



Report of the Budget Scrutiny Task Group

June 2008

Overview of 2008 - 2009 Budget Setting Process &

Outcome of 2007 - 08 Budget Monitoring Activities



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Glossary of Terms

CfPS	Centre for Public Scrutiny
CIPFA	Chartered Institute of Public Finance & Accountancy
CLT	Corporate Leadership Team
CSR	Comprehensive Spending Review
DCE	Department for Children & Education
DCS	Department for Community Services
DOR	Department of Resources
ESD	Environmental Services Department
LABGI	Local Authority Business Grant Initiative
LGIU	Local Government Information Unit
LGR	Local Government Reorganisation
MTFS	Medium Term Financial Strategy

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1: Executive Summary & Recommendations

1.1 Executive Summary

1.1.1 *Overview of 2008 – 2009 Budget Setting Process*

In carrying out this overview, the task group has paid particular attention to the revisions made to the medium term financial strategy and to the way in which this and the budget setting process as a whole was influenced by the new framework policy for the management of resources, performance and risk (see paragraphs 4.1.1 – 4.1.10, on pages 8 – 10).

1.1.2 *Available Resources and Spending Proposals*

The confirmation of a low formula grant settlement from government for 2008/09 and the restrictions placed on how much could be raised locally in council tax revenue, confirmed the executive's approach which it had agreed during the process, of building a budget based on the principle of a cash freeze. Whilst respecting this cautious approach, the task group comments in the report on its concern regarding the 4.8% council tax increase, agreed by council on the 12th February 2008 (see paragraphs 4.2.2 – 4.2.9, on pages 12 – 15).

1.1.3 *One Council Transition Costs*

During the process, the chairman of the task group commented at cabinet meetings on a number of issues relating to the budget setting process, one of which related to the use of the county council's reserves in 2007/08, 2008/09 and 2009/10 to fund the costs of becoming a unitary authority (see paragraph 4.2.4, on page 14).

1.1.4 *Public Consultation*

The task group's evaluation of the consultation process carried out for the budget setting process, involved it in analysing the outcome of the public consultation exercises and in noting that meetings with businesses and the wessex chamber of trade took place as in previous years (see paragraphs 4.3.1 – 4.3.6, on pages 15 – 18). The task group comments in this report on the fact that the 2008/09 revenue budget reflects a number of the spending priorities as expressed by the public during this process, particularly in regard to the maintenance of roads and footpaths. Also, with respect to future public engagement in decisions concerning the councils budget, the task group will be monitoring with interest plans to introduce participatory budgeting methods in the community areas (see paragraph 4.3.7, on page 18).

1.1.5 *Consultation with Members*

In response to a recommendation from this task group in June 2007, members received a briefing note to explain the four specific opportunities for them to engage in the 2008/09 budget setting process, including a members' seminar, the joint scrutiny meeting, political group meetings and the county council budget setting meeting itself. In this report, the task group critiques the effectiveness of the members' seminar and the joint scrutiny meeting in particular (please see recommendations 1, 2 and 3 on page 3).

1.1.6 *Overall Finding on Overviewing the Budget Setting Process*

The task group's overview of budget setting for 2008/09 has found this to have been open and transparent, and recommendations 1, 2 and 3 have been formulated with the intention of enhancing what is already a tried, tested and proven process.

1.1.7 *Revenue Budget Monitoring*

Since commencing the task group's revenue budget monitoring activities in July 2006, the custom of scrutinising budget material and then feeding back to cabinet on a monthly basis with issues of concern, is proving to be effective and well respected.

1.1.8 *Budget Monitoring Protocol*

This activity has been supported by an agreed protocol with the executive, which includes an arrangement whereby informal fact finding meetings take place with departments and cabinet members to improve the task group's scrutiny of what is often complex and sensitive budget data. This arrangement has been commended by both officers and members of the executive (see paragraphs 4.4.1 – 4.4.7 on page 20 – 21).

1.1.9 *Budget Control & Value for Money*

Mindful of ongoing cost pressures and budget volatility, a main focus of the task group's monitoring activities has been to scrutinise the control of budget positions, i.e. are services over or under spending. As a consequence of reviewing the monitoring protocol, the task group intends to maintain that focus, but to also increase its scrutiny of the value for money achieved, i.e. is spending achieving what was intended (see paragraph 4.4.8 on page 21).

1.1.10 *Development Fund*

As requested, the task group has given careful consideration to, and expressed broad support for, the 13 bids put forward to the development fund in 2007/08. Paragraphs 4.4.11 – 4.4.15, on pages 23 - 24 of this report detail the task group's main findings relating to the development fund. This, principally, was to initially raise a concern regarding an apparent discrepancy in the way in which the surplus council tax collection fund (which made up the development fund) was utilised in 2007/08 and 2008/09. This initial concern has since been allayed by the director of resources.

1.1.11 *Capital Budget & Programme*

The only other recommendation (see recommendation 4 on page 3) the task group is making in this report is to request the overview and scrutiny management committee to extend its remit to overview and monitor not just the revenue but also the capital budget and programme, mindful of its increasing scale and significance (see paragraph 4.4.16 on page 24).

1.2 Recommendations

Recommendation		Responsibility	Completion Date
1. That the members' seminar on the budget be carefully scheduled in order that it can facilitate more meaningful debate, with cabinet sharing draft budget priorities, to provide non-executive members with an improved opportunity to engage in the prioritisation process, which in turn should be used to inform cabinet's consideration of updates during the budget setting process (see paragraph 4.2.6, page 14 of full report).	-	Leader	July 2008 (to coincide with the issuing of the guidance notes to officers on the 09/10 budget setting process)
2. The holding of the joint scrutiny meeting should remain a step within the timetable for the setting of the 2009/10 budget (see paragraph 4.3.12, page 19 of full report).	-	Overview & Scrutiny Management Committee	June 2008 (to ensure that this is reflected in the guidance notes as referred to above)
3. Improvements should be made to the way in which updated material is produced for the joint scrutiny meeting, particularly bearing in mind the confusion that arose towards the end of the 2008/09 budget setting process, regarding the accuracy of service standards' data in reflecting the adjustment of headroom allocations. Therefore, just as amended information regarding available resources and spending proposals is provided, corresponding data to reflect revised service standards should also be issued, accompanied with full explanatory notes (see paragraph 4.3.13, page 19 of full report).	-	Service Directors, with the Chief Financial Officer and Assistant Director (Performance & Review)	January 2009 (to be ready for the issuing of material for the Joint Scrutiny Meeting)
4. Following 18 months experience in revenue budget monitoring, and bearing in mind the growing significance of the capital programme, the budget scrutiny task group should also be assigned a role in monitoring the council's capital budget and in scrutinising the way in which it is set (see paragraph 4.4.16, page 24 of full report).	-	Overview & Scrutiny Management Committee	June 2008

Note on Reporting Process:

This report and its recommendations will be considered by the overview and scrutiny management committee on the 12th June 2008. Subject to the committee's endorsement of the recommendations, the report will be submitted to the leader for consideration, and issued to all members of the council for information.

