

**OVERVIEW & SCRUTINY TRANSITION BOARD - 8 MAY 2009**

**OVERVIEW & SCRUTINY MANAGEMENT COMMITTEE - 15 MAY 2009**

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**FINAL REPORT OF THE BUDGET SCRUTINY TASK GROUP**

**Purpose of Report**

1. To present the final report and recommendations of the Budget Scrutiny Task Group concerning the overview of the 09/10 budget setting process and the monitoring of the county council's 08/09 budgets.

**Action Required of the Board and Management Committee**

2. The Joint Overview & Scrutiny Transition Board and the Overview & Scrutiny Management Committee are asked to consider this report and to adopt its recommendations. Subject to these considerations, the report will be submitted to the Leader, Director of Resources and Chief Financial Officer and a formal response requested for the 7<sup>th</sup> July Budget & Performance Task Group meeting.

**Purpose of Scrutiny Exercise**

3. This task group was commissioned by the county council's Overview & Scrutiny Management Committee in 2002 to carry out an overview of the annual budget setting process including its monitoring arrangements. A revision to the task group's remit in June 2006 resulted in it taking on a budget monitoring role of its own.
4. Whilst the task group maintained a general overview of the process for setting the 09/10 budget, more detailed scrutiny was carried out by the Joint Overview & Scrutiny Transition Board (JOSTB), due to its role in calling the Implementation Executive (IE) to account. By virtue of the common chairmanship of the task group and the board, each has been able to complement and support the other in their scrutiny of the budget setting process.
5. This report summarises the findings from the overview of the 2009/10 budget setting process and the findings from the task group's 2008/09 budget monitoring activities.

**Scrutiny Process Followed**

6. From May 2008 to February 2009, the task group and board have carried out an overview of key features of the budget setting process, mainly through the consideration of reports written for the IE, and through interviews with the Chief Financial Officer and Director of Resources. In addition, a special JOSTB meeting was also held on the 17<sup>th</sup> February when the non-executive members of all the five Wiltshire councils were invited to scrutinise the 09/10 IE budget recommendation prior to its consideration by the county council on the 24<sup>th</sup> February.
7. To perform its budget monitoring role, the task group has held meetings with the cabinet members for community services, children and families and education, and heard evidence from a number of senior officers. The task group's budget monitoring activities have been informed by a number of informal "fact finding" meetings with individual departments.

## Key Findings from the Budget Setting Process 2009/10

### *Medium Term Financial Strategy 2008 - 2013*

8. In preparing for the start of the 09/10 budget setting process, a Medium Term Financial Strategy (MTFS) 2008-13 was approved in May 2008. This set out the strategic context for the council's revenue and capital budgets, its spending and investment plans, and its council tax decisions for the next 5 years. The strategy highlighted that there was a £14.9m gap between estimated incoming resources and estimated expenditure over the next 5 years and that this would need to be managed through a programme of cost reduction and efficiency savings. This programme has been designed not only to close the gap but to also create headroom to meet currently unknown costs, provide for future service improvements and to keep council tax increases to a minimum. [Table 1](#) below shows how the cost reduction and efficiency savings programme is intended to help close the gap and create headroom over the next 5 years.

**Table 1 Cost Reduction & Efficiency Savings Programme**

	Budget 2008-09 £m	Forecast			
		2009-10 £m	2010-11 £m	2011-12 £m	2012-13 £m
Gross increase in costs over income before savings or reinvestment		18.6	17.3	16.7	17.4
Savings from 1C4W utilised		-6.6	-14.1	-17.8	-18.1
Savings from BMP utilised		-2.1	-3.6	-4.8	-5.0
Reinvestment into New Activities		5.0	5.0	5.0	5.0
Wiltshire County Council and District Councils cost reduction and efficiency targets (+ Savings to be Identified/-Savings Released)		14.9	4.5	-0.8	-0.8
One-off Investment Identified by CLT in 2008-09 Budget that Could be Released		1.4	1.4	1.4	1.4

