



WOKINGHAM BOROUGH COUNCIL

COMMUNITY AND CORPORATE OVERVIEW & SCRUTINY COMMITTEE

SCRUTINY OF THE BUDGET SETTING PROCESS 2022-23 AND THE MEDIUM TERM FINANCIAL PLAN 2023-26

REPORT, PROCESS OVERVIEW AND OBSERVATIONS

FEBRUARY 2023

Committee Members:

Councillor Peter Dennis (Chair)

Councillors David Cornish (Vice Chair), Laura Blumenthal, Chris Bowring, Shirley Boyt, Andy Croy, Michael Firmager, Chris Johnson, Norman Jorgensen, Pauline Jorgensen, Gregor Murray, Alistair Neal

Foreword by Councillor Peter Dennis, 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, 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. In the 2019/20 municipal year, Overview and Scrutiny were presented with all revenue bids over £50,000 and the entire capital programme. 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 advised from the outset of their review of the stark and unprecedented pressures facing Local Government finances this year. A combination of factors including inflation, cost of living pressures and ongoing recovery from the pandemic had resulted in a revenue budget gap of approximately £4m that needed to be addressed to set a balanced budget for the next financial year (2023/24). This was in addition to an approximate £14m budget gap in the capital programme for the next financial year. The Committee were invited to provide suggestions for potential future savings, and carefully probed individual bids to gain assurances that they were both necessary and proportionate.

The Committee particularly focussed on seeking assurances that proposed savings were achievable and realistic, whilst any growth bids were wholly 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. It was crucial that assumptions were grounded and based on the most up to date and reliable information, and stood up to scrutiny when examined.

On behalf of myself and the Committee, I would like to thank the Executive Members, Directors and Assistant Directors, Members and officers who engaged throughout this process and enabled a successful overview of the 2023-26 MTFP.

Special thanks should be given to Councillor Imogen Shepherd DuBey (Executive Member for Finance) 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.

Peter Dennis,
February 2023

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 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 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 Committees when assessing the MTFP in recent years, as they are made up of 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 on how many residents would be served by a specific revenue bid, could lead to that figure being revised 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 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 formally answered in the following review meeting.

- 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 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.
- 1.8 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 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.
- 1.9 Where changes were made to revenue bids between different iterations of the emerging 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, 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 the 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. Many 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 continued 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 (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 2023-26 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 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 to transform existing Adult Social Care accommodation, funding for highways structural maintenance schemes, and bids to develop greenways throughout the Borough. 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 must 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 either using Microsoft Teams or attending the meeting in person. The Committee 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 Growth pressures within Children's Services is resulting in proposed spending increases of approximately £4.5m. However, savings proposals will reduce this growth by approximately £2m. The service was witnessing unprecedented increases in demand, including Special Educational Needs related services, whilst issues including the war in Ukraine and new arrivals from Hong Kong were placing pressure on school places, which contributed to 500 in-year school admissions. To enable the delivery of efficient and effective Children's Services, the demand management strategy was proposed to continue in order to provide services to children and families at the right time. There were significant pressures in home to school transport budgeting, and it was noted that this budget had been significantly overspent for some years. As a result, the budget for home to school transport was proposed to increase significantly, to better reflect the realistic cost of providing this service and to allow for more prudent financial management. 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 There was no desire to reduce staff numbers within Children's Services, particularly as it was not in the best interest of the service. Vacancies were being held where possible, whilst the impacts of other factors were yet to be fully understood. The Committee were informed that many vacancies on the WBC website were related to schools which were not funded from the WBC budget, whilst other posts were service critical or statutory posts.
- 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 improved commissioning and reduced overheads within Optalis (the Council's arm's length social care provider). The Committee were advised that approximately forty percent of WBC's revenue budget was spent on adult social care, which meant that a two percent increase in adult social care led to an approximate one percent increase in council tax. Growth within the service was continuing, however every effort was being made to keep this under three percent, which was half of the Local Government Association's inflationary pressure guide.
- 2.4 Members observed that bids such as the demand management systems (Children's and Adults), and its associated special item, represented significant budgetary pressures. Members fully appreciated the need to 'flatten the curve' of demand on the service, however requested that such spends be broken down further in future to help identify the component parts and how they would help to reduce growth and provide resultant savings.
- 2.5 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 energy reduction projects. The Committee were reassured to hear that income generation from the part year effect of a second solar farm was provisionally estimated to equate to

£500k in year 3 of the MTFP. Additional solar farms would be smaller than the Barkham solar farm, and would be taken forward as quickly as was feasible.

- 2.6 The cost of living crisis and growing inflationary pressures have required WBC to assess all areas of expenditure, to an even greater extent than in a typical budget setting period. Every department has been asked to assess their current and future spending plans, and to make savings wherever possible. Examples of such savings include a reduced provision of mobile phones for officers, removal of telephone lines when Microsoft Team telephony was in place, and savings in relation to waste and recycling collections. Despite significant savings identified across each Directorate, the difficult financial environment has necessitated utilisation of £1.4m of reserves. Rather than utilising the general reserve, a decision has been made to utilise the re3 Equalisation Fund. This fund is in place to cover any significant additional costs within the re3 waste contract, or to cover costs at the end of the life of the contract. The Committee were advised that whilst utilisation of this fund did present an element of risk, WBC had earmarked reserves totalling approximately £100m across a range of services and assets. The Committee were surprised to learn of the levels of earmarked reserves held by WBC, over and above the General Fund. Whilst it is good to learn that WBC has other resources potentially available to it in times of crisis, concern was raised that Members may not have been fully briefed on these previously. The Committee sought additional details regarding utilisation of this fund, including the loss of any interest earned on the balance of this fund.
- 2.7 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. This is especially pertinent in an environment of increasing costs and rising inflation. 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.
- 2.8 The Chief Executive's Office is proposing a number of savings proposals, including more effective use of Council owned community spaces and a reduction in cloud server spend. The Committee made suggestions in relation to increased use of alternative and cheaper forms of technology, for example exploration of whether Chromebooks could be a possible alternative for officer laptop refreshes. Officers commented that they would explore such options to see if they were suitable for some officers. A notable growth bid is the revenue cost of delivering the new WBC website, which promises to offer additional functionality for residents and Members. The budget to deliver sustainable organisational change sat within this directorate. As noted earlier in the report, such items which represent large spends would be easier for Members to assess if additional detail was presented, possibly by further breaking down the bid into its component parts.