2: Introduction

2.1 Purpose of Scrutiny Exercise

2.1.1 *Overview of 2008 – 2009 Budget Setting Process*

In carrying out an overview of the annual budget setting process, including consultation arrangements, the task group performs a 'check and balance' exercise which helps to ensure that the process is open, transparent, accountable and inclusive.

2.1.2 *2007 – 2008 Budget Monitoring*

Findings from the task group's budget monitoring activities are used to call the cabinet to account for its monthly budget monitoring.

2.2 Methodology

2.2.1 *Task Group Composition*

This cross-party member task group is chaired by Mr Tony Molland, vice-chairman of the overview and scrutiny management committee, and consists of five other councillors – Mr Patrick Coleman, Brigadier Robert Hall (until the 13th May 2008), Mr Bill Moss, Mr Jeff Osborn and Mr Ricky Rogers.

2.2.2 *Evidence Gathered*

The task group has held meetings with the cabinet members for community services, education and youth development, children and families, staffing and customer care, ICT, procurement and partnerships, and heard evidence from a number of senior officers, including the chief executive, the director of resources, the chief financial officer, and directors and assistant directors from the DCE, the DCS and the ESD.

2.2.3 The evidence was presented as formal reports, and supplemented by information gathered from informal 'fact finding' meetings with individual departments. Evidence was sought according to the following themes:

- the Medium Term Financial Strategy 2007 - 2012
- the Revenue Budget Setting Process 2008 - 2009
- the Revenue Budget Consultation Process 2008 - 2009
- Revenue Budget Monitoring 2007/08
- the Guide to Council Services & Council Tax Spending Summary 2008 - 2009

3: Background

3.1 Role of Scrutiny in Budget Setting & Monitoring

3.1.1 *Local Government Act 2000*

This Act states that it is the role of scrutiny in the financial process to hold the executive to account and ensure that decision making is efficient, transparent and accountable.

3.1.2 *Local Government Act 2003*

This Act introduced a requirement for members to be involved in budget monitoring throughout the year. The Act does not specify whether this is primarily an executive or scrutiny function.

3.1.3 *Adding Value*

As explained in “*On the Money – The Scrutiny of Local Government Finance*” – a guide compiled by CIPFA, the CFPS and the LGIU, there are four key roles where scrutiny can add value to the council’s management of its finances:

- (a) challenge whether processes are effective and accessible
- (b) challenge how resources are allocated, monitor how they are used, and examine their impact
- (c) evaluate whether the council is directing its resources to meet priorities and to achieve value for money
- (d) challenge the executive’s management of the council’s finances

3.1.4 In seeking to refine its approach and to build upon its past successes, the task group has drawn from material included in this guide, and makes recommendations later in this report regarding its future role ([see paragraphs 4.3.13, 4.4.8 and 4.4.16](#)).

3.2 Key Issues Influencing the Council’s Budget

3.2.1 *Strong & Prosperous Communities*

Aspects of this Local Government White Paper and subsequent Local Government & Public Involvement in Health 2007 Act, particularly the new performance regime, revised local area agreement and partnership arrangements, and local government reorganisation, influenced how 2008/09 budget was set. Notable examples of this were investment in the new shared services team and to fund transition costs in moving to one council, a new service standard for the number of community area board meetings held, and changes to the way in which the central government revenue support grant was distributed. This is explained in the next paragraph.

3.2.2 *Comprehensive Spending Review (CSR) 2007*

This review led to a three year government spending period (2008 – 2011), where the rate of growth is to be lower than that of previous spending periods. The CSR, in line with the White Paper's aspirations for empowered local government, reduced the amount of grant ring-fencing, bringing some former specific grants into the mainstream revenue support grant and others into new area based grants, for local authorities to work with partners in allocating.

3.2.3 *Efficiency Savings*

The CSR also announced support for local government in making further value for money savings, with the expectation that local authorities make 3% annual cashable efficiency savings from 2008/09. The major planned efficiency drives for this council over the medium term are the business management programme and the move to one council.

3.2.4 *Remaining a Floor Authority*

The council received only a 2% increase in revenue funding from government for 2008/09. This was the lowest of the county council settlements, and was made even less palatable by neighbouring south west local authorities receiving considerably higher settlements (8.4% for Somerset, 4.1% for Gloucestershire and 10.9% for Dorset). There is a likelihood that settlements in 2009/10 and 2010/11 will be even tighter and below the rate of inflation, despite rising costs and increasing demand for services.

3.2.5 *Leader's Budget Priorities*

The opening sentences of the leader's presentation of the 2008/09 budget to Council on the 12th February was:

"Members will be aware that the Orders for a Unitary Council for Wiltshire were approved by Parliament last week, and it is now probable that the budget I am proposing today will be the last for this council.

What then are my priorities for this last budget. They are to at least sustain performance, lay foundations for the new council and respond to public concerns and priorities."

3.2.6 In taking the concerns and priorities of the public first, the leader highlighted that, whilst these varied from area to area, the top five priorities were adult social care, roads / pavements / street lighting, vulnerable children, community safety and waste management. The leader's presentation then went on to explain how the public's priorities had been reflected in the 2008/09 budget – to at least sustain performance in those areas and to improve it in services for children, young people and vulnerable adults.

3.2.7 In regard to performance and laying the foundations for the new council, the leader went on to explain that:

“The public expects value for money, and the Auditor’s recent judgement on our performance is particularly pleasing when he says that our overall costs are low compared with other similar councils, the balance between costs and performance is positive, spending is generally in line with priorities, and the council is delivering efficiency savings that exceed government targets, and investment is being targeted at improving value for money in the longer term.”

