



WOKINGHAM BOROUGH COUNCIL

COMMUNITY AND CORPORATE OVERVIEW & SCRUTINY COMMITTEE

SCRUTINY OF THE BUDGET SETTING PROCESS FOR 2024- 25 AND THE MEDIUM TERM FINANCIAL PLAN 2024-27

REPORT

FEBRUARY 2024

Committee Members:

Councillor Chris Johnson (Chair)

Councillors Peter Dennis (Vice Chair), Laura Blumenthal, David Cornish (part year)
Catherine Glover, Norman Jorgensen, Pauline Jorgensen, Charles Margetts, Alistair
Neal and Marie-Louise Weighill

Foreword by Councillor Chris Johnson, Chair.

The agreement of a Medium Term Financial Plan (MTFP) is one of the most important decisions that every Local Authority is required to make. The MTFP sets out the funding proposals for all statutory and discretionary services provided by the Local Authority and has a direct impact on the lives of residents and service users.

Prior to the 2019/20 Municipal Year many of the emerging MTFP proposals at WBC had not been scrutinised publicly prior to the publication of the agenda for the annual Budget Council meeting in February. In 2019/20, for the first time, Community and Corporate Overview and Scrutiny Members were presented with all Revenue bids over £50,000 and the entire Capital programme. This year, Members were again pleased with the continuation of the public facing scrutiny of the MTFP and the breadth and depth of information provided.

The Committee were reminded from the outset of their review of the stark and unprecedented ongoing pressures facing Local Government. Four councils had declared Section 114 bankruptcy in the past year whilst others had declared financial emergencies and up to one in five had indicated that it was fairly or very likely that they would become insolvent within the next 18 months.

A combination of factors including inflation, cost of living pressures, ongoing recovery from the Covid-19 pandemic and the growth in increasingly complex demand for services had resulted in a Revenue budget gap of approximately £4.7m that needed to be addressed to set a balanced budget for the next financial year (2024/25). The opening budget gap for 2025/26 was already estimated at £8.8m. In addition to these challenges, Members noted that significant budget savings had been delivered in previous years, which meant that any “low hanging fruit” had already been collected.

The Committee focussed on seeking assurances that proposed savings were achievable and realistic, whilst any growth bids were necessary and represented value for money. Members sought detail of the breakdown of funding streams, including assumptions in relation to expected Council Tax increases and collection rates. Members emphasised that assumptions should be grounded and based on the most up to date information, and stood up to scrutiny when examined.

On behalf of the Committee, I would like to thank Councillor Imogen Shepherd-DuBey (Executive Member for Finance) and Graham Ebers (Deputy Chief Executive & Director of Resources & Assets) for their support in guiding Members through the complexities of the emerging Revenue and Capital budgets. Thanks also to the Executive Members, Directors and officers who attended our meetings in order to explain growth bids and savings options and to answer our many questions.

Chris Johnson,
February 2024

1 Background and Process

- 1.1 It is common practice across the United Kingdom for emerging council MTFPs to be scrutinised by the relevant Overview and Scrutiny Committee. This is the norm for a variety of reasons, including checking that budgetary proposals have clear links with operational plans, and ensuring services (both statutory and discretionary) are offering an acceptable outcomes for residents whilst providing value for money. In August 2023, all Members were invited to a hybrid training session on effective budget scrutiny, provided by the Centre for Governance and Scrutiny (CfGS), in addition to being provided with a CfGS/CIPFA guide to budget scrutiny.
- 1.2 Scrutiny of the MTFP has become more important over recent years as a result of a reduction in public sector funding by Central Government, whilst Local Authorities have seen significant growth in demand for services. Allowing Scrutiny to offer insight and analysis of the proposed budget and accompanying budget setting process, ensures that potential discrepancies and areas of risk are identified and addressed prior to implementation. Scrutiny of the budget setting process is an example of good governance. Scrutiny Members considered the MTFP at five meetings, commencing in October 2023 and examined the following issues:
- What were the areas of high risk – how did they impact on the Budget?
 - Are the Council's resources aligned to strategic objectives (e.g. the emerging Community Vision)?
 - Does the MTFP include outcome measures and scenario planning?
 - Have future demand patterns been modelled effectively and underpinned by sensitivity analysis?
 - How realistic/achievable are the income and savings targets?
 - Are reserve levels sustainable (General Fund and earmarked reserves)?
 - What evidence is there that key assumptions are accurate and robust – is there evidence of an optimism bias?
 - Are staff cost reductions achievable – what is the impact on service quality and recruitment/retention?
- 1.3 Scrutiny of the MTFP is part of Overview and Scrutiny's "critical friend" role. It aims to add value to the budget setting process. The MTFP belongs to the Executive and the individual service departments. Scrutiny's role is to challenge assumptions, risks and funding proposals. The scrutiny process is driven by a desire to improve the MTFP and to make it as functional as possible for local residents and key stakeholders.
- 1.4 Executive Members and Directors of relevant service areas were invited to attend the Committee to provide background to specific proposals and to answer Member questions. Where answers to specific technical questions could not be answered at the meeting, answers were circulated to the Committee in a timely manner. Throughout the process, all questions put to the Executive Members and Directors were answered in full and to the

