



WOKINGHAM BOROUGH COUNCIL

COMMUNITY AND CORPORATE OVERVIEW & SCRUTINY COMMITTEE

SCRUTINY OF THE BUDGET SETTING PROCESS 2020-21 AND THE MEDIUM TERM FINANCIAL PLAN 2021-24

REPORT, PROCESS OVERVIEW AND OBSERVATIONS

FEBRUARY 2021

Committee Members:

Councillor Guy Grandison (Chairman)

Councillors Emma Hobbs (Vice Chairman), Shirley Boyt, Chris Bowring, Paul Fishwick, Pauline Helliar-Symons, Emma Hobbs, Graham Howe, Clive Jones, Abdul Loyes, Rachelle Shepherd-DuBey, Caroline Smith and Alison Swaddle

Foreword by Councillor Guy Grandison

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, which will have a direct impact on the lives of residents and service users.

Prior to the 2019/20 municipal year at Wokingham Borough Council (WBC), many of the emerging MTFP proposals had not been shared with Overview and Scrutiny Committees, or the wider public, prior to the publication of the agenda for the February Budget Council meeting. Members were pleased with the continuation of the public facing Overview and Scrutiny of the MTFP, and expressed their thanks to all those who made this happen.

As a result of the Covid-19 (C-19) pandemic, the Committee were aware of the huge budgetary pressures facing WBC's services. There was a level concern at the beginning of the Committee's review of the 2021-4 MTFP that overspends would be significant across a variety of services. Thankfully, due to the countless hours of hard work from both Executive Members and officers, the vast majority of these concerns have been thoroughly addressed during the budget setting process.

Key focusses of this second year of Overview and Scrutiny's involvement in reviewing the proposed MTFP included questioning assumptions related to individual bids, offering insight and suggestions to assist with the development of the MTFP, and adding value to the overall budget setting process.

On behalf of myself and the Committee, I would like to thank the Executive and Deputy Executive Members, Directors and Assistant Directors, Members and officers who engaged throughout this process and enabled a successful overview of the 2021-24 MTFP. In addition, the Committee and I would like to pay thanks to all those who have helped to continue to deliver vital services to residents throughout the pandemic.

Special thanks should be given to Councillor John Kaiser (Executive Member for Finance and Housing) and Graham Ebers (Deputy Chief Executive – Director of Resources & Assets) for their support in enabling this process, providing frank and thorough answers at each meeting of the Committee, and for continuing to make the development of the MTFP more transparent and comprehensible than ever.

Guy Grandison,
February 2021

Background and Process

- 1.1 It is common practice across the United Kingdom for the MTFPs of Local Authorities to be scrutinised by the relevant Overview and Scrutiny Committee(s). 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 end product for residents whilst providing value for money.
- 1.2 Overview and 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 their services. Allowing Scrutiny to offer insight and analysis of the proposed budget and accompanying budget setting process, ensuring 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.
- 1.3 Local Authorities have begun to make more use of their Overview and Scrutiny Committee's when assessing the MTFP in recent years, as they are constituted by Members from a range of business and financial backgrounds. Engaging Members from a range of backgrounds allows for different perspectives on proposals to be assessed. A variety of lines of questioning can also make the Executive and Directorate think about their proposals in a different light.
- 1.4 Overview and Scrutiny of the MTFP should not be seen as a conflict with the Executive, but instead as a critical friend that can add value to the budget setting process. The MTFP belongs to the Executive and the individual Service areas, and Scrutiny's role is to challenge assumptions, risks and funding proposals. For example, asking for more detail, such as how many residents would be served by a specific revenue bid, could lead to that figure being revised, altered, or the scheme being changed. The scrutiny process is driven by a desire to improve the MTFP and to make it as functional as possible for the residents that we serve.
- 1.5 For effective Overview and Scrutiny of the MTFP to take place, cooperation of the Executive and Directorate is crucial. At WBC, the Executive and Directorate have embraced the practice of annual in-depth budget scrutiny, outlining all revenue proposals over £50,000, all special item proposals and the entire Capital Programme.
- 1.6 Executive Members and Directors of relevant Service areas were invited to attend the Committee to provide background to specific proposals and to answer Member queries. Where answers to specific technical questions could not be answered on the evening, answers were circulated to the Committee in good time. Throughout the whole process, all questions and queries put to the Executive Members and Directorate were answered in full and to the satisfaction and appreciation of the Committee.

