

## **Budget & Performance Scrutiny Task Group Annual Report**

### **Purpose of report**

1. To present the annual report and recommendations of the Budget & Performance Scrutiny Task Group.

### **Background**

2. The O&S Organisation & Resources Select Committee commissioned a standing task group on 2 July 2009 to ensure robust and integrated scrutiny of budgets, performance and the associated risks. This approach was endorsed by the Implementation Executive and the O&S Transition Board in approving the O&S arrangements for the new council.

### Terms of Reference

3. Committee members agreed the overall purpose of the task group would be to carry out a strategic overview of the council's budget & performance in a way that is outcome focused and intent on identifying issues that require more in depth scrutiny by a specific committee or task group.
4. The Task Group was asked to:
  - a) Overview the annual budget setting process and to facilitate non-executive member engagement in the scrutiny of proposals published as part of this process
  - b) Monitor revenue and capital budgets, and regularly assess the pressures and risks associated with rising costs and demand for services
  - c) Overview the annual corporate planning process
  - d) Carry out regular performance monitoring of corporate goals, local and national indicators, service standards and actions arising from Comprehensive Area Assessments
  - e) Periodically report into cabinet and other committees on matters arising from budget & performance scrutiny during the year
  - f) Produce an annual report on the main findings and recommendations arising from the work of the task group

### Membership

5. The Task Group was made up of the chairmen and vice chairmen of the main O&S select committees:
  - Cllr Tony Deane (Chairman)

- Cllr Jon Hubbard (Vice Chairman)
  - Cllr Jeff Osborn
  - Cllr Mollie Groom
  - Cllr Rosemary Brown
  - Cllr Carole Soden
  - Cllr Mike Hewitt
  - Cllr Pip Ridout
6. This arrangement provided an opportunity for the chairmen and vice chairmen to represent the views of their respective committees regarding budget and performance matters in a coordinated task group forum. The chairmen and vice chairmen were also well placed to provide ongoing scrutiny, strategic oversight and monitoring of these matters.
7. Bi monthly meetings took place between July 2009 and June 2010. The minutes of these meetings can be found using the following link:  
<http://cms.wiltshire.gov.uk/ieListMeetings.aspx?CId=218&Year=2010>

## Scrutiny Process Followed

### Work Plan Themes

8. In order to carefully prioritise and focus its efforts, the Task Group agreed to a work programme based upon consideration the following key corporate documents:

<u>Document</u>	<u>Date considered by Cabinet</u>
Revenue & Capital Budget Monitoring Reports	Monthly
Performance Update Report	Quarterly
Revenue Budget proposals	February 2010
Medium Term Financial Plan	March 2010
Comprehensive Area Assessment	December 2009
Treasury Management Strategy	December 2009 & March 2010

9. Throughout the year a number of additional activities have supplemented the work of the Task Group, these have included Fact Finding meetings, a SAP Demonstration, a member's seminar on the results of the Comprehensive Area Assessment (CAA) and budget workshops held in the Autumn of 2009.
10. In addition a special Joint O&S Committee meeting was held on 16 February where all non executive members were invited to scrutinise the 10/11 budget recommendation prior to its consideration by the council on 23 February.

## Key Findings

11. In this section a brief synopsis of each main topic of task group activity is given and where appropriate, the recommendations and actions of the TG have been included.

## Budget Setting Process

12. The timetable followed in setting the 10/11 budget is listed in table below:

<b>TIMESCALES</b>	<b>BUDGET 2010-11 OUTCOMES</b>
1/07/09 – 14/08/09	Initial high level budget planning meetings on a service by service basis to discuss budget growth for 2010-11 and mechanism for delivering efficiencies i.e. procurement, benefits realisation.
1/07/09 – 16/09/09	<ul style="list-style-type: none"><li>• Interpretation of activity analysis to provide a robust understanding of the 2009-10 base budget.</li><li>• Draft of initial estimates of revenue budgets for 2010-11.</li><li>• Preparation of net budget reductions across service areas of 3% and 5%.</li></ul>
17/09/09 21/09/09 - 21/10/09	<ul style="list-style-type: none"><li>• Member Seminar on the Budget 2010-11.</li><li>• Detailed Budget Review Meetings to discuss 2010-11 Budget.</li></ul>
16/11/09 – 22/01/10	Consultation meetings with Area Boards on 2010-11 budget.
15/12/09 20/01/10 19/01/10 22/02/10 28/01/10	<ul style="list-style-type: none"><li>• Cabinet Approval of Council Tax base.</li><li>• Budget Consultation meeting with Wessex Chamber of Commerce.</li><li>• Budget Briefing for Conservative Group</li><li>• Budget Briefing for Non Administration Group Members</li><li>• Group Leaders and Trade Unions Representatives</li></ul>
11/02/10	Cabinet Consider Budget Proposals.
16/02/10	Special Overview & Scrutiny (Budget) Select Committee
23/02/10	Council Ratify Budget.