3.2.8 *Continuing Cost Pressures*

For the most part of 2007/08, the department for community services (DCS) and the department for children and education (DCE) faced significant pressures in managing their costs and services within the budget set for that year. This followed the 2006/07 financial year when the council had little option but to place itself in corporate recovery, due to a projected overspend of £11m in DCS. Within this context of constraint, departments were requested to build their budget proposals for 2008/09 on the premise that budget limits would be restricted to those set for the 2007/08 budget.

3.2.9 In addition to increasing pressures on the revenue budget, the value of, demands upon, and risks inherent in the capital programme also continue to rise, particularly due to the need to renew the county’s road infrastructure and ageing school estate. Government support for capital schemes also changed, with grant funding replaced by supported borrowing in 2008/09. This impacts on the revenue budget which will need to meet the annual cost of the supported borrowing, including interest and provisions for repayment of the debt. Whilst adjustment is made to the revenue support grant to reflect these costs, due to the council being a “floor authority”, this is not received as a cash increase.

3.2.10 *Council Tax Increase Capping at 5%*

Finally, the level of resources which could be raised from council tax for 2008/09 was limited by the minister for local government’s stipulation that the average increase nationally should be substantially below 5%. This was a matter of particular concern to the task group during the budget setting process, which feared that any increase not adhering to the minister’s stipulation would run the risk of capping. In the end the council set its increase at 4.8%, and the average council tax increase nationally was 3.5%.

4: Findings

4.1 Medium Term Financial Strategy 2007 - 2012

- 4.1.1** Each year the council's medium term financial strategy (MTFS) is revised to reflect the county council's priorities and objectives. Whilst not part of the budget setting process, the MTFS is used as a planning tool to:
- assess available resources at the beginning of the process
 - ensure corporate goals are affordable
 - identify patterns in costs and income, and where action is needed to ensure corporate priorities are met
 - allow the strategic direction of the authority to be set
 - predict the council's financial position over the next 5 years, and shapes the efficiency and cost reduction plans required.
- 4.1.2** The revised MTFS which was presented in June 2007 identified that, at that time, estimates of incoming resources were insufficient to meet the spending requirements associated with service delivery plans for the next 5 years. This prediction was based on analysis which indicated rising costs and demand for services for children and older people, mental health, learning and physical disability services, and rising costs from changing legislation, i.e. landfill tax, and school passenger transport.
- 4.1.3** In order to address this, a cost reduction and efficiency programme was agreed as reflected in [Table 1, below](#).

Table 1: Cost Reduction & Efficiency Programme

	Budget	Forecast			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m	2011-12 £m
Total Spending Plans	668.2	677.9	691.4	718.7	741.9
Total Incoming Resources	667.9	670.1	685.1	709.1	734.9
Target	0.3	7.8	6.8	9.6	7.0

- 4.1.4** The MTFS assumed that from 2008/09 the cost reduction and efficiency targets would be achieved in part from major projects such as 'ways of working', the business management programme, and new care commissioning strategies. The remaining balance would be achieved by departments working together to reconsider service delivery plans, requiring detailed reviews of service areas focusing on costs, performance and risks, to be undertaken as part of setting the 2008-09 budget. These reviews would focus on maintaining services which meet priorities and targets identified in the corporate plan.

- 4.1.5** Being revised in June 2007 the MTFs excluded the impact of the, then potential local government review (LGR), to reflect a steady state. However, to assist the budget setting process, a simple model was developed to reflect the potential impact of LGR ([see Table 2 below](#)).

Table 2 : Five Year Model Summary Reflecting Unitary Submission

	Budget	Forecast			
	2007-08 £m	2008-09 £m	2009-10 £m	2010-11 £m	2011-12 £m
Expenditure					
Net Revenue	232.1	260.7	314.3	319.0	327.7
Income Continuing	347.5	360.4	555.0	574.8	591.6
Income Unconfirmed	11.3	13.0	11.2	10.0	13.6
Gross Revenue	590.9	634.1	880.5	903.8	932.9
Children and Education	334.8	348.8	361.5	376.9	390.3
Community Services	136.3	143.6	150.4	157.5	165.0
Environmental Services	68.7	75.8	80.1	86.2	89.8
Resources	45.7	47.2	48.3	49.8	51.3
LABGI and LPSA	0.7	2.1	1.5	0.0	0.0
Major Projects	3.0	4.2	1.4	1.9	1.9
Movements on Reserves	0.6	0.7	0.7	0.7	0.7
District Services Cost	0.0	0.0	236.3	242.2	248.4
Transitional Costs of Unitary Status	1.1	10.4	5.1	1.1	0.3
Savings from Unitary Status	0.0	-0.1	-6.4	-12.5	-14.7
	590.9	632.7	878.9	903.8	933.0
Capital	74.7	56.1	82.6	80.3	78.2
Movement in Capital Reserves	2.5	- 0.6	0.0	0.0	0.0
Cost Reduction & Efficiency Programme	- 0.3	- 7.7	- 3.4	- 2.3	0.5
Transition Cost Funding	0.0	- 10.4	- 5.1	- 1.1	- 0.3
Total Spending	667.8	670.1	953.0	980.7	1011.5
Incoming Resources					
Revenue Support Grant	8.8	9.0	12.2	12.5	12.8
NNDR	52.5	53.6	80.7	82.3	83.9
Council Tax	170.5	178.7	211.3	220.8	231.4
Band D increase*		4.8%	3.8%	3.8%	3.8%
Net Revenue	231.8	241.3	304.2	315.6	328.1
Income Continuing	347.6	360.4	555.0	574.8	591.6
Income Unconfirmed	11.3	13.0	11.2	10.0	13.6
Gross Revenue	590.7	614.7	870.4	900.4	933.3
Capital Funding	77.2	55.4	82.6	80.3	78.2
Total Incoming Resources	667.8	670.1	953.0	980.7	1011.5

* It is assumed that during council tax equalisation the highest council tax increase is 3.8%. The lowest is 3.05%.

- 4.1.6** The task group will continue to receive annual update reports on the MTFs, and to evaluate how effectively this strategic financial planning tool continues to prepare departments for the annual budget setting process and the business direction of the council's service delivery in the medium term.

4.1.7 *Framework Policy on the Management of Resources, Performance & Risk*

In revising the corporate plan and the MTFS, and in preparing for the 2008/09 budget setting process, a stronger emphasis was placed on seeing the link between budget, performance and risk. A new framework policy on the management of resources, performance and risk was approved by cabinet in March 2007 to assist with this.

