high quality and affordable housing in beautiful places.

- **Thriving Economy** We want to continue to grow the skills of our local workforce, nurture the opportunities available to them and for our economy to thrive. We must mitigate the impacts of COVID-19 on our children's education so that they can prosper and as a county we can attract and retain high value businesses and investment. As we continue to move forward, we must ensure everyone can take advantage of a sustainable economy with vibrant, well-connected settlements.
- **Sustainable Environment** The council has committed to becoming carbon neutral by 2030 and we now must take the lead and support the whole county as it strives for the same. Together, we must take responsibility for the environment and ensure it is well used, cherished, protected, conserved and enhanced.

Background

6. An update on the Medium Term Financial Strategy 2023/24 has been included as part of the budget monitoring reports presented to Cabinet during the 2022/23 financial year, with the latest budget gap position presented to Cabinet on 29 November 2022. As a result of the ongoing pressures faced by the council, the budget gap for 2023/24 to 2025/26 stood at around £45m. This position took into account the increasing inflationary pressures faced during the year, which are forecast to continue. It also took into account favourable changes such as assumptions on Government funding streams continuing and factored in a planned rise of 1.99% in Council Tax but, critically, set the position out before any saving proposals were applied.
7. Given the national cost of living crisis and prevailing levels of inflation, the process for the Budget and MTFS has been amended to take account of these. Therefore, for 2023/24 the underlying overspend being forecast at quarter 1 in 2022/23 was used as the starting point for services to be funded through the use of the anticipated increase in funding streams e.g. council tax, estimated in the MTFS. This position effectively funds the underlying and on-going inflationary pressures being experienced by services this current financial year and doesn't require services to come up with saving proposals to cover the in year pressures.
8. Services were then asked to bring forward saving proposals that consume all pressures after that date i.e. for financial year 2023/24 and the following two financial years, covering the period of the MTFS up to 2025/26.
9. The additional funding raised by changes in funding assumptions e.g. Business Rates, government grant and Council Tax, will be used, to firstly fund the increase in corporate costs such as the financing of the approved capital programme, and secondly, to fund the resources required to deliver on the council's priorities as set out in the Business Plan.
10. Cabinet has held a series of budget challenge sessions with the Corporate Leadership Team to understand the cost drivers, assumptions and their impact on service budgets, as well as the saving proposals being put forward and the

delivery of these, so that a balanced budget is achieved. Cabinet has continued to review all aspects by undertaking an assurance process.

11. Cabinet and the Extended Leadership Team have also continued to review the growth, inflation, and demand estimates on which the budget is based with a focus on reasonable challenge and bringing these estimates down, either through the latest known forecast data or through mitigation actions that will be taken during 2022/23 and beyond.











Main Considerations for the Council

12. The Cabinet is proposing a balanced budget for 2023/24 to 2025/26 which ensures funding for vital services to continue during the cost of living crisis. Critically, the Cabinet has put forward proposals over the three financial years that moves the Council to a footing of financial sustainability i.e. so it has enough funds to deliver services without needing to draw on reserves.
13. The budget for 2023/24 sees a £69m increase in service expenditure in those services, ensuring the resources are provided to ensure the delivery of the Business Plan.
14. To assess this, the Cabinet has duly considered the current position of Wiltshire's residents and businesses. The running and continuing provision of vital services to protect the vulnerable is considered paramount as is, wherever possible, future investment.
15. The council receives nearly 84% of its corporate funding from local taxes, Business Rates and Council Tax, and is dependent on increases in these to deliver services to Wiltshire's residents, communities, and businesses.
16. The Provisional Local Government Financial Settlement was announced on 19 December 2022 and set out the individual allocation of grant funding for each council alongside setting out the Core Spending Power.
17. Core Spending Power is a measure of the resources available to local authorities to fund service delivery. It is derived from funding components of core government grants, including compensation for the freezing of the business rates multiplier, and includes an assessment of councils' Council Tax Requirement. Nationally the average Core Spending Power for 2023/24 has increased by 9.2%. Within this increase it is assumed that councils will utilise the total Council Tax increases available through the regulations. This is the overall quantum of the government funded Core Spending Power increase. The increase for the council is 7.9%, which is less than the average. When the assumed increase in council tax is removed the overall increase in CSP for the council is 3.4%
18. The detail of this settlement can be seen in Appendix 1. Compared to the grant funding estimated in the previous budget gap there is a reduction in the New Homes Bonus grant, the removal of the Lower Tier Services grant and a reduction in the Services Grant, with an overall reduction of £5.934m. New funding for Social Care was announced with a total of £14.706m confirmed for the council. An estimate of £4.313m was announced as a grant to compensate

for the loss of under-indexation of the business rates multiplier. The settlement also announced an increase in the basic Council Tax referendum level from 2% to 3% and gave upper tier authorities the ability to raise a specific Council Tax levy for Adult Social Care of 2%.

19. In previous years the council did not receive any Revenue Support Grant (RSG) from Whitehall, however some grants have now been rolled into RSG, and consequently the council will receive £0.566m of RSG. We still await funding reforms that will ensure Local Government receives the funding, particularly for Social Care, that it needs to deliver vital services. Even with the provisional settlement from Government, the level of specific grant funding Wiltshire receives from Government to fund core local services stands at just £77m (16%).
20. For 2023/24 the Cabinet is proposing a 2.99% general increase in Council Tax with a proposal of a 2% levy, permitted by government, specifically for Adult Social Care. The levy will raise £6.3m and will help to fund, in part the £26m of growth that has been built into the Adult Social Care budget and overall the increases will provide sufficient funding to enable the delivery of vital services.
21. Further detail on spending for services is provided in the report. The MTF5 appendix contains further detail on inflation, growth and savings for individual services provided by the council.
22. A simple overview on where monies are spent is shown below:

For every £100 of core funding we receive to fund services, we spend:

| | | | |
|---|---|---|--|
|  | £38 on caring for vulnerable adults |  | £19 on supporting and safeguarding our children and young people |
|  | £10 on managing Wiltshire's waste |  | £8 on funding the investment in Wiltshire schools, roads and housing |
|  | £9 on maintaining Wiltshire's highways and subsidising local bus services |  | £6 on running the council and holding elections |
|  | £4 on the council's extensive property assets |  | £3 on our online and digital services |
|  | £2 on Wiltshire leisure and libraries |  | £1 on improving Wiltshire's economy |

23. After the announcement of the provisional settlement there remained a budget gap of nearly £33m for 2023/24. The proposals contained in this report provide the detail on how the budget gap will be closed. This will be achieved through:
 - utilising the ability to increase the basic Council Tax by an additional 1%, (raising an additional £3.2m),
 - the proposed increase of an additional 1% levy on Adult Social Care, (raising an additional £3.2m) to help fund the £26m growth in Adult Social Care, and
 - saving proposals totalling over £26m.

24. The paragraphs below provide an analysis by services of the budget being proposed. The tables analyse the movement from the base 2022/23 budget to the proposed base budget in 2023/24. The Prior Year Inflation line is the amount uplifted to reflect the in year (2022/23) pressure of inflation being experienced that is not covered in the base budget and is being funded, as explained in the background section of this report, on the budget process for 2023/24.

People Services - £271m annual spend on services

Living and Ageing Well - £83m annual net spend on services

Table 1 – Budget movement from 2022/23 to 2023/24

| | £m |
|----------------------|---------|
| Base Budget 2022/23 | 71.527 |
| Prior Year Inflation | 2.339 |
| Pay Inflation | 1.019 |
| Contract Inflation | 9.222 |
| Demand | 3.290 |
| Savings | (4.861) |
| Base Budget 2023/24 | 82.536 |

25. There are a number of service areas within the Living and Ageing Well directorate and a key objective is to maintain and promote independence for individuals who experience physical, cognitive and sensory difficulties and to support their unpaid carers.

26. In setting the budget for this MTF period, account has been taken of demographic pressures that will see more people requiring support, and the rising cost pressures that providers face due both to general inflation, and sector specific cost pressures. We have seen an increase in the cost of placements due to the issues in the market and also the impact of the minimum wage, cost of living crisis and energy price increases. This has significantly impacted the market and inflation estimates are higher to reflect this situation, £4.953m for 2023/24.

27. Work has also been undertaken to understand the pressure providers face through the Cost of Care exercise. Providers are likely to expect considerably higher rates following the exercise, however the council can only work within the financial envelope allocated through grant funding for this purpose. With the delay to the reforms for 2 years, the ability of the council to fully address the gap between the rates Local Authorities pay providers and those Self Funders pay is extremely limited. We are yet to fully understand the next steps and implications to wider social care reform. We want to continue to work with providers on issues to not only make the market more sustainable but also affordable for both Wiltshire Council and providers and partners in line with the business plan themes of understanding our communities and working together. Wiltshire Council will receive £4.269m Market Sustainability and Improvement funding for 2023/24.

28. There are a number of Transformation projects in Living and Ageing Well which will deliver savings that are built into the MTFS. One of these is the Direct Payment Financial Audits project which will ensure that people with Direct Payments are getting the support that they have been assessed as needing, as well as returning unspent funds to the council in a timely way. The Transformation of Home Care, which will shape both the way we commission services and what we commission to support individuals to maintain independence within their community and home settings for as long as possible, will deliver substantial savings.
29. The rolling out of Technology Enabled Care (TEC) is another transformation project that will revolutionise the way services may be delivered to individuals, and lead to savings. This project, along with another Transformation project centred on Prevention, will deliver savings across both directorates in Adult Social Care. We want the people of Wiltshire to be empowered to live full healthy and enriched lives. We aspire to do this through prevention and early intervention to prevent and delay need in line with our Business Plan theme 'Prevention and early intervention'.
30. Recruitment and retention of high-quality Social Workers, Occupational Therapists and other professionals is key to the service. The budget proposes additional investment of £0.573m to ensure that salaries are competitive, and caseloads are at manageable levels.
31. There are a number of broader system pressures, for example, we need to support hospital discharge. A significant percentage of new demand is coming from discharge pathways often with additional complexity and the need for additional support.

