



(ITEM NO. 02(i))

Wiltshire
COUNTY COUNCIL

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BUDGET SCRUTINY TASK GROUP

REPORT OF A MEETING HELD ON WEDNESDAY 19 NOVEMBER 2008 AT COUNTY HALL, TROWBRIDGE

Present:

Members: Peter Fuller, Tony Molland, Bill Moss and Jeff Osborn

Officers: Carlton Brand (Director of Resources), Martin Donovan (Chief Financial Officer [from January 2009]), Sandra Farrington (Chief Financial Officer) and Karen Linaker (Scrutiny Support Officer)

APOLOGIES FOR ABSENCE

1. Apologies for absence were received from Patrick Coleman and Ricky Rogers.

REPORT OF THE PREVIOUS MEETING

2. The task group noted the report of the meeting held on the 15th September 2008, and the amendment required to delete Mr Rogers from the members' present list.

3. **REVENUE BUDGET AND SERVICE STANDARDS MONITORING – AUGUST 2008**

The task group considered this revenue budget monitoring paper, and in doing so, the following key points were highlighted and discussed:

- (a) on behalf of the task group the chairman had expressed concern prior to the meeting that the only available revenue budget monitoring data for members to consider was now over two months out of date, with the next update due to be prepared for cabinet's 16th December meeting
- (b) one way in which budget scrutiny members could be supplied with more up to date data in the future was for the task group's meetings to be better aligned to the new timetable of cabinet / implementation executive meetings

- (c) from April 2009, officers were hoping that the council's new accounting system would result in improved reporting times and reduce the delays currently experienced
- (d) there was no reason why scrutiny members could not receive budget monitoring information prior to cabinet members
- (e) acknowledging the unprecedented high levels of workload which finance officers were currently experiencing, all agreed that the September revenue budget monitoring figures could nonetheless have been made available to the task group
- (f) from a recent fact finding meeting with officers and members from the Department for Community Services, the task group noted that there was little change to report on the overall budget position for this department, although there was an anticipation that demand for services would increase as a consequence of the credit crunch
- (g) other implications of the credit crunch were anticipated to be a fall in income from land charges and car parking, a loss in investment income as a consequence of interest rate cuts, more people applying for housing and council tax benefits, and higher demand for children's social care services
- (h) Mr Coleman would pursue a number of budget issues at his next fact finding meeting, including the
 - projected overspend on the SEN transport budget
 - ongoing premature retirement costs for staff in schools and the impact this had on the council's budget
 - concern that the department might not be able to contain its projected overspend in the 08/09 budget
- (i) officers were reviewing car park charging policies, which included an examination of the significant loss of revenue from the Salisbury Park and Ride scheme
- (j) whilst fuel costs were currently decreasing, officers were not anticipating a significant reduction in cost pressures on the passenger transport service.

AGREED: to note the report, and to pursue points (b), (d) and (h) further.

4. CAPITAL BUDGET AND SERVICE STANDARDS MONITORING – AUGUST 2008

The task group considered a capital budget monitoring report which included data to the 31st August 2008, and received an updated summary of the capital monitoring position which included data to the 30th September 2008. In discussing this report, the following comments were made:

- (a) the public inquiry into the Westbury Bypass project was likely to report in April 2009, and the capital allocation for this project would therefore need to be re-profiled to the 2010/11 and 2011/12 budgets
- (b) the credit crunch was likely to have a negative impact on the Highways Depots and Office Strategy project as this was dependent upon capital receipts being achieved. Officers would therefore need to reappraise this project, and would report the outcome of this to members in due course
- (c) many capital projects would be affected by the credit crunch, and borrowing would need to be carefully controlled, as this had implications for the revenue budget, particularly as the council was a 'floor authority'
- (d) capital projects could not repeatedly be re-profiled, as project costs would increase year on year. The capital programme was set for a period of three years and officers were advised to submit bids which covered potential costs of re-profiling within that period
- (e) the harmonising of accounting practices between the county and district councils had identified that a number of the district councils were not making sufficient provision for the ongoing maintenance costs of capital items such as refuse vehicles and IT equipment – this would need to be corrected from a proportion of the 1C4W savings and in future medium term financial planning
- (f) the Tidworth Castledown Business Park scheme was delayed because of uncertainty over funding being secured from the Regional Development Agency. This could also have an impact on budgets in terms of vacant business property rates
- (g) S106 monies involved in schemes within the current capital budget should still be secure despite the economic downturn, but this would continue to be monitored.

AGREED: to note the report.

