

Wiltshire Council

Overview and Scrutiny Management Committee

25 January 2022

Report of the Financial Planning Task Group:

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

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

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

Observing:

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

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

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

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

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

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

(Appendix 1, Annex 7)	<p>has been 3.74%; the current rate is around 2%. The Treasury Management Strategy will set out in further detail the cost of borrowing. This has not been flagged as a risk because both borrowing and interest rates would need to increase significantly to affect the budget.</p> <p><u>Public Works Lending Board (PWLB)</u> sets out interest rates daily and is monitored to assess any movements. The council's Treasury Advisors also provide reports. Using this analysis, the council will decide when best to borrow looking to secure borrowing at 2% or under.</p>
<p>Adult Social Care Contractual Costs & Care Provider Market (Appendix 1, Annex 8)</p>	<p>The potential risk is £13m. An internal commercial board looks at tender compliance and a report goes to the board which highlights emerging tender prices. Going to market will give actual details of any inflationary increases.</p>
<p>Risk Assessed Balances (Appendix 1, Annex 8)</p>	<p>The risk identified are significant e.g., the delivery of savings (£25m). The assessment of risk was undertaken by the S151 Officer. The % likelihood is an assessment based on previous performance.</p> <p>Levels of performance on savings will be monitored by the Financial Planning Task Group. Any potential risks will be flagged, when required, at Cabinet as part of budget monitoring.</p>

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