Whole Life Pathway - £96m annual net spend on services

Table 2 – Budget movement from 2022/23 to 2023/24

| | £'m |
|----------------------|---------|
| Base Budget 2022/23 | 81.200 |
| Prior Year Inflation | 7.909 |
| Pay Inflation | 0.602 |
| Contract Inflation | 5.160 |
| Demand | 2.560 |
| Savings | (1.284) |
| Base Budget 2023/24 | 96.147 |

32. There are a number of service areas within the Whole Life Pathway directorate whose key objective is to maintain and promote independence for individuals who have complex mental health and long term neurological and cognitive conditions, their families, and their unpaid carers.
33. As with the Living and Ageing Well directorate, the budget for this MTFS period contains growth to cover demographic pressures that will see more people requiring support, and the rising cost pressures that providers face. Additional pressures have been recognised for the increased complexity of packages and

the impact of the minimum wage, cost of living crisis and energy price increases. This has significantly impacted the market and inflation estimates are higher to reflect this situation, £5.160m for 2023/24.

34. Recruitment and retention of high-quality social workers and other professionals is key to the service. The budget proposes additional £0.320m investment to ensure that salaries are competitive, and caseloads are at manageable levels.
35. Ensuring that young adults are supported to move from children's to adult's services is vital to them having independent, happy lives. The new transitions service will work with people aged 18-25 to ensure that this happens. It will work closely to bridge the gap between adult's and children's services and will work in partnership with SEND, children's social care, adult's social as well as voluntary and community sector services. The new service will ensure the preparatory work is undertaken to avoid high cost packages resulting in savings being made.
36. As with Living and Ageing Well, there are a number of the savings proposals in Whole Life Pathway that sit within the Adult Social Care Transformation Programme. The rolling out of Technology Enabled Care (TEC) is a transformation project that works across the whole of Adult Social Care, and which will deliver savings due to improving how care and support is delivered. The Enablement saving sits within the Prevention project in the Transformation workstream and will deliver further savings by working with individuals to reduce their need for paid for support. Finally, the Market Intervention saving will deliver significant savings by introducing alternative solutions to providing support in those limited areas where the market is not delivering best value. This links to our business plan aim to develop the care market in a way that promotes choice and diversity of supply, develops new care models and ensures best value for money and a fair cost for providers.
37. Transitional Step Down homes work well with our adults of working age. It provides support for up to 2 years with people then moving on to more independent accommodation. This Mental Health discharge route supports our aim for prevention and early intervention. However, older adults mental health block purchase beds are becoming increasingly difficult to source which then means we have to utilise other types of care which is more expensive. Commissioning are working to mitigate this as much as possible.
38. The Intensive Outreach Enablement service has evidenced that working in this way can reduce restrictive packages of care and promote independence, and is an asset to the council and the prevention strategy. It is to be developed into a larger service that supports individuals, as part of a stronger prevention and early support strategy working alongside the prevention and wellbeing team in order to enhance our community based offer for individuals with complex needs to remain living in their own homes.
39. The shared Lives Wiltshire Scheme provides an opportunity for a different model of care and support. Its main aim is to support people to live as part of a family, within the carers home, where they receive the support, direction or care they need within a family environment. The service places adults who have an

eligible need requiring support for a variety of reasons such as, mental health, learning disabilities, physical impairments, or are elderly or cannot manage to live without support. This has already made savings and further savings are built into this MTFS.

Education and Skills - £29m annual net spend on services

Table 3 – Budget movement from 2022/23 to 2023/24

| | |
|----------------------|---------|
| | £m |
| Base Budget 2022/23 | 23.423 |
| Prior Year Inflation | 2.682 |
| Pay Inflation | 0.871 |
| Contract Inflation | 0.753 |
| Demand | 2.681 |
| Savings | (1.141) |
| Base Budget 2023/24 | 29.269 |

40. This service area is facing significant legislative change, the Education White Paper was published March 2022. The White Paper outlined how a strong school system will be delivered by schools, trusts, local authorities, faith bodies and the Department for Education working together. Whilst the White Paper will not be progressed for the foreseeable, the ambition for a stronger and fairer school system that works for every child, for all schools to be in a strong multi-academy trust (MAT), or with plans to join or form one, remains. New legislative change for education welfare means that investment of £0.3m is requested to offset the ceasing of charging academies and the increased statutory duties as of September 2023.
41. The service runs a significant amount of schools traded activity and as funding for schools grows tighter with the teachers’ pay award and other cost of living increases the risk of income reductions rises. This, together with demand for services which are only available for maintained schools falling in line with conversions to a multi academy trust means that services must plan for reductions between now and 2030. Savings planned in school effectiveness of £0.3m reflect this.
42. The impact of the pandemic is putting pressure on early years children and so £0.2m investment for inclusion advisers and £0.1m for education welfare officers funded from the latent demand reserve have been included in the MTFS.
43. Demand for statutory SEN services has increased with requests for assessment in order to access support increasing. Wiltshire continues to be slightly above the national average – the table below shows the year on year increase and also the impact of the pandemic whilst children were not in school and subsequent increase reflecting “catch up” and the impact of the pandemic on children’s needs.

| | Number of EHCPS | Movement from prior year | % Movement from prior year |
|---------------|-----------------|--------------------------|----------------------------|
| 31 March 2022 | 4,371 | 253 | 6.1% |

| | | | |
|------------------------|-------|-----|-------|
| Forecast 31 March 2023 | 5,073 | 423 | 16.1% |
|------------------------|-------|-----|-------|

44. It is for this reason that the investment in statutory SEN is sought. This service area is facing uncertainty around legislative change with the SEN Review consultation document published in July 2022. The DfE response is anticipated in Spring 2023.
45. At the same time, a bid to the transformation reserve of £1.6m has been approved and plans for the additional supplementary dedicated schools grant in 2023/24 will facilitate both improved quality and timeliness of plans as well as investment in the early help and support which will avoid applications for assessment being the preferred route for support.
46. As a large rural authority school transport for children with SEN & disability is a risk on two fronts: firstly, the number of pupils eligible to take up the school transport offer is rising in line with the number of EHCPs and secondly the marketplace is insufficient to meet needs. This means that taxis for example, are a limited resource and unit prices for journeys are rising above inflation. Demand and inflation across the MTFS is estimated at £7m. A number of transformational schemes and route reviews are in place to achieve the savings of £0.805m in the MTFS.
47. Other savings include increases in traded income prices to reflect staff pay inflation, attrition of premature retirement costs, service reviews and removing vacant posts where possible to do so.

Families and Children - £63m annual net spend on services

Table 4 – Budget movement from 2022/23 to 2023/24

| | £'m |
|----------------------|---------|
| Base Budget 2022/23 | 60.776 |
| Prior Year Inflation | (3.168) |
| Pay Inflation | 1.243 |
| Contract Inflation | 1.074 |
| Demand | 3.909 |
| Savings | (1.110) |
| Base Budget 2023/24 | 62.724 |

48. Whilst many other local authorities have seen pressure on statutory services, Wiltshire's preventative family support approach and quality practice has reduced and delayed this. Inevitably demand and cost pressures still exist; including an increase in the number of care experienced young people requiring our support for longer.
49. As a result of national and local demand increases, the care placement marketplace is saturated, and we are unable to provide foster carers for all children requiring this type of care provision. This means that in some cases more expensive placements need to be sourced, which are up to five times more expensive taking us from hundreds of pounds per week to thousands. A consequence of the minimum wage, cost of living, energy and other price

increases mean that the average unit costs have significantly increased, and inflation is also estimated at higher rates than originally planned.

50. Annual demand for 36 additional children and young people and inflation mirroring staff pay assumptions and from framework agreement contracts are included in the MTFs at £4.9m and £2.5m respectively for Children’s Social Care placements and support. This includes estimates of latent demand of £1m which will be funded from a drawdown from the latent demand reserve. A series of commissioning and operational savings are planned totalling £1.4m.
51. Recruitment and retention of high-quality social workers and other professionals is key to any aspiring service and as such £0.5m investment is sought to ensure that salaries are competitive and caseloads are at manageable levels. Linked to this aim of a sustainable high quality workforce investment is a subsequent saving in agency staff.
52. The savings presented are linked to the service developments planned, the purchase of the first of new children’s homes with plans to commission providers offering local placements at a lower unit cost estimates savings of £0.250m. Continuing to grow our own Fostering Excellence foster carers offering high quality local homes for children savings of £0.450m and the Step Forward programme, supporting young people to transition to the next stage of their lives, whether that be independent living or moving to a family environment, £0.350m and placement sufficiency strategy £0.350m.
53. Other savings plans include badging existing services to grant for supporting families, asylum seeking children and domestic abuse contract; £0.516m. The remaining £0.484m savings are focussed on staffing reviews and reductions in agency budgets which are linked to the market supplement investment request.

Place Services - £101m annual spend on services

Highways & Transport - £41m annual net spend on services

Table 5 – Budget movement from 2022/23 to 2023/24

| | £m |
|----------------------|---------|
| Base Budget 2022/23 | 37.696 |
| Prior Year Inflation | 1.720 |
| Pay Inflation | 0.571 |
| Contract Inflation | 4.287 |
| Demand | 0.215 |
| Savings | (3.855) |
| Base Budget 2023/24 | 40.634 |

54. The main pressure facing the service is contract inflation for major contracts for Highways Maintenance and Design, Street Scene, Passenger Transport and Energy for Street Lighting. These contracts support communities to get around easily and offer options for different modes of transport, delivering against the Empowering People, Resilient Society, Thriving Economy and Sustainable Environment priorities in the Business Plan.