satisfaction and appreciation of the Committee. Each session of the Committee resulted in some outstanding questions which were followed up at subsequent meetings.

- 1.5 The Committee's general lines of questioning can be summarised in three points: asking for more detail on specific proposals, identifying if the given figures were sufficient and/or suitable, and probing areas which have the most significant impact on residents (particularly vulnerable residents) to ensure that proposals are well thought out and meet their needs. Where proposals were identified to address more significant areas of risk, or posed significant growth in the face of difficult financial circumstances for Local Authorities, the Committee spent additional time probing proposals and asking for specific detail.
- 1.6 All revenue bids over £50,000 were presented to the Committee within a detailed and readable bid sheet. This enabled all Members, with a range of financial backgrounds, to digest specific bids and understand what each area of funding was intended to achieve. A positive consequence of this format also allows for residents and other Members the same opportunity to read and understand specific proposals and areas of interest. This in turn has created a more transparent and user-friendly budget setting process that is as detailed as it is readable.
- 1.7 When assessing Special Items (one-off spends), the Committee probed whether these spends were realistic one off spends, or whether they should be included within a recurring growth bid. Many of the special items contained within the 2024/27 MTFP were in place to cover transitional periods within departments and to finance one-off reviews of service areas. The Committee noted a number of special items were now being built into the revenue budget, including the budget required to deliver sustainable organisational change, which showed a commitment to embed positive change and efficiencies into the organisation for the long term.

2 Issues

- 2.1 The Committee noted the ongoing and increasing financial challenges and risks facing the Council. These included national economic uncertainty, a one-year Government financial settlement, further grant reductions, potential future legislative changes and additional unfunded burdens, forward funding of regeneration programmes, changes to the business rate system, the ongoing impact of the cost of living crisis and the Covid-19 pandemic. As a result of this uncertainty Members emphasised the importance of robust projections of demand and the achievability of savings and new sources of income. Members also noted that difficult decisions had already been taken during the year to address budget shortfalls and generate additional savings, for example the increase in car park charges and additional savings in grounds maintenance and street cleaning.
- 2.2 Members noted the enormous growth pressures within Children's Services with projected net growth of £2.4m in 2024/25, £4.7m in 2025/26 and £4.8m in 2026/27.

In comparison the total net growth for Adult Social Care over the three year period was estimated at £2m. Members were informed that the Children's Services budget strategy was based on not destabilising the existing low cost base in Children's social care, maintaining the protective factors of early help and management of risk in the community. These principles were supported by efforts to reduce unit costs by better commissioning and the development of in-house accommodation solutions. The aim was to break the cycle of annual overspends through more accurate analysis of future demand and pressures and a reset of Children's Services within the MTFP. Members noted the potential existential risks for the organisation relating to the year-on-year growth in spending on Children's Services. It was agreed that in-year monitoring of expenditure relating to Children's Services be carried out by the Committee in conjunction with the Children's Services Overview and Scrutiny Committee.

