



WOKINGHAM BOROUGH COUNCIL

COMMUNITY AND CORPORATE OVERVIEW & SCRUTINY COMMITTEE

SCRUTINY OF THE BUDGET SETTING PROCESS 2021-22 AND THE MEDIUM TERM FINANCIAL PLAN 2022-25

REPORT, PROCESS OVERVIEW AND OBSERVATIONS

FEBRUARY 2022

Committee Members:

Councillor Guy Grandison (Chairman)

Councillors Alison Swaddle (Vice Chairman), Sam Akhtar, Shirley Boyt, Anne Chadwick, Phil Cunnington, Paul Fishwick, Clive Jones, Jackie Rance, and Rachelle Shepherd-DuBey

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 once again 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.

The Committee were reminded on several occasions of the increasing levels of uncertainty in many areas including the ongoing pandemic response, inflationary pressures, increasing costs of construction, and the future funding arrangements relating to adult social care. The Committee have been reassured that the proposals as set out within the MTFP are based on the most current data available, and that supplementary estimate proposals were available to budget holders should additional budget be required mid-year. Given the levels of uncertainty it was suggested that the Committee review the mid-year position, including confirmation of assumptions made within the proposed MTFP, during the 2022/23 municipal year.

This year, the key focusses of Overview and Scrutiny's involvement in reviewing the proposed MTFP included questioning assumptions related to individual bids, offering risk insight and suggestions to assist with the development of the MTFP, and adding value to the overall budget setting process. The Committee sought assurances that savings proposals were adding value to the MTFP through streamlining services to provide more effective customer service, whilst also probing whether proposed bids involving increased expenditure were sufficient to achieve the bid's key aims in line with WBC's Corporate Vision.

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 2022-25 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, and throughout the ongoing recovery period

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 2022

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. All Members were invited to a virtual training session on effective budget scrutiny, provided by the Centre for Governance and Scrutiny.
- 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, 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.
- 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. 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 each Directorate is crucial. At WBC, the Executive and Directorates 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 changes 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 investments made within the community, 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 2022-25 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. The Committee noted a number of special items were now being built in to the revenue budget, which showed a commitment to embed certain changes and efficiencies into the organisation for the long term.
- 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 dementia care home, funding for highways structural maintenance schemes, and bids to increase investment within the community. 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 hybrid environment, with Committee Members attending in person and Executive Members and officers using Microsoft Teams. The Committee has appreciated the use of screen sharing for both presentations and bids. 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, however efficiency savings will reduce the overall growth considerably. Within this year's proposed MTFP a continued effort was made to strive to deliver the best service for the Borough's children as possible. The Committee appreciated the continuation of this commitment from the current MTFP, and noted that a recent unofficial OFSTED review relating to special educational needs provision would have likely scored 'Good' or above should it have been an official inspection. To enable the delivery of efficient and effective Children's Services, a variety of spends are being proposed including a bid to deliver a demand management strategy (to provide services to children and families at the right time), and funding to support increasing costs relating to home to school transport. Accompanying growth bids included a variety of savings proposals, including savings related to a review placements for children, 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. As noted previously, the Committee were pleased to hear that Children's Services would likely have received a 'Good' or higher OFSTED rating should a recent visit have been classified as an official inspection. Commitments such as achieving a specific OFSTED rating 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 continued 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 The Committee probed a number of bids within the Adult's Social Care directorate, including construction of a proposed dementia care home, delivery of a demand management system, and closer partnership working with the voluntary sector to achieve savings. Members were pleased to see a continued effort to work closely with the voluntary sector in order to deliver earlier intervention for residents which would allow people to stay in their own homes for longer, enabling a more efficient and cost effective service to be delivered.
- 2.4 As noted from previous reviews, 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 of possible risks should the projects not receive appropriate levels of funding.

- 2.5 The continued response to 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. Members noted a strong commitment by the Executive to continue to support residents through difficult circumstances where practicable, whilst also looking forward to the future and recovery phases. The Committee were content and pleased with the financial response thus far to the ongoing C-19 pandemic. However, Members noted that whilst reserves were at an acceptable level of circa £8m they were now below an ideal level. Members were advised that although this level was safe and in a better position than many Local Authorities, a future years' reserve figure of £10m should be aimed to provide an increased level of financial security. The Committee were advised that it may be pertinent to review the mid-year budgetary position during 2022, including reviewing a selection of assumptions made within the proposed MTFP, to provide an extra level of support and overview of WBC's financial position.
- 2.6 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 new income streams. The Committee were provided with the proposed income streams, referred to as savings, over £50,000. These proposals included income generation from continued community investment, regeneration and housing in excess of financing costs, and solar income generation from existing and proposed 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. Members noted the omission of the previously proposed in-Borough crematorium when presented with the 'financial lockdown two' paperwork. The Committee were briefed that as more detail emerged during the viability stage regarding this project, the use of capital funding could be better placed elsewhere within the capital programme, whilst simultaneously reducing the borrowing required to finance this project.
- 2.7 The Communities, Insight and Change (CIC) Directorate was incorporated within the other existing Directorates and the Chief Executive's Office during the municipal year. The Committee were advised of a number of bids within the former CIC Directorate, including additional resources across the customer delivery service, introduction of a new human resources target operating model, and budget required to deliver sustainable organisational change. With regards to the latter bid, the Committee noted the continued commitment to deliver greater customer service whilst digitising and streamlining processes, allowing for both savings and efficiencies in the long term. The Committee welcomed proposals to increase expenditure to deliver organisational change resulting in efficiency savings in the long term, whilst reiterating the need for measurable improvements and key performance indicators.
- 2.8 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 funding for the initial costings of major distribution roads (known as SCAPE projects), local cycling and walking infrastructure plans, and funding to deliver essential maintenance of schools within 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.