55. The contracts have seen a significant increase over and above the budgeted amount in 2022/23 of £1.5m, and this is forecast to continue in 2023/24 with an increase of £4.3m. Increasing material prices, fuel prices and driver shortages continue to cause issues and risk for the service.
56. The Public Transport industry is still recovering from the impact of the pandemic with reduced patronage and increasing operating costs, particularly in relation to fuel increases and driver shortages. In 2022/23 to keep services running and prevent bus service sections being deregistered, the council had to step in and provide support where routes had become commercially unviable and to assist with the super inflation seen on fuel. This pressure is included in the inflation rates above, however, it remains a significant ongoing risk for the service.
57. Highways & Transport's gross budget is supported by income generated by services. The key areas for Highways & Transport are Car Parking and Streetworks income. These income streams are reliant on demand from the Public and Utility companies so can be volatile as demand is affected by changes in the economy and in the community. For example Wiltshire based companies' policies changing to more working from home, whether communities feel safe and well to go shopping, the cost of living, the level of new development being undertaken, the level of employment and of retail opportunities. Due to the work of the Wiltshire Towns funding car parking is increasing and as part of budget setting the total change in income budgets is an increase of £1m.

Economy & Regeneration £2m annual net spend on services

Table 7 – Budget movement from 2022/23 to 2023/24

| | £m |
|----------------------|---------|
| Base Budget 2022/23 | 2.334 |
| Prior Year Inflation | 0.062 |
| Pay Inflation | 0.104 |
| Contract Inflation | 0.024 |
| Demand | 0.270 |
| Savings | (0.424) |
| Base Budget 2023/24 | 2.370 |

58. Following the restructure earlier this year, and changes in capital programme delivery, £0.270m is required to fund staff by revenue in 2023/24 onwards to allow for the team to develop, to secure and deliver future opportunities and funding, as part of our business plan responsibility to deliver infrastructure to enable local communities to live, work and play locally, and to support businesses to invest and everyone to take responsibility for the environment. The Wiltshire Towns Programme continues with £1m per annum to 2024/25, and will help create and support vibrant town centres and deliver new strategies for regeneration.
59. The service will deliver the £5.8m UK Shared Prosperity Fund between 2022-2025 and achieve associated administrative costs, which will support local business and increase the proportion of Wiltshire's wealth that is spent in the local economy.

60. The service will also support the delivery of broadband across Wiltshire, providing assistance to the Government's 'Project GIGABIT' and other broadband capital programme, to maximise broadband connectivity across Wiltshire.

Planning - £3m annual net spend on services

Table 6 – Budget movement from 2022/23 to 2023/24

| | £'m |
|----------------------|---------|
| Base Budget 2022/23 | 1.166 |
| Prior Year Inflation | 0.320 |
| Pay Inflation | 0.365 |
| Contract Inflation | - |
| Demand | 1.627 |
| Savings | (0.083) |
| Base Budget 2023/24 | 3.395 |

61. The Planning service has significant problems recruiting and retaining experienced and high calibre professional officers. Caseloads are 30% higher than the national average and planning appeal numbers are amongst the highest in the country. To meet statutory responsibilities and regain a 5-year supply of housing land, the service needs to complete the Local Plan Review and Gypsies and Travellers Plan as quickly as possible and to make significant progress to put in place new Plans for Minerals & Waste. These priorities will help deliver the needs of Wiltshire's growing communities from an economic, environmental and social perspective. This aligns with the four priorities in the Business Plan, Thriving Economy, Resilient Society, Sustainable Environment and Empowered People. The Local Plan is critical as it provides an effective policy framework for the sustainable growth of Wiltshire.

62. To address service pressures, the service needs to increase staffing capacity. A demand of £1m has therefore been included within the budget.

63. Included within the 2023/24 budget is income of £6.6m from Planning, Building Control and Local Land Changes. This income is driven by demand and typically fluctuates according to the national housing market and economic situation. If the market slows, there is a risk that the council's income will decrease. Fees tend to increase when the market is buoyant.

64. Planning application fees are set by Government. A forecast increase is assumed for 2024/25 and is estimated at 30%. Government is expected to consult on increased planning application fees in 2023 alongside other planning reform.

65. Building Control fees are set locally but must be set competitively to retain market share with the private sector. Fees are set in the upper quartile when benchmarked against other local authorities.

66. In 2023/24, as part of H M Land Registry, digitalisation Local Land Charges 1 searches will be undertaken by Land Registry. Wiltshire Council will therefore

loose Income for this element. This has been assessed in conjunction with overall demand and the income budget rebased by £0.300m across the MTFS period, £0.150m falls into 2023/24

Environment £48m annual net spend on services

Table 8 – Budget movement from 2022/23 to 2023/24

| | £m |
|----------------------|---------|
| Base Budget 2022/23 | 44.627 |
| Prior Year Inflation | (0.158) |
| Pay Inflation | 0.248 |
| Contract Inflation | 3.914 |
| Demand | 0.819 |
| Savings | (1.167) |
| Base Budget 2023/24 | 48.283 |

67. The significant pressure in Environment is for the Waste Services contracts for the collection and treatment of Waste, contracts are focused on reducing the amount of Waste going to Landfill and increasing recycling to keep Wiltshire looking beautiful and taking responsibility for the Environment whilst delivering against the Sustainable Environment priority on the Business Plan.
68. While tonnages have remained stable, inflation increased significantly in 2022/23 with a £1.3m pressure above budget and a further £3.9m is forecast for 2023/24. The majority of the contracts are linked to CPI forecast at 7.4%.
69. Tonnage forecasts and waste treatment routes have been derived by looking at past years actuals and trends and have only been increased where there would need to be an incremental change based on a 1% growth rate. Waste tonnages are a risk for the service as a small change in tonnage can have significant financial implications. The council have a minimum requirement to send 110K tonnes through the landfill diversion contracts to Lakeside Energy from Waste or Northacre MBT in Westbury, failure to meet this incurs compensation events.
70. Waste Services are forecast to generate £9.5m of Income from Green Waste, Bulky Waste and Recycling material. This is a risk for the service as recycling material income is notoriously volatile and has been particularly influenced through changing economic climate. Budgets for 2023/24 have been based on the 2022/23 performance as industry intelligence is that on average prices will continue in the short term, however some markets are seeing a slight decline. This is closely monitored on a monthly basis.
71. The Environment Act 2021 will require the Waste Service to undertake substantial changes over the next three years, however at this stage there has been insufficient detail from Government to fully evaluate the financial implications and impact on existing and future waste contracts, including long term landfill diversion contracts. The working assumption is that pressures arising from the Act will be covered by Government under New Burdens funding or via new funding streams as part of the proposed schemes.

72. There are three main changes from this legislation that will impact costs of future waste service provision:

- i. Extended Producer Responsibility (EPR) where producers of packaging will be required to pay into a scheme based on the type and quantity of packaging placed on the market. The Scheme Administrator will be responsible for placing funds with local authorities involved in the collection and management of packaging waste (including litter placed in street litter bins). This is expected to come into force in 2024 and would see additional funding coming to Wiltshire Council. Further detail is required to understand the financial impact, however Wiltshire currently spends circa £8m per annum collecting and managing packaging waste.
- ii. The Deposit Return Scheme (DRS) is where consumers will pay a deposit on in scope drinks containers which will be refunded through a national network of reverse vending machines at participating retailers and kiosks. This is also expected to be in force in 2024 and models suggest Wiltshire would see a loss of income of circa £0.9m due to a reduction in recyclable material collected via the kerbside services.
- iii. The Act will require consistency in Recycling Collections which will stipulate that councils must provide separate, weekly food waste collections; free of charge fortnightly garden waste collection; separate kerbside collection of recyclables, and fortnightly residual waste collections. Wiltshire Council does not currently provide a separate food waste collection, we have a mixed kerbside recycling collection which is then sorted at a Material Recycling Facility and we generate £5.1m income from chargeable garden waste service which offsets costs of collection only. This will therefore have a significant financial and operational impact for Wiltshire's existing contracts and future procurements. The long-term landfill diversion contracts will be at risk as this would lead to significant compensation events payable to the contractor as minimum tonnage levels would not be met. Technical advice is still awaited from Government, but Separate, weekly Food Waste collections have been referenced to come into force in 2025.

73. Additionally, the following legislative challenges are likely to impact waste services in the coming year:

- i. Following EA guidance Persistent Organic Pollutants (POPs) found in upholstered domestic seating and managed as waste, have to be segregated at point of collection and sent for disposal by incineration and must not be landfilled. This new requirement is effective from 1 Jan 2023. Wiltshire estimate that circa 2,000 tonnes are collected through HRCS, bulky waste collection and fly tipping per year. Wiltshire is planning to manage this by utilising £0.060m of approved capital funding for HRC infrastructure related to 2022/23 savings to buy extra containers at HRCs. This material has historically been landfilled and will now be part of the landfill diversion contracts. There is an additional revenue pressure of £0.4m, currently there is no confirmation that these additional costs will be covered by Government under New Burdens funding, so it has been included as demand.

- ii. There is a proposal to extend the Emissions Trading Scheme to include Energy from Waste plants. Energy from Waste plant operators would be required to buy credits to cover the fossil-based carbon emissions created by the plant. Wiltshire's Lakeside contract would fall under this category and would be a cost born by the council due to change in law clauses within the contracts.
- iii. Government is planning to tax commercial generators of electricity where excessive profits are made. At present Energy from Waste facilities are in scope. This could mean that the gate fees under the Lakeside Energy from Waste contract increase. Local authorities are lobbying Government to exclude Energy from Waste and AD facilities developed to deliver council contracts from being in scope.

Leisure Culture & Communities £7m annual net spend on services

Table 9 – Budget movement from 2022/23 to 2023/24

| | £'m |
|----------------------|---------|
| Base Budget 2022/23 | 6.078 |
| Prior Year Inflation | 1.059 |
| Pay Inflation | 0.770 |
| Contract Inflation | 0.028 |
| Demand | 0.395 |
| Savings | (1.449) |
| Base Budget 2023/24 | 6.881 |

74. As part of the Business Plan priority to empower People and help people to stay active the council committed to giving communities access to quality leisure and sports opportunities in facilities that are safe and well maintained. In 2022 the council opened a new facility at Melksham Campus, £0.3m has been added to the budget for the net operation of the facility.