- 1.7 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 the needs of our residents. Where proposals were identified to reflect more significant areas of risk, the Committee spent additional time probing proposals and asking for additional detail.
- 1.8 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 piece of funding was intended to achieve. A positive consequence of this format also allows for residents and other members of the public 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.
- 1.9 Where changes were made to revenue bids between different lockdown versions of the MTFP, the Committee were provided with updated figures and detail on how the changes in proposed funding would affect each bid. Changes were made for a variety of reasons, including change in forecast demand (some of which were a consequence of the C-19 pandemic), realignment of costs (for example inflation), and reconsideration of provision. Where changes were made, it was key to ensure that the budget was balanced elsewhere to reflect movement of funds.
- 1.10 When assessing the revenue budget, it was important to review not only the growth bids but also savings proposals. Savings proposals are key in supporting the development of a balanced budget, by reducing costs in areas where efficiency and infrastructure improvements can be made. By making realistic and manageable savings, funds can be reallocated to other areas of the budget where additional expenditure is required to fund new and existing service requirements.
- 1.11 Where savings were proposed, the Committee endeavoured to question whether the proposals were realistic and whether they could have any impact on front line service delivery. The vast majority of savings proposals focussed on increased utilisation of new and existing systems and databases, which would not affect front line service delivery and in many cases would actually improve service delivery for residents.
- 1.12 Other lines identified as savings were in fact income generation for WBC. Examples of these income streams include a return on WBC's property investment portfolio, income generation from solar farms and income from Wokingham-owned houses. The Committee recognised a concerted effort by the Executive to generate income for the Council using methods which did not penalise residents, whilst providing additional funds to spend on key service delivery areas.

- 1.13 When assessing special items, 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 2021-24 MTFP were in place to cover transitional periods (such as changes supporting the Continuous Improvement Programme) within departments and to finance one off reviews of service areas.
- 1.14 The full suite of proposed capital expenditure was carefully reviewed by the Committee. These spends ranged from projects to enable elements of WBC's Climate Emergency Action Plan, funding for a proposed Multifaceted Placement Hub, funding for highways structural maintenance schemes, and funding for stages two and three of the Gorse Ride Regeneration Project. The Committee probed to identify what specific benefits each spend would bring, whether each scheme had enough funding to be carried out effectively, and where specific funds would be provided from (for example the Local Enterprise Partnership or specific grants).
- 1.15 The process of questioning proposed spends and savings in a public environment encourages all stakeholders within the budget setting process to pause and reflect on whether each item had been presented with solid reasoning and suitable resourcing. It also enables the Executive and Directors to be more confident about their proposals, as they have to think about them in ways which they otherwise may not have considered. It demonstrates commitment to residents by being open and transparent about major funding proposals which will impact on residents across the Borough.
- 1.16 The entirety of this year's review of the draft MTFP has taken place in a virtual environment using Microsoft Teams. Although this was done out of the necessity to protect the public, officers and Members, the Committee felt that this format has aided their overview of the draft MTFP. The presentation of bids via screen-sharing, in conjunction with being able to transfer quickly between sections of digital agendas and documentation, has led to a more streamlined process for many members of the Committee. In addition, the live streaming and recording of Committee meetings has allowed for the public and Members to view specific discussions of interest both during and after the event.