4.1.8 This framework policy is intended to respond to the increasing uncertainty, instability, demand and cost facing local government, and to the requirement that these pressures be managed more in partnership with agencies and local communities, i.e. through the new local area agreement and new community governance arrangements. It recognises that, increasingly, managing resources and performance will involve active management of the risks, minimising the likelihood that they will materialise and mitigating their impact if they do. To support this, “Excelsis” - a new interim performance management system was introduced, to enable the council to hold performance and risk information on one electronic system, as opposed to managing this across a series of individual service spreadsheets. This system was procured as an interim measure to help the council prepare for (and to be replaced by) the new business management system.

4.1.9 *Budget Review Workshops*

To revise the MTFS and prepare for the 2008/09 budget setting process, the new framework policy for the management of resources, performance and risk was used to inform a series of budget review workshops, with key service areas representing 80% of the council’s gross service expenditure - the high risk areas to the organisation, and to its medium term future. The issues explored in these workshops included:

- what are the service costs
- what drives these costs
- what is delivered in terms of service standards and performance indicators
- how do we compare to others
- are we getting value for money
- what are the main risks.

4.1.10 The outcome from these workshops, and from similar exercises carried out by those services representing the remaining 20% of the council’s gross service expenditure, helped to support the annual service planning, MTFS and corporate planning cycle to ensure an enhanced level of robustness to the medium term planning process.

4.2. Revenue Budget Setting Process

4.2.1 2008 / 2009 Budget Setting Process Timetable

The process detailed at [Table 3](#) was followed in the setting of the 2008/09 budget:

Table 3 : 2008/09 Budget Setting Process Timetable

(A)	26 th Jun 07	Cabinet agrees the revised Medium Term Financial Strategy
(B)	1 st Jul 07	Corporate finance issue budget guidance notes to departments to support them in preparing proposals for the 08/09 budget
(C)	9 th Jul 07	Discussion paper on the budget process and financial plan considered by corporate leadership team (CLT)
(D)	Commencing 10 th Jul 07	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 2007/08 service levels (ii) unavoidable costs, i.e. demography, inflation, higher demand (iii) growth items to deliver corporate plan
(E)	19 th Sept 07	Discussion paper on the financial plan and budget prospects considered by cabinet liaison
(F)	Commencing 24 th Sept 07	Detailed budget review workshops for service areas
(G)	Oct 07	CLT discuss outcome from workshops and consider impact on budget
(H)	30 th Oct 07	Cabinet considers draft financial plan report, which provides a provisional planning total of £240.005m for 2008/09
(I)	11 th Oct / 14 th Nov / 5 th Dec	Cabinet liaison debate budget priorities and allocation of resources
(J)	Nov 07	Members' briefing note issued to clarify the opportunities available for members to engage in the budget setting process
(K)	Nov 07	Public budget consultation meetings
(L)	4 th Dec 07	Members seminar to provide an opportunity for members to comment and consider issues impacting on the setting of the 2008/09 budget
(M)	18 th Dec 07	Cabinet discusses latest resource information and financial plan movements
(N)	14 th Jan 08	Issuing of bound suite of budget reports to all members, including information on projected revenue spending for 07/08, the draft revenue budget 08/09, the capital programme 08/09 – 10/11, the treasury management strategy 08/09 and a statement on the robustness of estimates and reserves
(O)	22 nd Jan 08	Cabinet considers recommendations for the 2008/09 budget
(P)	1 st Feb 08	Cabinet is asked to approve the leader's recommendation for the 2008/09 budget
(Q)	5 th Feb 08	Joint scrutiny meeting – all members are provided with an opportunity to scrutinise the leader's budget motion
(R)	12 th Feb 08	County council meet to set the 2008/09 budget and council tax

4.2.2 The budget set by the county council on the 12th February is detailed in [Table 4](#) below. In agreeing this budget, the council also agreed to the precept for 2008/09 being £179.449m, and a council tax increase of 4.8%, noting that central government funding had been confirmed as £69.342m (including revenue support grant and the share of national non domestic rates). [Table 5 on page 13 provides more detail.](#)

Table 4 : 2008/09 Net Revenue Budget

	£m
Children and Education	
Funding Schools	0.000
Children and Families	35.785
Strategic Services (was R&I)	0.575
Early Years	0.000
School Support	3.227
Young People	3.962
School Buildings & Places	0.692
	44.241
Community Services	
Older People	38.597
Physical Impairment	5.306
Learning Disabilities	27.091
Mental Health	17.479
Central Services	3.961
Supporting People	0.000
Libraries and Heritage	6.588
Community Safety	0.132
Development Services	0.794
	99.948
Environmental Services	
Highways	20.429
Passenger Transport	14.067
Waste Management	18.037
Planning and Environment	2.341
Trading Standards	1.533
Other Services	2.042
	58.449
Resources	
Core (including Democratic Services)	3.529
Corporate Services	4.425
Finance	24.558
Performance & Risk	0.237
ICT & Procurement	10.414
	43.163
Contribution to Balances	0.660
Earmarked Reserves	(8.882)
Major Projects - Revenue	2.003
One council for Wiltshire	10.750
District Services	0.000
Total Net Budget	250.332

Table 5 : 2008/09 Revenue Budget – Spending & Council Tax

Col.1	Col.2	Col.3
Revenue Budget 2007-08 £ million		Revenue Budget 2008-09 £ million
230.003	Planned Spending on Services	258.554
0.667	Contribution to balances	0.660
1.138	Contribution to / (from) Earmarked Reserves	(8.882)
231.808	Budget Requirement	250.332
	Funding	
	Government support:	
52.538	National non-domestic rates	60.869
8.817	Revenue Support Grant	8.473
1.615	Collection fund adjustments	1.541
168.838	Precept	179.449
231.808		250.332
0.173	Tax-base	0.176
973.85	Band D Tax	1020.59
	2008-09 Increase against 2007-08 Band D	4.80%

4.2.3 *Overview of the 2008/09 Budget Setting Process*

In carrying out a general overview of the budget setting process, the task group was informed that the 2008/09 budget, as with the MTFS, would be devised, based on the methodology set out in the council's framework policy for the management of resources, performance and risk. This would involve budget options being developed as a consequence of the service review workshops, and finalised through a series of discussions with cabinet and chief officers.