75. Leisure Operations Income is a risk for the service, Income has been recovering from the pandemic and is currently budgeted at 80% of pre-covid levels. The future income budgets are forecast to grow and fees to be increased, savings proposals are included for this which will increase income budgets by £1.4m in 2023/24. A significant risk is now the increasing cost of living and whether this impacts on future demand.

Resources - £39m annual spend on services

Assets & Commercial Development - £18m annual net spend on services

Table 10 – Budget movement from 2022/23 to 2023/24

| | £m |
|----------------------|---------|
| Base Budget 2022/23 | 15.489 |
| Prior Year Inflation | 1.413 |
| Pay Inflation | 0.211 |
| Contract Inflation | 2.458 |
| Demand | 0.299 |
| Savings | (1.931) |
| Base Budget 2023/24 | 17.939 |

76. Assets & Commercial Development services is responsible for managing the council's estate, which includes the 5,300 existing properties and 1,000 planned new properties from the Council House Build Programme under the Housing Revenue Account.

77. Wiltshire Council takes a strategic and commercial approach to managing assets ensuring assets are well maintained, fit for purpose and that services can operate safely, efficiently, and effectively, thus ensuring the sustainability of the property estate. The council shares resources with other public services and uses technology, buildings, and other assets flexibly to maximise value and reduce costs. This all contributes to delivering the Business Plan by ensuring Wiltshire Council is an efficient and healthy organisation.

78. As seen nationally there have been significant increases in energy prices, this has led to a prior year inflation increase of £0.811m for Electricity, Gas, Biomass and Oil. Considerable continuing increases are forecast for 2023/24 and the 2023/24 budget is forecasting £1.78m with increases forecast at 11% for Electricity, 50% for Gas and 10% for Biomass. Increasing energy prices are a risk for the service. To ensure the council is operating as efficiently as possible savings are proposed through the capital energy efficiency programme which delivers projects to reduce energy consumption and generate renewable electricity.

79. Inflation costs on maintenance contracts have been increased by £0.450m for prior year and £0.263m for 2023/24 (6%) to reflect increases in prices on material costs and contractor terms.

80. The council pays Business Rates on its properties, this is forecast to increase by an average of 22% £1m in 2023/24 due to an impending revelation which will come into effect in April 2023.

81. Savings proposals focus on asset rationalisation and service efficiencies to consolidate the estate and reduce operating costs. Alongside this Income generation will be maximised by leasing vacant space and increasing prices on existing lettings.

Transformation and Business Change - £1m net spend (£1.913m annual gross spend)

82. The Council's Business Plan sets out the priorities, outcomes, and aspirations it seeks to deliver over the next ten years, and outlines how its progress towards achieving these will be measured and represented. Achieving many of these outcomes will need significant change or transformation of existing business

models and delivery methods. This will require innovation in how we approach service design and planning, which should be supported by evidence and insights from the broadest range of data available to us.

83. The creation of a new Transformation and Business Change directorate in early 2022 brings together existing delivery capabilities such as systems thinking, business analysis, programme management, business intelligence and direct oversight of specific strategic programmes into one function to co-ordinate, prioritise and support these activities to deliver the councils business plan.
84. Informed by learning from local authorities, the council is investing £0.379m in the 2023/24 MTFS to establish a successful business intelligence hub to deliver cross-discipline, multi-source-based insights leading to enhanced evidence based decision making. This will be funded from flexible use of capital receipts and the transformation reserve.
85. Maintaining good financial sustainability to deliver a balanced budget means the demand for Transformation should be considered a continuous and required capability. This needs specific financial provision to ensure the right scale of skills and capacity are in place to support the delivery and management of change programmes arising across the complex range of services performed by the council. The council has allocated one-off funding via its transformation reserve to enable this, which is anticipated to be replenished in part through savings delivered by transformation projects. Funding for specific transformation projects will also be utilised through the Flexible Use of Capital Receipts where appropriate and desirable to do so.
86. Many of the recent savings' proposals put forward by services in response to the financial pressures and budget setting process for the next three years were predicated on having access to suitable change and transformation capacity. Several of these will require timely delivery of significant programmes of work to suppress demand or redesign services and process. The council's outcome-based approach to transformation (rather than solely savings-driven) at a strategic level was positively recognised by the LGA's recent corporate peer challenge. This approach, allied to the funding methods outlined above, provides flexibility and adaptability in how we can respond to increasing demand to support services to meet their business plan obligations.
87. A number of services are anticipating or requesting that provision of large parts of the change capacity and skills needed to support delivery of those programmes will come from the transformation team and associated enabling services. These must be delivered in addition to the existing in-progress strategic programmes including Adult Social Care Transformation (ASCT), Families and Children Transformation (FACT), Customer Experience, and Evolve. It is important, therefore, to ensure that the flexibility to draw down against allocations of flexible funding sources such as the Transformation Reserve and Flexible Use of Capital Receipts remains in place for the full term of the MTFS.

Capital Receipts Flexibilities

88. As part of the Final Local Government Finance Settlement for 2021/22 published on 10 February 2021 Government announced a 3-year extension from 2022/23 onwards of the flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the cost of service delivery across the public sector. [Funding boost provides councils with certainty to plan for year ahead with £51 billion funding package - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/funding-boost-provides-councils-with-certainty-to-plan-for-year-ahead-with-51-billion-funding-package)
89. It is important that any council using this flexibility is transparent in reporting its plans and the individual projects that are to be funded or part funded, report on planned savings and/or service transformation that is planned to be delivered and report the previous years' activity and realisation of benefits.
90. During 2022/23 £1m of transformational activity was approved to be funded by use of this regulation. The costs being funded are the Transformation and Business Change team costs, which support the delivery of the different transformation programmes and projects across the council, and specifically projects that support delivering a more financially sustainable council. £1m has again been included within the budget for each year of the MTFs period (2023/24 to 2025/26) although there is risk that the regulation may not be extended to the last year of the MTFs period. If this regulation is not extended the work will either need to be funded in another way or ceased. The prioritisation of the programmes and projects supported by the Transformation and Business Change team is agreed by CLT and/or the relevant Transformation Board and will be reported as part of the quarterly budget monitoring process to ensure the requirement of transparent reporting is met.

Fees and Charges

91. As part of budget setting, where the council has discretion on the setting of fees and charges and increases to these, it is recommended that the fees and charges to the public are increased by appropriate inflation rates to help support the delivery of a balanced budget. Other fees and charges will be based on statutory national levels (where set by statute) or individual agreements.
92. Demand has been adjusted within the pressures built into the budget to reflect the continued reduction seen in some services.
93. Detail of the fees and charges where the council has discretion on the setting of the fees and charges, as well as those statutorily set can be seen in Appendix 4.

Council Tax

94. The level of Council Tax income for the council is driven by 2 main factors; the number of 'Band D' equivalent properties, known as the taxbase and the charge per 'Band D' equivalent property.
95. The council is required to set the Council Tax Base annually following regulations. For 2022/23 the taxbase was set at 189,964.37 Band D equivalent properties and for 2023/24 the Council Tax Base has been set at

193,142.94 Band D equivalent properties, which is an overall increase of 1.67%, higher than originally forecast (1.2%).

96. As part of the Local Government Finance Settlement an increase in the maximum basic Council Tax threshold from 2% to 3% was announced along with an increase to the maximum specific levy for Adult Social Care from 1% to 2%. Further detail is given in Appendix 1.

Reserves – General Fund and Earmarked

97. In the previous two budget setting cycles a reserve strategy was established to steadily increase the level of the Council's General Fund reserve to a level more in line with the financial risks the Council potentially faces. This would thereby increase the financial resilience of the council in being able to deal with, and more importantly withstand, any financial risks or shocks that may materialise.

98. In the setting of the 2022/23 budget the strategy set out a plan to increase the level to over £21m by 2024/25. The better than forecast outturn position in 2021/22 meant that additional funds could be transferred into the reserve to meet that target.

99. For this budget setting cycle, the positive outcome of a balanced budget over the MTFs means that the budget equalisation reserve, held to deal with the anticipated shortfalls in the budget forecast in the MTFs during the 2022/23 budget setting cycle process can be repurposed. £7m of this reserve will be moved immediately to the General Fund reserve, achieving the objective of the reserve strategy in having a General Fund reserve that meets, or is at around, the level of financially assessed risk. For 2022/23 this was set at £27.6m for 2023/24 this has increased to £31.9m.

100. The general fund reserve risk assessment is shown in annex 8 of appendix 1. This uses the estimates of key financial risks facing the authority in 2023/24 and it provides an estimated risk assessed level of reserves based on the specific complexities and activities unique to Wiltshire Council. This assessment is reviewed and refreshed every year to reflect the known financial risks in that year and provides an update on the financial resilience for the council.

101. The risk assessed level is a tool the Council's Section 151 officer uses to manage and context financial risks facing the authority and is not an exact science. It is key however in determining the financial resilience of the authority in terms of the level of reserves that should be held against the level of assessed and estimated financial risk.

102. The achievement of a balanced budget enables this realignment of reserves and puts the Council in a strong and sustainable financial position with reserves now at a level to provide financial resilience.

103. The remainder of the budget equalisation reserve, together with the balance on the inflation reserve, set up to deal with cost pressures in 2022/23, can now be re-purposed on funding Business Plan priorities and investment in services.

104. The Cabinet have therefore proposed that, after the £7m transfer to the General Fund reserve, a further £13.1m of earmarked reserves be repurposed as follows:

- £10m to be allocated to finance the acquisition of housing in Wiltshire to address a mix of service needs around temporary accommodation, learning disability or other adult care needs.
- £2m to be allocated to the Transformation reserve to further the community led, Community Development pilots that are being established.
- £0.6m to the existing Business Plan Priorities reserve, which has already seen allocations to invest in fly tipping, gully emptying and white lining initiatives during 2022/23.
- £0.5m for investment in the County's road sign infrastructure, with the prime objective to improve road safety.