Observations

- 2.1 Spending within Children's Services is proposed to increase. Within this year's proposed MTFP a concerted effort was made to continue the journey to bring the Council's OFSTED rating up to 'Good' for the first time. The Committee appreciated the continuation of this commitment from the current MTFP. To enable the continuation of this journey, a variety of spends are being proposed including an increase in funding to cover unanticipated placements within the Borough, and funding to support legal costs in complex cases. Accompanying growth bids were a variety of savings proposals, including indicative savings related to a review of home to school transport, and reconfiguration of Children's Services whilst minimising the risk to delivery of positive outcomes for vulnerable children, young people and families.
- 2.2 As with last year, the Committee took note of the strong commitment by the Executive to continue to fund and support Children's Services in order to achieve a 'Good' OFSTED rating. Commitments such as these have clear and measurable outcomes, whereby progress from one year to the next can be easily compared. The Committee acknowledged progress made within the previous 12 months, including a variety of service efficiencies and a reduction in the numbers of agency staff. Result focussed targets are positive for both the decision makers and those reviewing proposals, as they allow for questions to be directed towards ascertaining whether the specific funding allocations are suitable to achieve the desired results.
- 2.3 As expected, a number of developments have been realised within the Climate Emergency Action Plan. The Committee noted that this was, and would be, an area of change and development for years to come. Many of the projects and proposals sat within the capital programme, including additional solar farm projects, and energy reduction projects. The Committee was pleased to receive further details of proposals, including justifications for the bid proposals and outlining possible risks should the projects not receive appropriate levels of funding.
- 2.4 The pandemic has affected every Service area across the Council in some way or another, and expenditure to meet the increased needs and demands of our residents has been delivered. Expenditure, in this sense, was seen in two forms. Direct expenditure via providing additional funding to services, and funding of income streams (such as parking charges) which had been lost throughout the pandemic. The Committee were content and pleased with the financial response thus far to the C-19 pandemic, and were satisfied that the predicted level of reserves were available to fund any unpredicted expenditure in the near-future.
- 2.5 Income generation was still a priority for WBC, with the Resources and Assets Directorate continuing the drive for WBC to become a more self-sustaining Local Authority. Due to a reduction in funding over the years by Central Government, WBC has looked to fund key services via the creation of income streams. The Committee were provided with the proposed savings over £50,000. These proposals included income generation from commercial investment, regeneration

and housing in excess of financing costs, income generation from the proposed in-Borough crematorium, and solar income generation from existing assets. By generating additional income with no penalty to residents, whilst improving assets in the Borough for use by our residents, WBC hopes to be able to fund key service delivery areas whilst simultaneously having a positive impact on various areas of the Borough for residents.

- 2.6 The Communities, Insight and Change Directorate was established since the conclusion of the previous overview of the MTFP. Within their revenue proposals sat the special item bid relating to the Continuous Improvement Programme. This bid detailed the proposed one-off spends to enable organisational change across WBC. The bid sheet detailed desirable outcomes of the programme, including a greater focus on customer service and responsiveness. The Committee noted the continued commitment to deliver greater customer service whilst digitising and streamlining processes, allowing for savings and efficiencies in the long term.
- 2.7 A number of capital spends are detailed within the above observations, however it is pertinent to highlight a couple of other examples. The Capital programme can often be seen as daunting, simply due to the large amounts of money being proposed for complex projects. Capital spends are, in general, spends which seek to develop infrastructure and improvements with the Borough. Examples of such proposals presented to the Committee this municipal year included a congestion management scheme (aimed at realising a reduction in CO₂ across the Borough), improvements to the California Crossroad, and additional solar farm projects throughout the Borough. The Committee noted the proposed spends and justifications within the capital programme, aimed at providing positive change within the Borough. WBC has a good track record of spending within the capital budget. Nevertheless, major capital projects should continue to be monitored throughout their viability, planning and implementation stages.
- 2.8 The Committee noted the one-off spends, referred to as special items. The Committee took specific interest in probing whether these spends were justified as being one off spends, rather than being included formally within the year-on-year revenue budget. An example of this can be seen by the Committee's probing of the special item for the Compass Team (which sits within Children's Services with the aim to support those children at the edge of care as well as those in care to improve their stability and permanence). Members queried why this was being funded a special item, and were informed that it was about the funding for the Service being proven prior to it becoming a permanent revenue line. The Committee appreciated justifications such as the above example, as it showed the thought process and considerations that went in to identifying spends as one-off rather than as permanent lines within the budget.