- 2.3 The Committee scrutinised the impact of the growth in Education, Health and Care Plans (EHCPs) in place in the Borough and the spending pressures which followed. The number of EHCPs had increased from 867 in 2018 to 1688 in 2023. This growth had resulted from changes in national policy, the development of improved diagnosis and the ongoing impact of Covid-19. The Council's Safety Valve Programme, in conjunction with the Education and Skills Funding Agency, aimed to achieve a reduction in the rate of EHCP growth and the setting of a balanced budget by 2028/29. The increase in local provision of SEND schools (plans for two new schools in Barkham) would also help to reduce the costs associated with long journeys. The proposed increase in local SEND units in schools would also help to keep children in mainstream school settings.
- 2.4 The Committee noted the proposal to provide £1m of Capital funding to support the closure and repurposing of the St Crispin's leisure centre to facilitate additional school places. This proposal had been the subject of detailed consideration at two of the Committee's meetings. The St Crispin's proposal was funded from the Secondary Basic Needs Programme budget which reflected the Council's statutory duty under the Education Act to ensure a sufficient number of school places in the Borough.
- 2.5 The Committee considered the ongoing risks relating to Adult Social Care. These included the ageing population, the impact of inflation, market sustainability, the (unfunded) increase in the National Living Wage, NHS pressures and the failure to transfer funds and the increasing level of need and complexity which impacted on service provision. It was also noted that the Government's proposed changes to adult social care charging had been delayed until October 2025. The proposals to increase direct provision through the purchase of a care home was welcomed as a way to manage costs and manage the external market.
- 2.6 Members sought assurance about the steps being taken to protect the Council from volatility in the care home market linked to issues such as staff retention, funding reductions and the impact of Brexit. Officers stated that there was, in effect, a national crisis in Adult Social Care, a crisis which had not been addressed by successive governments. The parlous state of the care home market featured prominently on the Council's corporate risk register. The Council's response had

been to develop Optalis and to seek to develop in house provision through the purchase of a care home.

- 2.7 In relation to Place and Growth, Members noted that the service contained the highest number of discretionary public-facing services and the highest level of discretionary income. A number of major contracts would be up for renewal in the near future which created a risk of cost containment allied to the impact of inflation. In addition, some services, such as leisure, were struggling to increase the level of demand to pre-Covid levels.
- 2.8 Members noted the level of workforce savings achieved in 2023/24 and the proposed savings for 2024/25. In 2023/24 workforce savings had been achieved through a managed vacancy factor which required teams to hold vacant posts longer or not to recruit at all in order to achieve a budget reduction of c2%. In addition to the vacancy factor, directorates were given further in-year staff savings targets. The combination of these factors led to an overall saving related to staffing of £3.36m. At the start of 2024/25, every team will have a c2.5% reduction of funding relating to the managed vacancy factor. Additional savings targets will result in a total staff saving over the two year period of £6.85m, equivalent to 9% of the workforce. Members asked if this level of savings was achievable and how it would impact on service delivery and recruitment and retention. Officers commented that the achievement of this level of savings across the organisation would require effective management. The aim was to maximise natural wastage and minimise the need for redundancies. Members queried whether natural wastage would occur in the right areas and how the potential increase in stress levels (which could increase staff sickness levels) would be managed. Members also confirmed earlier views about the potential savings accruing from reductions in the use of consultants, interims and agency staff.
- 2.9 In its 2023/24 Budget Scrutiny report, the Committee considered the use of reserves to fill a Budget gap. Last year £1.4m had been taken from the Waste Equalisation Fund in order to balance the budget. This issue had led to the Committee's request for an annual report on the Council's Revenue and Capital Reserves, including variations from year to year. Members noted that the £1.4m use of reserves in 2023/24 remained as an ongoing challenge in the new MTFP. In relation to 2024/25, Members were informed that the Revenue Budget gap of £4.7m would again be funded from reserves, £1.5m from the Council Tax Collection Fund and £3.2m from the Fairer Funding reserve. Members requested further information on the operation of the various earmarked reserves and noted that this would be provided through the annual update report.
- 2.10 In relation to the Capital Programme, Members noted that the previously reported Budget gap for 2024/25 had been closed due to the re-profiling of some Capital projects and the removal of other projects from the programme. The funding gap for future years had been reduced to £4.2m in 2025/26 and £4.3m in 2026/27. Further work would be carried out to find additional funding to fill these gaps or to address the gaps through further reprioritisation of the programme. Members welcomed the extension of Capital flexible receipts to March 2030. This gave the Council the ability to dispose of an asset and turn the receipt into Revenue on the grounds that the Revenue item was an Invest to Save/Contain activity which was included in the

Treasury Management Strategy. Members also noted that a strategic review of the Council's assets across the Borough was underway which may lead to savings through more effective use and/or the sale of surplus assets.