105. In addition to the level of the general fund reserve, there are other reserves held against the financial risks facing the council. These reserves have been created to deal with risks around demand and volatility.

106. The latent demand reserve is being held to specifically mitigate any unquantified risks facing the authority on social care, particularly children's social care. £0.3m is being drawn down from the reserve in 2022/23 and a further £4.7m is planned to be utilised over the MTFS to offset increased costs in Children's Social Care, Planning and Adult Social Care.

107. The collection fund volatility reserve is held to deal with any movement in the collection of Council Tax and Business Rates that fund services. Given the size of the Collection Fund, at £380m, any small variance can potentially have a significant impact on the Council's finances.

108. In setting the budget every year an assessment is made on the surplus or deficit of this fund. The volatility and Government support through the COVID pandemic made forecasting, particularly on business rates, difficult to assess. There is confidence now that the estimated surplus, of £8.1m can be declared and distributed in 2023/24. Prudently, this one off surplus will be put into the Collection Fund Volatility reserve to ensure sufficient coverage of this specific risk.

109. The council overall has significantly improved its financial standing over the last couple of financial years through its sound and prudent financial management. There is now a significant level of reserve cover against the assessed financial risk in 2023/24. The General Fund reserve now stands at 6% of the Council's net revenue budget.

MTFS 2023/24 to 2025/26

110. A summary of the overall MTFS proposed budgets for 2023/24 can be seen in the below table at Corporate Director responsibility level. More detail can be seen in the appendix 1, which show the changes to the service budgets from the revised 2022/23 budgets in greater detail.

| Wiltshire Council - Proposed Budgets | | | |
|---|---|---|---|
| Service | 2023/24 Proposed Budget £m | 2024/25 Proposed Budget £m | 2025/26 Proposed Budget £m |
| Corporate Director People | 270.676 | 274.404 | 278.859 |
| Corporate Director Resources | 39.301 | 40.468 | 41.376 |
| Corporate Director Place | 101.563 | 102.050 | 102.230 |
| Public Health | 0.863 | 0.881 | 0.899 |
| Legal & Governance | 9.964 | 10.026 | 9.811 |
| HR&OD | 3.573 | 3.612 | 3.619 |
| Transformation & Business Change | 0.533 | 0.578 | 0.625 |
| Corporate Directors & Members | 3.146 | 3.173 | 3.201 |
| Corporate | 35.753 | 44.517 | 50.124 |
| WILTSHIRE COUNCIL NET BUDGET | 465.372 | 479.709 | 490.744 |

111. The MTFS sets out the forecast budget position for a 3-year period. The above table shows the proposed service budgets for 2023/24 to 2025/26, and the below table shows the movements in the Net Budget and Funding for the council and the overall financial position of the council. Overall, the budget is fully balanced across the MTFS 3-year period, a significant step for the council which provides a strong and sustainable financial basis to deliver quality services to the public of Wiltshire.

| | 2023/24 £m | 2024/25 £m | 2025/26 £m |
|--|-----------------------|-----------------------|-----------------------|
| Budget 2022/23 | 417.703 | 465.372 | 479.709 |
| Prior Year Adjustments for increased inflation | 14.931 | - | - |
| Funding Changes/ Technical Adjustments | 4.802 | (3.155) | 0.353 |
| Pay Award | 7.833 | 4.093 | 4.195 |
| Cabinet Investment | 0.871 | 0.024 | 0.025 |
| Budget Monitoring Permanent Changes | 0.548 | - | - |
| Contractual Inflation | 27.705 | 10.052 | 9.717 |
| Demand | 17.228 | 17.598 | 7.444 |
| Staffing Savings Proposals | (2.843) | (1.003) | (0.192) |
| Service Savings Proposals | (23.406) | (13.271) | (10.505) |
| Budget 2023/24 | 465.372 | 479.709 | 490.744 |
| Funding 2022/23 | (417.703) | (465.372) | (479.709) |
| Council Tax Requirement | (14.667) | (10.676) | (11.235) |
| Social Care Levy | (6.328) | (6.723) | - |
| Rates Retention | 9.056 | (0.800) | (0.800) |
| Collection Fund (surplus) / deficit | (8.100) | 6.850 | - |
| Specific Grants | (27.630) | (2.988) | 1.000 |
| Funding 2023/24 | (465.372) | (479.709) | (490.744) |
| GAP | - | - | - |

Capital Programme 2023/24 to 2029/30

112. The Capital Programme is not tied to an annual setting process like the council's revenue budget, with projects and schemes being added on their own merits by the Cabinet during the year. As part of a new robust governance process for Capital Investment, all new Capital requests require a full business case to go through the Asset Gateway and Capital Programme Board. This is to provide oversight across the programme and alignment with the Business Plan priorities. This governance also provides additional challenge to ensure all figures are validated and profiled realistically.

| | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | Future Years Budgets £m | Total Budget £m |
|---|-------------------------|-------------------------|-------------------------|----------------------------|--------------------|
| Approved Capital Programme | 373.209 | 211.947 | 99.904 | 498.907 | 1,183.967 |
| Budget Setting programme review and remove | (58.473) | (50.081) | - | - | (108.554) |
| Budget Setting review and reprofile | (122.277) | 40.001 | 61.750 | 20.526 | - |
| 2023/24 Budget Setting New Capital Investment | 6.668 | 4.212 | 6.605 | 11.470 | 28.955 |
| Total | 199.127 | 206.079 | 168.259 | 530.903 | 1,104.368 |

113. The Capital Programme is a key area of investment for the council and in 2023/24 will now stand at £199.127m for that year and over £1.1 billion in total over the 7 year period. The council will be investing to deliver Business Plan Principles as summarised below.

| | 2023/24 Budget £m | 2024/25 Budget £m | 2025/26 Budget £m | Future Years Budgets £m | Total Budget £m |
|------------------------------|-------------------------|-------------------------|-------------------------|----------------------------|--------------------|
| Empowered People | 59.875 | 41.871 | 27.955 | 46.829 | 176.530 |
| Resilient Society | 53.328 | 73.607 | 49.058 | 175.655 | 351.648 |
| Thriving Economy | 57.365 | 73.036 | 85.518 | 293.589 | 509.508 |
| Sustainable Environment | 3.439 | 5.909 | 0.009 | - | 9.357 |
| An Efficient Healthy Council | 25.120 | 11.656 | 5.719 | 14.830 | 57.325 |
| Total | 199.127 | 206.079 | 168.259 | 530.903 | 1,104.368 |

Education & Skills

114. £3.165m has been added to Schools Maintenance and Modernisation budget to improve the condition of schools, in recognition of increased inflation and requirements. This will allow for large, planned maintenance works for example roof replacements, new boilers, structural concerns, rewires etc.

115. The council still has a number of mobile classrooms and Pratten huts that have reached the end of their intended lifespan and need to be replaced. £12.923m has been added to the programme allow for the current programme to increase and continue.

116. This investment is key to delivering against the Business Plan principle of Empowered People and Thriving Economy.

Assets & Commercial Development

117. Investment of £6.648m has been added to the programme for additional capital building maintenance. This recognises the impact of increased inflation and also reflects the estate requirements. This will also allow for essential Health & Safety maintenance works at Coroners Court, St Edmunds Arts

Centre, Gypsy and Traveller sites, Churchfields Depot and Wilton Depot to be undertaken.

118. Capital building maintenance is crucial to ensures assets are well maintained, fit for purpose and that services can operate safely, efficiently, and effectively, thus ensuring the sustainability of the property estate. The council shares resources with other public services and uses technology, buildings, and other assets flexibly to maximise value and reduce costs. This all contributes to delivering the Business Plan by ensuring Wiltshire Council is an efficient and healthy organisation.

119. Children's Support & Safeguarding Team offer family contacts in two locations in Wiltshire, from the recently refurbished Trowbridge Resource Centre and from Salisbury Resource Centre, Hayburn Wyke. The provision in the south of the county is larger than required and has a relatively high holding cost associated. Investment has been added to the programme to allow for an alternative smaller, fit for purpose property to be found and purchased in the South for future delivery of the service. This will be funded from Capital Receipts, which will be increased from the sale of the centre at Hayburn Wyke.

Highways & Transport

120. Phase 1 of the emerging Fleet Strategy provides for a proposed vehicle replacement plan over 2023/24 to 2025/26 totalling £4.964m. Electric vehicles will be purchased up to the council's current electric infrastructure capacity. The Fleet Strategy will be developed alongside the Depot Strategy and will look at the additional electrification infrastructure requirements to move the fleet to alternative fuels by 2030, supporting the council's commitment to become a carbon neutral county.

121. Investment of £0.325m has been added to the programme to extend Dunns Lane Car Park, Castle Combe. The existing car park has reached capacity and is unable to meet demand. The forecast additional income from the extending the car park will cover the capital financing costs and generate a saving for the council.

Leisure Culture & Communities

122. To improve the use of space and enable more efficient operations at the History Centre Reception and Performing Arts Library investment of £0.105m has added to the programme. The capital financing costs will be covered by staffing efficiencies and increased income.

Future Pipeline:

123. There are three significant Capital programs that are in Full Business case development and are likely to come to Cabinet in 2023/24 for an investment decision when fully worked up.

124. The Depot strategy, which will set a long term Depot and Operational infrastructure for the council to ensure the best outcomes for service delivery.

The resulting investment programme is likely to span ten years and require funding of circa £120m.

125. A new Special Educational Needs and Mental Health Primary school to address increasing demand. Further work is being undertaken to assess demand and quantify and evidence the saving this would deliver in independent special school placements. This programme would be delivered over three years and require funding of circa £16m.
126. Two new Dementia Care Homes, one in Trowbridge and one in Salisbury to address future demand and avoid strategic failure of supply. Further evidence is required on need and the overall impact on future revenue costs. This programme would be delivered over three years and require funding of circa £26m.