### Special Joint O&S Committee meeting

13. The special joint O&S Committee meeting, held on 16 February 2010 provided all councillors with an opportunity to debate the detail and rationale behind Cabinet's budget recommendations prior to full Council. This meeting compliments scrutiny's monitoring of the budget throughout the year and is regarded as a model of good practice.
14. A summary of the views expressed at this years meeting was submitted to Full Council on 23 February for consideration alongside Cabinet's budget recommendation. This summary can be found on the following link: <http://cms.wiltshire.gov.uk/mgConvert2PDF.aspx?ID=2357>
15. A number of information requests were made during the meeting which explored areas of the budget proposals in greater detail, these included breakdowns of budgets in respect of Area Boards, Youth Services, Corporate Items and Invest to Save.

16. The main benefit to holding the joint meeting is that councillor's level of understanding and awareness of the rationale and justification for budget proposals is heightened. The meeting also provides a forum for members to freely debate budget proposals outside of the more political arena of the full council budget setting meeting.
17. This years meeting attracted a good level of attendance from non executive members (55%) and executive members (91%).
18. On reviewing the process at its conclusion task group members agreed that the Joint Scrutiny and Council meetings could have been phased better to allow sufficient time for councillors to consider responses to further information requests ahead of full Council. This would have enabled non executive members to be better equipped with the level of detail necessary to make well informed recommendations.
19. Overall the task group was satisfied with the opportunities for councillor engagement in the budget setting process. The budget seminar (17 September 2009) helped to raise awareness of the key issues influencing the setting of the budget and provided councillors with an improved opportunity to engage in the prioritisation process.
20. Opportunities also existed for councillors to consider issues impacting on the setting of the budget and to comment on draft budget priorities prior to their approval by Cabinet through the Group budget briefings.

#### 2009/10 Budget and Performance Monitoring

21. The main cost pressures contributing to budget variations during 2009/10 are shown in the table below. In excess of £9million had to be absorbed as a result of factors such as demand led services, winter gritting programme and the impact of the economic downturn.

<b>Department</b>	<b>Pressure</b>	<b>£m</b>
TEL and EDPH	Loss of income due to economic downturn e.g. car parking and development services	3.90
TEL and EDPH	Additional growth e.g. winter gritting programme and Climate Change	1.05
DCS	Pressure on demand led services e.g. adult social care	1.38
DCE	Pressure on demand led services e.g. looked after children and SEN transport	1.75
DOR	ICT related cost pressures	1.00
<b>Total Cost Pressures absorbed during the year</b>		<b>9.08</b>

22. Throughout the year actions were implemented to address a projected year end revenue budget overspend including the reviewing of staffing structures (and non-filling of vacant posts) and procurement activity. Action plans were rigorously monitored to ensure Council spending remained within budget.
23. Throughout the year Councillors received a number of updates showing how progress had been made to minimise the likelihood of an overspend. Budget monitoring activities were also informed by a number of informal 'fact finding' meetings with individual departments. These meetings helped councillors carry out more-in depth targeted budget and performance monitoring outside of the more formal task group arena.
24. The meetings were of particular importance during the Autumn of 2009 when a number of financial pressures were identified which, if left unaddressed, would have resulted in a projected year end overspend of £3.864 million. Further steps to manage the budget back to zero were investigated during Fact Finding and the meetings enabled the chairmen and vice chairmen to explore actions instigated on a departmental basis to ensure financial pressures were being effectively managed.
25. Task Group members were thankful of the willingness of officers and members to work with them during these meetings where discussions were often frank and honest enabling members to appreciate the more volatile areas of the budget.
26. The revenue budget outturn report was submitted for member consideration in June. The final year outturn for 2009-10 showed a total net revenue expenditure of £332.441 million against a net revenue budget of £332.218 million. This represented a small overspend of £223,000 after allowing for the use of the £4.075 million of General Fund reserve, together with the planned use of specific earmarked reserves.

#### *Capital Budget 2009/10*

27. Councillors made a number of enquiries in order to understand the risks and pressures facing the capital programme and the processes involved in managing it.
28. It was noted that the 2009/10 capital programme showed a net underspend of £17.408 million against the approved budget which was mainly due to the reprofiling of schemes into 2010/11.
29. This was the second year that the Task Group took a role in monitoring the capital budget and its main concerns related to the many schemes requiring reprogramming of expenditure (slippage into 2010/11). Members did however note that a Capital Board would be established in the near future to monitor capital projects.

#### *Presentation of budget monitoring reporting*

30. To aid in year monitoring councillors agreed that it would be helpful if the annual budget was profiled over the year and requested future reporting include a likely

spending pattern over the 12 months in recognition of the fact that not all expenditure is likely to be incurred evenly over the 12 months. In response to this request, an additional profiled budget column was incorporated into the revenue budget monitoring table.

31. Options for graphical presentation of budget monitoring (including line and column graph formats) were explored to aid in year monitoring and to help identify trends.

#### *SAP*

32. The Task Group has maintained an interest in the financial aspects of the SAP system and following consideration of a Health Check report in March raised concern that configuration and functionality issues still needed to be addressed 12 months after implementation e.g. product categories not being correctly linked to general ledger codes. During discussion a number of areas were also explored including accuracy checks and controls and issues surrounding 'buy-in' from system users.