- 2.9 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. Examples of these proposed one-off spends include resourcing a customer experience manager to support improvements in customer satisfaction, additional funding to support increasing legal costs relating to planning appeals, and funding to carry out additional assessments to identify and manage future demand within the transactions process from children to adults. Members noted the commitment to embed some previous special items into the revenue budget, for example elements of the continuous improvement programme were now proposed to be embedded into the revenue budget, showing a commitment for the organisation to continue to improve and deliver the best service possible to our residents.
- 2.10 The Committee probed a number of re-profiled capital bids to future financial years. Whilst it was not ideal for some desired projects to be delayed, the Committee understood that some delays were proposed to enable projects which had a demonstrable need to be delivered. A number of factors outside of WBC's control including inflation, increasing costs of construction, and delays relating to C-19 have led to Executive Members and their Directorates having to prioritise projects which were necessary to be delivered, whilst putting forward other projects which could be delayed without direct harm to residents. Some projects, for example the bid for the highways infrastructure flood alleviation scheme, were delayed on professional advice as to when the project would be most appropriate to deliver. Whilst delays to capital infrastructure schemes were never the desired outcome, the Committee appreciated the forward thinking which enabled delivery of much needed schemes whilst other schemes were scoped for additional funding opportunities and reduced construction costs.
- 2.11 As mentioned within this report, the theme of uncertainty has weighed on the budget setting process including via inflationary pressures, future adult social care funding agreements, increasing costs of construction, the ongoing C-19 pandemic and future recovery, the impact of Central Government's 'Levelling up' agenda, and future Local Government settlement grants. The Committee were advised that a three year Local Government funding settlement was expected. However, the Government only resolved to a further one year settlement. It is disappointing that the Government has once more only provided a year of certainty to Local Authorities, and it is the Committee's strong desire to see a fair and needs based

(the cost of delivering statutory services) three year funding settlement agreed next year.

Conclusion and Future Years

- 3.1 The Committee is thankful that the involvement of Overview and Scrutiny has now become embedded into the budget setting process, allowing thorough and insightful overview of proposals which effect every resident throughout the Borough. 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. Officers will look to work with the communications, engagement, and marketing team to make residents more aware of this process.
- 3.3 The Committee has appreciated the continued concerted effort by officers to improve the presentation of bid sheets for consideration by the Committee. With only a small number of exceptions, all 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 comments relating to the readability (mainly font size issues) of some capital bid sheets will be taken on board and improved upon next year.
- 3.4 The Committee will endeavour to assess the mid-year budgetary position during the 2022/23 municipal year, in order to compare assumptions and projections contained within the proposed MTFP to their actual position. Members were particularly receptive to this suggestion from the Executive Member for Finance and Housing and the Deputy Chief Executive, and feel that this is an excellent example of Overview and Scrutiny being utilised to add value and reassurance to key aspects of the Council's functions. The Committee feel that in-year monitoring of the budgetary position adds further confidence to the overview of the budgetary process, allowing Members to consider whether approved spends are on track, and an efficient use of Council resources whilst delivering the Council's priorities as set out within the Community Vision and Corporate Delivery Plan.
- 3.5 The Committee looks forward for Overview and Scrutiny to continue 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 our residents and fulfils our statutory obligations. This process will only become more crucial should factors and unknowns beyond the Council's control remain or become more prevalent.
- 3.6 The ongoing 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 acceptable 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. Whilst the levels are acceptable, the Committee hopes that the reserve levels will return to a figure of approximately £10m as quickly as possible, whereby funding can be delivered as and when necessary to meet the needs of the Borough and its residents in the knowledge that WBC had a sufficient financial safety net.

- 3.7 Overview and Scrutiny have received positive responses from Executive Members and Directors with regards to the third 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. With uncertainty remaining regarding the future of Local Government funding arrangements, adult social care funding arrangements, and the impact of Central Government's 'Levelling up' agenda, the involvement of Overview and Scrutiny within the budget setting process will only add further value in future years.
- 3.8 The Committee wishes to reiterate their thanks for the support offered in enabling this year's review to be carried out. This review 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 the shadow of increasing uncertainty.