Community Infrastructure Levy Strategic Fund

127. The purpose of CIL is to help fund strategic infrastructure that our growing communities need to support growth in the Local Plan to support the sustainable development of Wiltshire.
128. There are no new proposals for allocations from the Community Infrastructure Levy strategic funds, this will be kept under review during 2023/24 and new allocations will be considered through the prioritisation process.
129. Trowbridge Leisure Centre capital investment of £25m is key place shaping infrastructure and is listed as a Business Plan outcome. It is recommended that Cabinet approve that the current Infrastructure List, which includes upgrades to the existing Trowbridge Sports Centre, should be amended to reflect the current position. The existing reference should be deleted and a new entry included to read New Trowbridge Leisure Facility Project. Its inclusion on the Infrastructure List means that the Council may, when considered against other demands for strategic CIL funding, fund the project in whole or in part from CIL.

Housing Revenue Account (HRA) 2023/24

130. The Housing Revenue Account (HRA) is a separate account that all local authorities with housing stock are required to maintain by law. This account accumulates and reports all transactions relating to, or associated with, local authority-owned housing. It is ring fenced which means that money cannot be paid into or out of it from the General Fund. In addition, it is unlawful to run a deficit on the account.
131. It is critical to have the right housing solutions in place to support the delivery of the council's Business Plan priorities and the HRA is an important and significant element of delivering this. The Housing Revenue Account is overseen by the Housing Board. The board is responsible for setting the vision and strategic direction of the service. It is appointed to by the Service and the term of office is linked to the local government cycle. The board has to be reappointed every 4 years at a minimum. The Wiltshire Housing Board is a 9-person board comprising 3 independent members, 3 resident members and 3

councillor members. Officers report regularly to the board to provide assurance on the adequacy and effectiveness of running the service.

132. The 30-year business plan aims to deliver a substantial increase in the amount of money available to be invested in capital works on existing dwellings and to deliver new housing to replace properties that have been sold under the Government's Right to Buy scheme and to address housing need. The HRA business plan is reported, approved and monitored through the Housing Board.
133. The aim of the business plan is to deliver carbon zero new builds and investment in all existing stock to achieve energy performance rating B. The capital and revenue budgets for 2023/24 have been updated to reflect the position presented and approved by Cabinet in the plan.
134. For 2023/24 dwelling rents will be increased by 7%, which is the maximum allowed by the current rent standard.
135. Future rent increases will be reviewed in light of the 30 year business plan so as to balance the investment in the housing stock, development of new homes, maintain services to customers as well as ensuring affordability.
136. For 2-bedroom properties, the average 2022/23 rent was £93.93 per week which will increase to an average of £100.50 per week for 2023/24. For 3-bedroom properties, the increase would be from £102.44 to £109.61. Across all properties the average rent in 2022/23 was £94.05 per week which will increase to an average of £100.63 per week.
137. It is proposed to increase garage rents by 5%.
138. It is proposed that service charges are increased to cover costs.

Dedicated Schools Grant

139. Dedicated Schools Grant (DSG) is a ring-fenced specific grant used in support of the Schools Budget as defined in the School and Early Years Finance (England) Regulations 2013. The DSG is made up of four blocks with minimal flexibility to move funding between blocks. The allocations for 2023/24 are as follows:

| | 2022/23 Allocation £m | 2023/24 Allocation £m | Increase £m | % Increase |
|--------------|--------------------------------------|--------------------------------------|------------------------|-------------------|
| Early Years | 30.867 | 32.485 | 1.618 | 5.24% |
| Schools | 336.282 | 346.293 | 10.011 | 2.97% |
| Central | 2.604 | 2.600 | (0.04) | (0.15%) |
| High Needs* | 64.768 | 70.918 | 6.150 | 9.50% |
| TOTAL | 434.521 | 452.296 | 17.775 | 4.09% |

**HNB includes 2022/23 Supplementary grant baselined for 2023/24 plus £2.942m additional funding for 2023/24*

140. For 2022/23, a new separate grant; "supplementary allocations" was issued to offset the budget pressures around the health and social care levy and other

cost pressures in schools and for high needs block. For 2023/24 a similar approach has been taken, with additional funds of circa £12m for schools and £2.9m for high needs block to offset energy, staff pay awards and above average CPI increases.

141. The allocations are driven by the school and early years census data multiplied by specific funding levels and factors in each block and include nationally announced increases from the Autumn 2022 statement and second year of the 3 year Autumn 2021 announcement for early years national increases.
142. The Local Authority and Schools Forum set the budget for all blocks. Schools and high needs blocks are top sliced by the ESFA and funds re-directed to academies and colleges, maintained school funding is passported via the local authority.
143. **Schools Block** – it is the responsibility of the council to propose and make recommendations to Schools Forum to decide any changes to the formula which is used to allocate schools block DSG to all primary and secondary schools. Wiltshire Schools formula aligns itself as closely as possible to the national funding formula (NFF) in preparation for the hard formula, when the DfE remove or at least limit, local formula flexibility. For 2023/24, schools forum has agreed in principle to transfer 0.5% of schools block to support high needs pupils equating to £1.7m, assuming the NFF is, affordable. Unusually this is unaffordable by 0.49% for 2023/24 financial year – this is because the DSG allocations were set in the summer which is prior to the Wiltshire October 2022 census dataset which captured increases in free school meals (FSM) reflecting the local economy and English as an additional language students (EAL) rising with Ukrainian guest students from the Home Office host and other schemes. This position is the same across the Southwest. The shortfall can be addressed in Wiltshire from growth funding and schools funding protected meaning the transfer to high needs can take place.
144. **Early Years Block** – the local authority must passport a minimum of 95% funding for the universal and additional working parents entitlement for 3 and 4 year olds and disadvantaged 2 year olds directly to settings. This means up to 5% can be retained by the council to fund the early years central functions. It is the responsibility of the local authority to propose and decide the allocation of early years funding – the schools forum and early years providers are consulted annually to give their view on the local authority proposal. The local authority is consulting on passporting the full increases of £0.26p per child per eligible hour for 3 and 4 year olds and £0.31p per child per hour for disadvantaged 2 year olds.
145. **High Needs Block** – this supports provision for children and young people with special educational needs and disabilities (SEND). The block provides resources for specialist place funding, top up funding and external provision as well as funding high need services including statutory delivered by the local authority. It is the responsibility of the local authority to propose and decide the allocation of high needs block funding – the schools forum is consulted on any proposed changes. The current and forecast demand in this area exceeds the funding from the DfE and as such a drawdown from the DSG reserve will be

required. There is a requirement for a 3% minimum funding guarantee for special schools for the two years between 2021/22 and 2023/24. 2023/24 rates are uplifted to equate to at least a 3% uplift across this period. The additional funding for 2023/24 is £2.9m and a separate plan was presented to Schools Forum with a focus on early help and prevention – aligning to the recovery planning and delivering better value programme.

146. **Central School Services block** – this provides funding for the local authority to provide central, statutory functions on behalf of pupils in both maintained schools and academies. Services are split, copyright licences for all schools, on-going and historic responsibilities. Funding for historic responsibilities is reduced by 20% year on year. The local authority proposes the spending allocations funded from the Central School Services Block but the final decision is made by the Schools Forum.

147. In the event of an underspend or overspend on the annual grant, the balance transfers to a DSG reserve at the end of each financial year. The 2022-23 quarter 3 figures reported to Cabinet this month showed an in year overspend of £9.271m which, leads to a forecast cumulative DSG deficit reserve balance of £34.680m. Demand and therefore expenditure are forecast to grow in 2023/24 at a rate that is higher than the allocation. It is recognised that nationally pressures on the school system and high needs budget in particular are an issue, local authorities, school leaders and lobby groups continue to raise this with Central government and recovery plans are in place but limited to being long term and in partnership with statutory partners and limited to the legal statutory requirements around services and performance standards for children and young people with additional needs. The government has in place a three year ‘statutory accounting override’ until 2025/26 financial year where councils’ SEN deficits can be ringfenced away from their core council budget. This has allowed councils to leave deficits unaddressed thus protecting local authority reserves and services whilst the DfE consulted on the SEN Review and considered a programme of support for councils.

148. Councils nationally have an estimated £2.3 billion in high needs funding deficits. Those authorities with the most significant deficits, have been enrolled in the DfE “Safety Valve” programmes. Following the publication of the SEN Review the DfE have published a suite of reports and guidance to support local authority budget management and recovery plans. Wiltshire has been offered support in the third phase of the DfE’s “Delivering Better Value” (DBV) programme. The council is scheduled to be part of the DfE’s third phase of the DBV programme starting in June 2023. The DfE have appointed Newton, CIPFA and SEN advisers to work with officers to review the recovery plan and provide support and guidance.

149. In addition to this, £1.6m of the council’s transformational funding has been earmarked to support a significant programme of change which will align with the DBV programme to facilitate financial recovery for Wiltshire.

150. Final decision making takes place at the Schools Forum meeting on 19th January 2023 however agreements in principle were made at the December meeting and no major deviances are anticipated.

Overview and Scrutiny Engagement

151. Regular reports are taken to Overview & Scrutiny relating to the council's financial position and the budget report will be subject to review by the council's Financial Planning Task Group during January 2023.

152. In addition to reviews by elected members through the scrutiny process, the budget proposals will also be subject to review and scrutiny by a range of stakeholders, including Trade Unions and Business through meetings with them, Housing Panels consideration of the Housing Revenue Account proposals and Schools Forum consideration of the Dedicated Schools Grant changes.

Safeguarding Implications

153. Safeguarding remains a key priority for the council and this report outlines investment in services, in particular Adult Social Care and Children's Services, that reflects the commitment to safeguarding.