- 2.11 In its report to Council in February 2023, the Committee expressed the hope that public involvement within this process would increase through greater publicity of the Scrutiny process and submission of public questions at meetings of the Committee. Members noted that, for the first time in a number of years, a Budget Survey had been carried out in conjunction with the development of the MTFP. The survey asked questions about the maintenance of sound finances, giving priority to people in need, income generation, service reductions, modernising the Council and the importance of partnership working. Respondents were also able to provide suggestions and comments relating to each of these areas. 488 responses were received. Members welcomed the inclusion of the public survey and asked how the data had been used to inform the development of the MTFP. Officers commented that the feedback had been discussed and fed back to the relevant service areas. It was suggested that the survey be developed in future years as part of the aim to increase public engagement in the Budget setting process.

3 Conclusion and Future Years

- 3.1 The Committee welcomed the fact that the involvement of Overview and Scrutiny had now become embedded into the budget setting process, allowing thorough scrutiny of proposals which affected every resident of the Borough. Given the extremely challenging circumstances faced by the Council in relation to Budget pressures and financial planning, the Committee believe that this report underlines the importance of Scrutiny's role as a critical friend in reviewing the Council's Budget proposals and Budget performance throughout the year.
- 3.2 The final officer Budget Scrutiny report to the Committee highlighted the following points in conclusion:
- Difficult and challenging times lay ahead.
 - The 2023/24 Revenue Budget included the delivery of £11.8m savings.
 - The proposed 2024/25 Revenue Budget included a savings target of £12.6m, of which £3.5m related to staffing.
 - The projected Revenue Budget gap for 2025/26 already stood at £8.8m.
 - The Capital Programme gap over the three year MTFP stood at £8.5m.
- 3.3 Scrutiny Members agreed that challenging times did, indeed, lay ahead. Officers and the Executive were commended for the work undertaken to produce a balanced Budget for 2024/25. However, the scale of the challenges and risks outlined above indicated that much more work will be needed in the years ahead. Members noted that the new Community Vision would be published in 2024, followed by an updated Council Plan. As part of next year's Scrutiny of the Budget process the Committee would be reviewing how the Council's Budget aligned with the priorities set out in these new strategic documents. Moving forwards, it will be essential for the Council to increase and refine its lobbying efforts in support of

additional funding and a change to the current formula for identifying need in local areas.

- 3.4 Following the Committee's deliberations on the MTFP, Members noted the Government's announcement of an additional £600m funding for local government, £500m of which was earmarked for social care. The Council's share of this additional funding has been incorporated into the MTFP submission to the Executive and Council. Attached to the additional funding was a requirement for councils to set out how they will "improve service performance and reduce wasteful expenditure" in productivity plans to be submitted by the summer of 2024. Members will give further consideration to the newly required productivity plan as further details emerge.
- 3.5 The Committee may place additional focus on the Capital programme in future years. Many of the proposed Capital bids represent very significant spends, which aim to deliver critical infrastructure for our communities. The Committee wishes to better understand any consequences of re-profiling, delaying, or cutting schemes from the Capital programme.
- 3.6 The Committee looks forward to Overview and Scrutiny continuing to develop the positive relationship with the Executive and the Directorates in order to help deliver a sound and balanced Budget that meets the needs of the Borough's residents and fulfils the Council's statutory obligations. This process will only become more crucial should factors, including inflationary pressures and funding uncertainties, persist for an extended period of time.
- 3.7 The ongoing recovery from the pandemic, in addition to ongoing inflation and cost of living pressures (plus the additional factors outlined above) has placed considerable demands on all Council budgets. This situation has highlighted the need for safe levels of the General Fund and other earmarked reserves which can be used to fund service areas which experience unpredictable demand or unforeseen circumstances. The Committee hopes that prudent financial management can be maintained and the General Fund can remain at a safe level in future years, to provide a safety net at times of crisis.