Conclusion and Future Years

- 3.1 Having gone through this process once before, the Committee hoped that the foundations for this annual overview could be built on and expanded. Prior to the first meeting of this year's review, it became clear that this overview would be required to be carried out virtually. The Committee has largely found the format this year, which was borne out of necessity, helpful and productive. Although future overviews of the MTFP may not be carried out in a wholly virtual format, it is hoped that the positive elements realised from this year's review may be incorporated going forwards. Throughout this process, Executive Members and Directors have been thorough and frank with their answers and have aided the Committee in providing a helpful oversight of the proposed MTFP and budget setting process.
- 3.2 As part of next year's Budget Scrutiny, the Committee will examine ways to generate increased public involvement within this process through greater publicity of the scrutiny process and submission of public questions at meetings of the Committee.
- 3.3 The Committee has appreciated a concerted effort by officers to improve the presentation of bid sheets for consideration by the Committee. Revenue bid sheets were clear and concise, which enabled Members to quickly consider the information provided. The Committee hopes that the formatting can be maintained at its current high level of quality, and can remain consistent between years barring minor tweaks. Consistency of bid sheets is crucial in allowing Committee Members to easily refer and compare information from one year to the next. The Committee hopes that capital bid sheets can be brought up to the same standard as seen with the presentation of revenue bids.
- 3.4 The Committee wishes to continue their strategy of reviewing a sample of key 'big spend' items during the next municipal year. These spends constitute some of the key changes both within the Council and throughout the wider community. Examples of some of the spends that could be considered include the Continuous Improvement Programme, the planning and delivery of additional solar farm sites, and the strategy aimed at managing congestion throughout the Borough. The Committee feel that in-year monitoring of some large spends adds further confidence to the overview of the budgetary process, allowing for Members to consider whether approved spends are on track, and an efficient use of Council resources, and delivering the Council's priorities as set out within the Community Vision and Corporate Delivery Plan.
- 3.5 Going forwards, the Committee hopes that that the process of Budget scrutiny will continue in future years and that Scrutiny, the Executive and the Directorates continue this positive relationship to deliver a sound and balanced budget that meets the needs of our residents and fulfils our statutory obligations.

- 3.6 The pandemic has had a widespread impact on the Borough and its finances, as well as businesses and residents. This situation has highlighted the need for safe levels of the general fund balance, often referred to as reserves, which can be used to fund Service areas which experience unpredictable demand or circumstances. The Committee is content that the current proposed levels of reserves are suitable to allow for additional support to be delivered as and when necessary, including to meet the Council's statutory services in cases of increased and unforeseen demand for example in the case of a placement of a child into the care system as a consequence of the pandemic. The Committee hopes that the reserve levels will continue to be maintained at levels whereby funding can be delivered as and when necessary to meet the needs of the Borough and its residents.
- 3.7 Overview and Scrutiny have received positive responses from Executive Members and Directors with regards to the second year of detailed Budget scrutiny. Whilst Overview and Scrutiny realise the additional burden being placed on Members and Officers to enable this scrutiny process to take place, the additional oversight and questioning of specific proposals from Overview and Scrutiny adds value to the whole budget setting process, delivers good governance, and puts a further level of safeguarding into the process.
- 3.8 The Committee wishes to reiterate their thanks for the support offered in enabling this year's overview to be carried out. Members fully appreciate the additional burden placed on Services, Council staff and Members, and the wider community and voluntary sector as a result of the C-19 pandemic. This overview has taken many hours of time both to formulate and present to a high standard. Members wish to thank all those who have enabled this overview of the proposed MTFP in such difficult circumstances.

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