9. There were a number of assumptions made when the revised MTFS was agreed, including:
- (a) there would be a 1.7% increase in formula grant as predicted in the 2008/11 three year settlement, and 1.7% thereafter
  - (b) council tax would increase annually by 3.8%
  - (c) the tax base would increase annually by 0.9%
  - (d) there would be no change in the collection fund
  - (e) there would be little change in specific grant and LAA funding
  - (f) '1C4W' and BMP savings would be achieved as predicted
  - (g) the council would continue in its programme of sustainable borrowing for major projects
  - (h) information regarding district council service budget requirements and pressures was incomplete and would become clearer during the 09/10 budget setting process.
10. In agreeing the revised MTFS, the IE also agreed to establish its own executive member working group, tasked with overseeing preparations for the 09/10 budget and to advise the IE on key matters relating to the budget setting process.

### 2009/10 Budget Setting Process

11. The timetable followed in setting the 09/10 budget is listed in [Table 2](#) below:

**Table 2 : 2009/10 Budget Setting Process Timetable**

May 08	Cabinet and IE agree the revised Medium Term Financial Strategy
30 May 08	Finance teams receive training to prepare for the assistance and support they would give to services during the budget setting process
Beg of Jun 08	Project manager appointed to deliver the '1C4W' finance workstream
Jun – Aug 08	Services develop budget scenarios for cost reduction and efficiency proposals and prepare draft budget scenarios illustrating resources, performance and risk based on: (i) a cash freeze focusing on maintaining 08/09 service levels (ii) unavoidable costs, i.e. demography, inflation, higher demand (iii) growth items to deliver corporate plan
15 Jul 08	Draft financial plan to cabinet and IE
Jul 08	Arrange training sessions for members
Jul 08	Issue formal budget preparation guidance notes
Aug – Oct 08	Budget review meetings to challenge and refine proposals
Nov 2008	Public budget consultation meetings
15 Nov 08	Produce consolidated draft budget
Nov – Jan 09	Further budget review meetings to refine proposals and reach a balanced budget
10 Dec 08	IE agrees council tax base for 09/10
10 Dec 08	IE approves harmonised national non-domestic rate relief policy
Jan / Feb 09	IE considers reports within the budget booklet and a series of supplementary papers referring to the robustness of estimates and adequacy of reserves, '1C4W' costs and savings, outcome from public budget consultation events
11 Feb 09	IE considers final report and recommendations of the IE budget working group and adopts its recommendations for the 09/10 budget
17 Feb 09	Special Joint Overview & Scrutiny Transition Board to scrutinise the IE's budget recommendation before it is considered by the County Council
23 Feb 09	IE agrees calculations and the recommendation for the setting of the 09/10 council tax
24 Feb 09	County council agrees the 09/10 budget and council tax.