4.2.4 From its consideration of update reports produced to inform the setting of the budget, the task group submitted a number of observations to cabinet during the process, including:

- concerns over the proposed level of council tax increase (4.8%), mindful of the local government minister's stipulation that a national average increase not substantially below 5% would result in him exercising his capping powers
- to suggest that the additional headroom arising from surplus collection fund monies be used to lower the council tax increase rather than be contributed towards service budgets
- concerns over the use of the county council's reserves in 07/08, 08/09 and 09/10 being used to fund the costs of becoming a unitary authority, particularly as this impacted upon the LABGI fund, the 'invest to save' scheme, and the capital contingency reserve

4.2.5 The task group has found that, as for the 2007/08 budget, the process in setting the 2008/09 budget has been open and transparent. In over-viewing future years' budget setting processes members will need to be mindful of the uncertainties in future funding from central government, in the growing demand for the council's services, and of the need therefore for even more prudent medium to long term financial planning.

4.2.6 The task group's main concern regarding the budget setting process relates to the timing and purpose of the members' seminar (Step L, table 3 above). This seminar was recommended by the task group as a result of the 07/08 budget setting process, but it did not fully serve the purpose it had intended, i.e. to provide an opportunity for members to comment on draft budget priorities prior to their approval by cabinet. The seminar did help to raise general awareness of the key issues influencing the setting of the budget, and the task group appreciates that the level of resources and spending for 08/09 had not been finalised at the time the seminar was held. Nonetheless, the task group considers that there would have been sufficient information from the budget review workshops (as referred to in paragraphs 4.1.9 and 4.1.10 above) to provide an initial indication of budget priorities. Consequently, recommendation 1 of this report (see page 3) requests that more thought be given to when this seminar should take place each year. This is to ensure that more meaningful debate can be carried out on draft budget priorities, providing non-executive members with an improved opportunity to engage in the prioritisation process, which in turn should be used to inform cabinet's consideration of updates during the budget setting process.

4.2.7 *Efficiency Savings & Headroom Allocations*

Departments were asked to produce a cash freeze budget and identify efficiencies for 2008/09. Further work will continue through the year to improve the benefits realisation programme and to identify further savings. This will also focus on quantifying performance improvements which can be counted as cashable savings, but which, by their nature do not release cash back into the budget.

4.2.8 Significant savings are identified as part of the move to a unitary authority and the associated business management programme.

4.2.9 The final position on collection fund surpluses and the movement in the tax base increased resources available as headroom to £3.214m. This headroom was used to ease pressures on the 2008/09 budget, in particular for looked after children's services, passenger transport, roads, pavements and footpath maintenance and social care IT support costs.

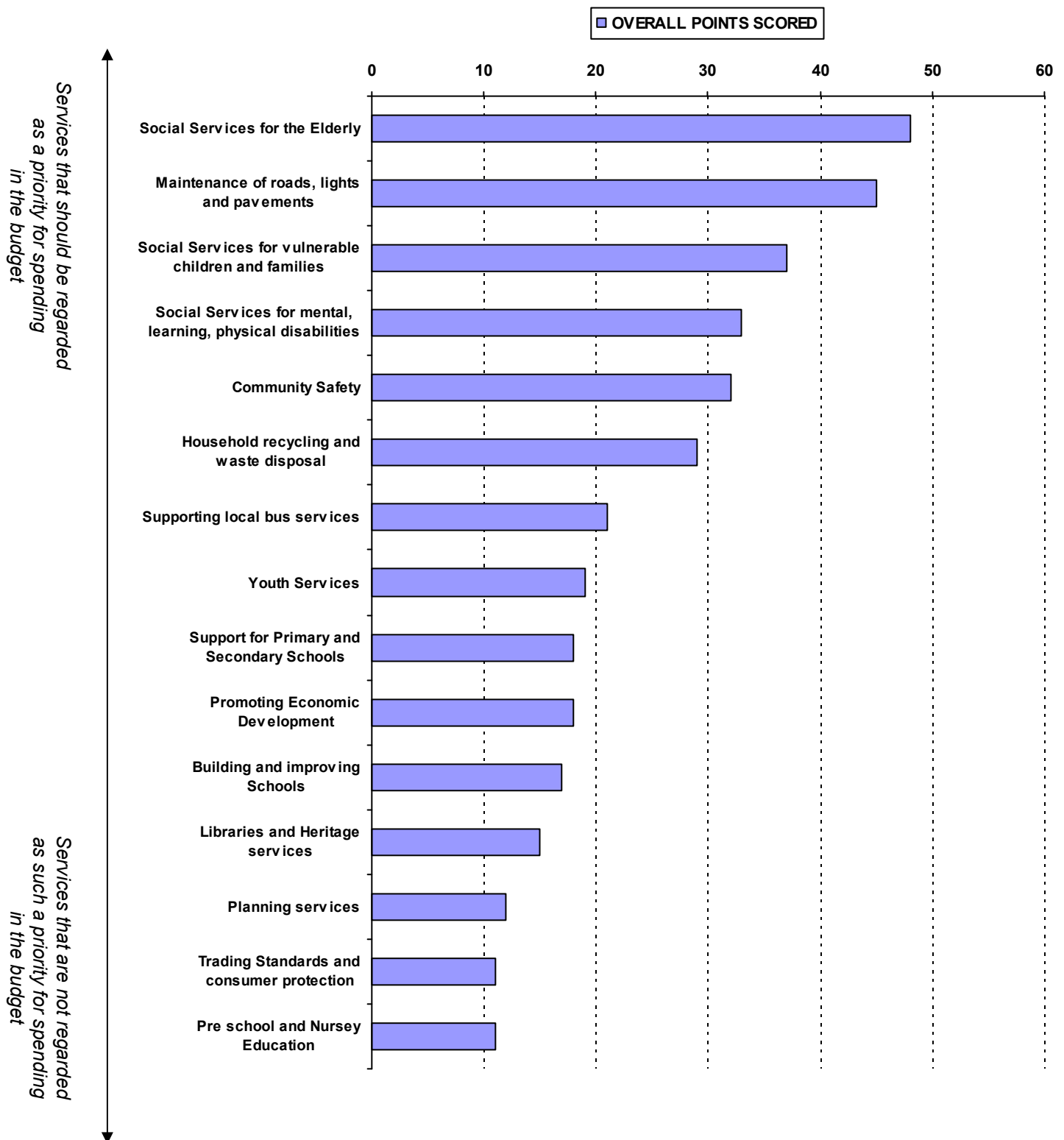
4.3 Revenue Budget Consultation Process

4.3.1 *Public Consultation*

A series of budget consultation meetings was held across the county in November 2007 as part of the 2008/09 budget setting process, with a total of 80 members of the public taking part. The meetings provided an opportunity for members of the public to hear more about the detail behind the council's budget and to gain a better appreciation of the key factors members take into account when setting the budget. The meetings also provided members of the public with the opportunity to take part in an electronic voting session. This has been used over the past three years to serve as an interactive exercise both to improve the public's understanding of the budget and to canvass their views on which service areas should be regarded as a budget priority.