#### *Performance Monitoring*

33. On a quarterly basis task group members considered a high level summary of progress against the First Year Plan and performance for the period for the Local Agreement for Wiltshire. Lines of enquiry focused the reported increase in re-offending levels, a decline in Key stage 2 results, the potential impact of the economic situation on targets relating to housing, jobs and training and the equity of the bidding process for Performance Reward Grants at Area Boards.
34. On consideration of the reports further clarification was requested regarding a number of health targets where it was identified that the results fell some way short of the target for 2009/10.
35. The impact of the National Coalition's cut back on regulatory performance indicators was also explored and councillors regularly sought reassurance that the non filling of vacant posts and reviewing of staffing structures would not be to the detriment of key front line services.

#### *Comprehensive Area Assessment (CAA)*

36. The Comprehensive Area Assessment brought together judgements made by external inspectorates about Wiltshire and was introduced on 1 April 2009. The CAA examined how well local services were performing and how effectively they were working together to meet the needs of the people they serve.
37. Inspectors identified for Wiltshire the following areas of 'focus', identified as either areas of concern or where more information had been requested:
  - Climate Change
  - Road Safety
  - Housing
  - Basic Skills and Qualifications
  - Reducing Achievement Gaps

- Increasing Ageing population
- Reducing Health Inequalities
- Outcomes from Area Board working.

38. The task group made a recommendation to the relevant Overview and Scrutiny Committees to incorporate the related issues within their own work programmes

### **Future scrutiny of Budgets and Performance**

39. Task Group members have been aware of the amount of executive member and senior officer time that can be taken up by the scrutiny process in the area of budget and performance. This leaves the potential for scrutiny members to ask questions on a range of matters requiring a large executive team to attend on a “just in case” basis at both fact-finding and task group meetings.
40. In addition, the capacity of the leading scrutiny members has been stretched further recently with the creation of a new over-arching liaison board and there has also been a reduction in the scrutiny officer team.
41. These factors combined have been the subject of early discussion between leading scrutiny members and the scrutiny manager and options for enhancing future arrangements have formed the basis of early consultation.
42. In order to adopt a “smarter” approach to scrutiny of budget and performance issues especially when considering the level of effort that goes in to the current arrangements when compared to the added value and outcome it is proposed that the Task Group be dissolved. In its place task group members recommend that a streamlined ‘report by exception’ arrangement be adopted across the 4 Select Committees linked to the existing executive reporting timetable.
43. The relevant executive representatives will ordinarily be in attendance and this arrangement will therefore avoid the executive having to regularly line-up members and senior managers at Task Group and Fact Finding meetings on a “just in case” basis.
44. This should not be seen as a scaling-down of scrutiny interest in budget and performance matters but in the changing climate it is important to find an effective process which meets the objective of holding the executive to public account but at the same time is constructive and proportionate.
45. Councillors were made aware in July that the Director of Finance (and Section 151 officer) had approached the Council seeking to end his contractual relationship and after consideration this was granted. The communication mentioned that he was appointed at a particularly challenging time for the organisation as it became a new unitary council and successfully managed the process of consolidation five finance teams into one.
46. The Chairman of the task group recognised the complexities involved in budget reporting at that time and wished to acknowledge the effort made by the Director to help non-executive councillors undertake their monitoring role. An Interim Director of Finance has subsequently been appointed and will be taking up the position on 4 October.

## Recommendations

47. As a consequence of its enquiries, evidence received and findings made, the TG has made the following recommendations:

(1) That the Joint O&S Committee meeting to consider budget proposals prior to Council be retained as part of the 2011/12 budget setting timetable and that this meeting be held at least 10 days prior to the Full Council Meeting.

(2) That the relevant scrutiny committees give attention to the following areas over the coming year:

- Invest to save budget
- Youth Services budget
- Impact of reviews on SEN transport
- Tourism
- Passenger Transport (Mouchel)
- Leisure
- Climate Change Growth spend
- Breakdown of HR growth
- Monitoring unsupported borrowing on Workplace Transformation
- Demand led pressures within Adult Social Care (including increase in self funders becoming eligible for LA funded services)

(6) That the task group be abolished and a report by exception arrangement for budget and performance issues be put in place across the 4 Select Committee's. The Organisation and Resources Select Committee would also be responsible for corporate financial issues as well as Resources department spend.

(7) That all scheduled fact-finding meetings be abolished. However an option for issue-specific face to face meetings be retained if felt to be beneficial to both sides (but ultimately only those matters where concern remains to be reported to the relevant select committee).

(8) That responsibility be placed with leading scrutiny members and the officers from the scrutiny team to review the Cabinet papers on budget monitoring and performance update and to agree any matters to be raised with the relevant Cabinet member and corporate/service director via e-mail in the first instance.

(9) That the ability for the leading scrutiny members to attend Cabinet meetings to raise questions/concerns where necessary on behalf of their select committees be retained.

**48. The Committee is asked to endorse the above recommendations:**

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**Ian Gibbons**

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