12. On the 24<sup>th</sup> February 2009, the county council set a revenue budget of £833m. The IE budget working group report's illustration of how this budget is funded and where the money will be spent is included at [appendix 1](#).
13. The county council also agreed a three year capital programme for 09/10 – 11/12, totalling £304m, to be supported by an additional £75m of prudential borrowing, resulting in loan interest charges to be deducted from the revenue budget of approximately £750,000.
14. Having considered the detail published to inform the setting of this budget, the task group's main findings and conclusions include:
  - (a) in addition to the usual pressures, i.e. low government grant increase, increasing demand for and cost of services, and the continued need to realise efficiencies, the IE and the county council also gave due consideration to the likely impact of the economic downturn on Wiltshire's residents and communities when agreeing the budget and council tax. Opportunity was given for challenge in regard to the level of council tax increase, and justification given for not reducing this increase further, i.e. that a 1% decrease would reduce the budget by £2m, with consequent implications for services. With the full impact of the economic recession as yet still unknown and likely to become more apparent in the run up to the setting of the 10/11 budget, the task group would like new scrutiny arrangements to give careful consideration to research findings and reports produced on the impact of the recession. This should include consideration of reports due to be submitted to the Wiltshire Assembly in April 2009 ([recommendation 1](#)).
  - (b) the considerable size and value of the capital programme, particularly now that approximately £75m of this is funded by unsupported borrowing is another feature of the new council's budget that the task group would like to see receiving further scrutiny and monitoring ([recommendation 2](#)).
  - (c) in response to a council decision made in the light of the Icelandic Bank losses, the task group carried out detailed scrutiny of the treasury management strategy in December 2008. At that time, members were reassured that, despite the frozen assets of £8m in the Heritable Bank, the county council's investment and spending strategies remained robust, but that they would need even greater oversight and scrutiny during the current uncertain economic climate. With £27,000 in investment income being lost monthly as a consequence of these frozen assets, the task group would like the new scrutiny arrangements to continue to monitor the progress made in recovering this £8m and the £4m of North Wiltshire District Council's investments also frozen as a consequence of the Icelandic Bank crisis ([recommendation 3](#)).
  - (d) the value added as a consequence of devolving budgets to area boards will be monitored and evaluated as part of the new community governance arrangements. As part of the 10/11 budget setting process, the task group would want scrutiny members to question the rationale for the distribution of devolved budgets, i.e. is it a fair and equitable model of distribution ([recommendation 4](#)).

- (e) concern was raised at the county council meeting on the 24<sup>th</sup> February that the material produced to help members set the budget did not include sufficient detail regarding service standards. Members were informed that a revised style of budget and service standards monitoring report was being developed as a consequence of drawing together the five councils' service data into one consistent format, and that this would form the basis of regular updates to members as the new financial year progressed.
15. The JOSTB gave consideration to a number of issues arising from reports produced during the budget setting process, including:
- (a) costs of early departures, redundancies and severance payments
  - (b) harmonisation of fees and charges, and of council tax levels
  - (c) progress made in realising '1C4W', BMP and Shared Services savings
16. Probably, the most significant role played by the board during the budget setting process was to host a special meeting to which all non-executive members of the five councils were invited to scrutinise the IE's 09/10 budget recommendation. This meeting was attended by approximately 40 non executive members, and the majority of the members and officers of the IE. The key comments and conclusions from this meeting were then formally submitted to the county council's 24<sup>th</sup> February meeting for consideration as part of the budget setting discussions. Some of these key comments related to:
- (a) the new council's ongoing financial support for the voluntary sector
  - (b) the prevention and re-ablement agendas for vulnerable people
  - (c) investment in road maintenance especially needed as a consequence of the harsh winter conditions
  - (d) investment in affordable housing
17. In presenting the report from the special JOSTB meeting, the board's chairman confirmed that a number of the main features of the 09/10 budget would continue to be scrutinised as the year progressed. The task group supports the board's chairman in this, and recommends that the following should be incorporated into the work programme of the Budget & Performance Task Group in the new council (**recommendation 5**):
- (a) the impact of the £115,000 revenue growth bid for the Department for Children & Education's new service director, on efficiencies particularly in placement budgets
  - (b) the progress made in helping the elderly and other vulnerable people to live independent lives and the savings this generates
  - (c) the impact of the extra investment in repairing and maintaining the county's roads
  - (d) the benefits to be derived from the new property strategy
  - (e) the use in 09/10 of £4m from the general reserve and the '1C4W' £14.125m savings forecast for 10/11 on one off projects. The task group has strong concerns and reservations regarding the use of this funding, particular the '1C4W' savings forecast for 10/11, and requests that there be regular and rigorous monitoring of its use on one off projects during 09/10.

### *Public Consultation*

18. In addition to holding consultation meetings and events across the county this year, voting cards were used to gather feedback on the public's priorities for the 09/10 budget. Over 600 voting cards were completed as a consequence, and these identified schools and other services for children, adult care services and community safety to be the public's top three priorities.