4.3.2 The results of these meetings are summarised below in [Chart 1 on page 16](#). The results are, in the main, consistent with the budget priorities agreed for 2008/09 – social services for the elderly, maintenance of roads, lights and pavements, services for vulnerable children and families, and other adult care services (mental, physical and learning disabilities).

Chart 1: Results of Consultation Evenings - Analysis of Overall Priorities by Overall Points Scored by Services



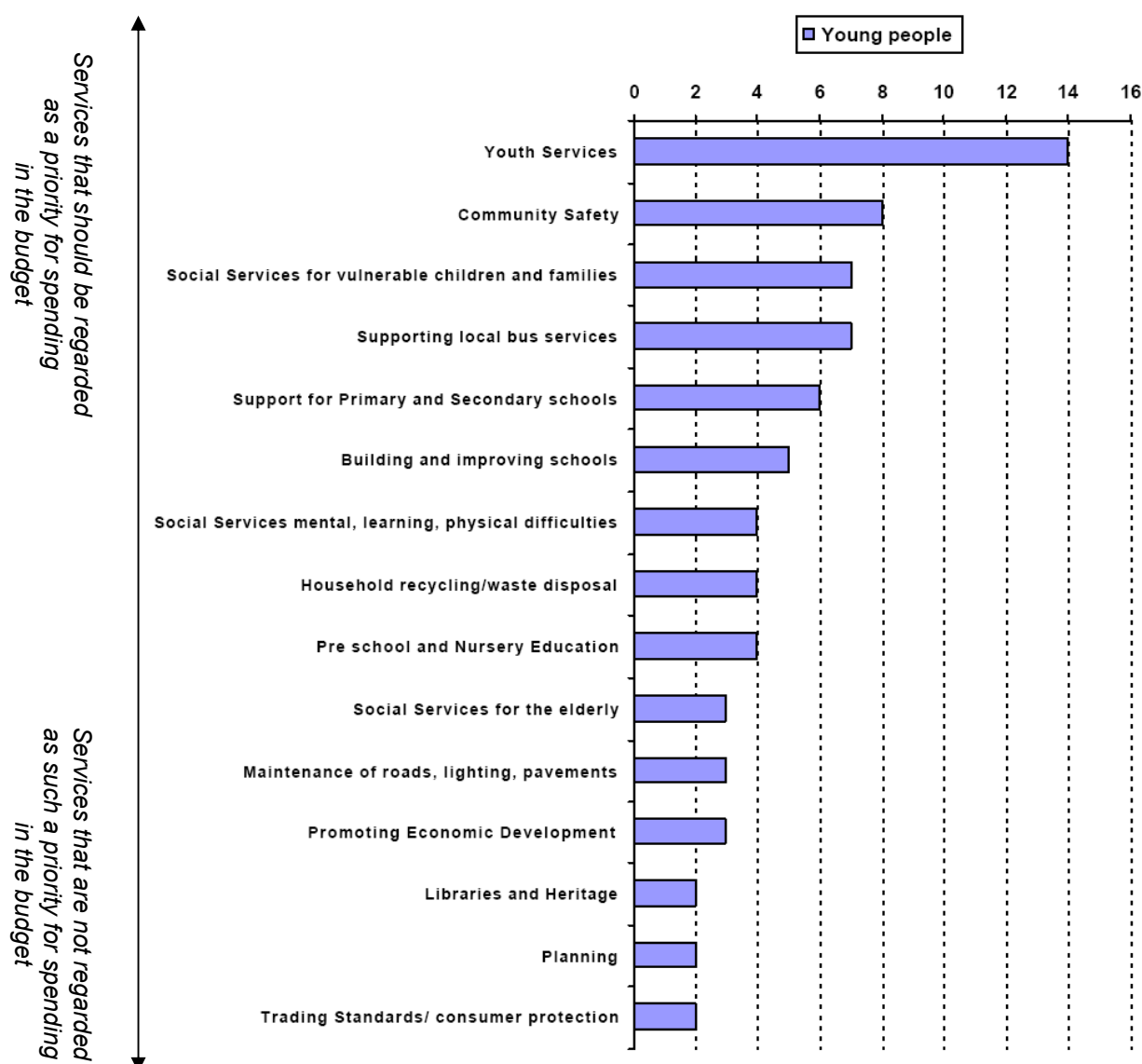
4.3.3 Consultation with the Local Business Community

Reasonable attendance was recorded at the budget consultation meeting with the wessex chamber of commerce this year. Specific business community concerns were discussed, and broad support was expressed for the proposed budget and service priorities for 08/09.

4.3.4 Consultation with Young People

This year, opportunity was taken to also canvass the views and assess the level of understanding of a group of young people regarding the council's budget. The results from the interactive quiz to assess budget priorities played at this event are illustrated below in [Chart 2](#). These indicate a number of differences with those illustrated in Chart 1, notably a lower ranking for the maintenance of roads, lighting and pavements, and for social services for the elderly, and perhaps unsurprisingly a higher ranking for youth services.

Chart 2 – Young People's Priorities for the budget



4.3.5 *Consultation with the “People’s Voice” Panel*

A separate consultation exercise was also carried out with the council’s “people’s voice” panel, which consists of 3,614 people from across Wiltshire, with the aim of this comprising at least 200 active panellists from each community area. The return rate from the exercise was 61%, with a survey asking a sequence of budget related questions, particularly to assess levels of satisfaction in council services, and where spending should be increased, maintained or reduced. Analysis of the feedback from this exercise indicated high satisfaction in libraries, recycling centres, waste disposal, rights of way, economic development, tourism, schools, public records and trading standards. The highest levels of dissatisfaction was recorded for maintenance of roads and pavements, traffic management and passenger transport.