5. **TREASURY MANAGEMENT STRATEGY**

In response to the county council's decision of the 11th November 2008, when discussing a motion from Mr West on the current economic crisis, the budget scrutiny task group had been asked to scrutinise the current Treasury Management Strategy – giving consideration to investment and cash flow issues. On reviewing the papers previously published on this matter, members requested a separate meeting to carry out this scrutiny exercise, and asked the Chief Financial Officer to provide a briefing note to assist them, particularly on the following matters:

- (a) what were the investment and cash flow issues associated with the current Treasury Management Strategy and the risks it faced?

- (b) what were the implications of the council agreeing option 3 - “move towards an even more risk adverse approach than at present”, as the approach to treasury management during this period of economic instability?

AGREED: to schedule a separate scrutiny meeting to look at the Treasury Management Strategy and in particular to discuss (a) and (b) above.

6. COUNCIL TAX POLICY EQUALISATION – EFFECT ON INCOME IF PHASED OVER TWO YEARS

The task group discussed this report, noting that it had previously been considered by the Joint Overview & Scrutiny Transition Board in September. In doing so the following comments were made:

- (a) for every 1% increase in council tax, £2m would be raised, and likewise, for every 1% decrease in council tax, £2m less would be available for the new financial year
- (b) officers were developing a number of council tax increase options for members to make an informed decision when setting the budget. A 3.8% increase was included in these options, however even with such an increase, there was still a gap between resources required and the resources that were likely to be available in 09/10
- (c) whilst departments were working on a cash freeze assumption at 08/09 budget levels, a number of unavoidable inflationary pressures would need to be contained within the 09/10 budget
- (d) if the council tax increase was kept to a minimum in any one year, this would have implications for departmental base budgets in future years
- (e) a revised tax base figure should be available in mid December
- (f) historically the county council had annually assumed a 1% increase in housing growth and therefore the tax base – the credit crunch had an impact on this historic assumption
- (g) a related report on fees and charges would be produced in due course, summarising the issues identified from the budget review workshops
- (h) a revised policy on bad debt provision would be needed as a consequence of the credit crunch.

AGREED: to note the report and to await further related updates during the budget setting process.

7. **2009/10 Budget Update**

(a) Revenue Budget – Financial Plan Update

- (i) members noted that the latest available update on the financial plan for 2009/10 was dated the 1st September, and that further updates on this would be issued in due course
- (ii) progress on achieving the 1C4W / BMP savings required for next year was being monitored by the Corporate Leadership Team
- (iii) services which looked set to struggle the most to achieve the savings required were Housing, Adult Social Care and Planning
- (iv) other costs which officers could not have been anticipated for 09/10 were related to staffing budgets and TUPE issues.

(b) Revenue Budget – Projected Variations on the 08/09 Budget for the Four District Councils

- (i) since last reporting this in September, there was little change in the projected variations

(c) Revenue Budget – General Balances

- (i) again, since last reporting in September, the position on projected general balances of each of the five councils had changed only slightly
- (ii) the credit crunch impact on land charges would however have implications for the councils' outturns for 08/09
- (iii) assessment of the likely surplus or deficit on the district councils' collection fund reserves was being carried out.

(d) Capital Budget – Update on the Preparation of the Capital Budget 2009-12

- (i) members considered two reports relating to the capital budget, and in particular noted the £128.8m shortfall for 2009-12
- (ii) the budget setting process would need to include careful consideration of the ways in which resources could be found to achieve the capital projects bid for, including options around the council tax increase and government borrowing
- (iii) the Capital & Assets Board would be meeting in the coming week to discuss how to prioritise the bids
- (iv) a number of bids only attracted minimal government grant, with the majority of the funding to be raised through other means, including borrowing – with a consequent impact on the revenue budget

- (v) the new council needed to invest more prudently than the five individual councils had in the past in building maintenance, bearing in mind the rapidly deteriorating condition of much of the new council's estate and the long term implications of not prudently investing
- (vi) whilst noting that £26m was required to invest in the maintenance of the county council's estate alone, members fully accepted that a more realistic bid would need to be considered for the next three years, but also suggested that the £9.7m bid for was at minimum what should be allocated in the 2009-12 capital budget
- (vii) members stressed the importance of investing more prudently in building maintenance in future years.

AGREED: to note the updates provided and to await further updates in due course.

8. SCRUTINY OF THE CAPITAL BUDGET

Members discussed a report reiterating how the task group would carry out scrutiny of the capital budget, both in regard to monitoring and in terms of budget setting.

AGREED: to continue to scrutinise the capital budget (monitoring and setting) in the same way as the task group scrutinised the revenue budget, and to draw on relevant information from meetings of the Capital & Assets Board to further inform this work.

9. NEXT MEETING

The next task group meeting would take place on the amended date of the 12th December, 11am, to scrutinise the Treasury Management Strategy and to consider an updated budget monitoring report.

(Duration of meeting: 2.00 pm to 3.45 pm)

*The Officer who produced this report is Karen Linaker, Scrutiny Support Officer, Corporate Services,
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