### *The Wiltshire Place Survey*

19. This survey was carried out on behalf of the Department for Communities & Local Government as a way of collecting performance data on a number of partner organisations including county and district councils, fire, police and health services. This survey included a question on public satisfaction with council services, and found that there is high levels of satisfaction regarding refuse collection, local tips and recycling centres and libraries, but low satisfaction in theatres / concert halls, keeping land clear of litter and refuse, and local bus services.

### *Consultation with the "People's Voice" Panel*

20. From consultation with the "people's voice" panel this year, the services that this representative section of the Wiltshire population wanted to see receive additional funding in 09/10 relate to road maintenance, adult social care services for older people and community safety and reduction in anti-social behaviour.

### *Member Consultation*

21. Apart from the IE's role in developing proposals for the 09/10 budget, the budget scrutiny task group's and JOSTB's roles in overseeing the budget setting process, and the special JOSTB meeting, there appears to have been no other provision for member consultation during the budget setting process. This lack of opportunity for member consultation was compounded by the later than scheduled publication of meaningful detail on the budget, which was issued to members at the beginning of January 2009, rather than November 2008 as initially promised. Whilst appreciative of the reasons for the late publication of this meaningful detail, i.e. the considerable task of drawing five council budget lines into one consolidated budget, the task group nonetheless maintains that there should have been an opportunity for member consultation on the emerging priorities earlier in the budget setting process. Consequently, the task group recommends that the 2010/11 budget setting process should include a members' seminar to take place shortly after the budget review meetings (see [Table 2, line 8, page 3](#)), so that the findings and conclusions from these meetings can be discussed and members can be given an opportunity to comment on emerging budget priorities ([recommendation 6](#)).

## **Key Findings from the Task Group's Monitoring of the 2008/09 Budget**

### *Revenue Budget 2008/09*

22. The main cost pressures contributing to budget variations during 2008/09 have been in relation to children's social care and special school placements, adult mental health, passenger transport, central ICT costs and capital financing costs. The task group has received a number of reports showing the progress that has been made to minimise the likelihood of a revenue budget overspend at the end of the year. The latest report, giving the overall position as at the 31<sup>st</sup> December 2008 detailed an underspend of £105,000.
23. Mindful that cost pressures relating to children's social care and special school placements have been ongoing since the start of the financial year (and have been a feature of previous year's budgets), the task group would like the new Children's Services Select Committee to revisit the report and recommendations made as a consequence of the 2005/06 task group review into the cost and demand of contracted out placements (recommendation 7).
24. The revenue budget outturn report is due to be submitted for member consideration in May / June 2009, when members will be asked to authorise a series of rollovers should the outturn show an underspend against the 2008/09 budget, or to approve proposals for the management of an overspend.
25. The task group has expressed concern since the beginning of 2009 regarding the absence of budget monitoring that has taken place publicly by executive members, either by the county council's cabinet or the IE. The last public report produced for budget monitoring purposes was in January 2009 and this detailed the county council's 08/09 revenue budget position to the 30<sup>th</sup> November 2008. Whilst the task group has been able to obtain monitoring updates and discuss the detail behind top level figures through its informal fact finding meetings, it questions the executive's reasoning for not maintaining its monthly public reporting, which has been a feature of the cabinet's work programme for the last four years. The task group would like confirmation to be given regarding the way in which budgets will be monitored in the new council, and reassurance that the new financial management system will deliver better and more timely information (recommendation 8).

### *Capital Budget 2008/09*

26. This was the first year that the task group took a role in monitoring the capital budget, and its main concerns relate to the significant size and value of the overall capital programme even before incorporating capital projects from the four district councils. The task group has made a start at understanding the risks and pressures facing the capital programme and the processes involved in managing it, and has used updates from the Capital & Assets Board to inform its considerations. Members' future role in scrutinising the capital budget will require continued support and assistance from finance officers.