- 2.9 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 within 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), a suite of IT related capital projects, and capital funding to deliver additional secondary school places. 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. It was noted greater Overview and Scrutiny focus tended to be placed on the revenue budget rather than the capital budget. A considerable amount of schemes have necessitated reprofiling to future years, in order to set a balanced budget for next year. In future, greater emphasis, understanding and scrutiny of the capital programme would be a good use of the Committee's time.
- 2.10 The Committee noted the one-off spends, referred to as special items. The Committee probed 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 implementation of a new HR target operating model, one off growth to support leisure income recovery, additional consultancy budget for the Local Plan, and procurement of an education system. The Committee were advised that special items were to be used as one-off spends, and where such spends were likely to become recurring, consideration would be given to add them to the revenue budget via a growth bid in future budgets.
- 2.11 The Committee raised concern regarding the use of expensive agency workers, outside areas of skill scarcity, which placed pressure on departmental budgets for extended periods of time. A full breakdown of agency worker usage was provided to the Committee, whilst a more detailed report which broke the figures down to individual post level was considered in 'Part 2' by the Personnel Board.
- 2.12 The Committee commented that significant savings proposals should be accompanied by detailed business cases to ensure that the expectations of such bids were deliverable. When such savings were critical to the successful setting of a balanced budget, provision of a business case would provide Members with the assurance that such savings were achievable in the given timeframe.
- 2.13 Input from the Committee has resulted in Executive Members, service areas and officers considering potential bids and proposals in a different frame. An example of this, as alluded to previously, was the scope for further consideration of the capital programme, to understand any ramifications of reprofiling or removing schemes. Other examples, which may relate to future budgets, include the savings when compared to the impact of the potential review of the frequency of the Borough News, potential to lease underutilised WBC assets (which will be considered under

the Organisational Foundation Programme), and the further review of self-insurance options and levels of excess for coverage. These examples show the valuable contribution made by Overview and Scrutiny, acting as a critical friend to the Executive to offer insight, analysis and 'food for thought' outside of the traditional budget setting process.

- 2.14 Understandably, the theme of this year's review has been the overwhelming pressures being placed on the Council's finances via the cost of living crisis and inflationary pressures. This will continue in future due to uncertainty regarding the detail of the future adult social care funding agreements, and future Local Government settlement grants. The Committee noted that whilst the settlement allowed Local Authorities to raise Council Tax by an additional amount, this would place pressures on residents and might facilitate the need for more people to access the Council Tax reduction scheme. 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 in future. In addition, the announcement of the settlement, so late in December, has added a degree of unnecessary uncertainty for local authorities.

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 of the Borough. Throughout this process, Executive Members and Directors have been thorough and frank with their answers and have aided the Committee by providing a helpful oversight of the proposed MTFP and the budget setting process.
- 3.2 As part of next year's Budget Scrutiny, the Committee hopes that public involvement within this process will increase, 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. During the process it was noted that Committee papers produced were full colour, and officers responded quickly to produce black and white copies where appropriate to reduce the consumption of expensive printer ink. This process would continue going forwards. The Committee noted that it would be useful for bid values from the previous year to sit alongside new bids. The Committee were thankful that the total budget for services was now displayed next to bids, and are keen for this to continue. Members requested that, in future, large revenue bids be broken down where possible, to allow Members to more fully understand how the component parts of these large bids would work towards their intended goal.
- 3.4 The Committee have asked that a report be considered during the summer of 2023, to provide a breakdown of the Council's earmarked reserves. The Committee hopes that this will give Members a greater understanding of the reserves held by WBC, and what risks were being mitigated by having these reserves in place.
- 3.5 The Committee may place additional focus on the capital programme in future years. Many of these capital bids represent very significant spends, which aim to deliver critical infrastructure for our communities. The Committee wishes to better understand any consequences of reprofiling, 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 our residents and fulfils our statutory obligations. This process will only become more crucial should factor, including inflationary pressures, persist for an extended period of time.

- 3.7 The ongoing recovery from the pandemic, in addition to rising inflation and cost of living pressures has placed considerable demands on all Council budgets. This situation has highlighted the need for safe levels of the General Fund, often referred to as reserves, which can be used to fund service areas which experience unpredictable demand or circumstances. The Committee hopes that prudent financial management can maintain and increase the general reserve in future years, to provide a safety net at times of crisis.
- 3.8 Overview and Scrutiny have received positive responses from Executive Members and Directors with regards to the fourth 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.
- 3.9 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, both to formulate and present to a high standard. However, this is time and effort well spent. Members wish to thank all those who have enabled this overview of the proposed MTFP, especially given the backdrop of financial pressures and economic uncertainty.

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