4.3.6 *Future Plans for Public / Stakeholder Budget Consultation*

Having annually assessed the effectiveness of past budget consultation exercises with members of the public and stakeholders in Wiltshire since 2002, and having carried out research of its own in 2007 into the budget consultation practices of other local authorities, the task group appreciates both the opportunities and challenges of such exercises. Consequently, the task group concludes that the level of investment both in officer time and in other resources in public/stakeholder budget consultation has been sufficient. However, it also notes the chief financial officer’s view that the approach to consultation will require some revision in future years, particularly to coincide with the developing role of new community area boards and the piloting of “participatory budgeting”.

4.3.7 *Participatory Budgeting*

This is a new technique, first pioneered in Brazil, and adopted by the department for communities & local government as part of its drive to strengthen community involvement and empowerment in matters of local government. The task group was informed that the council would be piloting participatory budgeting through the emerging governance structure of the community area boards, as a means of improving engagement in decisions made regarding the council’s budget. Noting that this could influence the way in which the budget was set and how consultation with members of the public and stakeholders took place in future years, the task group will be keeping a watchful eye on the progress of this pilot.

4.3.8 *Member Consultation*

On the recommendation of this task group from its report on the 2007/08 budget setting process, the chief financial officer published a briefing note in November 2007 confirming the four main opportunities for elected members to engage in the 2008/09 budget setting process. These were a members seminar, the joint scrutiny meeting, political group meetings, and the budget setting county council meeting itself.

4.3.9 *Effectiveness of Joint Scrutiny Meeting*

Following a recommendation from this task group in 2006, a joint scrutiny meeting has now been incorporated into the annual budget setting process, as an opportunity for non-executive members to consider and comment on the executive's draft budget. This year's meeting took place on the 5th February, and, drawing on the leader's budget motion and other background material, members were invited to raise questions and comments in relation to the departmental budget blocks and to other cross cutting issues.

4.3.10 The task group considers that the main benefit to holding this meeting is that members' level of understanding and awareness of the rationale and justification for budget proposals is heightened. Also, the meeting helps to provide a forum for members to freely debate budget proposals outside of the more political arena of the county council budget setting meeting.

4.3.11 Consequently, this year, members took the opportunity to comment and raise concerns with respect to the following issues:

- (a) the recommended level of council tax increase
- (b) the use of collection fund surplus and final tax base adjustment as additional headroom for day to day departmental budget spend in 08/09, mindful that for the 07/08 budget setting process, officers had advised against using such sources of funding for ongoing revenue spend purposes
- (c) cost reductions in services for young people
- (d) the allocation of £85,000 from the department for community services' budget for equalities and diversity officers, in a context of many other competing priorities within this budget
- (e) public dissatisfaction with the condition of roads
- (f) transitional costs of becoming a unitary authority.

4.3.12 The task group also maintains that the joint scrutiny meeting has attracted a reasonable level of attendance from non-executive members (25 in 2007 and the same in 2008), and good representation from the executive in both years. With this in mind, and, as it provides such a useful awareness raising and consultative forum, recommendation 2 of this report ([see page 3](#)) requests that it remain a step in the 2009/10 budget setting process.

4.3.13 If repeated, the task group would like to see improvements in the way that updated material is produced for this meeting, particularly bearing in mind the confusion that arose towards the end of the 2008/09 budget setting process, regarding the accuracy of service standards' data in reflecting the adjustment of headroom allocations. Recommendation 3 of this report ([see page 3](#)), therefore requests that, just as amended information regarding available resources and spending proposals is issued towards the end of the process, corresponding data to reflect revised service standards should also be issued, accompanied with full explanatory notes.

4.4 Revenue Budget Monitoring

4.4.1 *Budget Monitoring Protocol*

Since its commissioning in 2001, the task group has had a role in calling the executive to account for its budget monitoring arrangements. As a consequence of a recommendation made by the task group in 2006, it has since had a budget monitoring role of its own, which it uses to assist it in calling the executive to account for this activity.

4.4.2 A protocol was devised in January 2007 to steer the task group's budget monitoring activities, and this was the subject of a review by the council's CLT in December 2007. The conclusion of the CLT was to reassert support for the protocol, but to also request that the task group re-focus its budget monitoring to examine not just the control of expenditure, i.e. whether budgets were under or overspent, but also the impact of expenditure, i.e. did spending achieve what was predicted/required?

4.4.3 *Fact Finding Meetings*

The budget monitoring protocol introduced a new layer of activity from January 2007, where individual task group members were each assigned to a particular department, and encouraged to meet and enquire about budgets every 6 – 8 weeks with the cabinet members and senior officers from that department. Fact finding meetings have proved to be effective in providing an informal setting where the individual task group member is able to seek clarification on data printed in the monthly cabinet budget monitoring reports, and gain access to some of the information which sits beneath the top level information contained within that report.

4.4.4 Some of the key issues which have been identified for formal scrutiny at task group meetings as a consequence of fact finding meetings include:

- (a) pressures on budgets within the DCE, especially from the cost and demand for foster, residential care and disability services, and from the capital project support costs of the Wellington Academy
- (b) rising fuel costs and other inflationary pressures on budgets in the ESD
- (c) the need to monitor pressures on the coroners service, within the DoR budget, principally now that RAF Lyneham was responsible for receiving the repatriated bodies of deceased service personnel from conflicts abroad
- (d) the ongoing issue of delayed transfer of care from acute hospitals, and of increased unit costs for learning disability day care clients, and the pressure then placed on budgets within the DCS.

4.4.5 The positive feedback received from both scrutiny and executive members and officers suggests to the task group that fact finding meetings are working successfully and serving the purpose they had intended, i.e. to improve members' understanding of detail in (and behind) budget monitoring reports and thereby to refine and strengthen formal scrutiny challenge at task group meetings.

4.4.6 The other benefit is that, in establishing the key areas for formal scrutiny from fact finding, members are better placed to know which cabinet member to call to each task group meeting. Consequently, a respected pattern of task group scrutiny and feedback to cabinet is now established, with the chairman commenting on the task group's behalf at most cabinet meetings on key issues of concern arising from budget monitoring reports.