Public Health Implications

154. The ongoing impact on public health continues to be significant in 2022/23 as a result of the ongoing COVID-19 pandemic and further added pressure from seasonal flu and respiratory viruses that have a knock on impact to Council demand via the NHS. Reviews are continuing on how services need to be changed to reflect the differences in population health exacerbated by the pandemic.

155. Funding for Public Health services has not been confirmed for 2023/24 and is less certain across the MTF period, which given the inflationary pressures seen brings risk. With the on-going cost of living crisis, that impacts on the most vulnerable and who often need the support from the services the council provides, it may become more difficult to deliver efficiencies that are required. Currently plans are in place to manage the delivery of Public Health services within the resources available, from the grant and planned use of the ring-fenced Public Health earmarked reserve, although plans may need to be changed should the final grant allocation differ from current assumptions.

Procurement Implications

156. None have been identified as arising directly from this report.

Equalities Impact of the Proposal

157. 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.

158. 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.

159. As part of the implementation of savings, once they are approved the Executive Office will support services in undertaking an Equality Impact Assessment for those individual saving proposals to assess whether the proposals are positive or negative for a protected group will be undertaken before the proposal is implemented.

160. In consideration of the overall budget and balancing the gap, Cabinet in putting forward its proposals were keen to ensure that investment and growth were directed to services so that this will have an overall positive impact on service users, particularly children, older people and disabled people. This is in line with its commitments in the Business Plan 2022 – 2032.

161. As part of the corporate planning cycle, during Service Plan reviews in Spring 2023, the Equalities Impact of all service proposals (including their design) will be challenged, with scrutiny welcomed.

Environmental and Climate Change Considerations

162. The business plan and budget that funds it have been developed to support strong, resilient communities in Wiltshire. The budget includes the continued resourcing of the Carbon Reduction Team, formed during 2020/21, and funding within the capital programme for specific schemes aimed at reducing the council's carbon footprint such as £4.964m investment in electric vehicle purchase.

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

163. There is a statutory requirement to set a balanced budget. This report sets out the services delivered by the council and the financial implications of the budget proposed. Previous budget monitoring reports have included updates on the MTFs and this report provides more visibility on the base assumptions on which the budget is built and sets out how the budget gap is to be addressed to deliver a balanced budget.

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

164. The risks around the ongoing implications of the high rates of inflation and cost of living crisis on the council and council services are not fully known with the risk of the increased pressures in costs for the council and future economic forecasts uncertain and increased requirements on services needed to support the residents of Wiltshire, and this risk will remain for 2022/23 and even into future years.

165. Assumptions on risks the council is exposed to have been factored into the council's risk assessment when assessing the level of general fund reserves the council should be holding.
166. The level of uncertainty has always been a risk, in terms of demand on services and with the ongoing cost of living crisis there is an increased variability of the risk. The council has therefore tried to mitigate this through the increased level of growth assumptions within the MTFS and continues to hold specific reserves to manage some risks, such as latent demand to deal with any demand that outstrips those assumptions, particularly around children's social care as well as holding increased level of General Fund Reserve.
167. Risks associated with the uncertainty on levels of funding from government, specifically in year three of the MTFS and changes to the distribution of funding and mechanisms for allocating funding such as Business Rates are mitigated by setting assumptions based on experience, ensuring that increases in funding are included where indicative increases have been announced, otherwise funding is assumed to remain constant.
168. Risks associated with the savings proposals and service delivery have been assessed and as savings are implemented these risks will continue to be reviewed and monitored through the service and corporate risk management processes.

Financial Implications – S.151 Commentary including Section 25 Report

169. Under Section 25 of the Local Government Finance Act 2003 there is a statutory duty on the Section 151 Officer to report to Council at the time the budget is considered and the Council Tax set, an opinion on the robustness of the budget estimates and the adequacy of financial reserves.
170. There is also a legal requirement under the Local Government Act 1992, section 32 and 43 to set a balanced budget. Critically the 2023/24 budget is balanced, it has no reliance on the use of one off funding i.e. reserves and has a full scheduled savings plan proposed for 2023/24 to achieve this position.
171. Cabinet and the Extended Leadership Team have worked collaboratively and effectively to put forward proposed savings plans over the three years of the MTFS. In the budget setting of 2022/23 it was an objective to move the Council to becoming a financially sustainable authority. I am pleased to be able to report to Council that objective has now been met, with saving proposals put forward that, together with the proposed increases in funding some of which will be subject to annual decisions on Council Tax, sees the Council have a balanced budget over all three years of the MTFS. Critically this is achieved without the need to draw on reserves to balance and fund services; the Council is now operating within its financial means.
172. Although there are risks in the budget in relation to demand led budgets, in particular Social Care, there are two key risks in the budget; the level of savings

requiring to be delivered, with over £26m in the first financial year (2023/24) and £51m over the three years of the MTFs and the impact of inflation.

173. There has been a step change in the way the Council monitors, track and delivers on its savings. Given the Councils historic performance on the achievement of savings delivered, it was raised as a concern in the setting of the 2022/23 budget.
174. However, as reported regularly through to Cabinet during the budget monitoring cycle, as of quarter 3 the Council is forecast to achieve nearly 93% of the savings for 2022/23. This demonstrates the continued tight financial management that is now operating within the performance management framework that operates within services. It is imperative that this continues or where known issues arise these are flagged so that management action can be taken.
175. Inflation is the other key risk. Prudently £27.7m, by far the biggest uplift for service spend in the 2023/24 budget, has been applied to services to help manage the contractual inflation expectations and, particularly in the case of Adult Social Care, enables engagement and negotiation with providers on fee uplifts that are affordable and can help sustain the market to provide care packages to residents in Wiltshire. These are being funded through the rise in social care funding received from Government as well as the levy applied to Council Tax.
176. The risk is that inflation continues to prevail at the current double digit rate. The assumption of 6% in 2023/24 is a robust assumption based on the BoE forecast. Although inflation is high now this falls away in 2023 and provides the average of 6% that the Council will be applying. In future years a CPI rate of 2% has been used, which is higher than the November 2022 BoE forecast.
177. There are significant cost pressures arising from changing demographics and a growing, ageing population. These lead to increased demand for adult and children services, as well as other services across the Council. These pressures have been built into the budget and will continue to be reviewed to ensure the assumptions remain robust and financial impacts can be reported, and management action taken if necessary, however risk remains on the ability to manage this pressure.
178. The construction of the budget for 2023/24 and examination and validation of the budget proposals has been subject to challenge by the Extended Leadership Team, Heads of Finance and where relevant Heads of Service. Further scrutiny of the MTFs and budget proposals will be undertaken by the Financial Planning Task Group, which will report to the Overview and Scrutiny Management Committee, who will also consider and scrutinise the proposals.
179. For this budget cycle Business Rates assumptions have been significantly revised upwards. Previously, given the level of volatility and Government support as a result of COVID measures to protect businesses, no growth was anticipated or built into the base funding assumptions. In addition the level of increase in the business rate bills was set at the September 2022 RPI (12.6%)

and in the provisional settlement was confirmed that Councils would be fully compensated.

180. With a revision upwards to take into account increased growth, which is supported by the surplus forecast calculation on the collection fund, together with a significant uplift in compensation received from Government through the form of a section 31 grant, overall there is a total uplift in Business Rates funding of circa £7m.
181. The assumptions on income from Council Tax have been reviewed and reflect the current dynamic with respect to those in receipt of local council tax support, and overall the Council Tax collection rates have held. The Council Tax tax base, the growth in the number of properties, has been better than anticipated and has not only contributed to the estimated surplus on the collection fund has also meant a greater total amount generated from Council Tax than that previously forecast.
182. The rise in interest rates has seen investment income returns increase significantly. For 2022/23 they were budgeted at 0.75% however this has now been increased to 2.75% for 2023/24. The current cost of borrowing for Wiltshire Council is 3.74%, and the average cost of new borrowing has been estimated at around 3.5% although there is opportunity for this to be improved upon depending on the timing and value of any borrowing undertaken. The Council undertook borrowing of £80m in March 2022 ahead of the rise in interest rates to secure rates at around 2% to finance the capital programme and to mitigate the risk of having to borrow in future at a higher interest rate.
183. Despite the high levels of inflation, the Consumer Price Index (CPI) has been used as the set standard to forecast increases for contractual inflation. It is intended to move the Council over to this standard for all future contractual negotiations, where possible, to aid financial planning and budget and contract management. The forecast from the BoE is for inflation to substantially drop during 2023 and future year assumptions are predicated on this materialising.
184. The assumption on pay inflation has been adjusted to reflect the latest national negotiations, however it should be noted that given the current national picture around pay disputes that there is a level of uncertainty and volatility in this area, this has been reflected in the increase financial risk assessment.
185. The Dedicated Schools Grant is a ring-fenced grant to fund activity relating to the provision of education services. As a result of this ring-fencing the assumption within the MTFs is that any deficit position does not impact on the general resources available to the council in terms of the general fund revenue account and any deficit reserve.
186. The significant concern that was flagged last year, that from April 2023 deficits will need to be recognised by the Council, has for now been removed. An override for three years was announced in the provisional settlement which will not see the balance recognised and therefore move the Council into a technical bankruptcy position. It is, as yet, unclear how the Government will resolve the position beyond year three. The Council is undertaking the Delivering Better Value Programme which is promoted and

funded by the DFE to understand drivers and processes to improve the costs arising in the High Needs Block of the DSG. Whilst this may address in year deficits it remains to be seen how it would begin to clear the existing historic deficit.