**Tony Molland (Chairman – Budget Scrutiny Task Group)**

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## Recommendations

<u>Recommendation</u>	<u>Responsibility</u>	<u>By When</u>
(1) With the full impact of the economic recession as yet still unknown and likely to become more apparent in the run up to the setting of the 10/11 budget, the Budget & Performance Scrutiny Task Group in the new council should give careful consideration to research findings and reports produced on the impact of the recession. This should include consideration of reports due to be submitted to the Wiltshire Assembly in Spring 2009 (paragraph 14(a)).	Budget & Performance Scrutiny Task Group	Oct 09
(2) There should be robust scrutiny and monitoring of the council's capital programme and budget in the new council, particularly now that approximately £75m of this is funded by unsupported borrowing (paragraph 14(b)).	Budget & Performance Scrutiny Task Group	Ongoing from Jun 09
(3) Mindful of the considerable investment income lost as a consequence of frozen assets in the Heritable Bank, scrutiny should continue to monitor the progress made in recovering these assets (paragraph 14(c)).	Budget & Performance Scrutiny Task Group	Ongoing from Jun 09
(4) That overview and scrutiny of the budget setting process for 2010/11 ask questions concerning the rationale for the distribution and delegation of budgets to area boards, i.e. is it a fair and equitable model of distribution, and will it help to realise local objectives and corporate goals (paragraph 14(d)).	Budget & Performance Scrutiny Task Group	Ongoing from Sept 09
(5) Consideration of the following key features of the 09/10 budget, as identified from the Special JOSTB meeting of the 17 <sup>th</sup> February 2009, should be incorporated into the work programme of the new Budget & Performance Task Group (paragraph 17):  (a) the impact of the £115,000 revenue growth bid for the Department for Children & Education's new service director, on efficiencies particularly in placement budgets  (b) the progress made in helping the elderly and other vulnerable people to live independent lives and the savings this generates	Budget & Performance Scrutiny Task Group	Ongoing from Jun 09



<p>(c) the impact of the extra investment in repairing and maintaining the county's roads</p> <p>(d) the benefits to be derived from the new property strategy</p> <p>(e) the use in 09/10 of £4m from the general reserve and the '1C4W' £14.125m savings forecast for 10/11 on one off projects. The task group has strong concerns and reservations regarding the use of this funding, particular the '1C4W' savings forecast for 10/11, and requests that there be regular and rigorous monitoring of its use on one off projects during 09/10.</p>		
<p>(6) A members' seminar should be arranged by the executive as part of the 2010/11 budget setting process and this should take place shortly after the budget review meetings (see Table 2, line 8, page 3), in order that the findings and conclusions from these meetings can be discussed and members can be given the opportunity to comment on emerging budget priorities (paragraph 21).</p>	<p>Leader &amp; Chief Financial Officer</p>	<p>30<sup>th</sup> Jun 2009</p>
<p>(7) Mindful that cost pressures relating to children's social care and special school placements have been ongoing since the start of the financial year (and have been a feature of previous years' budgets), the Children's Services Select Committee should revisit the report and recommendations published as a consequence of the 2005/06 task group review into the cost and demand of contracted out placements (paragraph 23).</p>	<p>Children's Services Select Committee</p>	<p>Sept 2009</p>
<p>(8) As a consequence of the task group's concerns regarding an absence of public reporting of the county council's budget monitoring data since the 30<sup>th</sup> November 2008, the executive should give confirmation regarding the way / frequency in which budgets will be monitored in the new council and reassurance that the new financial management system will deliver better and more timely information (paragraph 25).</p>	<p>Chief Financial Officer</p>	<p>30<sup>th</sup> Jun 2009</p>

**Note on Reporting Process:**

***This report and its recommendations will be considered by the Joint Overview & Scrutiny Transition Board on the 8<sup>th</sup> May 2009 and the Overview & Scrutiny Management Committee on the 15<sup>th</sup> May 2009. Subject to the board's and committee's endorsement of the recommendations, the report will be submitted to the Leader and Chief Financial Officer for consideration, and a formal response requested.***

## APPENDIX 1