4.4.7 *Formal Budget Monitoring Activities*

These activities begin by consideration of the previous financial year's budget outturn, and by receiving a presentation from the chief executive and the director of resources on the key pressures facing budgets in the current financial year. As a consequence of a net underspend position at the end of 2006/07 of £1.727m, £1.387m of this was invested back into services for 2007/08, with £0.340m put into general balances. Despite this, the key pressures on budgets in 2007/08 remained, principally, volatility of care placement costs for adults and children, the need to realise the benefits of new waste disposal plans, and to recover £4m in the DCS from 2006/07 budget pressures.

4.4.8 One of the questions raised during 2007/08 by the task group regarding the identification and management of budget underspends, was "how often are underspends occurring as a result of service standards or performance indicators not being achieved?" Both this question, the points made at paragraphs 4.1.7 – 4.1.10 and 4.4.2 above, has led the task group to conclude that it should explore in 08/09 the budgetary implications and outcomes of key performance issues. This would at least need to include an examination of the local public service agreements and the LAA.

4.4.9 Revenue budget monitoring in 2007/08 has mainly featured the cost pressures facing placement budgets in the DCE and those facing adult social care, learning disability and mental health services in the DCS. However, as a consequence of careful budget management, the provisional outturn for the year was published as an under spend of £3.171m (a 1.4% variation on the approved budget) (see Table 6 below). At the May 2008 cabinet meeting, the chairman of the task group congratulated executive members and officers for successfully managing to avoid the budget overspends predicted earlier in 2007/08.

Table 6 : 2007/08 Revenue Budget – Provisional Outturn

		Approved Budget 2007-08 £m	Projected Position for Year £m	Projected Variation for Year £m	Variation as % of approved budget
<u>SUMMARY</u>					
Children and Education	Gross Income Net	350.335	349.798	0.537	0.2%
		-308.121	-307.941	-0.180	-0.1%
		42.214	41.857	0.357	0.8%
Community Services	Gross Income Net	142.143	141.631	0.512	0.4%
		-50.342	-50.339	-0.003	0.0%
		91.801	91.292	0.509	0.6%
Environmental Services	Gross Income Net	70.515	69.555	0.848	1.2%
		-15.291	-15.228	-0.063	-0.4%
		55.224	54.440	0.784	1.4%
Department of Resources	Gross Income Net	46.154	45.073	1.081	2.3%
		-4.713	-5.153	0.440	9.3%
		41.441	39.920	1.521	3.7%
Amending Report		0.000	0.000	0.000	0.0%
Contribution to Balances		0.667	0.667	0.000	0.0%
Contribution to Earmarked Reserves		0.650	0.650	0.000	0.0%
LABGI Income		-0.400	-0.400	0.000	0.0%
Job Evaluation		1.847	1.847	0.000	0.0%
GRAND TOTAL		233.444	229.357	3.171	-1.4%

All DSG related projections
are highlighted *

Note **NEGATIVE**
variances =
OVERSPEND

- 4.4.10** In addition to carefully monitoring how cost pressures in service departments have been managed down during the year, the task group has also taken a keen interest in the “earmarked reserve” of £17.370m set up to accommodate the costs incurred in 2007/08, 2008/09 and 2009/10 of transferring to a unitary authority. During the year, the task group regularly fed back to cabinet on this matter, especially to raise concern that this “earmarked reserve” included funds previously set aside for economic development, capital projects, and ‘invest to save’ initiatives. The task group’s concern has been exacerbated by the advice issued to cabinet that prudential borrowing should be offered as the alternative to facilitate cashflows to ensure continuity of services in the meantime. Consequently the task group will continue to monitor and seek reassurance on transition costs related to the move to one council.
- 4.4.11** *Development Fund*
- As part of the county council’s approval of the 2007/08 revenue budget, members agreed to the setting up of a development fund of £0.888m, which comprised most of the surplus collection fund. The advice given to the cabinet and council on the use of this £0.888m included that it should not be used to resource recurrent expenditure - the development fund itself being made up of one off resources. This was the justification given for the surplus not being used to minimise the increase in the 2007/08 council tax, or to maximise planned expenditure on specific services.
- 4.4.12** Instead, the purpose of the 2007/08 development fund was to provide for strategic projects and initiatives designed to reduce future liabilities and costs by improving efficiency and by anticipating future costs.
- 4.4.13** In setting up this fund, council requested that the budget scrutiny task group also examine the bids submitted. In doing so, the task group expressed broad support for all 13 schemes approved by cabinet, which ranged from the lean systems project to a pothole repair study, and from a development strategy for residential care homes to recruiting a virtual headteacher for looked after children. However, in feeding back its support to cabinet, the task group also made the point that, as many of the schemes were to fund temporary consultancy work, it would be important to ensure that existing staff be given the opportunity to work alongside the consultants, so that expertise and good practice could be passed on for the long term.
- 4.4.14** In considering the final progress report on schemes supported by this £0.888m fund, the task group’s main observation was one of concern that, as at the 31st March 2008, seven out of the 13 schemes approved had not been fully implemented, resulting in a total rollover request of £0.362m to 2008/09.
- 4.4.15** Also, before concluding its comments on the development fund, the task group scrutinised the apparent discrepancy in the way in which surplus council tax collection funds had been utilised in 2007/08 and 2008/09. It compared how the surplus was utilised for the 2008/09 budget, i.e. to ease pressures on service budgets, with the advice issued for its use in

the 2007/08 budget, i.e. not for recurrent expenditure (see paragraph 4.4.11). In the process of this scrutiny, the task group was informed that the most appropriate use of the surplus was for one-off expenditure, and that whilst it may have appeared that the surplus had been directed to general service budgets in 08/09, this had been done on the condition that it would be applied to one-off projects and not form part of the base budget.

4.4.16 *Future Budget Monitoring*

The task group has benefited from 18 months experience of carrying out revenue budget monitoring, and now feels confident that it is more effectively calling cabinet to account in this regard. As a consequence, and bearing in mind the growing significance of the capital programme, recommendation 4 of this report (see page 3) requests that the overview and scrutiny management committee extends the task group's remit to monitor the council's growing capital budget and to give it a role in scrutinising the way in which it is set.

4.5 The Guide to Council Services & Council Tax Spending Summary

- 4.5.1** Each year, local authorities are required to publish performance and financial position updates, including information on revenue spending plans, staffing levels, borrowing, capital spending and council tax bands. The task group's review of the council tax summary published at the end of the 2008/09 budget setting process, found the summary to provide good value for money and a useful reference to essential public services.