187. The provisional settlement was a positive outcome for Local Government and for the funding of Social Care. The delay of Adult Social Care reforms removes uncertainty around the cost and resource required to implement the forms but ultimately the uncertainty has only been pushed back.
188. The settlement only provides certainty for the next two years, whether that is indication on grant settlements or caps on council tax rises, therefore there remains considerable uncertainty around what awaits in year three, which will be covered by a new comprehensive spending review, and any funding reforms to Local Government, which have been long overdue and promised, are unlikely to be implemented until then.
189. As part of the budget setting process, the levels of balances and reserves is reviewed and determined ensuring that the level is justifiable in the context of local circumstances. The Section 151 officer has reviewed the level in order to ensure a prudent level of balances that reflects a full risk assessment commensurate with the risks that the Council faces and the context within which the authority operates.
190. The Risk assessment, as detailed in Annex 8 of Appendix 1, has put context around the level of reserves held compared to a calculated risk adjusted assessment.
191. The forecast levels of earmarked reserves are set out in the appendix and forecast balances for future years over the period of the MTFs are shown. As can be seen although the level of reserves held against risk is initially high it reduces over MTFs, as well as the overall level of earmarked reserves is reducing. Although pressures such as demand, and demography are built into the revenue budget there is limited capacity within earmarked reserves to fund transformational activity hence a transformational reserve was established to assist in this activity.
192. On the basis of the above, the Section 151 Officer's advice is that the level of reserves, following the prudent management and containment of costs during 2022/23 and the achieving of the objective of the strategic approach to increase the general fund reserve to provide increased reserve coverage of key financial risks is sufficient. The financial standing of the Council is sound and continues to improve in the context of those key risks and that the proposed budget is robust and achievable.

Legal Implications

193. The Monitoring Officer considers that the proposals, together with this report, fulfil the statutory requirements set out below with regard to setting the amount of Council Tax for the forthcoming year and to set a balanced budget:

- Section 30(6) Local Government Finance Act 1992 ('the 1992 Act') requires that Council Tax must be set before 11 March, in the financial year preceding that for which it is set.
- Section 32 of the 1992 Act sets out the calculations to be made in determining the budget requirements, including contingencies and financial reserves.
- Section 33 of the 1992 Act requires the Council to set a balanced budget.
- Section 25(1) Local Government Act 2003 ('the 2003 Act') requires the Chief Finance Officer of the Council to report to it on (a) the robustness of the estimates made for the purposes of the calculations; and (b) the adequacy of the proposed financial reserves.
- Section 25(2) the 2003 Act requires that when the Council is considering calculations under Section 32, it must have regard to a report of the Chief Finance Officer concerning the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves.
- The Local Authorities (Functions & Responsibilities) (England) Regulations 2000 (as amended) set out the respective functions of Council and of the Cabinet. With regard to the setting of the budget and Council Tax for the forthcoming year, the Regulations provide that the Cabinet formulates the plan or strategy (in relation to the control of the Council's borrowing or capital expenditure) and the preparation of estimates of the amounts to be aggregated in making the calculations under Section 32 of the 1992 Act. However, the adoption of any such plan or strategy/calculations is the responsibility of full Council.
- Sections 30 to 36 of the Local Government Finance Act 1992 require that the Council sets a budget and Council Tax by 11 March each year and in doing so make a number of statutory calculations incorporated by resolution. The Localism Act 2011 has amended some of the terms and definitions to accommodate the introduction of powers to call local referendums for excessive Council Tax increase. The Council is now required to make a calculation of the Council Tax Requirement (Section 31A), excluding Parish precepts. The Act (Section 36) further prescribes that a calculation of the basic amount of Council Tax be presented together with an analysis of the Council Tax across the area and by valuation band. These calculations are required to be presented in a prescribed format and be subject to formal resolution by the Council.
- Section 12(2) of the Local Government Finance Act 2012 and The Council Tax (Administration and Enforcement) (Amendment) (No.2) (England) Regulations 2012 gave billing authorities the discretion to levy an empty homes premium of up to 50% on council tax payable in respect of dwellings that have been left empty and unfurnished for two years or more, resulting in a council tax rate for long-term empty properties of up to 150% of the normal liability.

- The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 provided billing authorities with discretion to charge an additional premium where a property has remained empty and unfurnished for a period in excess of two years. 17.4 The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003 as amended by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012 provided an authority with discretion to change the discount in respect of empty and unfurnished properties. Any change to the premium/discount in place needs to be published, as a public notice, within 21 days of the Council adopting any new premium/discount.
- The Local Authorities (Standing Orders)(England) Regulations 2001 deal, amongst other things, with the process of approving the budget. Under the constitution the adoption of the budget and the setting of the Council Tax are matters reserved for the Council upon recommendation from Cabinet.
- Council budget: In reaching their decisions, Members and officers must act reasonably, taking into account all relevant considerations and ignoring irrelevant ones. There is a need to ensure that when making budget decisions the result is not one which is irrational in the Wednesbury sense (i.e. one which no reasonable local authority could have made). The Council's overriding duty is to make a lawful budget and this is the touchstone against which other considerations must be tested.
- The Council must have regard to its public sector equality duties when making decisions. This includes the requirement to undertake a Diversity Impact Assessment in relation to all significant changes to policies, procedures or practice, and to pay 'due regard' to the need to eliminate discrimination and promote equality with regards to race, disability and gender. An overarching Equalities Impact Assessment has been included as an addendum report.
- Appropriate consultation will take place before decisions proposed in this report are made, where required by law or otherwise.
- Legal Obligations: Local authorities provide services pursuant to statutory duties (a mandatory requirement to provide services), and statutory powers, (where the Council has a discretion whether or not to provide services). Where the Council has a legal duty then it still has discretion in determining the manner in which those services are provided, so long as the level of quality of service provision is sufficient to fulfil the statutory duty. The decision to implement budget reductions must not focus solely on financial considerations. Members and officers must address the core question of individual service users' needs. Case law has held that resources may be a relevant consideration in making a decision relating to the manner of service provision, so long as the individual's assessed needs are met.

- Charges for services: In considering charges for services, Members and officers should also try to achieve a fair balance between the interests of the users of council services and Council Tax payers. Where charges are being increased, Members need to bear in mind the scale and extent of the charges, and may need in some cases to have regard to the costs of service provision, associated with the power to charge.
- Members' responsibility to make a personal decision: In Council, Members must make a personal decision on how to vote on the budget proposals. Members' overriding duty is to the whole community. Members have a special duty to their constituents, including those who did not vote for them. Whilst Members may be strongly influenced by the views of others, and of their party in particular, it is their responsibility alone to determine what view to take when deciding upon budget questions. He/she should not follow party loyalty and party policy to the exclusion of other considerations.
- Members need to balance the cost to Council Tax payers of any budget reductions, against the need for the benefits of services of the particular nature, range and quality, under consideration. If having taken into account all relevant (and disregarding all irrelevant) considerations, Members are satisfied that it is financially prudent and reasonable to make the proposed budget reductions and adopt the recommendations then they may properly and reasonably decide to do so.
- Capping: The Localism Act 2011 has superseded the previous capping legislation and dictates that should a council propose an increase in Council Tax which would be deemed to be excessive in accordance with principles and levels designated by the minister, then a local referendum on the proposal would be required. This would necessitate the drafting of an alternative proposal that would meet ministerial requirements to be put to the electorate alongside the 'excessive' proposition. Since this proposed budget is below the 'excessive' threshold this does not apply.
- Housing Revenue Account: Under Section 76 of the Local Government and Housing Act 1989, the council is required, in advance of the financial year, to formulate proposals which satisfy the requirement that, on certain stated assumptions, the Housing Revenue Account for that year does not show a debit balance. The council is obliged to implement those proposals and from time to time to determine whether the proposals satisfy the 'break even' requirement. If not, then the council shall make such provisions as are reasonable practicable towards securing that the proposals as revised, shall satisfy the requirement.
- Under Section 24 of the Housing Act 1985, the council can make such reasonable charges as it determines for the tenancy or occupation of its houses. The council is obliged, from time to time, to review rents charged and make such changes, as circumstances may require. In exercising this function (determining and fixing rent), the council should have regard to the rents charged in the private sector. A decision to increase rent constitutes a variation of the terms of a tenancy. Under

Section 103 of the Housing Act 1985, in respect of secure tenancies, a notice of variation (specifying the variation and date on which it takes effect) must be served on each tenant. For non-secure tenancies (excluding introductory tenancies), a notice must be served that complies with Section 25 of the Housing Act 1985. The Housing Act 1985 defines the legal requirements for informing tenants of rent increases. In practice this requires the issue of written notification to each tenant a minimum of four weeks in advance of the date that the increase becomes operative.

- The Local Authorities (Standing Orders (England) (Amendment) Regulations 2014) require that a recorded vote shall be held on the substantive motion at any Budget Council Meeting

Workforce Implications

194. Proposals around how the budget gap will be bridged will look at all avenues open to the council and this includes looking at the service the council provides from a statutory and discretionary level as well as the costs that fall within those services most notably third party spend and staffing. Changes to workforce will be minimised in so far as they can be with mitigations such as holding vacancies where possible and steps to mitigate the need for redundancies will be taken.

195. As in the previous year staffing savings have been identified across the MTFS period and steps to deliver these savings will include the deletion of some vacant posts, holding other vacancies temporarily to deliver the vacancy factor of 6.5%, and reviewing service structures to ensure they have the most effective and efficient staffing models. In addition, a freeze on incremental pay progression remains, as agreed last year with the recognised trade unions.

196. Where savings do impact on the workforce the council has in place robust policies and procedures to support this.

Options Considered

197. There is a statutory requirement to set a balanced budget. Other options to close the gap have been considered, however those options have been considered as damaging to the overall delivery of the new business plan and have therefore been discounted.

Conclusions

198. The report supports effective decision making and allows the council to set a balanced revenue budget for 2023/24 and set Council Tax levels. It also ensures that the council has an MTFS to support long-term financial sustainability and aligns the budget to the council's Business Plan.

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12/01/2022

Appendices:

Appendix 1 – Council Budget 2022/23 & Medium Term Financial Strategy
2023/24 to 2025/26

Appendix 2 – Capital Strategy 2023/24 to 2029/30 – to follow

Appendix 3 – Schools Capital Programme – to follow

Appendix 4 – Fees and Charges 2023/24 – to follow

Background Papers

None